

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

February 25, 2011

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

**FORM N-Q**

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

Investment Company Act file number 811-7920

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

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

10041  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

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

Date of fiscal year end: September 30

Date of reporting period: December 31, 2010

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ITEM 1. SCHEDULE OF INVESTMENTS

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

FORM N-Q

DECEMBER 31, 2010

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Schedule of investments (unaudited)

December 31, 2010

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

| SECURITY  | RATE        | MATURITY DATE | FACE AMOUNT   | VALUE              |
|---|-------------|---------------|---------------|--------------------|
| CORPORATE BONDS & NOTES   | 90.3%       |               |               |                    |
| CONSUMER DISCRETIONARY  | 21.2%       |               |               |                    |
| <b>Auto Components</b>  | <b>0.1%</b> |               |               |                    |
| Hertz Holdings Netherlands BV, Senior Secured Bonds                                   | 8.500%      | 7/31/15       | 300,000EUR \$ | 434,966(a)         |
| <b>Automobiles</b>  | <b>1.7%</b> |               |               |                    |
| Ford Motor Credit Co., LLC, Senior Notes  | 9.875%      | 8/10/11       | 1,000,000     | 1,041,092          |
| Ford Motor Credit Co., LLC, Senior Notes  | 7.500%      | 8/1/12        | 1,785,000     | 1,898,535          |
| Ford Motor Credit Co., LLC, Senior Notes  | 12.000%     | 5/15/15       | 1,525,000     | 1,920,051          |
| Motors Liquidation Co., Senior Notes  | 7.200%      | 1/15/11       | 2,665,000     | 912,763(b)         |
| Motors Liquidation Co., Senior Notes  | 7.125%      | 7/15/13       | 2,125,000     | 722,500(b)         |
| Motors Liquidation Co., Senior Notes  | 8.375%      | 7/15/33       | 3,500,000     | 1,268,750(b)       |
| <i>Total Automobiles</i>  |             |               |               | 7,763,691          |
| <b>Diversified Consumer Services</b>  | <b>1.6%</b> |               |               |                    |
| Realogy Corp., Senior Notes   | 10.500%     | 4/15/14       | 3,230,000     | 3,189,625          |
| Sotheby's, Senior Notes   | 7.750%      | 6/15/15       | 1,540,000     | 1,709,400          |
| Stonemor Operating LLC/Cornerstone Family Services of WV/Osiris Holding, Senior Notes | 10.250%     | 12/1/17       | 2,340,000     | 2,474,550          |
| <i>Total Diversified Consumer Services</i>  |             |               |               | 7,373,575          |
| <b>Hotels, Restaurants &amp; Leisure</b>  | <b>7.1%</b> |               |               |                    |
| Boyd Gaming Corp., Senior Notes   | 9.125%      | 12/1/18       | 570,000       | 565,725(a)         |
| Boyd Gaming Corp., Senior Subordinated Notes  | 7.125%      | 2/1/16        | 665,000       | 600,162            |
| CCM Merger Inc., Notes  | 8.000%      | 8/1/13        | 2,255,000     | 2,204,262(a)       |
| Downstream Development Quapaw, Senior Notes   | 12.000%     | 10/15/15      | 1,695,000     | 1,680,169(a)       |
| Dunkin Finance Corp., Senior Notes  | 9.625%      | 12/1/18       | 490,000       | 497,350(a)         |
| El Pollo Loco Inc., Senior Notes  | 11.750%     | 11/15/13      | 2,425,000     | 1,976,375          |
| El Pollo Loco Inc., Senior Secured Notes  | 11.750%     | 12/1/12       | 945,000       | 968,625            |
| Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp.            | 10.250%     | 6/15/15       | 445,000       | 3,782(a)(b)        |
| Harrah's Operating Co. Inc., Senior Bonds   | 5.625%      | 6/1/15        | 3,732,000     | 3,144,210          |
| Harrah's Operating Co. Inc., Senior Notes   | 10.750%     | 2/1/16        | 2,954,000     | 2,843,225          |
| Harrah's Operating Co. Inc., Senior Secured Notes                                     | 11.250%     | 6/1/17        | 1,220,000     | 1,378,600          |
| Inn of the Mountain Gods Resort & Casino, Senior Notes                                | 12.000%     | 11/15/10      | 3,912,000     | 2,058,690(b)(c)(d) |
| Landry's Holdings Inc., Senior Secured Notes  | 11.500%     | 6/1/14        | 990,000       | 975,150(a)         |
| Landry's Restaurants Inc., Senior Secured Notes                                       | 11.625%     | 12/1/15       | 1,140,000     | 1,222,650          |
| Landry's Restaurants Inc., Senior Secured Notes                                       | 11.625%     | 12/1/15       | 340,000       | 364,650(a)         |
| MGM MIRAGE Inc., Senior Notes   | 6.750%      | 4/1/13        | 1,810,000     | 1,808,190          |
| MGM MIRAGE Inc., Senior Notes   | 5.875%      | 2/27/14       | 400,000       | 371,000            |
| MGM Resorts International, Senior Secured Notes                                       | 10.375%     | 5/15/14       | 150,000       | 169,125            |
| MGM Resorts International, Senior Secured Notes                                       | 11.125%     | 11/15/17      | 360,000       | 415,800            |
| Mohegan Tribal Gaming Authority, Senior Secured Notes                                 | 11.500%     | 11/1/17       | 60,000        | 55,650(a)          |
| Mohegan Tribal Gaming Authority, Senior Subordinated Notes                            | 8.000%      | 4/1/12        | 3,660,000     | 3,074,400          |
|   | 6.875%      | 2/15/15       | 225,000       | 140,062            |

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Mohegan Tribal Gaming Authority, Senior Subordinated

