

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

August 26, 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: (888) 777-0102

Date of fiscal year end: September 30

Date of reporting period: June 30, 2010

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ITEM 1.

SCHEDULE OF INVESTMENTS.

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**WESTERN ASSET HIGH INCOME  
OPPORTUNITY FUND INC.**

**FORM N-Q**

**JUNE 30, 2010**

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## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited)

June 30, 2010

| SECURITY   | RATE        | MATURITY DATE | FACE AMOUNT  | VALUE           |
|--|-------------|---------------|--------------|-----------------|
| CORPORATE BONDS & NOTES  | 90.0%       |               |              |                 |
| CONSUMER DISCRETIONARY   | 19.8%       |               |              |                 |
| <b>Auto Components</b>   | <b>0.5%</b> |               |              |                 |
| Cooper-Standard Automotive Inc., Senior Notes                                    | 8.500%      | 5/1/18        | 970,000      | \$ 982,125(a)   |
| Hertz Holdings Netherlands BV, Senior Secured Bonds                              | 8.500%      | 7/31/15       | 1,030,000EUR | 1,257,961(a)    |
| <i>Total Auto Components</i>   |             |               |              | 2,240,086       |
| <b>Automobiles</b>   | <b>1.2%</b> |               |              |                 |
| Ford Motor Credit Co., LLC, Senior Notes   | 9.875%      | 8/10/11       | 1,000,000    | 1,052,515       |
| Ford Motor Credit Co., LLC, Senior Notes   | 7.500%      | 8/1/12        | 1,785,000    | 1,826,160       |
| Motors Liquidation Co., Senior Debentures  | 8.375%      | 7/15/33       | 3,500,000    | 1,137,500(b)    |
| Motors Liquidation Co., Senior Notes   | 7.200%      | 1/15/11       | 2,665,000    | 819,487(b)      |
| Motors Liquidation Co., Senior Notes   | 7.125%      | 7/15/13       | 2,125,000    | 642,813(b)      |
| <i>Total Automobiles</i>   |             |               |              | 5,478,475       |
| <b>Diversified Consumer Services</b>   | <b>1.3%</b> |               |              |                 |
| Realogy Corp., Senior Notes  | 10.500%     | 4/15/14       | 3,080,000    | 2,625,700       |
| Sotheby's, Senior Notes  | 7.750%      | 6/15/15       | 1,010,000    | 1,015,050       |
| Stonemor Operating LLC/Cornerstone Family Services/Osiris Holdings, Senior Notes | 10.250%     | 12/1/17       | 2,010,000    | 2,050,200(a)    |
| <i>Total Diversified Consumer Services</i>                                       |             |               |              | 5,690,950       |
| <b>Hotels, Restaurants &amp; Leisure</b>   | <b>8.2%</b> |               |              |                 |
| Ameristar Casinos Inc., Senior Notes   | 9.250%      | 6/1/14        | 1,345,000    | 1,415,612       |
| Boyd Gaming Corp., Senior Subordinated Notes                                     | 7.125%      | 2/1/16        | 675,000      | 558,562         |
| CCM Merger Inc., Notes   | 8.000%      | 8/1/13        | 2,255,000    | 2,074,600(a)    |
| Downstream Development Quapaw, Senior Notes                                      | 12.000%     | 10/15/15      | 1,695,000    | 1,601,775(a)    |
| El Pollo Loco Inc., Senior Notes   | 11.750%     | 11/15/13      | 2,915,000    | 2,273,700       |
| El Pollo Loco Inc., Senior Secured Notes   | 11.750%     | 12/1/12       | 945,000      | 949,725         |
| Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp.       | 10.250%     | 6/15/15       | 445,000      | 3,894(a)(b)     |
| Harrah's Operating Co. Inc., Senior Bonds  | 5.625%      | 6/1/15        | 2,212,000    | 1,476,510       |
| Harrah's Operating Co. Inc., Senior Notes  | 10.750%     | 2/1/16        | 2,954,000    | 2,370,585       |
| Harrah's Operating Co. Inc., Senior Secured Notes                                | 10.000%     | 12/15/15      | 1,491,000    | 1,375,447       |
| Harrah's Operating Co. Inc., Senior Secured Notes                                | 11.250%     | 6/1/17        | 3,240,000    | 3,426,300       |
| Indianapolis Downs LLC & Capital Corp., Senior Secured Notes                     | 11.000%     | 11/1/12       | 1,210,000    | 960,437(a)      |
| Inn of the Mountain Gods Resort & Casino, Senior Notes                           | 12.000%     | 11/15/10      | 3,912,000    | 1,916,880(b)(c) |
| Landry's Restaurants Inc., Senior Secured Notes                                  | 11.625%     | 12/1/15       | 960,000      | 998,400         |
| MGM MIRAGE Inc., Senior Notes  | 8.500%      | 9/15/10       | 95,000       | 95,238          |
| MGM MIRAGE Inc., Senior Notes  | 6.750%      | 9/1/12        | 2,100,000    | 1,963,500       |
| MGM MIRAGE Inc., Senior Notes  | 6.750%      | 4/1/13        | 1,810,000    | 1,624,475       |
| MGM MIRAGE Inc., Senior Subordinated Notes                                       | 8.375%      | 2/1/11        | 1,060,000    | 1,075,900       |
| MGM Resorts International, Senior Secured Notes                                  | 10.375%     | 5/15/14       | 150,000      | 163,875         |
| MGM Resorts International, Senior Secured Notes                                  | 11.125%     | 11/15/17      | 360,000      | 398,700         |
| Mohegan Tribal Gaming Authority, Senior Notes                                    | 6.125%      | 2/15/13       | 470,000      | 383,050         |
| Mohegan Tribal Gaming Authority, Senior Secured Notes                            | 11.500%     | 11/1/17       | 2,310,000    | 2,298,450(a)    |
|  | 8.000%      | 4/1/12        | 300,000      | 263,250         |

