

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

February 24, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-7920

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

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

10041
(Zip code)

Robert I. Frenkel, Esq.
Legg Mason & Co., LLC
100 First Stamford Place
Stamford, CT 06902
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-888-777-0102

Date of fiscal year end: September 30

Date of reporting period: December 31, 2009

ITEM 1.

SCHEDULE OF INVESTMENTS

WESTERN ASSET

HIGH INCOME OPPORTUNITY FUND INC.

FORM N-Q

DECEMBER 31, 2009

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited)

December 31, 2009

| Face Amount | Security | Value |
|---|---|------------|
| CORPORATE BONDS & NOTES 89.3% | | |
| CONSUMER DISCRETIONARY 17.8% | | |
| Auto Components 0.9% | | |
| \$ 390,000 | Affinia Group Inc., Senior Secured Notes, 10.750% due 8/15/16 (a) | \$ 424,612 |
| 290,000 | Allison Transmission Inc., Senior Notes: 11.000% due 11/1/15 (a) | 305,950 |
| 1,817,200 | 11.250% due 11/1/15 (a)(b) | 1,908,060 |
| 170,000 | American Axle & Manufacturing Holdings Inc., Senior Secured Notes, 9.250% due 1/15/17 (a) | 173,400 |
| 660,000 | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | 287,100 |
| 435,000 | TRW Automotive Inc., Senior Notes, 8.875% due 12/1/17 (a) | 454,575 |
| 532,000 | Visteon Corp., Senior Notes: 8.250% due 8/1/10 (c) | 142,310 |
| 1,087,000 | 12.250% due 12/31/16 (a)(c) | 461,975 |
| | Total Auto Components | 4,157,982 |
| Automobiles 0.6% | | |
| 4,220,000 | Motors Liquidation Co.: Senior Debentures, 8.375% due 7/15/33 (c) | 1,160,500 |
| 2,665,000 | Senior Notes: 7.200% due 1/15/11 (c) | 732,875 |
| 2,125,000 | 7.125% due 7/15/13 (c) | 573,750 |
| | Total Automobiles | 2,467,125 |
| Diversified Consumer Services 0.4% | | |
| 1,550,000 | Stonemor Operating LLC/Cornerstone Family Services/Osiris Holdings, Senior Notes, 10.250% due 12/1/17 (a) | 1,584,875 |
| Hotels, Restaurants & Leisure 6.7% | | |
| 1,345,000 | Ameristar Casinos Inc., Senior Notes, 9.250% due 6/1/14 (a) | 1,402,162 |
| 675,000 | Boyd Gaming Corp., Senior Subordinated Notes, 7.125% due 2/1/16 | 590,625 |
| 78,000 | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 | 80,145 |
| 1,695,000 | Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15 (a) | 1,404,731 |
| 2,915,000 | El Pollo Loco Inc.: Senior Notes, 11.750% due 11/15/13 | 2,667,225 |
| 725,000 | Senior Secured Notes, 11.750% due 12/1/12 (a) | 755,813 |
| 445,000 | Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15 (a)(c) | 6,675 |
| 2,750,000 | Harrah's Operating Co. Inc.: Senior Notes, 10.750% due 2/1/16 | 2,255,000 |
| 725,000 | Senior Secured Notes: 10.000% due 12/15/15 (a) | 594,500 |
| 1,420,000 | 11.250% due 6/1/17 (a) | 1,492,775 |
| 2,200,000 | Harrah's Operating Escrow LLC/Harrahs Escrow Corp., Senior Secured Notes, 11.250% due 6/1/17 (a) | 2,312,750 |

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|-----------|--|-----------|
| 1,640,000 | Indianapolis Downs LLC & Capital Corp., Senior Secured Notes, | |
| | 11.000% due 11/1/12 (a) | 1,074,200 |
| 3,912,000 | Inn of the Mountain Gods Resort & Casino, Senior Notes, | |
| | 12.000% due 11/15/10 (c)(d) | 1,638,150 |
| 960,000 | Landry's Restaurants Inc., Senior Secured Notes, 11.625% due 12/1/15 (a) | 1,022,400 |
| | MGM MIRAGE Inc.: | |
| | Senior Notes: | |
| 95,000 | 8.500% due 9/15/10 | 95,000 |
| 1,915,000 | 11.375% due 3/1/18 (a) | 1,723,500 |
| | Senior Secured Notes: | |
| 150,000 | 10.375% due 5/15/14 (a) | 163,500 |
| 360,000 | 11.125% due 11/15/17 (a) | 400,500 |
| 3,090,000 | Senior Subordinated Notes, 8.375% due 2/1/11 | 2,943,225 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| | Face Amount | Security | Value |
|--|-------------------------|---|-------------------|
| Hotels, Restaurants & Leisure | 6.7% (continued) | | |
| \$ | 1,300,000 | Mohegan Tribal Gaming Authority: Senior Secured Notes, 11.500% due 11/1/17 (a) | \$ 1,332,500 |
| | 225,000 | Senior Subordinated Notes, 6.875% due 2/15/15 | 147,375 |
| | 1,440,000 | NCL Corp. Ltd., Senior Secured Notes, 11.750% due 11/15/16 (a) | 1,429,200 |
| | 430,000 | Penn National Gaming Inc., Senior Subordinated Notes, 8.750% due 8/15/19 (a) | 441,825 |
| | 1,295,000 | Pinnacle Entertainment Inc., Senior Notes, 8.625% due 8/1/17 (a) | 1,327,375 |
| | 1,065,000 | Sbarro Inc., Senior Notes, 10.375% due 2/1/15 | 841,350 |
| | | Snoqualmie Entertainment Authority, Senior Secured Notes: | |
| | 890,000 | 4.680% due 2/1/14 (a)(e) | 440,550 |
| | 165,000 | 9.125% due 2/1/15 (a) | 88,275 |
| | | Station Casinos Inc.: | |
| | | Senior Notes: | |
| | 1,515,000 | 6.000% due 4/1/12 (c)(d) | 236,719 |
| | 2,265,000 | 7.750% due 8/15/16 (c)(d) | 365,231 |
| | 85,000 | Senior Subordinated Notes, 6.625% due 3/15/18 (c)(d) | 850 |
| | 405,000 | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., Secured Notes, 7.875% due 11/1/17 (a) | 412,088 |
| | | Total Hotels, Restaurants & Leisure | 29,686,214 |
| Household Durables | 0.8% | | |
| | 865,000 | American Greetings Corp., Senior Notes: | |
| | 55,000 | 7.375% due 6/1/16 | 847,700 |
| | 1,790,000 | 7.375% due 6/1/16 | 50,600 |
| | | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 (d) | 1,792,237 |
| | 1,023,000 | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, 9.750% due 9/1/12 (d) | 987,195 |
| | | Total Household Durables | 3,677,732 |
| Media | 5.5% | | |
| | 565,000 | Affinion Group Inc.: | |
| | | Senior Notes, 10.125% due 10/15/13 | 583,363 |
| | | Senior Subordinated Notes: | |
| | 1,150,000 | 10.125% due 10/15/13 | 1,187,375 |
| | 4,200,000 | 11.500% due 10/15/15 | 4,420,500 |
| | 551,225 | CCH II LLC/CCH II Capital Corp., Senior Notes, 13.500% due 11/30/16 (a) | 646,311 |
| | | Cengage Learning Acquisitions Inc.: | |
| | 450,000 | Senior Notes, 10.500% due 1/15/15 (a) | 432,563 |
| | 1,380,000 | Senior Subordinated Notes, 13.250% due 7/15/15 (a) | 1,347,225 |
| | 3,140,000 | Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14 (a) | 3,532,500 |
| | | CSC Holdings Inc., Senior Notes, 8.500% due 6/15/15 (a) | 1,605,000 |
| | 1,500,000 | | 1,605,000 |
| | 3,910,000 | DISH DBS Corp., Senior Notes, 7.875% due 9/1/19 | 4,120,162 |
| | 1,915,000 | | 189,106 |

