

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSR

December 03, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-7920

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

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

10041
(Zip code)

Robert I. Frenkel, Esq.
Legg Mason & Co., LLC
100 First Stamford Place, 4th Floor
Stamford, CT 06902
(Name and address of agent for service)

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

Date of fiscal year end: September 30

Date of reporting period: September 30, 2008

ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

ANNUAL REPORT / SEPTEMBER 30, 2008

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

(HIO)

Managed by **WESTERN ASSET**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Fund objective

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective.

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Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund's investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Company Limited are wholly-owned subsidiaries of Legg Mason, Inc.

Letter from the chairman

Dear Shareholder,

Economic growth in the U.S. was mixed during the 12-month reporting period ended September 30, 2008. Looking back, third quarter 2007 U.S. gross domestic product (GDP)i growth was a strong 4.8%. However, continued weakness in the housing market, an ongoing credit crunch and soaring oil and food prices then took their toll on the economy, as fourth quarter 2007 GDP declined 0.2%. The economy then expanded 0.9% and 2.8% during the first and second quarters of 2008, respectively. This rebound was due, in part, to rising exports that were buoyed by a weakening U.S. dollar, and solid consumer spending, which was aided by the government's tax rebate program. The dollar's rally and the end of the rebate program, combined with other strains on the economy, then caused GDP to take a step backward in the third quarter. According to the advance estimate released by the U.S. Department of Commerce, third quarter 2008 GDP declined 0.3%.

Consensus expectations now point to the U.S. falling into a recession later this year or in early 2009. Consumer spending, which represents approximately two-thirds of GDP, is moderating, as evidenced by the three consecutive months of declining retail sales during the third quarter of 2008. According to the Department of Commerce, September's 1.2% fall in retail sales was the sharpest decline in three years. In terms of the job market, the U.S. Department of Labor reported that payroll employment declined in each of the first nine months of 2008. Year-to-date through September, roughly 760,000 jobs have been shed and the unemployment rate now stands at 6.1%, its highest level in five years.

Ongoing issues related to the housing and subprime mortgage markets and seizing credit markets prompted the Federal Reserve Board (Fed)ii to take aggressive and, in some cases, unprecedented actions. Beginning in September 2007, the Fed reduced the federal funds rateiii from 5.25% to 4.75%. This marked the first such reduction since June 2003. The Fed then reduced the federal funds rate on six additional occasions through April 2008, bringing the federal funds rate to 2.00%. The Fed then shifted gears in the face of mounting inflationary prices and a weakening U.S. dollar. At its meetings in June, August and September, the Fed held rates steady. Then, on October 8, 2008 (after the reporting period ended), in a global coordination effort with six central banks around the world, interest rates were cut in an attempt to reduce the

strains in the global financial

Western Asset High Income Opportunity Fund Inc. I

Letter from the chairman *continued*

markets. At that time, the Fed lowered the federal funds rate from 2.00% to 1.50%. The Fed again cut rates from 1.50% to 1.00% at its regularly scheduled meeting on October 29, 2008. In conjunction with its October meeting, the Fed stated: The pace of economic activity appears to have slowed markedly, owing importantly to a decline in consumer expenditures. ... Moreover, the intensification of financial market turmoil is likely to exert additional restraint on spending, partly by further reducing the ability of households and businesses to obtain credit.

In addition to the interest rate cuts, the Fed took several actions to improve liquidity in the credit markets. In March 2008, the Fed established a new lending program allowing certain brokerage firms, known as primary dealers, to also borrow from its discount window. Also in March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase. In mid-September 2008, it announced an \$85 billion rescue plan for ailing AIG and pumped \$70 billion into the financial system as Lehman Brothers' bankruptcy and mounting troubles at other financial firms roiled the markets.

The U.S. Department of the Treasury has also taken an active role in attempting to stabilize the financial system, as it orchestrated the government's takeover of mortgage giants Fannie Mae and Freddie Mac in September. In addition, the Treasury proposed a \$700 billion rescue plan to help financial institutions reduce their exposure to troubled mortgage-related securities. After the House of Representatives initially rejected the plan on September 29, 2008, a revamped version was approved by Congress and, on October 3, 2008, signed into law by President Bush. Also in October, the government announced a plan to purchase stakes in the nation's largest banks and guarantee certain bank debts. Also, the Federal Deposit Insurance Corporation (FDIC) temporarily increased its insurance on bank accounts from \$100,000 to \$250,000.

During the 12-month reporting period ended September 30, 2008, both short- and long-term Treasury yields experienced periods of extreme volatility. Investors were initially focused on the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This unrest triggered several flights to quality, causing Treasury yields to move lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). This was particularly true toward the end of the reporting period, as the turmoil in the financial markets and sharply falling stock prices caused investors to flee securities that were perceived to be risky, including high-quality corporate bonds and high grade municipal bonds. At one point in September, the yield available from the three-month Treasury bill fell to 0.04%, as investors were essentially willing to forgo any return potential in order to access the safety of government-backed securities. During the 12 months ended September 30, 2008, two-year Treasury yields fell from 3.97% to 2.00%. Over the same time frame, 10-year Treasury yields moved from 4.59% to 3.85%. Looking at

II Western Asset High Income Opportunity Fund Inc.

the 12-month period as a whole, the overall bond market, as measured by the Barclays Capital U.S. Aggregate Index^{iv}, returned 3.65%.

