

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

August 25, 2011

**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

811-07920

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

620 Eighth Avenue, New York, NY
(Address of principal executive offices)

10018
(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, 2011

ITEM 1.

SCHEDULE OF INVESTMENTS

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FORM N-Q

JUNE 30, 2011

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Schedule of investments (unaudited)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|-------------|---------------|---------------|-----------------|
| CORPORATE BONDS & NOTES | 87.5% | | | |
| CONSUMER DISCRETIONARY | 22.1% | | | |
| Auto Components | 0.1% | | | |
| Hertz Holdings Netherlands BV, Senior Secured Bonds | 8.500% | 7/31/15 | 300,000EUR \$ | 463,323(a) |
| Automobiles | 0.8% | | | |
| Escrow GCB General Motors | 7.200% | 1/15/11 | 825,000 | 24,750(b)(c)(d) |
| Escrow GCB General Motors | 7.125% | 7/15/13 | 2,125,000 | 63,750(b)(c) |
| Escrow GCB General Motors | 8.375% | 7/15/33 | 2,540,000 | 76,200(b)(c) |
| Ford Motor Credit Co., LLC, Senior Notes | 9.875% | 8/10/11 | 1,000,000 | 1,007,577 |
| Ford Motor Credit Co., LLC, Senior Notes | 7.500% | 8/1/12 | 1,785,000 | 1,869,763 |
| Ford Motor Credit Co., LLC, Senior Notes | 12.000% | 5/15/15 | 685,000 | 850,160 |
| <i>Total Automobiles</i> | | | | 3,892,200 |
| Diversified Consumer Services | 0.7% | | | |
| Service Corp. International, Senior Notes | 7.500% | 4/1/27 | 1,240,000 | 1,190,400 |
| Sotheby's, Senior Notes | 7.750% | 6/15/15 | 1,540,000 | 1,701,700 |
| Stonemor Operating LLC/Cornerstone Family Services of WV/Osiris Holding, Senior Notes | 10.250% | 12/1/17 | 360,000 | 360,000 |
| <i>Total Diversified Consumer Services</i> | | | | 3,252,100 |
| Hotels, Restaurants & Leisure | 9.4% | | | |
| Boyd Gaming Corp., Senior Notes | 9.125% | 12/1/18 | 220,000 | 224,950(a) |
| Boyd Gaming Corp., Senior Subordinated Notes | 7.125% | 2/1/16 | 665,000 | 616,788 |
| Caesars Entertainment Operating Co. Inc., Senior Notes | 10.750% | 2/1/16 | 2,954,000 | 2,909,690 |
| Caesars Entertainment Operating Co. Inc., Senior Secured Notes | 10.000% | 12/15/15 | 780,000 | 795,600 |
| Caesars Entertainment Operating Co. Inc., Senior Secured Notes | 11.250% | 6/1/17 | 1,220,000 | 1,352,675 |
| CCM Merger Inc., Notes | 8.000% | 8/1/13 | 1,885,000 | 1,861,437(a) |
| CityCenter Holdings LLC / CityCenter Finance Corp., Senior Secured Notes | 10.750% | 1/15/17 | 4,560,000 | 4,970,400(a)(e) |
| Downstream Development Quapaw, Senior Notes | 12.000% | 10/15/15 | 1,695,000 | 1,894,162(a) |
| Downstream Development Quapaw, Senior Secured Notes | 10.500% | 7/1/19 | 1,190,000 | 1,190,000(a) |
| El Pollo Loco Inc. | 12.000% | 12/28/17 | 2,480,000 | 2,480,000(f) |
| El Pollo Loco Inc., Senior Notes | 11.750% | 11/15/13 | 2,425,000 | 2,437,125 |
| El Pollo Loco Inc., Senior Secured Notes | 11.750% | 12/1/12 | 945,000 | 1,001,700 |
| Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp. | 10.250% | 6/15/15 | 445,000 | 223(a)(c) |
| Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes | 11.250% | 4/1/17 | 1,040,000 | 1,050,400(a) |
| Inn of the Mountain Gods Resort & Casino, Senior Secured Notes | 8.750% | 11/30/20 | 1,074,000 | 1,057,890(a) |
| Landry's Holdings Inc., Senior Secured Notes | 11.500% | 6/1/14 | 1,140,000 | 1,142,850(a) |
| Landry's Restaurants Inc., Senior Secured Notes | 11.625% | 12/1/15 | 1,140,000 | 1,225,500 |
| Landry's Restaurants Inc., Senior Secured Notes | 11.625% | 12/1/15 | 340,000 | 365,500(a) |
| MGM Resorts International, Senior Notes | 5.875% | 2/27/14 | 1,270,000 | 1,227,137 |

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| | | | | |
|--|---------|----------|-----------|--------------|
| MGM Resorts International, Senior Notes | 6.625% | 7/15/15 | 490,000 | 461,825 |
| MGM Resorts International, Senior Secured Notes | 10.375% | 5/15/14 | 150,000 | 171,000 |
| MGM Resorts International, Senior Secured Notes | 11.125% | 11/15/17 | 360,000 | 413,100 |
| Mohegan Tribal Gaming Authority, Senior Secured Notes | 11.500% | 11/1/17 | 60,000 | 62,100(a) |
| Mohegan Tribal Gaming Authority, Senior Subordinated Notes | 8.000% | 4/1/12 | 3,660,000 | 2,982,900 |
| Mohegan Tribal Gaming Authority, Senior Subordinated Notes | 6.875% | 2/15/15 | 225,000 | 151,875 |
| NCL Corp. Ltd., Senior Notes | 9.500% | 11/15/18 | 2,440,000 | 2,610,800(a) |
| NCL Corp. Ltd., Senior Secured Notes | 11.750% | 11/15/16 | 1,760,000 | 2,037,200 |
| Pinnacle Entertainment Inc., Senior Notes | 8.625% | 8/1/17 | 715,000 | 771,306 |
| Pinnacle Entertainment Inc., Senior Subordinated Notes | 7.500% | 6/15/15 | 330,000 | 337,425 |
| Seven Seas Cruises S de RL LLC, Senior Secured Notes | 9.125% | 5/15/19 | 1,360,000 | 1,407,600(a) |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|------------------|
| Hotels, Restaurants & Leisure continued | | | | |
| Snoqualmie Entertainment Authority, Senior Secured Notes | 4.204% | 2/1/14 | 890,000 | \$ 805,450(a)(g) |
| Snoqualmie Entertainment Authority, Senior Secured Notes | 9.125% | 2/1/15 | 3,365,000 | 3,306,112(a) |
| Station Casinos Inc., Senior Notes | 6.000% | 4/1/12 | 1,515,000 | 152(b)(c) |
| Station Casinos Inc., Senior Notes | 7.750% | 8/15/16 | 2,265,000 | 227(b)(c) |
| Station Casinos Inc., Senior Subordinated Notes | 6.625% | 3/15/18 | 85,000 | 9(b)(c) |
| Sugarhouse HSP Gaming Prop Mezz LP/Sugarhouse HSP Gaming Finance Corp., Secured Notes | 8.625% | 4/15/16 | 1,281,000 | 1,325,835(a) |
| <i>Total Hotels, Restaurants & Leisure</i> | | | | 44,648,943 |
| Household Durables 0.2% | | | | |
| DirectBuy Holdings Inc., Senior Secured Notes | 12.000% | 2/1/17 | 370,000 | 146,150(a) |
| Standard Pacific Corp., Senior Notes | 8.375% | 1/15/21 | 1,040,000 | 1,024,400 |
| <i>Total Household Durables</i> | | | | 1,170,550 |
| Internet & Catalog Retail 0.8% | | | | |
| Netflix Inc., Senior Notes | 8.500% | 11/15/17 | 1,340,000 | 1,510,850 |
| QVC Inc., Senior Secured Notes | 7.375% | 10/15/20 | 1,990,000 | 2,104,425(a) |
| <i>Total Internet & Catalog Retail</i> | | | | 3,615,275 |
| Media 6.0% | | | | |
| Affinity Group LLC, Senior Secured Notes | 11.500% | 12/1/16 | 1,360,000 | 1,434,800(a) |
| CCH II LLC/CCH II Capital Corp., Senior Notes | 13.500% | 11/30/16 | 561,225 | 663,649 |
| CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes | 7.875% | 4/30/18 | 1,860,000 | 1,969,275 |
| CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes | 8.125% | 4/30/20 | 1,840,000 | 1,996,400 |
| Cengage Learning Acquisitions Inc., Senior Notes | 10.500% | 1/15/15 | 2,400,000 | 2,184,000(a) |
| Cengage Learning Acquisitions Inc., Senior Subordinated Notes | 13.250% | 7/15/15 | 3,130,000 | 2,832,650(a) |
| Charter Communications Inc., Senior Notes | 6.500% | 4/30/21 | 1,290,000 | 1,278,712 |
| CSC Holdings LLC, Senior Notes | 8.500% | 6/15/15 | 190,000 | 206,150 |
| DISH DBS Corp., Senior Notes | 7.875% | 9/1/19 | 1,260,000 | 1,365,525 |
| DISH DBS Corp., Senior Notes | 6.750% | 6/1/21 | 800,000 | 824,000(a) |
| Kabel BW Erste Beteiligungs GmbH/Kabel Baden-Wuerttemberg GmbH & Co. KG, Senior Secured Notes | 7.500% | 3/15/19 | 430,000 | 440,750(a) |
| LBI Media Inc., Senior Secured Notes | 9.250% | 4/15/19 | 1,290,000 | 1,283,550(a) |
| National CineMedia LLC, Senior Notes | 7.875% | 7/15/21 | 400,000 | 407,140(a) |
| Nielsen Finance LLC/Nielsen Finance Co., Senior Notes | 7.750% | 10/15/18 | 3,650,000 | 3,850,750(a) |
| Univision Communications Inc., Senior Notes | 8.500% | 5/15/21 | 950,000 | 952,375(a) |
| Univision Communications Inc., Senior Secured Notes | 6.875% | 5/15/19 | 1,430,000 | 1,422,850(a) |
| Univision Communications Inc., Senior Secured Notes | 7.875% | 11/1/20 | 1,380,000 | 1,421,400(a) |
| UPC Holding BV, Senior Notes | 9.875% | 4/15/18 | 675,000 | 752,625(a) |
| UPCB Finance III Ltd., Senior Secured Notes | 6.625% | 7/1/20 | 2,470,000 | 2,451,475(a) |
| Virgin Media Finance PLC, Senior Notes | 9.125% | 8/15/16 | 537,000 | 566,535 |
| <i>Total Media</i> | | | | 28,304,611 |
| Multiline Retail 0.5% | | | | |
| Neiman Marcus Group Inc., Senior Secured Notes | 7.125% | 6/1/28 | 2,460,000 | 2,287,800 |
| Specialty Retail 2.2% | | | | |
| American Greetings Corp., Senior Notes | 7.375% | 6/1/16 | 2,885,000 | 2,985,975 |
| American Greetings Corp., Senior Notes | 7.375% | 6/1/16 | 365,000 | 363,175 |

