WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSR
July 07, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-8709

Western Asset High Income Fund II Inc.
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY 10041
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place,4th Fl.

Stamford, CT 06902
(Name and address of agent for service)

Registrant s telephone number, including area code: (800) 451-2010

Date of fiscal year end: April 30,

Date of reporting period: April 30, 2008

ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

ANNUAL REPORT / APRIL 30, 2008

Western Asset High
Income Fund II Inc.
(HIX)

Managed by **WESTERN ASSET**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Fund objective

The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

What s inside

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund s investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund s subadvisers. LMPFA, Western Asset and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc.

Letter from the chairman

Dear Shareholder,

The U.S. economy weakened significantly during the 12-month reporting period ended April 30, 2008. Second quarter 2007 U.S. gross domestic product (GDP)[i] growth was 3.8% and third quarter GDP growth was 4.9%, its strongest showing in four years. However, continued weakness in the housing market, an ongoing credit crunch and soaring oil and food prices then took their toll on the economy. During the fourth quarter of 2007, GDP growth was 0.6%. The U.S. Commerce Department then reported that its preliminary estimate for first quarter 2008 GDP growth was a modest 0.9%. While it was once debated whether or not the U.S. would fall into a recession, it is now looking more likely that the U.S. could experience a mild recession. Even areas of the economy that had once been fairly resilient have begun to falter, including the job market. The U.S. Department of Labor reported that payroll employment declined in each of the first four months of 2008 the longest consecutive monthly decline since early 2003.

Ongoing issues related to the housing and subprime mortgage markets and an abrupt tightening in the credit markets prompted the Federal Reserve Board (Fed)[ii] to take aggressive and, in some cases, unprecedented actions during the reporting period. At its meeting in September 2007, the Fed reduced the federal funds rate[iii] from 5.25% to 4.75%. This marked the first reduction in the federal funds rate since June 2003. The Fed lowered rates on six more occasions through the end of the reporting period, bringing the federal funds rate to 2.00% as of April 30, 2008. In its statement accompanying the April rate cut, the Fed stated: Recent information indicates that economic activity remains weak. Household and business spending has been subdued and labor markets have softened further. Financial markets remain under considerable stress, and tight credit conditions and the deepening housing contraction are likely to weigh on economic growth over the next few quarters.

In addition to lowering short-term interest rates, the Fed took several actions to improve liquidity in the credit markets. In March 2008, the Fed established a new lending program allowing certain brokerage firms, known as primary dealers, to also borrow from its discount window. The Fed also

Letter from the chairman *continued*

increased the maximum term for discount window loans from 30 to 90 days. Then, in mid-March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase.

During the 12-month reporting period, both short- and long-term Treasury yields experienced periods of volatility. This was due, in part, to mixed economic and inflation data, the fallout from the subprime mortgage market crisis and shifting expectations regarding the Fed s monetary policy. Within the bond market, investors were initially focused on the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This turmoil triggered several flights to quality, causing Treasury yields to move sharply lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower).

Overall, during the 12 months ended April 30, 2008, two-year Treasury yields fell from 4.60% to 2.29%. Over the same time frame, 10-year Treasury yields fell from 4.63% to 3.77%. Short-term yields fell sharply in concert with the Fed s rate cuts while longer-term yields fell less dramatically due to inflationary concerns, resulting in a steepening of the U.S. yield curve[iv]. Looking at the 12-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index[v], returned 6.87%.

Increased investor risk aversion during the fiscal year caused the high-yield bond market to produce weak results over the 12-month period ended April 30, 2008. During that period, the Citigroup High Yield Market Index[vi] returned -0.67%. While high-yield bond prices rallied several times during the reporting period, several flights to quality dragged down the sector, although overall default rates continued to be low.

Despite increased investor risk aversion, emerging markets debt generated positive results, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global)[vii] returned 4.60% over the 12 months ended April 30, 2008. Overall solid demand, an expanding global economy, increased domestic spending and the Fed s numerous rate cuts supported the emerging market debt asset class.

Please read on for a more detailed look at prevailing economic and market conditions during the Fund s reporting period and to learn how those conditions have affected Fund performance.