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|   |         |          |           |               |
|---|---------|----------|-----------|---------------|
| Mohegan Tribal Gaming Authority,<br>Senior Subordinated Notes |         |          |           |               |
| Mohegan Tribal Gaming Authority,<br>Senior Subordinated Notes | 6.875%  | 2/15/15  | 225,000   | 160,875       |
| NCL Corp. Ltd., Senior Secured Notes                          | 11.750% | 11/15/16 | 2,240,000 | 2,352,000     |
| Penn National Gaming Inc., Senior Subordinated Notes          | 8.750%  | 8/15/19  | 430,000   | 443,975       |
| Pinnacle Entertainment Inc., Senior Notes                     | 8.625%  | 8/1/17   | 985,000   | 1,019,475(a)  |
| Pinnacle Entertainment Inc., Senior Subordinated Notes        | 7.500%  | 6/15/15  | 330,000   | 311,025       |
| Pinnacle Entertainment Inc., Senior Subordinated Notes        | 8.750%  | 5/15/20  | 230,000   | 214,188(a)    |
| Sbarro Inc., Senior Notes                                     | 10.375% | 2/1/15   | 1,065,000 | 846,675       |
| Snoqualmie Entertainment Authority,<br>Senior Secured Notes   | 4.136%  | 2/1/14   | 890,000   | 714,225(a)(d) |
| Snoqualmie Entertainment Authority,<br>Senior Secured Notes   | 9.125%  | 2/1/15   | 165,000   | 139,013(a)    |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE           |
|---|---------|------------------|----------------|-----------------|
| <b>Hotels, Restaurants &amp; Leisure continued</b>  |         |                  |                |                 |
| Station Casinos Inc., Senior Notes  | 6.000%  | 4/1/12           | 1,515,000      | \$ 97,528(b)(c) |
| Station Casinos Inc., Senior Notes  | 7.750%  | 8/15/16          | 2,265,000      | 154,303(b)(c)   |
| Station Casinos Inc., Senior Subordinated Notes   | 6.625%  | 3/15/18          | 85,000         | 489(b)(c)       |
| <i>Total Hotels, Restaurants &amp; Leisure</i>  |         |                  |                | 36,122,636      |
| <b>Internet &amp; Catalog Retail 0.7%</b>   |         |                  |                |                 |
| Netflix Inc., Senior Notes  | 8.500%  | 11/15/17         | 1,340,000      | 1,400,300       |
| QVC Inc., Senior Secured Notes  | 7.375%  | 10/15/20         | 1,630,000      | 1,593,325(a)    |
| <i>Total Internet &amp; Catalog Retail</i>  |         |                  |                | 2,993,625       |
| <b>Media 5.0%</b>   |         |                  |                |                 |
| Allbritton Communications Co., Senior Notes   | 8.000%  | 5/15/18          | 550,000        | 547,250(a)      |
| Cablevision Systems Corp., Senior Notes   | 7.750%  | 4/15/18          | 380,000        | 381,900         |
| CCH II LLC/CCH II Capital Corp., Senior Notes   | 13.500% | 11/30/16         | 561,225        | 656,633         |
| CCO Holdings LLC/CCO Holdings Capital Corp.,<br>Senior Notes  | 7.875%  | 4/30/18          | 2,380,000      | 2,403,800(a)    |
| CCO Holdings LLC/CCO Holdings Capital Corp.,<br>Senior Notes  | 8.125%  | 4/30/20          | 1,840,000      | 1,890,600(a)    |
| Cengage Learning Acquisitions Inc., Senior Notes  | 10.500% | 1/15/15          | 450,000        | 420,750(a)      |
| Cengage Learning Acquisitions Inc.,<br>Senior Subordinated Notes  | 13.250% | 7/15/15          | 1,550,000      | 1,449,250(a)    |
| Charter Communications Operating LLC/Charter<br>Communications Operating Capital,<br>Senior Secured Notes | 10.875% | 9/15/14          | 3,140,000      | 3,501,100(a)    |
| CSC Holdings LLC, Senior Notes  | 8.500%  | 6/15/15          | 520,000        | 539,500         |
| DISH DBS Corp., Senior Notes  | 7.875%  | 9/1/19           | 2,590,000      | 2,706,550       |
| Nielsen Finance LLC / Nielsen Finance Co.,<br>Senior Subordinated Notes, step bond                        | 0.000%  | 8/1/16           | 3,080,000      | 2,949,100       |
| Sinclair Broadcast Group Inc., Senior Subordinated Notes  | 8.000%  | 3/15/12          | 1,250,000      | 1,223,437       |
| Sun Media Corp., Senior Notes   | 7.625%  | 2/15/13          | 680,000        | 683,400         |
| Univision Communications Inc., Senior Secured Notes   | 12.000% | 7/1/14           | 995,000        | 1,072,113(a)    |
| UPC Holding BV, Senior Notes  | 9.875%  | 4/15/18          | 675,000        | 681,750(a)      |
| Virgin Media Finance PLC, Senior Bonds  | 9.500%  | 8/15/16          | 500,000        | 530,625         |
| Virgin Media Finance PLC, Senior Notes  | 9.125%  | 8/15/16          | 537,000        | 558,480         |
| <i>Total Media</i>  |         |                  |                | 22,196,238      |
| <b>Multiline Retail 0.7%</b>  |         |                  |                |                 |
| Neiman Marcus Group Inc., Senior Notes  | 9.000%  | 10/15/15         | 1,784,765      | 1,798,151(e)    |
| Neiman Marcus Group Inc., Senior Secured Notes  | 7.125%  | 6/1/28           | 1,200,000      | 1,086,000       |
| <i>Total Multiline Retail</i>   |         |                  |                | 2,884,151       |
| <b>Specialty Retail 1.3%</b>  |         |                  |                |                 |
| American Greetings Corp., Senior Notes  | 7.375%  | 6/1/16           | 865,000        | 867,162         |
| American Greetings Corp., Senior Notes  | 7.375%  | 6/1/16           | 55,000         | 55,138          |
| Michaels Stores Inc., Senior Subordinated Bonds   | 11.375% | 11/1/16          | 1,230,000      | 1,285,350       |
| Michaels Stores Inc., Senior Subordinated Notes,<br>step bond   | 0.000%  | 11/1/16          | 3,760,000      | 3,365,200       |
| <i>Total Specialty Retail</i>   |         |                  |                | 5,572,850       |

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**Textiles, Apparel & Luxury Goods 0.9%**

|   |         |         |           |                   |
|---|---------|---------|-----------|-------------------|
| Oxford Industries Inc., Senior Secured Notes      | 11.375% | 7/15/15 | 2,570,000 | 2,839,850         |
| Phillips-Van Heusen Corp., Senior Notes           | 7.375%  | 5/15/20 | 1,110,000 | 1,125,263         |
| <i>Total Textiles, Apparel &amp; Luxury Goods</i> |         |         |           | <i>3,965,113</i>  |
| <b>TOTAL CONSUMER DISCRETIONARY</b>               |         |         |           | <b>87,144,124</b> |

**CONSUMER STAPLES 2.1%**

**Food Products 0.9%**

|   |         |          |           |                  |
|---|---------|----------|-----------|------------------|
| Bumble Bee Foods LLC, Senior Secured Notes  | 7.750%  | 12/15/15 | 1,680,000 | 1,694,700(a)     |
| Del Monte Corp., Senior Subordinated Notes  | 7.500%  | 10/15/19 | 700,000   | 719,250(a)       |
| Michael Foods Inc., Senior Notes            | 9.750%  | 7/15/18  | 890,000   | 918,925(a)       |
| Smithfield Foods Inc., Senior Secured Notes | 10.000% | 7/15/14  | 605,000   | 673,063(a)       |
| <i>Total Food Products</i>                  |         |          |           | <i>4,005,938</i> |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

| SECURITY   | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE            |
|--|---------|------------------|----------------|------------------|
| <b>Household Products 0.5%</b>   |         |                  |                |                  |
| American Achievement Corp.,<br>Senior Subordinated Notes                   | 8.250%  | 4/1/12           | 580,000        | \$ 578,550(a)    |
| Spectrum Brands Holdings Inc., Senior Secured Notes                        | 9.500%  | 6/15/18          | 1,480,000      | 1,528,100(a)     |
| <i>Total Household Products</i>  |         |                  |                | <i>2,106,650</i> |
| <b>Tobacco 0.7%</b>  |         |                  |                |                  |
| Alliance One International Inc., Senior Notes                              | 10.000% | 7/15/16          | 2,840,000      | 2,903,900(a)     |
| <b>TOTAL CONSUMER STAPLES</b>  |         |                  |                | <b>9,016,488</b> |
| <b>ENERGY 13.7%</b>  |         |                  |                |                  |
| <b>Energy Equipment &amp; Services 2.1%</b>                                |         |                  |                |                  |
| Basic Energy Services Inc., Senior Secured Notes                           | 11.625% | 8/1/14           | 1,865,000      | 2,014,200        |
| Complete Production Services Inc., Senior Notes                            | 8.000%  | 12/15/16         | 1,150,000      | 1,129,875        |
| GulfMark Offshore Inc., Senior Subordinated Notes                          | 7.750%  | 7/15/14          | 1,630,000      | 1,556,650        |
| Hercules Offshore LLC, Senior Secured Notes                                | 10.500% | 10/15/17         | 925,000        | 825,562(a)       |
| Key Energy Services Inc., Senior Notes                                     | 8.375%  | 12/1/14          | 2,005,000      | 2,002,494        |
| Parker Drilling Co., Senior Notes  | 9.125%  | 4/1/18           | 1,480,000      | 1,413,400(a)     |
| Transocean Inc, Senior Notes   | 6.625%  | 4/15/11          | 500,000        | 488,148          |
| <i>Total Energy Equipment &amp; Services</i>                               |         |                  |                | <i>9,430,329</i> |
| <b>Oil, Gas &amp; Consumable Fuels 11.6%</b>                               |         |                  |                |                  |
| Adaro Indonesia PT, Notes  | 7.625%  | 10/22/19         | 400,000        | 406,000(a)       |
| Atlas Pipeline Partners LP, Senior Notes                                   | 8.750%  | 6/15/18          | 275,000        | 257,125          |
| Belden & Blake Corp., Secured Notes  | 8.750%  | 7/15/12          | 4,172,000      | 3,911,250        |
| Berry Petroleum Co., Senior Notes  | 10.250% | 6/1/14           | 1,155,000      | 1,247,400        |
| Chesapeake Energy Corp., Senior Notes                                      | 6.625%  | 1/15/16          | 2,285,000      | 2,333,556        |
| Chesapeake Energy Corp., Senior Notes                                      | 6.250%  | 1/15/18          | 880,000        | 893,200          |
| Chesapeake Energy Corp., Senior Notes                                      | 7.250%  | 12/15/18         | 475,000        | 492,813          |
| Compagnie Generale de Geophysique-Veritas,<br>Senior Notes                 | 7.500%  | 5/15/15          | 360,000        | 344,700          |
| Compagnie Generale de Geophysique-Veritas,<br>Senior Notes                 | 9.500%  | 5/15/16          | 970,000        | 989,400          |
| CONSOL Energy Inc., Senior Notes   | 8.250%  | 4/1/20           | 1,830,000      | 1,916,925(a)     |
| Corral Petroleum Holdings AB, Senior Bonds                                 | 5.251%  | 9/18/11          | 2,540,212      | 2,349,696(a)(d)  |
| Crosstex Energy LP/Crosstex Energy Finance Corp., Senior<br>Notes          | 8.875%  | 2/15/18          | 880,000        | 883,300          |
| Denbury Resources Inc., Senior Subordinated Notes                          | 8.250%  | 2/15/20          | 1,263,000      | 1,326,150        |
| Enterprise Products Operating LLP,<br>Junior Subordinated Notes            | 8.375%  | 8/1/66           | 1,380,000      | 1,379,890        |
| Enterprise Products Operating LLP, Subordinated Notes                      | 7.034%  | 1/15/68          | 620,000        | 571,207          |
| Griffin Coal Mining Co. Pty Ltd., Senior Notes                             | 9.500%  | 12/1/16          | 70,000         | 43,138(a)(b)     |
| International Coal Group Inc., Senior Secured Notes                        | 9.125%  | 4/1/18           | 2,120,000      | 2,130,600        |
| Linn Energy LLC/Linn Energy Finance Corp.,<br>Senior Notes                 | 8.625%  | 4/15/20          | 1,360,000      | 1,399,100(a)     |
| MarkWest Energy Partners LP/MarkWest Energy Finance<br>Corp., Senior Notes | 8.750%  | 4/15/18          | 480,000        | 487,200          |
| Murray Energy Corp., Senior Secured Notes                                  | 10.250% | 10/15/15         | 2,070,000      | 2,070,000(a)     |



