

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

August 24, 2007

**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)

125 Broad Street, New York, NY  
(Address of principal executive offices)

10004  
(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: December 31

Date of reporting period: June 30, 2007

---

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

FORM N-Q

JUNE 30, 2007

---

ITEM 1. SCHEDULE OF INVESTMENTS

---

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited)

June 30, 2007

Face Amount	Security	Value
<b>CORPORATE BONDS &amp; NOTES 95.5%</b>		
<b>Aerospace &amp; Defense 1.9%</b>		
\$ 995,000	Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16	\$ 970,125
850,000	DRS Technologies Inc., Senior Subordinated Notes:	824,500
1,750,000	6.625% due 2/1/16	
	7.625% due 2/1/18	1,776,250
3,060,000	Hawker Beechcraft Acquisition Co.:	
685,000	Senior Notes, 8.875% due 4/1/15 (a)(b)	3,159,450
	Senior Subordinated Notes, 9.750% due 4/1/17 (b)	717,538
700,000	L-3 Communications Corp., Senior Subordinated Notes:	
1,460,000	7.625% due 6/15/12	720,125
570,000	5.875% due 1/15/15	1,361,450
	6.375% due 10/15/15	541,500
	<b>Total Aerospace &amp; Defense</b>	<b>10,070,938</b>
<b>Airlines 1.4%</b>		
1,010,000	Continental Airlines Inc.:	
	Notes, 8.750% due 12/1/11	994,850
308,312	Pass-Through Certificates:	
930,000	Series 2000-2, Class C, 8.312% due 4/2/11	316,213
	Series C, 7.339% due 4/19/14	918,375
962,968	United Airlines Inc., Pass-Through Certificates:	
2,268,135	Series 2000-1, Class B, 8.030% due 7/1/11	1,074,311
	Series 2000-2, Class B, 7.811% due 10/1/09	2,587,091
460,000	Series 2001-1:	
1,045,000	Class B, 6.932% due 9/1/11	533,888
	Class C, 6.831% due 9/1/08	1,203,709
	<b>Total Airlines</b>	<b>7,628,437</b>
<b>Auto Components 1.2%</b>		
1,820,000	Keystone Automotive Operations Inc., Senior Subordinated Notes,	
4,820,000	9.750% due 11/1/13	1,592,500
	Visteon Corp., Senior Notes, 8.250% due 8/1/10	4,807,950
	<b>Total Auto Components</b>	<b>6,400,450</b>
<b>Automobiles 2.4%</b>		
575,000	Ford Motor Co.:	
860,000	Debentures:	
3,895,000	8.875% due 1/15/22	508,875
	8.900% due 1/15/32	752,500
	Notes, 7.450% due 7/16/31	3,130,606
1,330,000	General Motors Corp.:	
	Notes, 7.200% due 1/15/11	1,281,787
1,350,000	Senior Debentures:	
4,000,000	8.250% due 7/15/23	1,236,938
2,125,000	8.375% due 7/15/33	3,670,000
	Senior Notes, 7.125% due 7/15/13	2,000,156
	<b>Total Automobiles</b>	<b>12,580,862</b>

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

**Building Products 1.7%**

695,000	Ainsworth Lumber Co., Ltd., Senior Notes, 7.250% due 10/1/12	538,625
	Associated Materials Inc.:	
4,565,000	Senior Discount Notes, step bond to yield 3.960% due 3/1/14	3,423,750
225,000	Senior Subordinated Notes, 9.750% due 4/15/12	236,250
1,125,000	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	1,077,188

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Building Products 1.7% (continued)</b>		
\$ 5,360,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.443% due 3/1/14	\$ 3,912,800
	<b>Total Building Products</b>	9,188,613
<b>Capital Markets 0.3%</b>		
855,000	E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13	872,100
875,000	7.875% due 12/1/15	915,469
	<b>Total Capital Markets</b>	1,787,569
<b>Chemicals 1.9%</b>		
2,745,000	Georgia Gulf Corp., Senior Subordinated Notes, 9.500% due 10/15/14	2,745,000
800,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14	861,000
	Lyondell Chemical Co.: Senior Notes:	
725,000	8.000% due 9/15/14	748,563
595,000	8.250% due 9/15/16	624,750
130,000	Senior Secured Notes, 10.500% due 6/1/13	141,050
1,440,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	1,591,200
2,870,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27 (b)	2,626,050
650,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	619,125
	<b>Total Chemicals</b>	9,956,738
<b>Commercial Banks 0.4%</b>		
500,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14 (b)	533,750
1,530,000	TuranAlem Finance BV, Bonds, 8.250% due 1/22/37 (b)	1,476,450
	<b>Total Commercial Banks</b>	2,010,200
<b>Commercial Services &amp; Supplies 2.6%</b>		
2,705,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	2,732,050
2,580,000	Allied Waste North America Inc., Senior Notes, 6.875% due 6/1/17	2,509,050
525,000	Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15 (b)	538,125
4,100,000	DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, Series B, 9.500% due 2/15/13	4,381,875
2,150,000	Interface Inc., Senior Notes, 10.375% due 2/1/10	2,322,000
1,545,000	Rental Services Corp., Senior Bonds, 9.500% due 12/1/14 (b)	1,583,625
	<b>Total Commercial Services &amp; Supplies</b>	14,066,725
<b>Communications Equipment 0.5%</b>		
3,140,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	2,747,500
<b>Consumer Finance 4.7%</b>		
1,655,000	AmeriCredit Corp., Senior Notes, 8.500% due 7/1/15 (b)	1,675,687
	Ford Motor Credit Co.: Notes:	
925,000	7.875% due 6/15/10	925,420
2,535,000	9.806% due 4/15/12 (c)	2,719,391