|  |         |          |           |               |
|--|---------|----------|-----------|---------------|
| Notes  |         |          |           |               |
| NCL Corp. Ltd., Senior Notes                             | 9.500%  | 11/15/18 | 1,230,000 | 1,273,050(a)  |
| NCL Corp. Ltd., Senior Secured Notes                     | 11.750% | 11/15/16 | 2,240,000 | 2,623,600     |
| Pinnacle Entertainment Inc., Senior Notes                | 8.625%  | 8/1/17   | 715,000   | 782,925       |
| Pinnacle Entertainment Inc., Senior Subordinated Notes   | 7.500%  | 6/15/15  | 330,000   | 332,475       |
| Sbarro Inc., Senior Notes                                | 10.375% | 2/1/15   | 1,065,000 | 484,575       |
| Snoqualmie Entertainment Authority, Senior Secured Notes | 4.428%  | 2/1/14   | 890,000   | 765,400(a)(e) |
| Snoqualmie Entertainment Authority, Senior Secured Notes | 9.125%  | 2/1/15   | 165,000   | 157,575(a)    |
| Station Casinos Inc., Senior Notes                       | 6.000%  | 4/1/12   | 1,515,000 | 152(b)(d)     |
| Station Casinos Inc., Senior Notes                       | 7.750%  | 8/15/16  | 2,265,000 | 227(b)(d)     |
| Station Casinos Inc., Senior Subordinated Notes          | 6.625%  | 3/15/18  | 85,000    | 9(b)(d)       |
| <i>Total Hotels, Restaurants &amp; Leisure</i>           |         |          |           | 32,937,840    |
| <b>Household Durables 0.4%</b>                           |         |          |           |               |
| Standard Pacific Corp., Senior Notes                     | 8.375%  | 1/15/21  | 1,900,000 | 1,852,500(a)  |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT  | VALUE        |
|---|---------|---------------|--------------|--------------|
| <b>Internet &amp; Catalog Retail 0.8%</b>                                     |         |               |              |              |
| Netflix Inc., Senior Notes  | 8.500%  | 11/15/17      | 1,340,000    | \$ 1,514,200 |
| QVC Inc., Senior Secured Notes  | 7.375%  | 10/15/20      | 1,990,000    | 2,094,475(a) |
| <i>Total Internet &amp; Catalog Retail</i>                                    |         |               |              | 3,608,675    |
| <b>Media 5.1%</b>   |         |               |              |              |
| Affinity Group Inc., Senior Secured Notes                                     | 11.500% | 12/1/16       | 710,000      | 701,125(a)   |
| CCH II LLC/CCH II Capital Corp., Senior Notes                                 | 13.500% | 11/30/16      | 561,225      | 672,067      |
| CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes                     | 7.875%  | 4/30/18       | 1,860,000    | 1,934,400    |
| CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes                     | 8.125%  | 4/30/20       | 1,840,000    | 1,945,800    |
| Cengage Learning Acquisitions Inc., Senior Notes                              | 10.500% | 1/15/15       | 900,000      | 933,750(a)   |
| Cengage Learning Acquisitions Inc., Senior Subordinated Notes                 | 13.250% | 7/15/15       | 2,100,000    | 2,226,000(a) |
| CSC Holdings LLC, Senior Notes  | 8.500%  | 6/15/15       | 190,000      | 207,100      |
| DISH DBS Corp., Senior Notes  | 7.875%  | 9/1/19        | 1,260,000    | 1,323,000    |
| EN Germany Holdings BV, Senior Secured Notes                                  | 10.750% | 11/15/15      | 1,340,000EUR | 1,813,025(a) |
| Nielsen Finance LLC/Nielsen Finance Co., Senior Notes                         | 7.750%  | 10/15/18      | 3,650,000    | 3,796,000(a) |
| Nielsen Finance LLC/Nielsen Finance Co., Senior Subordinated Notes, step bond | 0.000%  | 8/1/16        | 3,010,000    | 3,175,550    |
| Univision Communications Inc., Senior Notes                                   | 8.500%  | 5/15/21       | 1,830,000    | 1,862,025(a) |
| Univision Communications Inc., Senior Secured Notes                           | 12.000% | 7/1/14        | 565,000      | 621,500(a)   |
| Univision Communications Inc., Senior Secured Notes                           | 7.875%  | 11/1/20       | 1,380,000    | 1,455,900(a) |
| UPC Holding BV, Senior Notes  | 9.875%  | 4/15/18       | 675,000      | 742,500(a)   |
| Virgin Media Finance PLC, Senior Notes  | 9.125%  | 8/15/16       | 537,000      | 574,590      |
| <i>Total Media</i>  |         |               |              | 23,984,332   |
| <b>Multiline Retail 0.5%</b>  |         |               |              |              |
| Neiman Marcus Group Inc., Senior Secured Notes                                | 7.125%  | 6/1/28        | 2,460,000    | 2,373,900    |
| <b>Specialty Retail 2.5%</b>  |         |               |              |              |
| American Greetings Corp., Senior Notes  | 7.375%  | 6/1/16        | 2,885,000    | 3,004,006    |
| American Greetings Corp., Senior Notes  | 7.375%  | 6/1/16        | 365,000      | 365,456      |
| American Greetings Corp., Senior Notes  | 7.375%  | 6/1/16        | 290,000      | 290,363      |
| Michaels Stores Inc., Senior Notes  | 7.750%  | 11/1/18       | 910,000      | 912,275(a)   |
| Michaels Stores Inc., Senior Subordinated Bonds                               | 11.375% | 11/1/16       | 1,230,000    | 1,346,850    |
| Michaels Stores Inc., Senior Subordinated Notes, step bond                    | 0.000%  | 11/1/16       | 3,580,000    | 3,562,100    |
| PETCO Animal Supplies Inc., Senior Notes                                      | 9.250%  | 12/1/18       | 2,280,000    | 2,413,950(a) |
| <i>Total Specialty Retail</i>   |         |               |              | 11,895,000   |
| <b>Textiles, Apparel &amp; Luxury Goods 1.4%</b>                              |         |               |              |              |
| Express LLC/Express Finance Corp., Senior Notes                               | 8.750%  | 3/1/18        | 1,350,000    | 1,441,125    |
| Giraffe Acquisition Corp., Senior Notes                                       | 9.125%  | 12/1/18       | 1,730,000    | 1,812,175(a) |
| Oxford Industries Inc., Senior Secured Notes                                  | 11.375% | 7/15/15       | 2,570,000    | 2,897,675    |
| Phillips-Van Heusen Corp., Senior Notes                                       | 7.375%  | 5/15/20       | 520,000      | 555,100      |
| <i>Total Textiles, Apparel &amp; Luxury Goods</i>                             |         |               |              | 6,706,075    |

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|   |             |          |           |                  |
|---|-------------|----------|-----------|------------------|
| TOTAL CONSUMER DISCRETIONARY                    |             |          |           | 98,930,554       |
| CONSUMER STAPLES                                | 1.2%        |          |           |                  |
| <b>Food Products</b>                            | <b>1.1%</b> |          |           |                  |
| Bumble Bee Acquisiton Co., Senior Secured Notes | 9.000%      | 12/15/17 | 780,000   | 815,100(a)       |
| Bumble Bee Foods LLC, Senior Secured Notes      | 7.750%      | 12/15/15 | 1,512,000 | 1,736,729        |
| Del Monte Corp., Senior Subordinated Notes      | 7.500%      | 10/15/19 | 700,000   | 819,875          |
| Simmons Foods Inc., Senior Secured Notes        | 10.500%     | 11/1/17  | 1,290,000 | 1,383,525(a)     |
| Smithfield Foods Inc., Senior Secured Notes     | 10.000%     | 7/15/14  | 605,000   | 700,287(a)       |
| <i>Total Food Products</i>                      |             |          |           | <i>5,455,516</i> |
| <b>Tobacco</b>                                  | <b>0.1%</b> |          |           |                  |
| Alliance One International Inc., Senior Notes   | 10.000%     | 7/15/16  | 300,000   | 309,000          |
| TOTAL CONSUMER STAPLES                          |             |          |           | 5,764,516        |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT | VALUE           |
|---|---------|---------------|-------------|-----------------|
| ENERGY 15.4%  |         |               |             |                 |
| <b>Energy Equipment &amp; Services 2.7%</b>                       |         |               |             |                 |
| Basic Energy Services Inc., Senior Secured Notes                  | 11.625% | 8/1/14        | 1,865,000   | \$ 2,079,475    |
| Complete Production Services Inc., Senior Notes                   | 8.000%  | 12/15/16      | 1,150,000   | 1,196,000       |
| Frac Tech Services LLC/Frac Tech Finance Inc., Senior Notes       | 7.125%  | 11/15/18      | 1,150,000   | 1,170,125(a)    |
| GulfMark Offshore Inc., Senior Subordinated Notes                 | 7.750%  | 7/15/14       | 1,440,000   | 1,468,800       |
| Hercules Offshore LLC, Senior Secured Notes                       | 10.500% | 10/15/17      | 1,695,000   | 1,411,087(a)    |
| Key Energy Services Inc., Senior Notes                            | 8.375%  | 12/1/14       | 2,005,000   | 2,125,300       |
| Parker Drilling Co., Senior Notes                                 | 9.125%  | 4/1/18        | 1,480,000   | 1,554,000       |
| Precision Drilling Corp., Senior Notes                            | 6.625%  | 11/15/20      | 1,080,000   | 1,101,600(a)    |
| Trinidad Drilling Ltd., Senior Notes                              | 7.875%  | 1/15/19       | 640,000     | 649,600(a)      |
| <i>Total Energy Equipment &amp; Services</i>                      |         |               |             | 12,755,987      |
| <b>Oil, Gas &amp; Consumable Fuels 12.7%</b>                      |         |               |             |                 |
| Alta Mesa Holdings/Alta Mesa Finance Services Corp., Senior Notes | 9.625%  | 10/15/18      | 480,000     | 468,600(a)      |
| Belden & Blake Corp., Secured Notes                               | 8.750%  | 7/15/12       | 3,892,000   | 3,736,320       |
| Berry Petroleum Co., Senior Notes                                 | 10.250% | 6/1/14        | 1,155,000   | 1,331,138       |
| Berry Petroleum Co., Senior Notes                                 | 6.750%  | 11/1/20       | 150,000     | 151,125         |
| Calfrac Holdings LP, Senior Notes                                 | 7.500%  | 12/1/20       | 800,000     | 812,000(a)      |
| Chesapeake Energy Corp., Senior Notes                             | 7.250%  | 12/15/18      | 425,000     | 442,000         |
| Chesapeake Energy Corp., Senior Notes                             | 6.625%  | 8/15/20       | 1,530,000   | 1,514,700       |
| Compagnie Generale de Geophysique-Veritas, Senior Notes           | 7.500%  | 5/15/15       | 360,000     | 368,100         |
| Compagnie Generale de Geophysique-Veritas, Senior Notes           | 9.500%  | 5/15/16       | 560,000     | 613,200         |
| Compagnie Generale de Geophysique-Veritas, Senior Notes           | 7.750%  | 5/15/17       | 410,000     | 422,300         |
| Concho Resources Inc., Senior Notes                               | 7.000%  | 1/15/21       | 1,280,000   | 1,315,200       |
| CONSOL Energy Inc., Senior Notes                                  | 8.250%  | 4/1/20        | 1,410,000   | 1,529,850(a)    |
| Corral Petroleum Holdings AB, Senior Bonds                        | 2.000%  | 9/18/11       | 2,675,321   | 2,488,048(a)(f) |
| Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes    | 8.875%  | 2/15/18       | 350,000     | 376,688         |
| Energy Transfer Equity LP, Senior Notes                           | 7.500%  | 10/15/20      | 1,370,000   | 1,417,950       |
| Enterprise Products Operating LLP, Junior Subordinated Notes      | 8.375%  | 8/1/66        | 1,270,000   | 1,365,183(e)    |
| Enterprise Products Operating LLP, Subordinated Notes             | 7.034%  | 1/15/68       | 850,000     | 883,092(e)      |
| EXCO Resources Inc., Senior Notes                                 | 7.500%  | 9/15/18       | 2,570,000   | 2,531,450       |
| Inergy LP/Inergy Finance Corp., Senior Notes                      | 7.000%  | 10/1/18       | 970,000     | 982,125(a)      |
| International Coal Group Inc., Senior Secured Notes               | 9.125%  | 4/1/18        | 1,470,000   | 1,594,950       |
| Linn Energy LLC/Linn Energy Finance Corp., Senior Notes           | 8.625%  | 4/15/20       | 1,360,000   | 1,472,200(a)    |
| Linn Energy LLC/Linn Energy Finance Corp., Senior Notes           | 7.750%  | 2/1/21        | 750,000     | 772,500(a)      |
|   | 8.750%  | 4/15/18       | 480,000     | 522,000         |



