

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

August 26, 2008

**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

300 First Stamford Place

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

Registrant's telephone number, including area code: 1-800-451-2010

Date of fiscal year end: September 30

Date of reporting period: June 30, 2008

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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, 2008**

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## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited)

June 30, 2008

| Face<br>Amount                                | Security   | Value      |
|---|--|------------|
| <b>CORPORATE BONDS &amp; NOTES</b> 91.5%      |  |            |
| <b>CONSUMER DISCRETIONARY</b> 18.0%           |  |            |
| <b>Auto Components</b> 1.5%                   |  |            |
| 970,000                                       | Allison Transmission Inc.:   |            |
|   | 11.000% due 11/1/15 (a)  | \$ 873,000 |
| 1,720,000                                     | Senior Notes, 11.250% due 11/1/15 (a)(b)   | 1,496,400  |
| 1,820,000                                     | Keystone Automotive Operations Inc., Senior<br>Subordinated Notes, 9.750% due 11/1/13                            | 882,700    |
|   | Visteon Corp.:   |            |
| 3,456,000                                     | 12.250% due 12/31/16 (a)   | 2,782,080  |
| 1,372,000                                     | Senior Notes, 8.250% due 8/1/10  | 1,227,940  |
|   | <b>Total Auto Components</b>   | 7,262,120  |
| <b>Automobiles</b> 1.4%                       |  |            |
| 505,000                                       | Ford Motor Co., Debentures, 8.900% due 1/15/32   | 325,725    |
|   | General Motors Corp.:  |            |
| 1,330,000                                     | Notes, 7.200% due 1/15/11  | 1,027,425  |
|   | Senior Debentures:   |            |
| 1,350,000                                     | 8.250% due 7/15/23   | 793,125    |
| 5,040,000                                     | 8.375% due 7/15/33   | 3,011,400  |
| 2,125,000                                     | Senior Notes, 7.125% due 7/15/13   | 1,354,687  |
|   | <b>Total Automobiles</b>   | 6,512,362  |
| <b>Diversified Consumer Services</b> 0.5%     |  |            |
| 2,485,000                                     | Education Management LLC/Education Management<br>Finance Corp., Senior Subordinated Notes, 10.250% due<br>6/1/16 | 2,298,625  |
| <b>Hotels, Restaurants &amp; Leisure</b> 3.9% |  |            |
| 675,000                                       | Boyd Gaming Corp., Senior Subordinated Notes, 7.125%<br>due 2/1/16   | 501,188    |
| 2,345,000                                     | Buffets Inc., Senior Notes, 12.500% due 11/1/14 (c)  | 46,900     |
| 1,370,000                                     | Caesars Entertainment Inc., Senior Subordinated Notes,<br>8.125% due 5/15/11                                     | 1,102,850  |
|   | Carrolls Corp., Senior Subordinated Notes, 9.000% due<br>1/15/13   | 1,268,750  |
| 1,450,000                                     | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12   | 602,550    |
| 618,000                                       | Downstream Development Quapaw, Senior Notes,<br>12.000%  |            |
| 1,220,000                                     | due 10/15/15 (a)   | 972,950    |
|   | El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13   | 1,095,000  |
| 1,095,000                                     | Fontainebleau Las Vegas Holdings LLC/Fontainebleau<br>Las Vegas Capital Corp., 10.250% due 6/15/15 (a)           | 291,475    |
| 445,000                                       | Harrah's Operating Co. Inc., Senior Notes, 10.750% due<br>2/1/16 (a)   | 935,200    |
| 1,120,000                                     | Indianapolis Downs LLC & Capital Corp., 11.000% due<br>11/1/12 (a)   | 1,500,600  |
| 1,640,000                                     |  | 2,201,425  |
| 2,545,000                                     |  |            |

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|           |   |           |
|-----------|---|-----------|
|           | Inn of the Mountain Gods Resort & Casino, Senior Notes,<br>12.000% due 11/15/10       |           |
| 700,000   | Mandalay Resort Group, Senior Subordinated Debentures,<br>7.625% due 7/15/13          | 591,500   |
|           | MGM MIRAGE Inc.:  |           |
| 1,130,000 | Notes, 6.750% due 9/1/12  | 1,019,825 |
| 360,000   | Senior Notes, 7.500% due 6/1/16   | 297,900   |
| 225,000   | Mohegan Tribal Gaming Authority, Senior Subordinated<br>Notes, 6.875% due 2/15/15     | 178,875   |
|           | Pokagon Gaming Authority, Senior Notes, 10.375% due<br>6/15/14 (a)                    | 2,300,462 |
| 2,135,000 | Sbarro Inc., Senior Notes, 10.375% due 2/1/15   | 993,300   |
| 1,155,000 | Snoqualmie Entertainment Authority, Senior Secured<br>Notes, 6.936% due 2/1/14 (a)(d) | 584,600   |
| 790,000   | Station Casinos Inc.:   |           |
|           | Senior Notes:   |           |
| 80,000    | 6.000% due 4/1/12   | 64,000    |
| 1,865,000 | 7.750% due 8/15/16  | 1,436,050 |
|           | Senior Subordinated Notes:  |           |
| 135,000   | 6.875% due 3/1/16   | 74,419    |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face Amount   | Security  | Value             |
|---|---|-------------------|
| <b>Hotels, Restaurants &amp; Leisure 3.9% (continued)</b> |   |                   |
| 165,000   | 6.625% due 3/15/18  | \$ 89,100         |
|   | <b>Total Hotels, Restaurants &amp; Leisure</b>  | <b>18,148,919</b> |
| <b>Household Durables 1.9%</b>                            |   |                   |
| 200,000   | American Greetings Corp., Senior Notes, 7.375% due 6/1/16   | 196,000           |
| 1,140,000   | D.R. Horton Inc., Senior Notes, 8.000% due 2/1/09   | 1,142,850         |
| 1,950,000   | Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17  | 1,706,250         |
| 1,965,000   | K Hovnanian Enterprises Inc., 11.500% due 5/1/13 (a)  | 2,048,513         |
| 1,790,000   | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11  | 1,807,900         |
| 2,210,000   | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 10.128% due 9/1/12                     | 2,069,112         |
|   | <b>Total Household Durables</b>   | <b>8,970,625</b>  |
| <b>Internet &amp; Catalog Retail 0.2%</b>                 |   |                   |
| 780,000   | Expedia Inc., Senior Notes, 8.500% due 7/1/16 (a)   | 766,350           |
| <b>Media 6.3%</b>   |   |                   |
| 550,000   | Affinion Group Inc.:<br>Senior Notes, 10.125% due 10/15/13  | 554,125           |
| 2,520,000   | Senior Subordinated Notes, 11.500% due 10/15/15   | 2,526,300         |
| 8,745,000   | CCH I LLC/CCH I Capital Corp., Senior Secured Notes, 11.000% due 10/1/15  | 6,525,956         |
| 795,000   | CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 10/1/13  | 721,463           |
| 540,000   | Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12   | 394,200           |
| 850,000   | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11 | 620,500           |
| 2,930,000   | Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14 (a)  | 3,025,225         |
| 1,320,000   | CSC Holdings Inc., Senior Notes:<br>8.125% due 7/15/09  | 1,333,200         |
| 760,000   | 6.750% due 4/15/12  | 718,200           |
| 1,416,000   | Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13                                       | 1,277,940         |
| 660,000   | DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13   | 683,100           |
| 630,000   | EchoStar DBS Corp., Senior Notes, 7.750% due 5/31/15 (a)  | 615,825           |
| 2,575,000   | Historic TW Inc., Senior Notes, 6.625% due 5/15/29  | 2,349,494         |
| 4,310,000   | Idearc Inc., Senior Notes, 8.000% due 11/15/16  | 2,731,463         |
| 1,475,000   | R.H. Donnelley Corp.:<br>Senior Discount Notes, 6.875% due 1/15/13  | 885,000           |

