

WESTERN ASSET HIGH INCOME FUND II INC.

Form N-CSRS/A

January 24, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08709

Western Asset High Income Fund II Inc.

(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018

(Address of principal executive offices) (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: April 30

Date of reporting period: October 31, 2018

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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Semi-Annual Report

October 31, 2018

WESTERN ASSET

HIGH INCOME FUND II INC.

(HIX)

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

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Fund objectives

The Fund seeks to maximize current income. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

Under normal market conditions, the Fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. In addition, the Fund may invest up to 35% of its total assets in debt securities of issuers located in emerging market countries.

Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset High Income Fund II Inc. for the six-month reporting period ended October 31, 2018. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

November 30, 2018

II Western Asset High Income Fund II Inc.

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Investment commentary

Economic review

Economic activity in the U.S. was mixed during the six months ended October 31, 2018 (the reporting period). Looking back, the U.S. Department of Commerce reported that first quarter 2018 U.S. gross domestic product (GDP) growth was 2.2%. GDP growth then accelerated to 4.2% during the second quarter of 2018 – the strongest reading since the third quarter of 2014. Finally, the U.S. Department of Commerce’s second reading for third quarter 2018 GDP growth – released after the reporting period ended – was 3.5%. The deceleration in GDP growth in the third quarter of 2018 reflected a downturn in exports and decelerations in nonresidential fixed investment and personal consumption expenditures. Imports increased in the third quarter after decreasing in the second. These movements were partly offset by an upturn in private inventory investment.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. As reported by the U.S. Department of Labor, when the reporting period ended on October 31, 2018, the unemployment rate was 3.7%, versus 3.8% when the period began. October 2018’s reading equaled the lowest unemployment rate since 1969. However, the percentage of longer-term unemployed rose during the reporting period. In October 2018, 22.5% of Americans looking for a job had been out of work for more than six months, versus 19.4% when the period began.

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Investment commentary (cont d)

Market review

Q. How did the Federal Reserve Board (the Fed) respond to the economic environment?

A. Looking back, at its meeting that concluded on September 20, 2017 before the reporting period began the Fed kept the federal funds rate on hold, but reiterated its intention to begin reducing its balance sheet, saying, "In October, the Committee will initiate the balance sheet normalization program." At its meeting that ended on December 13, 2017, the Fed raised rates to a range between 1.25% and 1.50%. As expected, the Fed kept rates on hold at its meeting that concluded on January 31, 2018. However, at its meeting that ended on March 21, 2018, the Fed again raised the federal funds rate, moving it to a range between 1.50% and 1.75%. At its meeting that concluded on June 13, 2018, the Fed raised the federal funds rate to a range between 1.75% and 2.00%. Finally, at its meeting that ended on September 26, 2018, the Fed raised the federal funds rate to a range between 2.00% and 2.25%.

Q. Did Treasury yields trend higher or lower during the reporting period?

A. Both short-term and longer-term Treasury yields moved higher during the six-month reporting period ended October 31, 2018. The yield for the two-year Treasury note began the reporting period at 2.49% and ended the period at 2.87%. The low for the period of 2.32% took place on May 29, 2018 and the peak for the period of 2.92% occurred on October 19 and 22, 2018. The yield for the ten-year Treasury began the reporting period at 2.95% and ended the period at 3.15%. The low for the period of 2.77% took place on May 29, 2018 and the high for the period of 3.23% took place on October 5, 2018.

Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?

A. The spread sectors posted mixed results during the reporting period. Performance fluctuated given changing expectations for global growth, central bank monetary policy adjustments and concerns over a global trade war. All told, the broad U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index^{iv}, returned -0.19% during the six-month reporting period ended October 31, 2018.

Q. How did the high-yield bond market perform over the reporting period?

A. The U.S. high-yield bond market, as measured by the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index returned 1.14% for the six months ended October 31, 2018. The high-yield market posted positive returns over four of the six months of the reporting period. This was driven by overall robust corporate profits, periods of solid investor demand and moderating supply.

Q. How did the emerging market debt asset class perform over the reporting period?

A. The JPMorgan Emerging Markets Bond Index Global (EMBI Globalⁱ) returned -2.47% during the six months ended October 31, 2018. The asset class produced choppy results during the reporting period. At times it was supported by solid investor demand, less concern over a significant shift in U.S. trade policy and a weakening U.S. dollar. However, at other times it was dragged down by rising U.S. interest rates, periods of investor risk aversion, geopolitical issues and a rising U.S. dollar.

IV Western Asset High Income Fund II Inc.

Table of Contents**Performance review**

For the six months ended October 31, 2018, Western Asset High Income Fund II Inc. returned -0.67% based on its net asset value (NAV^{vi}) and -3.13% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index and the EMBI Global, returned 1.14% and -2.47%, respectively, for the same period. The Lipper High Yield (Leveraged) Closed-End Funds Category Average^{viii} returned 0.78% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.27 per share. As of October 31, 2018, the Fund estimates that 94% of the distributions were sourced from net investment income and 6% constituted a return of capital.* The performance table shows the Fund's six-month total return based on its NAV and market price as of October 31, 2018. **Past performance is no guarantee of future results.**

Performance Snapshot as of October 31, 2018
 (unaudited)

	6-Month Total Return**
Price Per Share	
\$7.07 (NAV)	-0.67%
\$6.08 (Market Price)	-3.13%

All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

**** Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Looking for additional information?

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern time, for the Fund's current NAV, market price and other information.

*These estimates are not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder's investment. For more information about a distribution's composition, please refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, www.lmcef.com (click on the name of the Fund).

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Investment commentary (cont d)

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

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

November 30, 2018

***RISKS:** The Fund is a diversified closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objective. The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. Diversification does not assure against market loss. The Fund's investments are subject to a number of risks, such as credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. High-yield bonds, known as junk bonds, involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. These risks are magnified in emerging markets. The Fund is also permitted purchases of equity securities. Equity securities generally have greater price volatility than fixed income securities. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss.*

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

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

VI Western Asset High Income Fund II Inc.

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- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv The Bloomberg Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Bloomberg Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- vi The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- vii Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any), from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended October 31, 2018, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 37 funds in the Fund's Lipper category.

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Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of October 31, 2018 and April 30, 2018 and does not include derivatives, such as futures contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

* As of September 28, 2018, the Telecommunication Services sector was broadened to include some companies previously classified in the Consumer Discretionary and Information Technology sectors and renamed the Communication Services sector.

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Spread duration (unaudited)

Total Spread Duration

HIX 5.72 years

Benchmark 4.46 years

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark 80% of Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index and 20% of JPMorgan Emerging Markets Bond Index Global
 EM Emerging Markets
 HIX Western Asset High Income Fund II Inc.
 HY High Yield
 IG Credit Investment Grade Credit

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Effective duration (unaudited)

Interest rate exposure October 31, 2018

Total Effective Duration

HIX 5.83 years

Benchmark 4.55 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark 80% of Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index and 20% of JPMorgan Emerging Markets Bond Index Global
EM Emerging Markets
HIX Western Asset High Income Fund II Inc.
HY High Yield
IG Credit Investment Grade Credit

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October 31, 2018

Western Asset High Income Fund II Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Corporate Bonds & Notes	99.1%			
Communication Services	22.6%			
<i>Diversified Telecommunication Services</i>	<i>3.0%</i>			
Cogent Communications Group Inc., Senior Secured Notes	5.375%	3/1/22	1,460,000	\$ 1,476,425 (a)(b)
Intelsat Jackson Holdings SA, Senior Secured Notes	8.000%	2/15/24	2,660,000	2,789,675 (a)(b)
Telecom Italia SpA, Senior Notes	5.303%	5/30/24	2,660,000	2,517,025 (a)(b)
UPCB Finance IV Ltd., Senior Secured Notes	5.375%	1/15/25	700,000	682,850 (a)
Windstream Services LLC/Windstream Finance Corp., Senior Notes	10.500%	6/30/24	13,439,000	10,952,785 (a)(b)
<i>Total Diversified Telecommunication Services</i>				<i>18,418,760</i>
<i>Interactive Media & Services</i>	<i>0.6%</i>			
Match Group Inc., Senior Notes	6.375%	6/1/24	1,170,000	1,219,725 (b)
Match Group Inc., Senior Notes	5.000%	12/15/27	2,340,000	2,240,550 (a)(b)
<i>Total Interactive Media & Services</i>				<i>3,460,275</i>
<i>Media</i>	<i>11.8%</i>			
Altice France SA, Senior Secured Notes	6.250%	5/15/24	2,190,000	2,107,875 (a)(b)
Altice France SA, Senior Secured Notes	7.375%	5/1/26	5,890,000	5,659,937 (a)(b)
Altice France SA, Senior Secured Notes	8.125%	2/1/27	9,260,000	9,190,550 (a)(b)
Altice Luxembourg SA, Senior Notes	7.750%	5/15/22	14,420,000	13,482,700 (a)(b)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.125%	5/1/27	1,850,000	1,745,938 (a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.875%	5/1/27	1,100,000	1,083,500 (a)(b)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	5.000%	2/1/28	8,060,000	7,531,062 (a)(b)
DISH DBS Corp., Senior Notes	5.875%	11/15/24	4,830,000	4,123,612 (b)
DISH DBS Corp., Senior Notes	7.750%	7/1/26	14,859,000	13,354,526 (b)
Time Warner Cable LLC, Senior Secured Notes	8.750%	2/14/19	2,410,000	2,447,372 (b)
UPC Holding BV, Senior Secured Notes	5.500%	1/15/28	4,410,000	4,090,275 (a)(b)
Virgin Media Finance PLC, Senior Notes	6.000%	10/15/24	3,850,000	3,778,967 (a)(b)
Virgin Media Secured Finance PLC, Senior Secured Notes	5.250%	1/15/26	2,530,000	2,368,713 (a)(b)
Virgin Media Secured Finance PLC, Senior Secured Notes	5.500%	8/15/26	540,000	510,300 (a)
<i>Total Media</i>				<i>71,475,327</i>
<i>Wireless Telecommunication Services</i>	<i>7.2%</i>			
CSC Holdings LLC, Senior Notes	10.125%	1/15/23	400,000	436,160 (a)(b)
CSC Holdings LLC, Senior Notes	6.625%	10/15/25	2,510,000	2,635,500 (a)(b)
CSC Holdings LLC, Senior Notes	10.875%	10/15/25	5,649,000	6,531,656 (a)(b)
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,200,000	2,169,750 (b)
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	5,170,000	5,661,150 (b)
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	7,200,000	7,223,400 (a)(b)
Sprint Communications Inc., Senior Notes	7.000%	8/15/20	2,300,000	2,386,250 (b)
Sprint Communications Inc., Senior Notes	11.500%	11/15/21	4,285,000	5,045,588 (b)