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|   |         |          |           |              |
|---|---------|----------|-----------|--------------|
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes |         |          |           |              |
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes | 6.750%  | 11/1/20  | 690,000   | 693,450      |
| Murray Energy Corp., Senior Secured Notes                               | 10.250% | 10/15/15 | 2,020,000 | 2,131,100(a) |
| Offshore Group Investments Ltd., Senior Secured Notes                   | 11.500% | 8/1/15   | 2,960,000 | 3,226,400(a) |
| OPTI Canada Inc., Senior Secured Notes                                  | 9.000%  | 12/15/12 | 1,180,000 | 1,188,850(a) |
| OPTI Canada Inc., Senior Secured Notes                                  | 9.750%  | 8/15/13  | 530,000   | 532,650(a)   |
| OPTI Canada Inc., Senior Secured Notes                                  | 7.875%  | 12/15/14 | 345,000   | 245,381      |
| OPTI Canada Inc., Senior Secured Notes                                  | 8.250%  | 12/15/14 | 810,000   | 581,175      |
| Overseas Shipholding Group Inc., Senior Notes                           | 8.125%  | 3/30/18  | 1,485,000 | 1,496,137    |
| Peabody Energy Corp., Senior Notes                                      | 7.875%  | 11/1/26  | 470,000   | 512,300      |
| Petroplus Finance Ltd., Senior Notes                                    | 6.750%  | 5/1/14   | 1,090,000 | 1,008,250(a) |
| Petroplus Finance Ltd., Senior Notes                                    | 7.000%  | 5/1/17   | 780,000   | 694,200(a)   |
| Plains Exploration & Production Co., Senior Notes                       | 10.000% | 3/1/16   | 1,305,000 | 1,464,863    |
| Plains Exploration & Production Co., Senior Notes                       | 8.625%  | 10/15/19 | 1,195,000 | 1,314,500    |
| PT Adaro Indonesia, Senior Notes  | 7.625%  | 10/22/19 | 400,000   | 439,000(a)   |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY  | RATE    | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|---|---------|------------------|----------------|-------------------|
| <b>Oil, Gas &amp; Consumable Fuels continued</b>                      |         |                  |                |                   |
| Quicksilver Resources Inc., Senior Notes                              | 11.750% | 1/1/16           | 2,255,000      | \$ 2,638,350      |
| Quicksilver Resources Inc., Senior Notes                              | 9.125%  | 8/15/19          | 340,000        | 374,850           |
| Range Resources Corp., Senior Subordinated Notes                      | 8.000%  | 5/15/19          | 100,000        | 109,375           |
| Regency Energy Partners LP/Regency Energy Finance Corp., Senior Notes | 6.875%  | 12/1/18          | 1,360,000      | 1,383,800         |
| SandRidge Energy Inc., Senior Toggle Notes                            | 8.625%  | 4/1/15           | 1,870,000      | 1,923,762(f)      |
| Stone Energy Corp., Senior Notes                                      | 8.625%  | 2/1/17           | 950,000        | 969,000           |
| Teekay Corp., Senior Notes  | 8.500%  | 1/15/20          | 2,280,000      | 2,493,750         |
| Tennessee Gas Pipeline Co., Senior Notes                              | 8.375%  | 6/15/32          | 3,270,000      | 3,862,570         |
| TNK-BP Finance SA, Senior Notes                                       | 7.875%  | 3/13/18          | 1,525,000      | 1,736,670(a)      |
| Whiting Petroleum Corp., Senior Subordinated Notes                    | 7.000%  | 2/1/14           | 85,000         | 89,675            |
| Whiting Petroleum Corp., Senior Subordinated Notes                    | 6.500%  | 10/1/18          | 1,180,000      | 1,197,700         |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>                          |         |                  |                | <i>59,418,477</i> |
| TOTAL ENERGY  |         |                  |                | 72,174,464        |
| <b>FINANCIALS 8.2%</b>  |         |                  |                |                   |
| <b>Capital Markets 0.2%</b>   |         |                  |                |                   |
| Goldman Sachs Group Inc., Subordinated Notes                          | 6.750%  | 10/1/37          | 1,100,000      | 1,128,147         |
| <b>Commercial Banks 2.2%</b>  |         |                  |                |                   |
| BAC Capital Trust VI, Capital Securities, Junior Subordinated Notes   | 5.625%  | 3/8/35           | 830,000        | 704,940           |
| BankAmerica Institutional Capital A, Junior Subordinated Bonds        | 8.070%  | 12/31/26         | 520,000        | 527,150(a)        |
| BankAmerica Institutional Capital B, Junior Subordinated Bonds        | 7.700%  | 12/31/26         | 600,000        | 604,500(a)        |
| CIT Group Inc., Senior Secured Bonds                                  | 7.000%  | 5/1/16           | 1,130,700      | 1,137,767         |
| CIT Group Inc., Senior Secured Bonds                                  | 7.000%  | 5/1/17           | 4,842,981      | 4,867,196         |
| Credit Agricole SA, Subordinated Notes                                | 8.375%  | 10/13/19         | 830,000        | 856,975(a)(e)(g)  |
| NB Capital Trust II, Junior Subordinated Notes                        | 7.830%  | 12/15/26         | 770,000        | 775,775           |
| NB Capital Trust IV, Junior Subordinated Notes                        | 8.250%  | 4/15/27          | 530,000        | 540,600           |
| <i>Total Commercial Banks</i>   |         |                  |                | <i>10,014,903</i> |
| <b>Consumer Finance 2.5%</b>  |         |                  |                |                   |
| Ally Financial Inc., Debentures                                       | 0.000%  | 6/15/15          | 4,300,000      | 3,182,000         |
| Ally Financial Inc., Senior Bonds                                     | 0.000%  | 12/1/12          | 1,800,000      | 1,632,054         |
| Ally Financial Inc., Senior Notes                                     | 8.300%  | 2/12/15          | 70,000         | 77,175            |
| Ally Financial Inc., Senior Notes                                     | 7.500%  | 9/15/20          | 3,500,000      | 3,688,125(a)      |
| Ally Financial Inc., Subordinated Notes                               | 8.000%  | 12/31/18         | 74,000         | 78,995            |
| GMAC International Finance BV, Senior Bonds                           | 7.500%  | 4/21/15          | 730,000EUR     | 1,014,519         |
| SLM Corp., Medium-Term Notes  | 8.000%  | 3/25/20          | 970,000        | 985,079           |
| SLM Corp., Medium-Term Notes, Senior Notes                            | 8.450%  | 6/15/18          | 965,000        | 1,004,364         |
| <i>Total Consumer Finance</i>   |         |                  |                | <i>11,662,311</i> |
| <b>Diversified Financial Services 2.5%</b>                            |         |                  |                |                   |
| Bankrate Inc., Senior Secured Notes                                   | 11.750% | 7/15/15          | 750,000        | 836,250(a)        |
|   | 10.250% | 8/15/39          | 1,120,000      | 1,205,400         |