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

1,140,000	7.000% due 10/1/13	1,057,502
	Senior Notes:	
1,037,000	10.610% due 6/15/11 (c)	1,121,119
2,245,000	9.875% due 8/10/11	2,358,399
1,190,000	8.105% due 1/13/12 (c)	1,188,096
1,140,000	8.000% due 12/15/16	1,093,713
	General Motors Acceptance Corp.:	
8,300,000	Bonds, 8.000% due 11/1/31	8,510,363

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Consumer Finance 4.7% (continued)</b>		
\$ 4,660,000	Notes, 6.875% due 8/28/12	\$ 4,559,172
	<b>Total Consumer Finance</b>	25,208,862
<b>Containers &amp; Packaging 2.4%</b>		
1,500,000	Berry Plastics Corp., Senior Term Loan, 11.610% due 6/15/14 (c)	1,466,250
3,155,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	3,206,269
2,745,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	2,865,094
2,479,000	Owens-Brockway Glass Container Inc., Senior Secured Notes, 8.875% due 2/15/09	2,534,777
955,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (b)	993,200
725,000	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10 (d)	6,344
1,550,000	Sealed Air Corp., Notes, 6.950% due 5/15/09 (b)	1,587,938
	<b>Total Containers &amp; Packaging</b>	12,659,872
<b>Diversified Consumer Services 0.5%</b>		
	Education Management LLC/Education Management Finance Corp.:	
1,175,000	Senior Notes, 8.750% due 6/1/14	1,210,250
50,000	Senior Subordinated Notes, 10.250% due 6/1/16	52,875
1,225,000	Service Corp. International, Debentures, 7.875% due 2/1/13	1,254,019
	<b>Total Diversified Consumer Services</b>	2,517,144
<b>Diversified Financial Services 1.7%</b>		
1,085,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (b)	1,044,312
1,250,000	CCM Merger Inc., Notes, 8.000% due 8/1/13 (b)	1,250,000
2,891,000	JPMorgan Chase London, zero coupon bond to yield 9.312% due 11/8/07 (b)	2,825,577
500,000	Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11	486,250
1,305,000	Smurfit Kappa Funding PLC, Senior Subordinated Notes, 7.750% due 4/1/15	1,313,156
482,000	UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12	507,305
1,310,000	Vangent Inc., Senior Subordinated Notes, 9.625% due 2/15/15 (b)	1,331,153
460,000	Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	457,700
	<b>Total Diversified Financial Services</b>	9,215,453
<b>Diversified Telecommunication Services 8.1%</b>		
2,455,000	Cincinnati Bell Inc., Senior Notes, 7.000% due 2/15/15	2,418,175
385,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	344,575
	Citizens Communications Co.:	
160,000	7.050% due 10/1/46	132,000
150,000	Senior Bonds, 7.125% due 3/15/19	142,500
2,185,000	Senior Notes, 7.875% due 1/15/27	2,135,838
1,555,000		0



Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

	GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10 (d)(e)(f)	
480,000	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15	547,200
	Intelsat Bermuda Ltd.:	
2,035,000	9.250% due 6/15/16	2,172,362
3,745,000	Senior Notes, 11.250% due 6/15/16	4,213,125
720,000	Intelsat Corp., Senior Notes, 9.000% due 8/15/14	754,200
	Level 3 Financing Inc.:	
660,000	9.250% due 11/1/14	669,900
420,000	Senior Notes, 9.150% due 2/15/15 (b)(c)	422,100
	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16 (b)	
1,950,000		2,076,750
	NTL Cable PLC, Senior Notes:	
390,000	8.750% due 4/15/14	403,650
2,562,000	9.125% due 8/15/16	2,696,505