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| | | |
|------------------------------|---|------------|
| | R.H. Donnelley Corp., Senior Notes, 8.875% due 1/15/16 (c) | |
| 1,250,000 | Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12 | 1,225,000 |
| 1,060,000 | Sun Media Corp., Senior Notes, 7.625% due 2/15/13 | 971,225 |
| 1,975,000 | Univision Communications Inc., Senior Secured Notes, 12.000% due 7/1/14 (a) | 2,184,844 |
| 675,000 | UPC Holding BV, Senior Notes, 9.875% due 4/15/18 (a) | 715,500 |
| | Virgin Media Finance PLC: Senior Bonds, 9.500% due 8/15/16 | 539,375 |
| 500,000 | Senior Notes, 9.125% due 8/15/16 | 568,549 |
| 537,000 | Total Media | 24,268,598 |
| Multiline Retail 0.8% | | |
| 158,000 | Dollar General Corp., Senior Notes, 10.625% due 7/15/15 | 175,775 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------------|
| Multiline Retail 0.8% (continued) | | |
| \$ 2,329,028 | Neiman Marcus Group Inc.: | |
| 1,090,000 | Senior Notes, 9.000% due 10/15/15 (b) | \$ 2,288,270 |
| | Senior Secured Notes, 7.125% due 6/1/28 | 964,650 |
| | Total Multiline Retail | 3,428,695 |
| Specialty Retail 1.5% | | |
| 1,495,000 | Blockbuster Inc., Senior Secured Notes, 11.750% due 10/1/14 (a) | 1,427,725 |
| 365,000 | Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15 | 375,037 |
| 155,000 | Limited Brands Inc., Senior Notes, 8.500% due 6/15/19 (a) | 169,338 |
| 2,575,000 | Michaels Stores Inc.: | 2,678,000 |
| 610,000 | Senior Notes, 10.000% due 11/1/14 | 645,075 |
| 1,640,000 | Senior Subordinated Bonds, 11.375% due 11/1/16 | 1,361,200 |
| | Senior Subordinated Notes, step bond to yield 3.070% due 11/1/16 | 1,361,200 |
| | Total Specialty Retail | 6,656,375 |
| Textiles, Apparel & Luxury Goods 0.6% | | |
| 2,340,000 | Oxford Industries Inc., Senior Secured Notes, 11.375% due 7/15/15 | 2,585,700 |
| | TOTAL CONSUMER DISCRETIONARY | 78,513,296 |
| CONSUMER STAPLES 1.5% | | |
| Food Products 0.6% | | |
| 560,000 | Bumble Bee Foods LLC, Senior Secured Notes, 7.750% due 12/15/15 (a) | 562,800 |
| 880,000 | Del Monte Corp., Senior Subordinated Notes, 7.500% due 10/15/19 (a) | 910,800 |
| 700,000 | Dole Food Co. Inc., Senior Secured Notes, 8.000% due 10/1/16 (a) | 714,000 |
| 605,000 | Smithfield Foods Inc., Senior Secured Notes, 10.000% due 7/15/14 (a) | 659,450 |
| | Total Food Products | 2,847,050 |
| Household Products 0.4% | | |
| 670,000 | American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12 (a) | 671,675 |
| 950,000 | Reynolds Group DL Escrow Inc./Reynolds Group Escrow LLC, Senior Secured Notes, 7.750% due 10/15/16 (a) | 976,125 |
| | Total Household Products | 1,647,800 |
| Personal Products 0.2% | | |
| 760,000 | Revlon Consumer Products Corp., Senior Secured Notes, 9.750% due 11/15/15 (a) | 788,500 |
| Tobacco 0.3% | | |
| 830,000 | Alliance One International Inc., Senior Notes: 10.000% due 7/15/16 (a) | 875,650 |
| 660,000 | 10.000% due 7/15/16 (a) | 696,300 |
| | Total Tobacco | 1,571,950 |
| | TOTAL CONSUMER STAPLES | 6,855,300 |

ENERGY 12.3%

Energy Equipment & Services 1.5%

| | | |
|-----------|---|------------------|
| 1,505,000 | Basic Energy Services Inc., Senior Secured Notes, 11.625% due 8/1/14 | 1,617,875 |
| 1,150,000 | Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16 | 1,139,938 |
| 610,000 | Geokinetics Holdings Inc., Senior Secured Notes, 9.750% due 12/15/14 (a) | 602,375 |
| 895,000 | Hercules Offshore LLC, Senior Secured Notes, 10.500% due 10/15/17 (a) | 948,700 |
| 1,475,000 | Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14 | 1,486,063 |
| 550,000 | North American Energy Alliance LLC/North American Energy Alliance Finance Corp., Senior Secured Notes, 10.875% due 6/1/16 (a) | 587,125 |
| 60,000 | Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32 | 69,298 |
| | Total Energy Equipment & Services | 6,451,374 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|---|------------|
| Oil, Gas & Consumable Fuels 10.8% | | |
| \$ 400,000 | Adaro Indonesia PT, Notes, 7.625% due 10/22/19 (a) | \$ 397,500 |
| 1,230,000 | Arch Coal Inc., Senior Notes, 8.750% due 8/1/16 (a) | 1,306,875 |
| 1,730,000 | Atlas Pipeline Partners LP, Senior Notes, 8.750% due 6/15/18 | 1,539,700 |
| 4,172,000 | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 | 3,921,680 |
| 1,155,000 | Berry Petroleum Co., Senior Notes, 10.250% due 6/1/14 | 1,261,837 |
| 2,285,000 | Chesapeake Energy Corp., Senior Notes: 6.625% due 1/15/16 | 2,273,575 |
| 1,180,000 | 6.250% due 1/15/18 | 1,138,700 |
| 585,000 | 7.250% due 12/15/18 | 592,313 |
| 360,000 | Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15 | 359,100 |
| 810,000 | Compagnie Generale de Geophysique-Veritas, Senior Notes, 9.500% due 5/15/16 (a) | 870,750 |
| 3,479,221 | Corral Petroleum Holdings AB, Senior Secured Subordinated Bonds, 1.784% due 4/15/10 (a)(b)(c)(f) | 2,835,565 |
| 345,000 | Encore Acquisition Co., Senior Subordinated Notes, 9.500% due 5/1/16 | 365,700 |
| 1,380,000 | Enterprise Products Operating LLP: Junior Subordinated Notes, 8.375% due 8/1/66 | 1,347,166 |
| 620,000 | Subordinated Notes, 7.034% due 1/15/68 | 569,696 |
| 1,110,000 | Forest Oil Corp., Senior Notes, 8.500% due 2/15/14 (a) | 1,165,500 |
| 70,000 | Griffin Coal Mining Co. Pty Ltd., Senior Notes, 9.500% due 12/1/16 (a)(c) | 41,738 |
| 2,815,000 | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 | 2,719,994 |
| 940,000 | Mariner Energy Inc., Senior Notes: 7.500% due 4/15/13 | 940,000 |
| 555,000 | 8.000% due 5/15/17 | 535,575 |
| 480,000 | MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18 | 496,800 |
| 1,720,000 | Murray Energy Corp., Senior Secured Notes, 10.250% due 10/15/15 (a) | 1,720,000 |
| 1,000,000 | OPTI Canada Inc., Senior Secured Notes: 9.000% due 12/15/12 (a) | 1,027,500 |
| 345,000 | 7.875% due 12/15/14 | 284,625 |
| 920,000 | 8.250% due 12/15/14 | 762,450 |
| 1,495,000 | Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13 | 1,569,750 |
| 630,000 | Petroplus Finance Ltd., Senior Notes: 6.750% due 5/1/14 (a) | 595,350 |
| 780,000 | 7.000% due 5/1/17 (a) | 705,900 |
| 1,125,000 | Plains Exploration & Production Co., Senior Notes: 10.000% due 3/1/16 | 1,237,500 |
| 1,195,000 | 8.625% due 10/15/19 | 1,233,837 |
| | Quicksilver Resources Inc., Senior Notes: | |