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|   |         |          |           |              |
|---|---------|----------|-----------|--------------|
| OPTI Canada Inc., Senior Secured Notes  | 9.000%  | 12/15/12 | 1,000,000 | 1,015,000(a) |
| OPTI Canada Inc., Senior Secured Notes  | 7.875%  | 12/15/14 | 345,000   | 301,875      |
| OPTI Canada Inc., Senior Secured Notes  | 8.250%  | 12/15/14 | 920,000   | 805,000      |
| Overseas Shipholding Group Inc., Senior Notes   | 8.125%  | 3/30/18  | 1,485,000 | 1,466,437    |
| Peabody Energy Corp., Senior Notes  | 7.375%  | 11/1/16  | 1,270,000 | 1,328,737    |
| Peabody Energy Corp., Senior Notes  | 7.875%  | 11/1/26  | 470,000   | 495,850      |
| Penn Virginia Resource Partners LP/Penn Virginia Resource Finance Corp., Senior Notes | 8.250%  | 4/15/18  | 920,000   | 908,500      |
| Petrohawk Energy Corp., Senior Notes  | 9.125%  | 7/15/13  | 1,445,000 | 1,513,637    |
| Petroplus Finance Ltd., Senior Notes  | 6.750%  | 5/1/14   | 630,000   | 551,250(a)   |
| Petroplus Finance Ltd., Senior Notes  | 7.000%  | 5/1/17   | 780,000   | 639,600(a)   |
| Plains Exploration & Production Co., Senior Notes                                     | 10.000% | 3/1/16   | 1,305,000 | 1,402,875    |
| Plains Exploration & Production Co., Senior Notes                                     | 8.625%  | 10/15/19 | 1,195,000 | 1,215,912    |
| Quicksilver Resources Inc., Senior Notes  | 8.250%  | 8/1/15   | 860,000   | 853,550      |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

| SECURITY   | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|--|---------|------------------|----------------|-------------------|
| <b>Oil, Gas &amp; Consumable Fuels continued</b>                       |         |                  |                |                   |
| Quicksilver Resources Inc., Senior Notes                               | 11.750% | 1/1/16           | 535,000        | \$ 592,513        |
| Quicksilver Resources Inc., Senior Notes                               | 9.125%  | 8/15/19          | 340,000        | 346,800           |
| Range Resources Corp., Senior Subordinated Notes                       | 8.000%  | 5/15/19          | 100,000        | 104,875           |
| SandRidge Energy Inc., Senior Notes                                    | 8.750%  | 1/15/20          | 60,000         | 57,300(a)         |
| SandRidge Energy Inc., Senior Toggle Notes                             | 8.625%  | 4/1/15           | 4,200,000      | 4,100,250(e)      |
| Stone Energy Corp., Senior Notes                                       | 8.625%  | 2/1/17           | 950,000        | 859,750           |
| Teekay Corp., Senior Notes   | 8.500%  | 1/15/20          | 2,280,000      | 2,280,000         |
| Tennessee Gas Pipeline Co., Senior Notes                               | 8.375%  | 6/15/32          | 3,270,000      | 3,842,221         |
| TNK-BP Finance SA, Senior Notes  | 7.875%  | 3/13/18          | 744,000        | 778,968(a)        |
| Whiting Petroleum Corp., Senior Subordinated Notes                     | 7.000%  | 2/1/14           | 105,000        | 107,625           |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>                           |         |                  |                | <i>51,001,175</i> |
| <b>TOTAL ENERGY</b>  |         |                  |                |                   |
|  |         |                  |                | <b>60,431,504</b> |
| <b>FINANCIALS 12.9%</b>  |         |                  |                |                   |
| <b>Capital Markets 0.3%</b>  |         |                  |                |                   |
| Goldman Sachs Group Inc., Subordinated Notes                           | 6.750%  | 10/1/37          | 1,100,000      | 1,081,687         |
| Lehman Brothers Holdings Inc., Medium-Term Notes,<br>Senior Notes      | 5.250%  | 2/6/12           | 1,420,000      | 287,550(b)        |
| <i>Total Capital Markets</i>   |         |                  |                | <i>1,369,237</i>  |
| <b>Commercial Banks 2.7%</b>   |         |                  |                |                   |
| BAC Capital Trust VI, Capital Securities, Junior<br>Subordinated Notes | 5.625%  | 3/8/35           | 830,000        | 701,356           |
| BankAmerica Institutional Capital A,<br>Junior Subordinated Bonds      | 8.070%  | 12/31/26         | 520,000        | 508,300(a)        |
| BankAmerica Institutional Capital B,<br>Junior Subordinated Bonds      | 7.700%  | 12/31/26         | 600,000        | 579,750(a)        |
| CIT Group Inc., Senior Secured Bonds                                   | 7.000%  | 5/1/14           | 1,848,420      | 1,751,378         |
| CIT Group Inc., Senior Secured Bonds                                   | 7.000%  | 5/1/15           | 318,420        | 295,334           |
| CIT Group Inc., Senior Secured Bonds                                   | 7.000%  | 5/1/16           | 1,290,700      | 1,184,217         |
| CIT Group Inc., Senior Secured Bonds                                   | 7.000%  | 5/1/17           | 4,302,981      | 3,894,198         |
| Credit Agricole SA, Subordinated Notes                                 | 8.375%  | 10/13/19         | 1,050,000      | 997,500(a)(f)     |
| NB Capital Trust II, Junior Subordinated Notes                         | 7.830%  | 12/15/26         | 770,000        | 744,975           |
| NB Capital Trust IV, Junior Subordinated Notes                         | 8.250%  | 4/15/27          | 960,000        | 943,200           |
| <i>Total Commercial Banks</i>  |         |                  |                | <i>11,600,208</i> |
| <b>Consumer Finance 4.3%</b>   |         |                  |                |                   |
| FMG Finance Pty Ltd., Senior Secured Notes                             | 10.625% | 9/1/16           | 1,300,000      | 1,436,500(a)      |
| Ford Motor Credit Co., LLC, Senior Notes                               | 12.000% | 5/15/15          | 6,495,000      | 7,525,679         |
| GMAC Inc., Senior Notes  | 8.300%  | 2/12/15          | 70,000         | 71,050(a)         |
| GMAC Inc., Senior Notes  | 8.000%  | 3/15/20          | 1,000,000      | 980,000(a)        |
| GMAC Inc., Subordinated Notes  | 8.000%  | 12/31/18         | 74,000         | 68,820            |
| GMAC LLC, Debentures   | 0.000%  | 6/15/15          | 4,300,000      | 2,709,000         |
| GMAC LLC, Senior Bonds   | 0.000%  | 12/1/12          | 1,800,000      | 1,511,726         |
| SLM Corp., Medium-Term Notes, Senior Notes                             | 8.450%  | 6/15/18          | 1,465,000      | 1,353,805         |
| SLM Corp., Senior Notes  | 8.000%  | 3/25/20          | 3,870,000      | 3,404,029         |
| <i>Total Consumer Finance</i>  |         |                  |                | <i>19,060,609</i> |