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|  |         |          |           |                        |
|--|---------|----------|-----------|------------------------|
| Capital One Capital V, Junior Subordinated Notes,<br>Cumulative Trust Preferred Securities |         |          |           |                        |
| International Lease Finance Corp., Medium-Term<br>Notes                                    | 6.375%  | 3/25/13  | 880,000   | 906,400                |
| International Lease Finance Corp., Medium-Term<br>Notes, Senior Notes                      | 5.625%  | 9/20/13  | 1,670,000 | 1,686,700              |
| International Lease Finance Corp., Notes   | 5.875%  | 5/1/13   | 290,000   | 294,713                |
| International Lease Finance Corp., Senior Notes  | 8.875%  | 9/1/17   | 3,810,000 | 4,129,087              |
| International Lease Finance Corp., Senior Notes  | 8.250%  | 12/15/20 | 670,000   | 690,937                |
| MBNA Capital A, Junior Subordinated Notes  | 8.278%  | 12/1/26  | 1,250,000 | 1,275,000              |
| Midwest Gaming Borrower LLC/Midwest Finance<br>Corp., Senior Secured Notes                 | 11.625% | 4/15/16  | 520,000   | 540,800 <sup>(a)</sup> |
| <i>Total Diversified Financial Services</i>  |         |          |           | <i>11,565,287</i>      |
| <b>Insurance 0.7%</b>  |         |          |           |                        |
| American International Group Inc., Senior Notes  | 8.250%  | 8/15/18  | 1,465,000 | 1,692,661              |
| American International Group Inc., Senior Notes  | 6.400%  | 12/15/20 | 910,000   | 956,540                |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE             |
|--|---------|---------------|-------------|-------------------|
| <b>Insurance continued</b>   |         |               |             |                   |
| MetLife Capital Trust IV, Junior Subordinated Notes                              | 7.875%  | 12/15/37      | 590,000     | \$ 626,875(a)     |
| <i>Total Insurance</i>   |         |               |             | 3,276,076         |
| <b>Real Estate Investment Trusts (REITs) 0.1%</b>                                |         |               |             |                   |
| Host Hotels & Resorts, LP, Senior Notes  | 6.375%  | 3/15/15       | 425,000     | 433,500           |
| <b>TOTAL FINANCIALS</b>  |         |               |             | <b>38,080,224</b> |
| <b>HEALTH CARE 5.2%</b>  |         |               |             |                   |
| <b>Health Care Equipment &amp; Supplies 0.3%</b>                                 |         |               |             |                   |
| Biomet Inc., Senior Notes  | 10.000% | 10/15/17      | 420,000     | 460,950           |
| Biomet Inc., Senior Notes  | 11.625% | 10/15/17      | 370,000     | 410,700           |
| Biomet Inc., Senior Toggle Notes   | 10.375% | 10/15/17      | 410,000     | 449,975(f)        |
| <i>Total Health Care Equipment &amp; Supplies</i>                                |         |               |             | 1,321,625         |
| <b>Health Care Providers &amp; Services 4.9%</b>                                 |         |               |             |                   |
| American Renal Holdings, Senior Secured Notes                                    | 8.375%  | 5/15/18       | 1,130,000   | 1,163,900(a)      |
| CRC Health Corp., Senior Subordinated Notes                                      | 10.750% | 2/1/16        | 4,265,000   | 4,296,987         |
| Fresenius U.S. Finance II Inc., Senior Notes                                     | 9.000%  | 7/15/15       | 1,440,000   | 1,656,000(a)      |
| HCA Inc., Debentures   | 7.500%  | 11/15/95      | 3,920,000   | 3,136,000         |
| HCA Inc., Senior Secured Notes   | 7.875%  | 2/15/20       | 2,820,000   | 3,031,500         |
| inVentiv Health Inc., Senior Notes   | 10.000% | 8/15/18       | 500,000     | 502,500(a)        |
| Tenet Healthcare Corp., Senior Secured Notes                                     | 9.000%  | 5/1/15        | 679,000     | 757,085           |
| Tenet Healthcare Corp., Senior Secured Notes                                     | 10.000% | 5/1/18        | 1,950,000   | 2,281,500         |
| Universal Hospital Services Inc., Senior Secured Notes                           | 3.834%  | 6/1/15        | 410,000     | 377,200(e)        |
| Universal Hospital Services Inc., Senior Secured Notes                           | 8.500%  | 6/1/15        | 1,990,000   | 2,054,675(f)      |
| US Oncology Inc., Senior Secured Notes   | 9.125%  | 8/15/17       | 2,105,000   | 2,604,938         |
| Vanguard Health Holdings Co., II LLC, Senior Notes                               | 8.000%  | 2/1/18        | 1,185,000   | 1,220,550         |
| <i>Total Health Care Providers &amp; Services</i>                                |         |               |             | 23,082,835        |
| <b>TOTAL HEALTH CARE</b>   |         |               |             | <b>24,404,460</b> |
| <b>INDUSTRIALS 11.9%</b>   |         |               |             |                   |
| <b>Aerospace &amp; Defense 1.5%</b>  |         |               |             |                   |
| FGI Operating Co. Inc., Senior Secured Notes                                     | 10.250% | 8/1/15        | 1,965,000   | 2,073,075         |
| Kratos Defense & Security Solutions Inc., Senior Secured Notes                   | 10.000% | 6/1/17        | 1,030,000   | 1,145,875         |
| Triumph Group Inc., Senior Notes   | 8.625%  | 7/15/18       | 1,580,000   | 1,734,050         |
| Wyle Services Corp., Senior Subordinated Notes                                   | 10.500% | 4/1/18        | 2,105,000   | 2,057,638(a)      |
| <i>Total Aerospace &amp; Defense</i>   |         |               |             | 7,010,638         |
| <b>Airlines 2.4%</b>   |         |               |             |                   |
| Continental Airlines Inc., Pass-Through Certificates                             | 9.250%  | 5/10/17       | 170,975     | 189,141           |
| Continental Airlines Inc., Pass-Through Certificates, Subordinated Secured Notes | 8.312%  | 4/2/11        | 69,686      | 70,383            |
| Continental Airlines Inc., Pass-Through Certificates, Subordinated Secured Notes | 7.339%  | 4/19/14       | 2,074,905   | 2,074,905         |
| Continental Airlines Inc., Senior Secured Notes                                  | 6.750%  | 9/15/15       | 960,000     | 993,600(a)        |
| DAE Aviation Holdings Inc., Senior Notes   | 11.250% | 8/1/15        | 4,625,000   | 4,810,000(a)      |
| Delta Air Lines Inc., Pass-Through Certificates                                  | 7.711%  | 9/18/11       | 90,000      | 92,250            |

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|   |         |          |           |                   |
|---|---------|----------|-----------|-------------------|
| Delta Air Lines Inc., Pass-Through Certificates                                     | 8.954%  | 8/10/14  | 23,095    | 23,903            |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes                      | 8.021%  | 8/10/22  | 708,367   | 722,534           |
| Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes         | 9.750%  | 12/17/16 | 568,131   | 622,103           |
| Delta Air Lines Inc., Senior Secured Notes  | 9.500%  | 9/15/14  | 588,000   | 643,125(a)        |
| United Air Lines Inc., Senior Secured Notes   | 9.875%  | 8/1/13   | 910,000   | 985,075(a)        |
| <i>Total Airlines</i>   |         |          |           | <i>11,227,019</i> |
| <b>Building Products 0.1%</b>   |         |          |           |                   |
| Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, step bond | 0.000%  | 6/30/15  | 660,400   | 369,824(a)(d)     |
| USG Corp., Senior Notes   | 8.375%  | 10/15/18 | 320,000   | 315,200(a)        |
| <i>Total Building Products</i>  |         |          |           | <i>685,024</i>    |
| <b>Commercial Services &amp; Supplies 2.1%</b>                                      |         |          |           |                   |
| ACCO Brands Corp., Senior Secured Notes   | 10.625% | 3/15/15  | 1,675,000 | 1,892,750         |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE             |
|--|---------|---------------|-------------|-------------------|
| <b>Commercial Services &amp; Supplies</b>  |         |               |             |                   |
| <b>continued</b>   |         |               |             |                   |
| ACCO Brands Corp., Senior Subordinated Notes   | 7.625%  | 8/15/15       | 620,000     | \$ 623,100        |
| Altegrity Inc., Senior Subordinated Notes  | 10.500% | 11/1/15       | 210,000     | 216,563(a)        |
| Altegrity Inc., Senior Subordinated Notes  | 11.750% | 5/1/16        | 2,605,000   | 2,673,381(a)      |
| American Reprographics Co., Senior Notes   | 10.500% | 12/15/16      | 1,280,000   | 1,347,200(a)      |
| Garda World Security Corp., Senior Notes   | 9.750%  | 3/15/17       | 720,000     | 775,800(a)        |
| Geo Group Inc., Senior Notes   | 7.750%  | 10/15/17      | 1,620,000   | 1,709,100         |
| RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Secured Notes                         | 10.000% | 7/15/17       | 635,000     | 717,550(a)        |
| <i>Total Commercial Services &amp; Supplies</i>  |         |               |             | <i>9,955,444</i>  |
| <b>Construction &amp; Engineering 0.2%</b>   |         |               |             |                   |
| Abengoa Finance SAU, Senior Notes  | 8.875%  | 11/1/17       | 1,310,000   | 1,218,300(a)      |
| <b>Electrical Equipment 0.3%</b>   |         |               |             |                   |
| NES Rentals Holdings Inc., Senior Secured Notes  | 12.250% | 4/15/15       | 1,510,000   | 1,396,750(a)      |
| <b>Industrial Conglomerates 0.3%</b>   |         |               |             |                   |
| Leucadia National Corp., Senior Notes  | 8.125%  | 9/15/15       | 1,220,000   | 1,335,900         |
| <b>Marine 0.9%</b>   |         |               |             |                   |
| Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes | 8.625%  | 11/1/17       | 2,390,000   | 2,455,725(a)      |
| Trico Shipping AS, Senior Secured Notes  | 13.875% | 11/1/14       | 2,190,000   | 1,784,850(a)(b)   |
| <i>Total Marine</i>  |         |               |             | <i>4,240,575</i>  |
| <b>Road &amp; Rail 2.5%</b>  |         |               |             |                   |
| Jack Cooper Holdings Corp., Senior Secured Notes   | 12.750% | 12/15/15      | 1,974,000   | 1,906,469(a)(h)   |
| Kansas City Southern de Mexico, Senior Notes   | 12.500% | 4/1/16        | 681,000     | 834,225           |
| Kansas City Southern de Mexico, Senior Notes   | 8.000%  | 2/1/18        | 2,805,000   | 3,050,437         |
| Kansas City Southern de Mexico, Senior Notes   | 6.625%  | 12/15/20      | 520,000     | 523,900(a)        |
| Kansas City Southern Railway, Senior Notes   | 13.000% | 12/15/13      | 231,000     | 276,045           |
| Kansas City Southern Railway, Senior Notes   | 8.000%  | 6/1/15        | 285,000     | 307,800           |
| Quality Distribution LLC/QD Capital Corp., Senior Secured Notes                              | 9.875%  | 11/1/18       | 2,460,000   | 2,453,850(a)      |
| RailAmerica Inc., Senior Secured Notes   | 9.250%  | 7/1/17        | 1,962,000   | 2,165,558         |
| <i>Total Road &amp; Rail</i>   |         |               |             | <i>11,518,284</i> |
| <b>Trading Companies &amp; Distributors</b>  |         |               |             |                   |
| <b>0.6%</b>  |         |               |             |                   |