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| | | | | |
|--|---------|---------|-----------|-------------------|
| American Greetings Corp., Senior Notes | 7.375% | 6/1/16 | 290,000 | 288,550 |
| Edcon Proprietary Ltd., Senior Secured Notes | 9.500% | 3/1/18 | 1,970,000 | 1,861,650(a) |
| Michaels Stores Inc., Senior Subordinated Bonds | 11.375% | 11/1/16 | 1,230,000 | 1,316,100 |
| Michaels Stores Inc., Senior Subordinated Notes, step bond | 0.000% | 11/1/16 | 2,880,000 | 2,995,200 |
| Spencer Spirit Holdings Inc./Spencer Gifts LLC/Spirit | | | | |
| Halloween Superstores, Senior Notes | 11.000% | 5/1/17 | 830,000 | 854,900(a) |
| <i>Total Specialty Retail</i> | | | | <i>10,665,550</i> |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|--------------------|
| Textiles, Apparel & Luxury Goods 1.4% | | | | |
| Burlington Coat Factory Warehouse Corp., Senior Notes | 10.000% | 2/15/19 | 880,000 | \$ 875,600(a) |
| Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes | 11.375% | 2/1/17 | 600,000 | 621,000(a) |
| Giraffe Acquisition Corp., Senior Notes | 9.125% | 12/1/18 | 2,110,000 | 1,993,950(a) |
| Oxford Industries Inc., Senior Secured Notes | 11.375% | 7/15/15 | 2,570,000 | 2,916,950 |
| <i>Total Textiles, Apparel & Luxury Goods</i> | | | | <i>6,407,500</i> |
| TOTAL CONSUMER DISCRETIONARY | | | | 104,707,852 |
| CONSUMER STAPLES 1.6% | | | | |
| Food Products 1.5% | | | | |
| Blue Merger Sub Inc., Senior Notes | 7.625% | 2/15/19 | 2,090,000 | 2,121,350(a) |
| Bumble Bee Acquisiton Co., Senior Secured Notes | 9.000% | 12/15/17 | 780,000 | 787,800(a) |
| Harmony Foods Corp., Senior Secured Notes | 10.000% | 5/1/16 | 570,000 | 584,250(a) |
| Simmons Foods Inc., Senior Secured Notes | 10.500% | 11/1/17 | 2,980,000 | 3,173,700(a) |
| Smithfield Foods Inc., Senior Secured Notes | 10.000% | 7/15/14 | 233,000 | 271,445 |
| <i>Total Food Products</i> | | | | <i>6,938,545</i> |
| Tobacco 0.1% | | | | |
| Alliance One International Inc., Senior Notes | 10.000% | 7/15/16 | 446,000 | 432,620 |
| TOTAL CONSUMER STAPLES | | | | 7,371,165 |
| ENERGY 11.3% | | | | |
| Energy Equipment & Services 1.8% | | | | |
| Complete Production Services Inc., Senior Notes | 8.000% | 12/15/16 | 1,150,000 | 1,207,500 |
| Hercules Offshore LLC, Senior Secured Notes | 10.500% | 10/15/17 | 2,285,000 | 2,399,250(a) |
| Parker Drilling Co., Senior Notes | 9.125% | 4/1/18 | 1,480,000 | 1,568,800 |
| Precision Drilling Corp., Senior Notes | 6.625% | 11/15/20 | 360,000 | 365,400 |
| Vantage Drilling Co., Senior Secured Notes | 11.500% | 8/1/15 | 2,960,000 | 3,233,800 |
| <i>Total Energy Equipment & Services</i> | | | | <i>8,774,750</i> |
| Oil, Gas & Consumable Fuels 9.5% | | | | |
| Berry Petroleum Co., Senior Notes | 10.250% | 6/1/14 | 1,155,000 | 1,325,363 |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes | 9.375% | 5/1/19 | 2,990,000 | 3,094,650(a) |
| Chesapeake Energy Corp., Senior Notes | 7.250% | 12/15/18 | 425,000 | 465,375 |
| Chesapeake Energy Corp., Senior Notes | 6.625% | 8/15/20 | 1,530,000 | 1,617,975 |
| Compagnie Generale de Geophysique-Veritas, Senior Notes | 9.500% | 5/15/16 | 560,000 | 614,600 |
| Compagnie Generale de Geophysique-Veritas, Senior Notes | 7.750% | 5/15/17 | 410,000 | 424,350 |
| CONSOL Energy Inc., Senior Notes | 8.250% | 4/1/20 | 1,410,000 | 1,543,950 |
| Corral Petroleum Holdings AB, Senior Bonds | 15.000% | 9/18/11 | 2,852,040 | 2,737,958(a)(b)(e) |
| Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes | 8.875% | 2/15/18 | 350,000 | 374,500 |
| Energy Transfer Equity LP, Senior Notes | 7.500% | 10/15/20 | 1,370,000 | 1,459,050 |
| Enterprise Products Operating LLP, Junior Subordinated Notes | 8.375% | 8/1/66 | 1,270,000 | 1,376,199(g) |
| Enterprise Products Operating LLP, Subordinated Notes | 7.034% | 1/15/68 | 790,000 | 831,572(g) |
| EXCO Resources Inc., Senior Notes | 7.500% | 9/15/18 | 2,570,000 | 2,512,175 |
| James River Escrow Inc., Senior Notes | 7.875% | 4/1/19 | 350,000 | 348,250(a) |