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Diversified Telecommunication Services 8.1% (continued)</b>		
\$ 1,240,000	PAETEC Holding Corp., Secured, 9.500% due 7/15/15 (b)	\$ 1,257,050
	Qwest Corp.:	
4,640,000	Notes, 8.875% due 3/15/12	5,022,800
2,945,000	Senior Notes, 7.500% due 10/1/14	3,033,350
2,100,000	Southwestern Bell Telephone Co., Debentures, 7.000% due 11/15/27	2,127,796
	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (b)	3,799,275
4,245,000	Univision Communications Inc., Senior Notes, 9.750% due 3/15/15 (a)(b)	1,086,788
1,095,000	Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15 (b)	4,834,737
4,195,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16	3,176,875
2,990,000		43,467,551
	<b>Total Diversified Telecommunication Services</b>	
<b>Electric Utilities 1.0%</b>		
	Midwest Generation LLC, Pass-Through Certificates, Series B, 8.560% due 1/2/16	752,580
705,406		2,667,250
2,350,000	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	2,183,225
2,335,000	VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17 (b)	5,603,055
	<b>Total Electric Utilities</b>	
<b>Electrical Equipment 0.1%</b>		
	Belden CDT Inc., Senior Subordinated Notes, 7.000% due 3/15/17 (b)	331,650
335,000		
<b>Electronic Equipment &amp; Instruments 0.3%</b>		
	NXP BV/NXP Funding LLC:	
575,000	Senior Notes, 9.500% due 10/15/15	569,250
1,240,000	Senior Secured Notes, 7.875% due 10/15/14	1,227,600
	<b>Total Electronic Equipment &amp; Instruments</b>	1,796,850
<b>Energy Equipment &amp; Services 2.4%</b>		
2,305,000	ANR Pipeline Co., Debentures, 9.625% due 11/1/21	3,018,155
	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16 (b)	1,928,500
1,900,000	Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14	578,014
573,000	GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14	751,100
740,000	Hanover Compressor Co., Senior Notes, 9.000% due 6/1/14	1,832,812
1,725,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	629,688
625,000	Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32	68,349
60,000	Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32	3,850,745
3,270,000		12,657,363
	<b>Total Energy Equipment &amp; Services</b>	
<b>Food &amp; Staples Retailing 0.3%</b>		
1,506,000	Delhaize America Inc., Debentures, 9.000% due 4/15/31	1,827,002
<b>Food Products 0.5%</b>		
	Dole Food Co. Inc., Senior Notes: 7.250% due 6/15/10	1,964,250
2,025,000		

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

	575,000	8.875% due 3/15/11	569,250
		<b>Total Food Products</b>	2,533,500
<b>Gas Utilities 0.5%</b>	2,890,000	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	2,803,300
<b>Health Care Equipment &amp; Supplies 0.2%</b>	1,130,000	Advanced Medical Optics Inc., Senior Subordinated Notes, 7.500% due 5/1/17 (b)	1,073,500
<b>Health Care Providers &amp; Services 5.7%</b>	4,270,000	Community Health Systems Inc.: Senior Notes, 8.875% due 7/15/15 (b)	4,350,062

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Health Care Providers &amp; Services 5.7% (continued)</b>		
\$ 1,350,000	Senior Subordinated Notes, 6.500% due 12/15/12	\$ 1,409,021
	DaVita Inc.:	
	Senior Notes:	
1,340,000	6.625% due 3/15/13	1,314,875
315,000	6.625% due 3/15/13 (b)	309,094
1,640,000	Senior Subordinated Notes, 7.250% due 3/15/15	1,627,700
	HCA Inc.:	
3,920,000	Debentures, 7.500% due 11/15/95	3,138,191
	Notes:	
1,150,000	6.375% due 1/15/15	980,375
970,000	7.690% due 6/15/25	848,550
40,000	Senior Notes, 6.250% due 2/15/13	36,200
	Senior Secured Notes:	
1,640,000	9.250% due 11/15/16 (b)	1,750,700
2,035,000	9.625% due 11/15/16 (a)(b)	2,192,713
	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated	
2,675,000	Notes, 8.750% due 6/15/14	2,688,375
	Tenet Healthcare Corp., Senior Notes:	
4,250,000	7.375% due 2/1/13	3,862,188
1,190,000	9.875% due 7/1/14	1,184,050
	Triad Hospitals Inc., Senior Subordinated Notes, 7.000% due	
1,305,000	11/15/13	1,375,077
	Universal Hospital Services Inc., Secured Notes:	
505,000	8.500% due 6/1/15 (a)(b)	502,475
530,000	8.759% due 6/1/15 (b)(c)	532,650
	US Oncology Holdings Inc., Senior Notes, 9.797% due 3/15/12	
2,450,000	(a)(b)(c)	2,419,375
	<b>Total Health Care Providers &amp; Services</b>	<b>30,521,671</b>
<b>Hotels, Restaurants &amp; Leisure 5.0%</b>		
820,000	AMC Entertainment Inc., Senior Subordinated Notes, 8.000% due	807,700
	3/1/14	
2,425,000	Buffets Inc., Senior Notes, 12.500% due 11/1/14	2,334,062
	Caesars Entertainment Inc., Senior Subordinated Notes, 8.875% due	
1,325,000	9/15/08	1,364,750
1,450,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	1,435,500
1,105,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas	
	Capital Corp., 10.250% due 6/15/15 (b)	1,093,950
	Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due	
2,625,000	11/15/14	2,474,062
	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000%	
2,515,000	due 11/15/10	2,709,912
	Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due	
135,000	3/1/14	128,419
2,150,000	Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15	2,055,938
700,000		682,500

