

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

August 24, 2007

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

FORM N-Q

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

Investment Company Act file number 811-07920

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

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

10004
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

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

Registrant's telephone number, including area code: 1-800-451-2010

Date of fiscal year end: December 31

Date of reporting period: June 30, 2007

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FORM N-Q

JUNE 30, 2007

ITEM 1. SCHEDULE OF INVESTMENTS

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited)

June 30, 2007

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

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Building Products 1.7%

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

| Face Amount | Security | Value |
|---|--|--------------|
| Wireless Telecommunication Services 3.3% (continued) | | |
| \$ 3,700,000 | True Move Co., Ltd., 10.750% due 12/16/13 (b) | \$ 3,940,500 |
| | Total Wireless Telecommunication Services | 17,667,279 |
| | TOTAL CORPORATE BONDS & NOTES | |
| | (Cost \$501,250,829) | 510,721,057 |
| ASSET-BACKED SECURITY 0.0% | | |
| Diversified Financial Services 0.0% | | |
| 9,956,016 | Airplanes Pass-Through Trust, Subordinated Notes, Series D, 10.875% due 3/15/19 (d)(e)(f) | |
| | (Cost - \$11,102,032) | 0 |
| CONVERTIBLE BOND & NOTE 0.1% | | |
| Diversified Financial Services 0.1% | | |
| 570,000 | Ford Motor Co., Senior Notes, 4.250% due 12/15/36 | |
| | (Cost - \$570,000) | 716,775 |
| LOAN PARTICIPATIONS 1.1% | | |
| United States 1.1% | | |
| 1,000,000 | Penhall International Corp., Term Loan, (Deutsche Bank), 12.824% due 4/1/12(g) | 1,022,500 |
| 4,500,000 | SandRidge Energy, Term Loan, (Bank of America Securities, LLC), 8.975% due 4/1/15(c)(g) | 4,612,500 |
| | TOTAL LOAN PARTICIPATIONS | |
| | (Cost \$5,481,028) | 5,635,000 |
| SOVEREIGN BONDS 1.4% | | |
| Brazil 0.4% | | |
| 1,264,000 | Federative Republic of Brazil: 11.000% due 8/17/40 | 1,659,000 |
| 640,000 | Collective Action Securities, Notes, 8.000% due 1/15/18 | 704,160 |
| | Total Brazil | 2,363,160 |
| Russia 1.0% | | |
| 4,666,550 | Russian Federation, 7.500% due 3/31/30 (b) | 5,136,122 |
| | TOTAL SOVEREIGN BONDS | |
| | (Cost \$7,426,818) | 7,499,282 |
| U.S. GOVERNMENT & AGENCY OBLIGATION 0.9% | | |
| U.S. Government Obligations 0.9% | | |
| 5,070,000 | U.S. Treasury Notes, 4.750% due 5/31/12 | |
| | (Cost - \$5,045,181) | 5,031,979 |
| Shares | | |
| COMMON STOCKS 0.0% | | |
| CONSUMER DISCRETIONARY 0.0% | | |
| Household Durables 0.0% | | |
| 4,660,992 | Home Interiors & Gifts Inc. (e)(f)* | 46,610 |
| CONSUMER STAPLES 0.0% | | |
| Food Products 0.0% | | |

| | | | |
|------------------|-------------|---------------------------|---|
| | 73,499 | Aurora Foods Inc. (e)(f)* | 0 |
| MATERIALS | 0.0% | | |
| Chemicals | 0.0% | | |
| | 1 | Pliant Corp. (e)(f)* | 0 |

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

| Shares | Security | Value |
|--|--|--------------|
| TELECOMMUNICATION SERVICES 0.0% | | |
| Diversified Telecommunication Services 0.0% | | |
| 3,736 | McLeodUSA Inc., Class A Shares (e)(f)* | \$ 0 |
| 20,125 | Pagemart Wireless (e)(f)* | 201 |
| | TOTAL TELECOMMUNICATION SERVICES | 201 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$2,167,617) | 46,811 |
| CONVERTIBLE PREFERRED STOCKS 0.2% | | |
| ENERGY 0.2% | | |
| Oil, Gas & Consumable Fuels 0.2% | | |
| 3,111 | Chesapeake Energy Corp. Convertible, 6.250% | |
| | (Cost - \$781,633) | 879,635 |
| PREFERRED STOCKS 0.5% | | |
| CONSUMER DISCRETIONARY 0.5% | | |
| Automobiles 0.3% | | |
| 22,300 | Ford Motor Co., 7.400% | 411,435 |
| 17,100 | Ford Motor Co., 8.000% | 348,327 |
| 1,600 | Ford Motor Co., Series F, 7.550% | 29,184 |
| 900 | General Motors Corp., 7.250% | 17,397 |
| 10,100 | General Motors Corp., Senior Notes, 7.250% | 196,445 |
| 2,200 | General Motors Corp., Senior Notes, 7.375% | 43,032 |
| 400 | General Motors Corp., Senior Notes, 7.375% | 7,944 |
| 31,700 | General Motors Corp., Senior Notes, 7.500% | 639,706 |
| | | 1,693,470 |
| Media 0.2% | | |
| 83 | ION Media Networks Inc. | 747,000 |
| | TOTAL CONSUMER DISCRETIONARY | 2,440,470 |
| FINANCIALS 0.0% | | |
| Diversified Financial Services 0.0% | | |
| 3,400 | Preferred Plus, Series FRD-1, 7.400% | 61,880 |
| 8,400 | Saturns, Series F 2003-5, 8.125% | 172,200 |
| | TOTAL FINANCIALS | 234,080 |
| | TOTAL PREFERRED STOCKS | |
| | (Cost \$2,252,787) | 2,674,550 |
| Warrants | | Value |
| WARRANTS 0.0% | | |
| 1,705 | Cybernet Internet Services International Inc., Expires 7/1/09 (b)(e)(f)* | 0 |
| 1,555 | GT Group Telecom Inc., Class B Shares, Expires 2/1/10 (b)(e)(f)* | 0 |
| 1,185 | IWO Holdings Inc., Expires 1/15/11 (b)(e)(f)* | 0 |
| 1,000 | Jazztel PLC, Expires 7/15/10 (e)(f)* | 0 |
| 1,765 | Merrill Corp., Class B Shares, Expires 5/1/09 (b)(e)(f)* | 0 |
| 3,510 | Viasystems Group Inc., Expires 1/12/10 (e)(f)* | 0 |
| | TOTAL WARRANTS | |
| | (Cost \$623,616) | 0 |

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

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

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

See Notes to Schedule of Investments.

Western Asset High Income Opportunity Fund Inc.

Schedule of Investments (unaudited) (continued)

June 30, 2007

-
- * Non-income producing security.
 - (a) Payment-in-kind security for which part of the income earned may be paid as additional principal.
 - (b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
 - (c) Variable rate security. Interest rate disclosed is that which is in effect at June 30, 2007.
 - (d) Security is currently in default.
 - (e) Illiquid security.
 - (f) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
 - (g) Participation interest was acquired through the financial institution indicated parenthetically.
 - # Aggregate cost for federal income tax purposes is substantially the same.

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

Western Asset High Income Opportunity Fund Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, (the 1940 Act).

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

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

(b) Repurchase Agreements. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

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

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

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

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

2. Investments

At June 30, 2007, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

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

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

ITEM 2. CONTROLS AND PROCEDURES.

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

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

ITEM 3. EXHIBITS.

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

SIGNATURES

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

Western Asset High Income Opportunity Fund Inc.

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

Date: August 24, 2007

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

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

Date: August 24, 2007

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

Date: August 24, 2007