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|  |         |          |           |                   |
|--|---------|----------|-----------|-------------------|
| Ashtead Capital Inc., Notes  | 9.000%  | 8/15/16  | 770,000   | 806,575(a)        |
| Ashtead Holdings PLC, Senior Secured Notes                                 | 8.625%  | 8/1/15   | 465,000   | 484,181(a)        |
| H&E Equipment Services Inc., Senior Notes                                  | 8.375%  | 7/15/16  | 1,370,000 | 1,404,250         |
| <i>Total Trading Companies &amp; Distributors</i>                          |         |          |           | <i>2,695,006</i>  |
| <b>Transportation 1.0%</b>   |         |          |           |                   |
| Hapag-Lloyd AG, Senior Notes   | 9.750%  | 10/15/17 | 2,630,000 | 2,860,125(a)      |
| Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes | 9.500%  | 5/1/18   | 1,640,000 | 1,672,800(a)      |
| <i>Total Transportation</i>  |         |          |           | <i>4,532,925</i>  |
| <b>TOTAL INDUSTRIALS</b>   |         |          |           | <b>55,815,865</b> |
| <b>INFORMATION TECHNOLOGY 3.8%</b>   |         |          |           |                   |
| <b>Communications Equipment 0.6%</b>                                       |         |          |           |                   |
| Lucent Technologies Inc., Debentures                                       | 6.450%  | 3/15/29  | 3,140,000 | 2,496,300         |
| <b>Electronic Equipment, Instruments &amp; Components 0.7%</b>             |         |          |           |                   |
| NXP BV/NXP Funding LLC, Senior Secured Notes                               | 9.750%  | 8/1/18   | 2,990,000 | 3,378,700(a)      |
| <b>IT Services 1.5%</b>  |         |          |           |                   |
| Ceridian Corp., Senior Notes   | 12.250% | 11/15/15 | 1,469,700 | 1,491,745(f)      |
| First Data Corp., Senior Notes   | 5.625%  | 11/1/11  | 250,000   | 249,063           |
| First Data Corp., Senior Notes   | 10.550% | 9/24/15  | 4,319,573 | 4,114,393(f)      |
| Interactive Data Corp., Senior Notes                                       | 10.250% | 8/1/18   | 850,000   | 927,562(a)        |
| <i>Total IT Services</i>   |         |          |           | <i>6,782,763</i>  |
| <b>Semiconductors &amp; Semiconductor Equipment 1.0%</b>                   |         |          |           |                   |
| CDW LLC/CDW Finance Corp., Senior Notes                                    | 11.000% | 10/12/15 | 710,000   | 740,175           |
| Freescale Semiconductor Inc., Senior Notes                                 | 10.750% | 8/1/20   | 520,000   | 569,400(a)        |
| Freescale Semiconductor Inc., Senior Secured Notes                         | 9.250%  | 4/15/18  | 860,000   | 950,300(a)        |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE         |
|--|---------|---------------|-------------|---------------|
| <b>Semiconductors &amp; Semiconductor Equipment continued</b>                  |         |               |             |               |
| Freescale Semiconductor Inc., Senior Subordinated Notes                        | 10.125% | 12/15/16      | 1,785,000   | \$ 1,887,638  |
| Freescale Semiconductor Inc., Senior Toggle Notes                              | 9.125%  | 12/15/14      | 381,333     | 400,400(f)    |
| Spanion LLC, Senior Notes  | 7.875%  | 11/15/17      | 240,000     | 238,800(a)    |
| <i>Total Semiconductors &amp; Semiconductor Equipment</i>                      |         |               |             | 4,786,713     |
| <b>Software 0.0%</b>   |         |               |             |               |
| Aspect Software Inc., Senior Secured Notes                                     | 10.625% | 5/15/17       | 125,000     | 128,906(a)    |
| <b>TOTAL INFORMATION TECHNOLOGY</b>  |         |               |             | 17,573,382    |
| <b>MATERIALS 9.2%</b>  |         |               |             |               |
| <b>Chemicals 3.1%</b>  |         |               |             |               |
| Ashland Inc., Senior Notes   | 9.125%  | 6/1/17        | 3,200,000   | 3,704,000     |
| CF Industries Inc., Senior Notes   | 7.125%  | 5/1/20        | 840,000     | 921,900       |
| FMC Finance III SA, Senior Notes   | 6.875%  | 7/15/17       | 700,000     | 745,500       |
| Georgia Gulf Corp., Senior Secured Notes                                       | 9.000%  | 1/15/17       | 1,175,000   | 1,280,750(a)  |
| Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, Senior Secured Notes | 9.000%  | 11/15/20      | 930,000     | 985,800(a)    |
| Ineos Finance PLC, Senior Secured Notes  | 9.000%  | 5/15/15       | 1,160,000   | 1,239,750(a)  |
| Kerling PLC, Senior Secured Notes  | 10.625% | 1/28/17       | 955,000EUR  | 1,384,641(a)  |
| LBI Escrow Corp., Senior Secured Notes   | 8.000%  | 11/1/17       | 1,543,000   | 1,710,801(a)  |
| Lyondell Chemical Co., Senior Secured Notes                                    | 11.000% | 5/1/18        | 480,000     | 546,000       |
| Solutia Inc., Senior Notes   | 8.750%  | 11/1/17       | 45,000      | 49,500        |
| Solutia Inc., Senior Notes   | 7.875%  | 3/15/20       | 1,210,000   | 1,300,750     |
| Texas Petrochemical Corp. Group LLC, Senior Secured Notes                      | 8.250%  | 10/1/17       | 770,000     | 808,500(a)    |
| <i>Total Chemicals</i>   |         |               |             | 14,677,892    |
| <b>Containers &amp; Packaging 2.3%</b>   |         |               |             |               |
| Ardagh Packaging Finance PLC, Senior Notes                                     | 9.125%  | 10/15/20      | 2,180,000   | 2,278,100(a)  |
| Ardagh Packaging Finance PLC, Senior Secured Notes                             | 7.375%  | 10/15/17      | 560,000EUR  | 755,811(a)    |
| Berry Plastics Corp., Senior Secured Notes                                     | 9.500%  | 5/15/18       | 910,000     | 916,825       |
| Berry Plastics Corp., Senior Secured Notes                                     | 9.750%  | 1/15/21       | 1,150,000   | 1,144,250(a)  |
| Radnor Holdings Inc., Senior Notes   | 11.000% | 3/15/10       | 725,000     | 0(b)(c)(d)(h) |