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

	Mandalay Resort Group, Senior Subordinated Debentures, 7.625% due 7/15/13	
	MGM MIRAGE Inc.:	
1,130,000	Notes, 6.750% due 9/1/12	1,084,800
	Senior Notes:	
360,000	7.500% due 6/1/16	343,350
1,840,000	7.625% due 1/15/17	1,759,500
	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	
225,000		219,938
1,050,000	Outback Steakhouse Inc., Senior Notes, 10.000% due 6/15/15 (b)	1,008,000
	Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12	
520,000		538,200
2,290,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 (b)	2,536,175
555,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15	543,206
	Snoqualmie Entertainment Authority, Senior Secured Notes:	
545,000	9.150% due 2/1/14 (b)(c)	553,175
430,000	9.125% due 2/1/15 (b)	442,900
	Station Casinos Inc.:	

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Hotels, Restaurants &amp; Leisure 5.0% (continued)</b>		
\$ 80,000	Senior Notes:	\$ 75,600
2,275,000	6.000% due 4/1/12	2,263,625
	7.750% due 8/15/16	
135,000	Senior Subordinated Notes:	119,813
165,000	6.875% due 3/1/16	142,725
	6.625% due 3/15/18	
	<b>Total Hotels, Restaurants &amp; Leisure</b>	<b>26,717,800</b>
<b>Household Durables 2.0%</b>		
200,000	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	203,000
1,140,000	D.R. Horton Inc., Senior Notes, 8.000% due 2/1/09	1,172,454
1,950,000	Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17	1,935,375
2,440,000	K Hovnanian Enterprises Inc., Senior Notes:	2,232,600
715,000	7.500% due 5/15/16	689,975
	8.625% due 1/15/17	
1,790,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	1,857,125
2,210,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 10.128% due 9/1/12	2,033,200
295,000	Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14	303,850
	<b>Total Household Durables</b>	<b>10,427,579</b>
<b>Household Products 0.5%</b>		
820,000	Nutro Products Inc., Senior Subordinated Notes, 10.750% due 4/15/14 (b)	956,974
1,235,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	1,290,575
660,000	Yankee Acquisition Corp., Series B, 9.750% due 2/15/17	641,850
	<b>Total Household Products</b>	<b>2,889,399</b>
<b>Independent Power Producers &amp; Energy Traders 4.6%</b>		
1,035,000	AES China Generating Co., Ltd., Class A, 8.250% due 6/26/10	1,035,089
	AES Corp.:	
3,855,000	Senior Notes, 9.500% due 6/1/09	4,047,750
470,000	Senior Secured Notes, 9.000% due 5/15/15 (b)	499,963
	Dynegy Holdings Inc.:	
2,090,000	Senior Debentures, 7.625% due 10/15/26	1,860,100
1,890,000	Senior Notes, 7.750% due 6/1/19 (b)	1,767,150
	Edison Mission Energy, Senior Notes:	
295,000	7.500% due 6/15/13	293,525
1,670,000	7.750% due 6/15/16	1,670,000
1,400,000	7.200% due 5/15/19 (b)	1,323,000
1,490,000	7.625% due 5/15/27 (b)	1,415,500
	Mirant Mid Atlantic LLC:	
500,936	Pass-Through Certificates, Series B, 9.125% due 6/30/17	566,370
964,551	Series C, 10.060% due 12/30/28	1,158,065
1,920,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	1,972,800
	NRG Energy Inc., Senior Notes:	
500,000	7.250% due 2/1/14	502,500

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

	6,120,000	7.375% due 2/1/16	6,150,600
	165,000	7.375% due 1/15/17	166,031
	520,000	TXU Corp., Senior Notes, Series Q, 6.500% due 11/15/24	432,566
		<b>Total Independent Power Producers &amp; Energy Traders</b>	<b>24,861,009</b>
<b>Insurance 0.1%</b>			
	615,000	Crum & Forster Holdings Corp., Senior Notes, 7.750% due 5/1/17 (b)	604,238
<b>Internet &amp; Catalog Retail 0.2%</b>			
	1,215,000	FTD Inc., Senior Subordinated Notes, 7.750% due 2/15/14	1,208,925