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**Diversified Financial Services 4.9%**

|  |         |          |           |              |
|--|---------|----------|-----------|--------------|
| AES Red Oak LLC, Secured Notes   | 9.200%  | 11/30/29 | 3,920,000 | 3,822,000    |
| Astoria Depositor Corp., Pass-Through Certificates   | 8.144%  | 5/1/21   | 1,550,000 | 1,534,500(a) |
| Bankrate Inc., Senior Secured Notes  | 11.750% | 7/15/15  | 750,000   | 748,125(a)   |
| Capital One Capital V, Junior Subordinated Notes,<br>Cumulative Trust Preferred Securities | 10.250% | 8/15/39  | 1,120,000 | 1,188,600    |
| Express LLC/Express Finance Corp., Senior Notes  | 8.750%  | 3/1/18   | 1,350,000 | 1,380,375(a) |
| Fresenius U.S. Finance II Inc., Senior Notes   | 9.000%  | 7/15/15  | 1,440,000 | 1,567,800(a) |
| Hexion U.S. Finance Corp./Hexion Nova Scotia Finance<br>ULC, Senior Secured Notes          | 8.875%  | 2/1/18   | 630,000   | 571,725      |
| International Lease Finance Corp., Medium-Term Notes                                       | 6.375%  | 3/25/13  | 2,450,000 | 2,309,125    |
| International Lease Finance Corp., Medium-Term Notes,<br>Senior Notes                      | 5.625%  | 9/20/13  | 1,670,000 | 1,515,525    |
| International Lease Finance Corp., Notes   | 5.875%  | 5/1/13   | 520,000   | 482,300      |
| International Lease Finance Corp., Senior Notes  | 8.750%  | 3/15/17  | 1,230,000 | 1,168,500(a) |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

| SECURITY   | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE           |
|--|---------|------------------|----------------|-----------------|
| <b>Diversified Financial Services continued</b>                            |         |                  |                |                 |
| LBI Escrow Corp., Senior Secured Notes                                     | 8.000%  | 11/1/17          | 1,715,000      | \$ 1,770,737(a) |
| MBNA Capital A, Junior Subordinated Notes                                  | 8.278%  | 12/1/26          | 1,250,000      | 1,228,125       |
| Midwest Gaming Borrower LLC/Midwest Finance Corp.,<br>Senior Secured Notes | 11.625% | 4/15/16          | 550,000        | 543,125(a)      |
| TNK-BP Finance SA, Senior Notes  | 7.875%  | 3/13/18          | 1,525,000      | 1,596,675(a)    |
| Unitymedia GmbH, Senior Secured Bonds                                      | 8.125%  | 12/1/17          | 260,000        | 256,100(a)      |
| <i>Total Diversified Financial Services</i>                                |         |                  |                | 21,683,337      |
| <b>Insurance 0.5%</b>  |         |                  |                |                 |
| American International Group Inc., Senior Notes                            | 8.250%  | 8/15/18          | 1,465,000      | 1,490,638       |
| MetLife Capital Trust IV, Junior Subordinated Notes                        | 7.875%  | 12/15/37         | 590,000        | 569,350(a)      |
| <i>Total Insurance</i>   |         |                  |                | 2,059,988       |
| <b>Real Estate Investment Trusts (REITs) 0.2%</b>                          |         |                  |                |                 |
| Entertainment Properties Trust, Senior Notes                               | 7.750%  | 7/15/20          | 500,000        | 503,750(a)      |
| Host Hotels & Resorts, LP, Senior Notes                                    | 6.375%  | 3/15/15          | 425,000        | 418,625         |
| <i>Total Real Estate Investment Trusts (REITs)</i>                         |         |                  |                | 922,375         |
| <b>TOTAL FINANCIALS</b>  |         |                  |                |                 |
|  |         |                  |                | 56,695,754      |
| <b>HEALTH CARE 6.2%</b>  |         |                  |                |                 |
| <b>Health Care Equipment &amp; Supplies 0.5%</b>                           |         |                  |                |                 |
| Biomet Inc., Senior Notes  | 10.000% | 10/15/17         | 1,080,000      | 1,166,400       |
| Biomet Inc., Senior Notes  | 11.625% | 10/15/17         | 370,000        | 402,375         |
| Biomet Inc., Senior Toggle Notes   | 10.375% | 10/15/17         | 580,000        | 626,400(e)      |
| <i>Total Health Care Equipment &amp; Supplies</i>                          |         |                  |                | 2,195,175       |
| <b>Health Care Providers &amp; Services 5.7%</b>                           |         |                  |                |                 |
| American Renal Holdings, Senior Secured Notes                              | 8.375%  | 5/15/18          | 1,130,000      | 1,124,350(a)    |
| Capella Healthcare Inc., Senior Notes                                      | 9.250%  | 7/1/17           | 530,000        | 536,625(a)      |
| CRC Health Corp., Senior Subordinated Notes                                | 10.750% | 2/1/16           | 3,515,000      | 3,251,375       |
| HCA Inc., Debentures   | 7.500%  | 11/15/95         | 3,920,000      | 2,940,000       |
| HCA Inc., Senior Notes   | 6.300%  | 10/1/12          | 100,000        | 100,000         |
| HCA Inc., Senior Notes   | 6.250%  | 2/15/13          | 40,000         | 39,500          |
| HCA Inc., Senior Secured Notes   | 7.875%  | 2/15/20          | 2,820,000      | 2,915,175       |
| Omnicare Inc., Senior Subordinated Notes                                   | 7.750%  | 6/1/20           | 830,000        | 850,750         |
| Tenet Healthcare Corp., Senior Notes                                       | 9.000%  | 5/1/15           | 800,000        | 850,000(a)      |
| Tenet Healthcare Corp., Senior Notes                                       | 10.000% | 5/1/18           | 3,070,000      | 3,407,700(a)    |
| Universal Hospital Services Inc., Senior Secured Notes                     | 4.134%  | 6/1/15           | 530,000        | 447,850(d)      |
| Universal Hospital Services Inc., Senior Secured Notes                     | 8.500%  | 6/1/15           | 1,990,000      | 1,970,100(e)    |
| US Oncology Holdings Inc., Senior Notes                                    | 6.643%  | 3/15/12          | 3,750,000      | 3,506,250(d)(e) |
| US Oncology Inc., Senior Secured Notes                                     | 9.125%  | 8/15/17          | 1,685,000      | 1,739,762       |
| Vanguard Health Holdings Co., II LLC, Senior Notes                         | 8.000%  | 2/1/18           | 1,395,000      | 1,346,175       |
| <i>Total Health Care Providers &amp; Services</i>                          |         |                  |                | 25,025,612      |
| <b>TOTAL HEALTH CARE</b>   |         |                  |                |                 |
|  |         |                  |                | 27,220,787      |
| <b>INDUSTRIALS 10.3%</b>   |         |                  |                |                 |
| <b>Aerospace &amp; Defense 1.8%</b>  |         |                  |                |                 |
| DynCorp International Inc., Senior Notes                                   | 10.375% | 7/1/17           | 900,000        | 906,750(a)      |
| Freedom Group Inc., Senior Secured Notes                                   | 10.250% | 8/1/15           | 1,965,000      | 2,053,425(a)    |