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|  |         |          |           |                 |
|--|---------|----------|-----------|-----------------|
| Reynolds Group Issuer Inc./Reynolds Group Issuer LLC, Senior Notes         | 9.000%  | 4/15/19  | 1,950,000 | 2,030,438(a)    |
| Reynolds Group Issuer Inc./Reynolds Group Issuer LLC, Senior Secured Notes | 7.125%  | 4/15/19  | 520,000   | 531,700(a)      |
| Solo Cup Co., Senior Secured Notes   | 10.500% | 11/1/13  | 635,000   | 666,750         |
| Viskase Cos. Inc., Senior Secured Notes                                    | 9.875%  | 1/15/18  | 2,090,000 | 2,189,275(a)(d) |
| Viskase Cos. Inc., Senior Secured Notes                                    | 9.875%  | 1/15/18  | 170,000   | 178,075(a)(d)   |
| <i>Total Containers &amp; Packaging</i>                                    |         |          |           | 10,691,224      |
| <b>Metals &amp; Mining 1.4%</b>  |         |          |           |                 |
| Atkore International Inc., Senior Secured Notes                            | 9.875%  | 1/1/18   | 1,380,000 | 1,442,100(a)    |
| FMG Resources (August 2006), Senior Notes                                  | 6.375%  | 2/1/16   | 830,000   | 834,150(a)      |
| FMG Resources (August 2006) Pty Ltd., Senior Notes                         | 7.000%  | 11/1/15  | 780,000   | 803,400(a)      |
| Novelis Inc., Senior Notes   | 8.750%  | 12/15/20 | 2,040,000 | 2,126,700(a)    |
| Ryerson Holding Corp., Senior Secured Notes                                | 0.000%  | 2/1/15   | 2,850,000 | 1,289,625       |
| Ryerson Inc., Senior Secured Notes   | 12.000% | 11/1/15  | 30,000    | 31,575          |
| <i>Total Metals &amp; Mining</i>   |         |          |           | 6,527,550       |
| <b>Paper &amp; Forest Products 2.4%</b>                                    |         |          |           |                 |
| Appleton Papers Inc., Senior Secured Notes                                 | 11.250% | 12/15/15 | 3,415,000 | 2,749,075(a)    |
| Boise Cascade LLC, Senior Subordinated Notes                               | 7.125%  | 10/15/14 | 225,000   | 221,062         |
| Georgia-Pacific LLC, Senior Notes  | 8.250%  | 5/1/16   | 425,000   | 481,844(a)      |
| Neenah Paper Inc., Senior Notes  | 7.375%  | 11/15/14 | 530,000   | 544,575         |
| NewPage Corp., Senior Secured Notes  | 11.375% | 12/31/14 | 2,430,000 | 2,296,350       |
| PE Paper Escrow GmbH, Senior Secured Notes                                 | 12.000% | 8/1/14   | 560,000   | 648,850(a)      |
| Smurfit Capital Funding PLC, Debentures                                    | 7.500%  | 11/20/25 | 1,200,000 | 1,113,000       |
| Verso Paper Holdings LLC, Senior Secured Notes                             | 11.500% | 7/1/14   | 2,580,000 | 2,844,450       |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE             |
|--|---------|---------------|-------------|-------------------|
| <b>Paper &amp; Forest Products continued</b>                         |         |               |             |                   |
| Verso Paper Holdings LLC, Senior Subordinated Notes                  | 11.375% | 8/1/16        | 360,000 \$  | 362,700           |
| <i>Total Paper &amp; Forest Products</i>                             |         |               |             | <i>11,261,906</i> |
| <b>TOTAL MATERIALS</b>   |         |               |             | <b>43,158,572</b> |
| <b>TELECOMMUNICATION SERVICES 7.7%</b>                               |         |               |             |                   |
| <b>Diversified Telecommunication Services 4.4%</b>                   |         |               |             |                   |
| Cincinnati Bell Inc., Senior Notes                                   | 8.375%  | 10/15/20      | 1,110,000   | 1,068,375         |
| Hawaiian Telcom Communications Inc., Senior Subordinated Notes       | 12.500% | 5/1/15        | 980,000     | 98(b)(d)          |
| Inmarsat Finance PLC, Senior Notes                                   | 7.375%  | 12/1/17       | 2,120,000   | 2,236,600(a)      |
| Intelsat Jackson Holdings Ltd., Senior Notes                         | 9.500%  | 6/15/16       | 130,000     | 137,800           |
| Intelsat Jackson Holdings Ltd., Senior Notes                         | 11.250% | 6/15/16       | 40,000      | 43,300            |
| Intelsat Jackson Holdings Ltd., Senior Notes                         | 11.500% | 6/15/16       | 5,495,000   | 5,948,337         |
| Level 3 Financing Inc., Senior Notes                                 | 9.250%  | 11/1/14       | 990,000     | 987,525           |
| Qwest Communications International Inc., Senior Notes                | 8.000%  | 10/1/15       | 515,000     | 556,200(a)        |
| TW Telecom Holdings Inc., Senior Notes                               | 8.000%  | 3/1/18        | 1,430,000   | 1,526,525         |
| Valor Telecommunications Enterprises LLC/Finance Corp., Senior Notes | 7.750%  | 2/15/15       | 190,000     | 196,033           |
| West Corp., Senior Notes   | 8.625%  | 10/1/18       | 1,290,000   | 1,373,850(a)      |
| West Corp., Senior Notes   | 7.875%  | 1/15/19       | 1,840,000   | 1,876,800(a)      |
| Wind Acquisition Finance SA, Senior Notes                            | 11.750% | 7/15/17       | 890,000     | 1,007,925(a)      |
| Wind Acquisition Finance SA, Senior Secured Notes                    | 7.250%  | 2/15/18       | 780,000     | 795,600(a)        |
| Wind Acquisition Holdings Finance SpA, Senior Notes                  | 12.250% | 7/15/17       | 1,610,756   | 1,876,531(a)(f)   |
| Windstream Corp., Senior Notes                                       | 8.625%  | 8/1/16        | 190,000     | 200,925           |
| Windstream Corp., Senior Notes                                       | 7.750%  | 10/15/20      | 780,000     | 807,300           |
| <i>Total Diversified Telecommunication Services</i>                  |         |               |             | <i>20,639,724</i> |
| <b>Wireless Telecommunication Services 3.3%</b>                      |         |               |             |                   |
| Buccaneer Merger Sub Inc., Senior Notes                              | 9.125%  | 1/15/19       | 1,540,000   | 1,597,750(a)      |
| MetroPCS Wireless Inc., Senior Notes                                 | 7.875%  | 9/1/18        | 1,080,000   | 1,125,900         |
| Sprint Capital Corp., Global Notes                                   | 6.900%  | 5/1/19        | 870,000     | 863,475           |
| Sprint Capital Corp., Senior Notes                                   | 6.875%  | 11/15/28      | 750,000     | 660,000           |
| Sprint Capital Corp., Senior Notes                                   | 8.750%  | 3/15/32       | 8,585,000   | 8,713,775         |
| True Move Co., Ltd., Notes   | 10.750% | 12/16/13      | 2,260,000   | 2,440,800(a)      |
| <i>Total Wireless Telecommunication Services</i>                     |         |               |             | <i>15,401,700</i> |
| <b>TOTAL TELECOMMUNICATION SERVICES</b>                              |         |               |             | <b>36,041,424</b> |
| <b>UTILITIES 6.5%</b>  |         |               |             |                   |
| <b>Electric Utilities 2.1%</b>                                       |         |               |             |                   |
| AES Red Oak LLC, Secured Notes                                       | 9.200%  | 11/30/29      | 3,920,000   | 3,851,400         |
|  | 8.144%  | 5/1/21        | 1,550,000   | 1,550,000(a)      |