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>IT Services 0.8%</b>		
\$ 775,000	SunGard Data Systems Inc.:	
	Senior Notes, 9.125% due 8/15/13	\$ 797,281
3,070,000	Senior Subordinated Notes, 10.250% due 8/15/15	3,261,875
	<b>Total IT Services</b>	<b>4,059,156</b>
<b>Leisure Equipment &amp; Products 0.3%</b>		
1,795,000	WMG Acquisition Corp., Senior Subordinated Notes, 7.375% due 4/15/14	1,678,325
<b>Machinery 0.1%</b>		
730,000	American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	730,000
<b>Media 10.6%</b>		
2,745,000	Affinion Group Inc.:	
	Senior Notes, 10.125% due 10/15/13	2,944,012
1,035,000	Senior Subordinated Notes, 11.500% due 10/15/15	1,122,975
	AMC Entertainment Inc., Senior Subordinated Notes, 11.000% due 2/1/16	3,263,400
2,940,000	CCH I Holdings LLC/CCH I Holdings Capital Corp.:	
	Senior Accreting Notes, 12.125% due 1/15/15	893,200
880,000	Senior Notes, 11.750% due 5/15/14	4,167,250
4,220,000	CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	4,562,062
4,350,000	CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 9/15/10	2,698,500
2,570,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12	559,575
540,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11	871,250
850,000	CMP Susquehanna Corp., Senior Subordinated Notes, 9.875% due 5/15/14 (b)	1,698,450
1,690,000	CSC Holdings Inc.:	
	Senior Debentures:	
	7.625% due 7/15/18	214,875
225,000	Series B, 8.125% due 8/15/09	81,800
80,000	Senior Notes:	
	7.875% due 12/15/07	1,033,969
1,025,000	Series B:	
	8.125% due 7/15/09	1,349,700
1,320,000	7.625% due 4/1/11	837,900
840,000	6.750% due 4/15/12	725,800
760,000	Dex Media East LLC/Dex Media East Finance Co., Senior Notes, Series B, 12.125% due 11/15/12	736,786
683,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, Series B, 9.875% due 8/15/13	1,522,200
1,416,000	EchoStar DBS Corp., Senior Notes:	
	6.625% due 10/1/14	1,101,125
1,150,000		



Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

2,950,000	7.125% due 2/1/16	2,898,375
2,575,000	Historic TW Inc., Senior Notes, 6.625% due 5/15/29	2,507,259
1,810,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16	1,837,150
2,630,000	Insight Communications Co. Inc., Senior Discount Notes, 12.250% due 2/15/11	2,754,925
465,000	ION Media Networks Inc., Senior Secured Notes, 11.606% due 1/15/13 (b)(c)	482,438
1,100,000	Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15	1,047,750
635,000	Primedia Inc., Senior Notes, 8.875% due 5/15/11	655,638
1,060,000	Quebecor Media Inc., Senior Notes, 7.750% due 3/15/16	1,081,200
	R.H. Donnelley Corp.:	
	Senior Discount Notes:	
525,000	Series A-1, 6.875% due 1/15/13	500,063
950,000	Series A-2, 6.875% due 1/15/13	904,875
2,675,000	Senior Notes, Series A-3, 8.875% due 1/15/16	2,795,375

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Media 10.6% (continued)</b>		
\$ 500,000	R.H. Donnelley Finance Corp. I, Senior Subordinated Notes, 10.875% due 12/15/12 (b)	\$ 535,625
2,540,000	Rainbow National Services LLC, Senior Notes, 8.750% due 9/1/12 (b)	2,654,300
1,935,000	Rogers Cable Inc., Senior Secured Second Priority Notes, 6.750% due 3/15/15	1,997,918
2,370,000	TL Acquisitions Inc.: Senior Notes, 10.500% due 1/15/15 (b)	2,355,685
1,790,000	Senior Subordinated Notes, step bond to yield 13.249% due 7/15/15 (b)(f)	1,344,738
	<b>Total Media</b>	<b>56,738,143</b>
<b>Metals &amp; Mining 3.4%</b>		
175,000	Chaparral Steel Co., Senior Notes, 10.000% due 7/15/13	191,844
6,320,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17	6,762,400
135,000	Metals USA Holdings Corp., Senior Notes: 11.356% due 1/15/12 (a)(b)(c)	135,675
1,490,000	11.360% due 7/1/12 (a)(b)(c)	1,370,800
3,720,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	4,073,400
1,660,000	Noranda Aluminum Holding Corp., Senior Notes, 11.146% due 11/15/14 (a)(b)(c)	1,626,800
1,995,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15	2,057,343
1,695,000	Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15 (b)	1,745,850
	<b>Total Metals &amp; Mining</b>	<b>17,964,112</b>
<b>Multiline Retail 1.1%</b>		
2,210,000	Dollar General Corp., Senior Notes, 10.625% due 7/15/15 (b)	2,143,700
910,000	Neiman Marcus Group Inc.: Senior Notes, 9.000% due 10/15/15 (a)	978,250
2,285,000	Senior Subordinated Notes, 10.375% due 10/15/15	2,524,925
	<b>Total Multiline Retail</b>	<b>5,646,875</b>
<b>Oil, Gas &amp; Consumable Fuels 8.9%</b>		
2,652,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	2,731,560
2,845,000	Chesapeake Energy Corp., Senior Notes: 6.625% due 1/15/16	2,752,537
140,000	6.500% due 8/15/17	133,350
1,180,000	6.250% due 1/15/18	1,107,725
570,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	572,850
1,600,000	Corral Finans AB, 6.855% due 4/15/10 (a)(b)(c)	1,600,000
690,000	El Paso Corp., Medium-Term Notes: 7.800% due 8/1/31	702,183
6,275,000	7.750% due 1/15/32	6,352,245
	Enterprise Products Operating LP:	