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|   |         |         |           |              |
|---|---------|---------|-----------|--------------|
| Kratos Defense & Security Solutions Inc.,<br>Senior Secured Notes                   | 10.000% | 6/1/17  | 1,030,000 | 1,050,600(a) |
| Triumph Group Inc., Senior Notes  | 8.625%  | 7/15/18 | 1,580,000 | 1,619,500(a) |
| Wyle Services Corp., Senior Subordinated Notes                                      | 10.500% | 4/1/18  | 2,105,000 | 2,105,000(a) |
| <i>Total Aerospace &amp; Defense</i>  |         |         |           | 7,735,275    |
| <b>Airlines 2.6%</b>  |         |         |           |              |
| Continental Airlines Inc., Pass-Through Certificates<br>Subordinated Secured Notes  | 9.250%  | 5/10/17 | 180,000   | 186,300      |
| Continental Airlines Inc., Pass-Through Certificates,<br>Subordinated Secured Notes | 8.312%  | 4/2/11  | 204,881   | 203,857      |
| Continental Airlines Inc., Pass-Through Certificates,<br>Subordinated Secured Notes | 7.339%  | 4/19/14 | 2,929,591 | 2,805,084    |
| DAE Aviation Holdings Inc., Senior Notes  | 11.250% | 8/1/15  | 5,105,000 | 5,079,475(a) |
| Delta Air Lines Inc., Pass-Through Certificates                                     | 7.711%  | 9/18/11 | 865,000   | 856,350      |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|---|---------|------------------|----------------|-------------------|
| <b>Airlines continued</b>   |         |                  |                |                   |
| Delta Air Lines Inc., Pass-Through<br>Certificates, Subordinated Secured Notes            | 9.750%  | 12/17/16         | 598,650        | \$ 622,596        |
| Delta Air Lines Inc., Secured Notes   | 8.021%  | 8/10/22          | 253,921        | 241,859           |
| Delta Air Lines Inc., Senior Secured Notes  | 9.500%  | 9/15/14          | 655,000        | 691,025(a)        |
| United Air Lines Inc., Senior Secured Notes   | 9.875%  | 8/1/13           | 910,000        | 937,300(a)        |
| <i>Total Airlines</i>   |         |                  |                | <i>11,623,846</i> |
| <b>Building Products 0.1%</b>   |         |                  |                |                   |
| Ashton Woods USA LLC/Ashton Woods<br>Finance Co., Senior Subordinated Notes, step<br>bond | 0.000%  | 6/30/15          | 660,400        | 386,334(a)(c)     |
| <b>Commercial Services &amp; Supplies 1.7%</b>  |         |                  |                |                   |
| ACCO Brands Corp., Senior Secured Notes   | 10.625% | 3/15/15          | 1,675,000      | 1,825,750         |
| Altegrity Inc., Senior Subordinated Notes   | 10.500% | 11/1/15          | 280,000        | 267,400(a)        |
| Altegrity Inc., Senior Subordinated Notes   | 11.750% | 5/1/16           | 2,405,000      | 2,194,562(a)      |
| Garda World Security Corp., Senior Notes  | 9.750%  | 3/15/17          | 720,000        | 734,400(a)        |
| Geo Group Inc., Senior Notes  | 7.750%  | 10/15/17         | 1,620,000      | 1,640,250(a)      |
| RSC Equipment Rental Inc./RSC Holdings III<br>LLC, Senior Secured Notes                   | 10.000% | 7/15/17          | 855,000        | 921,263(a)        |
| <i>Total Commercial Services &amp; Supplies</i>   |         |                  |                | <i>7,583,625</i>  |
| <b>Electrical Equipment 0.3%</b>  |         |                  |                |                   |
| NES Rentals Holdings Inc., Senior Secured<br>Notes  | 12.250% | 4/15/15          | 1,360,000      | 1,169,600(a)      |
| <b>Industrial Conglomerates 0.3%</b>  |         |                  |                |                   |
| Leucadia National Corp., Senior Notes   | 8.125%  | 9/15/15          | 1,220,000      | 1,256,600         |
| <b>Machinery 0.1%</b>   |         |                  |                |                   |
| Case New Holland Inc., Senior Notes   | 7.750%  | 9/1/13           | 640,000        | 657,600(c)        |
| <b>Marine 0.6%</b>  |         |                  |                |                   |
| Trico Shipping AS, Senior Secured Notes   | 11.875% | 11/1/14          | 2,640,000      | 2,547,600(a)      |
| <b>Road &amp; Rail 1.9%</b>   |         |                  |                |                   |
| Kansas City Southern de Mexico, Senior<br>Notes   | 9.375%  | 5/1/12           | 205,000        | 211,150           |
| Kansas City Southern de Mexico, Senior<br>Notes   | 7.375%  | 6/1/14           | 950,000        | 971,375           |
| Kansas City Southern de Mexico, Senior<br>Notes   | 12.500% | 4/1/16           | 1,491,000      | 1,789,200         |
| Kansas City Southern de Mexico, Senior<br>Notes   | 8.000%  | 2/1/18           | 2,770,000      | 2,880,800(a)      |
| Kansas City Southern Railway, Senior Notes  | 13.000% | 12/15/13         | 231,000        | 278,355           |
| RailAmerica Inc., Senior Secured Notes  | 9.250%  | 7/1/17           | 2,212,000      | 2,328,130         |
| <i>Total Road &amp; Rail</i>  |         |                  |                | <i>8,459,010</i>  |
| <b>Trading Companies &amp; Distributors 0.5%</b>  |         |                  |                |                   |
| Ashtead Capital Inc., Notes   | 9.000%  | 8/15/16          | 770,000        | 758,450(a)        |
| Ashtead Holdings PLC, Senior Secured Notes  | 8.625%  | 8/1/15           | 465,000        | 462,675(a)        |
| H&E Equipment Services Inc., Senior Notes   | 8.375%  | 7/15/16          | 1,210,000      | 1,143,450         |

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|   |         |          |           |              |
|---|---------|----------|-----------|--------------|
| <i>Total Trading Companies &amp; Distributors</i>               |         |          |           | 2,364,575    |
| <b>Transportation 0.4%</b>                                      |         |          |           |              |
| Syncreon Global Ireland Ltd./Syncreon                           |         |          |           |              |
| Global Finance US Inc., Senior Notes                            | 9.500%  | 5/1/18   | 1,640,000 | 1,590,800(a) |
| TOTAL INDUSTRIALS   |         |          |           | 45,374,865   |
| INFORMATION TECHNOLOGY 3.3%                                     |         |          |           |              |
| <b>Communications Equipment 0.5%</b>                            |         |          |           |              |
| Lucent Technologies Inc., Debentures                            | 6.450%  | 3/15/29  | 3,140,000 | 2,088,100    |
| <b>Electronic Equipment, Instruments &amp; Components 1.0%</b>  |         |          |           |              |
| Jabil Circuit Inc., Senior Notes                                | 8.250%  | 3/15/18  | 80,000    | 85,200       |
| KEMET Corp., Senior Secured Notes                               | 10.500% | 5/1/18   | 1,650,000 | 1,641,750(a) |
| NXP BV/NXP Funding LLC, Senior Secured Notes                    | 7.875%  | 10/15/14 | 2,890,000 | 2,666,025    |
| <i>Total Electronic Equipment, Instruments &amp; Components</i> |         |          |           | 4,392,975    |
| <b>IT Services 1.3%</b>   |         |          |           |              |
| Ceridian Corp., Senior Notes                                    | 12.250% | 11/15/15 | 1,469,700 | 1,330,079(e) |
| First Data Corp., Senior Notes                                  | 5.625%  | 11/1/11  | 250,000   | 213,750      |
| First Data Corp., Senior Notes                                  | 10.550% | 9/24/15  | 4,453,133 | 3,284,185(e) |
| GXS Worldwide Inc., Senior Secured Notes                        | 9.750%  | 6/15/15  | 760,000   | 729,600(a)   |
| <i>Total IT Services</i>  |         |          |           | 5,557,614    |
| <b>Semiconductors &amp; Semiconductor Equipment 0.3%</b>        |         |          |           |              |
| Freescall Semiconductor Inc., Senior Secured Notes              | 9.250%  | 4/15/18  | 860,000   | 853,550(a)   |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|---|---------|------------------|----------------|-------------------|
| <b>Semiconductors &amp; Semiconductor Equipment</b> continued |         |                  |                |                   |
| Freescale Semiconductor Inc., Senior Subordinated Notes       | 10.125% | 12/15/16         | 335,000        | \$ 269,675        |
| Freescale Semiconductor Inc., Senior Toggle Notes             | 9.125%  | 12/15/14         | 381,333        | 343,200(e)        |
| <i>Total Semiconductors &amp; Semiconductor Equipment</i>     |         |                  |                | <i>1,466,425</i>  |
| <b>Software</b> 0.2%  |         |                  |                |                   |
| Aspect Software Inc., Senior Secured Notes                    | 10.625% | 5/15/17          | 1,025,000      | 1,030,125(a)      |
| <b>TOTAL INFORMATION TECHNOLOGY MATERIALS</b> 8.3%            |         |                  |                | 14,535,239        |
| <b>Chemicals</b> 2.5%   |         |                  |                |                   |
| Ashland Inc., Senior Notes                                    | 9.125%  | 6/1/17           | 3,200,000      | 3,520,000(a)      |
| CF Industries Inc., Senior Notes                              | 6.875%  | 5/1/18           | 200,000        | 204,000           |
| CF Industries Inc., Senior Notes                              | 7.125%  | 5/1/20           | 840,000        | 863,100           |
| FMC Finance III SA, Senior Notes                              | 6.875%  | 7/15/17          | 580,000        | 588,700           |
| Georgia Gulf Corp., Senior Secured Notes                      | 9.000%  | 1/15/17          | 1,175,000      | 1,198,500(a)      |
| Ineos Finance PLC, Senior Secured Notes                       | 9.000%  | 5/15/15          | 1,160,000      | 1,162,900(a)      |
| Kerling PLC, Senior Secured Notes                             | 10.625% | 1/28/17          | 955,000EUR     | 1,183,890(a)      |
| Solutia Inc., Senior Notes                                    | 8.750%  | 11/1/17          | 965,000        | 1,008,425         |
| Solutia Inc., Senior Notes                                    | 7.875%  | 3/15/20          | 1,210,000      | 1,213,025         |
| <i>Total Chemicals</i>  |         |                  |                | <i>10,942,540</i> |
| <b>Containers &amp; Packaging</b> 1.5%                        |         |                  |                |                   |
| Ball Corp., Senior Notes                                      | 6.625%  | 3/15/18          | 310,000        | 311,550           |
| Berry Plastics Corp., Senior Secured Notes                    | 9.500%  | 5/15/18          | 2,380,000      | 2,189,600(a)      |
| Graham Packaging Co. L.P., Senior Subordinated Notes          | 9.875%  | 10/15/14         | 350,000        | 359,625           |
| Radnor Holdings Inc., Senior Notes                            | 11.000% | 3/15/11          | 725,000        | 0(b)(c)(g)        |
| Solo Cup Co., Senior Secured Notes                            | 10.500% | 11/1/13          | 1,345,000      | 1,397,119         |
| Viskase Cos. Inc., Senior Secured Notes                       | 9.875%  | 1/15/18          | 2,170,000      | 2,191,700(a)      |
| <i>Total Containers &amp; Packaging</i>                       |         |                  |                | <i>6,449,594</i>  |
| <b>Metals &amp; Mining</b> 1.1%                               |         |                  |                |                   |
| Metals USA Inc., Senior Secured Notes                         | 11.125% | 12/1/15          | 3,430,000      | 3,618,650         |
| Ryerson Holding Corp., Senior Discount Notes                  | 0.000%  | 2/1/15           | 2,850,000      | 1,396,500(a)      |
| <i>Total Metals &amp; Mining</i>                              |         |                  |                | <i>5,015,150</i>  |
| <b>Paper &amp; Forest Products</b> 3.2%                       |         |                  |                |                   |
| Abitibi-Consolidated Co. of Canada, Senior Secured Notes      | 13.750% | 4/1/11           | 1,262,260      | 1,247,139(a)(b)   |
| Appleton Papers Inc., Senior Secured Notes                    | 11.250% | 12/15/15         | 3,785,000      | 3,236,175(a)      |
| Georgia-Pacific LLC, Senior Notes                             | 8.250%  | 5/1/16           | 1,725,000      | 1,847,906(a)      |
| NewPage Corp., Senior Secured Notes                           | 10.000% | 5/1/12           | 15,000         | 8,213             |
| NewPage Corp., Senior Secured Notes                           | 11.375% | 12/31/14         | 2,250,000      | 2,053,125         |
| PE Paper Escrow GmbH, Senior Secured Notes                    | 12.000% | 8/1/14           | 560,000        | 616,297(a)        |
| Smurfit Capital Funding PLC, Debentures                       | 7.500%  | 11/20/25         | 1,200,000      | 1,071,000         |
|   | 11.500% | 7/1/14           | 2,240,000      | 2,424,800         |