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
<i>Wireless Telecommunication Services continued</i>				
Sprint Corp., Senior Notes	7.250%	9/15/21	4,400,000	\$ 4,609,000 (b)
Sprint Corp., Senior Notes	7.875%	9/15/23	110,000	117,700 (b)
T-Mobile USA Inc., Senior Notes	6.000%	3/1/23	1,900,000	1,952,896 (b)
T-Mobile USA Inc., Senior Notes	6.500%	1/15/26	310,000	327,050 (b)
VEON Holdings BV, Senior Notes	7.504%	3/1/22	1,620,000	1,732,606 (c)
VEON Holdings BV, Senior Notes	7.504%	3/1/22	700,000	748,657 (a)
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, Senior Notes	7.748%	2/2/21	2,300,000	2,450,995 (a)(b)
<i>Total Wireless Telecommunication Services</i>				<i>44,028,358</i>
Total Communication Services				137,382,720
<i>Consumer Discretionary 8.2%</i>				
<i>Auto Components 1.0%</i>				
Adient Global Holdings Ltd., Senior Notes	4.875%	8/15/26	1,383,000	1,192,838 (a)(b)
JB Poindexter & Co. Inc., Senior Notes	7.125%	4/15/26	2,130,000	2,204,550 (a)(b)
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	2,940,000	2,847,821 (a)(b)
<i>Total Auto Components</i>				<i>6,245,209</i>
<i>Diversified Consumer Services 1.4%</i>				
Carriage Services Inc., Senior Notes	6.625%	6/1/26	2,920,000	2,941,900 (a)(b)
Prime Security Services Borrower LLC /Prime Finance Inc., Senior Notes	9.250%	5/15/23	3,300,000	3,495,360 (a)(b)
Service Corp. International/US, Senior Notes	7.500%	4/1/27	2,090,000	2,306,837 (b)
<i>Total Diversified Consumer Services</i>				<i>8,744,097</i>
<i>Hotels, Restaurants & Leisure 3.4%</i>				
1011778 BC ULC/New Red Finance Inc., Senior Secured Notes	4.250%	5/15/24	2,950,000	2,780,375 (a)
Bossier Casino Venture Holdco Inc., Senior Secured Bonds (14.000% PIK)	14.000%	2/9/23	2,839,349	2,839,349 (a)(d)(e)(f)
Brinker International Inc., Senior Notes	5.000%	10/1/24	36,000	34,020 (a)
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	1,910,000	1,986,400 (b)
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	2/15/23	640,000	654,400 (a)(b)
Hilton Domestic Operating Co. Inc., Senior Notes	5.125%	5/1/26	2,145,000	2,102,100 (a)(b)
Silversea Cruise Finance Ltd., Senior Secured Notes	7.250%	2/1/25	1,803,000	1,951,766 (a)(b)
Viking Cruises Ltd., Senior Notes	5.875%	9/15/27	1,800,000	1,710,000 (a)(b)
VOC Escrow Ltd., Senior Secured Notes	5.000%	2/15/28	6,780,000	6,407,100 (a)(b)
<i>Total Hotels, Restaurants & Leisure</i>				<i>20,465,510</i>
<i>Household Durables 0.8%</i>				
Lennar Corp., Senior Notes	5.000%	6/15/27	2,920,000	2,763,050 (b)
TopBuild Corp., Senior Notes	5.625%	5/1/26	2,210,000	2,110,550 (a)(b)
<i>Total Household Durables</i>				<i>4,873,600</i>

See Notes to Financial Statements.

Table of Contents**Schedule of investments (unaudited) (cont'd)**

October 31, 2018

Western Asset High Income Fund II Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Specialty Retail 1.1%</i>				
Hertz Corp., Senior Notes	5.875%	10/15/20	2,520,000	\$ 2,479,050 ^(b)
Party City Holdings Inc., Senior Notes	6.625%	8/1/26	4,320,000	4,212,000 ^{(a)(b)}
<i>Total Specialty Retail</i>				<i>6,691,050</i>
<i>Textiles, Apparel & Luxury Goods 0.5%</i>				
Hanesbrands Inc., Senior Notes	4.625%	5/15/24	190,000	182,875 ^(a)
Hanesbrands Inc., Senior Notes	4.875%	5/15/26	2,950,000	2,809,875 ^{(a)(b)}
<i>Total Textiles, Apparel & Luxury Goods</i>				<i>2,992,750</i>
Total Consumer Discretionary				50,012,216
<i>Consumer Staples 1.6%</i>				
<i>Food Products 0.8%</i>				
Lamb Weston Holdings Inc., Senior Notes	4.875%	11/1/26	1,440,000	1,395,000 ^{(a)(b)}
Pilgrim's Pride Corp., Senior Notes	5.875%	9/30/27	3,695,000	3,362,450 ^{(a)(b)}
<i>Total Food Products</i>				<i>4,757,450</i>
<i>Household Products 0.8%</i>				
Central Garden & Pet Co., Senior Notes	6.125%	11/15/23	1,290,000	1,319,025 ^(b)
Spectrum Brands Inc., Senior Notes	6.125%	12/15/24	1,630,000	1,630,000 ^(b)
Spectrum Brands Inc., Senior Notes	5.750%	7/15/25	2,080,000	2,033,200 ^(b)
<i>Total Household Products</i>				<i>4,982,225</i>
Total Consumer Staples				9,739,675
Energy 22.0%				
<i>Energy Equipment & Services 0.9%</i>				
KCA Deutag UK Finance PLC, Senior Secured Notes	9.875%	4/1/22	2,990,000	2,900,300 ^{(a)(b)}
Pride International Inc., Senior Notes	7.875%	8/15/40	920,000	828,000 ^(b)
Transocean Inc., Senior Notes	9.000%	7/15/23	1,020,000	1,072,275 ^{(a)(b)}
Transocean Inc., Senior Notes	6.800%	3/15/38	1,035,000	837,056 ^(b)
<i>Total Energy Equipment & Services</i>				<i>5,637,631</i>
<i>Oil, Gas & Consumable Fuels 21.1%</i>				
Andeavor Logistics LP/Tesoro Logistics Finance Corp., Senior Notes	6.375%	5/1/24	810,000	858,195 ^(b)
Berry Petroleum Co. Escrow			1,550,000	0 ^{*(d)(e)(g)}
Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes	6.125%	11/15/22	2,260,000	2,316,500 ^{(a)(b)}
Blue Racer Midstream LLC/Blue Racer Finance Corp., Senior Notes	6.625%	7/15/26	190,000	193,800 ^(a)
Cheniere Corpus Christi Holdings LLC, Senior Secured Notes	5.875%	3/31/25	1,120,000	1,156,400 ^(b)
Chesapeake Energy Corp., Senior Notes	6.875%	11/15/20	4,340,000	4,557,000 ^(b)
Chesapeake Energy Corp., Senior Notes	5.375%	6/15/21	940,000	935,300 ^(b)
Chesapeake Energy Corp., Senior Notes	5.750%	3/15/23	700,000	668,500 ^(b)

See Notes to Financial Statements.

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Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Chesapeake Energy Corp., Senior Notes	8.000%	1/15/25	670,000	\$ 680,050 (b)
Chesapeake Energy Corp., Senior Notes	8.000%	6/15/27	2,610,000	2,600,213 (b)
Continental Resources Inc., Senior Notes	3.800%	6/1/24	4,160,000	4,023,094 (b)
Continental Resources Inc., Senior Notes	4.900%	6/1/44	3,220,000	3,008,097 (b)
Ecopetrol SA, Senior Notes	4.125%	1/16/25	1,500,000	1,434,375
Ecopetrol SA, Senior Notes	5.375%	6/26/26	7,000,000	7,085,400 (b)
Ecopetrol SA, Senior Notes	5.875%	5/28/45	2,500,000	2,391,875 (b)
Gazprom OAO Via Gaz Capital SA, Senior Notes	6.510%	3/7/22	2,550,000	2,674,690 (a)(b)
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	5.625%	6/15/24	2,320,000	2,111,200 (b)
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	6.500%	10/1/25	840,000	779,100 (b)
Genesis Energy LP/Genesis Energy Finance Corp., Senior Notes	6.250%	5/15/26	1,170,000	1,058,850 (b)
KazMunayGas National Co. JSC, Senior Notes	4.750%	4/19/27	3,000,000	2,943,717 (a)(b)
Kinder Morgan Inc., Senior Notes	7.750%	1/15/32	1,950,000	2,398,210 (b)
Lukoil International Finance BV, Senior Notes	4.563%	4/24/23	2,040,000	2,009,247 (a)(b)
Lukoil International Finance BV, Senior Notes	4.750%	11/2/26	1,600,000	1,573,581 (a)(b)
Magnum Hunter Resources Corp. Escrow			8,070,000	0 *(d)(e)(g)
MEG Energy Corp., Senior Notes	6.375%	1/30/23	5,170,000	5,001,975 (a)(b)
MEG Energy Corp., Senior Notes	7.000%	3/31/24	3,040,000	2,994,400 (a)(b)
NGPL PipeCo LLC, Senior Notes	7.768%	12/15/37	1,900,000	2,232,500 (a)(b)
Oasis Petroleum Inc., Senior Notes	6.500%	11/1/21	3,238,000	3,270,380 (b)
Oasis Petroleum Inc., Senior Notes	6.875%	1/15/23	1,540,000	1,555,400 (b)
Oasis Petroleum Inc., Senior Notes	6.250%	5/1/26	1,070,000	1,052,613 (a)
Petrobras Global Finance BV, Senior Notes	4.375%	5/20/23	800,000	773,200
Petrobras Global Finance BV, Senior Notes	5.999%	1/27/28	4,320,000	4,108,320
Petrobras Global Finance BV, Senior Notes	5.750%	2/1/29	10,320,000	9,549,612 (b)
Petrobras Global Finance BV, Senior Notes	6.750%	1/27/41	6,620,000	6,243,487
Petroleos de Venezuela SA, Senior Notes	6.000%	5/16/24	620,000	109,430 *(c)(h)
Petroleos Mexicanos, Senior Notes	4.875%	1/24/22	1,000,000	988,500 (b)
Petroleos Mexicanos, Senior Notes	6.500%	3/13/27	2,970,000	2,882,385 (b)
Range Resources Corp., Senior Notes	4.875%	5/15/25	3,255,000	3,027,150 (b)
Rockies Express Pipeline LLC, Senior Notes	7.500%	7/15/38	1,330,000	1,529,500 (a)(b)
Rockies Express Pipeline LLC, Senior Notes	6.875%	4/15/40	1,430,000	1,562,275 (a)(b)
Shelf Drilling Holdings Ltd., Senior Notes	8.250%	2/15/25	2,790,000	2,807,437 (a)(b)
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.875%	4/15/26	2,380,000	2,403,800 (a)(b)

