

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSRS

June 02, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

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

Investment Company Act file number 811-7920

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

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

10041
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place,

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

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

Date of fiscal year end: September 30

Date of reporting period: March 31, 2010

ITEM 1. REPORT TO STOCKHOLDERS.

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

March 31, 2010

Semi-Annual Report

Western Asset High Income Opportunity Fund Inc.

(HIO)

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

II Western Asset High Income Opportunity Fund Inc.

Fund objective

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

What's inside

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Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset High Income Opportunity Fund Inc. for the six-month reporting period ended March 31, 2010.

Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period. Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

As always, 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.leggmason.com/cef. 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,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

April 30, 2010

Investment commentary

Economic review

The lengthiest recession since the Great Depression finally appeared to have ended during the reporting period. This, in turn, had significant implications for the financial markets.

Looking back, the U.S. Department of Commerce reported that U.S. gross domestic product (GDP) contracted four consecutive quarters, beginning in the third quarter of 2008 through the second quarter of 2009. Economic conditions then began to improve in the third quarter of 2009, as GDP growth was 2.2%. A variety of factors helped the economy to regain its footing, including the government's \$787 billion stimulus program, its Cash for Clunkers car rebate program, which helped spur an increase in car sales, and tax credits for first-time home buyers. Economic growth then accelerated during the fourth quarter of 2009, as GDP growth was 5.6%. The Commerce Department cited a slower drawdown in business inventories and renewed consumer spending as contributing factors spurring the economy's higher growth rate. The recovery continued during the first quarter of 2010, as the advance estimate for GDP growth was a solid 3.2%. The ongoing economic expansion was largely the result of increased consumer spending, as it grew 3.6% during the quarter, versus a tepid 1.6% advance during the last three months of 2009.

Even before GDP growth turned positive, there were signs that the economy was on the mend. The manufacturing sector, as measured by the Institute for Supply Management's PMI, rose to 52.8 in August 2009, the first time it surpassed 50 since January 2008 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). According to PMI data, manufacturing has now expanded eight consecutive months and March 2010's PMI reading of 59.6 was the highest since July 2004.

While the housing market has shown signs of life, a continued large inventory of unsold homes and the end of a government tax credit for first-time buyers could lead to a choppy recovery. At the end of March 2010, there was an 8.0 month supply of unsold homes, a slight improvement from the 8.5 month supply the prior month. Based on its most recent data, the S&P/Case-Shiller Home Price Index indicated that U.S. home prices in February 2010 rose from a year earlier for the first time in more than three years. According to the National Association of Realtors, after existing home sales fell from December 2009 through February 2010, they increased 6.8% in March as people rushed to take advantage of the government's \$8,000 tax credit for first-time home buyers that is set to expire at the end of April.

While there was some positive news in the labor market in March, continued high unemployment could negatively impact the pace of the economic recovery. The U.S. Department of Labor reported that employers added 162,000 jobs in March, the largest monthly gain in three years. However, upon closer inspection, the data showed that nearly 30% of these new hires were temporary government jobs for the 2010 Census. In addition, the unemployment rate remained at 9.7% in March, where it has stood since January 2010.

Financial market overview

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Over the course of the six-month reporting period ended March 31, 2010, the financial markets were largely characterized by healthy investor risk appetite and solid results by lower-quality bonds.

In the fixed-income market, riskier sectors, such as high-yield bonds and emerging market debt, significantly outperformed U.S. Treasuries. This was in sharp contrast to the latter part of 2008 and early 2009, when the financial markets were negatively impacted by periods of extreme volatility, illiquidity and heightened risk aversion. There were a number of factors contributing to the continued turnaround in the financial markets, including improving economic conditions, renewed investor confidence and the accommodative monetary policy by the Federal Reserve Board (Fed)iv.