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| | | | | |
|---|---------|---------|-----------|--------------|
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes | 8.750% | 4/15/18 | 480,000 | 525,600 |
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes | 6.750% | 11/1/20 | 430,000 | 440,750 |
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes | 6.500% | 8/15/21 | 260,000 | 258,700 |
| Milagro Oil & Gas Inc., Secured Notes | 10.500% | 5/15/16 | 1,530,000 | 1,445,850(a) |
| Offshore Group Investments Ltd., Senior Secured Notes | 11.500% | 8/1/15 | 560,000 | 611,800(a) |
| Overseas Shipholding Group Inc., Senior Notes | 8.125% | 3/30/18 | 2,855,000 | 2,815,744 |
| Peabody Energy Corp., Senior Notes | 7.875% | 11/1/26 | 470,000 | 529,925 |
| Petroplus Finance Ltd., Senior Notes | 6.750% | 5/1/14 | 1,090,000 | 1,073,650(a) |
| Petroplus Finance Ltd., Senior Notes | 7.000% | 5/1/17 | 780,000 | 737,100(a) |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|------------------|----------------|------------------|
| Oil, Gas & Consumable Fuels continued | | | | |
| Plains Exploration & Production Co., Senior Notes | 10.000% | 3/1/16 | 1,305,000 | \$ 1,474,650 |
| Plains Exploration & Production Co., Senior Notes | 8.625% | 10/15/19 | 1,195,000 | 1,308,525 |
| PT Adaro Indonesia, Senior Notes | 7.625% | 10/22/19 | 400,000 | 446,000(a) |
| Quicksilver Resources Inc., Senior Notes | 11.750% | 1/1/16 | 2,255,000 | 2,593,250 |
| Quicksilver Resources Inc., Senior Notes | 9.125% | 8/15/19 | 340,000 | 372,300 |
| Range Resources Corp., Senior Subordinated Notes | 8.000% | 5/15/19 | 100,000 | 109,000 |
| SandRidge Energy Inc., Senior Notes | 7.500% | 3/15/21 | 670,000 | 679,213(a) |
| Teekay Corp., Senior Notes | 8.500% | 1/15/20 | 2,280,000 | 2,365,500 |
| Tennessee Gas Pipeline Co., Senior Notes | 8.375% | 6/15/32 | 3,270,000 | 4,150,526 |
| TNK-BP Finance SA, Senior Notes | 7.875% | 3/13/18 | 1,525,000 | 1,757,562(a) |
| Whiting Petroleum Corp., Senior Subordinated Notes | 6.500% | 10/1/18 | 1,180,000 | 1,233,100 |
| Xinergy Ltd., Senior Secured Notes | 9.250% | 5/15/19 | 1,340,000 | 1,360,100(a) |
| <i>Total Oil, Gas & Consumable Fuels</i> | | | | 45,014,812 |
| TOTAL ENERGY | | | | |
| | | | | 53,789,562 |
| FINANCIALS 6.3% | | | | |
| Capital Markets 0.2% | | | | |
| Goldman Sachs Group Inc., Subordinated Notes | 6.750% | 10/1/37 | 1,100,000 | 1,103,351 |
| Commercial Banks 1.5% | | | | |
| BAC Capital Trust VI, Capital Securities, Junior Subordinated Notes | 5.625% | 3/8/35 | 830,000 | 717,146 |
| BankAmerica Institutional Capital A, Junior Subordinated Bonds | 8.070% | 12/31/26 | 520,000 | 533,000(a) |
| BankAmerica Institutional Capital B, Junior Subordinated Bonds | 7.700% | 12/31/26 | 600,000 | 613,500(a) |
| CIT Group Inc., Senior Secured Bonds | 7.000% | 5/1/16 | 1,130,700 | 1,127,873 |
| CIT Group Inc., Senior Secured Bonds | 7.000% | 5/1/17 | 1,294,694 | 1,293,076 |
| Credit Agricole SA, Subordinated Notes | 8.375% | 10/13/19 | 830,000 | 871,500(a)(g)(h) |
| NB Capital Trust II, Junior Subordinated Notes | 7.830% | 12/15/26 | 770,000 | 784,437 |
| NB Capital Trust IV, Junior Subordinated Notes | 8.250% | 4/15/27 | 530,000 | 545,238 |
| Royal Bank of Scotland Group PLC, Junior Subordinated Bonds | 7.648% | 9/30/31 | 790,000 | 714,950(g)(h) |
| <i>Total Commercial Banks</i> | | | | 7,200,720 |
| Consumer Finance 1.1% | | | | |
| Ally Financial Inc., Senior Bonds | 0.000% | 12/1/12 | 1,800,000 | 1,687,500 |
| Ally Financial Inc., Senior Notes | 7.500% | 9/15/20 | 580,000 | 609,000 |
| GMAC International Finance BV, Senior Bonds | 7.500% | 4/21/15 | 730,000EUR | 1,103,600 |
| SLM Corp., Medium-Term Notes | 8.000% | 3/25/20 | 920,000 | 989,462 |
| SLM Corp., Medium-Term Notes, Senior Notes | 8.450% | 6/15/18 | 965,000 | 1,060,600 |
| <i>Total Consumer Finance</i> | | | | 5,450,162 |
| Diversified Financial Services 2.8% | | | | |
| Bankrate Inc., Senior Secured Notes | 11.750% | 7/15/15 | 688,000 | 787,760(a) |
| Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities | 10.250% | 8/15/39 | 1,120,000 | 1,194,200 |
| | 6.375% | 3/25/13 | 744,000 | 770,040 |

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| | | | | |
|--|--------|----------|-----------|-------------------|
| International Lease Finance Corp., Medium-Term Notes | | | | |
| International Lease Finance Corp., Medium-Term Notes, Senior Notes | 5.625% | 9/20/13 | 1,670,000 | 1,701,312 |
| International Lease Finance Corp., Senior Notes | 8.625% | 9/15/15 | 820,000 | 891,750 |
| International Lease Finance Corp., Senior Notes | 8.875% | 9/1/17 | 3,810,000 | 4,210,050 |
| International Lease Finance Corp., Senior Notes | 8.250% | 12/15/20 | 670,000 | 725,275 |
| MBNA Capital A, Junior Subordinated Notes | 8.278% | 12/1/26 | 1,250,000 | 1,282,813 |
| Residential Capital LLC, Junior Secured Notes | 9.625% | 5/15/15 | 1,500,000 | 1,496,250 |
| <i>Total Diversified Financial Services</i> | | | | <i>13,059,450</i> |
| Insurance 0.7% | | | | |
| American International Group Inc., Senior Notes | 8.250% | 8/15/18 | 1,465,000 | 1,683,471 |
| Dai-ichi Life Insurance Co., Ltd., Subordinated Notes | 7.250% | 7/25/21 | 520,000 | 520,612(a)(g)(h) |
| ING Capital Funding Trust III, Junior Subordinated Bonds | 3.846% | 9/30/11 | 410,000 | 389,085(g)(h) |

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|---------------|-------------|-----------------|
| Insurance continued | | | | |
| MetLife Capital Trust IV, Junior Subordinated Notes | 7.875% | 12/15/37 | 590,000 \$ | 619,327(a) |
| <i>Total Insurance</i> | | | | 3,212,495 |
| TOTAL FINANCIALS | | | | 30,026,178 |
| HEALTH CARE 5.1% | | | | |
| Health Care Equipment & Supplies 0.2% | | | | |
| Biomet Inc., Senior Notes | 10.000% | 10/15/17 | 180,000 | 197,100 |
| Biomet Inc., Senior Toggle Notes | 10.375% | 10/15/17 | 650,000 | 719,875(e) |
| <i>Total Health Care Equipment & Supplies</i> | | | | 916,975 |
| Health Care Providers & Services 4.7% | | | | |
| American Renal Holdings, Senior Notes | 9.750% | 3/1/16 | 1,430,000 | 1,438,505(a)(e) |
| American Renal Holdings, Senior Secured Notes | 8.375% | 5/15/18 | 1,130,000 | 1,156,837 |
| CRC Health Corp., Senior Subordinated Notes | 10.750% | 2/1/16 | 4,265,000 | 4,360,962 |
| Fresenius Medical Care U.S. Finance Inc., Senior Notes | 6.875% | 7/15/17 | 700,000 | 743,750 |
| Fresenius U.S. Finance II Inc., Senior Notes | 9.000% | 7/15/15 | 1,920,000 | 2,181,600(a) |
| HCA Inc., Debentures | 7.500% | 11/15/95 | 3,920,000 | 3,194,800 |
| HCA Inc., Senior Secured Notes | 7.875% | 2/15/20 | 1,860,000 | 2,027,400 |
| InVentiv Health Inc., Senior Notes | 10.000% | 8/15/18 | 1,320,000 | 1,258,400(a) |
| Symbion Inc., Senior Secured Notes | 8.000% | 6/15/16 | 210,000 | 206,325(a) |
| Tenet Healthcare Corp., Senior Secured Notes | 10.000% | 5/1/18 | 1,320,000 | 1,506,450 |
| Tenet Healthcare Corp., Senior Secured Notes | 8.875% | 7/1/19 | 770,000 | 853,738 |
| Universal Hospital Services Inc., Senior Secured Notes | 8.500% | 6/1/15 | 1,990,000 | 2,059,650(e) |
| US Oncology Inc. | 9.125% | 8/15/17 | 1,015,000 | 22,838(c) |
| Vanguard Health Holdings Co., II LLC, Senior Notes | 8.000% | 2/1/18 | 1,025,000 | 1,063,437 |
| <i>Total Health Care Providers & Services</i> | | | | 22,074,692 |
| Pharmaceuticals 0.2% | | | | |
| Endo Pharmaceuticals Holdings Inc., Senior Notes | 7.000% | 7/15/19 | 270,000 | 278,100(a) |
| Giant Funding Corp., Senior Secured Notes | 8.250% | 2/1/18 | 700,000 | 733,250(a) |
| <i>Total Pharmaceuticals</i> | | | | 1,011,350 |
| TOTAL HEALTH CARE | | | | 24,003,017 |
| INDUSTRIALS 14.1% | | | | |
| Aerospace & Defense 2.1% | | | | |
| Ducommun Inc., Senior Notes | 9.750% | 7/15/18 | 870,000 | 898,275(a) |
| FGI Operating Co. Inc., Senior Secured Notes | 10.250% | 8/1/15 | 1,965,000 | 2,097,637 |
| Kratos Defense & Security Solutions Inc., Senior Secured Notes | 10.000% | 6/1/17 | 1,030,000 | 1,091,800 |
| | 10.000% | 6/1/17 | 1,010,000 | 1,070,600(a) |