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Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Targa Resources Partners LP/Targa Resources Partners Finance Corp., Senior Notes	5.000%	1/15/28	7,910,000	\$ 7,524,387 ^(b)
Transportadora de Gas del Peru SA, Senior Notes	4.250%	4/30/28	1,500,000	1,460,625 ^(a)
Transportadora de Gas del Sur SA, Senior Notes	6.750%	5/2/25	7,530,000	7,097,100 ^{(a)(b)}
Whiting Petroleum Corp., Senior Notes	6.250%	4/1/23	340,000	345,100 ^(b)
Williams Cos. Inc., Senior Notes	3.700%	1/15/23	1,040,000	1,022,002 ^(b)
Williams Cos. Inc., Senior Notes	4.550%	6/24/24	1,280,000	1,290,606 ^(b)
Williams Cos. Inc., Senior Notes	7.500%	1/15/31	780,000	925,951 ^(b)
Williams Cos. Inc., Senior Notes	5.750%	6/24/44	3,900,000	3,926,809 ^(b)
WPX Energy Inc., Senior Notes	8.250%	8/1/23	1,070,000	1,207,763 ^(b)
YPF SA, Senior Notes	6.950%	7/21/27	4,430,000	3,760,848 ^(a)
<i>Total Oil, Gas & Consumable Fuels</i>				<i>128,110,949</i>
Total Energy				133,748,580
Financials 13.6%				
<i>Banks 9.5%</i>				
Bank of America Corp., Junior Subordinated Notes (6.500% to 10/23/24 then 3 mo. USD LIBOR + 4.174%)	6.500%	10/23/24	2,550,000	2,707,335 ^{(b)(i)(j)}
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	3,710,000	4,217,557 ^{(a)(b)}
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	5,780,000	6,180,987 ^(b)
Barclays PLC, Junior Subordinated Notes (8.250% to 12/15/18 then USD 5 year swap rate + 6.705%)	8.250%	12/15/18	800,000	804,716 ^{(b)(i)(j)}
BNP Paribas SA, Junior Subordinated Notes (7.375% to 8/19/25 then USD 5 year Swap Rate + 5.150%)	7.375%	8/19/25	1,820,000	1,872,325 ^{(a)(b)(i)(j)}
CIT Group Inc., Senior Notes	5.000%	8/15/22	1,060,000	1,066,625 ^(b)
CIT Group Inc., Senior Notes	5.000%	8/1/23	3,901,000	3,920,505 ^(b)
Citigroup Inc., Junior Subordinated Notes (6.300% to 5/15/24 then 3 mo. USD LIBOR + 3.423%)	6.300%	5/15/24	2,530,000	2,517,982 ^{(b)(i)(j)}
Credit Agricole SA, Junior Subordinated Notes (8.125% to 12/23/25 then USD 5 year Swap Rate + 6.185%)	8.125%	12/23/25	2,510,000	2,698,481 ^{(a)(b)(i)(j)}
Credit Agricole SA, Junior Subordinated Notes (8.375% to 10/13/19 then 3 mo. USD LIBOR + 6.982%)	8.375%	10/13/19	1,710,000	1,778,400 ^{(a)(b)(i)(j)}
Intesa Sanpaolo SpA, Subordinated Notes	5.017%	6/26/24	3,850,000	3,398,216 ^{(a)(b)}
Intesa Sanpaolo SpA, Subordinated Notes	5.710%	1/15/26	7,670,000	6,819,060 ^{(a)(b)}
JPMorgan Chase & Co., Junior Subordinated Notes (6.000% to 8/1/23 then 3 mo. USD LIBOR + 3.300%)	6.000%	8/1/23	2,390,000	2,407,925 ^{(b)(i)(j)}
JPMorgan Chase & Co., Junior Subordinated Notes (6.100% to 10/1/24 then 3 mo. USD LIBOR + 3.330%)	6.100%	10/1/24	2,410,000	2,452,898 ^{(b)(i)(j)}
NatWest Markets NV, Subordinated Notes	7.750%	5/15/23	650,000	718,921 ^(b)
Royal Bank of Scotland Group PLC, Junior Subordinated Notes (7.648% to 9/30/31 then 3 mo. USD LIBOR + 2.500%)	7.648%	9/30/31	3,530,000	4,421,325 ^{(b)(i)(j)}

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
<i>Banks continued</i>				
Royal Bank of Scotland Group PLC, Junior Subordinated Notes (8.625% to 8/15/21 then USD 5 year Swap Rate + 7.598%)	8.625%	8/15/21	1,370,000	\$ 1,443,638 (b)(i)(j)
Santander UK Group Holdings PLC, Junior Subordinated Bonds, (7.375% to 6/24/22 then GBP 5 year Swap Rate + 5.543%)	7.375%	6/24/22	1,640,000 GBP	2,183,364 (b)(c)(i)(j)
Sberbank of Russia Via SB Capital SA, Subordinated Notes (5.500% to 2/26/19 then 5 year Treasury Constant Maturity Rate + 4.023%)	5.500%	2/26/24	3,820,000	3,827,117 (c)(j)
TC Ziraat Bankasi AS, Senior Notes	5.125%	9/29/23	2,530,000	2,154,161 (a)(b)
<i>Total Banks</i>				<i>57,591,538</i>
<i>Capital Markets 0.8%</i>				
Donnelley Financial Solutions Inc., Senior Notes	8.250%	10/15/24	2,080,000	2,152,800 (b)
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	2,320,000	2,712,651 (b)
<i>Total Capital Markets</i>				<i>4,865,451</i>
<i>Consumer Finance 0.4%</i>				
FirstCash Inc., Senior Notes	5.375%	6/1/24	710,000	702,900 (a)(b)
Navient Corp., Senior Notes	6.750%	6/15/26	2,160,000	2,068,200 (b)
<i>Total Consumer Finance</i>				<i>2,771,100</i>
<i>Diversified Financial Services 2.7%</i>				
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Notes	4.625%	10/30/20	890,000	903,998
AerCap Ireland Capital DAC/AerCap Global Aviation Trust, Senior Notes	4.625%	7/1/22	1,390,000	1,409,193
ASP AMC Merger Sub Inc., Senior Notes	8.000%	5/15/25	4,320,000	3,261,600 (a)(b)
DAE Funding LLC, Senior Notes	5.000%	8/1/24	2,883,000	2,818,132 (a)(b)
Garfunkelux Holdco 3 SA, Senior Secured Notes	7.500%	8/1/22	1,000,000 EUR	1,106,479 (c)
International Lease Finance Corp., Senior Notes	6.250%	5/15/19	310,000	314,986
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	2,160,000	2,343,726 (b)
International Lease Finance Corp., Senior Notes	5.875%	8/15/22	760,000	801,021 (b)
Nationwide Building Society, Junior Subordinated Notes, (6.875% to 6/20/19 then GBP 5 year Swap Rate + 4.880%)	6.875%	6/20/19	1,140,000 GBP	1,482,434 (b)(c)(i)(j)
Travelport Corporate Finance PLC, Senior Secured Notes	6.000%	3/15/26	1,700,000	1,708,500 (a)(b)
<i>Total Diversified Financial Services</i>				<i>16,150,069</i>
<i>Insurance 0.2%</i>				
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,100,000	1,336,500 (a)(b)
Total Financials				82,714,658
<i>Health Care 8.3%</i>				
<i>Health Care Providers & Services 3.8%</i>				
Air Medical Group Holdings Inc., Senior Notes	6.375%	5/15/23	1,740,000	1,572,525 (a)(b)

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Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Health Care Providers & Services continued</i>				
BioScrip Inc., First Lien Notes (1 mo. USD LIBOR + 7.000%)	8.224%	6/30/22	4,552,000	\$ 4,768,220 (e)(j)(k)
Centene Corp., Senior Notes	5.625%	2/15/21	1,020,000	1,037,850 (b)
Centene Corp., Senior Notes	6.125%	2/15/24	810,000	848,475 (b)
Centene Corp., Senior Notes	4.750%	1/15/25	2,520,000	2,495,329 (b)
DaVita Inc., Senior Notes	5.000%	5/1/25	4,210,000	3,994,237 (b)
HCA Inc., Senior Notes	5.625%	9/1/28	3,040,000	3,017,200 (b)
HCA Inc., Senior Notes	7.500%	11/15/95	2,205,000	2,199,487 (b)
HCA Inc., Senior Secured Notes	5.250%	6/15/26	1,090,000	1,111,800 (b)
RegionalCare Hospital Partners Holdings Inc., Senior Secured Notes	8.250%	5/1/23	1,830,000	1,942,088 (a)(b)
<i>Total Health Care Providers & Services</i>				22,987,211
<i>Pharmaceuticals 4.5%</i>				
Bausch Health Cos. Inc., Senior Notes	7.500%	7/15/21	3,010,000	3,062,675 (a)(b)
Bausch Health Cos. Inc., Senior Notes	5.875%	5/15/23	840,000	804,300 (a)(b)
Bausch Health Cos. Inc., Senior Notes	6.125%	4/15/25	5,510,000	5,081,322 (a)(b)
Bausch Health Cos. Inc., Senior Notes	9.000%	12/15/25	500,000	523,125 (a)(b)
Bausch Health Cos. Inc., Senior Secured Notes	7.000%	3/15/24	740,000	776,771 (a)(b)
Endo Finance LLC/Endo Finco Inc., Senior Notes	5.375%	1/15/23	1,280,000	1,097,600 (a)
Teva Pharmaceutical Finance Co. BV, Senior Notes	3.650%	11/10/21	350,000	335,523
Teva Pharmaceutical Finance Netherlands III BV, Senior Notes	2.200%	7/21/21	16,774,000	15,653,577
<i>Total Pharmaceuticals</i>				27,334,893
Total Health Care				
Industrials 7.2%				50,322,104
<i>Aerospace & Defense 0.3%</i>				
BBA US Holdings Inc., Senior Notes	5.375%	5/1/26	1,920,000	1,903,200 (a)(b)
<i>Air Freight & Logistics 0.4%</i>				
XPO Logistics Inc., Senior Notes	6.500%	6/15/22	754,000	775,678 (a)(b)
XPO Logistics Inc., Senior Notes	6.125%	9/1/23	1,290,000	1,326,055 (a)(b)
<i>Total Air Freight & Logistics</i>				2,101,733
<i>Airlines 0.7%</i>				
Continental Airlines, Inc., Pass-Through Trust	5.983%	4/19/22	3,419,359	3,579,726 (b)(e)
Delta Air Lines, Inc., Pass-Through Trust, Senior Secured Notes	8.021%	8/10/22	699,238	767,862 (b)
<i>Total Airlines</i>				4,347,588
<i>Building Products 1.3%</i>				
Standard Industries Inc., Senior Notes	5.000%	2/15/27	2,840,000	2,598,600 (a)(b)
Standard Industries Inc., Senior Notes	4.750%	1/15/28	5,865,000	5,263,837 (a)(b)
<i>Total Building Products</i>				7,862,437

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Table of Contents**Western Asset High Income Fund II Inc.**