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|-----------------------------|---|------------|
| 1,200,000 | 8.250% due 8/1/15 | 1,236,000 |
| 455,000 | 11.750% due 1/1/16 | 518,700 |
| | SandRidge Energy Inc., Senior Notes, 8.625% due 4/1/15 | |
| 4,200,000 | (b) | 4,221,000 |
| 1,575,000 | Teekay Corp., Senior Notes, 8.875% due 7/15/11 | 1,639,969 |
| | Tennessee Gas Pipeline Co., Senior Notes, 8.375% due | |
| 3,270,000 | 6/15/32 | 3,899,733 |
| 1,325,000 | W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 (a) | 1,265,375 |
| | Whiting Petroleum Corp., Senior Subordinated Notes, | |
| 1,275,000 | 7.000% due 2/1/14 | 1,286,156 |
| | Total Oil, Gas & Consumable Fuels | 47,883,609 |
| | TOTAL ENERGY | 54,334,983 |
| FINANCIALS 13.8% | | |
| Capital Markets 0.1% | | |
| 1,420,000 | Lehman Brothers Holdings Inc., Medium-Term Notes, | |
| | Senior Notes, 5.250% due 2/6/12 (c) | 284,000 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------------|
| Commercial Banks 1.5% | | |
| \$ 830,000 | BAC Capital Trust VI, Capital Securities, Junior Subordinated Notes, 5.625% due 3/8/35 | \$ 666,446 |
| 600,000 | BankAmerica Institutional Capital B, Junior Subordinated Bonds, 7.700% due 12/31/26 (a) | 570,000 |
| 700,000 | Credit Agricole SA, Subordinated Notes, 8.375% due 10/13/19 (a)(g) | 744,352 |
| 765,000 | Royal Bank of Scotland Group PLC, Subordinated Notes: 5.000% due 11/12/13 | 687,618 |
| 330,000 | 5.050% due 1/8/15 | 286,568 |
| 3,090,000 | Wells Fargo Capital XIII, Medium-Term Notes, 7.700% due 3/26/13 (e)(g) | 3,012,750 |
| 605,000 | Wells Fargo Capital XV, Junior Subordinated Notes, 9.750% due 9/26/13 (e)(g) | 650,375 |
| | Total Commercial Banks | 6,618,109 |
| Consumer Finance 5.0% | | |
| 2,440,000 | FMG Finance Pty Ltd., Senior Secured Notes, 10.625% due 9/1/16 (a) | 2,711,450 |
| 1,000,000 | Ford Motor Credit Co., Senior Notes, 9.875% due 8/10/11 | 1,047,406 |
| 2,045,000 | Ford Motor Credit Co., LLC, Senior Notes: 7.500% due 8/1/12 | 2,063,485 |
| 8,165,000 | 12.000% due 5/15/15 | 9,477,932 |
| 5,304,000 | GMAC LLC: Senior Notes, 8.000% due 11/1/31 (a) | 4,826,640 |
| 74,000 | Subordinated Notes, 8.000% due 12/31/18 (a) | 65,860 |
| 905,000 | SLM Corp.: Medium-Term Notes, 5.625% due 8/1/33 | 684,268 |
| 1,465,000 | Senior Notes, 8.450% due 6/15/18 | 1,447,738 |
| | Total Consumer Finance | 22,324,779 |
| Diversified Financial Services 4.4% | | |
| 1,120,000 | Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities, 10.250% due 8/15/39 | 1,305,377 |
| 2,255,000 | CCM Merger Inc., Notes, 8.000% due 8/1/13 (a) | 1,840,644 |
| 212,281 | CIT Group Inc., Senior Secured Bonds: 7.000% due 5/1/13 | 199,544 |
| 318,421 | 7.000% due 5/1/14 | 296,530 |
| 318,421 | 7.000% due 5/1/15 | 286,579 |
| 630,702 | 7.000% due 5/1/16 | 558,171 |
| 2,812,982 | 7.000% due 5/1/17 | 2,454,327 |
| 1,250,000 | Fresenius U.S. Finance II Inc., Senior Notes, 9.000% due 7/15/15 (a) | 1,381,250 |
| 195,000 | International Lease Finance Corp., Medium-Term Notes, Senior Notes, 5.750% due 6/15/11 | 179,225 |
| 2,040,000 | JPMorgan Chase & Co., Junior Subordinated Notes, 7.900% due 4/30/18 (e)(g) | 2,111,061 |