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|                              |   |            |
|------------------------------|---|------------|
| 1,915,000                    | Senior Notes, 8.875% due 1/15/16                                      | 1,158,575  |
| 1,060,000                    | Sun Media Corp., 7.625% due 2/15/13                                   | 1,030,850  |
|                              | TL Acquisitions Inc.:   |            |
| 1,080,000                    | Senior Notes, 10.500% due 1/15/15 (a)                                 | 939,600    |
| 1,790,000                    | Senior Subordinated Notes, step bond to yield 13.249% due 7/15/15 (a) | 1,315,650  |
|                              | <b>Total Media</b>  | 29,406,666 |
| <b>Multiline Retail 1.4%</b> |   |            |
|                              | Dollar General Corp.:   |            |
| 510,000                      | 10.625% due 7/15/15   | 507,450    |
| 1,840,000                    | Senior Subordinated Notes, 11.875% due 7/15/17 (b)                    | 1,748,000  |
|                              | Neiman Marcus Group Inc.:   |            |
| 150,000                      | 7.125% due 6/1/28   | 133,500    |
| 4,345,000                    | Senior Subordinated Notes, 10.375% due 10/15/15                       | 4,366,725  |
|                              | <b>Total Multiline Retail</b>   | 6,755,675  |
| <b>Specialty Retail 0.9%</b> |   |            |
| 540,000                      | Ace Hardware Corp., Senior Secured Notes, 9.125% due 6/1/16 (a)       | 507,600    |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount                               | Security   | Value      |
|--|--|------------|
| <b>Specialty Retail 0.9% (continued)</b>     |  |            |
| 225,000                                      | AutoNation Inc., Senior Notes:<br>4.713% due 4/15/13 (d)                       | \$ 191,250 |
| 345,000                                      | 7.000% due 4/15/14   | 308,775    |
| 1,735,000                                    | Blockbuster Inc., Senior Subordinated Notes, 9.000% due<br>9/1/12              | 1,427,037  |
| 365,000                                      | Eye Care Centers of America, Senior Subordinated Notes,<br>10.750% due 2/15/15 | 379,600    |
| 1,120,000                                    | Michaels Stores Inc.:  |            |
| 840,000                                      | Senior Notes, 10.000% due 11/1/14  | 975,800    |
|  | Senior Subordinated Bonds, 11.375% due 11/1/16                                 | 672,000    |
|  | <b>Total Specialty Retail</b>  | 4,462,062  |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>  | 84,583,404 |
| <b>CONSUMER STAPLES 1.2%</b>                 |  |            |
| <b>Food &amp; Staples Retailing 0.1%</b>     |  |            |
| 276,000                                      | Delhaize America Inc., Debentures, 9.000% due 4/15/31                          | 325,767    |
| <b>Food Products 0.5%</b>                    |  |            |
| 155,000                                      | Dole Food Co. Inc., Senior Notes:<br>8.625% due 5/1/09                         | 148,413    |
| 2,025,000                                    | 7.250% due 6/15/10   | 1,842,750  |
| 575,000                                      | 8.875% due 3/15/11   | 514,625    |
|  | <b>Total Food Products</b>   | 2,505,788  |
| <b>Household Products 0.3%</b>               |  |            |
| 1,235,000                                    | Visant Holding Corp., Senior Notes, 8.750% due 12/1/13                         | 1,216,475  |
| <b>Tobacco 0.3%</b>                          |  |            |
| 385,000                                      | Alliance One International Inc., Senior Notes:<br>8.500% due 5/15/12           | 363,825    |
| 1,270,000                                    | 11.000% due 5/15/12  | 1,314,450  |
|  | <b>Total Tobacco</b>   | 1,678,275  |
|  | <b>TOTAL CONSUMER STAPLES</b>  | 5,726,305  |
| <b>ENERGY 13.1%</b>                          |  |            |
| <b>Energy Equipment &amp; Services 2.1%</b>  |  |            |
| 2,305,000                                    | ANR Pipeline Co., Debentures, 9.625% due 11/1/21                               | 2,951,642  |
| 1,150,000                                    | Complete Production Services Inc., Senior Notes, 8.000%<br>due 12/15/16        | 1,154,313  |
| 1,350,000                                    | Key Energy Services Inc., Senior Notes, 8.375% due<br>12/1/14 (a)              | 1,383,750  |
| 625,000                                      | Pride International Inc., Senior Notes, 7.375% due 7/15/14                     | 626,563    |
| 60,000                                       | Southern Natural Gas Co., Senior Notes, 8.000% due<br>3/1/32                   | 65,110     |
| 3,270,000                                    | Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32                          | 3,667,982  |
|  | <b>Total Energy Equipment &amp; Services</b>                                   | 9,849,360  |
| <b>Oil, Gas &amp; Consumable Fuels 11.0%</b> |  |            |
| 1,740,000                                    | Atlas Pipeline Partners LP, 8.750% due 6/15/18 (a)                             | 1,735,650  |