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| | | | | |
|---|---------|----------|-----------|-------------------|
| Kratos Defense & Security Solutions Inc., Senior Secured Notes | | | | |
| Northrop Grumman Corp., Senior Notes | 6.875% | 3/15/18 | 760,000 | 782,800(a) |
| Northrop Grumman Corp., Senior Notes | 7.125% | 3/15/21 | 760,000 | 790,400(a) |
| Triumph Group Inc., Senior Notes | 8.625% | 7/15/18 | 860,000 | 947,075 |
| Wyle Services Corp., Senior Subordinated Notes | 10.500% | 4/1/18 | 2,105,000 | 2,241,825(a) |
| <i>Total Aerospace & Defense</i> | | | | <i>9,920,412</i> |
| Airlines 2.2% | | | | |
| American Airlines Pass-Through Trust, Secured Notes | 7.000% | 1/31/18 | 710,000 | 670,950(a) |
| Continental Airlines Inc., Pass-Through Certificates | 9.250% | 5/10/17 | 160,998 | 167,438 |
| Continental Airlines Inc., Pass-Through Certificates, Subordinated Secured Notes | 7.339% | 4/19/14 | 1,771,925 | 1,767,496 |
| Continental Airlines Inc., Senior Secured Notes | 6.750% | 9/15/15 | 750,000 | 757,500(a) |
| DAE Aviation Holdings Inc., Senior Notes | 11.250% | 8/1/15 | 3,870,000 | 4,044,150(a) |
| Delta Air Lines Inc., Pass-Through Certificates | 8.954% | 8/10/14 | 22,071 | 22,761 |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes | 8.021% | 8/10/22 | 903,443 | 918,079 |
| Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes | 9.750% | 12/17/16 | 438,321 | 464,620 |
| Delta Air Lines Inc., Senior Secured Notes | 9.500% | 9/15/14 | 588,000 | 629,895(a) |
| United Air Lines Inc., Senior Secured Notes | 9.875% | 8/1/13 | 819,000 | 864,045(a) |
| <i>Total Airlines</i> | | | | <i>10,306,934</i> |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|------------------|----------------|------------------|
| Building Products 0.7% | | | | |
| Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, step bond | 0.000% | 6/30/15 | 660,400 | \$ 402,844(a)(b) |
| Building Materials Corp. of America, Senior Notes | 6.750% | 5/1/21 | 2,110,000 | 2,125,825(a) |
| Shea Homes LP, Senior Secured Notes | 8.625% | 5/15/19 | 890,000 | 878,875(a) |
| <i>Total Building Products</i> | | | | 3,407,544 |
| Commercial Services & Supplies 1.9% | | | | |
| ACCO Brands Corp., Senior Secured Notes | 10.625% | 3/15/15 | 1,675,000 | 1,878,094 |
| Altegrity Inc., Senior Subordinated Notes | 10.500% | 11/1/15 | 210,000 | 218,400(a) |
| Altegrity Inc., Senior Subordinated Notes | 11.750% | 5/1/16 | 2,605,000 | 2,748,275(a) |
| American Reprographics Co., Senior Notes | 10.500% | 12/15/16 | 1,500,000 | 1,571,250 |
| Geo Group Inc., Senior Notes | 7.750% | 10/15/17 | 1,620,000 | 1,725,300 |
| RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Notes | 8.250% | 2/1/21 | 730,000 | 730,000 |
| <i>Total Commercial Services & Supplies</i> | | | | 8,871,319 |
| Construction & Engineering 0.3% | | | | |
| Abengoa Finance SAU, Senior Notes | 8.875% | 11/1/17 | 1,310,000 | 1,344,388(a) |
| Electrical Equipment 0.4% | | | | |
| NES Rentals Holdings Inc., Senior Secured Notes | 12.250% | 4/15/15 | 1,620,000 | 1,575,450(a) |
| Industrial Conglomerates 0.3% | | | | |
| Leucadia National Corp., Senior Notes | 8.125% | 9/15/15 | 1,220,000 | 1,351,150 |
| Machinery 0.4% | | | | |
| Dematic SA, Senior Secured Notes | 8.750% | 5/1/16 | 2,050,000 | 2,044,875(a) |
| Marine 0.7% | | | | |
| Navios Maritime Acquisition Corp., Senior Secured Notes | 8.625% | 11/1/17 | 350,000 | 346,500(a) |
| Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes | 8.625% | 11/1/17 | 2,350,000 | 2,326,500 |
| Navios Maritime Holdings Inc./Navios Maritime Finance II U.S. Inc., Senior Notes | 8.125% | 2/15/19 | 740,000 | 714,100(a) |
| <i>Total Marine</i> | | | | 3,387,100 |
| Road & Rail 3.3% | | | | |
| Florida East Coast Holdings Corp., Senior Notes | 10.500% | 8/1/17 | 2,090,000 | 2,178,825(a)(e) |
| Florida East Coast Industries Inc., Senior Secured Notes | 8.125% | 2/1/17 | 1,960,000 | 2,033,500(a) |
| Jack Cooper Holdings Corp., Senior Secured Notes | 12.750% | 12/15/15 | 2,194,000 | 2,325,640(a)(f) |
| Kansas City Southern de Mexico, Senior Notes | 12.500% | 4/1/16 | 681,000 | 810,390 |
| Kansas City Southern de Mexico, Senior Notes | 8.000% | 2/1/18 | 2,805,000 | 3,057,450 |
| Kansas City Southern Railway, Senior Notes | 13.000% | 12/15/13 | 231,000 | 269,693 |
| Kansas City Southern Railway, Senior Notes | 8.000% | 6/1/15 | 285,000 | 307,087 |
| Quality Distribution LLC/QD Capital Corp., Senior Secured Notes | 9.875% | 11/1/18 | 2,675,000 | 2,738,531(a) |
| RailAmerica Inc., Senior Secured Notes | 9.250% | 7/1/17 | 1,872,000 | 2,063,880 |
| <i>Total Road & Rail</i> | | | | 15,784,996 |
| Trading Companies & Distributors 0.3% | | | | |