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

425,000	7.034% due 1/15/68 (c)	410,444
1,310,000	Junior Subordinated Notes, 8.375% due 8/1/66 (c)	1,400,336
2,935,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	2,935,000
1,905,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	1,978,819
	Mariner Energy Inc., Senior Notes:	
940,000	7.500% due 4/15/13	925,900
555,000	8.000% due 5/15/17	553,613
	OPTI Canada Inc., Senior Secured Notes:	
400,000	7.875% due 12/15/14 (b)	402,000
850,000	8.250% due 12/15/14 (b)	867,000
1,115,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13	1,184,688
	Petroplus Finance Ltd.:	
630,000	6.750% due 5/1/14 (b)	609,525
1,020,000	7.000% due 5/1/17 (b)	986,850
	Pogo Producing Co., Senior Subordinated Notes:	
60,000	7.875% due 5/1/13	61,500

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Oil, Gas &amp; Consumable Fuels 8.9% (continued)</b>		
\$ 2,040,000	6.875% due 10/1/17	\$ 2,034,900
520,000	Series B, 8.250% due 4/15/11	531,050
2,905,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15 (b)	2,934,050
100,000	SESI LLC, Senior Notes, 6.875% due 6/1/14	97,750
1,905,000	Stone Energy Corp., Senior Subordinated Notes, 8.250% due 12/15/11	1,914,525
1,325,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 (b)	1,315,062
1,275,000	Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14	1,204,875
	Williams Cos. Inc.:	
	Notes:	
2,580,000	7.875% due 9/1/21	2,786,400
3,780,000	8.750% due 3/15/32	4,394,250
1,825,000	Senior Notes, 7.625% due 7/15/19	1,934,500
	<b>Total Oil, Gas &amp; Consumable Fuels</b>	<b>47,415,487</b>
<b>Paper &amp; Forest Products 2.2%</b>		
1,645,000	Abitibi-Consolidated Co. of Canada, Senior Notes:	
1,115,000	6.000% due 6/20/13	1,369,462
	8.375% due 4/1/15	981,200
	Abitibi-Consolidated Inc., Debentures:	
440,000	7.400% due 4/1/18	358,600
255,000	8.850% due 8/1/30	215,475
	Appleton Papers Inc.:	
125,000	Senior Notes, 8.125% due 6/15/11	129,375
2,650,000	Senior Subordinated Notes, Series B, 9.750% due 6/15/14	2,795,750
	NewPage Corp.:	
	Senior Secured Notes:	
800,000	10.000% due 5/1/12	868,000
1,670,000	11.606% due 5/1/12 (c)	1,828,650
985,000	Senior Subordinated Notes, 12.000% due 5/1/13	1,081,038
	Verso Paper Holdings LLC:	
715,000	Senior Secured Notes, 9.125% due 8/1/14 (b)	741,813
1,385,000	Senior Subordinated Notes, 11.375% due 8/1/16 (b)	1,485,412
	<b>Total Paper &amp; Forest Products</b>	<b>11,854,775</b>
<b>Pharmaceuticals 0.7%</b>		
3,780,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12	3,591,000
<b>Real Estate Investment Trusts (REITs) 0.7%</b>		
75,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	75,938
1,300,000	Host Marriott LP, Senior Notes, Series O, 6.375% due 3/15/15	1,254,500
535,000	Kimball Hill Inc., Senior Subordinated Notes, 10.500% due 12/15/12	489,525
	Ventas Realty LP/Ventas Capital Corp., Senior Notes:	
610,000	6.500% due 6/1/16	597,800
1,405,000	6.750% due 4/1/17	1,394,462

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

		<b>Total Real Estate Investment Trusts (REITs)</b>	3,812,225
<b>Real Estate Management &amp; Development</b>	<b>1.0%</b>		
	1,270,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15	1,181,100
	4,325,000	Realogy Corp., Senior Subordinated Notes, 12.375% due 4/15/15 (b)	3,957,375
		<b>Total Real Estate Management &amp; Development</b>	5,138,475
<b>Road &amp; Rail</b>	<b>1.9%</b>		
	2,570,000	Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes, 9.375% due 5/1/12	2,762,750
	725,000	Hertz Corp.: Senior Notes, 8.875% due 1/1/14	759,437