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|           |   |           |
|-----------|---|-----------|
| 3,572,000 | Belden & Blake Corp., Secured Notes, 8.750% due<br>7/15/12                | 3,670,230 |
| 2,845,000 | Chesapeake Energy Corp., Senior Notes:                                    |           |
| 140,000   | 6.625% due 1/15/16  | 2,745,425 |
| 1,180,000 | 6.500% due 8/15/17  | 131,600   |
| 1,505,000 | 6.250% due 1/15/18  | 1,091,500 |
| 570,000   | 7.250% due 12/15/18   | 1,471,137 |
| 672,117   | Compagnie Generale de Geophysique SA, Senior Notes,<br>7.500% due 5/15/15 | 571,425   |
| 540,000   | Corral Finans AB, 4.291% due 4/15/10 (a)(b)(d)                            | 591,463   |
| 4,965,000 | El Paso Corp., Medium-Term Notes:   |           |
| 1,310,000 | 7.800% due 8/1/31   | 546,513   |
|           | 7.750% due 1/15/32  | 4,998,683 |
|           | Enterprise Products Operating LP:   |           |
|           | Junior Subordinated Notes, 8.375% due 8/1/66                              | 1,311,521 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face Amount  | Security  | Value             |
|--|---|-------------------|
| <b>Oil, Gas &amp; Consumable Fuels 11.0% (continued)</b> |   |                   |
| 425,000  | Subordinated Notes, 7.034% due 1/15/68  | \$ 372,176        |
| 2,500,000  | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11   | 2,468,750         |
| 515,000  | Inergy LP/Inergy Finance Corp., Senior Notes, 8.250% due 3/1/16 (a)                             | 509,850           |
| 1,905,000  | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14                                | 1,947,862         |
| 940,000  | Mariner Energy Inc., Senior Notes:<br>7.500% due 4/15/13  | 916,500           |
| 555,000  | 8.000% due 5/15/17  | 539,738           |
| 1,060,000  | MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18 (a) | 1,089,150         |
| 470,000  | OPTI Canada Inc., Senior Secured Notes:<br>7.875% due 12/15/14                                  | 466,475           |
| 505,000  | 8.250% due 12/15/14   | 505,000           |
| 1,080,000  | Parallel Petroleum Corp., 10.250% due 8/1/14  | 1,088,100         |
| 1,075,000  | Petrohawk Energy Corp., Senior Notes:<br>9.125% due 7/15/13                                     | 1,107,250         |
| 420,000  | 7.875% due 6/1/15 (a)   | 412,125           |
| 630,000  | Petroplus Finance Ltd.:<br>6.750% due 5/1/14 (a)  | 573,300           |
| 1,150,000  | Senior Note, 7.000% due 5/1/17 (a)  | 1,020,625         |
| 1,200,000  | Quicksilver Resources Inc., 7.750% due 8/1/15   | 1,194,000         |
| 4,500,000  | SandRidge Energy Inc., 8.625% due 4/1/15 (a)(b)   | 4,635,000         |
| 2,905,000  | SemGroup LP, Senior Notes, 8.750% due 11/15/15 (a)(c)   | 2,832,375         |
| 1,020,000  | Southwestern Energy Co., Senior Notes, 7.500% due 2/1/18 (a)                                    | 1,054,588         |
| 350,000  | Targa Resources Partners LP, Senior Notes, 8.250% due 7/1/16 (a)                                | 339,500           |
| 600,000  | Teekay Shipping Corp., Senior Notes, 8.875% due 7/15/11   | 651,750           |
| 2,335,000  | VeraSun Energy Corp., 9.375% due 6/1/17   | 1,214,200         |
| 1,325,000  | W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 (a)   | 1,285,250         |
| 1,275,000  | Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14                           | 1,257,469         |
| 1,280,000  | Williams Cos. Inc.:<br>Notes:<br>7.875% due 9/1/21  | 1,363,200         |
| 2,320,000  | 8.750% due 3/15/32  | 2,644,800         |
| 1,125,000  | Senior Notes, 7.625% due 7/15/19  | 1,186,875         |
|  | <b>Total Oil, Gas &amp; Consumable Fuels</b>  | <b>51,541,055</b> |
|  | <b>TOTAL ENERGY</b>   | <b>61,390,415</b> |

**FINANCIALS 11.8%****Commercial Banks 0.5%**

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|                         |             |  |                  |
|-------------------------|-------------|--|------------------|
| 500,000                 |             | ATF Capital BV, Senior Notes, 9.250% due 2/21/14 (a) | 503,750          |
|                         |             | TuranAlem Finance BV, Bonds:                         |                  |
| 1,530,000               |             | 8.250% due 1/22/37 (a)                               | 1,281,375        |
| 470,000                 |             | 8.250% due 1/22/37 (a)                               | 394,212          |
|                         |             | <b>Total Commercial Banks</b>                        | <b>2,179,337</b> |
| <b>Consumer Finance</b> | <b>4.7%</b> |  |                  |
| 1,925,000               |             | AmeriCredit Corp., 8.500% due 7/1/15                 | 1,549,625        |
|                         |             | Ford Motor Credit Co.:                               |                  |
|                         |             | Notes:   |                  |
| 925,000                 |             | 7.875% due 6/15/10                                   | 798,760          |
| 2,535,000               |             | 7.241% due 4/15/12 (d)                               | 2,376,349        |
| 1,140,000               |             | 7.000% due 10/1/13                                   | 840,358          |
|                         |             | Senior Notes:  |                  |
| 1,037,000               |             | 8.050% due 6/15/11 (d)                               | 844,390          |
| 1,370,000               |             | 5.538% due 1/13/12 (d)                               | 974,506          |
| 7,610,000               |             | 12.000% due 5/15/15                                  | 6,701,640        |
|                         |             | General Motors Acceptance Corp.:                     |                  |
| 6,290,000               |             | Bonds, 8.000% due 11/1/31                            | 4,100,231        |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount                                       | Security   | Value             |
|--|--|-------------------|
| <b>Consumer Finance 4.7% (continued)</b>             |  |                   |
| 1,255,000  | Notes, 6.875% due 8/28/12  | \$ 860,098        |
| 3,170,000  | SLM Corp., 8.450% due 6/15/18  | 3,046,081         |
|  | <b>Total Consumer Finance</b>  | <b>22,092,038</b> |
| <b>Diversified Financial Services 4.1%</b>           |  |                   |
| 1,085,000  | Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (a)                 | 694,400           |
| 1,040,000  | Capmark Financial Group Inc., 5.875% due 5/10/12   | 734,209           |
| 1,250,000  | CCM Merger Inc., Notes, 8.000% due 8/1/13 (a)  | 1,071,875         |
| 1,970,000  | Citigroup Inc., Junior Subordinated Notes, 8.400% due 4/30/18 (d)  | 1,875,164         |
| 2,200,000  | Elyria Foundry Co./EH Acquisition Inc., 13.000% due 3/1/13 (a)   | 2,200,000         |
| 1,220,000  | Leucadia National Corp., Senior Notes:<br>8.125% due 9/15/15   | 1,232,200         |
| 450,000  | 7.125% due 3/15/17   | 432,000           |
| 500,000  | LVB Acquisition Merger:<br>Senior Notes, 10.375% due 10/15/17 (a)  | 532,500           |
| 820,000  | Senior Subordinated Bonds, 11.625% due 10/15/17 (a)  | 873,300           |
| 2,458,000  | Residential Capital LLC:<br>8.500% due 5/15/10 (a)   | 2,077,010         |
| 3,676,000  | 9.625% due 5/15/15 (a)   | 1,801,240         |
| 1,525,000  | TNK-BP Finance SA:<br>7.875% due 3/13/18 (a)   | 1,477,344         |
| 744,000  | Senior Notes, 7.875% due 3/13/18 (a)   | 719,820           |
| 2,820,000  | Vanguard Health Holdings Co.:<br>I LLC, Senior Discount Notes, step bond to yield<br>12.741% due 10/1/15 | 2,495,700         |
| 765,000  | II LLC, Senior Subordinated Notes, 9.000% due 10/1/14  | 761,175           |
|  | <b>Total Diversified Financial Services</b>  | <b>18,977,937</b> |
| <b>Insurance 0.6%</b>                                |  |                   |
| 3,080,000  | American International Group Inc., 8.175% due 5/15/58 (a)(d)   | 2,906,359         |
| <b>Real Estate Investment Trusts (REITs) 0.3%</b>    |  |                   |
| 75,000   | Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15  | 70,125            |
| 360,000  | Ventas Realty LP/Ventas Capital Corp., Senior Notes:<br>6.500% due 6/1/16                                | 345,600           |
| 1,165,000  | 6.750% due 4/1/17  | 1,124,225         |
|  | <b>Total Real Estate Investment Trusts (REITs)</b>   | <b>1,539,950</b>  |
| <b>Real Estate Management &amp; Development 0.7%</b> |  |                   |
| 1,270,000  | Ashton Woods USA LLC/Ashton Woods Finance Co.,<br>Senior Subordinated Notes, 9.500% due 10/1/15          | 742,950           |
| 450,000  | Realogy Corp.:<br>10.500% due 4/15/14  | 315,000           |