Information about your fund

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

May 30, 2008

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

iv The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

v The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

vi The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.

vii The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.

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Fund overview

Q. What is the Fund s investment strategy?

A. As a primary investment objective, the Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield securities. As a secondary investment objective, the Fund seeks capital appreciation to the extent consistent with its primary objective of seeking to maximize current income. We employ an actively managed approach that is risk controlled and assimilates top-down macro-economic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund s predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as identifying sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with portfolio managers to determine which credits provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

Western Asset Management Company (Western Asset), the Fund s subadviser, utilizes a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset s senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization.

Q. What were the overall market conditions during the Fund s reporting period?

A. During the fiscal year, the U.S. bond market experienced periods of increased volatility. Changing perceptions regarding the economy, inflation and future Federal Reserve Board (Fed)i monetary policy caused bond prices to fluctuate. Two- and 10-year Treasury yields began the reporting period at 4.60% and 4.63%, respectively. Treasury yields then moved sharply higher as incoming economic data improved and inflationary pressures increased. By mid-June 2007, two- and 10-year Treasurys were yielding 5.10% and 5.26%, respectively, and market sentiment was that the Fed s next move would be to raise interest rates.

Fund overview ***continued***

However, after their June peaks, Treasury yields moved lower, as concerns regarding the subprime mortgage market and a severe credit crunch triggered a massive flight to quality. Investors were drawn to the relative safety of Treasurys, causing their yields to fall and their prices to rise. At the same time, increased investor risk aversion caused other segments of the bond market to falter. As conditions in the credit market worsened in August 2007, central banks around the world took action by injecting approximately $500 billion of liquidity into the financial system. Additionally, the Fed began lowering the discount rate[ii] and the federal funds rate[iii] in August and September 2007, respectively. While this initially helped ease the credit crunch, continued subprime mortgage write-offs and weak economic data triggered additional flights to quality in November 2007 and the first quarter of 2008. At the end of the reporting period, two- and 10-year Treasury yields had fallen to 2.29% and 3.77%, respectively. While the Fed attempted to stimulate growth by cutting short-term interest rates from 5.25% to 2.00% during the reporting period, by the end of April 2008, it was generally assumed that the U.S. could be headed for a mild recession.

Given increased investor risk aversion, higher-quality securities outperformed their lower-rated counterparts over the fiscal year. During the 12-month period ended April 30, 2008, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index[iv], gained 6.87%. In contrast, the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index[v] returned -0.80%.

Q. How did we respond to these changing market conditions?

A. We believe that the ability to integrate fundamental credit research with rigorous relative value analysis can drive performance in high-yield portfolios. This is the basis of each investment and does not change regardless of market conditions. We remained committed to a value approach. While the high-yield market suffered from significant technical dislocations which negatively impacted valuations, in our view, this has created significant opportunities for long-term investors.

Performance review

For the 12 months ended April 30, 2008, Western Asset High Income Fund II Inc. returned -5.19% based on its net asset value (NAV[vi]) and -6.15% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmarks, the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index and the JPMorgan Emerging Markets Bond Index Global (EMBI Global)[vii], returned -0.80% and 4.60%, respectively, over the same time frame. Its former unmanaged benchmark, the Citigroup High Yield Market Index[viii], returned -0.67% for the same period. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Average[ix] returned -14.91% over the same time frame. Please note that Lipper performance returns are based on each fund s NAV.

During the 12-month period, the Fund made distributions to shareholders totaling $0.98 per share. The performance table shows the Fund s 12-month total return based on its NAV and market price as of April 30, 2008. **Past performance is no guarantee of future results.**

PERFORMANCE SNAPSHOT as of April 30, 2008 (unaudited)

PRICE PER SHARE	12-MONTH TOTAL RETURN*
$ 10.76 (NAV)	-5.19%
$ 9.90 (Market Price)	-6.15%

All figures represent past performance and are not a guarantee of future results.