Periods of increased investor risk aversion caused the high-yield bond market to produce poor results over the 12 months ended September 30, 2008. While the asset class rallied on several occasions, it was not enough to overcome numerous flights to quality. In particular, seizing credit markets, coupled with fears of a global recession and rising corporate bond default rates, sent high-yield bond prices sharply lower in September 2008. During the month of September, the Citigroup High Yield Market Index^v (the Index) returned -8.01%. Over the 12 months ended September 30, 2008, the Index returned -11.66%.

Despite periods of extreme market volatility and increased investor risk aversion, emerging market debt prices held up fairly well during most of the reporting period. In general, the asset class was supported by solid demand, superior growth rates in emerging market countries, increased domestic spending and rating upgrades in countries such as Brazil. However, fears of a global recession, falling commodity prices and seizing credit markets sent emerging market debt prices sharply lower in September. During the month of September, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{vi} returned -6.84%. Over the 12 months ended September 30, 2008, the EMBI Global returned -2.72%.

A special note regarding increased market volatility

In recent months, we have experienced a series of events that have impacted the financial markets and created concerns among both novice and seasoned investors alike. In particular, we have witnessed the failure and consolidation of several storied financial institutions, periods of heightened market volatility, and aggressive actions by the U.S. federal government to steady the financial markets and restore investor confidence. While we hope that the worst is over in terms of the issues surrounding the credit and housing crises, it is likely that the fallout will continue to impact the financial markets and the U.S. economy during the remainder of the year and, perhaps, into 2009 as well.

Like all asset management firms, Legg Mason has not been immune to these difficult and, in some ways, unprecedented times. However, today's challenges have only strengthened our resolve to do everything we can to help you reach your financial goals. Now, as always, we remain committed to providing you with excellent service and a full spectrum of investment choices. And rest assured, we will continue to work hard to ensure that our investment managers make every effort to deliver strong long-term results.

We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our enhanced website, www.leggmason.com/cef. Here you can gain immediate access to many special features to help guide you through difficult times, including:

- Fund prices and performance,

Letter from the chairman *continued*

- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

During periods of market unrest, it is especially important to work closely with your financial advisor and remember that reaching one's investment goals unfolds over time and through multiple market cycles. Time and again, history has shown that, over the long run, the markets have eventually recovered and grown.

Information about your fund

Please read on for a more detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 31, 2008

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv The Barclays Capital (formerly Lehman Brothers) U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- vi The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.

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Fund overview

Q. What is the Fund's investment strategy?

A. The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

We employ an actively managed approach that is risk-aware and incorporates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with portfolio managers to determine which securities provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

Western Asset Management Company (Western Asset), the Fund's subadviser, utilizes a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization.

Q. What were the overall market conditions during the Fund's reporting period?

A. During the fiscal year, the U.S. bond market experienced periods of increased volatility. Changing perceptions regarding the economy, inflation and future Federal Reserve Board (Fed) monetary policy caused bond prices to fluctuate. Two- and 10-year Treasury yields began the reporting period at 3.97% and 4.59%, respectively. Treasury yields initially moved higher and their prices moved lower as surging oil and food prices triggered inflationary pressures and economic growth was better than expected. Toward the end of 2007, yields drifted lower and continued to decline through the first quarter of 2008, as concerns regarding the subprime mortgage market and a severe credit crunch caused a flight to

Fund overview *continued*

quality. During this period, investors were drawn to the relative safety of Treasuries, while increased risk aversion caused other segments of the bond market, including high-yield bonds, to falter.

Treasury yields then moved higher in April, May and early June, as inflationary pressures increased. During this period, riskier fixed-income asset classes, such as high-yield bonds and emerging market debt rallied. However, the credit crunch resumed in mid-June, resulting in another flight to quality. This caused Treasury yields to move lower during much of the remainder of the reporting period. At the end of the fiscal year, two- and 10-year Treasury yields were 2.00% and 3.85%, respectively.

While the Fed attempted to stimulate growth by cutting the federal funds rateⁱⁱ from 5.25% to 2.00% from September 2007 through April 2008, it held rates steady during the remainder of the fiscal year. However, in early October, after the reporting period ended, the Fed lowered rates from 2.00% to 1.50%, citing weakening of economic activity and a reduction in inflationary pressures. The Fed further reduced the federal funds rate from 1.50% to 1.00% on October 29, 2008.

Turning to the high-yield bond market, it too experienced periods of increased volatility. This was particularly true at the end of the reporting period, as fears of a global recession triggered expectations for sharply higher default rates. As a result, high-yield spreads widened significantly as their prices fell sharply. Overall, during the 12 months ended September 30, 2008, the Citigroup High Yield Market Index^{xiii} returned -11.66%.

Q. How did we respond to these changing market conditions?

A. As always, we followed our disciplined, value-oriented investment approach to managing the Fund's portfolio. We believe that the ability to integrate fundamental credit research with rigorous relative value analysis drives performance in our portfolios. This is the basis of each investment and does not change regardless of market conditions. While the high-yield market suffered from significant technical dislocations that negatively impacted valuations, in our view, this created significant opportunities for long-term investors.