While economic data often surpassed expectations during the reporting period, the Fed remained cautious. As stated by Fed Chairman Bernanke in April 2010 (subsequent to the close of the reporting period), the economy was far from being out of the woods. Given this, it was no surprise that the Fed kept the federal funds ratev in a historically low range of 0 to 1/4 percent during the reporting period. At its meeting in April 2010, the Fed said it will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

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Investment commentary (cont d)

However, the Fed did take a first step in reversing its accommodative monetary stance. On February 18, 2010, the Fed raised the discount rate, the interest rate it charges banks for temporary loans, from 0.50% to 0.75%. The Fed also announced the conclusion of its \$1.25 trillion mortgage securities purchase program at the end of the first quarter of 2010.

Fixed-income market review

Continuing the trend that began in the second quarter of 2009, nearly every spread sector (non-Treasury) outperformed equal-duration Treasuries during the six months ended March 31, 2010. While risk aversion ruled the fixed-income markets during much of 2008 and early 2009, by the end of the first quarter of 2009 there was robust demand for riskier, and higher-yielding, fixed-income securities. Despite some temporary setbacks, riskier assets continued to perform well during the reporting period.

Both short- and long-term Treasury yields fluctuated during the reporting period. After starting the period at 0.95% and 3.31%, respectively, two- and ten-year Treasury yields then generally declined through the end of November, with two- and ten-year Treasury yields falling to 0.67% and 3.21%, respectively. With economic data further improving at the end of 2009, yields then moved sharply higher in December, with two- and ten-year Treasury yields rising to 1.14% and 3.85%, respectively, on December 31st. However, some mixed economic data then caused yields to decline again in January. Treasuries then traded in a relatively narrow range in February before moving higher in March. Two- and ten-year Treasuries ended the reporting period at 1.02% and 3.84%, respectively.

Over the six months ended March 31, 2010, longer-term Treasury yields increased more than their shorter-term counterparts as economic data improved and there were fears of future inflation given the government's massive stimulus program. At the same time, with risk aversion being replaced with robust risk appetite, spread sector prices moved higher. For the six months ended March 31, 2010, the Barclays Capital U.S. Aggregate Index^{vii} returned 1.99%.

The high-yield bond market produced solid results during the reporting period. The asset class posted positive returns during all six months of the period. This strong performance was due to a variety of factors, including the generally strengthening economy, better-than-expected corporate profits and continued investor demand. All told, the Barclays Capital U.S. High Yield 2% Issuer Cap Index^{viii} returned 10.97% for the six months ended March 31, 2010.

Emerging market debt prices also posted positive returns each month during the reporting period. This rally was triggered by optimism that the worst of the global recession was over, as well as rising commodity prices, solid domestic demand and increased investor risk appetite. Over the six months ended March 31, 2010, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{ix} returned 5.75%.

Performance review

For the six months ended March 31, 2010, Western Asset High Income Opportunity Fund Inc. returned 11.61% based on its net asset value (NAV)x and 15.29% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Barclays Capital U.S. High Yield 2% Issuer Cap Index, returned 10.97% for the same period. The Lipper High Current Yield Closed-End Funds Category Averagexi returned 14.24% 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 \$0.32 per share, which may have included a return of capital. The performance table shows the Fund's six-month total return based on its NAV and market price as of March 31, 2010. **Past performance is no guarantee of future results.**

Performance Snapshot as of March 31, 2010 (unaudited)

Price Per Share	6-Month Total Return*
\$6.03 (NAV)	11.61%
\$6.36 (Market Price)	15.29%

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

* Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

Looking for additional information?

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

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

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

April 30, 2010

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

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

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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.