* **Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions in additional shares in accordance with the Fund s Dividend Reinvestment Plan.**

Q. What were the leading contributors to performance?

A. Issue selection had no significant impact on the Fund s relative performance during the 12 months ended April 30, 2008. Over this period, the positive impact of eight of the Fund s 10 largest positions outperforming the benchmark was offset by eight of the Fund s 10 largest underweights also outperforming the benchmark.

In terms of sector and sub-sector allocations, the Fund was rewarded for its underweights to poor-performing areas such as Media Cable, which returned -4.81% and Consumer Cyclicals[1], which returned -4.55%, as well as its overweight to Utilities[2], which returned 6.00%. However, these positives were negated by the Fund s underweight to Consumer Non-Cyclicals[3], which returned 5.26%, and an overweight to Financials, which returned -11.46%.

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Consumer Cyclicals consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Services and Textile.

[2] Utilities consists of the following industries: Electric, Natural Gas and Other Utility.

[3] Consumer Non-Cyclicals consists of the following industries: Consumer Products, Food/Beverage, Health Care, Pharmaceuticals, Supermarkets and Tobacco.

Fund overview *continued*

Q. What were the leading detractors from performance?

A. Although emerging markets exposure aided performance relative to the Fund s high-yield peer group, relative to the EMBI Global, an underweight to emerging market debt was a major detractor from performance. The Fund s underweight to emerging market debt relative to the EMBI Global was more a reflection of our view that high-yield valuations in general were extremely attractive as opposed to a negative view on emerging markets debt valuations.

The Fund s credit quality positioning also had a negative impact on its performance relative to the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index. This was largely due to an overweight to issues rated CCC, which returned -5.99% for the 12 months ended April 30, 2008, and an underweight to BB- rated issues, which returned 0.34% for the same period.[x] The positioning reflected our view that the lower credit valuations were even more attractive than the valuations of BB- and higher-rated issues.

The Fund added leverage during the reporting period to purchase additional high-yield securities at what appeared to be attractive yields. Unfortunately, the additional leverage hurt the Fund s performance during the reporting period. However, maintaining a lower level of leverage than allowed helped performance versus the Fund s peer group.

Q. Were there any significant changes to the Fund during the reporting period?

A. There were no significant changes to the Fund during the reporting period.

Looking for additional information?

The Fund is traded under the symbol HIX and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XHGIX on most financial websites. *Barron s* and *The Wall Street Journal s* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites, as well as www.leggmason.com/individualinvestors.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund s current NAV, market price and other information.

Thank you for your investment in Western Asset High Income Fund II Inc. As always, we appreciate that you have chosen us to manage your assets, and we remain focused on achieving the Fund s investment goals.

Sincerely,

Western Asset Management Team

May 20, 2008

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund s top five sector holdings (as a percentage of net assets) as of April 30, 2008 were: Corporate Bonds & Notes (121.7%), Sovereign Bonds (6.8%), Collateralized Senior Loans (3.6%), Convertible Preferred Stocks (1.0%) and Convertible Bonds & Notes (0.8%). The Fund s portfolio composition is subject to change at any time.

RISKS: As interest rates rise, bond prices fall, reducing the value of the Fund s holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. The risks are magnified in emerging markets.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

i The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

ii The discount rate is the interest rate charged by the U.S. Federal Reserve Bank on short-term loans (usually overnight or weekend) to banks.

iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

iv The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

v The Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Lehman Brothers U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

vi NAV is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund s market price as determined by supply of and demand for the Fund s shares.

vii The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.

viii The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.

ix Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the 12-month period ended April 30, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 36 funds in the Fund s Lipper category.

x Source: Based on the returns within the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments April 30, 2008