Performance review

For the 12 months ended September 30, 2008, Western Asset High Income Opportunity Fund Inc. returned -12.32% based on its net asset value (NAV)^{iv} and -26.04% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index^v, returned -10.51% for the same period. The Lipper High Current Yield Closed-End Funds Category Average^{vi} returned -18.95% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

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During the 12-month period, the Fund made distributions to shareholders totaling \$0.57 per share. The performance table shows the Fund's 12-month total return based on its NAV and market price as of September 30, 2008.

Past performance is no guarantee of future results.

PERFORMANCE SNAPSHOT as of September 30, 2008 (unaudited)

PRICE PER SHARE	12-MONTH TOTAL RETURN*
\$5.59 (NAV)	-12.32 %
\$4.34 (Market Price)	-26.04 %

All figures represent past performance and are not a guarantee of future results.

*** Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

Q. What were the leading contributors to performance?

A. The Fund's issue selection contributed to performance during the reporting period. For example, eight of its largest ten overweight positions outperformed the Fund's benchmark. Sub-sector and sector allocation also aided relative performance, including underweights to Media Non-Cable and Consumer Cyclical¹, which returned -21.05% and -17.77%, respectively, for the 12 months ended September 30, 2008. In addition, the Fund's relative performance benefited from its overweights to Capital Goods², which returned -4.93%, and Utilities, which returned -2.61%. Our decision to hold a portion of the portfolio in cash was also beneficial to results during the 12-month reporting period.

Q. What were the leading detractors from performance?

A. Relative to its benchmark, the Fund's overweight to CCC and below rated issues detracted from performance as these lower-rated securities returned -18.16% for the reporting period. The Fund's relative performance was also hurt by an overweight to Media Cable, which returned -10.13%, as well as overweights to select Financials that performed particularly poorly. These included the Fund's holdings in **Residential Capital LLC**, **AIG** and **Fannie Mae** preferred securities.

¹ Consumer Cyclical consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Textiles and other consumer services.

²Capital Goods consists of the following industries: Aerospace & Defense, Building Materials, Diversified Manufacturing, Construction Machines, Packaging and Environmental.

Fund overview *continued*

Looking for additional information?

The Fund is traded under the symbol **HIO** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XHIOX** on most financial websites. *Barron's* and *The Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites, as well as www.leggmason.com/cef.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset High Income Opportunity Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

October 29, 2008

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

Portfolio holdings and breakdowns are as of September 30, 2008 and are subject to change and may not be representative of the portfolio manager's current or future investments. The Fund's top 10 holdings (as a percentage of net assets) as of this date were: Energy Future Holdings, (3.2%), Ford Motor Credit Co., Senior Notes, 12.000% due 5/15/15 (1.4%), CCH I LLC/CCH I Capital Corp. (1.3%), Hertz Corp. (1.2%), Sprint Capital Corp., Notes, 8.750% due 3/15/32 (1.0%), El Paso Corp., Medium-Term Notes, 7.750% due 1/15/32 (1.0%), Ocwen Capital Trust I (1.0%), SandRidge Energy Inc. (1.0%), DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13 (1.0%) and Intelsat Corp. (1.0%). Please refer to pages 7 through 23 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets), as of September 30, 2008 were: Consumer Discretionary (17.9%), Industrials (14.2%), Energy (13.7%), Financials (10.2%) and Telecommunication Services (9.2%). The Fund's portfolio composition is subject to change at any time.

RISKS: The Fund invests in high-yield debt securities, which are subject to greater risks than investments in higher-rated bonds, such as the increased risk of default and greater volatility because of the lower credit quality of the issues. Fixed-income investments are subject to interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. In addition, the Fund may invest in foreign securities, which are subject to certain risks of overseas investing, including currency fluctuations and changes in political and economic conditions, which could result in significant fluctuations. These risks are magnified in emerging markets.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- ii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iii The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- iv Net asset value (NAV) is calculated by subtracting total liabilities from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund's market price, as determined by supply of and demand for the Fund's shares.
- v The Barclays Capital (formerly Lehman Brothers) U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade fixed-rate, taxable corporate bond market.
- vi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the 12-month period ended September 30, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated

among the 5 funds in the Fund's Lipper category.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments September 30, 2008