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| | | | | |
|--|--------|----------|-----------|-------------------|
| Ashtead Capital Inc., Notes | 9.000% | 8/15/16 | 108,000 | 113,130(a) |
| H&E Equipment Services Inc., Senior Notes | 8.375% | 7/15/16 | 1,370,000 | 1,407,675 |
| <i>Total Trading Companies & Distributors</i> | | | | <i>1,520,805</i> |
| Transportation 1.4% | | | | |
| CMA CGM, Senior Notes | 8.500% | 4/15/17 | 2,680,000 | 2,264,600(a) |
| Hapag-Lloyd AG, Senior Notes | 9.750% | 10/15/17 | 2,630,000 | 2,656,300(a) |
| Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes | 9.500% | 5/1/18 | 1,640,000 | 1,697,400(a) |
| <i>Total Transportation</i> | | | | <i>6,618,300</i> |
| Transportation Infrastructure 0.1% | | | | |
| Aguila 3 SA, Senior Secured Notes | 7.875% | 1/31/18 | 540,000 | 546,075(a) |
| TOTAL INDUSTRIALS | | | | 66,679,348 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|---------|------------------|----------------|---------------|
| SECURITY | | | | |
| INFORMATION TECHNOLOGY 4.5% | | | | |
| Communications Equipment 0.6% | | | | |
| Lucent Technologies Inc., Debentures | 6.450% | 3/15/29 | 3,140,000 | \$ 2,841,700 |
| Electronic Equipment, Instruments & Components 0.8% | | | | |
| NXP BV/NXP Funding LLC, Senior Secured Notes | 9.750% | 8/1/18 | 3,460,000 | 3,892,500(a) |
| IT Services 1.9% | | | | |
| Ceridian Corp., Senior Notes | 12.250% | 11/15/15 | 1,469,700 | 1,499,094(e) |
| First Data Corp., Senior Notes | 5.625% | 11/1/11 | 250,000 | 250,312 |
| First Data Corp., Senior Notes | 10.550% | 9/24/15 | 4,252,659 | 4,433,397(e) |
| First Data Corp., Senior Notes | 11.250% | 3/31/16 | 420,000 | 415,800 |
| First Data Corp., Senior Secured Notes | 7.375% | 6/15/19 | 120,000 | 121,500(a) |
| iGATE Corp., Senior Notes | 9.000% | 5/1/16 | 2,430,000 | 2,466,450(a) |
| <i>Total IT Services</i> | | | | 9,186,553 |
| Semiconductors & Semiconductor Equipment 1.2% | | | | |
| CDW LLC/CDW Finance Corp., Senior Notes | 11.000% | 10/12/15 | 710,000 | 750,825 |
| CDW LLC/CDW Finance Corp., Senior Notes | 11.500% | 10/12/15 | 590,000 | 625,400(e) |
| Freescale Semiconductor Inc., Senior Notes | 10.750% | 8/1/20 | 520,000 | 590,200(a) |
| Freescale Semiconductor Inc., Senior Secured Notes | 9.250% | 4/15/18 | 860,000 | 930,950(a) |
| Freescale Semiconductor Inc., Senior Subordinated Notes | 10.125% | 12/15/16 | 1,785,000 | 1,930,031 |
| Freescale Semiconductor Inc., Senior Toggle Notes | 9.125% | 12/15/14 | 381,333 | 400,877(e) |
| Sensata Technologies BV, Secured Notes | 6.500% | 5/15/19 | 390,000 | 390,975(a) |
| <i>Total Semiconductors & Semiconductor Equipment</i> | | | | 5,619,258 |
| TOTAL INFORMATION TECHNOLOGY MATERIALS 8.0% | | | | 21,540,011 |
| Chemicals 1.9% | | | | |
| Georgia Gulf Corp., Senior Secured Notes | 9.000% | 1/15/17 | 1,175,000 | 1,257,250(a) |
| Ineos Finance PLC, Senior Secured Notes | 9.000% | 5/15/15 | 1,160,000 | 1,223,800(a) |
| Kerling PLC, Senior Secured Notes | 10.625% | 1/28/17 | 955,000EUR | 1,471,449(a) |
| LBI Escrow Corp., Senior Secured Notes | 8.000% | 11/1/17 | 1,388,000 | 1,547,620(a) |
| Lyondell Chemical Co., Senior Secured Notes | 11.000% | 5/1/18 | 1,370,000 | 1,541,250 |
| Solutia Inc., Senior Notes | 8.750% | 11/1/17 | 45,000 | 49,050 |
| Solutia Inc., Senior Notes | 7.875% | 3/15/20 | 1,210,000 | 1,300,750 |
| Texas Petrochemical Corp. Group LLC, Senior Secured Notes | 8.250% | 10/1/17 | 770,000 | 800,800(a) |
| <i>Total Chemicals</i> | | | | 9,191,969 |
| Containers & Packaging 2.7% | | | | |
| ARD Finance SA, Senior Secured Notes | 11.125% | 6/1/18 | 200,000 | 205,500(a)(e) |

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| | | | | |
|--|---------|----------|------------|-------------------|
| Ardagh Packaging Finance PLC, Senior Notes | 9.125% | 10/15/20 | 1,330,000 | 1,406,475(a) |
| Ardagh Packaging Finance PLC, Senior Secured Notes | 7.375% | 10/15/17 | 560,000EUR | 819,189(a) |
| Berry Plastics Corp., Secured Notes | 9.750% | 1/15/21 | 1,410,000 | 1,371,225 |
| Longview Fibre Paper & Packaging Inc., Senior Secured Notes | 8.000% | 6/1/16 | 1,120,000 | 1,131,200(a) |
| Pretium Packaging LLC/Pretium Finance Inc., Senior Secured Notes | 11.500% | 4/1/16 | 2,060,000 | 2,096,050(a) |
| Reynolds Group Issuer Inc./Reynolds Group Issuer LLC, Senior Notes | 9.000% | 4/15/19 | 1,950,000 | 1,935,375(a) |
| Reynolds Group Issuer Inc./Reynolds Group Issuer LLC, Senior Notes | 8.250% | 2/15/21 | 1,600,000 | 1,504,000(a) |
| Viskase Cos. Inc., Senior Secured Notes | 9.875% | 1/15/18 | 2,090,000 | 2,189,275(a)(b) |
| Viskase Cos. Inc., Senior Secured Notes | 9.875% | 1/15/18 | 170,000 | 178,075(a)(b) |
| <i>Total Containers & Packaging</i> | | | | <i>12,836,364</i> |
| Metals & Mining 1.9% | | | | |
| Atkore International Inc., Senior Secured Notes | 9.875% | 1/1/18 | 840,000 | 886,200(a) |
| FMG Resources (August 2006) Pty Ltd., Senior Notes | 7.000% | 11/1/15 | 300,000 | 307,500(a) |
| Midwest Vanadium Pty Ltd., Senior Secured Notes | 11.500% | 2/15/18 | 3,400,000 | 3,408,500(a) |
| Mirabela Nickel Ltd., Senior Notes | 8.750% | 4/15/18 | 680,000 | 680,000(a) |
| Novelis Inc., Senior Notes | 8.750% | 12/15/20 | 2,040,000 | 2,213,400 |
| Ryerson Holding Corp., Senior Secured Notes | 0.000% | 2/1/15 | 2,850,000 | 1,496,250 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|-----------------|
| Metals & Mining continued | | | | |
| Ryerson Inc., Senior Secured Notes | 12.000% | 11/1/15 | 30,000 | \$ 32,025 |
| <i>Total Metals & Mining</i> | | | | 9,023,875 |
| Paper & Forest Products 1.5% | | | | |
| Appleton Papers Inc., Senior Secured Notes | 11.250% | 12/15/15 | 3,415,000 | 3,466,225 |
| NewPage Corp., Senior Secured Notes | 11.375% | 12/31/14 | 1,470,000 | 1,378,125 |
| PE Paper Escrow GmbH, Senior Secured Notes | 12.000% | 8/1/14 | 560,000 | 635,600(a) |
| Sappi Papier Holding GmbH, Senior Secured Notes | 6.625% | 4/15/21 | 600,000 | 586,500(a) |
| Verso Paper Holdings LLC, Senior Secured Notes | 11.500% | 7/1/14 | 36,000 | 38,520 |
| Verso Paper Holdings LLC, Senior Secured Notes | 8.750% | 2/1/19 | 740,000 | 662,300(a) |
| Verso Paper Holdings LLC, Senior Subordinated Notes | 11.375% | 8/1/16 | 330,000 | 307,725 |
| <i>Total Paper & Forest Products</i> | | | | 7,074,995 |
| TOTAL MATERIALS | | | | 38,127,203 |
| TELECOMMUNICATION SERVICES | | | | |
| 7.0% | | | | |
| Diversified Telecommunication Services 3.9% | | | | |
| Cogent Communications Group Inc., Senior Secured Notes | 8.375% | 2/15/18 | 1,530,000 | 1,575,900(a) |
| Inmarsat Finance PLC, Senior Notes | 7.375% | 12/1/17 | 2,120,000 | 2,257,800(a) |
| Intelsat Jackson Holdings Ltd., Senior Notes | 11.250% | 6/15/16 | 40,000 | 42,500 |
| Intelsat Jackson Holdings SA, Senior Notes | 7.250% | 4/1/19 | 2,360,000 | 2,348,200(a) |
| Level 3 Financing Inc., Senior Notes | 9.250% | 11/1/14 | 639,000 | 660,566 |
| Primus Telecommunications Group Inc., Senior Subordinated Secured Notes | 14.250% | 5/20/13 | 236,811 | 239,179(e) |
| Satelite Mexicanos SA de CV, Senior Secured Notes | 9.500% | 5/15/17 | 1,000,000 | 1,025,000(a) |
| TW Telecom Holdings Inc., Senior Notes | 8.000% | 3/1/18 | 1,430,000 | 1,531,888 |
| West Corp., Senior Notes | 8.625% | 10/1/18 | 1,570,000 | 1,593,550(a) |
| West Corp., Senior Notes | 7.875% | 1/15/19 | 1,840,000 | 1,789,400(a) |
| Wind Acquisition Finance SA, Senior Notes | 11.750% | 7/15/17 | 1,070,000 | 1,217,125(a) |
| Wind Acquisition Finance SA, Senior Secured Notes | 7.250% | 2/15/18 | 780,000 | 813,150(a) |
| Wind Acquisition Holdings Finance SpA, Senior Notes | 12.250% | 7/15/17 | 1,099,414 | 1,272,572(a)(e) |
| Windstream Corp., Senior Notes | 7.500% | 4/1/23 | 2,130,000 | 2,140,650 |
| <i>Total Diversified Telecommunication Services</i> | | | | 18,507,480 |
| Wireless Telecommunication Services | | | | |
| 3.1% | | | | |
| Buccaneer Merger Sub Inc., Senior Notes | 9.125% | 1/15/19 | 1,720,000 | 1,797,400(a) |
| MetroPCS Wireless Inc., Senior Notes | 7.875% | 9/1/18 | 1,080,000 | 1,148,850 |