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| | Leucadia National Corp., Senior Notes: | |
| 450,000 | 7.750% due 8/15/13 | 453,937 |
| 1,220,000 | 8.125% due 9/15/15 | 1,250,500 |
| | TNK-BP Finance SA: | |
| 1,525,000 | 7.875% due 3/13/18 (a) | 1,578,375 |
| 744,000 | Senior Notes, 7.875% due 3/13/18 (a) | 768,180 |
| | UPC Germany GmbH, Senior Secured Bonds, 8.125% | |
| 1,200,000 | due 12/1/17 (a) | 1,219,500 |
| 2,850,000 | Vanguard Health Holdings Co., I LLC, Senior Discount | |
| | Notes, | |
| | 11.250% due 10/1/15 | 3,013,875 |
| 580,000 | Vanguard Health Holdings Co., II LLC, Senior | |
| | Subordinated Notes, 9.000% due 10/1/14 | 603,925 |
| | Total Diversified Financial Services | 19,501,000 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------------|
| Insurance 1.4% | | |
| \$ 860,000 | American International Group Inc.: Junior Subordinated Notes, 8.175% due 5/15/58 (e) | \$ 574,050 |
| 2,335,000 | Medium-Term Notes, Senior Notes: 5.450% due 5/18/17 | 1,892,445 |
| 615,000 | 5.850% due 1/16/18 | 505,390 |
| 520,000 | Senior Notes: 5.050% due 10/1/15 | 434,330 |
| 1,465,000 | 8.250% due 8/15/18 | 1,377,471 |
| 1,160,000 | Everest Reinsurance Holdings Inc., Subordinated Notes, 6.600% due 5/15/37 | 864,200 |
| 590,000 | MetLife Capital Trust IV, Junior Subordinated Notes, 7.875% due 12/15/37 (a) | 592,950 |
| | Total Insurance | 6,240,836 |
| Real Estate Investment Trusts (REITs) 0.6% | | |
| 700,000 | DuPont Fabros Technology LP, Senior Notes, 8.500% due 12/15/17 (a) | 714,875 |
| 425,000 | Host Hotels & Resorts, LP, Senior Notes, 6.375% due 3/15/15 | 418,625 |
| 360,000 | Ventas Realty LP/Ventas Capital Corp., Senior Notes: 6.500% due 6/1/16 | 349,200 |
| 1,165,000 | 6.750% due 4/1/17 | 1,132,963 |
| | Total Real Estate Investment Trusts (REITs) | 2,615,663 |
| Real Estate Management & Development 0.6% | | |
| 660,400 | Ashton Woods USA LLC, Ashton Woods Finance Co., Senior Subordinated Notes, step bond to yield 23.322% due 6/30/15 (a)(d) | 165,100 |
| 2,830,000 | Realogy Corp.: Senior Notes, 10.500% due 4/15/14 | 2,462,100 |
| 216,770 | Senior Toggle Notes, 11.000% due 4/15/14 (b) | 179,919 |
| | Total Real Estate Management & Development | 2,807,119 |
| Thriffs & Mortgage Finance 0.2% | | |
| 880,000 | Ocwen Capital Trust I, Junior Subordinated Capital Securities, 10.875% due 8/1/27 | 778,800 |
| | TOTAL FINANCIALS | 61,170,306 |
| HEALTH CARE 6.3% | | |
| Biotechnology 0.2% | | |
| 810,000 | Talecris Biotherapeutics Holdings Corp., Senior Notes, 7.750% due 11/15/16 (a) | 826,200 |
| Health Care Equipment & Supplies 0.5% | | |
| 910,000 | Biomet Inc.: Senior Notes, 10.000% due 10/15/17 | 993,037 |
| 950,000 | Senior Toggle Notes, 10.375% due 10/15/17 (b) | 1,035,500 |
| | Total Health Care Equipment & Supplies | 2,028,537 |
| Health Care Providers & Services 5.6% | | |
| 3,515,000 | CRC Health Corp., Senior Subordinated Notes, 10.750% due 2/1/16 | 2,970,175 |
| | HCA Inc.: | |

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|-----------|---|-----------|
| 3,920,000 | Debentures, 7.500% due 11/15/95 | 3,116,870 |
| 40,000 | Senior Notes, 6.250% due 2/15/13 | 39,100 |
| | Senior Secured Notes: | |
| 1,380,000 | 9.625% due 11/15/16 (b) | 1,497,300 |
| 2,820,000 | 7.875% due 2/15/20 (a) | 2,943,375 |
| 2,000,000 | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 2,035,000 |
| | Tenet Healthcare Corp., Senior Notes: | |
| 1,200,000 | 9.000% due 5/1/15 (a) | 1,302,000 |
| 3,070,000 | 10.000% due 5/1/18 (a) | 3,453,750 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------------|
| Health Care Providers & Services 5.6% (continued) | | |
| \$ 530,000 | Universal Hospital Services Inc., Senior Secured Notes: | |
| 1,990,000 | 3.859% due 6/1/15 (e) | \$ 449,175 |
| | 8.500% due 6/1/15 (b) | 1,970,100 |
| 3,635,000 | US Oncology Holdings Inc., Senior Notes, 7.178% due 3/15/12 (b)(e) | 3,416,900 |
| 1,685,000 | US Oncology Inc., Senior Secured Notes, 9.125% due 8/15/17 | 1,777,675 |
| | Total Health Care Providers & Services | 24,971,420 |
| Pharmaceuticals 0.0% | | |
| 4,870,000 | Leiner Health Products Inc., Senior Subordinated Notes, | |
| | 11.000% due 6/1/12 (c)(d) | 6,575 |
| | TOTAL HEALTH CARE | 27,832,732 |
| INDUSTRIALS 10.7% | | |
| Aerospace & Defense 1.6% | | |
| 190,000 | Freedom Group Inc., Senior Secured Notes, 10.250% due 8/1/15 (a) | 202,587 |
| 5,607,684 | Hawker Beechcraft Acquisition Co., Senior Notes, 8.875% due 4/1/15 (b) | 3,448,726 |
| 1,460,000 | L-3 Communications Corp., Senior Subordinated Notes, | |
| | 5.875% due 1/15/15 | 1,465,475 |
| 1,690,000 | TransDigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (a) | 1,723,800 |
| | Total Aerospace & Defense | 6,840,588 |
| Airlines 2.5% | | |
| 400,000 | American Airlines Inc., Senior Secured Notes, 10.500% due 10/15/12 (a) | 420,000 |
| 180,000 | Continental Airlines Inc.: | |
| | 9.250% due 5/10/17 | 182,925 |
| 206,943 | Pass-Through Certificates: | |
| 930,000 | 8.312% due 4/2/11 | 193,491 |
| | 7.339% due 4/19/14 | 848,625 |
| 5,145,000 | DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 (a) | 4,373,250 |
| | Delta Air Lines Inc.: | |
| | Pass-Through Certificates: | |
| 1,825,000 | 7.711% due 9/18/11 | 1,797,625 |
| 961,310 | 8.954% due 8/10/14 | 855,566 |
| 630,000 | Subordinated Notes, 9.750% due 12/17/16 | 641,025 |
| | Senior Secured Notes: | |
| 655,000 | 9.500% due 9/15/14 (a) | 683,656 |
| 720,000 | 12.250% due 3/15/15 (a) | 723,600 |
| | United Airlines Inc., Pass-Through Certificates, | |
| 305,916 | 6.932% due 9/1/11 | 308,975 |
| | Total Airlines | 11,028,738 |
| Building Products 1.2% | | |