Schedule of investments

September 30, 2008

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 90.1%		
CONSUMER DISCRETIONARY 17.2%		
	Auto Components 1.4%	
\$ 250,000	Allison Transmission Inc., Senior Notes:	\$ 218,750
1,640,000	11.000% due 11/1/15(a)	
1,820,000	11.250% due 11/1/15(a)(b)	1,353,000
	Keystone Automotive Operations Inc.,	
	Senior Subordinated Notes, 9.750% due 11/1/13	973,700
	Visteon Corp., Senior Notes:	
1,372,000	8.250% due 8/1/10	1,145,620
3,766,000	12.250% due 12/31/16(a)	2,278,430
	<i>Total Auto Components</i>	<i>5,969,500</i>
	Automobiles 1.1%	
505,000	Ford Motor Co., Debentures, 8.900% due 1/15/32	229,775
	General Motors Corp.:	
1,510,000	Notes, 7.200% due 1/15/11	890,900
6,160,000	Senior Debentures, 8.375% due 7/15/33	2,494,800
2,125,000	Senior Notes, 7.125% due 7/15/13	982,813
	<i>Total Automobiles</i>	<i>4,598,288</i>
	Diversified Consumer Services 0.5%	
2,485,000	Education Management LLC/Education Management Finance Corp.,	
	Senior Subordinated Notes, 10.250% due 6/1/16	2,000,425
	Hotels, Restaurants & Leisure 3.9%	
675,000	Boyd Gaming Corp., Senior Subordinated Notes, 7.125% due 2/1/16	470,813
2,345,000	Buffets Inc., Senior Notes, 12.500% due 11/1/14(c)	35,176
1,570,000	Caesars Entertainment Inc., Senior Subordinated Notes, 8.125% due 5/15/11	934,150
1,450,000	Carrolls Corp., Senior Subordinated Notes, 9.000% due 1/15/13	1,051,250
618,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	565,470
1,400,000	Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15(a)	1,022,000
1,095,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	1,051,200
445,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp.,	126,825
	10.250% due 6/15/15(a)	
1,120,000	Harrah's Operating Co. Inc., Senior Notes, 10.750% due 2/1/16(a)	576,800
1,640,000	Indianapolis Downs LLC & Capital Corp., 11.000% due 11/1/12(a)	1,123,400
2,545,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10	1,743,325
700,000	Mandalay Resort Group, Senior Subordinated Debentures, 7.625% due 7/15/13	528,500

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2008

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Hotels, Restaurants & Leisure 3.9% continued	
	MGM MIRAGE Inc.:	
\$ 1,130,000	Notes, 6.750% due 9/1/12	\$ 889,875
360,000	Senior Notes, 7.500% due 6/1/16	264,600
225,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	156,375
2,135,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 ^(a)	2,172,362
1,155,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15	796,950
790,000	Snoqualmie Entertainment Authority, Senior Secured Notes, 6.875% due 2/1/14 ^{(a)(d)}	572,750
	Station Casinos Inc.:	
	Senior Notes:	
1,245,000	6.000% due 4/1/12	703,425
2,265,000	7.750% due 8/15/16	1,240,087
85,000	Senior Subordinated Notes, 6.625% due 3/15/18	22,950
	<i>Total Hotels, Restaurants & Leisure</i>	<i>16,048,283</i>
	Household Durables 1.7%	
200,000	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	183,000
1,140,000	D.R. Horton Inc., Senior Notes, 8.000% due 2/1/09	1,127,175
305,000	Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17	255,437
1,965,000	K Hovnanian Enterprises Inc., 11.500% due 5/1/13 ^(a)	1,935,525
1,790,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	1,727,350
2,210,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, 9.750% due 9/1/12	2,000,050
	<i>Total Household Durables</i>	<i>7,228,537</i>
	Internet & Catalog Retail 0.3%	
155,000	Expedia Inc., Senior Notes, 8.500% due 7/1/16 ^(a)	140,275
1,030,000	Ticketmaster, Senior Notes, 10.750% due 8/1/16 ^(a)	973,350
	<i>Total Internet & Catalog Retail</i>	<i>1,113,625</i>
	Media 6.0%	
	Affinion Group Inc.:	
340,000	Senior Notes, 10.125% due 10/15/13	321,300
3,020,000	Senior Subordinated Notes, 11.500% due 10/15/15	2,823,700
7,895,000	CCH I LLC/CCH I Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	5,250,175
765,000	CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 10/1/13	646,425
540,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12	321,300
850,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp.,	
	Senior Discount Notes, 11.750% due 5/15/11	497,250

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Media 6.0% continued	
\$ 2,930,000	Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14 ^(a)	\$ 2,856,750
	CSC Holdings Inc., Senior Notes:	
1,320,000	8.125% due 7/15/09	1,310,100
760,000	6.750% due 4/15/12	700,150
1,416,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13	881,460
660,000	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13	655,050
	EchoStar DBS Corp., Senior Notes:	
640,000	6.625% due 10/1/14	515,200
630,000	7.750% due 5/31/15	537,075
2,325,000	Historic TW Inc., Senior Notes, 6.625% due 5/15/29	1,861,697
4,310,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16	1,196,025
	R.H. Donnelley Corp.:	
290,000	11.750% due 5/15/15 ^(a)	178,350
1,025,000	Senior Discount Notes, 6.875% due 1/15/13	404,875
1,915,000	Senior Notes, 8.875% due 1/15/16	660,675
1,060,000	Sun Media Corp., 7.625% due 2/15/13	980,500
	TL Acquisitions Inc.:	
1,080,000	Senior Notes, 10.500% due 1/15/15 ^(a)	858,600
1,790,000	Senior Subordinated Notes, step bond to yield 13.249% due 7/15/15 ^(a)	1,208,250
	<i>Total Media</i>	<i>24,664,907</i>
	Multiline Retail 1.4%	
2,405,000	Dollar General Corp., Senior Subordinated Notes, 11.875% due 7/15/17 ^(b)	2,236,650
	Neiman Marcus Group Inc.:	
150,000	7.125% due 6/1/28	109,500
4,130,000	Senior Notes, 9.000% due 10/15/15 ^(b)	3,479,525
15,000	Senior Subordinated Notes, 10.375% due 10/15/15	12,638
	<i>Total Multiline Retail</i>	<i>5,838,313</i>
	Specialty Retail 0.9%	
480,000	Ace Hardware Corp., Senior Secured Notes, 9.125% due 6/1/16 ^(a)	412,800
	AutoNation Inc., Senior Notes:	
225,000	4.791% due 4/15/13 ^(d)	190,688
345,000	7.000% due 4/15/14	301,875
1,735,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	1,249,200
365,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	379,600