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Commercial Services & Supplies 0.4%</i>				
United Rentals North America Inc., Senior Notes	5.500%	7/15/25	230,000	\$ 224,969
United Rentals North America Inc., Senior Notes	6.500%	12/15/26	1,260,000	1,276,997 ^(b)
United Rentals North America Inc., Senior Notes	4.875%	1/15/28	700,000	632,415
<i>Total Commercial Services & Supplies</i>				<i>2,134,381</i>
<i>Construction & Engineering 0.4%</i>				
Brundage-Bone Concrete Pumping Inc., Senior Secured Notes	10.375%	9/1/23	2,380,000	2,576,350 ^{(a)(b)}
<i>Containers & Packaging 0.5%</i>				
Berry Global Inc., Secured Notes	4.500%	2/15/26	3,350,000	3,140,625 ^{(a)(b)}
<i>Electrical Equipment 0.1%</i>				
Resideo Funding, Inc., Senior Notes	6.125%	11/1/26	790,000	796,107 ^{(a)(b)}
<i>Machinery 2.2%</i>				
Allison Transmission Inc., Senior Notes	4.750%	10/1/27	8,300,000	7,646,375 ^{(a)(b)}
BlueLine Rental Finance Corp./BlueLine Rental LLC	9.250%	3/15/24	2,930,000	3,061,850 ^{(a)(b)}
Cleaver-Brooks Inc., Senior Secured Notes	7.875%	3/1/23	1,760,000	1,773,200 ^{(a)(b)}
Park-Ohio Industries Inc., Senior Notes	6.625%	4/15/27	926,000	923,685 ^(b)
<i>Total Machinery</i>				<i>13,405,110</i>
<i>Marine 0.5%</i>				
Navios Maritime Acquisition Corp. /Navios Acquisition Finance US Inc., Senior Secured Notes	8.125%	11/15/21	3,610,000	3,045,937 ^{(a)(b)}
<i>Trading Companies & Distributors 0.2%</i>				
Ashtead Capital Inc., Secured Notes	4.125%	8/15/25	1,045,000	974,463 ^{(a)(b)}
<i>Transportation Infrastructure 0.2%</i>				
Neovia Logistics Services LLC/SPL Logistics Finance Corp., Senior Secured Notes	8.875%	8/1/20	1,355,000	1,219,500 ^{(a)(b)}
Total Industrials				43,507,431
<i>Information Technology 1.6%</i>				
<i>Software 0.8%</i>				
CDK Global Inc., Senior Notes	5.875%	6/15/26	2,490,000	2,511,788 ^(b)
j2 Cloud Services LLC/j2 Global Co-Obligor Inc., Senior Notes	6.000%	7/15/25	2,020,000	2,007,375 ^{(a)(b)}
<i>Total Software</i>				<i>4,519,163</i>
<i>Technology Hardware, Storage & Peripherals 0.8%</i>				
Dell International LLC/EMC Corp., Senior Notes	7.125%	6/15/24	740,000	783,776 ^{(a)(b)}
Seagate HDD Cayman, Senior Notes	4.750%	6/1/23	1,700,000	1,619,315 ^(b)
Seagate HDD Cayman, Senior Notes	4.750%	1/1/25	850,000	774,106 ^(b)
Seagate HDD Cayman, Senior Notes	4.875%	6/1/27	495,000	438,242
Western Digital Corp., Senior Notes	4.750%	2/15/26	1,438,000	1,330,150
<i>Total Technology Hardware, Storage & Peripherals</i>				<i>4,945,589</i>
Total Information Technology				9,464,752

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Western Asset High Income Fund II Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Materials 10.3%				
<i>Chemicals 0.8%</i>				
Braskem America Finance Co., Senior Notes	7.125%	7/22/41	700,000	\$ 781,375 (b)(c)
Braskem Netherlands Finance BV, Senior Notes	3.500%	1/10/23	600,000	568,320 (c)
Mexichem SAB de CV, Senior Notes	4.000%	10/4/27	2,000,000	1,780,000 (a)
Valvoline Inc., Senior Notes	5.500%	7/15/24	430,000	428,388 (b)
Valvoline Inc., Senior Notes	4.375%	8/15/25	1,640,000	1,514,950 (b)
<i>Total Chemicals</i>				<i>5,073,033</i>
<i>Construction Materials 0.3%</i>				
Cemex SAB de CV, Senior Secured Notes	6.125%	5/5/25	1,530,000	1,529,541 (a)(b)
<i>Containers & Packaging 1.7%</i>				
ARD Securities Finance SARL, Senior Secured Notes (8.750% PIK)	8.750%	1/31/23	1,495,343	1,443,006 (a)(b)(f)
Ardagh Packaging Finance PLC/Ardagh Holdings USA Inc., Senior Notes	7.250%	5/15/24	1,130,000	1,139,887 (a)(b)
Ardagh Packaging Finance PLC/Ardagh Holdings USA Inc., Senior Notes	6.000%	2/15/25	1,550,000	1,457,000 (a)(b)
Pactiv LLC, Senior Notes	7.950%	12/15/25	920,000	961,400 (b)
Pactiv LLC, Senior Notes	8.375%	4/15/27	5,220,000	5,454,900 (b)
<i>Total Containers & Packaging</i>				<i>10,456,193</i>
<i>Metals & Mining 6.4%</i>				
Alcoa Nederland Holding BV, Senior Notes	6.750%	9/30/24	1,020,000	1,076,100 (a)(b)
Alcoa Nederland Holding BV, Senior Notes	7.000%	9/30/26	2,450,000	2,597,000 (a)(b)
Alcoa Nederland Holding BV, Senior Notes	6.125%	5/15/28	2,416,000	2,416,000 (a)(b)
Anglo American Capital PLC, Senior Notes	4.125%	4/15/21	590,000	592,558 (a)(b)
Anglo American Capital PLC, Senior Notes	4.875%	5/14/25	2,040,000	2,013,266 (a)(b)
ArcelorMittal, Senior Notes	7.000%	10/15/39	3,200,000	3,551,226
Freeport-McMoRan Inc., Senior Notes	3.100%	3/15/20	30,000	29,588 (b)
Freeport-McMoRan Inc., Senior Notes	4.000%	11/14/21	1,060,000	1,036,150 (b)
Freeport-McMoRan Inc., Senior Notes	3.550%	3/1/22	760,000	721,050 (b)
Freeport-McMoRan Inc., Senior Notes	6.875%	2/15/23	1,870,000	1,965,370 (b)
Freeport-McMoRan Inc., Senior Notes	3.875%	3/15/23	910,000	844,025 (b)
Freeport-McMoRan Inc., Senior Notes	4.550%	11/14/24	2,220,000	2,064,600 (b)
Freeport-McMoRan Inc., Senior Notes	5.400%	11/14/34	5,120,000	4,505,600
Freeport-McMoRan Inc., Senior Notes	5.450%	3/15/43	1,280,000	1,091,200 (b)
Hudbay Minerals Inc., Senior Notes	7.250%	1/15/23	500,000	500,000 (a)(b)
Hudbay Minerals Inc., Senior Notes	7.625%	1/15/25	2,370,000	2,393,700 (a)(b)
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	2,862,131	32,310 *(a)(l)
Northwest Acquisitions ULC/Dominion Finco Inc., Senior Secured Notes	7.125%	11/1/22	1,000,000	1,009,350 (a)(b)

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	Rate	Maturity Date	Face Amount	Value
Security				
<i>Metals & Mining continued</i>				
Southern Copper Corp., Senior Notes	3.875%	4/23/25	2,000,000	\$ 1,925,771 ^(b)
Teck Resources Ltd., Senior Notes	8.500%	6/1/24	2,780,000	3,023,250 ^{(a)(b)}
Vale Overseas Ltd., Senior Notes	4.375%	1/11/22	1,784,000	1,799,146 ^(b)
Vale Overseas Ltd., Senior Notes	6.875%	11/21/36	2,960,000	3,301,258 ^(b)
<i>Total Metals & Mining</i>				<i>38,488,518</i>
<i>Paper & Forest Products 1.1%</i>				
Mercer International Inc., Senior Notes	6.500%	2/1/24	2,540,000	2,571,750 ^(b)
Schweitzer-Mauduit International Inc., Senior Notes	6.875%	10/1/26	1,740,000	1,766,100 ^{(a)(b)}
Suzano Austria GmbH, Senior Notes	5.750%	7/14/26	2,250,000	2,298,375 ^{(a)(b)}
<i>Total Paper & Forest Products</i>				<i>6,636,225</i>
Total Materials				62,183,510
Real Estate 2.0%				
<i>Equity Real Estate Investment Trusts (REITs) 1.7%</i>				
CoreCivic Inc., Senior Notes	4.125%	4/1/20	290,000	288,913 ^(b)
CoreCivic Inc., Senior Notes	5.000%	10/15/22	1,440,000	1,396,800 ^(b)
CoreCivic Inc., Senior Notes	4.625%	5/1/23	670,000	633,988 ^(b)
MGM Growth Properties Operating Partnership LP/MGP Finance Co-Issuer Inc., Senior Notes	4.500%	1/15/28	3,230,000	2,886,812 ^(b)
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	6.375%	3/1/24	1,020,000	1,060,800 ^(b)
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	5.250%	8/1/26	2,440,000	2,366,800 ^(b)
MPT Operating Partnership LP/MPT Finance Corp., Senior Notes	5.000%	10/15/27	1,732,000	1,631,890
<i>Total Equity Real Estate Investment Trusts (REITs)</i>				<i>10,266,003</i>
<i>Real Estate Management & Development 0.3%</i>				
WeWork Cos. Inc., Senior Notes	7.875%	5/1/25	2,290,000	2,112,525 ^{(a)(b)}
Total Real Estate				12,378,528
Utilities 1.7%				
<i>Electric Utilities 0.6%</i>				
Pampa Energia SA, Senior Notes	7.375%	7/21/23	2,680,000	2,488,916 ^{(b)(c)}
Red Oak Power LLC, Senior Secured Notes	9.200%	11/30/29	1,170,000	1,327,950 ^(b)
<i>Total Electric Utilities</i>				<i>3,816,866</i>
<i>Gas Utilities 0.7%</i>				
Suburban Propane Partners LP /Suburban Energy Finance Corp., Senior Notes	5.750%	3/1/25	3,500,000	3,290,000 ^(b)
Suburban Propane Partners LP /Suburban Energy Finance Corp., Senior Notes	5.875%	3/1/27	1,350,000	1,238,625 ^(b)
<i>Total Gas Utilities</i>				<i>4,528,625</i>

See Notes to Financial Statements.