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| | | |
|--|---|------------------|
| 4,265,000 | Associated Materials Inc., Senior Discount Notes, 11.250% due 3/1/14 | 4,137,050 |
| 763,378 | Nortek Inc., Senior Secured Notes, 11.000% due 12/1/13 | 801,547 |
| 225,000 | USG Corp., Senior Notes, 9.750% due 8/1/14 (a) | 241,312 |
| | Total Building Products | 5,179,909 |
| Commercial Services & Supplies 2.0% | | |
| 1,170,000 | ACCO Brands Corp., Senior Secured Notes, 10.625% due 3/15/15 (a) | 1,292,850 |
| 280,000 | Altegrity Inc., Senior Subordinated Notes: 10.500% due 11/1/15 (a) | 251,300 |
| 2,405,000 | 11.750% due 5/1/16 (a) | 2,083,331 |
| 1,080,000 | DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13 | 1,098,900 |
| 720,000 | Geo Group Inc., Senior Notes, 7.750% due 10/15/17 (a) | 740,700 |
| 2,495,000 | RSC Equipment Rental Inc.: Senior Notes, 9.500% due 12/1/14 | 2,510,594 |
| 965,000 | Senior Secured Notes, 10.000% due 7/15/17 (a) | 1,054,262 |
| | Total Commercial Services & Supplies | 9,031,937 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------------|
| Machinery 0.3% | | |
| \$ 730,000 | American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14 | \$ 685,287 |
| 530,000 | Trimas Corp., Senior Secured Notes, 9.750% due 12/15/17 (a) | 522,713 |
| | Total Machinery | 1,208,000 |
| Marine 0.4% | | |
| 1,710,000 | Trico Shipping AS, Senior Secured Notes, 11.875% due 11/1/14 (a) | 1,789,088 |
| Road & Rail 1.9% | | |
| 3,210,000 | Kansas City Southern de Mexico, Senior Notes: 9.375% due 5/1/12 | 3,346,425 |
| 520,000 | 7.375% due 6/1/14 | 509,600 |
| 1,755,000 | 12.500% due 4/1/16 | 2,027,025 |
| 355,000 | Kansas City Southern Railway, Senior Notes, 13.000% due 12/15/13 | 413,575 |
| 2,016,000 | RailAmerica Inc., Senior Secured Notes, 9.250% due 7/1/17 | 2,154,600 |
| | Total Road & Rail | 8,451,225 |
| Trading Companies & Distributors 0.8% | | |
| 770,000 | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (a) | 774,813 |
| 465,000 | Ashtead Holdings PLC, Senior Secured Notes, 8.625% due 8/1/15 (a) | 469,650 |
| 1,210,000 | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16 | 1,217,562 |
| 1,915,000 | Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (a)(d) | 1,211,238 |
| | Total Trading Companies & Distributors | 3,673,263 |
| | TOTAL INDUSTRIALS | 47,202,748 |
| INFORMATION TECHNOLOGY 2.0% | | |
| Communications Equipment 0.5% | | |
| 3,140,000 | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 | 2,264,725 |
| IT Services 0.9% | | |
| 1,469,700 | Ceridian Corp., Senior Notes, 12.250% due 11/15/15 (b) | 1,396,215 |
| 250,000 | First Data Corp.: 5.625% due 11/1/11 | 210,000 |
| 1,385,000 | Senior Notes, 9.875% due 9/24/15 | 1,284,588 |
| 1,050,000 | GXS Worldwide Inc., Senior Secured Notes, 9.750% due 6/15/15 (a) | 1,036,875 |
| | Total IT Services | 3,927,678 |
| Semiconductors & Semiconductor Equipment 0.6% | | |
| 350,000 | Advanced Micro Devices Inc., Senior Notes, 8.125% due 12/15/17 (a) | 350,438 |
| 1,115,000 | Freescall Semiconductor Inc.: Senior Notes: 8.875% due 12/15/14 | 1,028,587 |
| 363,393 | 9.125% due 12/15/14 (b) | 322,965 |
| 905,000 | Senior Subordinated Notes, 10.125% due 12/15/16 | 733,050 |
| | Total Semiconductors & Semiconductor Equipment | 2,435,040 |
| | TOTAL INFORMATION TECHNOLOGY | 8,627,443 |

MATERIALS 8.1%

Chemicals 1.3%

| | | |
|-----------|--|------------------|
| 1,270,000 | Ashland Inc., Senior Notes, 9.125% due 6/1/17 (a) | 1,397,000 |
| 1,665,000 | Georgia Gulf Corp., Senior Secured Notes, 9.000% due 1/15/17 (a) | 1,689,975 |
| 530,000 | Koppers Inc., Senior Notes, 7.875% due 12/1/19 (a) | 537,950 |
| 965,000 | Solutia Inc., Senior Notes, 8.750% due 11/1/17 | 1,009,631 |
| 965,000 | Terra Capital Inc., Senior Notes, 7.750% due 11/1/19 (a) | 1,037,375 |
| | Total Chemicals | 5,671,931 |

Construction Materials 0.0%

| | | |
|--------|--|--------|
| 80,000 | Headwaters Inc., Senior Secured Notes, 11.375% due 11/1/14 (a) | 83,800 |
|--------|--|--------|

See Notes to Schedule of Investments.

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Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------------|
| Containers & Packaging 1.2% | | |
| \$ 800,000 | Berry Plastics Escrow LLC/Berry Plastics Escrow Corp., Senior Secured Notes, 8.250% due 11/15/15 (a) | \$ 808,000 |
| 510,000 | BWAY Corp., Senior Subordinated Notes, 10.000% due 4/15/14 (a) | 541,875 |
| 725,000 | Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10 (c)(d)(f) | 0 |
| 640,000 | Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16 | 698,400 |
| 1,495,000 | Solo Cup Co., Senior Secured Notes, 10.500% due 11/1/13 (a) | 1,599,650 |
| 1,600,000 | Viskase Cos. Inc., Senior Secured Notes, 9.875% due 1/15/18 (a) | 1,620,000 |
| | Total Containers & Packaging | 5,267,925 |
| Metals & Mining 2.2% | | |
| 3,760,000 | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 | 3,821,100 |
| 2,675,000 | Novelis Inc., Senior Notes: 7.250% due 2/15/15 | 2,561,312 |
| 80,000 | 11.500% due 2/15/15 (a) | 86,100 |
| 1,560,000 | Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15 | 1,638,000 |
| 650,000 | Teck Resources Ltd., Senior Secured Notes: 9.750% due 5/15/14 | 753,188 |
| 540,000 | 10.250% due 5/15/16 | 631,800 |
| | Total Metals & Mining | 9,491,500 |
| Paper & Forest Products 3.4% | | |
| 2,528,158 | Abitibi-Consolidated Co. of Canada, Senior Secured Notes, 13.750% due 4/1/11 (a)(c) | 2,543,959 |
| 4,205,000 | Appleton Papers Inc., Senior Secured Notes, 11.250% due 12/15/15 (a) | 3,579,506 |
| 2,180,000 | Georgia-Pacific LLC, Senior Notes, 8.250% due 5/1/16 (a) | 2,321,700 |
| 145,000 | NewPage Corp., Senior Secured Notes: 10.000% due 5/1/12 | 104,400 |
| 2,250,000 | 11.375% due 12/31/14 (a) | 2,283,750 |
| 2,800,259 | Newpage Holding Corp., Senior Notes, 7.564% due 11/1/13 (b)(e) | 857,580 |
| 560,000 | PE Paper Escrow GmbH, Senior Secured Notes, 12.000% due 8/1/14 (a) | 619,897 |
| 1,410,000 | Verso Paper Holdings LLC: 9.125% due 8/1/14 | 1,353,600 |
| 1,380,000 | Senior Secured Notes, 11.500% due 7/1/14 (a) | 1,524,900 |
| | Total Paper & Forest Products | 15,189,292 |
| | TOTAL MATERIALS | 35,704,448 |
| TELECOMMUNICATION SERVICES 8.8% | | |
| Diversified Telecommunication Services 5.4% | | |
| 1,620,000 | CC Holdings GS V LLC, Senior Secured Notes, 7.750% due 5/1/17 (a) | 1,733,400 |
| 385,000 | Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28 | 302,225 |
| 525,000 | Frontier Communications Corp., Senior Notes, 8.125% due 10/1/18 | 534,188 |