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2008

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Specialty Retail 0.9% continued	
		Michaels Stores Inc.:	
\$	1,070,000	Senior Notes, 10.000% due 11/1/14	\$ 679,450
	730,000	Senior Subordinated Bonds, 11.375% due 11/1/16	348,575
		<i>Total Specialty Retail</i>	3,562,188
		TOTAL CONSUMER DISCRETIONARY	71,024,066
CONSUMER STAPLES	1.4%		
	276,000	Food & Staples Retailing 0.1%	
		Delhaize America Inc., Debentures, 9.000% due 4/15/31	290,447
		Food Products 0.7%	
	185,000	Dole Food Co. Inc., Senior Notes:	
		8.625% due 5/1/09	177,600
	2,185,000	7.250% due 6/15/10	1,933,725
	575,000	8.875% due 3/15/11	485,875
	340,000	Stater Brothers Holdings Inc., 7.750% due 4/15/15	319,600
		<i>Total Food Products</i>	2,916,800
	1,235,000	Household Products 0.2%	
		Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	1,139,287
		Tobacco 0.4%	
	385,000	Alliance One International Inc., Senior Notes:	
		8.500% due 5/15/12	358,050
	1,270,000	11.000% due 5/15/12	1,250,950
		<i>Total Tobacco</i>	1,609,000
		TOTAL CONSUMER STAPLES	5,955,534
ENERGY	12.8%		
	2,305,000	Energy Equipment & Services 2.2%	
	1,150,000	ANR Pipeline Co., Debentures, 9.625% due 11/1/21	2,795,315
		Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	1,098,250
	1,350,000	Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14	1,302,750
	625,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	600,000
	60,000	Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32	56,134
	3,270,000	Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32	3,148,853
		<i>Total Energy Equipment & Services</i>	9,001,302
	1,740,000	Oil, Gas & Consumable Fuels 10.6%	
	3,572,000	Atlas Pipeline Partners LP, 8.750% due 6/15/18 ^(a)	1,644,300
		Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	3,268,380
		Chesapeake Energy Corp., Senior Notes:	
	2,845,000	6.625% due 1/15/16	2,567,612
	140,000	6.500% due 8/15/17	123,200

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Oil, Gas & Consumable Fuels 10.6% continued	
\$ 1,180,000	6.250% due 1/15/18	\$ 1,014,800
365,000	7.250% due 12/15/18	337,625
360,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	345,600
678,062	Corral Finans AB, Senior Secured Subordinated Bonds, 7.791% due 4/15/10 ^{(a)(b)(d)}	556,011
	El Paso Corp., Medium-Term Notes:	
540,000	7.800% due 8/1/31	457,659
4,965,000	7.750% due 1/15/32	4,180,297
	Enterprise Products Operating LP:	
1,310,000	Junior Subordinated Notes, 8.375% due 8/1/66	1,216,021
620,000	Subordinated Notes, 7.034% due 1/15/68	500,656
2,500,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	2,375,000
465,000	Inergy LP/Inergy Finance Corp., Senior Notes, 8.250% due 3/1/16	430,125
2,535,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	2,275,162
	Mariner Energy Inc., Senior Notes:	
940,000	7.500% due 4/15/13	836,600
555,000	8.000% due 5/15/17	471,750
1,060,000	MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18	1,012,300
	OPTI Canada Inc., Senior Secured Notes:	
470,000	7.875% due 12/15/14	418,300
505,000	8.250% due 12/15/14	454,500
1,420,000	Parallel Petroleum Corp., 10.250% due 8/1/14	1,285,100
	Petrohawk Energy Corp., Senior Notes:	
1,075,000	9.125% due 7/15/13	1,015,875
420,000	7.875% due 6/1/15 ^(a)	367,500
	Petroplus Finance Ltd.:	
630,000	6.750% due 5/1/14 ^(a)	535,500
1,150,000	Senior Note, 7.000% due 5/1/17 ^(a)	960,250
1,200,000	Quicksilver Resources Inc., 8.250% due 8/1/15	1,104,000
4,500,000	SandRidge Energy Inc., 8.625% due 4/1/15 ^{(a)(b)}	4,050,000
3,485,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15 ^{(a)(c)(f)}	365,925
1,020,000	Southwestern Energy Co., Senior Notes, 7.500% due 2/1/18 ^(a)	994,500
350,000	Targa Resources Partners LP, Senior Notes, 8.250% due 7/1/16 ^(a)	302,750
600,000	Teekay Corp., Senior Notes, 8.875% due 7/15/11	609,000
2,235,000	VeraSun Energy Corp., 9.375% due 6/1/17	894,000
1,325,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 ^(a)	1,066,625
1,275,000	Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14	1,090,125