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| | | | | |
|---|---------|----------|-----------|-------------------|
| Sprint Capital Corp., Global Notes | 6.900% | 5/1/19 | 870,000 | 900,450 |
| Sprint Capital Corp., Senior Notes | 6.875% | 11/15/28 | 750,000 | 714,375 |
| Sprint Capital Corp., Senior Notes | 8.750% | 3/15/32 | 7,065,000 | 7,683,187 |
| True Move Co., Ltd., Notes | 10.750% | 12/16/13 | 2,260,000 | 2,449,275(a) |
| <i>Total Wireless Telecommunication Services</i> | | | | <i>14,693,537</i> |
| TOTAL TELECOMMUNICATION SERVICES | | | | 33,201,017 |
| UTILITIES 7.5% | | | | |
| Electric Utilities 2.4% | | | | |
| AES Red Oak LLC, Secured Notes | 9.200% | 11/30/29 | 3,920,000 | 3,998,400 |
| Astoria Depositor Corp., Pass-Through Certificates | 8.144% | 5/1/21 | 1,550,000 | 1,488,000(a) |
| Reliant Energy Mid-Atlantic Power Holdings LLC, Senior Notes | 9.681% | 7/2/26 | 2,390,000 | 2,557,300 |
| Texas Competitive Electric Holdings Co. LLC/TCEH Finance Inc., Senior Secured Notes | 11.500% | 10/1/20 | 3,430,000 | 3,387,125(a) |
| <i>Total Electric Utilities</i> | | | | <i>11,430,825</i> |
| Gas Utilities 0.3% | | | | |
| Southern Natural Gas Co., Senior Notes | 8.000% | 3/1/32 | 60,000 | 75,481 |
| Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes | 7.375% | 3/15/20 | 1,210,000 | 1,270,500 |
| <i>Total Gas Utilities</i> | | | | <i>1,345,981</i> |
| Independent Power Producers & Energy Traders 4.8% | | | | |
| Calpine Corp., Senior Secured Notes | 7.875% | 7/31/20 | 460,000 | 483,000(a) |
| Calpine Corp., Senior Secured Notes | 7.500% | 2/15/21 | 640,000 | 656,000(a) |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|---|---------|---------------|-------------|-----------------|
| Independent Power Producers & Energy Traders continued | | | | |
| Calpine Corp., Senior Secured Notes | 7.875% | 1/15/23 | 2,610,000 | \$ 2,691,563(a) |
| Dynegy Inc., Bonds | 7.670% | 11/8/16 | 220,000 | 195,800 |
| Edison Mission Energy, Senior Notes | 7.625% | 5/15/27 | 1,195,000 | 884,300 |
| Energy Future Holdings Corp., Senior Notes | 10.875% | 11/1/17 | 5,813,000 | 4,999,180 |
| Energy Future Holdings Corp., Senior Notes | 11.250% | 11/1/17 | 1,503,292 | 1,285,478(e) |
| Energy Future Intermediate Holding Co. LLC, Senior Secured Notes | 9.750% | 10/15/19 | 290,000 | 294,629 |
| Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes | 10.000% | 12/1/20 | 1,050,000 | 1,125,033 |
| First Wind Holdings Inc., Senior Secured Notes | 10.250% | 6/1/18 | 1,090,000 | 1,106,350(a) |
| Foresight Energy LLC/Foresight Energy Corp., Senior Notes | 9.625% | 8/15/17 | 3,190,000 | 3,401,337(a) |
| Mirant Americas Generation LLC, Senior Notes | 9.125% | 5/1/31 | 4,753,000 | 4,800,530 |
| Mirant Mid Atlantic LLC, Pass-Through Certificates | 10.060% | 12/30/28 | 652,777 | 731,111 |
| <i>Total Independent Power Producers & Energy Traders</i> | | | | 22,654,311 |
| TOTAL UTILITIES | | | | 35,431,117 |
| TOTAL CORPORATE BONDS & NOTES (Cost \$398,887,974) | | | | 414,876,470 |
| COLLATERALIZED MORTGAGE OBLIGATIONS 0.2% | | | | |
| Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 (Cost - \$726,648) | 2.309% | 4/20/35 | 1,120,594 | 867,942(g) |
| COLLATERALIZED SENIOR LOANS 2.5% | | | | |
| CONSUMER DISCRETIONARY 1.3% | | | | |
| Diversified Consumer Services 0.6% | | | | |
| Realogy Corp., Term Loan | 13.500% | 10/15/17 | 2,500,000 | 2,654,167(i) |
| Hotels, Restaurants & Leisure 0.1% | | | | |
| CityCenter Holdings LLC, Term Loan | 7.500% | 1/13/15 | 410,000 | 413,844(i) |
| Media 0.3% | | | | |
| Newsday LLC, Term Loan B | 10.500% | 8/1/13 | 1,500,000 | 1,588,125(i) |
| Specialty Retail 0.3% | | | | |
| BCBG Maxazria International, Term Loan B | 9.690% | 5/19/15 | 1,340,000 | 1,293,100(i) |
| TOTAL CONSUMER DISCRETIONARY | | | | 5,949,236 |
| INDUSTRIALS 0.1% | | | | |
| Marine 0.1% | | | | |
| Trico Shipping AS, Term Loan A | 10.000% | 5/12/14 | 724,584 | 724,584(f)(i) |

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TELECOMMUNICATION SERVICES

| | | | | |
|---|----------------|----------|-----------|--------------|
| 0.9% | | | | |
| Diversified Telecommunication Services | 0.3% | | | |
| Level 3 Financing Inc., Term Loan B | 11.500% | 3/13/14 | 1,250,000 | 1,326,303(i) |
| Wireless Telecommunication Services | | | | |
| 0.6% | | | | |
| Vodafone Americas Finance 2 Inc., Term Loan A | 6.875% | 8/11/15 | 2,864,161 | 2,964,406(i) |
| TOTAL TELECOMMUNICATION SERVICES | | | | 4,290,709 |
| UTILITIES 0.2% | | | | |
| Electric Utilities | 0.2% | | | |
| Texas Competitive Electric Holdings Co. LLC, Term Loan | 4.690 - 4.768% | 10/10/17 | 1,056,225 | 825,930(i) |
| TOTAL COLLATERALIZED SENIOR LOANS (Cost \$11,366,370) | | | | 11,790,459 |
| CONVERTIBLE BONDS & NOTES 1.3% | | | | |
| CONSUMER DISCRETIONARY 0.7% | | | | |
| Diversified Consumer Services | 0.7% | | | |
| Realogy Corp., Senior Subordinated Bonds | 11.000% | 4/15/18 | 3,230,000 | 3,423,800(a) |
| ENERGY 0.0% | | | | |
| Oil, Gas & Consumable Fuels | 0.0% | | | |
| James River Coal Co., Senior Notes | 3.125% | 3/15/18 | 120,000 | 120,000(a) |
| INDUSTRIALS 0.5% | | | | |
| Marine | 0.5% | | | |
| Horizon Lines Inc., Senior Notes | 4.250% | 8/15/12 | 2,745,000 | 2,237,175(b) |
| MATERIALS 0.1% | | | | |
| Chemicals | 0.1% | | | |
| Hercules Inc. | 6.500% | 6/30/29 | 410,000 | 377,200 |
| TOTAL CONVERTIBLE BONDS & NOTES (Cost \$4,964,843) | | | | 6,158,175 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | MATURITY DATE | FACE AMOUNT | VALUE |
|--|--------|------------------|----------------|------------------|
| SOVEREIGN BONDS 0.2% | | | | |
| Russia 0.2% | | | | |
| Russian Foreign Bond-Eurobond, Senior Bonds (Cost - \$1,012,937) | 7.500% | 3/31/30 | 926,415 \$ | 1,094,328(a) |
| | | | SHARES | |
| COMMON STOCKS 2.6% | | | | |
| CONSUMER DISCRETIONARY 1.7% | | | | |
| Automobiles 0.2% | | | | |
| General Motors Co. | | | 25,667 | 779,250* |
| Media 1.5% | | | | |
| Charter Communications Inc., Class A Shares | | | 134,892 | 7,319,240* |
| TOTAL CONSUMER DISCRETIONARY | | | | 8,098,490 |
| ENERGY 0.5% | | | | |
| Energy Equipment & Services 0.5% | | | | |
| KCAD Holdings I Ltd. | | | 211,836,336 | 2,134,887*(b)(f) |
| Oil, Gas & Consumable Fuels 0.0% | | | | |
| SemGroup Corp., Class A Shares | | | 9,017 | 231,466* |
| TOTAL ENERGY | | | | 2,366,353 |
| INDUSTRIALS 0.4% | | | | |
| Building Products 0.1% | | | | |
| Ashton Woods USA LLC, Class B Membership | | | 203 | 130,935*(b)(f) |
| Nortek Inc. | | | 2,857 | 102,823* |
| <i>Total Building Products</i> | | | | 233,758 |
| Marine 0.3% | | | | |
| DeepOcean Group Holding AS | | | 97,019 | 1,552,304*(f) |
| TOTAL INDUSTRIALS | | | | 1,786,062 |
| TOTAL COMMON STOCKS (Cost \$10,482,695) | | | | 12,250,905 |
| CONVERTIBLE PREFERRED STOCKS 0.9% | | | | |
| FINANCIALS 0.9% | | | | |
| Diversified Financial Services 0.9% | | | | |
| Bank of America Corp. | 7.250% | | 3,030 | 3,033,636 |
| Citigroup Inc. | 7.500% | | 9,900 | 1,189,485 |
| TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$4,181,024) | | | | 4,223,121 |
| PREFERRED STOCKS 2.3% | | | | |
| CONSUMER DISCRETIONARY 0.1% | | | | |
| Automobiles 0.1% | | | | |