Schedule of investments

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 88.2%		
	Aerospace & Defense 1.7%	
	DRS Technologies Inc., Senior Subordinated Notes:	
1,535,000	6.625% due 2/1/16	$ 1,527,325
3,320,000	7.625% due 2/1/18	3,403,000
	Hawker Beechcraft Acquisition Co.:	
6,455,000	8.875% due 4/1/15(a)(b)	6,793,887
2,550,000	9.750% due 4/1/17	2,703,000
106,119	Kac Acquisition Co., Subordinated Notes, 1.000% due 4/26/26(c)(d)(g)	0
	L-3 Communications Corp., Senior Subordinated Notes:	
2,935,000	7.625% due 6/15/12	3,023,050
2,600,000	6.125% due 1/15/14	2,580,500
	Total Aerospace & Defense	*20,030,762*
	Airlines 1.9%	
	Continental Airlines Inc., Pass-Through Certificates:	
95,329	6.541% due 9/15/08	95,329
1,147,795	8.312% due 10/2/12	1,073,188
1,765,000	7.339% due 4/19/14(d)	1,553,200
7,870,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15(a)(e)	8,037,237
	Delta Air Lines Inc.:	
1,644,136	8.954% due 8/10/14	1,463,281
	Pass-Through Certificates:	
1,773,817	6.619% due 3/18/11	1,739,856
6,135,000	7.111% due 9/18/11	6,005,803
2,135,000	7.711% due 9/18/11	1,964,200
	Total Airlines	*21,932,094*
	Auto Components 1.6%	
	Allison Transmission Inc.:	
2,120,000	11.000% due 11/1/15(e)	2,093,500
4,190,000	Senior Notes, 11.250% due 11/1/15(b)(e)	4,011,925
3,620,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	2,081,500
12,180,000	Visteon Corp., Senior Notes, 8.250% due 8/1/10(a)	10,779,300
	Total Auto Components	*18,966,225*
	Automobiles 2.0%	
	Ford Motor Co., Debentures:	
1,880,000	8.875% due 1/15/22	1,532,200
3,425,000	8.900% due 1/15/32	2,594,437

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Automobiles 2.0% ***continued***	
	General Motors Corp.:	
4,590,000	Notes, 7.200% due 1/15/11	$ 4,073,625
	Senior Debentures:	
2,375,000	8.250% due 7/15/23	1,787,188
16,625,000	8.375% due 7/15/33(a)	12,738,906
	Total Automobiles	*22,726,356*
	Building Products 1.8%	
	Associated Materials Inc.:	
9,640,000	Senior Discount Notes, step bond to yield 14.485% due 3/1/14(a)	6,940,800
3,005,000	Senior Subordinated Notes, 9.750% due 4/15/12	3,005,000
	GTL Trade Finance Inc.:	
2,360,000	7.250% due 10/20/17(e)**	2,432,719
2,302,000	7.250% due 10/20/17(e)**	2,375,565
2,345,000	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	1,729,437
8,825,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.589% due 3/1/14	3,838,875
	Total Building Products	*20,322,396*
	Chemicals 1.3%	
	Georgia Gulf Corp., Senior Notes:	
1,310,000	9.500% due 10/15/14	1,113,500
6,440,000	10.750% due 10/15/16	4,701,200
2,390,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14	2,533,400
3,075,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	3,313,312
4,475,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27(e)	2,998,250
1,015,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	898,275
	Total Chemicals	*15,557,937*
	Commercial Banks 1.8%	
5,260,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14(e)**	5,338,900
4,490,000	HSBK Europe BV, 7.250% due 5/3/17(e)**	3,951,200
	ICICI Bank Ltd., Subordinated Bonds:	
1,174,000	6.375% due 4/30/22(e)(f)**	1,048,791
1,170,000	6.375% due 4/30/22(e)(f)**	1,045,245
76,695,000RUB	JPMorgan Chase Bank, Credit Linked Notes (Russian Agricultural Bank), 9.500%, due 2/11/11(d)	3,149,648
	Russian Agricultural Bank, Loan Participation Notes:	
1,654,000	7.175% due 5/16/13(e)**	1,697,418
1,055,000	6.299% due 5/15/17(e)**	985,106