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| | | |
|-----------|--|-----------|
| 1,555,000 | GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10 (c)(d)(f) | 0 |
| 980,000 | Hawaiian Telcom Communications Inc., Senior Subordinated Notes, 12.500% due 5/1/15 (c)(d) | 98 |
| 1,345,000 | Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16 | 1,462,688 |
| 1,020,000 | Intelsat Corp., Senior Notes, 9.250% due 8/15/14 | 1,053,150 |
| 1,720,000 | Intelsat Intermediate Holding Co., Ltd., Senior Discount Notes, step bond to yield 11.315% due 2/1/15 | 1,775,900 |
| 170,000 | Intelsat Jackson Holdings Ltd., Senior Notes: 9.500% due 6/15/16 | 182,750 |
| 3,935,000 | 11.500% due 6/15/16 Level 3 Financing Inc., Senior Notes: | 4,269,475 |
| 2,815,000 | 12.250% due 3/15/13 | 2,997,975 |
| 620,000 | 9.250% due 11/1/14 | 589,000 |
| 1,710,000 | Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16 (a) | 1,816,875 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------------|
| Diversified Telecommunication Services 5.4% (continued) | | |
| \$ 1,585,000 | Qwest Communications International Inc., Senior Notes, 8.000% due 10/1/15 (a) | \$ 1,636,512 |
| 2,000,000 | Wind Acquisition Finance SA: Senior Bonds, 12.000% due 12/1/15 (a) | 2,150,000 |
| 120,000 | Senior Notes, 11.750% due 7/15/17 (a) | 131,700 |
| 1,410,000 | Wind Acquisition Holdings Finance SpA, Senior Notes, 12.250% due 7/15/17 (a) | 1,395,900 |
| 1,770,000 | Windstream Corp., Senior Notes, 8.625% due 8/1/16 | 1,809,825 |
| | Total Diversified Telecommunication Services | 23,841,661 |
| Wireless Telecommunication Services 3.4% | | |
| 1,340,000 | ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17 (a)(b)(d) | 1,616,698 |
| 2,000,000 | Cricket Communications Inc., Senior Secured Notes, 7.750% due 5/15/16 | 2,005,000 |
| 350,000 | Sprint Capital Corp., Senior Notes: 7.625% due 1/30/11 | 360,063 |
| 605,000 | 8.375% due 3/15/12 | 629,200 |
| 8,585,000 | 8.750% due 3/15/32 | 8,134,287 |
| 2,260,000 | True Move Co., Ltd., Notes, 10.750% due 12/16/13 (a) | 2,192,200 |
| | Total Wireless Telecommunication Services | 14,937,448 |
| | TOTAL TELECOMMUNICATION SERVICES | 38,779,109 |
| UTILITIES 8.0% | | |
| Electric Utilities 3.2% | | |
| 2,390,000 | Reliant Energy Mid-Atlantic Power Holdings LLC, Senior Notes, 9.681% due 7/2/26 | 2,455,725 |
| 14,155,000 | Texas Competitive Electric Holdings Co. LLC, Senior Notes, 10.250% due 11/1/15 | 11,536,325 |
| | Total Electric Utilities | 13,992,050 |
| Gas Utilities 0.4% | | |
| 1,770,000 | Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13 | 1,778,850 |
| Independent Power Producers & Energy Traders 4.4% | | |
| 420,000 | AES Corp.: Secured Notes, 8.750% due 5/15/13 (a) | 432,600 |
| 200,000 | Senior Notes: 8.000% due 10/15/17 | 206,250 |
| 560,000 | 8.000% due 6/1/20 | 572,600 |
| 2,090,000 | Dynegy Holdings Inc.: Senior Debentures, 7.625% due 10/15/26 | 1,452,550 |
| 2,840,000 | Senior Notes, 7.750% due 6/1/19 | 2,477,900 |
| 320,000 | Dynegy Inc., Bonds, 7.670% due 11/8/16 | 308,800 |
| 1,670,000 | Edison Mission Energy, Senior Notes: 7.750% due 6/15/16 | 1,427,850 |
| 1,150,000 | 7.200% due 5/15/19 | 876,875 |
| 1,785,000 | 7.625% due 5/15/27 | 1,218,262 |
| 3,470,000 | Energy Future Holdings Corp., Senior Notes: 10.875% due 11/1/17 | 2,854,075 |
| 549,928 | 11.250% due 11/1/17 (b) | 391,824 |