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|  |         |         |           |                   |
|--|---------|---------|-----------|-------------------|
| Verso Paper Holdings LLC, Senior Secured Notes                 |         |         |           |                   |
| Verso Paper Holdings LLC, Senior Secured Notes                 | 9.125%  | 8/1/14  | 970,000   | 931,200           |
| Verso Paper Holdings LLC, Senior Subordinated Notes            | 11.375% | 8/1/16  | 740,000   | 634,550           |
| <i>Total Paper &amp; Forest Products</i>                       |         |         |           | <i>14,070,405</i> |
| TOTAL MATERIALS  |         |         |           | 36,477,689        |
| TELECOMMUNICATION SERVICES 8.3%                                |         |         |           |                   |
| <b>Diversified Telecommunication Services 5.0%</b>             |         |         |           |                   |
| CC Holdings GS V LLC, Senior Secured Notes                     | 7.750%  | 5/1/17  | 1,620,000 | 1,721,250(a)      |
| Cincinnati Bell Telephone Co., Senior Debentures               | 6.300%  | 12/1/28 | 385,000   | 267,575           |
| Hawaiian Telcom Communications Inc., Senior Subordinated Notes | 12.500% | 5/1/15  | 980,000   | 98(b)(c)          |
| Inmarsat Finance PLC, Senior Notes                             | 7.375%  | 12/1/17 | 1,720,000 | 1,767,300(a)      |
| Intelsat Intermediate Holding Co., Ltd., Senior Discount Notes | 9.500%  | 2/1/15  | 1,720,000 | 1,758,700         |
| Intelsat Jackson Holdings Ltd., Senior Notes                   | 9.500%  | 6/15/16 | 130,000   | 137,150           |
| Intelsat Jackson Holdings Ltd., Senior Notes                   | 11.250% | 6/15/16 | 40,000    | 42,800            |
| Intelsat Jackson Holdings Ltd., Senior Notes                   | 11.500% | 6/15/16 | 5,495,000 | 5,852,175         |
| Level 3 Financing Inc., Senior Notes                           | 10.000% | 2/1/18  | 990,000   | 881,100(a)        |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE           |
|---|---------|------------------|----------------|-----------------|
| <b>Diversified Telecommunication Services continued</b>                     |         |                  |                |                 |
| Nordic Telephone Co. Holdings, Senior Secured Bonds                         | 8.875%  | 5/1/16           | 510,000        | \$ 526,575(a)   |
| Qwest Communications International Inc., Senior Notes                       | 8.000%  | 10/1/15          | 1,175,000      | 1,213,187(a)    |
| TW Telecom Holdings Inc., Senior Notes                                      | 8.000%  | 3/1/18           | 1,430,000      | 1,465,750(a)    |
| Valor Telecommunications Enterprises<br>LLC/Finance Corp., Senior Notes     | 7.750%  | 2/15/15          | 1,330,000      | 1,357,393       |
| Wind Acquisition Finance SA, Senior Bonds                                   | 12.000% | 12/1/15          | 2,000,000      | 2,080,000(a)    |
| Wind Acquisition Holdings Finance SpA, Senior Notes                         | 12.250% | 7/15/17          | 1,410,000      | 1,290,150(a)(e) |
| Windstream Corp., Senior Notes  | 8.625%  | 8/1/16           | 1,550,000      | 1,569,375       |
| <i>Total Diversified Telecommunication Services</i>                         |         |                  |                | 21,930,578      |
| <b>Wireless Telecommunication Services 3.3%</b>                             |         |                  |                |                 |
| Cricket Communications Inc., Senior Secured Notes                           | 7.750%  | 5/15/16          | 2,000,000      | 2,050,000       |
| Sprint Capital Corp., Global Notes  | 6.900%  | 5/1/19           | 870,000        | 791,700         |
| Sprint Capital Corp., Senior Notes  | 8.375%  | 3/15/12          | 605,000        | 637,519         |
| Sprint Capital Corp., Senior Notes  | 6.875%  | 11/15/28         | 750,000        | 626,250         |
| Sprint Capital Corp., Senior Notes  | 8.750%  | 3/15/32          | 8,585,000      | 8,241,600       |
| True Move Co., Ltd., Notes  | 10.750% | 12/16/13         | 2,260,000      | 2,231,750(a)    |
| <i>Total Wireless Telecommunication Services</i>                            |         |                  |                | 14,578,819      |
| <b>TOTAL TELECOMMUNICATION SERVICES</b>                                     |         |                  |                | 36,509,397      |
| <b>UTILITIES 5.1%</b>   |         |                  |                |                 |
| <b>Electric Utilities 1.9%</b>  |         |                  |                |                 |
| Reliant Energy Mid-Atlantic Power Holdings LLC, Senior<br>Notes             | 9.681%  | 7/2/26           | 2,390,000      | 2,485,600       |
| Texas Competitive Electric Holdings Co. LLC,<br>Senior Notes                | 10.250% | 11/1/15          | 9,165,000      | 6,094,725       |
| <i>Total Electric Utilities</i>   |         |                  |                | 8,580,325       |
| <b>Gas Utilities 0.3%</b>   |         |                  |                |                 |
| Southern Natural Gas Co., Senior Notes                                      | 8.000%  | 3/1/32           | 60,000         | 68,287          |
| Suburban Propane Partners LP/Suburban Energy Finance Corp.,<br>Senior Notes | 7.375%  | 3/15/20          | 1,210,000      | 1,231,175       |
| <i>Total Gas Utilities</i>  |         |                  |                | 1,299,462       |
| <b>Independent Power Producers &amp; Energy Traders 2.9%</b>                |         |                  |                |                 |
| Dynegy Holdings Inc., Senior Debentures                                     | 7.625%  | 10/15/26         | 2,090,000      | 1,295,800       |
| Dynegy Inc., Bonds  | 7.670%  | 11/8/16          | 320,000        | 281,600         |
| Edison Mission Energy, Senior Notes   | 7.750%  | 6/15/16          | 1,200,000      | 840,000         |
| Edison Mission Energy, Senior Notes   | 7.200%  | 5/15/19          | 810,000        | 502,200         |
| Edison Mission Energy, Senior Notes   | 7.625%  | 5/15/27          | 1,535,000      | 878,788         |
| Energy Future Holdings Corp., Senior Notes                                  | 10.875% | 11/1/17          | 2,220,000      | 1,653,900       |
| Energy Future Holdings Corp., Senior Notes                                  | 11.250% | 11/1/17          | 1,506,324      | 986,642(e)      |
| Mirant Americas Generation LLC, Senior Notes                                | 8.500%  | 10/1/21          | 330,000        | 308,550         |
| Mirant Americas Generation LLC, Senior Notes                                | 9.125%  | 5/1/31           | 2,405,000      | 2,224,625       |
| Mirant Mid Atlantic LLC, Pass-Through Certificates                          | 10.060% | 12/30/28         | 984,037        | 1,055,380       |
| NRG Energy Inc., Senior Notes   | 7.250%  | 2/1/14           | 2,480,000      | 2,520,300       |
| <i>Total Independent Power Producers &amp; Energy Traders</i>               |         |                  |                | 12,547,785      |
| <b>TOTAL UTILITIES</b>  |         |                  |                | 22,427,572      |

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|   |                |         |           |              |
|---|----------------|---------|-----------|--------------|
| TOTAL CORPORATE BONDS & NOTES (Cost \$401,016,724)                                  |                |         |           | 395,833,419  |
| COLLATERALIZED MORTGAGE OBLIGATION  |                |         |           |              |
| 0.2%  |                |         |           |              |
| Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 (Cost - \$839,572) | 2.315%         | 4/20/35 | 1,324,897 | 1,027,204(d) |
| COLLATERALIZED SENIOR LOANS 2.8%  |                |         |           |              |
| CONSUMER DISCRETIONARY 0.8%   |                |         |           |              |
| <b>Auto Components 0.4%</b>   |                |         |           |              |
| Allison Transmission Inc., Term Loan  |                |         |           |              |
| B   | 3.050 - 3.110% | 8/7/14  | 1,907,644 | 1,742,515(h) |
| <b>Media 0.4%</b>   |                |         |           |              |
| Newsday LLC, Term Loan  | 10.500%        | 8/1/13  | 1,500,000 | 1,575,000(h) |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

|   | RATE           | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE              |
|---|----------------|------------------|----------------|--------------------|
| <b>SECURITY</b>   |                |                  |                |                    |
| <b>Media continued</b>  |                |                  |                |                    |
| SuperMedia Inc., Term Loan  | 11.000%        | 12/31/15         | 367,351        | \$ 316,118(h)      |
| <i>Total Media</i>  |                |                  |                | <i>1,891,118</i>   |
| <b>TOTAL CONSUMER DISCRETIONARY</b>                                   |                |                  |                |                    |
| <b>ENERGY 0.5%</b>  |                |                  |                |                    |
| <b>Energy Equipment &amp; Services 0.5%</b>                           |                |                  |                |                    |
| Turbo Beta Ltd., Term Loan  | 14.500%        | 3/15/18          | 2,655,657      | 2,303,782(c)(e)(h) |
| <b>FINANCIALS 0.6%</b>  |                |                  |                |                    |
| <b>Real Estate Management &amp; Development 0.6%</b>                  |                |                  |                |                    |
| Realogy Corp., Term Loan  | 13.500%        | 10/15/17         | 2,500,000      | 2,626,042(h)       |
| <b>INDUSTRIALS 0.4%</b>   |                |                  |                |                    |
| <b>Aerospace &amp; Defense 0.1%</b>                                   |                |                  |                |                    |
| Hawker Beechcraft Acquisition Co. LLC, LC Facility Deposits           | 2.533%         | 3/26/14          | 27,721         | 22,484(h)          |
| Hawker Beechcraft Acquisition Co. LLC, Term Loan                      | 2.347 - 2.533% | 3/26/14          | 464,877        | 377,067(h)         |
| <i>Total Aerospace &amp; Defense</i>                                  |                |                  |                | <i>399,551</i>     |
| <b>Airlines 0.3%</b>  |                |                  |                |                    |
| United Airlines Inc., Term Loan B                                     | 2.313 - 2.375% | 2/3/14           | 1,478,639      | 1,302,812(h)       |
| <b>TOTAL INDUSTRIALS</b>  |                |                  |                |                    |
| <b>TELECOMMUNICATION SERVICES 0.3%</b>                                |                |                  |                |                    |
| <b>Diversified Telecommunication Services 0.3%</b>                    |                |                  |                |                    |
| Level 3 Communications Inc., Term Loan                                | 11.500%        | 3/13/14          | 1,250,000      | 1,345,313(h)       |
| <b>UTILITIES 0.2%</b>   |                |                  |                |                    |
| <b>Independent Power Producers &amp; Energy Traders 0.2%</b>          |                |                  |                |                    |
| Energy Future Holdings, Term Loan B3                                  | 3.850 - 4.033% | 10/10/14         | 1,104,322      | 819,097(h)         |
| <b>TOTAL COLLATERALIZED SENIOR LOANS (Cost \$12,272,901)</b>          |                |                  |                |                    |
| <b>CONVERTIBLE BONDS &amp; NOTES 0.7%</b>                             |                |                  |                |                    |
| <b>INDUSTRIALS 0.7%</b>   |                |                  |                |                    |
| <b>Marine 0.7%</b>  |                |                  |                |                    |
| Horizon Lines Inc., Senior Notes (Cost - \$3,015,090)                 | 4.250%         | 8/15/12          | 3,455,000      | 2,867,650          |
| <b>SOVEREIGN BOND 0.3%</b>  |                |                  |                |                    |
| <b>Russia 0.3%</b>  |                |                  |                |                    |
| Russian Foreign Bond - Eurobond, Senior Bonds<br>(Cost - \$1,076,962) | 7.500%         | 3/31/30          | 985,320        | 1,113,215(a)       |
| <b>SHARES</b>   |                |                  |                |                    |
| <b>COMMON STOCKS 1.4%</b>   |                |                  |                |                    |
| <b>CONSUMER DISCRETIONARY 1.1%</b>                                    |                |                  |                |                    |
| <b>Media 1.1%</b>   |                |                  |                |                    |
| Charter Communications Inc.   |                |                  | 95,153         | 3,358,901(g)       |
| Charter Communications Inc., Class A Shares                           |                |                  | 41,739         | 1,473,387*         |
| Dex One Corp.   |                |                  | 6,142          | 116,698*           |
| SuperMedia Inc.   |                |                  | 3,524          | 64,461*            |
| <b>TOTAL CONSUMER DISCRETIONARY</b>                                   |                |                  |                |                    |
| <b>ENERGY 0.1%</b>  |                |                  |                |                    |
| <b>Oil, Gas &amp; Consumable Fuels 0.1%</b>                           |                |                  |                |                    |

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|   |        |             |
|---|--------|-------------|
| SemGroup Corp., Class A Shares          | 9,017  | 236,708*(g) |
| INDUSTRIALS 0.0%                        |        |             |
| <b>Building Products 0.0%</b>           |        |             |
| Nortek Inc.                             | 2,857  | 119,995*    |
| MATERIALS 0.2%                          |        |             |
| <b>Chemicals 0.2%</b>                   |        |             |
| Georgia Gulf Corp.                      | 64,421 | 859,376*    |
| TOTAL COMMON STOCKS (Cost \$10,040,859) |        | 6,229,526   |

*See Notes to Schedule of Investments.*

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

June 30, 2010

|   | RATE            | SHARES   | VALUE        |
|---|-----------------|----------|--------------|
| SECURITY  |                 |          |              |
| CONVERTIBLE PREFERRED STOCKS 1.0%                                   |                 |          |              |
| FINANCIALS 1.0%   |                 |          |              |
| <b>Diversified Financial Services 1.0%</b>                          |                 |          |              |
| Bank of America Corp.   | 7.250%          | 3,030    | \$ 2,751,240 |
| Citigroup Inc.  | 7.500%          | 13,816   | 1,561,208    |
| TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$4,389,606)               |                 |          | 4,312,448    |
| PREFERRED STOCKS 1.2%   |                 |          |              |
| CONSUMER DISCRETIONARY 0.3%   |                 |          |              |
| <b>Automobiles 0.3%</b>   |                 |          |              |
| Corts-Ford Motor Co.  | 7.400%          | 17,180   | 372,806      |
| Corts-Ford Motor Co.  | 8.000%          | 12,820   | 307,424      |
| Motors Liquidation Co.  | 7.250%          | 900      | 5,762*       |
| Motors Liquidation Co., Senior Notes                                | 7.250%          | 31,700   | 203,276*     |
| Motors Liquidation Co., Senior Notes                                | 7.375%          | 12,300   | 78,751*      |
| Motors Liquidation Co., Senior Notes                                | 7.500%          | 400      | 2,885*       |
| Preferred Plus, Trust, Series FRD-1                                 | 7.400%          | 1,040    | 23,088       |
| Saturns, Series F 2003-5  | 8.125%          | 7,990    | 191,760      |
| TOTAL CONSUMER DISCRETIONARY  |                 |          | 1,185,752    |
| FINANCIALS 0.9%   |                 |          |              |
| <b>Commercial Banks 0.3%</b>  |                 |          |              |
| Santander Finance Preferred SA                                      |                 |          |              |
| Unipersonal   | 10.500%         | 57,550   | 1,534,283    |
| <b>Diversified Financial Services 0.6%</b>                          |                 |          |              |
| Citigroup Capital XII   | 8.500%          | 108,200  | 2,711,762(d) |
| <b>Thrifts &amp; Mortgage Finance 0.0%</b>                          |                 |          |              |
| Federal National Mortgage Association (FNMA)                        | 8.250%          | 37,200   | 12,648*(d)   |
| TOTAL FINANCIALS  |                 |          | 4,258,693    |
| TOTAL PREFERRED STOCKS (Cost \$6,654,774)                           |                 |          | 5,444,445    |
|   | EXPIRATION DATE | WARRANTS |              |
| WARRANTS 0.0%   |                 |          |              |
| Buffets Restaurant Holdings   | 4/28/14         | 1,981    | 20*(c)(g)    |
| Charter Communications Inc.   | 11/30/14        | 2,238    | 8,952*       |
| Jazztel PLC   | 7/15/10         | 1,000    | 0*(a)(c)(g)  |
| Nortek Inc.   | 12/7/14         | 5,518    | 63,461*      |
| SemGroup Corp.  | 11/30/14        | 9,492    | 52,206*      |
| Turbo Beta Ltd.   | 11/1/14         | 1        | 0*(c)(g)     |
| TOTAL WARRANTS (Cost \$74,835)                                      |                 |          | 124,639      |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT (Cost \$439,381,323) |                 |          | 429,382,776  |