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October 31, 2018

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Independent Power and Renewable Electricity Producers</i> 0.4%				
Minejesa Capital BV, Senior Secured Notes	4.625%	8/10/30	2,380,000	\$ 2,106,157 ^{(a)(b)}
Total Utilities				10,451,648
Total Corporate Bonds & Notes (Cost \$577,169,057)				601,905,822
Senior Loans 19.2%				

Six months ended

(in millions)	June 30,		Change	
	2006	2005	Amount	%
Acquiring revenue	\$ 915.1	\$ 864.9	\$ 50.2	6%
Prepaid	52.6	45.6	7.0	15%
Processing revenue charged to unconsolidated merchant alliances	98.7	111.5	(12.8)	(11)%
Total transaction and processing revenue	1,066.4	1,022.0	44.4	4%
Equity earnings in affiliates	131.8	104.0	27.8	27%
Total transaction and processing revenue and equity earnings in affiliates	\$ 1,198.2	\$ 1,126.0	\$ 72.2	6%

The increase in acquiring revenue in the three and six-month periods ended June 30, 2006 compared to the same periods in 2005 was driven by increases in transaction volume due to consumer spending at the point of sale, solid sales productivity, the Citibank alliance and increased locations of existing merchant clients. Also contributing to growth were improved merchant retention, the growth of new alliances and pricing initiatives in the second quarter 2006. Partially offsetting acquiring revenue growth were STAR account deconversions in 2005. The increase in the acquiring revenue growth rate in second quarter 2006 of 8% compared to the first quarter 2006 growth rate of 3% resulted principally from the pricing initiatives noted above.

Merchant PIN-debit transactions, including acquired and STAR network transactions, account for approximately 25% of total domestic merchant transactions for both the three and six months ended June 30, 2006, as well as for the comparable periods in 2005. The Company continues to see a shift in consumer behavior toward the use of PIN-debit cards from credit, signature debit, checks and cash. The Company's growth rate for PIN-debit slowed beginning in mid-2005 due to a national merchant routing a portion of its PIN-debit transactions directly to a network provider. The Company anticipates the growth rate for PIN-debit transactions to increase in the third quarter.

The spread between the transaction growth rate and revenue growth rate is caused most significantly by the mix of merchants. Most of the disparity is within the segment's portfolios of national merchants, which drive significant transaction growth and experience the most price compression. Also contributing to this spread is a lower average transaction amount due to increased usage at merchants, such as quick service restaurants. The segment has historically experienced three to five percent annual price compression on average, with price compression for the national merchants being higher. The decrease in the spread from the first quarter 2006 to the second quarter 2006 was due in part to the pricing initiatives noted above which offset the price compression.

Transaction and revenue growth in prepaid products for the three and six months ended June 30, 2006 compared to the prior year continued due to the signing of new merchants and continued growth of existing merchant clients. Decreased processing revenue charged to unconsolidated merchant alliances for the three and six months is largely a result of restructuring agreements associated with the Chase Paymentech Solutions,

LLC and PNC Merchant Services alliances. The increase in equity earnings for the three and six-month periods principally resulted from increased transaction volume.

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FIRST DATA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONAND RESULTS OF OPERATIONS (Continued)Check services revenue

The decrease in check services revenue for the three and six months ended June 30, 2006 compared to the prior year results from the general decline in the paper check guarantee volumes offset in part by increased revenues from collection services provided for a national merchant, as well as the acquisition of ClearCheck in the first quarter 2006.

Product sales and other revenue

The majority of the increase in product sales and other revenues for the three and six-month periods ended June 30, 2006 in comparison to 2005 was driven by increased POS terminal sales and leases partially offset by decreases in professional services revenue, as well as decreases in other items not individually significant.

Reimbursable debit network fees, postage and other

The increase in reimbursable debit network fees, postage and other for the three and six months ended June 30, 2006 over the prior year was due to growth in debit network fees. The increase in debit network fees was driven by the continued growth of the PIN-debit transaction volumes noted above, as well as rate increases imposed by the debit networks offset partially by a national merchant routing a portion of its PIN-debit transactions directly to the network provider. Debit network fees represent substantially all of the balance within this line item.

Operating profit

First Data Commercial Services segment operating profit and margins increased in the three and six months ended June 30, 2006 compared to the same periods in 2005 due to the factors discussed above. In addition to the items noted above, the reduction of integration expenses in the three and six months in 2006 versus comparable periods in 2005 benefited operating profit growth by approximately 14 percentage points and operating margin by approximately 3 percentage points, in both periods, respectively. Also benefiting this growth was reduced payroll expense due to fourth quarter 2005 restructuring activities. Negatively affecting operating profit growth in the three and six months was higher incentive compensation accruals in the second quarter 2006 in comparison to the second quarter 2005.

In the first quarter 2006, the company recorded a \$15.0 million settlement charge associated with a patent infringement claim against TeleCheck. This charge was excluded from the Commercial Services segment operating profit and the related growth rates discussed above and recorded as Litigation and regulatory settlements operating expense on the Consolidated Statements of Income.

First Data Financial Institution Services Segment Results

	Three months ended June 30,		% of		Change	
	2006	% of Revenue	2005	% of Revenue	Amount	%
(in millions)						
Revenues:						
Transaction and processing service fees	\$ 296.8	66%	\$ 306.1	63%	\$ (9.3)	(3)%
Product sales and other	5.9	1%	25.2	6%	(19.3)	(77)%
Reimbursable postage and other	148.9	33%	150.8	31%	(1.9)	(1)%

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Total revenue	\$ 451.6	100%	\$ 482.1	100%	\$ (30.5)	(6)%
Operating profit	\$ 94.5		\$ 106.1		\$ (11.6)	(11)%
Operating margin	21%		22%		(1)pt	
Key indicators:						
Domestic debit issuer transactions ^(b)	2,351.1		1,994.1		357.0	18%

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)**

(in millions)	Six months ended June 30,		% of		Change	
	2006	Revenue	2005	Revenue	Amount	%
Revenues:						
Transaction and processing service fees	\$ 585.5	65%	\$ 613.8	64%	\$ (28.3)	(5)%
Product sales and other	9.6	1%	34.7	4%	(25.1)	(72)%
Reimbursable postage and other	301.7	34%	304.2	32%	(2.5)	(1)%
Total revenue	\$ 896.8	100%	\$ 952.7	100%	\$ (55.9)	(6)%
Operating profit	\$ 178.8		\$ 193.7		\$ (14.9)	(8)%
Operating margin	20%		20%		0pts	
Key indicators:						
Domestic active card accounts on file (end of period)^(a)						
Bankcard	39.3		44.0		(4.7)	(11)%
Retail	69.4		57.1		12.3	22%
Total	108.7		101.1		7.6	8%
Domestic card accounts on file (end of period)						
Bankcard	106.0		87.6		18.4	21%
Retail	315.0		239.3		75.7	32%
Debit	111.2		92.6		18.6	20%
Total	532.2		419.5		112.7	27%
Domestic debit issuer transactions ^(b)	4,425.6		3,833.6		592.0	15%

(a) Domestic active card accounts on file include customer accounts that had a balance or any monetary posting or authorization during the last month of the quarter.

(b) Domestic debit issuer transactions include Visa and MasterCard signature debit, STAR ATM, STAR PIN-debit POS, and ATM and PIN-debit POS gateway transactions.

Summary

The First Data Financial Institution Services segment revenue and operating profit decreased in the three and six months ended June 30, 2006 from the same periods in 2005 due most significantly to deconversions that occurred in 2005 and the associated contract termination fees, as well as price compression offset partially by growth from existing clients and new business.

The Company converted 94.1 million and 99.6 million accounts during the three and six months of 2006, respectively, and also increased accounts through internal growth. The Citi/Sears Retail Private Label and Citi/Sears MasterCard accounts, which were converted in late June 2006, comprised a majority of the conversion activity. At June 30, 2006, the Company had approximately 16 million retail accounts in the pipeline, which are now expected to be converted in the first half of 2007. Total domestic card accounts on file at the end of 2006 are expected

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to be approximately 540 million.

Revenue growth rates will be impacted adversely by the previously mentioned deconversions through the third quarter of 2006. The impact of these deconversions will be marginally offset by conversions that occurred in the second quarter 2006.

Transaction and processing service fee revenue

Components of transaction and processing service fee revenue

(in millions)	Three months ended June 30,		Change	
	2006	2005	Amount	%
Credit and retail card processing	\$ 99.4	\$ 111.3	\$ (11.9)	(11)%
Debit processing	110.7	109.0	1.7	2%
Output services	63.7	61.0	2.7	4%
Remittance processing services	23.0	24.8	(1.8)	(7)%
Total	\$ 296.8	\$ 306.1	\$ (9.3)	(3)%

(in millions)	Six months ended June 30,		Change	
	2006	2005	Amount	%
Credit and retail card processing	\$ 197.2	\$ 229.7	\$ (32.5)	(14)%
Debit processing	214.7	213.0	1.7	1%
Output services	127.0	124.2	2.8	2%
Remittance processing services	46.6	46.9	(0.3)	(1)%
Total	\$ 585.5	\$ 613.8	\$ (28.3)	(5)%

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FIRST DATA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

Credit and retail card processing revenue

Credit and retail card processing revenue decreased for the three and six-month periods in 2006 compared to 2005 largely due to the deconversion of credit card accounts in 2005 and price compression, which were partially offset by growth from existing clients and new business. Most of the revenue is driven by active accounts on file. Retail account portfolios typically have a lower proportionate share of active accounts than credit account portfolios and product usage is different between the card types resulting in lower revenue per active account. In addition, contract pricing at the customer level is dependent upon the volume of accounts, mix of account types (e.g. retail, credit, co-branded credit and debit) and product usage. Although active accounts on file increased, revenue will not proportionately increase due most significantly to price compression.

Debit processing revenue

Revenue was driven by the domestic debit issuer transactions noted above. Revenue increased slightly for the three and six months ended June 30, 2006 compared to the same periods in 2005 with growth of existing clients being offset by deconversions and price compression. Domestic debit issuer transactions were driven by the shift to the use of debit cards from credit, signature debit, checks and cash and such trends are expected to continue. Price compression upon renewal of contracts and the change in client mix drove the different growth rates in revenue and transactions.

Output services revenue

Output services revenue consists of printing, embossing, and mailing services. Such revenue increased slightly for the three and six-month periods ended June 30, 2006 in comparison to the same periods in 2005 due to new business partially offset by deconversions.

Remittance processing services revenue

Remittance processing services revenue consists of revenue generated from processing remittances for third-party organizations. Remittance processing services revenue decreased for the three and six months ended June 30, 2006 compared to the same periods in 2005 due to lost business offset partially by new business.

Reimbursable postage and other revenue

Reimbursable postage and other revenue remained relatively flat for the three and six months ended June 30, 2006 in comparison to the same periods in 2005 as lost business was offset by new business and the postage rate increase in January 2006.

Product sales and other revenue

Product sales and other revenue decreased for the three and six-month periods ended June 30, 2006 due to contract termination fees received in 2005 associated with the previously mentioned deconversions.