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| | | |
|-----------|--|-----------|
| 1,045,000 | Mirant Americas Generation LLC, Senior Notes, 9.125% due 5/1/31 | 945,725 |
| 326,503 | Mirant Mid Atlantic LLC, Pass-Through Certificates: 9.125% due 6/30/17 | 342,828 |
| 984,037 | 10.060% due 12/30/28 | 1,038,159 |
| 780,000 | Mirant North America LLC, Senior Notes, 7.375% due 12/31/13 | 775,125 |
| 3,250,000 | NRG Energy Inc., Senior Notes, 7.250% due 2/1/14 | 3,298,750 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|-------------|
| Independent Power Producers & Energy Traders 4.4% (continued) | | |
| \$ 890,000 | RRI Energy Inc., Senior Notes, 7.875% due 6/15/17 | \$ 878,875 |
| | Total Independent Power Producers & Energy Traders | 19,499,048 |
| | TOTAL UTILITIES | 35,269,948 |
| | TOTAL CORPORATE BONDS & NOTES | |
| | (Cost \$395,986,876) | 394,290,313 |
| ASSET-BACKED SECURITY 0.0% | | |
| FINANCIAL 0.0% | | |
| Diversified Financial Services 0.0% | | |
| 9,956,016 | Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19 (c)(d)(f) (Cost - \$10,575,006) | 0 |
| COLLATERALIZED MORTGAGE OBLIGATION 0.2% | | |
| 1,407,520 | Countrywide Home Loan Mortgage Pass-Through Trust, 5.214% due 4/20/35 (e) (Cost - \$881,798) | 726,139 |
| COLLATERALIZED SENIOR LOANS 2.8% | | |
| CONSUMER DISCRETIONARY 0.9% | | |
| Auto Components 0.4% | | |
| 1,958,724 | Allison Transmission Inc., Term Loan B, 3.206% due 8/7/14 (e) | 1,803,495 |
| Media 0.5% | | |
| 392,621 | Idearc Inc., Term Loan, 10.250% due 3/31/10 (e) | 387,517 |
| 1,500,000 | Newsday LLC, Term Loan, 9.750% due 7/15/13 (e) | 1,591,875 |
| | Total Media | 1,979,392 |
| | TOTAL CONSUMER DISCRETIONARY | 3,782,887 |
| ENERGY 0.5% | | |
| Energy Equipment & Services 0.5% | | |
| 2,622,691 | Turbo Beta Ltd., Term Loan, 14.500% due 3/15/18 (b)(d)(e) | 2,255,514 |
| FINANCIALS 0.8% | | |
| Diversified Financial Services 0.2% | | |
| 1,000,000 | CIT Group Inc., Term Loan, 13.000% due 1/18/12 (e) | 1,039,063 |
| Real Estate Management & Development 0.6% | | |
| 2,500,000 | Realogy Corp., Term Loan, 13.500% due 10/15/17 | 2,652,083 |
| | TOTAL FINANCIALS | 3,691,146 |
| INDUSTRIALS 0.3% | | |
| Airlines 0.3% | | |
| 1,489,320 | United Airlines Inc., Term Loan B, 2.313% due 1/12/14 (e) | 1,172,839 |
| Trading Companies & Distributors 0.0% | | |
| 1,332,172 | Penhall International Corp., Term Loan, 12.288% due 4/1/12 (e) | 73,270 |
| | TOTAL INDUSTRIALS | 1,246,109 |
| TELECOMMUNICATION SERVICES 0.3% | | |
| Diversified Telecommunication Services 0.3% | | |
| 1,250,000 | Level 3 Communications Inc., Term Loan, 11.500% due 3/13/14 (e) | 1,335,156 |
| | TOTAL COLLATERALIZED SENIOR LOANS | |
| | (Cost \$13,325,462) | 12,310,812 |
| CONVERTIBLE BONDS & NOTES 0.4% | | |
| INDUSTRIALS 0.4% | | |
| Airlines 0.0% | | |
| 110,000 | AMR Corp., Senior Notes, 6.250% due 10/15/14 | 114,538 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Face Amount | Security | Value |
|--|--|--------------|
| Marine 0.4% | | |
| \$ 2,155,000 | Horizon Lines Inc., Senior Notes, 4.250% due 8/15/12 | \$ 1,761,712 |
| | TOTAL CONVERTIBLE BONDS & NOTES | |
| | (Cost \$1,940,781) | 1,876,250 |
| SOVEREIGN BOND 0.7% | | |
| Russia 0.7% | | |
| 2,726,000 | Russian Foreign Bond-Eurobond, Senior Bonds, 7.500% due 3/31/30 (a) | |
| | (Cost - \$2,980,484) | 3,104,232 |
| Shares | | |
| COMMON STOCKS 1.6% | | |
| CONSUMER DISCRETIONARY 1.1% | | |
| Media 1.1% | | |
| 95,153 | Charter Communications Inc. (f) | 3,377,931 |
| 41,739 | Charter Communications Inc., Class A Shares * | 1,481,735 |
| 3,524 | Idearc Inc. | 167,410 |
| | TOTAL CONSUMER DISCRETIONARY | 5,027,076 |
| ENERGY 0.1% | | |
| Oil, Gas & Consumable Fuels 0.1% | | |
| 9,017 | SemGroup Corp., Class A Shares (f)* | 216,419 |
| FINANCIALS 0.1% | | |
| Diversified Financial Services 0.1% | | |
| 18,273 | CIT Group Inc. * | 504,506 |
| INDUSTRIALS 0.0% | | |
| Building Products 0.0% | | |
| 2,857 | Nortek Inc. * | 101,424 |
| MATERIALS 0.3% | | |
| Chemicals 0.3% | | |
| 70,396 | Georgia Gulf Corp. * | 1,223,483 |
| TELECOMMUNICATION SERVICES 0.0% | | |
| Diversified Telecommunication Services 0.0% | | |
| 20,125 | Pagemart Wireless (d)(f)* | 201 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$8,847,929) | 7,073,109 |
| CONVERTIBLE PREFERRED STOCKS 1.0% | | |
| FINANCIALS 1.0% | | |
| Diversified Financial Services 1.0% | | |
| 3,030 | Bank of America Corp., 7.250% | 2,663,370 |
| 18,400 | Citigroup Inc., 7.500% due 12/15/12* | 1,919,856 |
| | TOTAL CONVERTIBLE PREFERRED STOCKS | |
| | (Cost \$4,848,006) | 4,583,226 |
| PREFERRED STOCKS 0.5% | | |
| CONSUMER DISCRETIONARY 0.3% | | |
| Automobiles 0.3% | | |
| 22,300 | Corts-Ford Motor Co., 7.400% | 444,439 |
| 17,100 | Corts-Ford Motor Co., 8.000% | 378,765 |
| 1,600 | Ford Motor Co., Series F, 7.550% | 29,328 |
| 900 | Motors Liquidation Co., 7.250% | 4,736 |
| 10,100 | Motors Liquidation Co., Senior Notes, 7.250% | 54,666 |
| 2,600 | Motors Liquidation Co., Senior Notes, 7.375% | 14,039 |
| 31,700 | Motors Liquidation Co., Senior Notes, 7.500% | 171,576 |

Total Automobiles

1,097,549

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

| Media | Shares 0.0% | Security | Value |
|---|----------------|--|------------------------------|
| | 4 | ION Media Networks Inc., Series B, 12.000% (d)(f)* | \$ 0 |
| TOTAL CONSUMER DISCRETIONARY | | | 1,097,549 |
| FINANCIALS | 0.2% | | |
| Consumer Finance | 0.1% | | |
| | 1,181 | GMAC Inc., 7.000% (a)* | 778,501 |
| Diversified Financial Services | 0.1% | | |
| | 3,400 | Preferred Plus, Trust, Series FRD-1, 7.400% | 62,900 |
| | 8,400 | Saturns, Series F 2003-5, 8.125% | 187,740 |
| Total Diversified Financial Services | | | 250,640 |
| Thrifts & Mortgage Finance | 0.0% | | |
| | 37,200 | Federal National Mortgage Association (FNMA), 8.250% (e)(h)* | 40,920 |
| TOTAL FINANCIALS | | | 1,070,061 |
| TOTAL PREFERRED STOCKS | | | |
| (Cost \$2,974,177) | | | 2,167,610 |
| WARRANTS | | | |
| | 1,981 | Buffets Restaurant Holdings, Expires 4/28/14(d)(f)* | 0 |
| | 2,240 | Charter Communications Inc., Expires 11/30/14* | 11,197 |
| | 1,555 | GT Group Telecom Inc., Class B Shares, Expires 2/1/10(a)(d)(f)* | 0 |
| | 1,000 | Jazztel PLC, Expires 7/15/10(a)(d)(f)* | 0 |
| | 5,518 | Nortek Inc., Expires 12/7/14(f)* | 70,359 |
| | 9,492 | SemGroup Corp., Expires 11/30/14(d)(f)* | 0 |
| | 1 | Turbo Beta Ltd., Expires 11/1/14(d)(f)* | 0 |
| TOTAL WARRANTS | | | |
| (Cost \$197,589) | | | 81,556 |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT | | | |
| (Cost \$442,558,108) | | | 426,213,247 |
| SHORT-TERM INVESTMENT | | | |
| | 1.2% | | |
| Repurchase Agreement | 1.2% | | |
| \$ | 5,395,000 | Morgan Stanley tri-party repurchase agreement dated 12/31/09, 0.005% due 1/4/10; Proceeds at maturity - \$5,395,003; (Fully collateralized by U.S. government agency obligation, 0.900% due 4/8/10; Market value \$5,507,857) (Cost - \$5,395,000) | 5,395,000 |
| TOTAL INVESTMENTS | | | 97.7% |
| (Cost \$447,953,108#) | | | 431,608,247 |
| Other Assets in Excess of Liabilities | | | 2.3% 10,017,084 |
| TOTAL NET ASSETS | | | 100.0% \$ 441,625,331 |