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|  |  |            |
|--|--|------------|
| 1,885,000  | 11.000% due 4/15/14 (b)  | 1,121,575  |
| 2,045,000  | Senior Subordinated Notes, 12.375% due 4/15/15                             | 1,012,275  |
|  | <b>Total Real Estate Management &amp; Development</b>                      | 3,191,800  |
| <b>Thrifts &amp; Mortgage Finance 0.9%</b>       |  |            |
| 5,500,000  | Ocwen Capital Trust I, Capital Securities, 10.875% due 8/1/27 (e)          | 4,317,500  |
|  | <b>TOTAL FINANCIALS</b>  | 55,204,921 |
| <b>HEALTH CARE 6.1%</b>                          |  |            |
| <b>Health Care Equipment &amp; Supplies 0.2%</b> |  |            |
| 1,270,000  | Advanced Medical Optics Inc., Senior Subordinated Notes, 7.500% due 5/1/17 | 1,174,750  |
| <b>Health Care Providers &amp; Services 5.9%</b> |  |            |
| 2,185,000  | CRC Health Corp., 10.750% due 2/1/16                                       | 1,802,625  |
|  | DaVita Inc.:   |            |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount   | Security  | Value             |
|--|---|-------------------|
| <b>Health Care Providers &amp; Services 5.9% (continued)</b> |   |                   |
| 230,000  | Senior Notes, 6.625% due 3/15/13  | \$ 221,950        |
| 1,640,000  | Senior Subordinated Notes, 7.250% due 3/15/15   | 1,603,100         |
|  | HCA Inc.:   |                   |
| 3,920,000  | Debentures, 7.500% due 11/15/95   | 2,892,113         |
|  | Notes:  |                   |
| 1,150,000  | 6.375% due 1/15/15  | 960,250           |
| 970,000  | 7.690% due 6/15/25  | 798,085           |
| 40,000   | Senior Notes, 6.250% due 2/15/13  | 34,900            |
|  | Senior Secured Notes:   |                   |
| 1,640,000  | 9.250% due 11/15/16   | 1,693,300         |
| 2,885,000  | 9.625% due 11/15/16 (b)   | 2,978,763         |
| 2,675,000  | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 2,715,125         |
|  | Tenet Healthcare Corp., Senior Notes:   |                   |
| 2,310,000  | 6.375% due 12/1/11  | 2,223,375         |
| 90,000   | 6.500% due 6/1/12   | 85,275            |
| 4,250,000  | 7.375% due 2/1/13   | 4,016,250         |
|  | Universal Hospital Services Inc.:   |                   |
| 530,000  | 6.303% due 6/1/15 (d)   | 498,200           |
| 1,990,000  | Senior Secured Notes, 8.500% due 6/1/15 (b)   | 1,999,950         |
|  | US Oncology Holdings Inc., Senior Notes, 7.949% due 3/15/12 (b)(d)                      | 2,941,500         |
| 3,700,000  | <b>Total Health Care Providers &amp; Services</b>                                       | <b>27,464,761</b> |
| <b>Pharmaceuticals 0.0%</b>                                  |   |                   |
| 4,870,000  | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 (c)(f)       | 109,575           |
|  | <b>TOTAL HEALTH CARE</b>  | <b>28,749,086</b> |
| <b>INDUSTRIALS 13.1%</b>                                     |   |                   |
| <b>Aerospace &amp; Defense 1.8%</b>                          |   |                   |
| 1,120,000  | BE Aerospace Inc., 8.500% due 7/1/18  | 1,129,800         |
|  | DRS Technologies Inc., Senior Subordinated Notes:                                       |                   |
| 310,000  | 6.625% due 2/1/16   | 316,200           |
| 1,405,000  | 7.625% due 2/1/18   | 1,492,812         |
| 4,235,000  | Hawker Beechcraft Acquisition Co., Senior Notes, 8.875% due 4/1/15 (b)                  | 4,277,350         |
| 1,460,000  | L-3 Communications Corp., Senior Subordinated Notes, 5.875% due 1/15/15                 | 1,354,150         |
|  | <b>Total Aerospace &amp; Defense</b>  | <b>8,570,312</b>  |
| <b>Airlines 2.4%</b>   |   |                   |
|  | Continental Airlines Inc., Pass-Through Certificates:                                   |                   |
| 285,309  | 8.312% due 4/2/11   | 262,484           |
| 930,000  | 7.339% due 4/19/14  | 723,075           |
|  | DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 (a)                        | 3,940,125         |
| 3,950,000  |   | 3,940,125         |
| 1,089,547  | Delta Air Lines Inc., 8.954% due 8/10/14  | 817,160           |