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| | | | |
|--|---------|---------|--------------|
| Corts-Ford Motor Co. | 7.400% | 11,720 | 294,289 |
| Escrow GCB General Motors | 0.000% | 31,700 | 20,605*(b) |
| Escrow GCB General Motors | 0.000% | 10,100 | 6,565*(b) |
| Escrow GCB General Motors | 0.000% | 2,200 | 1,430*(b) |
| Escrow GCB General Motors | 0.000% | 900 | 585*(b) |
| TOTAL CONSUMER DISCRETIONARY | | | 323,474 |
| FINANCIALS 2.1% | | | |
| Commercial Banks 0.4% | | | |
| Banesto Holdings Ltd. | 10.500% | 77,575 | 1,951,500(a) |
| Consumer Finance 0.7% | | | |
| GMAC Capital Trust I | 8.125% | 135,966 | 3,480,730(g) |
| Diversified Financial Services 1.0% | | | |
| Citigroup Capital XII | 8.500% | 99,800 | 2,576,836(g) |
| Citigroup Capital XIII | 7.875% | 85,025 | 2,361,994(g) |
| <i>Total Diversified Financial Services</i> | | | 4,938,830 |
| Thriffs & Mortgage Finance 0.0% | | | |
| Federal National Mortgage Association (FNMA) | 8.250% | 37,200 | 79,980*(g) |
| TOTAL FINANCIALS | | | 10,451,040 |

See Notes to Schedule of Investments.

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Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

| SECURITY | RATE | SHARES | VALUE |
|--|--------------------|--------------------|------------------|
| INDUSTRIALS 0.1% | | | |
| Road & Rail 0.1% | | | |
| Jack Cooper Holdings Corp. | 20.000% | 4,107 \$ | 390,165(a)(f)(g) |
| TOTAL PREFERRED STOCKS (Cost \$11,712,833) | | | 11,164,679 |
| | EXPIRATION DATE | NOTIONAL AMOUNT | |
| PURCHASED OPTIONS 0.2% | | | |
| Credit default swaption with BNP Paribas to sell protection on Markit CDX.NA.HY.16 Index, Call @ \$102.50 | 9/21/11 | 73,460,000 | 628,024 |
| Credit default swaption with BNP Paribas to sell protection on Markit CDX.NA.HY.16 Index, Call @ \$102.50 | 9/21/11 | 22,940,000 | 196,119 |
| TOTAL PURCHASED OPTIONS (Cost \$999,828) | | | 824,143 |
| | | WARRANTS | |
| WARRANTS 0.3% | | | |
| Buffets Restaurant Holdings | 4/28/14 | 1,980 | 20*(b)(f) |
| Charter Communications Inc. | 11/30/14 | 2,238 | 26,856*(f) |
| General Motors Co. | 7/10/16 | 23,334 | 499,347* |
| General Motors Co. | 7/10/19 | 23,334 | 371,711* |
| Jack Cooper Holdings Corp. | 12/15/17 | 1,974 | 187,530*(f) |
| Jack Cooper Holdings Corp. | 5/6/18 | 921 | 92,100*(f) |
| Nortek Inc. | 12/7/14 | 5,518 | 44,144*(b)(f) |
| SemGroup Corp. | 11/30/14 | 9,492 | 64,071*(b) |
| TOTAL WARRANTS (Cost \$3,382,451) | | | 1,285,779 |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$447,717,603) | | | 464,536,001 |
| | MATURITY DATE | FACE AMOUNT | |
| SHORT-TERM INVESTMENTS | | | |
| 0.0% | | | |
| U.S. Government Agencies 0.0% | | | |
| Federal National Mortgage Association (FNMA), Discount Notes | 0.100% | 1/9/12 | 183,000 |
| Federal National Mortgage Association (FNMA), Discount Notes | 0.100% | 1/10/12 | 20,000 |
| TOTAL SHORT-TERM INVESTMENTS (Cost \$202,892) | | | 19,989(j)(k) |
| TOTAL INVESTMENTS 98.0 % (Cost \$447,920,495#) | | | 202,892 |
| | | | 464,738,893 |

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| | | |
|---------------------------|--------|----------------|
| Other Assets in Excess of | | |
| Liabilities | 2.0% | 9,397,879 |
| TOTAL NET ASSETS | 100.0% | \$ 474,136,772 |

Face amount/notional 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) Illiquid security.

(c) The coupon payment on these securities is currently in default as of June 30, 2011.

(d) The maturity principal is currently in default as of June 30, 2011.

(e) Payment-in-kind security for which part of the income earned may be paid as additional principal.

(f) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).

(g) Variable rate security. Interest rate disclosed is as of the most recent information available.

(h) Security has no maturity date. The date shown represents the next call date.

(i) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.

(j) Rate shown represents yield-to-maturity.

(k) All or a portion of this security is held at the broker as collateral for open futures contracts.

Aggregate cost for federal income tax purposes is substantially the same.

Abbreviation used in this schedule:

EUR - Euro

See Notes to Schedule of Investments.

Schedule of investments (unaudited) (cont d)

June 30, 2011

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

SCHEDULE OF WRITTEN OPTIONS

| SECURITY | EXPIRATION DATE | STRIKE PRICE | NOTIONAL AMOUNT | VALUE |
|---|-----------------|--------------|-----------------|--------------|
| Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.16 Index, Call | 9/21/11 | \$ 99.00 | \$ 22,940,000 | \$ 653,508 |
| Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.16 Index, Call | 9/21/11 | 99.00 | 73,460,000 | 2,092,707 |
| Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.16 Index, Call | 9/21/11 | 104.00 | 73,460,000 | 321,593 |
| Credit default swaption with Morgan Stanley & Co. Inc. to buy protection on Markit CDX.NA.HY.16 Index, Call | 9/21/11 | 103.50 | 22,940,000 | 127,527 |
| TOTAL WRITTEN OPTIONS (Premiums received \$3,253,758) | | | | \$ 3,195,335 |

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. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. 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 reliable prices are not readily available, 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 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 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 discount estimated future cash flows

to present value.