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|  |         |         |           |              |
|--|---------|---------|-----------|--------------|
| Astoria Depositor Corp., Pass-Through<br>Certificates                                    |         |         |           |              |
| Reliant Energy Mid-Atlantic Power Holdings<br>LLC, Senior Notes                          | 9.681%  | 7/2/26  | 2,390,000 | 2,551,325    |
| Texas Competitive Electric Holdings Co. LLC /<br>TCEH Finance Inc., Senior Secured Notes | 15.000% | 4/1/21  | 2,340,000 | 2,059,200(a) |
| <i>Total Electric Utilities</i>  |         |         |           | 10,011,925   |
| <b>Gas Utilities 0.5%</b>  |         |         |           |              |
| Ferrellgas LP/Ferrellgas Finance Corp., Senior<br>Notes                                  | 6.500%  | 5/1/21  | 770,000   | 754,600(a)   |
| Southern Natural Gas Co., Senior Notes   | 8.000%  | 3/1/32  | 60,000    | 69,038       |
| Suburban Propane Partners LP/Suburban Energy<br>Finance Corp., Senior Notes              | 7.375%  | 3/15/20 | 1,210,000 | 1,297,725    |
| <i>Total Gas Utilities</i>   |         |         |           | 2,121,363    |
| <b>Independent Power Producers &amp; Energy Traders 3.9%</b>                             |         |         |           |              |
| Calpine Corp., Senior Secured Notes  | 7.875%  | 7/31/20 | 460,000   | 468,050(a)   |
| Calpine Corp., Senior Secured Notes  | 7.500%  | 2/15/21 | 2,620,000 | 2,593,800(a) |
| Dynegy Inc., Bonds   | 7.670%  | 11/8/16 | 320,000   | 300,800      |
| Edison Mission Energy, Senior Notes  | 7.750%  | 6/15/16 | 600,000   | 519,000      |
| Edison Mission Energy, Senior Notes  | 7.625%  | 5/15/27 | 1,195,000 | 869,363      |
| Energy Future Holdings Corp., Senior Notes   | 10.875% | 11/1/17 | 5,813,000 | 4,069,100    |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY  | RATE           | MATURITY DATE | FACE AMOUNT | VALUE              |
|---|----------------|---------------|-------------|--------------------|
| <b>Independent Power Producers &amp; Energy Traders continued</b>                   |                |               |             |                    |
| Energy Future Holdings Corp., Senior Notes  | 11.250%        | 11/1/17       | 1,558,201   | \$ 942,711(f)      |
| Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes  | 10.000%        | 12/1/20       | 1,340,000   | 1,388,606          |
| Foresight Energy LLC/Foresight Energy Corp., Senior Notes                           | 9.625%         | 8/15/17       | 3,190,000   | 3,413,300(a)       |
| Mirant Americas Generation LLC, Senior Notes  | 9.125%         | 5/1/31        | 2,835,000   | 2,806,650          |
| Mirant Mid Atlantic LLC, Pass-Through Certificates                                  | 10.060%        | 12/30/28      | 652,777     | 724,583            |
| <i>Total Independent Power Producers &amp; Energy Traders</i>                       |                |               |             | <i>18,095,963</i>  |
| <b>TOTAL UTILITIES</b>  |                |               |             |                    |
| TOTAL CORPORATE BONDS & NOTES (Cost \$410,355,045)                                  |                |               |             | 30,229,251         |
| COLLATERALIZED MORTGAGE OBLIGATIONS 0.2%  |                |               |             | 422,172,712        |
| Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 (Cost - \$809,145) |                |               |             |                    |
|   | 2.337%         | 4/20/35       | 1,261,903   | 1,028,740(e)       |
| <b>COLLATERALIZED SENIOR LOANS 2.5%</b>   |                |               |             |                    |
| <b>CONSUMER DISCRETIONARY 0.4%</b>  |                |               |             |                    |
| <b>Auto Components 0.1%</b>   |                |               |             |                    |
| Allison Transmission Inc., Term Loan B  | 3.020 - 3.040% | 8/7/14        | 362,182     | 354,637(i)         |
| <b>Media 0.3%</b>   |                |               |             |                    |
| Newsday LLC, Term Loan  | 10.500%        | 8/1/13        | 1,500,000   | 1,605,937(i)       |
| <b>TOTAL CONSUMER DISCRETIONARY</b>   |                |               |             | 1,960,574          |
| <b>ENERGY 0.3%</b>  |                |               |             |                    |
| <b>Energy Equipment &amp; Services 0.3%</b>   |                |               |             |                    |
| Turbo Beta Ltd., Term Loan  | 14.500%        | 3/15/18       | 2,672,623   | 1,276,178(d)(f)(i) |
| <b>FINANCIALS 0.6%</b>  |                |               |             |                    |
| <b>Real Estate Management &amp; Development 0.6%</b>                                |                |               |             |                    |
| Realogy Corp., Term Loan  | 13.500%        | 10/15/17      | 2,500,000   | 2,739,063(i)       |
| <b>INDUSTRIALS 0.1%</b>   |                |               |             |                    |
| <b>Aerospace &amp; Defense 0.1%</b>   |                |               |             |                    |
| Hawker Beechcraft Acquisition Co. LLC, LC Facility Deposits                         | 2.289%         | 3/26/14       | 27,721      | 24,350(i)          |
| Hawker Beechcraft Acquisition Co. LLC, Term Loan                                    | 2.261 - 2.303% | 3/26/14       | 462,474     | 406,234(i)         |
| <b>TOTAL INDUSTRIALS</b>  |                |               |             | 430,584            |
| <b>TELECOMMUNICATION SERVICES 0.9%</b>  |                |               |             |                    |
| <b>Diversified Telecommunication Services 0.3%</b>                                  |                |               |             |                    |
| Level 3 Communications Inc., Term Loan  | 11.500%        | 3/13/14       | 1,250,000   | 1,354,297(i)       |

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**Wireless Telecommunication Services**

|   |        |         |           |                    |
|---|--------|---------|-----------|--------------------|
| <b>0.6%</b>                             |        |         |           |                    |
| Vodafone Group PLC, Term Loan           | 6.875% | 8/11/15 | 2,770,000 | 2,811,550(f)(h)(i) |
| <b>TOTAL TELECOMMUNICATION SERVICES</b> |        |         |           | 4,165,847          |

UTILITIES 0.2%

**Independent Power Producers & Energy Traders 0.2%**

|  |        |          |           |            |
|--|--------|----------|-----------|------------|
| Energy Future Holdings, Term Loan B3                         | 3.764% | 10/10/14 | 1,098,645 | 849,764(i) |
| <b>TOTAL COLLATERALIZED SENIOR LOANS (Cost \$12,290,924)</b> |        |          |           | 11,422,010 |

CONVERTIBLE BONDS & NOTES 0.8%

INDUSTRIALS 0.7%

**Marine 0.7%**

|                                  |        |         |           |           |
|----------------------------------|--------|---------|-----------|-----------|
| Horizon Lines Inc., Senior Notes | 4.250% | 8/15/12 | 3,455,000 | 3,200,194 |
|----------------------------------|--------|---------|-----------|-----------|

MATERIALS 0.1%

**Chemicals 0.1%**

|               |        |         |         |         |
|---------------|--------|---------|---------|---------|
| Hercules Inc. | 6.500% | 6/30/29 | 410,000 | 344,400 |
|---------------|--------|---------|---------|---------|

|   |  |  |  |           |
|---|--|--|--|-----------|
| <b>TOTAL CONVERTIBLE BONDS &amp; NOTES (Cost \$3,460,951)</b> |  |  |  | 3,544,594 |
|---|--|--|--|-----------|

SOVEREIGN BONDS 0.3%

**Russia 0.3%**

|  |        |         |         |              |
|--|--------|---------|---------|--------------|
| Russian Foreign Bond-Eurobond, Senior Bonds (Cost - \$1,046,405) | 7.500% | 3/31/30 | 958,545 | 1,110,954(a) |
|--|--------|---------|---------|--------------|

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY                                    | RATE    | SHARES | VALUE            |
|---|---------|--------|------------------|
| COMMON STOCKS 1.4%                          |         |        |                  |
| CONSUMER DISCRETIONARY                      |         |        |                  |
| 1.1%  |         |        |                  |
| <b>Media 1.1%</b>                           |         |        |                  |
| Charter Communications Inc.                 |         | 95,153 | \$ 3,705,258*(h) |
| Charter Communications Inc., Class A Shares |         | 39,739 | 1,547,436*       |
| TOTAL CONSUMER DISCRETIONARY                |         |        | 5,252,694        |
| ENERGY 0.1%                                 |         |        |                  |
| <b>Oil, Gas &amp; Consumable Fuels 0.1%</b> |         |        |                  |
| SemGroup Corp., Class A Shares              |         | 9,017  | 245,004*         |
| INDUSTRIALS 0.0%                            |         |        |                  |
| <b>Building Products 0.0%</b>               |         |        |                  |
| Ashton Woods USA LLC, Class B Membership    |         | 203    | 91,360(d)(h)     |
| Nortek Inc.                                 |         | 2,857  | 102,853*         |
| TOTAL INDUSTRIALS                           |         |        | 194,213          |
| MATERIALS 0.2%                              |         |        |                  |
| <b>Chemicals 0.2%</b>                       |         |        |                  |
| Georgia Gulf Corp.                          |         | 37,702 | 907,110*         |
| TOTAL COMMON STOCKS (Cost \$4,991,343)      |         |        | 6,599,021        |
| CONVERTIBLE PREFERRED STOCKS 0.6%           |         |        |                  |
| FINANCIALS 0.6%                             |         |        |                  |
| <b>Diversified Financial Services 0.6%</b>  |         |        |                  |
| Bank of America Corp. (Cost - \$3,008,006)  | 7.250%  | 3,030  | 2,899,619        |
| PREFERRED STOCKS 1.5%                       |         |        |                  |
| CONSUMER DISCRETIONARY                      |         |        |                  |
| 0.1%  |         |        |                  |
| <b>Automobiles 0.1%</b>                     |         |        |                  |
| Corts-Ford Motor Co.                        | 7.400%  | 11,720 | 292,649          |
| Motors Liquidation Co.                      | 7.250%  | 900    | 7,211*           |
| Motors Liquidation Co.                      | 7.250%  | 10,100 | 80,926*          |
| Motors Liquidation Co.                      | 7.375%  | 2,200  | 17,628*          |
| Motors Liquidation Co.                      | 7.375%  | 400    | 3,205*           |
| Motors Liquidation Co.                      | 7.500%  | 31,700 | 253,996*         |
| TOTAL CONSUMER DISCRETIONARY                |         |        | 655,615          |
| FINANCIALS 1.4%                             |         |        |                  |
| <b>Commercial Banks 0.3%</b>                |         |        |                  |
| Banesto Holdings Ltd.                       | 10.500% | 53,000 | 1,248,812(a)     |