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|                          |             |   |                   |
|--------------------------|-------------|---|-------------------|
|                          |             | United Airlines Inc., Pass-Through Certificates:      |                   |
| 1,045,000                |             | 6.831% due 9/1/08                                     | 1,115,538         |
| 2,268,135                |             | 7.811% due 10/1/09                                    | 2,574,333         |
| 962,968                  |             | 8.030% due 7/1/11                                     | 1,097,784         |
| 460,000                  |             | 6.932% due 9/1/11                                     | 540,500           |
|                          |             | <b>Total Airlines</b>                                 | <b>11,070,999</b> |
| <b>Building Products</b> | <b>1.7%</b> |   |                   |
|                          |             | Associated Materials Inc.:                            |                   |
|                          |             | Senior Discount Notes, step bond to yield 13.704% due |                   |
| 5,335,000                |             | 3/1/14  | 3,547,775         |
| 945,000                  |             | Senior Subordinated Notes, 9.750% due 4/15/12         | 940,275           |
|                          |             | Nortek Inc.:  |                   |
| 880,000                  |             | Senior Secured Notes, 10.000% due 12/1/13 (a)         | 844,800           |
| 970,000                  |             | Senior Subordinated Notes, 8.500% due 9/1/14          | 625,650           |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount                                   |  | Security   | Value             |
|--|--|--|-------------------|
| <b>Building Products</b> 1.7% (continued)        |  |  |                   |
| 3,890,000  |  | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.354% due 3/1/14            | \$ 1,789,400      |
|  |  | <b>Total Building Products</b>   | <b>7,747,900</b>  |
| <b>Commercial Services &amp; Supplies</b> 2.8%   |  |  |                   |
| 3,155,000  |  | Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11               | 2,729,075         |
| 855,000  |  | Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15 (a)                                 | 748,125           |
| 4,100,000  |  | DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13 | 4,100,000         |
| 2,150,000  |  | Interface Inc., Senior Notes, 10.375% due 2/1/10   | 2,268,250         |
| 2,495,000  |  | Rental Services Corp., Senior Notes, 9.500% due 12/1/14                                    | 2,095,800         |
| 1,110,000  |  | US Investigations Services Inc.:   |                   |
| 280,000  |  | 11.750% due 5/1/16 (a)   | 960,150           |
|  |  | Senior Subordinated Notes, 10.500% due 11/1/15 (a)   | 259,000           |
|  |  | <b>Total Commercial Services &amp; Supplies</b>  | <b>13,160,400</b> |
| <b>Construction &amp; Engineering</b> 0.3%       |  |  |                   |
| 1,460,000  |  | CSC Holdings Inc., 8.500% due 6/15/15 (a)  | 1,441,750         |
| <b>Industrial Conglomerates</b> 0.3%             |  |  |                   |
| 840,000  |  | Sequa Corp.:   |                   |
| 840,000  |  | 11.750% due 12/1/15 (a)  | 751,800           |
|  |  | 13.500% due 12/1/15 (a)(b)   | 777,000           |
|  |  | <b>Total Industrial Conglomerates</b>  | <b>1,528,800</b>  |
| <b>Machinery</b> 0.3%                            |  |  |                   |
| 730,000  |  | American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14                          | 682,550           |
| 760,000  |  | Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14                                 | 752,400           |
|  |  | <b>Total Machinery</b>   | <b>1,434,950</b>  |
| <b>Road &amp; Rail</b> 2.1%                      |  |  |                   |
| 2,740,000  |  | Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes, 9.375% due 5/1/12        | 2,863,300         |
| 5,965,000  |  | Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16                                 | 5,457,975         |
| 1,180,000  |  | Kansas City Southern de Mexico, Senior Notes:  |                   |
| 520,000  |  | 7.625% due 12/1/13   | 1,150,500         |
|  |  | 7.375% due 6/1/14  | 507,000           |
| 105,000  |  | Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09                             | 106,575           |
|  |  | <b>Total Road &amp; Rail</b>   | <b>10,085,350</b> |
| <b>Trading Companies &amp; Distributors</b> 1.1% |  |  |                   |
| 1,140,000  |  | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (a)  | 1,008,900         |
| 2,755,000  |  | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16                              | 2,424,400         |



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|  |   |            |
|--|---|------------|
| 2,410,000  | Penhall International Corp., Senior Secured Notes,<br>12.000%<br>due 8/1/14 (a) | 1,819,550  |
|  | <b>Total Trading Companies &amp; Distributors</b>                               | 5,252,850  |
| <b>Transportation Infrastructure 0.3%</b>          |   |            |
| 2,515,000  | Swift Transportation Co., Senior Secured Notes:<br>10.426% due 5/15/15 (a)(d)   | 817,375    |
| 1,495,000  | 12.500% due 5/15/17 (a)   | 515,775    |
|  | <b>Total Transportation Infrastructure</b>                                      | 1,333,150  |
|  | <b>TOTAL INDUSTRIALS</b>  | 61,626,461 |
| <b>INFORMATION TECHNOLOGY 2.8%</b>                 |   |            |
| <b>Communications Equipment 0.5%</b>               |   |            |
| 3,140,000  | Lucent Technologies Inc., Debentures, 6.450% due<br>3/15/29                     | 2,417,800  |
| <b>Electronic Equipment &amp; Instruments 0.5%</b> |   |            |
|  | NXP BV/NXP Funding LLC:   |            |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount   | Security  | Value             |
|--|---|-------------------|
| <b>Electronic Equipment &amp; Instruments 0.5% (continued)</b> |   |                   |
| 1,135,000  | Senior Notes, 9.500% due 10/15/15   | \$ 990,288        |
| 520,000  | Senior Secured Notes:<br>5.541% due 10/15/13 (d)  | 459,550           |
| 760,000  | 7.875% due 10/15/14   | 703,000           |
|  | <b>Total Electronic Equipment &amp; Instruments</b>                                     | <b>2,152,838</b>  |
| <b>IT Services 1.5%</b>  |   |                   |
| 1,430,000  | Ceridian Corp., Senior Notes, 12.250% due 11/15/15<br>(a)(b)                            | 1,301,300         |
| 250,000  | First Data Corp.:<br>5.625% due 11/1/11   | 146,250           |
| 2,390,000  | 9.875% due 9/24/15 (a)  | 2,082,287         |
| 570,000  | SunGard Data Systems Inc.:<br>Senior Notes, 9.125% due 8/15/13                          | 578,550           |
| 3,020,000  | Senior Subordinated Notes, 10.250% due 8/15/15  | 3,050,200         |
|  | <b>Total IT Services</b>  | <b>7,158,587</b>  |
| <b>Software 0.3%</b>   |   |                   |
| 1,820,000  | Activant Solutions Inc., Senior Subordinated Notes,<br>9.500% due 5/1/16                | 1,446,900         |
|  | <b>TOTAL INFORMATION TECHNOLOGY</b>   | <b>13,176,125</b> |
| <b>MATERIALS 7.6%</b>  |   |                   |
| <b>Chemicals 1.4%</b>  |   |                   |
| 165,000  | Georgia Gulf Corp., Senior Notes:<br>9.500% due 10/15/14                                | 124,163           |
| 3,420,000  | 10.750% due 10/15/16  | 2,069,100         |
| 800,000  | Huntsman International LLC, Senior Subordinated Notes,<br>7.875% due 11/15/14           | 736,000           |
| 1,440,000  | Methanex Corp., Senior Notes, 8.750% due 8/15/12  | 1,530,000         |
| 2,870,000  | Montell Finance Co. BV, Debentures, 8.100% due 3/15/27<br>(a)                           | 1,736,350         |
| 494,000  | Westlake Chemical Corp., Senior Notes, 6.625% due<br>1/15/16                            | 417,430           |
|  | <b>Total Chemicals</b>  | <b>6,613,043</b>  |
| <b>Containers &amp; Packaging 0.5%</b>                         |   |                   |
| 650,000  | Graphic Packaging International Corp., Senior<br>Subordinated Notes, 9.500% due 8/15/13 | 624,000           |
| 525,000  | Plastipak Holdings Inc., Senior Notes, 8.500% due<br>12/15/15 (a)                       | 488,250           |
| 725,000  | Radnor Holdings Corp., Senior Notes, 11.000% due<br>3/15/10 (c)(e)(f)                   | 0                 |
| 810,000  | Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16 (a)                                     | 862,650           |
| 400,000  | Solo Cup Co., Senior Subordinated Notes, 8.500% due<br>2/15/14                          | 352,000           |
|  | <b>Total Containers &amp; Packaging</b>   | <b>2,326,900</b>  |
| <b>Metals &amp; Mining 2.8%</b>                                |   |                   |
| 2,090,000  |   | 2,208,378         |