* Non-income producing security.

(a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

- (b) Payment-in-kind security for which part of the income earned may be paid as additional principal.
 - (c) The coupon payment on these securities is currently in default as of December 31, 2009.
 - (d) Illiquid security.
 - (e) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009.
 - (f) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
 - (g) Security has no maturity date. The date shown represents the next call date.
 - (h) On September 7, 2008, the Federal Housing Finance Agency placed Fannie Mae (FNMA) and Freddie Mac (FHLMC) into conservatorship.
- # Aggregate cost for federal income tax purposes is substantially the same.

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

December 31, 2009

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

Western Asset High Income Opportunity Fund Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

(a) Investment Valuation. Debt securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service, which are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the last quoted bid and asked prices as of the close of business of that market. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities at fair value as determined in accordance with procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (ASC Topic 820). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of the security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to convert future amounts to a single

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present amount.

The following is a summary of the inputs used in valuing the Fund's assets carried at fair value:

| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL |
|------------------------------------|-------------------------------|---|--|----------------|
| Long-term investments : | | | | |
| Corporate bonds & notes | | \$ 391,454,748 | \$ 2,835,565 | \$ 394,290,313 |
| Asset-backed security | | | 0 | 0 |
| Collateralized mortgage obligation | | 726,139 | | 726,139 |
| Collateralized senior loans | | 12,310,812 | | 12,310,812 |
| Convertible bonds & notes | | 1,876,250 | | 1,876,250 |
| Sovereign bond | | 3,104,232 | | 3,104,232 |
| Common stocks: | | | | |
| Consumer discretionary | \$ 1,649,145 | 3,377,931 | | 5,027,076 |
| Energy | | | 216,419 | 216,419 |
| Financials | 504,506 | | | 504,506 |
| Industrials | 101,424 | | | 101,424 |
| Materials | 1,223,483 | | | 1,223,483 |
| Telecommunication services | | | 201 | 201 |
| Convertible preferred stocks: | 4,583,226 | | | 4,583,226 |
| Preferred stocks: | | | | |
| Consumer discretionary | 852,532 | 245,017 | | 1,097,549 |
| Financials | 291,560 | 778,501 | | 1,070,061 |
| Warrants | | 11,197 | 70,359 | 81,556 |
| Total long-term investments | \$ 9,205,876 | \$ 413,884,827 | \$ 3,122,544 | \$ 426,213,247 |
| Short-term investment | | 5,395,000 | | 5,395,000 |
| Total investments | \$ 9,205,876 | \$ 419,279,827 | \$ 3,122,544 | \$ 431,608,247 |

Notes to Schedule of Investments (unaudited) (continued)

See Schedule of Investments for additional detailed categorizations.

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| INVESTMENTS IN SECURITIES | COMMON STOCKS | | | |
|--|-------------------------------|--------------------------------|---------------------|-------------|
| | CORPORATE BONDS & NOTES | ASSET- BACKED SECURITIES | CONSUMER STAPLES | ENERGY |
| Balance as of September 30, 2009 | \$ 247,650 | \$ 0 | \$ 0 | \$ 0 |
| Accrued premiums/discounts | 23,638 | | | |
| Realized gain/(loss) | | | (235,515) | |
| Change in unrealized appreciation (depreciation)(1) | (106,188) | | 235,515 | (62,434) |
| Net purchases (sales) | | | | 278,853 |
| Net transfers in and/or out of Level 3 | 2,670,465 | | | |
| Balance as of December 31, 2009 | \$ 2,835,565 | \$ 0 | \$ 0 | \$ 216,419 |
| Change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2009 (1) | \$ (7,398) | \$ 0 | \$ 0 | \$ (62,434) |

| INVESTMENTS IN SECURITIES | COMMON STOCKS | | | | TOTAL |
|--|---------------|-------------------------------|--------------------|-----------|--------------|
| | MATERIALS | TELECOMMUNICATION SERVICES | PREFERED STOCKS | WARRANTS | |
| Balance as of September 30, 2009 | \$ 0 | \$ 201 | \$ 0 | \$ 0 | \$ 247,851 |
| Accrued premiums/discounts | | | | | 23,638 |
| Realized gain/(loss) | (2) | (8,350) | | | (243,867) |
| Change in unrealized appreciation (depreciation)(1) | 2 | 8,350 | | | 75,245 |
| Net purchases (sales) | | | | 70,359 | 349,212 |
| Net transfers in and/or out of Level 3 | | | | | 2,670,465 |
| Balance as of December 31, 2009 | \$ 0 | \$ 201 | \$ 0 | \$ 70,359 | \$ 3,122,544 |
| Change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2009 (1) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | (69,832) |

Notes to Schedule of Investments (unaudited) (continued)

(1) Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

(b) Repurchase Agreements. The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, a fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and of the fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during a fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked to market and measured against the value of the agreement to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Credit and Market Risk. The Fund invests in high yield instruments that are subject to certain credit and market risks. The yields of high yield obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involves risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading.

(d) Security Transactions. Security transactions are accounted for on a trade date basis.

2. Investments

At December 31, 2009, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

| | | |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 34,464,676 |
| Gross unrealized depreciation | | (50,809,537) |
| Net unrealized depreciation | \$ | (16,344,861) |

3. Derivative Instruments and Hedging Activities

Financial Accounting Standards Board Codification Topic 815 (ASC Topic 815) requires enhanced disclosure about an entity's derivative and hedging activities.

During the period ended December 31, 2009, the Fund did not invest in any derivative instruments.

ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Western Asset High Income Opportunity Fund Inc.

By */s/ R. Jay Gerken*
R. Jay Gerken
Chief Executive Officer

Date: February 24, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By */s/ R. Jay Gerken*
R. Jay Gerken
Chief Executive Officer

Date: February 24, 2010

By */s/ Kaprel Ozsolak*
Kaprel Ozsolak
Chief Financial Officer

Date: February 24, 2010