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2008

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Oil, Gas & Consumable Fuels 10.6% continued	
		Williams Cos. Inc.:	
		Notes:	
\$	1,280,000	7.875% due 9/1/21	\$ 1,282,569
	2,320,000	8.750% due 3/15/32	2,384,823
	1,125,000	Senior Notes, 7.625% due 7/15/19	1,110,131
		<i>Total Oil, Gas & Consumable Fuels</i>	<i>43,904,571</i>
		TOTAL ENERGY	52,905,873
FINANCIALS 9.3%		Capital Markets 0.2%	
	1,080,000	Morgan Stanley, Senior Notes, 3.875% due 1/15/09	993,684
		Commercial Banks 0.4%	
	500,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14 ^(a)	371,250
		TuranAlem Finance BV, Bonds:	
	1,530,000	8.250% due 1/22/37 ^(a)	860,625
	470,000	8.250% due 1/22/37 ^(a)	264,375
		<i>Total Commercial Banks</i>	<i>1,496,250</i>
		Consumer Finance 3.8%	
	1,925,000	AmeriCredit Corp., 8.500% due 7/1/15	1,617,000
		Ford Motor Credit Co.:	
		Notes:	
	925,000	7.875% due 6/15/10	706,330
	1,140,000	7.000% due 10/1/13	701,245
		Senior Notes:	
	1,037,000	8.069% due 6/15/11 ^(d)	755,499
	1,370,000	5.538% due 1/13/12 ^(d)	877,047
	7,610,000	12.000% due 5/15/15	5,813,203
	7,545,000	General Motors Acceptance Corp., Bonds, 8.000% due 11/1/31	2,850,018
	3,170,000	SLM Corp., 8.450% due 6/15/18	2,158,678
		<i>Total Consumer Finance</i>	<i>15,479,020</i>
		Diversified Financial Services 2.9%	
	1,035,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 ^(a)	491,625
	1,040,000	Capmark Financial Group Inc., 5.875% due 5/10/12	518,789
	1,250,000	CCM Merger Inc., Notes, 8.000% due 8/1/13 ^(a)	1,021,875
	1,970,000	Citigroup Inc., Junior Subordinated Notes, Preferred Securities, 8.400% due 4/30/18 ^(d)	1,343,363
		Leucadia National Corp., Senior Notes:	
	1,220,000	8.125% due 9/15/15	1,192,550
	450,000	7.125% due 3/15/17	411,750

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Diversified Financial Services 2.9% continued	
		Residential Capital LLC:	
\$	3,206,000	Junior Secured Notes, 9.625% due 5/15/15 ^(a)	\$ 785,470
	2,458,000	Senior Secured Notes, 8.500% due 5/15/10 ^(a)	1,364,190
		TNK-BP Finance SA:	
	1,525,000	7.875% due 3/13/18 ^(a)	1,098,000
	744,000	Senior Notes, 7.875% due 3/13/18 ^(a)	524,520
		Vanguard Health Holdings Co.:	
	2,850,000	I LLC, Senior Discount Notes, step bond to yield 12.732% due 10/1/15	2,479,500
	765,000	II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	742,050
		<i>Total Diversified Financial Services</i>	<i>11,973,682</i>
		Insurance 0.1%	
	3,080,000	American International Group Inc., Junior Subordinated Debentures, 8.175% due 5/15/58 ^{(a)(d)}	493,644
		Real Estate Investment Trusts (REITs) 0.4%	
	75,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	60,375
		Ventas Realty LP/Ventas Capital Corp., Senior Notes:	
	360,000	6.500% due 6/1/16	342,000
	1,165,000	6.750% due 4/1/17	1,106,750
		<i>Total Real Estate Investment Trusts (REITs)</i>	<i>1,509,125</i>
		Real Estate Management & Development 0.5%	
	1,270,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15	577,850
		Realogy Corp.:	
	320,000	10.500% due 4/15/14	142,400
	2,015,000	11.000% due 4/15/14 ^(b)	780,812
	2,045,000	Senior Subordinated Notes, 12.375% due 4/15/15	705,525
		<i>Total Real Estate Management & Development</i>	<i>2,206,587</i>
		Thriffs & Mortgage Finance 1.0%	
	5,500,000	Ocwen Capital Trust I, Junior Subordinated Capital Securities, 10.875% due 8/1/27	4,125,000
		TOTAL FINANCIALS	38,276,992
HEALTH CARE	7.3%	Health Care Equipment & Supplies 0.8%	
		Advanced Medical Optics Inc., Senior Subordinated Notes, 7.500% due 5/1/17	1,111,250
		Biomet Inc.:	
	500,000	10.375% due 10/15/17 ^(b)	497,500
	1,670,000	11.625% due 10/15/17	1,686,700
		<i>Total Health Care Equipment & Supplies</i>	<i>3,295,450</i>