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Commercial Banks 1.8% ***continued***	
	TuranAlem Finance BV, Bonds:	
2,785,000	8.250% due 1/22/37(e)**	$ 2,276,737
1,059,000	8.250% due 1/22/37(e)**	864,409
	Total Commercial Banks	*20,357,454*
	Commercial Services & Supplies 2.6%	
6,675,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	5,773,875
3,690,000	Allied Waste North America Inc., Senior Notes, 7.375% due 4/15/14	3,736,125
1,285,000	Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15(e)	1,117,950
7,693,000	DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13(a)	7,933,406
	Interface Inc.:	
2,875,000	Senior Notes, 10.375% due 2/1/10	3,025,938
1,500,000	Senior Subordinated Notes, 9.500% due 2/1/14	1,552,500
5,305,000	Rental Services Corp., Senior Notes, 9.500% due 12/1/14	4,774,500
2,380,000	US Investigations Services Inc., 11.750% due 5/1/16(e)	1,939,700
	Total Commercial Services & Supplies	*29,853,994*
	Communications Equipment 0.4%	
6,100,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	*4,605,500*
	Construction & Engineering 0.3%	
3,740,000	Odebrecht Finance Ltd., 7.500% due 10/18/17(e)**	*3,786,750*
	Consumer Finance 3.9%	
4,090,000	AmeriCredit Corp., 8.500% due 7/1/15	3,190,200
	Ford Motor Credit Co.:	
	Notes:	
3,075,000	7.875% due 6/15/10	2,928,273
3,320,000	7.000% due 10/1/13	2,867,527
	Senior Notes:	
4,248,000	8.050% due 6/15/11(f)	3,896,236
1,950,000	9.875% due 8/10/11	1,888,136
1,210,000	5.460% due 1/13/12(f)	1,018,316
13,970,000	12.000% due 5/15/15	14,367,572
190,000	8.000% due 12/15/16	166,534
	General Motors Acceptance Corp.:	
14,270,000	Bonds, 8.000% due 11/1/31(a)	10,820,299
4,370,000	Notes, 6.875% due 8/28/12	3,469,933
	Total Consumer Finance	*44,613,026*

See Notes to Financial Statements.

Schedule of investments ***continued***

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Containers & Packaging 1.0%	
2,000,000	Berry Plastics Holding Corp., 8.875% due 9/15/14	$ 1,880,000
1,295,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	1,223,775
4,725,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	4,725,000
1,490,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15(e)	1,404,325
1,975,000	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10(c)(d)(g)	0
1,700,000	Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16(e)	1,793,500
660,000	Smurfit-Stone Container Enterprises Inc., Senior Notes, 8.375% due 7/1/12	607,200
	Total Containers & Packaging	*11,633,800*
	Diversified Consumer Services 0.5%	
4,970,000	Education Management LLC/Education Management Finance Corp., Senior Subordinated Notes, 10.250% due 6/1/16	4,199,650
	Service Corp. International, Senior Notes:	
1,200,000	7.625% due 10/1/18	1,261,500
1,010,000	7.500% due 4/1/27	888,800
	Total Diversified Consumer Services	*6,349,950*
	Diversified Financial Services 3.7%	
4,060,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15(e)	2,963,800
2,110,000	CCM Merger Inc., Notes, 8.000% due 8/1/13(e)	1,825,150
4,190,000	Citigroup Inc., Junior Subordinated Notes, 8.400% due 10/30/49(f)	4,245,853
135,000	El Paso Performance-Linked Trust Certificates, Senior Notes, 7.750% due 7/15/11(e)	140,359
5,800,000	Elyria Foundry Co./EH Acquisition Inc., 13.000% due 3/1/13(e)	5,684,000
4,400,000	Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, 7.565% due 11/15/14(f)	4,147,000
3,460,000	Leucadia National Corp., Senior Notes, 8.125% due 9/15/15	3,546,500
	LVB Acquisition Merger:	
1,745,000	Senior Subordinated Bonds, 11.625% due 10/15/17(e)	1,862,788
1,040,000	Subordinated Inc., 10.375% due 10/15/17(b)(e)	1,107,600
	Residential Capital LLC:	
3,957,000	6.546% due 4/17/09(e)(f)	1,805,381
1,520,000	8.875% due 6/30/15(f)	767,600
4,290,000	Notes, 8.375% due 6/30/10(f)	2,348,775
5,125,000	Senior Notes, 8.000% due 2/22/11(f)	2,665,000
700,000	Smurfit Kappa Funding PLC, Senior Subordinated Notes, 7.750% due 4/1/15	638,750
	TNK-BP Finance SA:	
1,360,000		