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|   | MATURITY<br>DATE | FACE<br>AMOUNT |
|---|------------------|----------------|
| SHORT-TERM INVESTMENT 0.8%  |                  |                |
| <b>Repurchase Agreement 0.8%</b>  |                  |                |
| Morgan Stanley tri-party repurchase agreement dated 6/30/10; Proceeds at maturity - \$3,566,002; (Fully collateralized by U.S. government agency obligations, 0.500% due 10/29/10; Market value - \$3,642,860) (Cost - \$3,566,000) | 0.020%           | 7/1/10         |
|   |                  | 3,566,000      |
| TOTAL INVESTMENTS 98.4% (Cost \$442,947,323#)   |                  | 3,566,000      |
| Other Assets in Excess of Liabilities 1.6%  |                  | 432,948,776    |
| TOTAL NET ASSETS 100.0%   |                  | 7,100,668      |
|   |                  | \$ 440,049,444 |

Face amount denominated in U.S. dollars, unless otherwise noted.

\* 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) The coupon payment on these securities is currently in default as of June 30, 2010.
- (c) Illiquid security.

*See Notes to Schedule of Investments.*

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

Schedule of investments (unaudited) (cont d)

June 30, 2010

- (d) Variable rate security. Interest rate disclosed is that which is in effect at June 30, 2010.
- (e) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (f) Security has no maturity date. The date shown represents the next call date.
- (g) Security is valued in good faith at fair value in accordance with procedures approved by the Board of Directors (See Note 1).
- (h) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviation used in this schedule:

EUR - Euro

*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 of cash flow

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to a single present amount.

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

| DESCRIPTION                        | QUOTED<br>PRICES<br>(LEVEL 1) | OTHER<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL          |
|------------------------------------|-------------------------------|---|--|----------------|
| Long-term investments :            |                               |   |  |                |
| Corporate bonds & notes            |                               | \$ 395,833,419  | \$ 0   | \$ 395,833,419 |
| Collateralized mortgage obligation |                               | 1,027,204   |  | 1,027,204      |
| Collateralized senior loans        |                               | 12,430,230  |  | 12,430,230     |
| Convertible bonds & notes          |                               | 2,867,650   |  | 2,867,650      |
| Sovereign bond                     |                               | 1,113,215   |  | 1,113,215      |
| Common stocks:                     |                               |   |  |                |
| Consumer discretionary             | \$ 1,654,546                  | 3,358,901   |  | 5,013,447      |
| Energy                             |                               |   | 236,708  | 236,708        |
| Industrials                        | 119,995                       |   |  | 119,995        |
| Materials                          | 859,376                       |   |  | 859,376        |
| Convertible preferred stocks       | 4,312,448                     |   |  | 4,312,448      |
| Preferred stocks:                  |                               |   |  |                |
| Consumer discretionary             | 895,078                       | 290,674   |  | 1,185,752      |
| Financials                         | 1,546,931                     | 2,711,762   |  | 4,258,693      |
| Warrants                           | 8,952                         | 115,667   | 20   | 124,639        |
| Total long-term investments        | \$ 9,397,326                  | \$ 419,748,722  | \$ 236,728   | \$ 429,382,776 |
| Short-term investment              |                               | 3,566,000   |  | 3,566,000      |
| Total investments                  | \$ 9,397,326                  | \$ 423,314,722  | \$ 236,728   | \$ 432,948,776 |
| Other financial instruments:       |                               |   |  |                |
| Forward foreign currency contract  |                               | 33,145  |  | 33,145         |
| Total                              | \$ 9,397,326                  | \$ 423,347,867  | \$ 236,728   | \$ 432,981,921 |

See Schedule of Investments for additional detailed categorizations.

**Notes to Schedule of Investments (unaudited) (continued)**

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

| INVESTMENTS IN SECURITIES   | CORPORATE        |                            | COMMON STOCKS       |             |  |
|---|------------------|----------------------------|---------------------|-------------|--|
|   | BONDS &<br>NOTES | ASSET-BACKED<br>SECURITIES | CONSUMER<br>STAPLES | ENERGY      |  |
| Balance as of September 30, 2009  | \$ 247,650       | \$ 0*                      | \$ 0*               | \$ 0        |  |
| Accrued premiums/discounts  | 58,980           |                            |                     |             |  |
| Realized gain/(loss)(1)   | (1,554,221)      | (11,102,032)               | (235,515)           |             |  |
| Change in unrealized appreciation<br>(depreciation)(2)  | 1,633,925        | 11,102,032                 | 235,515             | (42,145)    |  |
| Net purchases (sales)   |                  |                            |                     | 278,853     |  |
| Transfers in to Level 3   |                  |                            |                     |             |  |
| Transfers out of Level 3  | (386,334)        |                            |                     |             |  |
| Balance as of June 30, 2010   | \$ 0*            |                            |                     | \$ 236,708  |  |
| Net change in unrealized appreciation<br>(depreciation) for investments in securities still<br>held at June 30, 2010(2) | \$ 88,503        |                            |                     | \$ (42,145) |  |

| INVESTMENTS IN SECURITIES  | COMMON STOCKS |                               |                     |           |              | TOTAL |
|--|---------------|-------------------------------|---------------------|-----------|--------------|-------|
|  | MATERIALS     | TELECOMMUNICATION<br>SERVICES | PREFERRED<br>STOCKS | WARRANTS  |              |       |
| Balance as of September 30, 2009   | \$ 0          | \$ 201                        | \$ 0                | \$ 0      | \$ 247,851   |       |
| Accrued premiums/discounts   |               |                               |                     |           | 58,980       |       |
| Realized gain/(loss)(1)  | (2)           | (8,350)                       | (74,675)            | (122,751) | (13,097,546) |       |
| Change in unrealized appreciation<br>(depreciation)(2)   | 2             | 8,149                         | 74,675              | 122,771   | 13,134,924   |       |
| Net purchases (sales)  |               |                               |                     |           | 278,853      |       |
| Transfers in to Level 3  |               |                               |                     |           |              |       |
| Transfers out of Level 3   |               |                               |                     |           | (386,334)    |       |
| Balance as of June 30, 2010  |               |                               |                     | \$ 20     | \$ 236,728   |       |
| Net change in unrealized appreciation<br>(depreciation) for investments in<br>securities still held at June 30,<br>2010(2) |               |                               |                     | \$ 20     | \$ 46,378    |       |

\* Value is less than \$1.

(1) This amount is included in net realized gain (loss) from investment transactions.

(2) 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.



**Notes to Schedule of Investments (unaudited) (continued)**

**(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 in an effort 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) Forward Foreign Currency Contracts.** The Fund may enter into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

When entering into a forward foreign currency contract, the Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

**(d) Foreign Currency Translation.** Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

**(e) 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.

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

**2. Investments**

At June 30, 2010, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |    |              |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 20,185,379   |
| Gross unrealized depreciation |    | (30,183,926) |
| Net unrealized depreciation   | \$ | (9,998,547)  |

**Notes to Schedule of Investments (unaudited) (continued)**

At June 30, 2010, the Fund had the following open forward foreign currency contract:

| FOREIGN CURRENCY          | COUNTERPARTY | LOCAL CURRENCY | MARKET VALUE | SETTLEMENT DATE | UNREALIZED GAIN |
|---------------------------|--------------|----------------|--------------|-----------------|-----------------|
| <b>Contracts to Sell:</b> |              |                |              |                 |                 |
| Euro                      | Citibank     | 949,203        | \$ 1,161,000 | 8/17/10         | \$ 33,145       |

**3. Derivative Instruments and Hedging Activities**

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

The following is a summary of the Fund's derivative instruments categorized by risk exposure at June 30, 2010.

| Primary Underlying Risk Disclosure | Forward Foreign Currency Contracts Unrealized Appreciation |
|------------------------------------|--|
| Foreign Exchange Contracts         | \$ 33,145  |

During the period ended June 30, 2010, the volume of derivative activity for the Fund was as follows:

|  | Average Market Value |
|--|----------------------|
| Forward foreign currency contracts (to sell) | \$ 748,616           |

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.

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**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: August 26, 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: August 26, 2010

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

Date: August 26, 2010

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