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Road &amp; Rail 1.9% (continued)</b>		
\$ 4,870,000	Senior Subordinated Notes, 10.500% due 1/1/16	\$ 5,405,700
	Kansas City Southern de Mexico, Senior Notes:	
470,000	7.625% due 12/1/13 (b)	470,000
520,000	7.375% due 6/1/14 (b)	517,400
370,000	Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09	369,075
	<b>Total Road &amp; Rail</b>	<b>10,284,362</b>
<b>Semiconductors &amp; Semiconductor Equipment 0.3%</b>		
1,920,000	Freescale Semiconductor Inc., Senior Notes, 8.875% due 12/15/14 (b)	1,843,200
<b>Software 0.3%</b>		
1,390,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16	1,372,625
<b>Specialty Retail 0.5%</b>		
660,000	AutoNation Inc., Senior Notes:	
	7.356% due 4/15/13 (c)	661,650
345,000	7.000% due 4/15/14	342,413
1,500,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	1,395,000
	Eye Care Centers of America, Senior Subordinated Notes,	
365,000	10.750% due 2/15/15	404,237
	<b>Total Specialty Retail</b>	<b>2,803,300</b>
<b>Textiles, Apparel &amp; Luxury Goods 1.2%</b>		
1,680,000	Levi Strauss & Co., Senior Notes:	
	9.750% due 1/15/15	1,806,000
1,680,000	8.875% due 4/1/16	1,730,400
3,350,000	Simmons Co., Senior Discount Notes, step bond to yield 10.002% due 12/15/14	2,830,750
	<b>Total Textiles, Apparel &amp; Luxury Goods</b>	<b>6,367,150</b>
<b>Thrifts &amp; Mortgage Finance 1.1%</b>		
5,500,000	Ocwen Capital Trust I, Capital Securities, 10.875% due 8/1/27	5,747,500
<b>Tobacco 0.3%</b>		
315,000	Alliance One International Inc., Senior Notes:	
	8.500% due 5/15/12 (b)	323,663
1,130,000	11.000% due 5/15/12	1,245,825
	<b>Total Tobacco</b>	<b>1,569,488</b>
<b>Trading Companies &amp; Distributors 1.0%</b>		
1,140,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (b)	1,199,850
1,405,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	1,482,275
	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (b)	2,392,425
2,205,000	TransDigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (b)	441,525
435,000		
	<b>Total Trading Companies &amp; Distributors</b>	<b>5,516,075</b>
<b>Transportation Infrastructure 0.7%</b>		
3,745,000	Saint Acquisition Corp., Secured Notes, 12.500% due 5/15/17 (b)	3,557,750
<b>Wireless Telecommunication Services 3.3%</b>		

Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

	MetroPCS Wireless Inc., Senior Notes:	
675,000	9.250% due 11/1/14 (b)	700,312
85,000	9.250% due 11/1/14 (b)	88,188
	Rural Cellular Corp.:	
2,040,000	Senior Secured Notes, 8.250% due 3/15/12	2,096,100
1,490,000	Senior Subordinated Notes, 8.360% due 6/1/13 (b)(c)	1,490,000
	Sprint Capital Corp.:	
5,550,000	Notes, 8.750% due 3/15/32	6,250,210
3,250,000	Senior Notes, 6.875% due 11/15/28	3,101,969

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Face Amount	Security	Value
<b>Wireless Telecommunication Services 3.3% (continued)</b>		
\$ 3,700,000	True Move Co., Ltd., 10.750% due 12/16/13 (b)	\$ 3,940,500
	<b>Total Wireless Telecommunication Services</b>	17,667,279
	<b>TOTAL CORPORATE BONDS &amp; NOTES</b>	
	(Cost \$501,250,829)	510,721,057
<b>ASSET-BACKED SECURITY 0.0%</b>		
<b>Diversified Financial Services 0.0%</b>		
9,956,016	Airplanes Pass-Through Trust, Subordinated Notes, Series D, 10.875% due 3/15/19 (d)(e)(f)	
	(Cost - \$11,102,032)	0
<b>CONVERTIBLE BOND &amp; NOTE 0.1%</b>		
<b>Diversified Financial Services 0.1%</b>		
570,000	Ford Motor Co., Senior Notes, 4.250% due 12/15/36	
	(Cost - \$570,000)	716,775
<b>LOAN PARTICIPATIONS 1.1%</b>		
<b>United States 1.1%</b>		
1,000,000	Penhall International Corp., Term Loan, (Deutsche Bank), 12.824% due 4/1/12(g)	1,022,500
4,500,000	SandRidge Energy, Term Loan, (Bank of America Securities, LLC), 8.975% due 4/1/15(c)(g)	4,612,500
	<b>TOTAL LOAN PARTICIPATIONS</b>	
	(Cost \$5,481,028)	5,635,000
<b>SOVEREIGN BONDS 1.4%</b>		
<b>Brazil 0.4%</b>		
1,264,000	Federative Republic of Brazil: 11.000% due 8/17/40	1,659,000
640,000	Collective Action Securities, Notes, 8.000% due 1/15/18	704,160
	<b>Total Brazil</b>	2,363,160
<b>Russia 1.0%</b>		
4,666,550	Russian Federation, 7.500% due 3/31/30 (b)	5,136,122
	<b>TOTAL SOVEREIGN BONDS</b>	
	(Cost \$7,426,818)	7,499,282
<b>U.S. GOVERNMENT &amp; AGENCY OBLIGATION 0.9%</b>		
<b>U.S. Government Obligations 0.9%</b>		
5,070,000	U.S. Treasury Notes, 4.750% due 5/31/12	
	(Cost - \$5,045,181)	5,031,979
<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)*	46,610
<b>CONSUMER STAPLES 0.0%</b>		
<b>Food Products 0.0%</b>		