Operating profit

First Data Financial Institution Services segment operating profit decreased for the three and six months ended June 30, 2006 compared to the same periods in 2005 due to the deconversions and other factors noted above. Partially offsetting this decline were reduced payroll expenses due to the second and fourth quarter 2005 restructuring activities. Operating margins were down for the three-month period and flat for the six months ended June 30, 2006 compared to the same periods in 2005 as a result of the items discussed above.

First Data International Segment Results

(in millions)	Three months ended June 30,			Change		
	2006	% of Segment Revenue	2005	% of Segment Revenue	Amount	%
Revenues:						
Transaction and processing service fees	\$ 233.2	78%	\$ 166.6	78%	\$ 66.6	40%
Product sales and other	44.9	15%	31.9	15%	13.0	41%
Other revenue	20.9	7%	14.3	7%	6.6	46%
Total revenue	\$ 299.0	100%	\$ 212.8	100%	\$ 86.2	41%
Operating profit	\$ 33.6		\$ 23.5		\$ 10.1	43%
Operating margin	11%		11%		0pts	
Key indicators:						
International transactions ^(b)	1,063.2		568.4		494.8	87%

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)**

(in millions)	Six months ended June 30,		Six months ended June 30,		Change	
	2006	% of Revenue	2005	% of Revenue	Amount	%
Revenues:						
Transaction and processing service fees	\$ 440.2	78%	\$ 331.8	78%	\$ 108.4	33%
Product sales and other	87.7	16%	67.6	16%	20.1	30%
Other revenue	35.0	6%	26.8	6%	8.2	31%
Total revenue	\$ 562.9	100%	\$ 426.2	100%	\$ 136.7	32%
Operating profit	\$ 62.7		\$ 45.1		\$ 17.6	39%
Operating margin	11%		11%		0pts	

(in millions)	Six months ended June 30,		Six months ended June 30,		Change	
	2006	% of Revenue	2005	% of Revenue	Amount	%
Key indicators:						
International card accounts on file (end of period) ^(a)						
Bankcard	30.8		19.8		11.0	56%
Retail	10.4		7.4		3.0	41%
Total	41.2		27.2		14.0	51%
International transactions ^(b)	2,018.4		1,086.5		931.9	86%

(a) International card accounts on file at June 30, 2005 have been adjusted to reflect a reclassification of accounts from bankcard to retail.

(b) International transactions include VISA, MasterCard and other card association merchant acquiring and switching and debit issuer transactions for clients outside the U.S. Merchant transactions include credit, signature debit and PIN-debit POS, POS gateway and ATM transactions. Debit issuer transactions include signature and PIN-debit POS, POS gateway and ATM transactions.

Summary

The First Data International segment businesses are managed in four geographic regions: EMEA includes European, Middle Eastern and African countries and provides card issuing processing, merchant acquiring and processing, and ATM and POS processing, driving, acquiring and switching services across the region; LAC includes Canada and Latin American and Caribbean countries and provides merchant acquiring and processing, card issuing processing, software licensing and debit switching services; ANZSA includes Australia, New Zealand and South Asian countries and provides merchant acquiring, processing and switching services, provides managed service card processing and owns and operates an ATM network in Australia; and CNA includes China and North Asian countries and mainly provides switching transaction services in South

Korea and operates the only certified third party card issuing processing facility in China.

The EMEA region is the largest region and accounted for approximately 60% of the segment's revenue for both the three and six months ended June 30, 2006 with LAC accounting for over 15% and ANZSA also accounting for over 15% of the segment's revenue for the same periods. The CNA region accounted for the remaining revenue other than certain businesses that accounted for less than 1% of the segment's total revenues that are not managed on a geographic basis.

Growth in the quarter was driven by acquisitions and new alliances that closed in the second half of 2005 and second quarter 2006 and internal growth of existing clients. The acquisitions and new alliances that affected the quarter's growth were as follows:

acquisitions of GZS, EuroProcessing International (EPI), First Data Austria and First Data International Korea,

formation of the ICS and Bank of Western Australia Limited (BWA) alliances.

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FIRST DATA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

Acquisitions and alliances contributed 26 and 23 percentage points to total revenue growth of 41% and 32% for the three and six months ended June 30, 2006, respectively, while foreign currency movements negatively impacted total revenue growth by 1 and 3 percentage points for the same periods, respectively. Revenue growth rates, exclusive of acquisitions, increased in second quarter 2006 compared to first quarter 2006 due most significantly to passing the anniversary of the HSBC deconversion which occurred in the first quarter 2005. The Company anticipates that revenue growth rates excluding acquisitions will be in the low double digits for the remainder of 2006.

Transaction and processing service fee revenue

Transaction and processing service fee revenue includes merchant acquiring and processing revenue, debit transaction revenue, POS/ATM transaction revenue, fees from switching services and monthly managed service fees for issued cards. Total transaction and processing service fee revenue increased in the three and six months ended June 30, 2006 over the same periods in 2005 due mostly to the acquisitions noted above. The remaining increase is mainly due to POS and ATM transactions resulting from internal growth of existing clients and new business and, to a lesser extent, accounts on file in the EMEA and LAC regions.

Revenue growth in EMEA for the three and six-month periods ended June 30, 2006 in comparison to the same periods in 2005 is mainly due to the impact of 2005 acquisitions, the GZS acquisition and new alliances as discussed above as well as internal growth from existing clients and new business. This growth was partially offset by the negative effects of currency exchange rate movement and lost business. Most of the acquisition growth relates to business supporting switching debit and ATM transactions as well as debit card transactions. Revenue growth in ANZSA for the three and six months ended June 30, 2006 in comparison to the same periods in 2005 is due to the impact of the BWA alliance, a new VisionPLUS managed service contract supported by the Company's new Singapore office, continued expansion of the ATM network in Australia and internal growth of existing clients offset partially by the adverse impact of currency exchange rate movement. Revenue growth in LAC for the same periods is due to growth of existing merchant acquiring businesses as a result of new merchant signings and increased accounts on file. CNA's revenue growth in 2006 is mostly due to the 2005 acquisition of First Data International Korea.

As noted above, transaction and processing service fee revenue is driven by accounts on file and transactions. The spread between increases in these two indicators and the revenue growth is mostly driven by the mix of transaction types resulting from the 2005 acquisitions. A significant part of the transactions from the acquisitions are debit switching transactions that have a lower revenue per transaction than many of the other transactions acquired or processed by the segment. The effects of foreign currency exchange rate fluctuations also contributed to the spread.

Product sales and other revenue

The increase in product sales and other revenue for the three and six months ended June 30, 2006 over the same periods in 2005 resulted from increased terminal-related revenue driven mainly by acquisitions in the EMEA and CNA regions. Also impacting growth for the six-month period is an increase in software-related revenue due to one-time licensing fees offset by a decrease in professional services resulting from revenue earned in 2005 related to a development contract in EMEA.

Operating profit

The segment's operating profit increased for the three and six-month periods ended June 30, 2006 in comparison to the same periods in 2005 due to the growth in transaction and processing service fee revenues as described above. Higher incentive compensation accruals in the second quarter 2006 compared to the second quarter 2005 adversely impacted operating profit growth for the quarter. Partially offsetting growth for the six-month period ended June 30, 2006 is a decrease resulting from an account deconversion in EMEA completed during the first quarter 2005. Acquisitions accounted for approximately 24 and 21 percentage points of the operating profit growth for the three and six months ended June 30, 2006, respectively.

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)***Integrated Payment Systems Segment Results*

(in millions)	2006 (Restated)	Three months ended June 30,		% of Segment Revenue	Change	
		% of Segment Revenue	2005 (Restated)		Amount	%
Revenues:						
Transaction and processing service fees	\$ 14.2	55%	\$ 11.1	19%	\$ 3.1	28%
Investment income, net ^(a)	11.7	45%	47.8	81%	(36.1)	(76)%
Other revenue	0.1	0%	0.3	0%	(0.2)	(67)%
Total revenue	\$ 26.0	100%	\$ 59.2	100%	\$ (33.2)	(56)%
Operating profit (loss)	(1.0)		34.8		(35.8)	(103)%
Operating margin	(4) %		59%		(63)pts	

(in millions)	2006 (Restated)	Six months ended June 30,		% of Segment Revenue	Change	
		% of Segment Revenue	2005 (Restated)		Amount	%
Revenues:						
Transaction and processing service fees	\$ 26.4	45%	\$ 21.9	18%	\$ 4.5	21%
Investment income, net ^(a)	31.7	55%	100.6	82%	(68.9)	(68)%
Other revenue	0.2	0%	0.5	0%	(0.3)	(60)%
Total revenue	\$ 58.3	100%	\$ 123.0	100%	\$ (64.7)	(53)%
Operating profit	5.4		76.3		(70.9)	(93)%
Operating margin	9%		62%		(53)pts	

^(a) For segment reporting purposes, Integrated Payment Systems presents investment income and its related operating profit on a pretax equivalent basis (i.e., as if investment earnings on settlement assets, which are substantially all nontaxable, were fully taxable at FDC's marginal tax rate). The revenue and operating profit impact of this presentation is eliminated in consolidation.

Transaction and processing service fee revenue

Transaction and processing service fee revenue is comprised of official check and financial institution money orders issued by agents; check processing, which represents capture and processing of inbound and outbound checks, including image based services; and payment management services. The increases for the three and six months in 2006 compared to the same periods in 2005 were due to increased transactions in payment management services resulting from new business.

Investment income, net

The decreases in investment income for the three and six months ended June 30, 2006 compared to the same periods in 2005 were attributable to rising short-term interest rates, which resulted in higher official check commissions paid to agents. This impact was partially offset by higher

yields on certain investments. The average investment balance remained relatively flat for the six-month period compared to the same period in 2005. Results similar to the first six months of 2006 are expected for the remainder of the year based on certain anticipated changes in interest rates. In addition, the Company anticipates its commission payments will be subject to continued volatility until it is able to restructure its hedging program, which is expected to occur late in the third quarter 2006, as a result of the loss of hedge accounting treatment previously discussed.

Operating profit

The decrease in operating profit and operating margin for both periods was due mainly to the decrease in investment income, net discussed above.

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)***All Other and Corporate*

(in millions)	Three months ended June 30,		Percent Change
	2006	2005	
Revenues	\$ 129.0	\$ 123.7	4%
Operating profit (loss)	(34.4)	(19.7)	NM

(in millions)	Six months ended June 30,		Percent Change
	2006	2005	
Revenues	\$ 276.3	\$ 254.7	8%
Operating profit (loss)	(46.4)	(18.7)	NM

Revenues

The increase in revenues for the three months ended June 30, 2006 compared to the same period in 2005 resulted from an increase in project work in the government businesses offset partially by a decline due to the closure of the messaging business. The increase in revenue for the six months ended June 30, 2006 compared to 2005 resulted from the factors discussed above as well as an increase in patent royalty income and an increase in the Company's risk management services. Fluctuations in the other businesses were not individually significant.