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2008

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
\$	2,755,000	Health Care Providers & Services 6.4%	
		CRC Health Corp., 10.750% due 2/1/16	\$ 2,135,125
		DaVita Inc.:	
	230,000	Senior Notes, 6.625% due 3/15/13	219,650
	1,640,000	Senior Subordinated Notes, 7.250% due 3/15/15	1,566,200
		HCA Inc.:	
	3,920,000	Debentures, 7.500% due 11/15/95	2,621,186
		Notes:	
	990,000	6.375% due 1/15/15	784,575
	970,000	7.690% due 6/15/25	725,793
	40,000	Senior Notes, 6.250% due 2/15/13	33,600
		Senior Secured Notes:	
	1,640,000	9.250% due 11/15/16	1,599,000
	3,045,000	9.625% due 11/15/16 ^(b)	2,900,363
	2,675,000	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	2,541,250
		Tenet Healthcare Corp., Senior Notes:	
	2,310,000	6.375% due 12/1/11	2,142,525
	90,000	6.500% due 6/1/12	83,700
	4,250,000	7.375% due 2/1/13	3,888,750
		Universal Hospital Services Inc.:	
	530,000	6.303% due 6/1/15 ^(d)	469,050
	1,990,000	Senior Secured Notes, 8.500% due 6/1/15 ^(b)	1,865,625
	3,774,000	US Oncology Holdings Inc., Senior Notes, 8.334% due 3/15/12 ^{(b)(d)}	2,905,980
		<i>Total Health Care Providers & Services</i>	26,482,372
		Pharmaceuticals 0.1%	
	4,870,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 ^{(c)(f)}	255,675
		TOTAL HEALTH CARE	30,033,497
INDUSTRIALS 13.7%		Aerospace & Defense 1.9%	
	1,120,000	BE Aerospace Inc., 8.500% due 7/1/18	1,089,200
		DRS Technologies Inc., Senior Subordinated Notes:	
	310,000	6.625% due 2/1/16	314,650
	1,405,000	7.625% due 2/1/18	1,475,250
	4,235,000	Hawker Beechcraft Acquisition Co., Senior Notes, 8.875% due 4/1/15 ^(b)	3,853,850
	1,460,000	L-3 Communications Corp., Senior Subordinated Notes, 5.875% due 1/15/15	1,328,600
		<i>Total Aerospace & Defense</i>	8,061,550

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Airlines 2.6%	
	Continental Airlines Inc., Pass-Through Certificates:	
\$ 285,309	8.312% due 4/2/11 ^(e)	\$ 254,638
930,000	7.339% due 4/19/14	618,450
3,950,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 ^(a)	3,693,250
1,074,556	Delta Air Lines Inc., 8.954% due 8/10/14	832,780
	United Airlines Inc., Pass-Through Certificates:	
1,045,000	6.831% due 3/1/10	1,102,475
2,268,135	7.811% due 10/1/09	2,597,015
962,968	8.030% due 7/1/11 ^(e)	1,013,524
460,000	6.932% due 9/1/11	540,500
	<i>Total Airlines</i>	<i>10,652,632</i>
	Building Products 1.6%	
	Associated Materials Inc.:	
5,125,000	Senior Discount Notes, step bond to yield 13.656% due 3/1/14	3,331,250
945,000	Senior Subordinated Notes, 9.750% due 4/15/12	935,550
880,000	Nortek Inc., Senior Secured Notes, 10.000% due 12/1/13 ^(a)	778,800
3,800,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.352% due 3/1/14	1,653,000
	<i>Total Building Products</i>	<i>6,698,600</i>
	Commercial Services & Supplies 3.0%	
855,000	Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15 ^(a)	739,575
	DynCorp International LLC/DIV Capital Corp.:	
1,220,000	9.500% due 2/15/13 ^(a)	1,204,750
4,100,000	Senior Subordinated Notes, 9.500% due 2/15/13	4,018,000
2,150,000	Interface Inc., Senior Notes, 10.375% due 2/1/10	2,203,750
2,495,000	Rental Services Corp., Senior Notes, 9.500% due 12/1/14	1,902,438
	US Investigations Services Inc.:	
2,405,000	11.750% due 5/1/16 ^(a)	1,984,125
280,000	Senior Subordinated Notes, 10.500% due 11/1/15 ^(a)	250,600
	<i>Total Commercial Services & Supplies</i>	<i>12,303,238</i>
	Construction & Engineering 0.3%	
1,460,000	CSC Holdings Inc., 8.500% due 6/15/15 ^(a)	1,363,275
	Electrical Equipment 0.1%	
260,000	Sensata Technologies B.V., Senior Notes, 8.000% due 5/1/14	221,000
	Industrial Conglomerates 0.3%	
	Sequa Corp., Senior Notes:	
840,000	11.750% due 12/1/15 ^(a)	709,800
868,350	13.500% due 12/1/15 ^{(a)(b)}	733,756
	<i>Total Industrial Conglomerates</i>	<i>1,443,556</i>

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2008

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
\$	730,000	Machinery 0.2% American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	\$ 649,700
	5,965,000	Road & Rail 2.3% Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16	5,010,600
	2,740,000	Kansas City Southern de Mexico, Senior Notes: 9.375% due 5/1/12	2,808,500
	1,180,000	7.625% due 12/1/13	1,132,800
	520,000	7.375% due 6/1/14	499,200
		<i>Total Road & Rail</i>	<i>9,451,100</i>
	1,140,000	Trading Companies & Distributors 1.1% Ashtead Capital Inc., Notes, 9.000% due 8/15/16 ^(a)	986,100
	2,755,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	2,052,475
	2,410,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 ^(a)	1,674,950
		<i>Total Trading Companies & Distributors</i>	<i>4,713,525</i>
	2,330,000	Transportation Infrastructure 0.3% Swift Transportation Co., Senior Secured Notes: 10.554% due 5/15/15 ^{(a)(d)}	733,950
	1,325,000	12.500% due 5/15/17 ^(a)	443,875
		<i>Total Transportation Infrastructure</i>	<i>1,177,825</i>
		TOTAL INDUSTRIALS	56,736,001
INFORMATION TECHNOLOGY 2.2%		Communications Equipment 0.5% Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	<i>1,931,100</i>
	3,140,000	Electronic Equipment, Instruments & Components 0.2% NXP BV/NXP Funding LLC, Senior Secured Notes: 5.541% due 10/15/13 ^(d)	345,150
	520,000	7.875% due 10/15/14	513,000
	760,000	<i>Total Electronic Equipment, Instruments & Components</i>	<i>858,150</i>
	1,430,000	IT Services 1.1% Ceridian Corp., Senior Notes, 12.250% due 11/15/15 ^{(a)(b)}	1,169,025
	250,000	First Data Corp.: 5.625% due 11/1/11	136,250
	1,385,000	Senior Notes, 9.875% due 9/24/15 ^(a)	1,261,680
	60,000	SunGard Data Systems Inc.: Senior Notes, 9.125% due 8/15/13	54,300
	2,300,000	Senior Subordinated Notes, 10.250% due 8/15/15	2,006,750
		<i>Total IT Services</i>	<i>4,628,005</i>