	73,499	Aurora Foods Inc. (e)(f)*	0
<b>MATERIALS</b>	<b>0.0%</b>		
<b>Chemicals</b>	<b>0.0%</b>		
	1	Pliant Corp. (e)(f)*	0

*See Notes to Schedule of Investments.*

## Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

Shares	Security	Value
<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>	
	(Cost \$2,167,617)	46,811
<b>CONVERTIBLE PREFERRED STOCKS 0.2%</b>		
<b>ENERGY 0.2%</b>		
<b>Oil, Gas &amp; Consumable Fuels 0.2%</b>		
3,111	Chesapeake Energy Corp. Convertible, 6.250%	
	(Cost - \$781,633)	879,635
<b>PREFERRED STOCKS 0.5%</b>		
<b>CONSUMER DISCRETIONARY 0.5%</b>		
<b>Automobiles 0.3%</b>		
22,300	Ford Motor Co., 7.400%	411,435
17,100	Ford Motor Co., 8.000%	348,327
1,600	Ford Motor Co., Series F, 7.550%	29,184
900	General Motors Corp., 7.250%	17,397
10,100	General Motors Corp., Senior Notes, 7.250%	196,445
2,200	General Motors Corp., Senior Notes, 7.375%	43,032
400	General Motors Corp., Senior Notes, 7.375%	7,944
31,700	General Motors Corp., Senior Notes, 7.500%	639,706
		1,693,470
<b>Media 0.2%</b>		
83	ION Media Networks Inc.	747,000
	<b>TOTAL CONSUMER DISCRETIONARY</b>	2,440,470
<b>FINANCIALS 0.0%</b>		
<b>Diversified Financial Services 0.0%</b>		
3,400	Preferred Plus, Series FRD-1, 7.400%	61,880
8,400	Saturns, Series F 2003-5, 8.125%	172,200
	<b>TOTAL FINANCIALS</b>	234,080
	<b>TOTAL PREFERRED STOCKS</b>	
	(Cost \$2,252,787)	2,674,550
<b>Warrants</b>		<b>Value</b>
<b>WARRANTS 0.0%</b>		
1,705	Cybernet Internet Services International Inc., Expires 7/1/09 (b)(e)(f)*	0
1,555	GT Group Telecom Inc., Class B Shares, Expires 2/1/10 (b)(e)(f)*	0
1,185	IWO Holdings Inc., Expires 1/15/11 (b)(e)(f)*	0
1,000	Jazztel PLC, Expires 7/15/10 (e)(f)*	0
1,765	Merrill Corp., Class B Shares, Expires 5/1/09 (b)(e)(f)*	0
3,510	Viasystems Group Inc., Expires 1/12/10 (e)(f)*	0
	<b>TOTAL WARRANTS</b>	
	(Cost \$623,616)	0

**TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT**  
 (Cost \$536,701,541) 533,205,089

**Face Amount**  
**SHORT-TERM INVESTMENT 1.9%**  
**Repurchase Agreement 1.9%**  
 \$ 10,343,000

Morgan Stanley repurchase agreement dated 6/29/07, 5.300% due 7/2/07; Proceeds at maturity - \$10,347,568; (Fully collateralized by various U.S. government agency obligations, 0.000% due 1/15/21 to 1/15/30; Market value - \$10,550,150)  
 (Cost - \$10,343,000) 10,343,000  
**TOTAL INVESTMENTS 101.6%** (Cost \$547,044,541#) 543,548,089  
 Liabilities in Excess of Other Assets (1.6%) (8,480,943)  
**TOTAL NET ASSETS 100.0%** \$ 535,067,146

*See Notes to Schedule of Investments.*

**Western Asset High Income Opportunity Fund Inc.**

Schedule of Investments (unaudited) (continued)

June 30, 2007

- 
- \* Non-income producing security.
  - (a) Payment-in-kind security for which part of the income earned may be paid as additional principal.
  - (b) 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.
  - (c) Variable rate security. Interest rate disclosed is that which is in effect at June 30, 2007.
  - (d) Security is currently in default.
  - (e) Illiquid security.
  - (f) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
  - (g) Participation interest was acquired through the financial institution indicated parenthetically.
  - # Aggregate cost for federal income tax purposes is substantially the same.

*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 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. 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) Loan Participations.** The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

**(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, 2007, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$	18,901,495
Gross unrealized depreciation		(22,397,947)
Net unrealized depreciation	\$	(3,496,452)

At June 30, 2007, the Fund held Loan Participations with a total cost of \$5,481,028 and a total market value of \$5,635,000.

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**



Edgar Filing: WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC. - Form N-Q

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 24, 2007

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 24, 2007

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

Date: August 24, 2007

---