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**Diversified Financial Services 1.1%**

|   |        |         |                  |
|---|--------|---------|------------------|
| Citigroup Capital XII                       | 8.500% | 108,200 | 2,862,972(e)     |
| Citigroup Capital XIII                      | 7.875% | 85,025  | 2,288,023(e)     |
| <i>Total Diversified Financial Services</i> |        |         | <i>5,150,995</i> |

**Thriffs & Mortgage Finance 0.0%**

|  |        |        |            |
|--|--------|--------|------------|
| Federal National Mortgage Association (FNMA) | 8.250% | 37,200 | 20,832*(e) |
| TOTAL FINANCIALS                             |        |        | 6,420,639  |
| TOTAL PREFERRED STOCKS (Cost \$8,097,707)    |        |        | 7,076,254  |

|  | EXPIRATION DATE | WARRANTS |               |
|--|-----------------|----------|---------------|
| <b>WARRANTS 0.0%</b>   |                 |          |               |
| Buffets Restaurant Holdings  | 4/28/14         | 1,981    | 20*(d)(h)     |
| Charter Communications Inc.  | 11/30/14        | 2,238    | 11,134*       |
| Jack Cooper Holdings Corp.   | 12/15/17        | 1,974    | 49,350*(h)    |
| Nortek Inc.  | 12/7/14         | 5,518    | 38,628*(d)(h) |
| SemGroup Corp.   | 11/30/14        | 9,492    | 42,714*(d)    |
| Turbo Beta Ltd.  | 11/1/14         | 1        | 0*(d)(h)      |
| TOTAL WARRANTS (Cost \$74,835)                                       |                 |          | 141,846       |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$444,134,361) |                 |          | 455,995,750   |

*See Notes to Schedule of Investments.*

Schedule of investments (unaudited) (cont d)

December 31, 2010

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

| SECURITY  | RATE                         | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE       |
|---|------------------------------|------------------|----------------|-------------|
| SHORT-TERM INVESTMENTS  | 0.1%                         |                  |                |             |
| <b>Repurchase Agreements</b>  | <b>0.1%</b>                  |                  |                |             |
| Morgan Stanley tri-party repurchase agreement dated 12/31/10; Proceeds at maturity - \$627,006; (Fully collateralized by U.S. government agency obligations, 3.200% due 9/21/20; Market value - \$639,605) (Cost - \$627,000) | 0.120%                       | 1/3/11           | 627,000 \$     | 627,000     |
| TOTAL INVESTMENTS   | 97.7 % (Cost \$444,761,361#) |                  |                | 456,622,750 |
| Other Assets in Excess of Liabilities   | 2.3%                         |                  |                | 10,956,930  |
| TOTAL NET ASSETS  | 100.0%                       |                  | \$             | 467,579,680 |

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

\* Non-income producing security.

- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
  - (b) The coupon payment on these securities is currently in default as of December 31, 2010.
  - (c) The maturity principal is currently in default as of December 31, 2010.
  - (d) Illiquid security.
  - (e) Variable rate security. Interest rate disclosed is as of the most recent information available.
  - (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
  - (g) Security has no maturity date. The date shown represents the next call date.
  - (h) Security is valued in good faith at fair value in accordance with procedures approved by the Board of Directors (See Note 1).
  - (i) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviation used in this schedule:

EUR - Euro

*See Notes to Schedule of Investments.*



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

**1. Organization and Significant Accounting Policies**

Western Asset High Income Opportunity Fund Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective.

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

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

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (ASC Topic 820). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

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

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

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



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

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

**ASSETS**

| 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             |                               | \$ 420,266,243  | \$ 1,906,469                                       | \$ 422,172,712 |
| Collateralized mortgage obligations |                               | 1,028,740   |  | 1,028,740      |
| Collateralized senior loans         |                               | 8,610,460   | 2,811,550  | 11,422,010     |
| Convertible bonds & notes           |                               | 3,544,594   |  | 3,544,594      |
| Sovereign bonds                     |                               | 1,110,954   |  | 1,110,954      |
| Common stocks:                      |                               |   |  |                |
| Consumer discretionary              | \$ 1,547,436                  | 3,705,258   |  | 5,252,694      |
| Industrials                         | 102,853                       |   | 91,360   | 194,213        |
| Other common stocks                 | 1,152,114                     |   |  | 1,152,114      |
| Convertible preferred stocks        | 2,899,619                     |   |  | 2,899,619      |
| Preferred stocks:                   |                               |   |  |                |
| Consumer discretionary              | 292,649                       | 362,966   |  | 655,615        |
| Financials                          | 5,171,827                     | 1,248,812   |  | 6,420,639      |
| Warrants                            | 11,134                        | 42,714  | 87,998   | 141,846        |
| Total long-term investments         | \$ 11,177,632                 | \$ 439,920,741  | \$ 4,897,377                                       | \$ 455,995,750 |
| Short-term investments              |                               | 627,000   |  | 627,000        |
| Total investments                   | \$ 11,177,632                 | \$ 440,547,741  | \$ 4,897,377                                       | \$ 456,622,750 |
| Other financial instruments:        |                               |   |  |                |
| Forward foreign currency contracts  |                               | \$ 105,646  |  | \$ 105,646     |
| Total                               | \$ 11,177,632                 | \$ 440,653,387  | \$ 4,897,377                                       | \$ 456,728,396 |

See Schedule of Investments for additional detailed categorizations.

The 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 |                                | COMMON<br>STOCKS |          | TOTAL        |
|-------------------------------------|-------------------------------|--------------------------------|------------------|----------|--------------|
|                                     |                               | COLLATERALIZED<br>SENIOR LOANS | INDUSTRIALS      | WARRANTS |              |
| Balance as of September 30,<br>2010 | \$ 911,625                    | \$ 2,770,000                   | \$ 91,360        | \$ 20    | \$ 3,773,005 |
| Accrued premiums/discounts          | 183                           | 927                            |                  |          | 1,110        |
| Realized gain (loss)                |                               |                                |                  |          |              |

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|   |              |              |           |           |              |
|---|--------------|--------------|-----------|-----------|--------------|
| Change in unrealized appreciation (depreciation)(1)   | (33,668)     | 40,623       |           | 49,350    | 56,305       |
| Net purchases (sales)   | 1,955,892    |              |           | 0*        | 1,955,892    |
| Transfers into Level 3  |              |              |           | 38,628    | 38,628       |
| Transfers out of Level 3  | (927,563)    |              |           |           | (927,563)    |
| Balance as of December 31, 2010   | \$ 1,906,469 | \$ 2,811,550 | \$ 91,360 | \$ 87,998 | \$ 4,897,377 |
| Net change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2010(1) | \$ (49,606)  | \$ 40,623    | \$        | \$ 49,350 | \$ 40,367    |

(1) 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.

\* Value is less than \$1.

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

**(c) Forward Foreign Currency Contracts.** The Fund enters into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign

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

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.

**(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) Credit and Market Risk.** The Fund invests in high-yield instruments that are subject to certain credit and market risks. The yields of high-yield obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involves risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading.

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

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

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

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As of December 31, 2010, the Fund did not have any open derivative transactions with credit related contingent features in a net liability position.

### 2. Investments

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

|                               |    |              |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 32,712,264   |
| Gross unrealized depreciation |    | (20,850,875) |
| Net unrealized appreciation   | \$ | 11,861,389   |

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

| FOREIGN CURRENCY   | COUNTERPARTY               | LOCAL CURRENCY | MARKET VALUE | SETTLEMENT DATE | UNREALIZED GAIN |
|--|----------------------------|----------------|--------------|-----------------|-----------------|
| <b>Contracts to Sell:</b>                                      |                            |                |              |                 |                 |
| Euro   | Citibank, N.A.             | 949,203        | \$ 1,268,293 | 2/14/11         | \$ 23,478       |
| Euro   | Citibank, N.A.             | 2,000,000      | 2,672,331    | 2/14/11         | 68,159          |
| Euro   | Royal Bank of Scotland PLC | 706,017        | 943,356      | 2/14/11         | 14,009          |
| Net unrealized gain on open forward foreign currency contracts |                            |                |              |                 | \$ 105,646      |

### 3. Derivative Instruments and Hedging Activities

Financial Accounting Standards Board Codification Topic 815 requires enhanced disclosure about an entity's derivative and hedging activities.

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

| Primary Underlying Risk Disclosure | Forward Foreign Currency Contracts Unrealized Appreciation |
|------------------------------------|--|
| Foreign Exchange Contracts         | \$ 105,646   |

During the period ended December 31, 2010, the volume of derivative activity for the Fund was as follows:

| Forward foreign currency contracts (to sell) | Average Market Value |
|--|----------------------|
|  | \$ 3,234,303         |



ITEM 2. CONTROLS AND PROCEDURES.

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

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

ITEM 3. EXHIBITS.

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

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**SIGNATURES**

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

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

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

Date: February 25, 2011

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

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

Date: February 25, 2011

By /s/ Kaprel Ozsolak  
Kaprel Ozsolak  
Chief Financial Officer

Date: February 25, 2011

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