Operating loss

The increase in operating loss for the three and six-month periods ended June 30, 2006 as compared to the same periods in 2005 resulted from approximately \$16 million and \$37 million, respectively, in stock option and ESPP expense recorded due to the adoption of SFAS 123R on January 1, 2006 as well as higher incentive compensation accruals in the current quarter compared to the same period in 2005. The increase in operating loss for the six-month period was partially offset by an increase in patent royalty income as well as savings associated with the 2005 year-end restructuring.

Capital Resources and Liquidity

The Company's source of liquidity during the first six months of 2006 was cash generated from operating activities. The Company believes its current level of cash and short-term financing capabilities along with future cash flows from operations are sufficient to meet the needs of its existing businesses. The Company may, from time to time, seek longer-term financing to support additional cash needs or to reduce short-term borrowings. The following discussion highlights the Company's cash flow activities from continuing operations during the six months ended June 30, 2006 and 2005.

Cash and Cash Equivalents

Highly liquid investments (other than those included in settlement assets) with original maturities of three months or less (that are readily convertible to cash) are considered to be cash equivalents and are stated at cost, which approximates market value. At June 30, 2006 and December 31, 2005, the Company held \$1,705.1 million and \$1,180.9 million in cash and cash equivalents, respectively.

Excluded from cash and cash equivalents at June 30, 2006 and December 31, 2005 were \$42.0 million and \$190.4 million, respectively, of assets that would otherwise meet the definition of cash and cash equivalents. Such excluded amounts at June 30, 2006 and December 31, 2005 consist of \$16.9 million and \$135.8 million, respectively, of regulatory required investments in connection with client covenants associated with the official check business; \$0.6 million and \$30.4 million, respectively, of required investments in connection with the Company's First Financial

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Bank; and \$24.5 million and \$24.2 million, respectively, of required investments related to other operations. Amounts excluded from cash and cash equivalents are included in other assets on the Consolidated Balance Sheets.

Cash held outside of the United States at June 30, 2006 and December 31, 2005 was \$562.0 million and \$310.2 million, respectively.

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)***Cash Flows from Operating Activities from Continuing Operations*

	Six months ended June 30,	
	2006	2005
Source/(use) (in millions)	(Restated)	(Restated)
Net income from continuing operations	\$ 893.7	\$ 781.2
Depreciation and amortization	400.7	390.3
Other non-cash items and charges, net	(199.7)	5.1
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable	13.1	15.8
Other assets	32.3	48.5
Accounts payable and other liabilities	(152.8)	(171.5)
Income tax accounts	275.4	(82.1)
Excess tax benefit from share-based payment arrangement	(57.0)	
Net cash provided by operating activities from continuing operations	\$ 1,205.7	\$ 987.3

The increase in depreciation and amortization expense in 2006 is attributable to acquisitions completed during 2005 as well as amortization of initial payments for contracts in the Western Union segment offset partially by a decrease resulting from the write-off of intangibles in conjunction with account deconversions in 2005 in the Financial Institution Services segment as well as other less significant items.

Other non-cash items and charges include restructuring, impairments, litigation and regulatory settlements, other, investment gains and losses and divestitures, as well as undistributed earnings in affiliates, stock compensation and ESPP expense and gains on the sale of merchant portfolios as the proceeds are recognized in investing activities. The decrease in 2006 compared to 2005 resulted from increases in the value of interest rate swaps partially offset by a decrease in the value of foreign currency forward contracts mentioned in the Overview section.

The change in accounts receivable between years is the result of the timing of collections compared to billings. The change in other assets between years results mostly from changes in prepaid expenses and inventory. The use of cash in accounts payable and other liabilities for the six months ended June 30, 2006 results from timing of payments for vendor invoices and funding of various accruals whereas the use of cash for the six months ended June 30, 2005 is mainly the result of higher incentive compensation payments. The change in income tax accounts is the result of lower tax payments during the first six months of 2006 compared to 2005 resulting from the tax benefit associated with the significant number of stock options exercised during the first quarter of 2006 as well as increases in income taxes associated with changes in the fair market value of certain derivative financial instruments.

SFAS 123R requires that excess tax benefits relating to share-based payment arrangements be presented in the statement of cash flows as cash provided by financing activities with a corresponding use of cash in operating activities. The Company reflected \$57.0 million of excess tax benefits from share-based payment arrangements as cash used for operating activities and a corresponding source of cash provided by financing activities for the six months ended June 30, 2006.

During the remainder of 2006, the Company expects to incur significant costs resulting from the use of outside services related to the spin-off of Western Union. Cash flows from operating activities will be used to fund these costs.

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)***Cash Flows from Investing Activities from Continuing Operations*

	Six months ended June 30,	
	2006	2005
Source/(use) (in millions)	(Restated)	(Restated)
Current year acquisitions, net of cash acquired	\$ (190.9)	\$ (37.4)
Payments related to other businesses previously acquired	(43.8)	(59.7)
Additions to property and equipment, net	(90.1)	(114.0)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(135.4)	(80.3)
Proceeds from the sale of marketable securities	20.8	218.4
Other investing activities	11.3	(359.1)
Net cash used in investing activities from continuing operations	\$ (428.1)	\$ (432.1)

Current Year Acquisitions

During the six months ended June 30, 2006, the Company created a joint venture with BNL, acquired substantially all of the assets of ClearCheck, Inc. and acquired 100% of GZS. The Company may fund in excess of \$400 million for other acquisitions during the remainder of 2006. During the six months ended June 30, 2005, the Company's acquisitions included the formation of a merchant alliance with ICS, a card issuer and acquirer in the Netherlands, as well as purchases of merchant portfolios.

Payments Related to Other Businesses Previously Acquired

During the six months ended June 30, 2006 and 2005, payments related to other businesses previously acquired related mostly to contingent consideration.

Capital Expenditures

The following table discloses amounts capitalized related to customer contracts, conversion costs, systems development and property and equipment.

(in millions)	Six months ended June 30,	
	2006	2005
Customer contracts	\$ 90.0	\$ 28.0
Conversion costs	16.5	24.9
Systems development	28.9	27.4
Subtotal	135.4	80.3
Property and equipment	90.1	114.0

Total amount capitalized	\$ 225.5	\$ 194.3
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The increase in capital expenditures relates largely to initial payments for contracts in the Western Union segment partially offset by a decrease in purchases of equipment.

Proceeds from the Sale of Marketable Securities

Proceeds from the sale of marketable securities for the six months ended June 30, 2006 included \$9.6 million from the partial liquidation of marketable securities acquired in the Concord merger and \$10.5 million from the redemption of MasterCard stock. The source of cash for the six months ended June 30, 2005 included \$97.9 million in proceeds from the sale of CheckFree common stock, \$83.3 million from the liquidation of marketable securities acquired in the Concord merger and \$37.2 million resulting from the maturity of other investments held by the Company's First Financial Bank.

Other Investing Activities

The source of cash for other investing activities for the six months ended June 30, 2006 related to a \$148.4 million reduction in regulatory, restricted and escrow cash balances as discussed above in the Cash and Cash Equivalents section, \$54.9 million of proceeds from investment and other activity and proceeds of \$27.1 million resulting from the sale of

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)**

corporate aircraft. Partially offsetting the sources described above were uses related to a contingent payment of \$29.9 million related to the 2004 disposition of NYCE (all but \$1.6 million of which was accrued at December 31, 2005), a net cash outflow of \$32.6 million associated with the sale of a facility related to the Concord merger, and a use of \$154.9 million resulting from the following: a loan to a Western Union agent, the purchase of investments related to the Company's First Financial Bank and other items not individually significant. The use of cash for other investing activities for the six months ended June 30, 2005 relates to the increase in regulatory, restricted and escrow cash balances noted above in the Cash and Cash Equivalents section, payments of \$70.1 million related to certain derivative financial instruments, the purchase of \$37.1 million of investments related to the Company's First Financial Bank, and other investing activity.

Cash Flows from Financing Activities from Continuing Operations

Source/(use) (in millions)	Six months ended June 30,	
	2006	2005
Short-term borrowings, net	\$ 35.9	\$ (151.8)
Proceeds from issuance of long-term debt		995.6
Principal payments on long-term debt	(21.8)	(18.7)
Proceeds from issuance of common stock	582.3	117.6
Excess tax benefit from share-based payment arrangements	57.0	
Purchase of treasury shares	(814.9)	(1,519.3)
Cash dividends	(91.9)	(62.8)
Net cash used in financing activities from continuing operations	\$ (253.4)	\$ (639.4)

Short-Term Borrowings, net

The Company's financing activities include net proceeds and cash outlays related to the issuance and paydown of commercial paper as well as other short-term debt and capital leases. The commercial paper balance was \$740.2 million as of June 30, 2006 compared to \$699.3 million as of December 31, 2005. The Company has a \$1.5 billion commercial paper program that is supported by a \$1.5 billion revolving credit facility, which expires on October 24, 2010.

Proceeds from the Issuance of Long-Term Debt

On May 26, 2005, the Company issued \$550 million of 4.50% senior notes due June 15, 2010 and \$450 million of 4.95% senior notes due June 15, 2015. The Company received net proceeds of \$547.9 million and \$447.7 million from these issuances, respectively, which were used to repay outstanding commercial paper. In conjunction with the debt offering, the Company entered into one five-year and two 10-year interest rate swaps with notional amounts totaling \$550.0 million and \$450.0 million, respectively, to receive interest at the coupon rate of the debt and to pay interest at a variable rate equal to LIBOR plus 0.2035% and 0.392%, respectively.

Principal Payments on Long-Term Debt

In conjunction with the spin-off, the Company is contemplating changes to its capital structure. As part of those changes, the Company may pay down approximately \$700 million of intercompany debt to Western Union, which presently eliminates within the Consolidated Balance Sheets. The Company may seek external financing to fund the payment. As of yet, no decisions have been made regarding such changes or payments. Also in combination with the spin-off, a portion of FDC's borrowings will be paid down and Western Union will issue debt.

Proceeds from Issuance of Common Stock

Proceeds from the issuance of common stock resulted from stock option exercises and purchases under the Company's employee stock purchase plan. Proceeds increased compared to 2005 due to increased exercises of stock options principally as a result of an increase in stock price as well as the accelerated vesting of stock options in December 2005.

Excess Tax Benefit from Share-based Payment Arrangements

The excess tax benefit from share-based payment arrangements is discussed in the Cash Flows from Operating Activities from Continuing Operations section above.

Table of Contents**FIRST DATA CORPORATION****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS (Continued)***Purchase of Treasury Shares*

The following table presents stock repurchase programs authorized by the Board of Directors from October 2004 through February 2005, disclosing total shares purchased under each program and the associated cost (in millions) for the six months ended June 30, 2006 and 2005, respectively.