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|   |   |                   |
|---|---|-------------------|
|   | Freeport-McMoRan Copper & Gold Inc., Senior Notes,<br>8.375% due 4/1/17         |                   |
| 880,000                                 | Metals USA Holdings Corp., 8.791% due 7/1/12 (b)(d)                             | 814,000           |
| 2,345,000                               | Metals USA Inc., Senior Secured Notes, 11.125% due<br>12/1/15                   | 2,450,525         |
| 230,000                                 | Noranda Aluminium Acquisition Corp., 6.828% due<br>5/15/15 (b)(d)               | 199,525           |
| 1,390,000                               | Noranda Aluminium Holding Corp., Senior Notes,<br>8.578%<br>due 11/15/14 (b)(d) | 1,146,750         |
| 2,425,000                               | Novelis Inc., Senior Notes, 7.250% due 2/15/15                                  | 2,303,750         |
| 4,195,000                               | Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15<br>(a)                  | 4,184,512         |
|   | <b>Total Metals &amp; Mining</b>  | <b>13,307,440</b> |
| <b>Paper &amp; Forest Products 2.9%</b> |   |                   |
| 3,215,000                               | Abitibi-Consolidated Co. of Canada:<br>15.500% due 7/15/10 (a)                  | 2,539,850         |
| 2,480,000                               | Senior Secured Notes, 13.750% due 4/1/11 (a)                                    | 2,628,800         |
| 125,000                                 | Appleton Papers Inc.:<br>Senior Notes, 8.125% due 6/15/11                       | 118,750           |
| 2,410,000                               | Senior Subordinated Notes, 9.750% due 6/15/14                                   | 2,253,350         |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount                                      | Security   | Value        |
|---|--|--------------|
| <b>Paper &amp; Forest Products</b> 2.9% (continued) |  |              |
| 3,505,000   | NewPage Corp., Senior Secured Notes:<br>9.123% due 5/1/12 (d)                      | \$ 3,540,050 |
| 430,000   | 10.000% due 5/1/12   | 437,525      |
| 789,511   | Newpage Holding Corp., 9.986% due 11/1/13 (b)(d)                                   | 765,826      |
|   | Verso Paper Holdings LLC:  |              |
| 448,000   | 8.709% due 2/1/13 (d)  | 403,200      |
| 830,000   | 11.375% due 8/1/16   | 790,575      |
|   | <b>Total Paper &amp; Forest Products</b>   | 13,477,926   |
|   | <b>TOTAL MATERIALS</b>   | 35,725,309   |
| <b>TELECOMMUNICATION SERVICES</b> 8.3%              |  |              |
| <b>Diversified Telecommunication Services</b> 5.3%  |  |              |
| 385,000   | Cincinnati Bell Telephone Co., Senior Debentures, 6.300%<br>due 12/1/28            | 309,925      |
| 160,000   | Citizens Communications Co.:   |              |
| 2,125,000   | Debentures, 7.050% due 10/1/46   | 112,800      |
| 1,555,000   | Senior Notes, 7.875% due 1/15/27   | 1,870,000    |
|   | GT Group Telecom Inc., Senior Discount Notes, 13.250%<br>due<br>2/1/10 (c)(e)(f)   | 0            |
| 130,000   | Hawaiian Telcom Communications Inc.:   |              |
| 980,000   | Senior Notes, 9.750% due 5/1/13  | 52,650       |
|   | Senior Subordinated Notes, 12.500% due 5/1/15                                      | 249,900      |
| 40,000  | Level 3 Financing Inc.:  |              |
| 3,390,000   | 6.704% due 2/15/15 (d)   | 33,600       |
| 2,200,000   | Senior Notes, 9.250% due 11/1/14   | 3,101,850    |
|   | Nordic Telephone Co. Holdings, Senior Secured Bonds,<br>8.875% due 5/1/16 (a)      | 2,167,000    |
| 500,000   | Qwest Communications International Inc.:   |              |
|   | 7.250% due 2/15/11   | 485,625      |
| 250,000   | Senior Notes:  |              |
| 1,440,000   | 6.176% due 2/15/09 (d)   | 250,000      |
| 4,245,000   | 7.500% due 2/15/14   | 1,375,200    |
|   | Telcordia Technologies Inc., Senior Subordinated Notes,<br>10.000% due 3/15/13 (a) | 3,459,675    |
| 10,000  | Virgin Media Finance PLC, Senior Notes:  |              |
| 4,097,000   | 8.750% due 4/15/14   | 9,450        |
|   | 9.125% due 8/15/16   | 3,861,422    |
| 3,950,000   | Wind Acquisition Finance SA, Senior Bonds, 10.750% due<br>12/1/15 (a)              | 4,167,250    |
| 3,100,000   | Windstream Corp., Senior Notes, 8.625% due 8/1/16                                  | 3,107,750    |
|   | <b>Total Diversified Telecommunication Services</b>                                | 24,614,097   |
| <b>Wireless Telecommunication Services</b> 3.0%     |  |              |
| 1,340,000   | ALLTEL Communications Inc., Senior Notes, 10.375%<br>due 12/1/17 (a)(b)            | 1,554,400    |
| 610,000   | iPCS Inc., 4.998% due 5/1/13 (d)   | 552,050      |

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|                                |   |            |
|--------------------------------|---|------------|
| 760,000                        | MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14  | 735,300    |
|                                | Sprint Capital Corp.:                                     |            |
| 5,550,000                      | Notes, 8.750% due 3/15/32                                 | 5,299,140  |
| 3,250,000                      | Senior Notes, 6.875% due 11/15/28                         | 2,712,369  |
| 3,700,000                      | True Move Co., Ltd., 10.750% due 12/16/13 (a)             | 3,242,125  |
|                                | <b>Total Wireless Telecommunication Services</b>          | 14,095,384 |
|                                | <b>TOTAL TELECOMMUNICATION SERVICES</b>                   | 38,709,481 |
| <b>UTILITIES 9.5%</b>          |   |            |
| <b>Electric Utilities 1.4%</b> |   |            |
|                                | Orion Power Holdings Inc., Senior Notes, 12.000% due      |            |
| 2,130,000                      | 5/1/10  | 2,311,050  |
| 4,230,000                      | Texas Competitive Electric Holding Co. LLC, Senior Notes, |            |
|                                | 10.500% due 11/1/16 (a)(b)                                | 4,113,675  |
|                                | <b>Total Electric Utilities</b>                           | 6,424,725  |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount   | Security  | Value             |
|--|---|-------------------|
| <b>Gas Utilities 0.6%</b>                                    |   |                   |
| 2,890,000  | Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13 | \$ 2,745,500      |
| <b>Independent Power Producers &amp; Energy Traders 7.5%</b> |   |                   |
| 646,000  | AES China Generating Co., Ltd., 8.250% due 6/26/10  | 613,921           |
|  | AES Corp., Senior Notes:  |                   |
| 3,435,000  | 8.000% due 10/15/17   | 3,383,475         |
| 560,000  | 8.000% due 6/1/20 (a)   | 543,200           |
|  | Dynegy Holdings Inc.:   |                   |
| 2,090,000  | Senior Debentures, 7.625% due 10/15/26  | 1,745,150         |
| 1,890,000  | Senior Notes, 7.750% due 6/1/19   | 1,729,350         |
| 320,000  | Dynegy Inc., 7.670% due 11/8/16   | 315,200           |
|  | Edison Mission Energy, Senior Notes:  |                   |
| 1,670,000  | 7.750% due 6/15/16  | 1,670,000         |
| 1,150,000  | 7.200% due 5/15/19  | 1,078,125         |
| 1,785,000  | 7.625% due 5/15/27  | 1,610,962         |
| 14,920,000   | Energy Future Holdings, Senior Notes, 11.250% due 11/1/17 (a)(b)                              | 14,957,300        |
| 1,159,410  | Mirant Mid Atlantic LLC, Pass-Through Certificates, 10.060% due 12/30/28                      | 1,336,220         |
|  | Mirant North America LLC, Senior Notes, 7.375% due 12/31/13                                   | 1,195,500         |
| 1,200,000  | NRG Energy Inc., Senior Notes:  |                   |
| 500,000  | 7.250% due 2/1/14   | 478,750           |
| 4,220,000  | 7.375% due 2/1/16 (g)   | 3,982,625         |
| 165,000  | 7.375% due 1/15/17  | 156,338           |
| 520,000  | TXU Corp., Senior Notes, 6.500% due 11/15/24  | 386,257           |
|  | <b>Total Independent Power Producers &amp; Energy Traders</b>                                 | <b>35,182,373</b> |
|  | <b>TOTAL UTILITIES</b>  | <b>44,352,598</b> |
|  | <b>TOTAL CORPORATE BONDS &amp; NOTES</b>  |                   |
|  | (Cost \$471,771,737)  | 429,244,105       |
| <b>ASSET-BACKED SECURITY 0.0%</b>                            |   |                   |
| <b>Diversified Financial Services 0.0%</b>                   |   |                   |
| 9,956,016  | Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19 (c)(e)(f)               |                   |
|  | (Cost - \$10,648,125)   | 0                 |
| <b>CONVERTIBLE BOND &amp; NOTE 0.3%</b>                      |   |                   |
| <b>Transportation 0.3%</b>                                   |   |                   |
| 1,685,000  | Horizon Lines Inc., 4.250% due 8/15/12  |                   |
|  | (Cost - \$1,332,257)  | 1,316,406         |

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|   |             |  |           |
|---|-------------|--|-----------|
| <b>COLLATERALIZED MORTGAGE OBLIGATION</b>     | <b>0.2%</b> |  |           |
| 1,739,254                                     |             | Countrywide Home Loan Mortgage Pass Through Trust,<br>5.214% due 4/20/35 (d)<br>(Cost - \$1,050,797) | 1,130,516 |
| <b>COLLATERALIZED SENIOR LOANS</b>            | <b>2.8%</b> |  |           |
| <b>Auto Components</b>                        | <b>0.4%</b> |  |           |
| 2,238,750                                     |             | Allison Transmission, Term Loan B, 5.573% due 8/7/14<br>(d)  | 2,003,681 |
| <b>Containers &amp; Packaging</b>             | <b>0.4%</b> |  |           |
| 2,678,397                                     |             | Berry Plastics Corp., Senior Term Loan, 9.728% due<br>6/15/14 (d)                                    | 1,941,838 |
| <b>Diversified Telecommunication Services</b> | <b>0.9%</b> |  |           |
| 4,250,000                                     |             | Intelsat Ltd., Term Loan, 9.250% due 8/15/14 (d)   | 4,282,984 |
| <b>Energy Equipment &amp; Services</b>        | <b>0.6%</b> |  |           |
| 2,533,474                                     |             | Turbo Beta Ltd., Term Loan, 14.500% due 3/15/18<br>(d)(e)  | 2,533,474 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Face<br>Amount                                     | Security  | Value        |
|--|---|--------------|
| <b>Oil, Gas &amp; Consumable Fuels 0.3%</b>        |   |              |
| 1,500,000  | Stallion Oilfield Services, Term Loan, 8.361% due 7/31/12<br>(d)    | \$ 1,335,000 |
| <b>Trading Companies &amp; Distributors 0.2%</b>   |   |              |
| 1,120,195  | Penhall International Corp., Term Loan, 9.883% due<br>4/1/12 (a)(d) | 996,974      |
|  | <b>TOTAL COLLATERALIZED SENIOR LOANS</b><br>(Cost \$13,991,576)     | 13,093,951   |
| <b>SOVEREIGN BOND 0.7%</b>                         |   |              |
| <b>Russia 0.7%</b>                                 |   |              |
| 2,856,500  | Russian Federation, 7.500% due 3/31/30 (a)<br>(Cost - \$3,126,649)  | 3,207,928    |
| <b>Shares</b>                                      |   |              |
| <b>COMMON STOCKS 0.0%</b>                          |   |              |
| <b>CONSUMER DISCRETIONARY 0.0%</b>                 |   |              |
| <b>Household Durables 0.0%</b>                     |   |              |
| 4,660,992  | Home Interiors & Gifts Inc. (e)(f)*                                 | 5            |
| <b>CONSUMER STAPLES 0.0%</b>                       |   |              |
| <b>Food Products 0.0%</b>                          |   |              |
| 73,499   | Aurora Foods Inc. (e)(f)*   | 0            |
| <b>MATERIALS 0.0%</b>                              |   |              |
| <b>Chemicals 0.0%</b>                              |   |              |
| 1  | Pliant Corp. (e)(f)*  | 0            |
| <b>TELECOMMUNICATION SERVICES 0.0%</b>             |   |              |
| <b>Diversified Telecommunication Services 0.0%</b> |   |              |
| 3,736  | McLeodUSA Inc., Class A Shares (e)(f)*                              | 0            |
| 20,125   | Pagemart Wireless (e)(f)*   | 201          |
|  | <b>TOTAL TELECOMMUNICATION SERVICES</b>                             | 201          |
|  | <b>TOTAL COMMON STOCKS</b><br>(Cost \$2,167,617)                    | 206          |
| <b>CONVERTIBLE PREFERRED STOCKS 0.8%</b>           |   |              |
| <b>FINANCIALS 0.8%</b>                             |   |              |
| 2,790  | Bank of America Corp., 7.250%                                       | 2,469,150    |
| 32,700   | Citigroup Inc., 6.500%  | 1,422,450    |
|  | <b>TOTAL CONVERTIBLE PREFERRED STOCKS</b><br>(Cost \$4,432,120)     | 3,891,600    |
| <b>PREFERRED STOCKS 0.5%</b>                       |   |              |
| <b>CONSUMER DISCRETIONARY 0.3%</b>                 |   |              |
| <b>Automobiles 0.3%</b>                            |   |              |



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|  |  |                  |
|--|--|------------------|
| 22,300                                     | Ford Motor Co., 7.400%                       | 267,600          |
| 17,100                                     | Ford Motor Co., 8.000%                       | 239,400          |
| 1,600                                      | Ford Motor Co., Series F, 7.550%             | 20,496           |
| 900  | General Motors Corp., 7.250%                 | 10,962           |
| 10,100                                     | General Motors Corp., Senior Notes, 7.250%   | 127,361          |
| 2,600                                      | General Motors Corp., Senior Notes, 7.375%   | 32,296           |
| 31,700                                     | General Motors Corp., Senior Notes, 7.500%   | 408,296          |
|  | <b>Total Automobiles</b>                     | <b>1,106,411</b> |
| <b>Media 0.0%</b>                          |  |                  |
| 4  | ION Media Networks Inc., Series B, 12.000% * | 2,600            |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>          | <b>1,109,011</b> |
| <b>FINANCIALS 0.2%</b>                     |  |                  |
| <b>Diversified Financial Services 0.0%</b> |  |                  |
| 3,400                                      | Preferred Plus, Trust Series FRD-1, 7.400%   | 41,888           |

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2008

| Shares   | Security   | Value              |
|--|--|--------------------|
| <b>Diversified Financial Services 0.0% (continued)</b> |  |                    |
| 8,400  | Saturns, Series F 2003-5, 8.125%   | \$ 121,044         |
|  | <b>Total Diversified Financial Services</b>  | <b>162,932</b>     |
| <b>Thrifts &amp; Mortgage Finance 0.2%</b>             |  |                    |
| 37,200   | Federal National Mortgage Association (FNMA), 8.250%   | 853,740            |
|  | <b>TOTAL FINANCIALS</b>  | <b>1,016,672</b>   |
|  | <b>TOTAL PREFERRED STOCKS</b>  |                    |
|  | (Cost \$2,619,799)   | 2,125,683          |
| <b>Warrants</b>  |  |                    |
| <b>WARRANTS 0.0%</b>                                   |  |                    |
| 1,705  | Cybernet Internet Services International Inc., Expires 7/1/09(e)(f)*   | 0                  |
| 2,200  | Elyria Foundry Co. LLC, Expires 3/1/15(a)(e)(f)*   | 0                  |
| 1,555  | GT Group Telecom Inc., Class B Shares, Expires 2/1/10(a)(e)(f)*  | 0                  |
| 1,185  | IWO Holdings Inc., Expires 1/15/11(a)(e)(f)*   | 0                  |
| 1,000  | Jazztel PLC, Expires 7/15/10(e)(f)*  | 0                  |
| 1,765  | Merrill Corp., Class B Shares, Expires 5/5/09(e)(f)*   | 0                  |
| 3,510  | Viasystems Group Inc., Expires 1/12/10(e)(f)*  | 0                  |
|  | <b>TOTAL WARRANTS</b>  |                    |
|  | (Cost \$623,617)   | 0                  |
|  | <b>TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$511,764,294)</b>  | <b>454,010,395</b> |
| <b>Face Amount</b>                                     |  |                    |
| <b>SHORT-TERM INVESTMENTS 1.3%</b>                     |  |                    |
| <b>Sovereign Bonds 1.0%</b>                            |  |                    |
| \$ 13,250,000  | Egypt Treasury Bills:  |                    |
| 12,850,000   | Zero coupon bond to yield 10.240% due 11/4/08  | 2,397,329          |
|  | Zero coupon bond to yield 10.341% due 11/11/08   | 2,319,659          |
|  | <b>Total Sovereign Bonds</b>   |                    |
|  | (Cost \$4,649,955)   | 4,716,988          |
| <b>Repurchase Agreement 0.3%</b>                       |  |                    |
| 1,338,000  | Morgan Stanley tri-party repurchase agreement dated 6/30/08, 2.400% due 7/1/08; Proceeds at maturity - \$1,338,089; (Fully collateralized by U.S. government agency obligation, 0.000% due 12/30/08; Market value \$1,367,272) |                    |
|  | (Cost - \$1,338,000) (g)   | 1,338,000          |
|  | <b>TOTAL SHORT-TERM INVESTMENTS</b>  |                    |
|  | (Cost \$5,987,955)   | 6,054,988          |

|                                       |                    |                |
|---------------------------------------|--------------------|----------------|
| <b>TOTAL INVESTMENTS</b>              | <b>98.1%</b> (Cost |                |
| \$517,752,249#)                       |                    | 460,065,383    |
| Other Assets in Excess of Liabilities | 1.9%               | 9,119,828      |
| <b>TOTAL NET ASSETS</b>               | <b>100.0%</b>      | \$ 469,185,211 |

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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) Payment-in-kind security for which part of the income earned may be paid as additional principal.
  - (c) Security is currently in default.
  - (d) Variable rate security. Interest rate disclosed is that which is in effect at June 30, 2008.
  - (e) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
  - (f) Illiquid security.
  - (g) All or a portion of this security is segregated for swap contracts.
- # 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)

June 30, 2008

Abbreviation used in this schedule:

EGP - Egyptian Pound

*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 that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. 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 may value these securities at fair value as determined in accordance with the 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.

**(b) Repurchase Agreements.** When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian 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 exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines 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 Default Swaps.** The Fund may enter into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate issuers or sovereign issuers of an emerging country, on a specified obligation. The Fund may use a CDS to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Fund has exposure to the sovereign issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a fixed rate of income throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as

defined under the terms of that particular swap agreement, the Fund will pay to the buyer of the protection an amount up to the notional value of the swap, and in certain instances take delivery of the security. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

**(d) 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.

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

## 2. Investments

At June 30, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

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

|                               |    |              |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 8,193,153    |
| Gross unrealized depreciation |    | (65,880,019) |
| Net unrealized depreciation   | \$ | (57,686,866) |

At June 30, 2008, the Fund held the following credit default swap contract:

|                            |                                     |
|----------------------------|-------------------------------------|
| Swap Counterparty:         | Barclays Capital Inc.               |
| Referenced Entity:         | CDX.NA.HY.10                        |
| Notional Amount:           | \$3,500,000                         |
| Payments Received by Fund: | Payment only if credit event occurs |
| Payments Made by Fund:     | Fixed Rate, 5.000%                  |
| Termination Date:          | 6/20/13                             |
| Unrealized Appreciation    | \$45,648                            |

**3. Recent Accounting Pronouncements**

On September 20, 2006, the Financial Accounting Standards Board ( FASB ) released Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management has determined that there is no material impact to the Fund s valuation policies as a result of adopting FAS 157. The Fund will implement the disclosure requirements beginning with its December 31, 2008 Form N-Q.

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In March 2008, the FASB issued the Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ( FAS 161 ). FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about the Fund s derivative and hedging activities, including how such activities are accounted for and their effect on the Fund s financial position, performance and cash flows. Management is currently evaluating the impact the adoption of FAS 161 will have on the Fund s financial statements and related disclosures.

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, 2008

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, 2008

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

Date: August 26, 2008

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