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Semiconductors & Semiconductor Equipment 0.1%	
		Freescale Semiconductor Inc.:	
\$	170,000	Senior Notes, 8.875% due 12/15/14	\$ 118,150
	330,000	Senior notes, 9.125% due 12/15/14 ^(b)	209,550
		<i>Total Semiconductors & Semiconductor Equipment</i>	327,700
		Software 0.3%	
	1,820,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16	1,355,900
		TOTAL INFORMATION TECHNOLOGY	9,100,855
MATERIALS 8.0%			
		Chemicals 1.4%	
	3,670,000	Georgia Gulf Corp., Senior Notes, 10.750% due 10/15/16	1,669,850
	800,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14	692,000
	1,440,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	1,490,400
	2,870,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27 ^(a)	1,305,850
	494,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	422,370
		<i>Total Chemicals</i>	5,580,470
		Containers & Packaging 0.7%	
	650,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	591,500
	525,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 ^(a)	446,250
	725,000	Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10 ^{(c)(e)(f)}	0
	810,000	Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16 ^(a)	826,200
	1,090,000	Solo Cup Co., Senior Subordinated Notes, 8.500% due 2/15/14	877,450
		<i>Total Containers & Packaging</i>	2,741,400
		Metals & Mining 3.0%	
	2,090,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17	2,061,724
	880,000	Metals USA Holdings Corp., 8.791% due 7/1/12 ^{(b)(d)}	708,400
	2,345,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	2,262,925
	2,690,000	Noranda Aluminium Holding Corp., Senior Notes, 8.578% due 11/15/14 ^{(b)(d)}	1,788,850
	2,425,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15	2,121,875
	4,105,000	Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15 ^(a)	3,509,775
		<i>Total Metals & Mining</i>	12,453,549
		Paper & Forest Products 2.9%	
		Abitibi-Consolidated Co. of Canada:	
	3,295,000	15.500% due 7/15/10 ^(a)	2,339,450
	3,590,000	Senior Secured Notes, 13.750% due 4/1/11 ^(a)	3,590,000
		Appleton Papers Inc.:	
	125,000	Senior Notes, 8.125% due 6/15/11	110,313

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2008

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Paper & Forest Products 2.9% continued	
\$	2,410,000	Senior Subordinated Notes, 9.750% due 6/15/14	\$ 1,861,725
		NewPage Corp., Senior Secured Notes:	
	2,755,000	9.051% due 5/1/12 ^(d)	2,479,500
	430,000	10.000% due 5/1/12	387,000
	789,511	Newpage Holding Corp., 9.986% due 11/1/13 ^{(b)(d)}	702,665
	830,000	Verso Paper Holdings LLC, 11.375% due 8/1/16	676,450
		<i>Total Paper & Forest Products</i>	<i>12,147,103</i>
		TOTAL MATERIALS	32,922,522
TELECOMMUNICATION SERVICES	9.2%	Diversified Telecommunication Services 6.4%	
	385,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	275,275
		Citizens Communications Co.:	
	160,000	Debentures, 7.050% due 10/1/46	92,000
	2,125,000	Senior Notes, 7.875% due 1/15/27	1,604,375
	1,555,000	GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10 ^{(c)(e)(f)}	0
		Hawaiian Telcom Communications Inc.:	
	130,000	Senior Notes, 9.750% due 5/1/13	26,650
	980,000	Senior Subordinated Notes, 12.500% due 5/1/15	142,100
	4,250,000	Intelsat Corp., 9.250% due 8/15/14 ^(a)	3,995,000
	170,000	Intelsat Jackson Holdings Ltd., 9.500% due 6/15/16 ^(a)	158,950
	3,390,000	Level 3 Financing Inc., Senior Notes, 9.250% due 11/1/14	2,576,400
	2,200,000	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16 ^(a)	2,013,000
		Qwest Communications International Inc.:	
	500,000	7.250% due 2/15/11	476,250
		Senior Notes:	
	250,000	6.304% due 2/15/09 ^(d)	248,125
	1,440,000	7.500% due 2/15/14	1,252,800
	4,245,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 ^(a)	3,438,450
	3,977,000	Virgin Media Finance PLC, Senior Notes, 9.125% due 8/15/16	3,350,622