	Six months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	Shares	Cost	Shares	Cost
Share repurchase programs:				
\$1.5 billion, authorized October 2004			22.3	\$ 905.8
\$2.0 billion, authorized February 2005			11.2	439.7
			33.5	\$ 1,345.5
Treasury stock purchases related to employee benefit plans	17.4	\$ 805.6	3.4	135.4
Total stock repurchases	17.4	\$ 805.6	36.9	\$ 1,480.9

At June 30, 2006, the Company had \$1.2 billion remaining under board authorized stock repurchase programs. The increase in shares purchased related to employee benefit plans is a result of the increase in stock option exercises. The difference between the cost of shares repurchased noted in the table above and the amount reflected in the Consolidated Statements of Cash Flows is due to timing of trade settlements.

Cash Dividends

During the six months ended June 30, 2006, the Company paid higher dividends than in the first six months of 2005 due to the Company increasing its quarterly dividend from \$0.02 to \$0.06 for common stockholders of record as of April 1, 2005.

Letters and Lines of Credit

The Company had \$66.2 million in outstanding letters of credit at June 30, 2006, of which nearly all expire in 2007, with a one-year renewal option. The letters of credit are held in connection with certain business combinations, lease arrangements, bankcard association agreements and agent settlement agreements. The Company expects to renew the letters of credit prior to expiration.

As part of the acquisition of GZS in June 2006, the Company assumed lines of credit which totaled approximately 645 million euro or approximately \$810 million as of June 30, 2006. The Company had \$92.5 million outstanding against these lines of credit as of June 30, 2006.

Significant Non-Cash Transactions

Significant non-cash transactions during the six months ended June 30, 2006 included the issuance of approximately 864,000 shares of restricted stock to certain employees in conjunction with the Company's incentive compensation plan.

Significant non-cash transactions during the first six months of 2005 included the Company awarding 460,000 shares of restricted stock to executive officers. Subsequent to the award and through June 30, 2006, 150,000 shares had been forfeited or cancelled.

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As an integral part of FDC's payment instrument services, FDC receives funds from instruments sold in advance of settlement with payment recipients. These funds (referred to as settlement assets on FDC's Consolidated Balance Sheets) are not utilized to support the Company's operations; however, the Company does have the opportunity to earn income from investing these funds. The Company maintains a portion of its settlement assets in highly liquid investments (classified as cash equivalents within settlement assets) to fund settlement obligations.

Off-Balance Sheet Arrangements

Other than facility and equipment leasing arrangements, the Company does not engage in off-balance sheet financing activities. Rent expense related to the synthetic operating leases was \$2.3 million and \$1.3 million for the three months ended June 30, 2006, and 2005, respectively, and \$4.7 million and \$2.6 million for the comparable six-month periods.

In May 2006, the Company purchased out of a synthetic lease assumed as part of the merger with Concord and then sold the Memphis facility. As of December 31, 2005, the Company had a \$46.2 million liability assumed in the purchase

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FIRST DATA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

business combination related to the excess of the total cost financed and other carrying costs for the facility over the assumed net sale proceeds. During the first six months of 2006 the Company utilized \$41.9 million of the accrual, which included the costs to sell the facility and settle the associated synthetic lease obligation. The remaining \$4.3 million of the accrual balance was reversed and the goodwill recorded as part of the Concord purchase business combination was adjusted.

Contractual Obligations

There have been no material changes in the Company's contractual obligations and commercial commitments from those reported at December 31, 2005 in the Company's Annual Report on Form 10-K/A.

Critical Accounting Policies

The Company's critical accounting policies have not changed from those reported in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's 2005 Annual Report on Form 10-K/A except as follows:

The Company adopted SFAS 123R effective January 1, 2006 using the modified prospective method of adoption. SFAS 123R requires all stock-based payments to employees to be recognized in the income statement based on their respective grant date fair values over the requisite service periods and also requires an estimation of forfeitures when calculating compensation expense. The Company utilizes the Black-Scholes option pricing model to measure the fair value of stock options granted to employees and directors and recognizes compensation cost on a straight line basis. Option-pricing models require estimates of a number of key valuation inputs including expected volatility, expected dividend yield, expected term and risk-free interest rate. Accordingly, the fair value of stock options is affected by the assumptions selected. Stock-based compensation expense, including the impact of SFAS 123R, was \$20.5 million and \$44.4 million for the three and six months ended June 30, 2006, respectively.

New Accounting Pronouncements

In July 2006, Financial Accounting Standards Board (FASB) interpretation (FIN) No. 48 Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 was issued regarding accounting for, and disclosure of, uncertain tax positions. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact this interpretation will have on its results of operations and financial position.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes from the 2005 Annual Report on Form 10-K/A related to the Company's exposure to market risk from interest rates or foreign currency.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

The Company's disclosure controls and procedures are designed to cause information required to be disclosed in reports that the Company files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported with the time periods specified in SEC rules and forms. The Company has evaluated, under the supervision of its Chief Executive Officer and Chief Financial Officer, the effectiveness of disclosure controls and procedures as of June 30, 2006. Based on this evaluation to ensure that material information regarding the Company is made known to management, including the Chief Executive Officer and Chief Financial Officer, to allow the Company to meet its disclosure obligations, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2006 because of the material weakness in internal control over financial reporting discussed below.

As disclosed initially in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2005, management concluded that the ineffective controls over the application of derivative accounting constituted a material weakness. The material weakness pertains to the initial documentation for certain derivative instruments relating to the Company's interest rate swaps associated with its official check business and foreign currency forward contracts associated with its Western Union business which the Company determined did not meet the requirements to qualify for hedge accounting. This material weakness has resulted in the restatement of the Company's previously issued Consolidated Financial Statements for the years ended December 31, 2003, 2004 and 2005, the quarters ended March 31, 2005 and 2006 and the quarters ended June 30, 2005 and 2006.

Changes in internal control over financial reporting.

The Company will remediate the material weakness in internal control described above by implementing control procedures associated with the initial documentation process of hedge transactions to ensure hedge accounting is appropriately applied with respect to Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities.

There were no changes in the Company's internal control over financial reporting identified in connection with the above evaluation that occurred during the second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors of First Data Corporation

We have reviewed the consolidated balance sheet of First Data Corporation as of June 30, 2006, and the related consolidated statements of income for the three and six-month periods ended June 30, 2006 and 2005 and cash flows for the six-month period ended June 30, 2006 and 2005. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of First Data Corporation as of December 31, 2005, and the related consolidated statements of income, stockholders equity, and cash flows for the year then ended (not presented herein) and in our report dated February 22, 2006, except for Notes 1 and 8 as to which the date is August 22, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share Based Payment*.

As described in Note 1, the financial statements referred to above have been restated.

/s/ Ernst & Young LLP

Denver, Colorado

August 4, 2006, except for Note 1

as to which the date is August 22, 2006

Table of Contents**PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

From time to time the Company is involved in various litigation matters arising in the ordinary course of its business. None of these matters, either individually or in the aggregate, currently is material to the Company except those matters reported in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2005 (the "Annual Report") and Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2006 (the "Quarterly Report"). There were no material developments in the litigation matters previously disclosed in the Annual Report and the Quarterly Report except as discussed below.

In the *VISA U.S.A. Inc. Litigation* matter, on July 5, 2006 the Company and Visa U.S.A. Inc. ("Visa") announced their agreement to settle the dispute. Pursuant to the terms of the settlement, for the next five years, Visa will pay the Company \$10 million per year. The Company and Visa agreed to work together on various product and business development initiatives which could provide mutual benefit to them and improve the electronic payments industry. Visa will provide financial support for these initiatives. The Company also agreed to transition all transactions being intra-processed on the Company's Omaha platform to Visa's system, and to route all future Visa-branded transactions through VisaNet subject to certain exceptions.

ITEM 1A. RISK FACTORS

There are no material changes to the risk factors as reported in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2005.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about the Company's purchases of shares of the Company's common stock during the second quarter ended June 30, 2006:

		Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1	April 30, 2006	900,000	\$ 48.095	0	\$ 1,192,499,855
May 1	May 31, 2006	2,200,000	\$ 47.265	0	\$ 1,192,499,855
June 1	June 30, 2006	550,000	\$ 45.700	0	\$ 1,192,499,855
Total		3,650,000	\$ 47.234	0	

⁽¹⁾ All of the shares were repurchased in open-market transactions through a repurchase program for the Company's employee benefit plans.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

A total of 685,349,986 of the Company's shares of common stock were present or represented by proxy at the Company's Annual Meeting of Stockholders held on May 10, 2006 (the "2006 Annual Meeting"). This represented more than 89% of the Company's shares outstanding. Five

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management proposals were voted upon at the 2006 Annual Meeting and all were approved.

Proposal 1 Election of Directors.

The terms of office of four current directors, Daniel P. Burnham, Jack M. Greenberg, Courtney F. Jones and Charles T. Russell, expired at the 2006 Annual Meeting and all were re-elected to a three-year term. The results of the voting were as follows:

	For	Withheld
Daniel P. Burnham	655,177,829	30,172,157
Jack M. Greenberg	672,476,511	12,873,475
Courtney F. Jones	671,024,941	14,325,045
Charles T. Russell	654,632,078	30,717,908

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Proposal 2 Ratification of the election of David A. Coulter as a director.

The results of the voting were as follows:

For	Against	Abstain
676,520,884	3,884,446	4,944,656

Proposal 3 Ratification of the election of Henry C. Duques as a director.

The results of the voting were as follows:

For	Against	Abstain
670,663,273	9,534,317	5,152,396

Proposal 4 Ratification of the election of Peter B. Ellwood as a director.

The results of the voting were as follows:

For	Against	Abstain
677,205,528	3,652,563	4,491,895

Other directors whose terms continued after the meeting are Alison Davis, Richard P. Kiphart, James D. Robinson, Joan E. Spero and Arthur F. Weinbach.

Proposal 5 Ratification of the selection of Ernst & Young LLP as independent auditors of the Company for 2006.

The results of the voting were as follows:

For	Against	Abstain
672,551,446	8,857,175	3,941,365

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

(a) Exhibits

- 10.1 Description of additional director fees to be paid to Jack M. Greenberg as the non-executive chairperson of The Western Union Company (incorporated by reference to Item 1.01 of the Company's Current Report on Form 8-K filed on May 12, 2006).
- 12 Computation of Ratio of Earnings to Fixed Charges
- 15 Letter from Ernst & Young LLP Regarding Unaudited Interim Financial Information
- 31.1 Certification of President and Chief Executive Officer of First Data Corporation Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
- 31.2 Certification of Chief Financial Officer of First Data Corporation Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
- 32.1 Certification of Chief Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
- 32.2 Certification of Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
- 99 Private Securities Litigation Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements

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

FIRST DATA CORPORATION

(Registrant)

Date: September 15, 2006

By /s/ Kimberly S. Patmore
Kimberly S. Patmore

Executive Vice President and

Chief Financial Officer

(Principal Financial Officer)

Date: September 15, 2006

By /s/ Jeffrey R. Billat
Jeffrey R. Billat

Vice President and Chief Accounting Officer

(Principal Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description
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32.2	Certification of Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
99	Private Securities Litigation Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements