

WESTERN ASSET HIGH INCOME FUND II INC.  
Form N-Q  
March 25, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-8709

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

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

10041  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

Registrant's telephone number, including area code: 1-888-777-0102

Date of fiscal year end: April 30

Date of reporting period: January 31, 2010

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ITEM 1. SCHEDULE OF INVESTMENTS

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**WESTERN ASSET**

**HIGH INCOME FUND II INC.**

**FORM N-Q**

JANUARY 31, 2010

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## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited)

January 31, 2010

| Face<br>Amount                                | Security  | Value            |
|---|---|------------------|
| <b>CORPORATE BONDS &amp; NOTES 89.6%</b>      |   |                  |
| <b>CONSUMER DISCRETIONARY 16.5%</b>           |   |                  |
| <b>Auto Components 0.8%</b>                   |   |                  |
| 4,943,480                                     | Allison Transmission Inc., Senior Toggle Notes,<br>11.250% due 11/1/15 (a) (b)                                  | \$ 5,227,730     |
| 321,000                                       | Visteon Corp., Senior Notes:<br>8.250% due 8/1/10 (c)   | 148,463          |
| 2,874,000                                     | 12.250% due 12/31/16 (a)(c)   | 2,284,830        |
|   | <b>Total Auto Components</b>  | <b>7,661,023</b> |
| <b>Automobiles 0.5%</b>                       |   |                  |
| 7,855,000                                     | Motors Liquidation Co.:<br>Senior Debentures, 8.375% due 7/15/33 (c)  | 2,238,675        |
| 9,995,000                                     | Senior Notes, 7.200% due 1/15/11 (c)  | 2,773,612        |
|   | <b>Total Automobiles</b>  | <b>5,012,287</b> |
| <b>Diversified Consumer Services 0.5%</b>     |   |                  |
| 1,090,000                                     | Service Corp. International, Senior Notes, 7.500% due<br>4/1/27   | 1,013,700        |
| 3,286,000                                     | Stonemor Operating LLC/Cornerstone Family<br>Services/Osiris Holdings, Senior Notes, 10.250% due<br>12/1/17 (a) | 3,466,730        |
|   | <b>Total Diversified Consumer Services</b>  | <b>4,480,430</b> |
| <b>Hotels, Restaurants &amp; Leisure 5.8%</b> |   |                  |
| 2,515,000                                     | Ameristar Casinos Inc., Senior Notes, 9.250% due 6/1/14<br>(a)  | 2,609,312        |
| 1,000,000                                     | Boyd Gaming Corp., Senior Subordinated Notes, 6.750%<br>due 4/15/14   | 930,000          |
| 468,000                                       | Choctaw Resort Development Enterprise, Senior Notes,<br>7.250% due 11/15/19 (a)                                 | 329,940          |
| 2,985,000                                     | Downstream Development Quapaw, Senior Notes,<br>12.000% due 10/15/15 (a)  | 2,582,025        |
| 4,490,000                                     | El Pollo Loco Inc.:<br>Senior Notes, 11.750% due 11/15/13   | 4,198,150        |
| 2,530,000                                     | Senior Secured Notes, 11.750% due 12/1/12   | 2,650,175        |
| 975,000                                       | Fontainebleau Las Vegas Holdings LLC/Fontainebleau<br>Las Vegas Capital Corp., 10.250% due 6/15/15 (a)(c)       | 14,625           |
| 1,100,000                                     | Harrah s Operating Co. Inc.:<br>Senior Bonds, 5.625% due 6/1/15   | 679,250          |
| 5,096,000                                     | Senior Notes, 10.750% due 2/1/16  | 4,242,420        |
| 1,154,000                                     | Senior Secured Notes:<br>10.000% due 12/15/15   | 963,590          |
| 7,365,000                                     | 11.250% due 6/1/17  | 7,862,137        |
| 2,995,000                                     | Indianapolis Downs LLC & Capital Corp., Senior Secured<br>Notes,<br>11.000% due 11/1/12 (a)                     | 2,036,600        |
| 6,400,000                                     | Inn of the Mountain Gods Resort & Casino, Senior Notes,<br>12.000% due 11/15/10 (c)(d)                          | 3,184,000        |
| 1,750,000                                     | Landry s Restaurants Inc., Senior Secured Notes, 11.625%<br>due 12/1/15 (a)                                     | 1,881,250        |

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|           |  |           |
|-----------|--|-----------|
| 160,000   | MGM MIRAGE Inc.:<br>Senior Notes, 8.500% due 9/15/10                                     | 161,600   |
| 890,000   | Senior Secured Notes:<br>10.375% due 5/15/14 (a)   | 981,225   |
| 2,135,000 | 11.125% due 11/15/17 (a)   | 2,412,550 |
| 2,500,000 | Senior Subordinated Notes, 8.375% due 2/1/11   | 2,415,625 |
| 2,360,000 | Mohegan Tribal Gaming Authority:<br>Senior Secured Notes, 11.500% due 11/1/17 (a)        | 2,489,800 |
| 580,000   | Senior Subordinated Notes:<br>8.000% due 4/1/12  | 537,225   |
| 420,000   | 6.875% due 2/15/15   | 309,750   |
| 3,480,000 | NCL Corp. Ltd., Senior Secured Notes, 11.750% due<br>11/15/16 (a)                        | 3,706,200 |
| 850,000   | Penn National Gaming Inc., Senior Subordinated Notes,<br>8.750% due 8/15/19 (a)          | 871,250   |
| 2,355,000 | Pinnacle Entertainment Inc., Senior Notes, 8.625% due<br>8/1/17 (a)                      | 2,372,663 |
| 1,800,000 | Snoqualmie Entertainment Authority, Senior Secured<br>Notes,<br>4.680% due 2/1/14 (a)(e) | 1,206,000 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount  | Security   | Value             |
|---|--|-------------------|
| <b>Hotels, Restaurants &amp; Leisure 5.8% (continued)</b> |  |                   |
| 7,305,000   | Station Casinos Inc.:  |                   |
| 1,450,000   | Senior Notes, 6.000% due 4/1/12 (c)(d)   | \$ 1,278,375      |
| 750,000   | Senior Subordinated Notes, 6.625% due 3/15/18 (c)(d)   | 14,500            |
|   | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.,<br>Secured Notes, 7.875% due 11/1/17 (a)    | 761,250           |
|   | <b>Total Hotels, Restaurants &amp; Leisure</b>   | <b>53,681,487</b> |
| <b>Household Durables 0.6%</b>                            |  |                   |
| 640,000   | American Greetings Corp., Senior Notes:<br>7.375% due 6/1/16                                 | 633,600           |
| 497,000   | 7.375% due 6/1/16  | 457,240           |
| 1,520,000   | Jarden Corp., Senior Subordinated Notes, 7.500% due<br>1/15/20                               | 1,535,200         |
| 2,190,000   | Libbey Glass Inc., Senior Secured Notes, 10.000% due<br>2/15/15 (a)                          | 2,228,325         |
| 1,021,000   | Norcraft Holdings LP/Norcraft Capital Corp., Senior<br>Discount Notes, 9.750% due 9/1/12 (d) | 995,475           |
|   | <b>Total Household Durables</b>  | <b>5,849,840</b>  |
| <b>Internet &amp; Catalog Retail 0.1%</b>                 |  |                   |
| 520,000   | Netflix Inc., Senior Notes, 8.500% due 11/15/17  | 551,200           |
| <b>Media 5.6%</b>   |  |                   |
| 3,270,000   | Affinion Group Inc., Senior Subordinated Notes:<br>10.125% due 10/15/13                      | 3,339,487         |
| 6,740,000   | 11.500% due 10/15/15   | 7,009,600         |
| 785,000   | Cengage Learning Acquisitions Inc.:  |                   |
| 2,550,000   | Senior Notes, 10.500% due 1/15/15 (a)  | 763,413           |
| 8,660,000   | Senior Subordinated Notes, 13.250% due 7/15/15 (a)   | 2,537,250         |
|   | Charter Communications Inc., Senior Secured Notes,<br>10.875% due 9/15/14 (a)                | 9,742,500         |
| 254,000   | CMP Susquehanna Corp., 4.774% due 5/15/14 (a)(d)(e)(f)                                       | 88,900            |
|   | CSC Holdings Inc.:   |                   |
| 1,500,000   | Senior Debentures, 7.875% due 2/15/18  | 1,571,250         |
| 2,835,000   | Senior Notes, 8.500% due 6/15/15 (a)   | 3,012,187         |
|   | DISH DBS Corp., Senior Notes:  |                   |
| 980,000   | 6.625% due 10/1/14   | 975,100           |
| 5,065,000   | 7.875% due 9/1/19  | 5,254,937         |
| 2,039,000   | Globo Comunicacoes e Participacoes SA, Bonds,<br>7.250% due 4/26/22 (a) (g)                  | 2,135,853         |
|   | NET Servicos de Comunicacao SA, Bonds:   |                   |
| 690,000   | 7.500% due 1/27/20 (a)   | 703,800           |
| 400,000   | 7.500% due 1/27/20 (a)   | 408,000           |
| 1,695,000   | R.H. Donnelley Corp., Senior Notes, 8.875% due 1/15/16<br>(c)                                | 177,975           |
| 3,000,000   | Sinclair Broadcast Group Inc., Senior Subordinated Notes,<br>8.000% due 3/15/12              | 2,940,000         |
| 2,525,000   | Sun Media Corp., Senior Notes, 7.625% due 2/15/13  | 2,446,094         |
| 3,795,000   | Univision Communications Inc., Senior Secured Notes,<br>12.000% due 7/1/14 (a)               | 4,117,575         |
| 1,265,000   | UPC Holding BV, Senior Notes, 9.875% due 4/15/18 (a)   | 1,344,063         |

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|                              |   |            |
|------------------------------|---|------------|
| 1,370,000                    | Virgin Media Finance PLC:                                       |            |
| 1,830,000                    | Senior Bonds, 9.500% due 8/15/16                                | 1,459,050  |
|                              | Senior Notes, 9.125% due 8/15/16                                | 1,912,350  |
|                              | <b>Total Media</b>  | 51,939,384 |
| <b>Multiline Retail 0.6%</b> |   |            |
| 5,080,978                    | Neiman Marcus Group Inc.:                                       |            |
| 1,070,000                    | Senior Notes, 9.000% due 10/15/15 (b)                           | 4,966,656  |
|                              | Senior Secured Notes, 7.125% due 6/1/28                         | 925,550    |
|                              | <b>Total Multiline Retail</b>                                   | 5,892,206  |
| <b>Specialty Retail 1.5%</b> |   |            |
| 2,876,000                    | Blockbuster Inc., Senior Secured Notes, 11.750% due 10/1/14 (a) | 2,113,860  |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount                                   | Security   | Value              |
|--|--|--------------------|
| <b>Specialty Retail 1.5% (continued)</b>         |  |                    |
| 2,350,000  | Eye Care Centers of America, Senior Subordinated Notes,<br>10.750% due 2/15/15                               | \$ 2,479,250       |
| 300,000  | Limited Brands Inc., Senior Notes, 8.500% due 6/15/19 (a)<br>Michaels Stores Inc.:                           | 328,500            |
| 5,965,000  | Senior Notes, 10.000% due 11/1/14  | 6,054,475          |
| 3,000,000  | Senior Subordinated Notes, step bond to yield, 12.498%<br>due 11/1/16  | 2,497,500          |
|  | <b>Total Specialty Retail</b>  | <b>13,473,585</b>  |
| <b>Textiles, Apparel &amp; Luxury Goods 0.5%</b> |  |                    |
| 4,455,000  | Oxford Industries Inc., Senior Secured Notes, 11.375% due<br>7/15/15   | 5,011,875          |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>  | <b>153,553,317</b> |
| <b>CONSUMER STAPLES 1.3%</b>                     |  |                    |
| <b>Food Products 0.6%</b>                        |  |                    |
| 1,030,000  | Bumble Bee Foods LLC, Senior Secured Notes, 7.750%<br>due 12/15/15 (a)                                       | 1,037,725          |
| 1,285,000  | Del Monte Corp., Senior Subordinated Notes, 7.500% due<br>10/15/19 (a)                                       | 1,326,762          |
| 84,000   | Dole Food Co. Inc.:  |                    |
| 1,400,000  | Senior Notes, 13.875% due 3/15/14 (a)  | 100,800            |
| 1,130,000  | Senior Secured Notes, 8.000% due 10/1/16 (a)   | 1,456,000          |
|  | Smithfield Foods Inc., Senior Secured Notes, 10.000% due<br>7/15/14 (a)                                      | 1,235,938          |
|  | <b>Total Food Products</b>   | <b>5,157,225</b>   |
| <b>Household Products 0.3%</b>                   |  |                    |
| 1,065,000  | American Achievement Corp., Senior Subordinated Notes,<br>8.250% due 4/1/12 (a)                              | 1,067,663          |
| 1,745,000  | Reynolds Group DL Escrow Inc./Reynolds Group Escrow<br>LLC,<br>Senior Secured Notes, 7.750% due 10/15/16 (a) | 1,766,812          |
|  | <b>Total Household Products</b>  | <b>2,834,475</b>   |
| <b>Personal Products 0.1%</b>                    |  |                    |
| 1,390,000  | Revlon Consumer Products Corp., Senior Secured Notes,<br>9.750% due 11/15/15 (a)                             | 1,440,388          |
| <b>Tobacco 0.3%</b>                              |  |                    |
| 1,860,000  | Alliance One International Inc., Senior Notes:<br>10.000% due 7/15/16 (a)                                    | 1,980,900          |
| 700,000  | 10.000% due 7/15/16 (a)  | 745,500            |
|  | <b>Total Tobacco</b>   | <b>2,726,400</b>   |
|  | <b>TOTAL CONSUMER STAPLES</b>  | <b>12,158,488</b>  |
| <b>ENERGY 12.8%</b>                              |  |                    |
| <b>Energy Equipment &amp; Services 1.2%</b>      |  |                    |
| 2,750,000  | Basic Energy Services Inc., Senior Secured Notes,<br>11.625% due 8/1/14                                      | 2,997,500          |
| 2,225,000  | Complete Production Services Inc., Senior Notes, 8.000%<br>due 12/15/16                                      | 2,213,875          |
| 1,145,000  | GulfMark Offshore Inc., Senior Subordinated Notes,<br>7.750% due 7/15/14                                     | 1,142,137          |



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|  |   |                   |
|--|---|-------------------|
| 1,695,000                                    | Hercules Offshore LLC, Senior Secured Notes, 10.500% due 10/15/17 (a) | 1,754,325         |
| 3,015,000                                    | Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14            | 3,030,075         |
| 310,000                                      | Parker Drilling Co., Senior Notes, 9.625% due 10/1/13                 | 320,075           |
|  | <b>Total Energy Equipment &amp; Services</b>                          | <b>11,457,987</b> |
| <b>Oil, Gas &amp; Consumable Fuels 11.6%</b> |   |                   |
| 770,000                                      | Adaro Indonesia PT, Notes, 7.625% due 10/22/19 (a)                    | 771,925           |
| 2,375,000                                    | Arch Coal Inc., Senior Notes, 8.750% due 8/1/16 (a)                   | 2,541,250         |
| 2,440,000                                    | Atlas Pipeline Partners LP, Senior Notes, 8.750% due 6/15/18          | 2,269,200         |
| 7,595,000                                    | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12               | 7,329,175         |
| 2,280,000                                    | Berry Petroleum Co., Senior Notes, 10.250% due 6/1/14                 | 2,508,000         |
| 2,000,000                                    | Chesapeake Energy Corp., Senior Notes:<br>6.625% due 1/15/16          | 1,955,000         |
| 1,420,000                                    | 6.500% due 8/15/17  | 1,366,750         |
| 2,500,000                                    | 6.250% due 1/15/18  | 2,381,250         |
| 2,870,000                                    | 7.250% due 12/15/18   | 2,870,000         |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount   | Security   | Value        |
|--|--|--------------|
| <b>Oil, Gas &amp; Consumable Fuels 11.6% (continued)</b> |  |              |
| 1,365,000  | Compagnie Generale de Geophysique-Veritas, Senior Notes,<br>9.500% due 5/15/16                                     | \$ 1,467,375 |
| 6,986,805  | Corral Petroleum Holdings AB, Senior Secured Subordinated Bonds, 5.251% due 4/15/10 (a)(b)(e)(f)<br>El Paso Corp.: | 5,694,246    |
| 493,000  | Medium-Term Notes, 7.800% due 8/1/31   | 492,516      |
| 5,200,000  | Notes, 7.875% due 6/15/12  | 5,526,773    |
| 620,000  | Encore Acquisition Co., Senior Subordinated Notes,<br>9.500% due 5/1/16  | 654,100      |
| 285,000  | Enterprise Products Operating LLP, Junior Subordinated Notes,<br>8.375% due 8/1/66 (e)                             | 283,568      |
| 2,565,000  | Forest Oil Corp., Senior Subordinated Notes, 8.500% due<br>2/15/14   | 2,706,075    |
| 130,000  | Griffin Coal Mining Co. Pty Ltd., Senior Notes, 9.500%<br>due 12/1/16 (a)(c)                                       | 68,250       |
| 5,460,000  | International Coal Group Inc., Senior Notes, 10.250% due<br>7/15/14  | 5,500,950    |
| 2,070,000  | KazMunaiGaz Finance Sub B.V., Senior Notes, 8.375%<br>due 7/2/13 (a)(g)  | 2,261,475    |
| 1,720,000  | LUKOIL International Finance BV, Notes, 6.356% due<br>6/7/17 (a)(g)  | 1,720,000    |
| 1,215,000  | Mariner Energy Inc., Senior Notes, 8.000% due 5/15/17  | 1,193,738    |
| 2,440,000  | MarkWest Energy Partners LP/MarkWest Energy Finance<br>Corp.,<br>Senior Notes, 8.750% due 4/15/18                  | 2,549,800    |
| 3,140,000  | Murray Energy Corp., Senior Secured Notes, 10.250% due<br>10/15/15 (a)   | 3,210,650    |
| 1,820,000  | OPTI Canada Inc., Senior Secured Notes:<br>9.000% due 12/15/12 (a)   | 1,874,600    |
| 1,480,000  | 7.875% due 12/15/14  | 1,291,300    |
| 1,495,000  | 8.250% due 12/15/14  | 1,323,075    |
| 6,067,000  | Pemex Project Funding Master Trust, Senior Bonds,<br>6.625% due 6/15/35 (g)  | 5,651,313    |
| 1,145,000  | Petrobras International Finance Co., Senior Notes, 6.875%<br>due 1/20/40   | 1,157,363    |
| 3,435,000  | Petrohawk Energy Corp., Senior Notes, 9.125% due<br>7/15/13  | 3,598,163    |
| 1,610,000  | Petroplus Finance Ltd., Senior Notes:<br>6.750% due 5/1/14 (a)   | 1,497,300    |
| 320,000  | 7.000% due 5/1/17 (a)  | 288,800      |
| 1,975,000  | Plains Exploration & Production Co., Senior Notes:<br>10.000% due 3/1/16   | 2,202,125    |
| 2,260,000  | 8.625% due 10/15/19  | 2,395,600    |
| 485,000  | Quicksilver Resources Inc.:  |              |
|  | Senior Notes, 11.750% due 1/1/16   | 561,388      |
| 3,000,000  | Senior Subordinated Notes, 7.125% due 4/1/16   | 2,861,250    |

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|                              |  |             |
|------------------------------|--|-------------|
| 7,890,000                    | SandRidge Energy Inc., Senior Notes, 8.625% due 4/1/15 (b)                             | 7,978,762   |
| 1,750,000                    | Stone Energy Corp., Senior Notes, 8.625% due 2/1/17                                    | 1,750,000   |
| 4,870,000                    | Teekay Corp., Senior Notes, 8.500% due 1/15/20   | 4,967,400   |
| 2,000,000                    | Tesoro Corp., Senior Notes, 6.250% due 11/1/12   | 2,025,000   |
| 2,515,000                    | W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 (a)                                | 2,426,975   |
| 2,205,000                    | Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14                  | 2,238,075   |
| 3,475,000                    | Williams Cos. Inc., Senior Notes, 7.625% due 7/15/19                                   | 4,177,297   |
|                              | <b>Total Oil, Gas &amp; Consumable Fuels</b>   | 107,587,852 |
|                              | <b>TOTAL ENERGY</b>  | 119,045,839 |
| <b>FINANCIALS 12.8%</b>      |  |             |
| <b>Capital Markets 0.1%</b>  |  |             |
| 2,715,000                    | Lehman Brothers Holdings Inc., Medium-Term Notes, Senior Notes, 5.250% due 2/6/12 (c)  | 580,331     |
| <b>Commercial Banks 2.1%</b> |  |             |
| 1,910,000                    | BAC Capital Trust VI, Capital Securities, Junior Subordinated Notes, 5.625% due 3/8/35 | 1,606,180   |
| 1,300,000                    | Credit Agricole SA, Subordinated Notes, 8.375% due 10/13/19 (a)(e)(h)                  | 1,408,536   |
| 1,174,000                    | ICICI Bank Ltd., Subordinated Bonds: 6.375% due 4/30/22 (a)(e)(g)                      | 1,097,389   |
| 1,170,000                    | 6.375% due 4/30/22 (a)(e)(g)   | 1,092,106   |
| 1,455,000                    | Royal Bank of Scotland Group PLC, Subordinated Notes: 5.000% due 11/12/13              | 1,392,464   |
| 620,000                      | 5.050% due 1/8/15  | 566,104     |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount                        | Security   | Value             |
|---------------------------------------|--|-------------------|
| <b>Commercial Banks</b>               | <b>2.1% (continued)</b>  |                   |
|                                       | RSHB Capital, Loan Participation Notes:  |                   |
|                                       | Secured Notes:   |                   |
| 1,720,000                             | 7.125% due 1/14/14 (a)(g)  | \$ 1,838,852      |
| 1,320,000                             | 7.125% due 1/14/14 (a)(g)  | 1,414,248         |
| 1,055,000                             | Senior Secured Bonds, 6.299% due 5/15/17 (a)(g)  | 1,053,681         |
|                                       | Senior Secured Notes:  |                   |
| 1,204,000                             | 7.175% due 5/16/13 (a)(g)  | 1,290,929         |
| 2,010,000                             | 9.000% due 6/11/14 (a)(g)  | 2,292,807         |
| 3,110,000                             | Wells Fargo Capital XIII, Medium-Term Notes, 7.700% due 3/26/13 (e) (h)                                      | 3,032,250         |
| 1,100,000                             | Wells Fargo Capital XV, Junior Subordinated Notes, 9.750% due 9/26/13 (e)(h)                                 | 1,177,000         |
|                                       | <b>Total Commercial Banks</b>  | <b>19,262,546</b> |
| <b>Consumer Finance</b>               | <b>5.2%</b>  |                   |
| 5,370,000                             | FMG Finance Pty Ltd., Senior Secured Notes, 10.625% due 9/1/16 (a)   | 6,108,375         |
|                                       | Ford Motor Credit Co., LLC, Senior Notes:  |                   |
| 1,000,000                             | 9.875% due 8/10/11   | 1,046,583         |
| 1,580,000                             | 7.500% due 8/1/12  | 1,601,547         |
| 18,040,000                            | 12.000% due 5/15/15  | 20,737,251        |
|                                       | GMAC Inc.:   |                   |
|                                       | Senior Notes:  |                   |
| 3,166,000                             | 6.875% due 8/28/12   | 3,158,085         |
| 6,140,000                             | 6.750% due 12/1/14   | 6,032,550         |
| 11,000                                | Subordinated Notes, 8.000% due 12/31/18  | 10,505            |
|                                       | GMAC LLC:  |                   |
| 4,290,000                             | Debentures, zero coupon bond to yield 25.750% due 6/15/15  | 2,520,375         |
| 4,210,000                             | Senior Bonds, zero coupon bond to yield, 27.674% due 12/1/12   | 3,348,541         |
|                                       | SLM Corp., Medium-Term Notes, Senior Notes:  |                   |
| 2,675,000                             | 8.450% due 6/15/18   | 2,625,360         |
| 1,650,000                             | 5.625% due 8/1/33  | 1,270,031         |
|                                       | <b>Total Consumer Finance</b>  | <b>48,459,203</b> |
| <b>Diversified Financial Services</b> | <b>3.2%</b>  |                   |
| 2,160,000                             | Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities, 10.250% due 8/15/39 | 2,479,123         |
| 4,430,000                             | CCM Merger Inc., Notes, 8.000% due 8/1/13 (a)  | 3,654,750         |
|                                       | CIT Group Inc., Senior Secured Bonds:  |                   |
| 371,155                               | 7.000% due 5/1/13  | 341,463           |
| 556,733                               | 7.000% due 5/1/14  | 500,364           |
| 556,733                               | 7.000% due 5/1/15  | 486,445           |
| 1,437,889                             | 7.000% due 5/1/16  | 1,240,179         |
| 8,259,044                             | 7.000% due 5/1/17  | 7,071,807         |
|                                       | International Lease Finance Corp., Medium-Term Notes, Senior Notes:  |                   |
| 390,000                               | 5.750% due 6/15/11   | 365,708           |

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|           |  |           |
|-----------|--|-----------|
| 1,400,000 | 5.625% due 9/20/13   | 1,152,886 |
| 330,000   | JPMorgan Chase & Co., Junior Subordinated Notes,<br>7.900% due 4/30/18 (e) (h) | 339,121   |
| 80,000    | Leucadia National Corp., Senior Notes:<br>7.750% due 8/15/13                   | 82,800    |
| 3,670,000 | 8.125% due 9/15/15   | 3,770,925 |
| 230,000   | TNK-BP Finance SA:<br>6.625% due 3/20/17 (a)                                   | 227,700   |
| 200,000   | 7.875% due 3/13/18 (a)   | 210,000   |
| 1,540,000 | Senior Notes:<br>7.500% due 7/18/16 (a)(g)                                     | 1,593,900 |
| 1,390,000 | 7.875% due 3/13/18 (a)(g)  | 1,447,337 |
| 2,200,000 | UPC Germany GmbH, Senior Secured Bonds, 8.125%<br>due 12/1/17 (a)              | 2,233,000 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount   | Security   | Value        |
|--|--|--------------|
| <b>Diversified Financial Services 3.2% (continued)</b> |  |              |
| 2,640,000  | Vanguard Health Holdings Co., II LLC, Senior Notes, 8.000% due 2/1/18 (a)  | \$ 2,590,500 |
|  | <b>Total Diversified Financial Services</b>  | 29,788,008   |
| <b>Insurance 1.2%</b>                                  |  |              |
| 1,875,000  | American International Group Inc.:<br>Junior Subordinated Notes, 8.175% due 5/15/58 (e)                                  | 1,275,000    |
| 4,565,000  | Medium-Term Notes, Senior Notes, 5.450% due 5/18/17  | 3,664,193    |
| 920,000  | Senior Notes:<br>5.050% due 10/1/15  | 767,193      |
| 3,180,000  | 8.250% due 8/15/18   | 2,922,007    |
| 2,120,000  | Everest Reinsurance Holdings Inc., Subordinated Notes,<br>6.600% due 5/15/37 (e)   | 1,738,400    |
| 1,100,000  | MetLife Capital Trust IV, Junior Subordinated Notes,<br>7.875% due 12/15/37 (a)  | 1,111,000    |
|  | <b>Total Insurance</b>   | 11,477,793   |
| <b>Real Estate Investment Trusts (REITs) 0.4%</b>      |  |              |
| 1,280,000  | DuPont Fabros Technology LP, Senior Notes,<br>8.500% due 12/15/17 (a)  | 1,318,400    |
| 2,500,000  | Host Marriott LP, Senior Notes, 7.125% due 11/1/13   | 2,531,250    |
|  | <b>Total Real Estate Investment Trusts (REITs)</b>   | 3,849,650    |
| <b>Real Estate Management &amp; Development 0.6%</b>   |  |              |
| 1,297,400  | Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, step bond to yield, 23.322% due 6/30/15 (a)(d) | 360,028      |
| 5,605,000  | Realogy Corp.:<br>Senior Notes, 10.500% due 4/15/14  | 4,792,275    |
| 392,591  | Senior Toggle Notes, 11.000% due 4/15/14 (b)   | 325,851      |
|  | <b>Total Real Estate Management &amp; Development</b>  | 5,478,154    |
|  | <b>TOTAL FINANCIALS</b>  | 118,895,685  |
| <b>HEALTH CARE 6.0%</b>                                |  |              |
| <b>Biotechnology 0.2%</b>                              |  |              |
| 1,470,000  | Talecris Biotherapeutics Holdings Corp., Senior Notes,<br>7.750% due 11/15/16 (a)  | 1,506,750    |
| <b>Health Care Equipment &amp; Supplies 0.5%</b>       |  |              |
| 2,150,000  | Biomet Inc.:<br>Senior Notes, 10.000% due 10/15/17   | 2,348,875    |
| 1,710,000  | Senior Toggle Notes, 10.375% due 10/15/17 (b)  | 1,872,450    |
|  | <b>Total Health Care Equipment &amp; Supplies</b>  | 4,221,325    |
| <b>Health Care Providers &amp; Services 5.3%</b>       |  |              |
| 6,175,000  | CRC Health Corp., Senior Subordinated Notes,<br>10.750% due 2/1/16   | 5,588,375    |
| 1,325,000  | HCA Inc.:<br>Debentures, 7.500% due 11/15/95   | 1,068,375    |
| 15,354,000   | Senior Secured Toggle Notes, 9.625% due 11/15/16 (b)   | 16,313,625   |

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|           |  |                   |
|-----------|--|-------------------|
|           | Tenet Healthcare Corp., Senior Notes:                              |                   |
| 3,100,000 | 9.000% due 5/1/15 (a)  | 3,286,000         |
| 5,810,000 | 10.000% due 5/1/18 (a)   | 6,478,150         |
| 1,470,000 | 6.875% due 11/15/31  | 1,190,700         |
|           | Universal Hospital Services Inc., Senior Secured Notes:            |                   |
| 1,010,000 | 3.859% due 6/1/15 (e)  | 868,600           |
| 4,840,000 | 8.500% due 6/1/15 (b)  | 4,755,300         |
| 8,182,000 | US Oncology Holdings Inc., Senior Notes, 7.178% due 3/15/12 (b)(e) | 7,772,900         |
| 2,130,000 | US Oncology Inc., Senior Secured Notes, 9.125% due 8/15/17         | 2,247,150         |
|           | <b>Total Health Care Providers &amp; Services</b>                  | <b>49,569,175</b> |
|           | <b>TOTAL HEALTH CARE</b>   | <b>55,297,250</b> |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount                                 | Security  | Value             |
|--|---|-------------------|
| <b>INDUSTRIALS 10.4%</b>                       |   |                   |
| <b>Aerospace &amp; Defense 1.2%</b>            |   |                   |
| 340,000  | Freedom Group Inc., Senior Secured Notes, 10.250% due 8/1/15 (a)              | \$ 360,400        |
| 10,225,200                                     | Hawker Beechcraft Acquisition Co., Senior Toggle Notes, 8.875% due 4/1/15 (b) | 6,160,683         |
| 106,119  | Kac Acquisition Co., Subordinated Notes, 8.000% due 4/26/26 (c)(d)(f)         | 0                 |
| 1,395,000                                      | L-3 Communications Corp., Senior Subordinated Notes, 6.375% due 10/15/15      | 1,419,413         |
| 3,365,000                                      | TransDigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (a)             | 3,415,475         |
|  | <b>Total Aerospace &amp; Defense</b>  | <b>11,355,971</b> |
| <b>Air Freight &amp; Logistics 0.1%</b>        |   |                   |
| 500,000  | TGI International Ltd., Senior Notes, 9.500% due 10/3/17 (a)                  | 543,750           |
| <b>Airlines 3.0%</b>                           |   |                   |
| 790,000  | American Airlines Inc., Senior Secured Notes, 10.500% due 10/15/12 (a)        | 827,525           |
|  | Continental Airlines Inc., Pass-Through Certificates:                         |                   |
| 869,397  | 8.312% due 10/2/12  | 838,968           |
| 1,930,000                                      | 7.339% due 4/19/14  | 1,826,263         |
| 5,000,000                                      | 5.983% due 4/19/22  | 4,837,500         |
| 9,280,000                                      | DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 (a)              | 8,560,800         |
|  | Delta Air Lines Inc.:   |                   |
|  | Pass-Through Certificates:  |                   |
| 95,625   | 7.379% due 5/18/10  | 95,625            |
| 2,135,000                                      | 7.711% due 9/18/11  | 2,113,650         |
| 2,182,433                                      | 8.954% due 8/10/14  | 2,043,302         |
| 1,488,098                                      | 6.821% due 8/10/22  | 1,454,616         |
| 1,150,000                                      | Subordinated Notes, 9.750% due 12/17/16                                       | 1,204,625         |
|  | Senior Secured Notes:   |                   |
| 1,310,000                                      | 9.500% due 9/15/14 (a)  | 1,372,225         |
| 1,440,000                                      | 12.250% due 3/15/15 (a)   | 1,497,600         |
| 1,080,000                                      | United Air Lines Inc., Senior Secured Notes, 9.875% due 8/1/13 (a)            | 1,096,200         |
|  | <b>Total Airlines</b>   | <b>27,768,899</b> |
| <b>Building Products 1.5%</b>                  |   |                   |
| 4,560,000                                      | Associated Materials Inc., Senior Discount Notes, 11.250% due 3/1/14          | 4,582,800         |
|  | GTL Trade Finance Inc., Senior Notes:   |                   |
| 2,260,000                                      | 7.250% due 10/20/17 (a)(g)  | 2,356,050         |
| 2,202,000                                      | 7.250% due 10/20/17 (a)(g)  | 2,295,585         |
| 3,887,200                                      | Nortek Inc., Senior Secured Notes, 11.000% due 12/1/13                        | 4,100,996         |
| 435,000  | USG Corp., Senior Notes, 9.750% due 8/1/14 (a)                                | 463,275           |
|  | <b>Total Building Products</b>  | <b>13,798,706</b> |
| <b>Commercial Services &amp; Supplies 1.6%</b> |   |                   |
| 3,075,000                                      | ACCO Brands Corp., Senior Secured Notes, 10.625% due 3/15/15 (a)              | 3,382,500         |
|  | Altegrity Inc., Senior Subordinated Notes:                                    |                   |



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|  |  |                   |
|--|--|-------------------|
| 1,060,000                                  | 10.500% due 11/1/15 (a)  | 999,050           |
| 4,775,000                                  | 11.750% due 5/1/16 (a)   | 4,309,437         |
| 484,000                                    | DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13 | 492,470           |
| 1,435,000                                  | Geo Group Inc., Senior Notes, 7.750% due 10/15/17 (a)                                      | 1,470,875         |
| 3,215,000                                  | RSC Equipment Rental Inc.: Senior Notes, 9.500% due 12/1/14                                | 3,271,262         |
| 1,155,000                                  | Senior Secured Notes, 10.000% due 7/15/17 (a)  | 1,261,838         |
|  | <b>Total Commercial Services &amp; Supplies</b>  | <b>15,187,432</b> |
| <b>Construction &amp; Engineering 0.4%</b> |  |                   |
| 3,740,000                                  | Odebrecht Finance Ltd., 7.500% due 10/18/17 (a)(g)   | 3,889,600         |
| <b>Electrical Equipment 0.2%</b>           |  |                   |
| 1,770,000                                  | Coleman Cable Inc., Senior Notes, 9.000% due 2/15/18 (a)                                   | 1,756,725         |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount  | Security   | Value             |
|---|--|-------------------|
| <b>Machinery 0.1%</b><br>1,390,000  | American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14  | \$ 1,320,500      |
| <b>Marine 0.4%</b><br>510,000   | Marquette Transportation Co./Marquette Transportation Finance Corp., Senior Secured Notes, 10.875% due 1/15/17 (a) | 512,550           |
| 3,110,000   | Trico Shipping AS, Senior Secured Notes, 11.875% due 11/1/14 (a)   | 3,281,050         |
|   | <b>Total Marine</b>  | <b>3,793,600</b>  |
| <b>Road &amp; Rail 1.2%</b><br>2,329,000  | Kansas City Southern de Mexico, Senior Notes:<br>9.375% due 5/1/12   | 2,398,870         |
| 2,905,000   | 12.500% due 4/1/16   | 3,409,744         |
| 670,000   | 8.000% due 2/1/18 (a)  | 663,300           |
| 280,000   | Kansas City Southern Railway, Senior Notes, 13.000% due 12/15/13   | 329,000           |
| 3,897,000   | RailAmerica Inc., Senior Secured Notes, 9.250% due 7/1/17  | 4,150,305         |
|   | <b>Total Road &amp; Rail</b>   | <b>10,951,219</b> |
| <b>Trading Companies &amp; Distributors 0.7%</b><br>2,255,000                           | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (a)  | 2,288,825         |
| 2,205,000   | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16  | 2,232,563         |
| 2,430,000   | Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (a) (d)                                      | 1,828,575         |
|   | <b>Total Trading Companies &amp; Distributors</b>  | <b>6,349,963</b>  |
|   | <b>TOTAL INDUSTRIALS</b>   | <b>96,716,365</b> |
| <b>INFORMATION TECHNOLOGY 2.5%</b><br><b>Communications Equipment 0.5%</b><br>6,100,000 | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29   | 4,315,750         |
| <b>Electronic Equipment, Instruments &amp; Components 0.2%</b><br>1,170,000             | Jabil Circuit Inc., Senior Notes:<br>7.750% due 7/15/16  | 1,251,900         |
| 150,000   | 8.250% due 3/15/18   | 163,875           |
| 900,000   | NXP BV/NXP Funding LLC, Senior Secured Notes, 7.875% due 10/15/14  | 805,500           |
|   | <b>Total Electronic Equipment, Instruments &amp; Components</b>  | <b>2,221,275</b>  |
| <b>IT Services 1.3%</b><br>3,498,525  | Ceridian Corp., Senior Notes, 12.250% due 11/15/15 (b)   | 3,411,062         |
| 3,100,000   | First Data Corp., Senior Notes:<br>5.625% due 11/1/11  | 2,615,625         |
| 515,000   | 9.875% due 9/24/15   | 461,462           |
| 5,070,000   | 10.550% due 9/24/15 (b)  | 4,334,850         |
| 1,390,000   | GXS Worldwide Inc., Senior Secured Notes, 9.750% due 6/15/15 (a)   | 1,355,250         |
|   | <b>Total IT Services</b>   | <b>12,178,249</b> |
| <b>Semiconductors &amp; Semiconductor Equipment 0.5%</b><br>250,000                     | Advanced Micro Devices Inc., Senior Notes, 8.125% due 12/15/17 (a)   | 252,500           |

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|                       |  |                   |
|-----------------------|--|-------------------|
|                       | Freescale Semiconductor Inc.:                                    |                   |
|                       | Senior Notes:  |                   |
| 1,615,000             | 8.875% due 12/15/14  | 1,445,425         |
| 1,332,443             | 9.125% due 12/15/14 (b)  | 1,179,212         |
| 1,500,000             | Senior Subordinated Notes, 10.125% due 12/15/16                  | 1,222,500         |
|                       | <b>Total Semiconductors &amp; Semiconductor Equipment</b>        | <b>4,099,637</b>  |
|                       | <b>TOTAL INFORMATION TECHNOLOGY</b>                              | <b>22,814,911</b> |
| <b>MATERIALS 9.4%</b> |  |                   |
| <b>Chemicals 2.4%</b> |  |                   |
| 4,975,000             | Ashland Inc., Senior Notes, 9.125% due 6/1/17 (a)                | 5,435,187         |
| 1,890,000             | FMC Finance III SA, Senior Notes, 6.875% due 7/15/17             | 1,960,875         |
| 3,040,000             | Georgia Gulf Corp., Senior Secured Notes, 9.000% due 1/15/17 (a) | 3,138,800         |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face Amount                             |     | Security   | Value             |
|---|-----|--|-------------------|
| <b>Chemicals 2.4% (continued)</b>       |     |  |                   |
| 1,260,000                               |     | Hexion Finance Escrow LLC/Hexion Escrow Corp., Senior Secured Notes, 8.875% due 2/1/18 (a)           | \$ 1,220,625      |
| 1,753,000                               | EUR | Kerling PLC, Senior Secured Notes, 10.625% due 1/28/17 (a)(f)  | 2,494,353         |
| 1,925,000                               |     | Solutia Inc., Senior Notes, 8.750% due 11/1/17   | 2,045,313         |
| 5,955,000                               |     | Terra Capital Inc., Senior Notes, 7.750% due 11/1/19 (a)   | 6,222,975         |
|   |     | <b>Total Chemicals</b>   | <b>22,518,128</b> |
| <b>Construction Materials 0.0%</b>      |     |  |                   |
| 145,000                                 |     | Headwaters Inc., Senior Secured Notes, 11.375% due 11/1/14 (a)                                       | 152,975           |
| <b>Containers &amp; Packaging 0.9%</b>  |     |  |                   |
| 1,455,000                               |     | Berry Plastics Escrow LLC/Berry Plastics Escrow Corp., Senior Secured Notes, 8.250% due 11/15/15 (a) | 1,476,825         |
| 925,000                                 |     | BWAY Corp., Senior Subordinated Notes, 10.000% due 4/15/14 (a)                                       | 980,500           |
| 2,100,000                               |     | Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10 (c)(d)(f)                                    | 0                 |
| 2,880,000                               |     | Solo Cup Co., Senior Secured Notes, 10.500% due 11/1/13  | 3,038,400         |
| 2,930,000                               |     | Viskase Cos. Inc., Senior Secured Notes, 9.875% due 1/15/18 (a)                                      | 2,944,650         |
|   |     | <b>Total Containers &amp; Packaging</b>  | <b>8,440,375</b>  |
| <b>Metals &amp; Mining 2.7%</b>         |     |  |                   |
| 1,590,000                               |     | Evrax Group SA, Notes: 8.875% due 4/24/13 (a)(g)   | 1,635,712         |
| 680,000                                 |     | 9.500% due 4/24/18 (a)   | 706,350           |
| 4,875,000                               |     | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15   | 5,045,625         |
| 2,100,000                               |     | Novelis Inc., Senior Notes: 7.250% due 2/15/15   | 2,000,250         |
| 565,000                                 |     | 11.500% due 2/15/15  | 614,438           |
| 1,820,000                               |     | Rio Tinto Finance USA Ltd., Senior Notes, 9.000% due 5/1/19  | 2,327,840         |
| 5,220,000                               |     | Ryerson Holding Corp., Senior Discount Notes, zero coupon bond to yield, 16.311% due 2/1/15 (a)      | 2,381,625         |
| 575,000                                 |     | Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15  | 599,438           |
| 1,355,000                               |     | Teck Resources Ltd., Senior Secured Notes: 9.750% due 5/15/14  | 1,554,862         |
| 1,000,000                               |     | 10.250% due 5/15/16  | 1,147,500         |
| 1,284,000                               |     | Vale Overseas Ltd., Notes: 8.250% due 1/17/34 (g)  | 1,511,014         |
| 3,268,000                               |     | 6.875% due 11/21/36 (g)  | 3,372,135         |
| 2,070,000                               |     | Vedanta Resources PLC, Senior Notes, 8.750% due 1/15/14 (a)(g)                                       | 2,209,725         |
|   |     | <b>Total Metals &amp; Mining</b>   | <b>25,106,514</b> |
| <b>Paper &amp; Forest Products 3.4%</b> |     |  |                   |
| 4,296,049                               |     | Abitibi-Consolidated Co. of Canada, Senior Secured Notes, 13.750% due 4/1/11 (a)                     | 4,424,931         |

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|   |             |  |                   |
|---|-------------|--|-------------------|
| 3,160,000                                     |             | Appleton Papers Inc., Senior Secured Notes:                        |                   |
| 5,530,000                                     |             | 10.500% due 6/15/15 (a)  | 3,097,906         |
| 3,210,000                                     |             | 11.250% due 12/15/15 (a)(f)  | 5,032,300         |
|   |             | Georgia-Pacific LLC, Senior Notes, 8.250% due 5/1/16 (a)           | 3,450,750         |
| 5,040,000                                     |             | NewPage Corp., Senior Secured Notes, 11.375% due 12/31/14          | 4,901,400         |
| 1,070,000                                     |             | PE Paper Escrow GmbH, Senior Secured Notes, 12.000% due 8/1/14 (a) | 1,184,416         |
| 1,935,000                                     |             | Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25       | 1,712,475         |
|   |             | Verso Paper Holdings LLC, Senior Secured Notes:                    |                   |
| 3,565,000                                     |             | 11.500% due 7/1/14 (a)   | 3,850,200         |
| 3,600,000                                     |             | 9.125% due 8/1/14  | 3,415,500         |
|   |             | <b>Total Paper &amp; Forest Products</b>                           | <b>31,069,878</b> |
|   |             | <b>TOTAL MATERIALS</b>   | <b>87,287,870</b> |
| <b>TELECOMMUNICATION SERVICES</b>             | <b>9.8%</b> |  |                   |
| <b>Diversified Telecommunication Services</b> | <b>5.8%</b> |  |                   |
|   |             | Axtel SAB de CV, Senior Notes:                                     |                   |
| 4,740,000                                     |             | 7.625% due 2/1/17 (a)(g)   | 4,657,050         |
| 370,000                                       |             | 7.625% due 2/1/17 (a)(g)   | 364,450           |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face Amount  | Security   | Value             |
|--|--|-------------------|
| <b>Diversified Telecommunication Services 5.8% (continued)</b> |  |                   |
| 2,880,000  | CC Holdings GS V LLC, Senior Secured Notes, 7.750% due 5/1/17 (a)  | \$ 3,117,600      |
| 1,305,000  | Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28                                     | 995,063           |
| 5,441,000  | Hawaiian Telcom Communications Inc., Senior Subordinated Notes, 12.500% due 5/1/15 (c)(d)                | 544               |
| 1,925,000  | Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16   | 2,054,938         |
| 25,000   | Intelsat Corp., Senior Notes, 9.250% due 8/15/14   | 25,625            |
| 3,140,000  | Intelsat Intermediate Holding Co., Ltd., Senior Discount Notes,<br>step bond to yield 11.892% due 2/1/15 | 3,253,825         |
| 6,275,000  | Intelsat Jackson Holdings Ltd., Senior Notes:<br>9.500% due 6/15/16                                      | 6,651,500         |
| 5,755,000  | 11.500% due 6/15/16  | 6,157,850         |
|  | Level 3 Financing Inc., Senior Notes:  |                   |
| 65,000   | 9.250% due 11/1/14   | 61,263            |
| 3,000,000  | 8.750% due 2/15/17   | 2,722,500         |
| 1,820,000  | 10.000% due 2/1/18 (a)   | 1,710,800         |
| 3,135,000  | Nordic Telephone Co. Holdings, Senior Secured Bonds,<br>8.875% due 5/1/16 (a)                            | 3,354,450         |
| 3,625,000  | Qwest Communications International Inc., Senior Notes,<br>8.000% due 10/1/15 (a)                         | 3,770,000         |
| 2,220,000  | UBS Luxembourg SA for OJSC Vimpel Communications,<br>Loan Participation Notes, 8.250% due 5/23/16 (a)(g) | 2,325,450         |
| 700,000  | Vimpel Communications, Loan Participation Notes,<br>8.375% due 4/30/13 (a)                               | 744,625           |
| 3,653,000  | Wind Acquisition Finance SA, Senior Bonds, 10.750% due<br>12/1/15 (a)                                    | 3,954,372         |
| 3,260,000  | Wind Acquisition Holdings Finance SpA, Senior Notes,<br>12.250% due 7/15/17 (a)                          | 3,145,900         |
| 4,370,000  | Windstream Corp., Senior Notes, 8.625% due 8/1/16  | 4,506,562         |
|  | <b>Total Diversified Telecommunication Services</b>  | <b>53,574,367</b> |
| <b>Wireless Telecommunication Services 4.0%</b>                |  |                   |
| 3,130,000  | ALLTEL Communications Inc., Senior Notes,<br>10.375% due 12/1/17 (a) (b) (d)                             | 3,754,557         |
| 5,180,000  | Cricket Communications Inc., Senior Secured Notes, 7.750%<br>due 5/15/16                                 | 5,238,275         |
|  | Sprint Capital Corp., Senior Notes:  |                   |
| 1,450,000  | 7.625% due 1/30/11   | 1,477,188         |
| 5,355,000  | 8.375% due 3/15/12   | 5,475,487         |
| 10,525,000   | 8.750% due 3/15/32   | 9,525,125         |
| 11,515,000   | True Move Co., Ltd., Notes, 10.750% due 12/16/13 (a)(g)  | 11,630,150        |
|  | <b>Total Wireless Telecommunication Services</b>   | <b>37,100,782</b> |
|  | <b>TOTAL TELECOMMUNICATION SERVICES</b>  | <b>90,675,149</b> |
| <b>UTILITIES 8.1%</b>  |  |                   |
| <b>Electric Utilities 3.6%</b>                                 |  |                   |
| 2,880,000  | EEB International Ltd., Senior Bonds, 8.750% due 10/31/14<br>(a)(g)                                      | 3,124,800         |
| 4,380,000  | Reliant Energy Mid-Atlantic Power Holdings LLC, Senior<br>Notes, 9.681% due 7/2/26                       | 4,664,700         |

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|  |   |                   |
|--|---|-------------------|
| 33,170,000   | Texas Competitive Electric Holdings Co. LLC, Senior Notes,<br>10.250% due 11/1/15                   | 26,121,375        |
|  | <b>Total Electric Utilities</b>   | <b>33,910,875</b> |
| <b>Gas Utilities 0.1%</b>                                    |   |                   |
| 467,000  | Suburban Propane Partners LP/Suburban Energy Finance<br>Corp.,<br>Senior Notes, 6.875% due 12/15/13 | 471,670           |
| <b>Independent Power Producers &amp; Energy Traders 4.3%</b> |   |                   |
| 1,900,000  | AES Corp., Senior Notes:<br>9.375% due 9/15/10  | 1,964,125         |
| 1,000,000  | 7.750% due 3/1/14   | 1,007,500         |
| 3,535,000  | 8.000% due 10/15/17   | 3,579,187         |
| 1,100,000  | Colbun SA, Senior Notes, 6.000% due 1/21/20 (a)   | 1,103,323         |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount   | Security  | Value             |
|--|---|-------------------|
| <b>Independent Power Producers &amp; Energy Traders 4.3% (continued)</b> |   |                   |
|  | Dynegy Holdings Inc.:   |                   |
| 3,975,000  | Senior Debentures, 7.625% due 10/15/26  | \$ 3,040,875      |
| 1,210,000  | Senior Notes, 7.750% due 6/1/19   | 974,050           |
| 4,100,000  | Dynegy Inc., Bonds, 7.670% due 11/8/16  | 4,059,000         |
|  | Edison Mission Energy, Senior Notes:  |                   |
| 2,890,000  | 7.750% due 6/15/16  | 2,499,850         |
| 1,405,000  | 7.200% due 5/15/19  | 1,095,900         |
| 4,605,000  | 7.625% due 5/15/27  | 3,407,700         |
| 6,650,000  | Energy Future Holdings Corp., Senior Notes, 10.875% due 11/1/17                                 | 5,286,750         |
| 1,595,000  | Mirant Americas Generation LLC, Senior Notes, 9.125% due 5/1/31                                 | 1,479,363         |
|  | Mirant Mid Atlantic LLC, Pass-Through Certificates:   |                   |
| 585,916  | 9.125% due 6/30/17  | 609,352           |
| 2,143,448  | 10.060% due 12/30/28  | 2,304,206         |
| 1,360,000  | Mirant North America LLC, Senior Notes, 7.375% due 12/31/13                                     | 1,360,000         |
|  | NRG Energy Inc., Senior Notes:  |                   |
| 2,750,000  | 7.250% due 2/1/14   | 2,767,187         |
| 705,000  | 7.375% due 2/1/16   | 703,238           |
| 1,310,000  | 7.375% due 1/15/17  | 1,305,088         |
| 1,625,000  | RRI Energy Inc., Senior Notes, 7.875% due 6/15/17   | 1,555,938         |
|  | <b>Total Independent Power Producers &amp; Energy Traders</b>                                   | <b>40,102,632</b> |
| <b>Multi-Utilities 0.1%</b>  |   |                   |
| 740,000  | Empresas Publicas de Medellin ESP, Senior Notes, 7.625% due 7/29/19 (a)                         | 802,900           |
|  | <b>TOTAL UTILITIES</b>  | <b>75,288,077</b> |
|  | <b>TOTAL CORPORATE BONDS &amp; NOTES</b>  |                   |
|  | (Cost \$795,658,095)  | 831,732,951       |
| <b>COLLATERALIZED MORTGAGE OBLIGATION 0.1%</b>                           |   |                   |
| 2,324,906  | Countrywide Home Loan Mortgage Pass-Through Trust, 2.343% due 4/20/35 (e)                       |                   |
|  | (Cost - \$1,424,185)  | 1,234,292         |
| <b>COLLATERALIZED SENIOR LOANS 2.5%</b>                                  |   |                   |
| <b>CONSUMER DISCRETIONARY 0.5%</b>                                       |   |                   |
| <b>Media 0.5%</b>  |   |                   |
| 785,242  | Idearc Inc., Term Loan, 11.000% due 3/31/10 (c)(e)(i)(j)  | 742,987           |
| 4,000,000  | Newsday LLC, Term Loan, 10.500% due 7/15/10 (e)(i)(j)   | 4,303,332         |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>   | <b>5,046,319</b>  |
| <b>ENERGY 0.8%</b>   |   |                   |
| <b>Energy Equipment &amp; Services 0.6%</b>                              |   |                   |
| 5,557,815  | Turbo Beta Ltd., Term Loan, 14.500% due 5/13/10 (d)(e)(i)(j)                                    | 4,890,877         |
| <b>Oil, Gas &amp; Consumable Fuels 0.2%</b>                              |   |                   |
| 279,613  | Ashmore Energy International, Synthetic Revolving Credit Facility, 3.231% due 2/26/10 (e)(i)(j) | 258,992           |
| 1,902,435  | Ashmore Energy International, Term Loan, 3.251% due 3/31/10 (e)(i)(j)                           | 1,762,130         |
|  | <b>Total Oil, Gas &amp; Consumable Fuels</b>  | <b>2,021,122</b>  |
|  | <b>TOTAL ENERGY</b>   | <b>6,911,999</b>  |



|   |             |   |                  |
|---|-------------|---|------------------|
| <b>FINANCIALS</b>                               | <b>0.6%</b> |   |                  |
| <b>Diversified Financial Services</b>           | <b>0.2%</b> |   |                  |
|   |             |   |                  |
|   |             | CIT Group Inc., Term Loan, 13.000% due 2/1/10 (e)(i)(j)         | 2,067,084        |
| <b>Real Estate Management &amp; Development</b> | <b>0.4%</b> |   |                  |
|   |             |   |                  |
|   |             | Realty Corp., Term Loan, 13.500% due 4/15/10 (e)(i)(j)          | 3,821,563        |
|   |             | <b>TOTAL FINANCIALS</b>   | <b>5,888,647</b> |
| <b>INDUSTRIALS</b>                              | <b>0.3%</b> |   |                  |
| <b>Airlines</b>                                 | <b>0.3%</b> |   |                  |
|   |             |   |                  |
|   |             | United Airlines Inc., Term Loan B, 2.250% due 4/28/10 (e)(i)(j) | 2,464,895        |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount                                     |     | Security   | Value      |
|--|-----|--|------------|
| <b>Trading Companies &amp; Distributors</b> 0.0%   |     |  |            |
| 2,664,344  |     | Penhall International Corp., Term Loan, 9.631% due<br>4/1/10 (e)(i)(j)     | \$ 199,826 |
|  |     | <b>TOTAL INDUSTRIALS</b>   | 2,664,721  |
| <b>MATERIALS</b> 0.1%                              |     |  |            |
| <b>Chemicals</b> 0.1%                              |     |  |            |
| 698,621  |     | Lyondell Chemical Co., Term Loan, 3.731% - 7.000% due<br>2/26/10 (e)(i)(j) | 507,955    |
| <b>TELECOMMUNICATION SERVICES</b> 0.2%             |     |  |            |
| <b>Diversified Telecommunication Services</b> 0.2% |     |  |            |
| 2,000,000  |     | Level 3 Communications Inc., Term Loan, 11.500% due<br>4/15/10 (e)(i)(j)   | 2,166,250  |
|  |     | <b>TOTAL COLLATERALIZED SENIOR LOANS</b>                                   |            |
|  |     | (Cost \$24,876,137)  | 23,185,891 |
| <b>CONVERTIBLE BONDS &amp; NOTES</b> 0.4%          |     |  |            |
| <b>INDUSTRIALS</b> 0.4%                            |     |  |            |
| <b>Airlines</b> 0.0%                               |     |  |            |
| 220,000  |     | AMR Corp., Senior Notes, 6.250% due 10/15/14                               | 215,600    |
| <b>Marine</b> 0.4%                                 |     |  |            |
| 4,500,000  |     | Horizon Lines Inc., Senior Notes, 4.250% due 8/15/12                       | 3,870,000  |
|  |     | <b>TOTAL CONVERTIBLE BONDS &amp; NOTES</b>                                 |            |
|  |     | (Cost \$4,092,263)   | 4,085,600  |
| <b>SOVEREIGN BONDS</b> 3.8%                        |     |  |            |
| <b>Argentina</b> 0.4%                              |     |  |            |
| 1,400,000  | EUR | Republic of Argentina:<br>9.250% due 10/21/02 (c)                          | 789,539    |
| 300,000  | EUR | 9.000% due 6/20/03 (c)   | 174,913    |
| 250,000  | EUR | 10.250% due 1/26/07 (c)  | 151,487    |
| 275,000  | EUR | 8.000% due 2/26/08 (c)   | 162,246    |
| 665,000  |     | Bonds, 7.000% due 9/12/13  | 561,981    |
| 97,000   | EUR | GDP Linked Securities, 0.000% due 12/15/35 (e)                             | 6,598      |
|  |     | Medium-Term Notes:   |            |
| 1,175,000  | EUR | 7.000% due 3/18/04 (c)   | 685,077    |
| 600,000  | EUR | 8.125% due 10/4/04 (c)   | 339,415    |
| 525,000  | EUR | 9.000% due 5/24/05 (a)(c)  | 306,098    |
|  |     | <b>Total Argentina</b>   | 3,177,354  |
| <b>Brazil</b> 1.2%                                 |     |  |            |
|  |     | Brazil Nota do Tesouro Nacional, Notes:                                    |            |
| 1,301,000  | BRL | 10.000% due 7/1/10   | 691,913    |
| 19,097,000   | BRL | 10.000% due 1/1/12   | 9,826,376  |
| 1,157,000  | BRL | 10.000% due 1/1/17   | 529,159    |
|  |     | <b>Total Brazil</b>  | 11,047,448 |
| <b>Colombia</b> 0.1%                               |     |  |            |
| 495,000  |     | Republic of Colombia, Senior Notes, 7.375% due 3/18/19                     | 555,638    |
| <b>Hungary</b> 0.1%                                |     |  |            |
| 1,020,000  |     | Republic of Hungary, Senior Notes, 6.250% due 1/29/20                      | 1,026,834  |
| <b>Indonesia</b> 0.4%                              |     |  |            |
|  |     | Republic of Indonesia:   |            |
| 11,011,000,000                                     | IDR | 10.250% due 7/15/22  | 1,214,649  |
| 7,031,000,000                                      | IDR | 11.000% due 9/15/25  | 815,559    |
| 6,948,000,000                                      | IDR | 10.250% due 7/15/27  | 753,099    |

8,327,000,000

IDR

Bonds, 9.750% due 5/15/37

833,052

**Total Indonesia**

3,616,359

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Face<br>Amount                              | Security   | Value             |
|---|--|-------------------|
| <b>Panama 0.5%</b>                          |  |                   |
| 1,097,000                                   | Republic of Panama:<br>9.375% due 4/1/29 (g)                           | \$ 1,459,010      |
| 3,370,000                                   | 6.700% due 1/26/36 (g)   | 3,496,375         |
|   | <b>Total Panama</b>  | <b>4,955,385</b>  |
| <b>Russia 0.0%</b>                          |  |                   |
| 329,940                                     | Russian Foreign Bond-Eurobond, Senior Bonds, 7.500%<br>due 3/31/30 (a) | 372,040           |
| <b>Turkey 0.6%</b>                          |  |                   |
| 490,000                                     | Republic of Turkey:<br>7.000% due 6/5/20 (g)                           | 534,100           |
| 1,175,000                                   | 11.875% due 1/15/30 (g)  | 1,865,313         |
| 594,000                                     | Bonds, 7.000% due 9/26/16 (g)  | 657,855           |
| 2,784,000                                   | Notes, 6.875% due 3/17/36 (g)  | 2,777,040         |
|   | <b>Total Turkey</b>  | <b>5,834,308</b>  |
| <b>United Arab Emirates 0.1%</b>            |  |                   |
| 1,060,000                                   | MDC-GMTN B.V., Senior Notes, 5.750% due 5/6/14 (a)                     | 1,105,614         |
| <b>Venezuela 0.4%</b>                       |  |                   |
| 3,370,000                                   | Bolivarian Republic of Venezuela:<br>5.750% due 2/26/16 (a)(g)         | 2,392,700         |
| 1,164,000                                   | Collective Action Securities, 9.375% due 1/13/34 (g)                   | 817,710           |
|   | <b>Total Venezuela</b>   | <b>3,210,410</b>  |
|   | <b>TOTAL SOVEREIGN BONDS</b>   |                   |
|   | (Cost \$34,204,397)  | <b>34,901,390</b> |
| <b>Shares</b>                               |  |                   |
| <b>COMMON STOCKS 1.5%</b>                   |  |                   |
| <b>CONSUMER DISCRETIONARY 0.9%</b>          |  |                   |
| <b>Media 0.9%</b>                           |  |                   |
| 187,249                                     | Charter Communications Inc. (f) *                                      | 5,735,437         |
| 88,573                                      | Charter Communications Inc., Class A Shares *                          | 2,712,991         |
| 6,947                                       | SuperMedia Inc. *  | 252,255           |
|   | <b>TOTAL CONSUMER DISCRETIONARY</b>                                    | <b>8,700,683</b>  |
| <b>ENERGY 0.1%</b>                          |  |                   |
| <b>Oil, Gas &amp; Consumable Fuels 0.1%</b> |  |                   |
| 20,408                                      | SemGroup Corp., Class A Shares *                                       | 484,681           |
| <b>FINANCIALS 0.1%</b>                      |  |                   |
| <b>Diversified Financial Services 0.1%</b>  |  |                   |
| 31,948                                      | CIT Group Inc. *   | 1,016,592         |
| <b>INDUSTRIALS 0.0%</b>                     |  |                   |
| <b>Building Products 0.0%</b>               |  |                   |
| 7,072                                       | Nortek Inc. *  | 279,362           |
| <b>MATERIALS 0.4%</b>                       |  |                   |
| <b>Chemicals 0.4%</b>                       |  |                   |
| 212,078                                     | Georgia Gulf Corp. *   | 3,255,397         |
|   | <b>TOTAL COMMON STOCKS</b>   |                   |
|   | (Cost \$16,665,856)  | <b>13,736,715</b> |
| <b>CONVERTIBLE PREFERRED STOCKS 1.0%</b>    |  |                   |
| <b>FINANCIALS 1.0%</b>                      |  |                   |
| <b>Diversified Financial Services 1.0%</b>  |  |                   |
| 6,812                                       | Bank of America Corp., 7.250%  | 6,164,860         |
| 33,500                                      | Citigroup Inc., 7.500% due 12/15/12*                                   | 3,502,090         |

|   |    |           |
|---|----|-----------|
| <b>TOTAL CONVERTIBLE PREFERRED STOCKS</b> |    |           |
| (Cost \$9,929,053)                        | \$ | 9,666,950 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2010

| Shares   | Security  | Value              |
|--|---|--------------------|
| <b>ESCROWED SHARES 0.0%</b>                      |   |                    |
| <b>CONSUMER DISCRETIONARY 0.0%</b>               |   |                    |
| <b>Textiles, Apparel &amp; Luxury Goods 0.0%</b> |   |                    |
| 2,025,000  | Pillowtex Corp., 9.000% due 12/15/49 (c)(d)(f)<br>(Cost - \$0)                          | \$ 0               |
| <b>PREFERRED STOCKS 1.0%</b>                     |   |                    |
| <b>CONSUMER DISCRETIONARY 0.3%</b>               |   |                    |
| <b>Automobiles 0.3%</b>                          |   |                    |
| 101,500  | Corts-Ford Motor Co., 7.400%  | 2,126,425          |
| 1,800  | Corts-Ford Motor Co., 8.000%  | 39,690             |
| 2,700  | Ford Motor Co., Series F, 7.550%  | 55,134             |
|  | <b>Total Automobiles</b>  | <b>2,221,249</b>   |
| <b>Media 0.0%</b>                                |   |                    |
| 59,329   | CMP Susquehanna Radio Holdings Corp., 0.000%<br>(a)(d)(e)(f)*                           | 59                 |
| 7  | ION Media Networks Inc., Series B, 12.000% (d)(f)*                                      | 0                  |
|  | <b>Total Media</b>  | <b>59</b>          |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>   | <b>2,221,308</b>   |
| <b>FINANCIALS 0.7%</b>                           |   |                    |
| <b>Commercial Banks 0.3%</b>                     |   |                    |
| 105,775  | Santander Finance Preferred SA Unipersonal, 10.500%                                     | 2,982,855          |
| <b>Consumer Finance 0.2%</b>                     |   |                    |
| 2,521  | GMAC Inc., 7.000% (a)   | 1,801,885          |
| <b>Diversified Financial Services 0.2%</b>       |   |                    |
| 8,200  | Preferred Plus, Series FMC1 Trust, 8.250%   | 180,482            |
| 12,600   | Preferred Plus, Trust, Series FRD-1, 7.400%   | 254,646            |
| 69,100   | Saturns, Series F 2003-5, 8.125%  | 1,547,840          |
|  |   | 1,982,968          |
| <b>Thrifts &amp; Mortgage Finance 0.0%</b>       |   |                    |
| 84,700   | Federal National Mortgage Association (FNMA), 8.250% *                                  | 93,170             |
|  | <b>TOTAL FINANCIALS</b>   | <b>6,860,878</b>   |
|  | <b>TOTAL PREFERRED STOCKS</b>   |                    |
|  | (Cost \$9,264,842)  | 9,082,186          |
| <b>Warrants</b>                                  |   |                    |
| <b>WARRANTS 0.1%</b>                             |   |                    |
| 18,500   | Bolivarian Republic of Venezuela, Oil-linked payment<br>obligations,<br>Expires 4/15/20 | 508,750            |
| 3,488  | Buffets Restaurant Holdings, Expires 4/28/14(d)(f)*                                     | 35                 |
| 4,877  | Charter Communications Inc., Expires 11/30/14*  | 34,258             |
| 67,797   | CNB Capital Trust, Expires 3/23/19(a)(d)(f)*  | 67                 |
| 2,750  | Leap Wireless International Inc., Expires 4/15/10(a)(d)(f)*                             | 0                  |
| 8,427  | Nortek Inc., Expires 12/7/14(f)*  | 107,448            |
| 21,482   | SemGroup Corp., Expires 11/30/14(d)*  | 112,779            |
| 1  | Turbo Beta Ltd., Expires 11/1/14(d)(f)*   | 0                  |
|  | <b>TOTAL WARRANTS</b>   |                    |
|  | (Cost \$119,065)  | 763,337            |
|  | <b>TOTAL INVESTMENTS 100.0%</b> (Cost \$896,233,893#)                                   | <b>928,389,312</b> |

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

\* Non-income producing security.

*See Notes to Schedule of Investments.*

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

Schedule of Investments (unaudited) (continued)

January 31, 2010

- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
  - (b) Payment-in-kind security for which part of the income earned may be paid as additional principal.
  - (c) The coupon payment on these securities is currently in default as of January 31, 2010.
  - (d) Illiquid security.
  - (e) Variable rate security. Interest rate disclosed is that which is in effect at January 31, 2010.
  - (f) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
  - (g) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.
  - (h) Security has no maturity date. The date shown represents the next call date.
  - (i) The date shown represents the last in range of interest reset dates.
  - (j) Interest rates disclosed represent the effective rates on loans and debt securities. Ranges in interest rates are attributable to multiple contracts under the same loan.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

|      |                            |
|------|----------------------------|
| BRL  | - Brazilian Real           |
| EUR  | - Euro                     |
| GDP  | - Gross Domestic Product   |
| IDR  | - Indonesian Rupiah        |
| OJSC | - Open Joint Stock Company |

*See Notes to Schedule of Investments.*



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

**1. Organization and Significant Accounting Policies**

Western Asset High Income Fund II Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

**(a) Investment Valuation.** Debt securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service, which are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market and are valued at the mean between the last quoted bid and asked prices as of the close of business of that market. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities at fair value as determined in accordance with procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (formerly, Statement of Financial Accounting Standards No. 157) (ASC Topic 820). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of the security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to convert future amounts to a single present amount.

Notes to Schedule of Investments (unaudited) (continued)

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

| DESCRIPTION                         | QUOTED<br>PRICES<br>(LEVEL 1) | OTHER<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL          |
|-------------------------------------|-------------------------------|---|--|----------------|
| Long-term investments :             |                               |   |  |                |
| Corporate bonds & notes             |                               | \$ 820,917,505  | \$ 10,815,446                                      | \$ 831,732,951 |
| Collateralized mortgage obligations |                               | 1,234,292   |  | 1,234,292      |
| Collateralized senior loans         |                               | 23,185,891  |  | 23,185,891     |
| Convertible bonds & notes           |                               | 4,085,600   |  | 4,085,600      |
| Sovereign bonds                     |                               | 34,901,390  |  | 34,901,390     |
| Common stocks:                      |                               |   |  |                |
| Consumer discretionary              | \$ 2,965,246                  | 5,735,437   |  | 8,700,683      |
| Energy                              |                               | 484,681   |  | 484,681        |
| Other common stocks                 | 4,551,351                     |   |  | 4,551,351      |
| Convertible preferred stocks        | 9,666,950                     |   |  | 9,666,950      |
| Escrowed shares                     |                               |   | 0  | 0              |
| Preferred stocks:                   |                               |   |  |                |
| Consumer discretionary              | 2,221,249                     |   | 59   | 2,221,308      |
| Financials                          | 5,058,993                     | 1,801,885   |  | 6,860,878      |
| Warrants                            |                               | 655,787   | 107,550  | 763,337        |
| Total investments                   | \$ 24,463,789                 | \$ 893,002,468  | \$ 10,923,055                                      | \$ 928,389,312 |
| Other financial instruments:        |                               |   |  |                |
| Forward foreign currency contracts  |                               | \$ 47,014   |  | \$ 47,014      |
| Reverse repurchase agreements       |                               | (53,193,708)  |  | (53,193,708)   |
| Total other financial instruments   |                               | (53,146,694)  |  | (53,146,694)   |
| Total                               | \$ 24,463,789                 | \$ 839,855,774  | \$ 10,923,055                                      | \$ 875,242,618 |

See Schedule of Investments for additional detailed categorizations.

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

| INVESTMENTS IN<br>SECURITIES                        | CORPORATE<br>BONDS &<br>NOTES | ASSET<br>BACKED<br>SECURITIES | COMMON<br>STOCKS | ESCROWED<br>SHARES | PREFERRED<br>STOCK | WARRANTS | TOTAL        |
|---|-------------------------------|-------------------------------|------------------|--------------------|--------------------|----------|--------------|
| Balance as of April 30, 2009                        | \$ 2,705,414                  | \$ 0                          | \$ 0             | \$ 0               | \$ 25,215          | \$ 1,864 | \$ 2,732,493 |
| Accrued premiums/discounts                          | 126,516                       |                               |                  |                    |                    |          | 126,516      |
| Realized gain/(loss)(1)                             | (99,233)                      | (3,942,677)                   | (4,225,322)      |                    |                    | (60,715) | (8,327,947)  |
| Change in unrealized appreciation (depreciation)(2) | (859,930)                     | 3,942,677                     | 4,233,217        |                    | (25,156)           | 58,953   | 7,349,761    |

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|  |                |             |            |                |
|--|----------------|-------------|------------|----------------|
| Net purchases (sales)  | 6,490,732      | (7,895)     | 107,448    | 6,590,285      |
| Net transfers in and/or out of Level 3   | 2,451,947      |             |            | 2,451,947      |
| Balance as of January 31, 2010   | \$ 10,815,446  | \$ 0        | \$ 59      | \$ 10,923,055  |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at January 31, 2010(2) | \$ (1,358,837) | \$ (25,156) | \$ (1,762) | \$ (1,385,755) |

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

(2) Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

**(b) Repurchase Agreements.** The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, a fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and of the fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during a fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked to market and measured against the value of the agreement to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

**(c) Reverse Repurchase Agreements.** The Fund may enter into reverse repurchase agreements. Under the terms of a typical reverse repurchase agreement, a Fund sells a security subject to an obligation to repurchase the security from the buyer at an agreed-upon time and price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the fund's use of the proceeds of the agreement may be restricted pending a determination by the counterparty, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. In entering into reverse repurchase agreements, the Fund will

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

maintain cash, U.S. government securities or other liquid debt obligations at least equal in value to its obligations with respect to reverse repurchase agreements or will take other actions permitted by law to cover its obligations.

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

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

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

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

**(f) Credit and Market Risk.** The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involve 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. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

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

**2. Investments**

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At January 31, 2010, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |    |              |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 83,314,838   |
| Gross unrealized depreciation |    | (51,159,419) |
| Net unrealized appreciation   | \$ | 32,155,419   |

Transactions in reverse repurchase agreements for the Fund during the period ended January 31, 2010 were as follows:

|    | <b>Average<br/>Daily<br/>Balance*</b> | <b>Weighted<br/>Average<br/>Interest Rate*</b> | <b>Maximum<br/>Amount<br/>Outstanding</b> |
|----|---------------------------------------|--|---|
| \$ | 48,592,299                            | 1.724%   | \$ 55,977,131                             |

\* Average based on number of days the Fund had reverse repurchase agreements outstanding.

Interest rates on reverse repurchase agreements ranged from 0.000% to 3.250% during the period ended January 31, 2010. Interest expense incurred on reverse repurchase agreements totaled \$642,417.

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

At January 31, 2010, the Fund had the following open reverse repurchase agreements:

| <b>Face<br/>Amount</b> | <b>Security</b>   | <b>Value</b> |
|------------------------|---|--------------|
| \$ 3,082,421           | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.250% to be repurchased at an amount and date to be determined, collateralized by: \$4,740,000 Axtel SAB de CV, 7.625% due 2/1/17;<br><br>Market value (including accrued interest) \$4,837,763      | \$ 3,082,421 |
| 1,154,593              | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.250% to be repurchased at an amount and date to be determined, collateralized by: \$1,097,000 Republic of Panama, 9.375% due 4/1/29;<br><br>Market value (including accrued interest) \$1,493,762   | 1,154,593    |
| 909,742                | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$1,204,000 RSHB Capital, 7.175% due 5/16/13;<br><br>Market value (including accrued interest) \$1,309,304        | 909,742      |
| 1,616,040              | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$2,010,000 RSHB Capital, 9.000% due 6/11/14;<br><br>Market value (including accrued interest) \$2,318,650        | 1,616,040    |
| 1,531,613              | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$1,175,000 Republic of Turkey, 11.875% due 1/15/30;<br><br>Market value (including accrued interest) \$1,871,865 | 1,531,613    |
| 2,294,294              | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$2,784,000 Republic of Turkey, 6.875% due 3/17/36;<br><br>Market value (including accrued interest) \$2,849,476  | 2,294,294    |
| 1,086,778              | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.000% to be repurchased at \$1,091,366 on 3/15/10, collateralized by: \$1,284,000 Vale Overseas Ltd., 8.250% due 1/17/34;<br><br>Market value (including accrued interest) \$1,515,403               | 1,086,778    |
| 1,256,490              | Reverse Repurchase Agreement with Credit Suisse, dated 10/14/09 bearing 1.500% to be repurchased at an amount and date to be determined, collateralized by: \$2,070,000 Vedanta Resources PLC, 8.750% due 1/15/14;  | 1,256,490    |

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|           |   |           |
|-----------|---|-----------|
|           | Market value (including accrued interest) \$2,128,823   |           |
| 2,324,036 | Reverse Repurchase Agreement with Credit Suisse, dated 10/21/09 bearing 1.500% to be repurchased at an amount and date to be determined, collateralized by: \$3,740,000 Odebrecht Finance Ltd., 7.500% due 10/18/17;          |           |
|           | Market value (including accrued interest) \$3,971,284   | 2,324,036 |
| 595,270   | Reverse Repurchase Agreement with Credit Suisse, dated 10/21/09 bearing 2.500% to be repurchased at an amount and date to be determined, collateralized by: \$1,164,000 Bolivarian Republic of Venezuela, 9.375% due 1/13/34; |           |
|           | Market value (including accrued interest) \$823,438   | 595,270   |



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

| Face Amount  | Security  | Value        |
|--------------|---|--------------|
| \$ 2,698,022 | Reverse Repurchase Agreement with Credit Suisse, dated 10/30/09 bearing 1.250% to be repurchased at \$2,707,671 on 2/10/10, collateralized by: \$3,370,000 Republic of Panama, 6.700% due 1/26/36;                              |              |
|              | Market value (including accrued interest) \$3,500,117   | \$ 2,698,022 |
| 4,610,313    | Reverse Repurchase Agreement with Credit Suisse, dated 10/30/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$6,067,000 Pemex Project Funding Master Trust, 6.625% due 6/15/35; |              |
|              | Market value (including accrued interest) \$5,704,316   | 4,610,313    |
| 1,214,908    | Reverse Repurchase Agreement with Credit Suisse, dated 11/20/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$1,802,000 GTL Trade Finance Inc., 7.250% due 10/20/17;            |              |
|              | Market value (including accrued interest) \$1,915,912   | 1,214,908    |
| 1,254,012    | Reverse Repurchase Agreement with Credit Suisse, dated 11/20/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$1,860,000 GTL Trade Finance Inc., 7.250% due 10/20/17;            |              |
|              | Market value (including accrued interest) \$1,977,579   | 1,254,012    |
| 4,071,200    | Reverse Repurchase Agreement with Credit Suisse, dated 12/22/09 bearing 1.500% to be repurchased at \$4,079,682 on 2/10/10, collateralized by: \$7,000,000 True Move Co., Ltd., 10.750% due 12/16/13;                           |              |
|              | Market value (including accrued interest) \$7,167,163   | 4,071,200    |
| 2,343,156    | Reverse Repurchase Agreement with Credit Suisse, dated 12/22/09 bearing 1.000% to be repurchased at \$2,348,558 on 3/15/10, collateralized by: \$3,268,000 Vale Overseas Ltd., 6.875% due 11/21/36;                             |              |
|              | Market value (including accrued interest) \$3,416,822   | 2,343,156    |
| 1,518,185    | Reverse Repurchase Agreement with Credit Suisse, dated 12/22/09 bearing 1.500% to be repurchased at an amount and date to be determined, collateralized by: \$3,370,000 Bolivarian Republic of Venezuela, 5.750% due 2/26/16;   |              |
|              | Market value (including accrued interest) \$2,476,131   | 1,518,185    |
| 731,402      | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 10/13/09 bearing 1.750% to be repurchased at an amount and date to be determined, collateralized by: \$1,174,000 ICICI Bank Ltd., 6.375% due 4/30/22;             |              |
|              | Market value \$1,116,716  | 731,402      |
| 861,408      | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 10/13/09 bearing 1.750% to be repurchased at an amount and date to be determined, collateralized by: \$1,055,000 RSHB   | 861,408      |

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Capital, 6.299% due 5/15/17;

Market value \$1,068,000

1,132,560 Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 10/13/09 bearing 1.750% to be repurchased at an amount and date to be determined, collateralized by: \$1,320,000 RSHB Capital, 7.125% due 1/14/14;

Market value \$1,418,925

1,132,560

527,730 Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 11/23/09 bearing 0.950% to be repurchased at an amount and date to be determined, collateralized by: \$490,000 Republic of Turkey, 7.000% due 6/5/20;

Market value \$539,565

527,730

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

| Face<br>Amount | Security  | Value      |
|----------------|---|------------|
| \$ 632,610     | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 11/23/09 bearing 0.950% to be repurchased at an amount and date to be determined, collateralized by: \$594,000 Republic of Turkey, 7.000% due 9/26/16;            |            |
|                | Market value \$672,557  | \$ 632,610 |
| 312,650        | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 11/23/09 bearing 1.500% to be repurchased at an amount and date to be determined, collateralized by: \$370,000 Axtel SAB de CV, 7.625% due 2/1/17;                |            |
|                | Market value \$378,556  | 312,650    |
| 1,293,600      | Reverse Repurchase Agreement with UBS Securities LLC, dated 9/10/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$1,540,000 TNK-BP Finance SA, 7.500% due 7/18/16;              |            |
|                | Market value \$1,598,367  | 1,293,600  |
| 1,146,750      | Reverse Repurchase Agreement with UBS Securities LLC, dated 9/10/09 bearing 1.000% to be repurchased at an amount and date to be determined, collateralized by: \$1,390,000 TNK-BP Finance SA, 7.875% due 3/13/18;              |            |
|                | Market value \$1,489,973  | 1,146,750  |
| 798,525        | Reverse Repurchase Agreement with UBS Securities LLC, dated 9/10/09 bearing 0.500% to be repurchased at an amount and date to be determined, collateralized by: \$1,170,000 ICICI Bank Ltd., 6.375% due 4/30/22;                |            |
|                | Market value \$1,111,368  | 798,525    |
| 1,431,900      | Reverse Repurchase Agreement with UBS Securities LLC, dated 9/10/09 bearing 0.000% to be repurchased at an amount and date to be determined, collateralized by: \$1,720,000 LUKOIL International Finance BV, 6.356% due 6/7/17; |            |
|                | Market value \$1,736,819  | 1,431,900  |
| 1,548,000      | Reverse Repurchase Agreement with UBS Securities LLC, dated 9/10/09 bearing 0.500% to be repurchased at an amount and date to be determined, collateralized by: \$1,720,000 RSHB Capital, 7.125% due 1/14/14;                   |            |
|                | Market value \$1,906,221  | 1,548,000  |
| 2,530,800      | Reverse Repurchase Agreement with UBS Securities LLC, dated 10/13/09 bearing 0.850% to be repurchased at an amount and date to be determined, collateralized by: \$2,880,000 EEB International Ltd., 8.750% due 10/31/14;       |            |
|                | Market value \$3,189,877  | 2,530,800  |
| 1,327,650      | Reverse Repurchase Agreement with UBS Securities LLC, dated 10/13/09 bearing 0.950% to be repurchased at an amount and date to be determined, collateralized by: \$1,590,000 Evraz Group  | 1,327,650  |

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SA, 8.875% due 4/24/13;

Market value \$1,674,480

1,759,500 Reverse Repurchase Agreement with UBS Securities LLC, dated 10/13/09 bearing 0.450% to be repurchased at an amount and date to be determined, collateralized by: \$2,070,000 KazMunaiGaz Finance Sub B.V., 8.375% due 7/02/33;

Market value \$2,275,842

1,759,500

1,892,550 Reverse Repurchase Agreement with UBS Securities LLC, dated 10/13/09 bearing 0.850% to be repurchased at an amount and date to be determined, collateralized by: \$2,220,000 UBS Luxembourg SA for OJSC Vimpel Communications, 8.250% due 5/23/16;

Market value \$2,360,866

1,892,550

Notes to Schedule of Investments (unaudited) (continued)

| Face Amount  | Security   | Value                |
|--------------|--|----------------------|
| \$ 1,705,000 | Reverse Repurchase Agreement with UBS Securities LLC, dated 1/15/10 bearing 0.700% to be repurchased at an amount and date to be determined, collateralized by: \$2,000,000 Globo Comunicacoes e Participacoes SA, 7.250% due 4/26/22; |                      |
|              | Market value \$2,134,038   | \$ 1,705,000         |
|              | <b>Total Reverse Repurchase Agreements</b><br>(Proceeds \$53,193,708)  | <b>\$ 53,193,708</b> |

At January 31, 2010, the Fund had the following open forward foreign currency contracts:

| Foreign Currency Contracts to Sell: | Local Currency | Market Value | Settlement Date | Unrealized Gain |
|-------------------------------------|----------------|--------------|-----------------|-----------------|
| Euro                                | 1,742,359      | \$ 2,418,651 | 2/17/10         | \$ 47,014       |

3. Derivative Instruments and Hedging Activities

Financial Accounting Standards Board Codification Topic 815 (formerly, Statement of Financial Accounting Standards No. 161) ( ASC Topic 815 ) requires enhanced disclosure about an entity s derivative and hedging activities.

The following is a summary of the Fund s derivative instruments categorized by risk exposure at January 31, 2010.

| Primary Underlying Risk Disclosure | Forward Foreign Currency Contracts Unrealized Appreciation |
|------------------------------------|--|
| Foreign Exchange Contracts         | \$ 47,014  |

The Fund had average market values of \$241,865 in forward foreign currency contracts to sell.

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

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

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**SIGNATURES**

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

Western Asset High Income Fund II Inc.

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

Date: March 25, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

Date: March 25, 2010

By /s/ Kaprel Ozsolak  
Kaprel Ozsolak  
Chief Financial Officer

Date: March 25, 2010

**SIGNATURES**