Notes to Schedule of Investments (unaudited) (continued)

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

| ASSETS | | | | |
|-------------------------------------|-------------------------------|---|--|----------------|
| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL |
| Long-term investments : | | | | |
| Corporate bonds & notes | | \$ 410,070,830 | \$ 4,805,640 | \$ 414,876,470 |
| Collateralized mortgage obligations | | 867,942 | | 867,942 |
| Collateralized senior loans | | 11,065,875 | 724,584 | 11,790,459 |
| Convertible bonds & notes | | 6,158,175 | | 6,158,175 |
| Sovereign bonds | | 1,094,328 | | 1,094,328 |
| Common stocks: | | | | |
| Consumer discretionary | \$ 8,098,490 | | | 8,098,490 |
| Energy | 231,466 | | 2,134,887 | 2,366,353 |
| Industrials | 102,823 | | 1,683,239 | 1,786,062 |
| Convertible preferred stocks | 4,223,121 | | | 4,223,121 |
| Preferred stocks: | | | | |
| Consumer discretionary | 323,474 | | | 323,474 |
| Financials | 8,499,540 | 1,951,500 | | 10,451,040 |
| Industrials | | | 390,165 | 390,165 |
| Purchased options | | 824,143 | | 824,143 |
| Warrants | 935,129 | | 350,650 | 1,285,779 |
| Total long-term investments | \$ 22,414,043 | \$ 432,032,793 | \$ 10,089,165 | \$ 464,536,001 |
| Short-term investments | | 202,892 | | 202,892 |
| Total investments | \$ 22,414,043 | \$ 432,235,685 | \$ 10,089,165 | \$ 464,738,893 |
| Other financial instruments: | | | | |
| Forward foreign currency contracts | | 23,687 | | 23,687 |
| Total | \$ 22,414,043 | \$ 432,259,372 | \$ 10,089,165 | \$ 464,762,580 |

LIABILITIES

| DESCRIPTION | QUOTED PRICES (LEVEL 1) | OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | TOTAL |
|------------------------------------|-------------------------------|---|--|--------------|
| Other financial instruments: | | | | |
| Written options | | \$ 3,195,335 | | \$ 3,195,335 |
| Futures contracts | \$ 64,037 | | | 64,037 |
| Forward foreign currency contracts | | 42,035 | | 42,035 |
| Total | \$ 64,037 | \$ 3,237,370 | | \$ 3,301,407 |

See Schedule of Investments for additional detailed categorizations.

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

| INVESTMENTS IN SECURITIES | CORPORATE BONDS & COLLATERALIZED | | COMMON STOCKS | | PREFERRED STOCKS | | TOTAL |
|--|-------------------------------------|--------------|---------------|--------------|---------------------|------------|---------------|
| | NOTES | SENIOR LOANS | ENERGY | INDUSTRIALS | INDUSTRIALS | WARRANTS | |
| Balance as of September 30, 2010 | \$ 911,625 | \$ 2,770,000 | | \$ 91,360 | | \$ 20 | \$ 3,773,005 |
| Accrued premiums/discounts | 1,507 | 1,762 | | | | | 3,269 |
| Realized gain (loss)(1) | (625,125) | | | | | | (625,125) |
| Change in unrealized appreciation (depreciation)(2) | 805,016 | (18,008) | \$ 270,727 | (684,467) | \$ 29,817 | 229,277 | 632,362 |
| Net purchases (sales) | 3,712,617 | (2,029,170) | 1,864,160 | 2,276,346 | 360,348 | 50,353 | 6,234,654 |
| Transfers into Level 3 | | | | | | 71,000 | 71,000 |
| Transfers out of Level 3 | | | | | | | |
| Balance as of June 30, 2011 | \$ 4,805,640 | \$ 724,584 | \$ 2,134,887 | \$ 1,683,239 | \$ 390,165 | \$ 350,650 | \$ 10,089,165 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at June 30, 2011(2) | \$ 141,641 | | \$ 270,727 | \$ (684,467) | \$ 29,817 | 229,277 | \$ (13,005) |

(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, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the 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) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded.

Futures contracts involve, to varying degrees, risk of loss. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(d) Forward foreign currency contracts. The Fund enters 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.

(e) 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.

(f) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

Notes to Schedule of Investments (unaudited) (continued)

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(g) Swaptions. The Fund purchases and writes swaption contracts to manage exposure to an underlying instrument. The Fund may also purchase or write options to manage exposure to fluctuations in interest rates or to enhance yield. Swaption contracts written by the Fund represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date. Swaption contracts purchased by the Fund represent an option that gives the Fund the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date.

When the Fund writes a swaption, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the swaption written. If the swaption expires, the Fund realizes a gain equal to the amount of the premium received.

When the Fund purchases a swaption, an amount equal to the premium paid by the Fund is recorded as an investment on the statement of assets and liabilities, the value of which is marked-to-market daily to reflect the current market value of the swaption purchased. If the swaption expires, the Fund realizes a loss equal to the amount of the premium paid.

Swaptions are marked-to-market daily based upon quotations from market makers.

(h) Swap Agreements. The Fund may invest in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with ordinary portfolio transactions.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments.

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 or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an 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 stream of payments 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 maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is 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.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to the Schedule of Investments and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as

Notes to Schedule of Investments (unaudited) (continued)

well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

The Fund's maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). As the protection seller, the Fund's maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

(i) 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.

(j) Counterparty risk and credit-risk-related contingent features of derivative instruments. The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund's investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund's net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

As of June 30, 2011, the Fund held written options and forward foreign currency contracts with credit related contingent features which had a liability position of \$3,237,370. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties. As of June 30, 2011, the Fund had posted with its counterparties cash and/or securities as collateral to cover the net liability of these derivatives amounting to \$1,670,000, which could be used to reduce the required payment.

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

2. Investments

At June 30, 2011, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | | |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 31,796,652 |
| Gross unrealized depreciation | | (14,978,254) |
| Net unrealized appreciation | \$ | 16,818,398 |

At June 30, 2011, the Fund had the following open futures contracts:

| | NUMBER OF CONTRACTS | EXPIRATION DATE | BASIS VALUE | MARKET VALUE | UNREALIZED LOSS |
|----------------------------|------------------------|--------------------|----------------|-----------------|--------------------|
| Contracts to Sell: | | | | | |
| U.S. Treasury 5-Year Notes | 158 | 9/11 | \$ 18,768,822 | \$ 18,832,859 | \$ (64,037) |

Notes to Schedule of Investments (unaudited) (continued)

During the period ended June 30, 2011, written option transactions for the Fund were as follows:

| | Notional Amount | | Premiums |
|---|------------------------|----|-----------------|
| Written options, outstanding as of September 30, 2010 | | | |
| Options written | \$ 192,800,000 | \$ | 3,253,758 |
| Options closed | | | |
| Options expired | | | |
| Written options, outstanding as of June 30, 2011 | \$ 192,800,000 | \$ | 3,253,758 |

At June 30, 2011, the Fund had the following open forward foreign currency contracts:

| FOREIGN CURRENCY | COUNTERPARTY | LOCAL CURRENCY | MARKET VALUE | SETTLEMENT DATE | UNREALIZED GAIN (LOSS) |
|--|----------------------------|----------------|--------------|-----------------|------------------------|
| Contracts to Buy: | | | | | |
| Euro | Citibank, N.A. | 412,726 | \$ 597,779 | 8/18/11 | \$ (14,824) |
| Contracts to Sell: | | | | | |
| Euro | Citibank, N.A. | 949,203 | 1,374,795 | 8/18/11 | (27,211) |
| Euro | Royal Bank of Scotland PLC | 706,017 | 1,022,572 | 8/18/11 | 23,687 |
| | | | | | (3,524) |
| Net unrealized loss on open forward foreign currency contracts | | | | | \$ (18,348) |

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, 2011.

| Primary Underlying Risk Disclosure | Futures Contracts Unrealized Depreciation | Written Options, at Value | Purchased Options, at Value | Forward Foreign Currency Contracts | | Total |
|------------------------------------|---|---------------------------|-----------------------------|------------------------------------|-------------------------|----------------|
| | | | | Unrealized Appreciation | Unrealized Depreciation | |
| Interest Rate Contracts | \$ (64,037) | | | | | \$ (64,037) |
| Foreign Exchange Contracts | | | | \$ 23,687 | \$ (42,035) | (18,348) |
| Credit Contracts | | \$ (3,195,335) | \$ 824,143 | | | (2,371,192) |
| Total | \$ (64,037) | \$ (3,195,335) | \$ 824,143 | \$ 23,687 | \$ (42,035) | \$ (2,453,577) |

During the period ended June 30, 2011, the volume of derivative activity for the Fund was as follows:

| | Average Market Value | |
|--|---------------------------------|----|
| Purchased options | 172,550 | \$ |
| Written options | 651,181 | |
| Futures contracts (to sell) | 3,765,708 | |
| Forward foreign currency contracts (to buy) | 476,272 | |
| Forward foreign currency contracts (to sell) | 3,834,237 | |

ITEM 2. CONTROLS AND PROCEDURES.

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

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

ITEM 3. EXHIBITS.

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

SIGNATURES

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

Western Asset High Income Opportunity Fund Inc.

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

Date: August 25, 2011

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 25, 2011

By /s/ Kaprel Ozsolak
 Kaprel Ozsolak
 Chief Financial Officer

Date: August 25, 2011