- 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 Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iii The S&P/Case-Shiller Home Price Index measures the residential housing market, tracking changes in the value of the residential real estate market in twenty metropolitan regions across the United States.
- iv The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- v 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.
- vi Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vii The Barclays Capital 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.
- viii The Barclays Capital U.S. High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- ix 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.
- x Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (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.
- xi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended March 31, 2010, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 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 March 31, 2010 and September 30, 2009 and does not include derivatives. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

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Schedule of investments (unaudited)

March 31, 2010

Western Asset High Income Opportunity Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Corporate Bonds & Notes 89.1%				
Consumer Discretionary 17.2%				
Auto Components 0.1%				
Allison Transmission Inc., Senior Notes	11.000%	11/1/15	290,000	\$ 310,300(a)
Lear Corp., Senior Notes	8.125%	3/15/20	140,000	142,975
Total Auto Components				453,275
Automobiles 0.8%				
Motors Liquidation Co., Senior Debentures	8.375%	7/15/33	4,220,000	1,603,600(b)
Motors Liquidation Co., Senior Notes	7.200%	1/15/11	2,665,000	992,712(b)
Motors Liquidation Co., Senior Notes	7.125%	7/15/13	2,125,000	786,250(b)
Total Automobiles				3,382,562
Diversified Consumer Services 0.7%				
Sotheby's, Senior Notes	7.750%	6/15/15	1,010,000	1,031,463
Stonemor Operating LLC/Cornerstone Family Services/Osiris Holdings, Senior Notes	10.250%	12/1/17	2,010,000	2,080,350(a)
Total Diversified Consumer Services				3,111,813
Hotels, Restaurants & Leisure 7.5%				
Ameristar Casinos Inc., Senior Notes	9.250%	6/1/14	1,345,000	1,415,612
Boyd Gaming Corp., Senior Subordinated Notes	7.125%	2/1/16	675,000	567,000
Downstream Development Quapaw, Senior Notes	12.000%	10/15/15	1,695,000	1,550,925(a)
El Pollo Loco Inc., Senior Notes	11.750%	11/15/13	2,915,000	2,608,925
El Pollo Loco Inc., Senior Secured Notes	11.750%	12/1/12	945,000	978,075
Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp.	10.250%	6/15/15	445,000	7,231(a)(b)
Harrah's Operating Co. Inc., Senior Bonds	5.625%	6/1/15	1,450,000	960,625
Harrah's Operating Co. Inc., Senior Notes	10.750%	2/1/16	2,954,000	2,473,975
Harrah's Operating Co. Inc., Senior Secured Notes	10.000%	12/15/15	811,000	723,817
Harrah's Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	3,330,000	3,604,725
Indianapolis Downs LLC & Capital Corp., Senior Secured Notes	11.000%	11/1/12	1,210,000	810,700(a)
Inn of the Mountain Gods Resort & Casino, Senior Notes	12.000%	11/15/10	3,912,000	1,897,320(b)(c)
Landry's Restaurants Inc., Senior Secured Notes	11.625%	12/1/15	960,000	1,036,800(a)
MGM MIRAGE Inc., Notes	6.750%	9/1/12	1,220,000	1,159,000
MGM MIRAGE Inc., Senior Notes	8.500%	9/15/10	95,000	96,069
MGM MIRAGE Inc., Senior Secured Notes	10.375%	5/15/14	150,000	166,125(a)
MGM MIRAGE Inc., Senior Secured Notes	11.125%	11/15/17	360,000	406,800(a)
MGM MIRAGE Inc., Senior Secured Notes	9.000%	3/15/20	1,350,000	1,397,250(a)
MGM MIRAGE Inc., Senior Subordinated Notes	8.375%	2/1/11	3,090,000	3,097,725
Mohegan Tribal Gaming Authority, Senior Notes	6.125%	2/15/13	470,000	404,200
Mohegan Tribal Gaming Authority, Senior Secured Notes	11.500%	11/1/17	2,060,000	2,204,200(a)

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Mohegan Tribal Gaming Authority, Senior Subordinated Notes	8.000%	4/1/12	300,000	278,250
Mohegan Tribal Gaming Authority, Senior Subordinated Notes	6.875%	2/15/15	225,000	171,563
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16	1,890,000	2,064,825(a)
Penn National Gaming Inc., Senior Subordinated Notes	8.750%	8/15/19	430,000	438,600(a)
Pinnacle Entertainment Inc., Senior Notes	8.625%	8/1/17	1,295,000	1,272,337(a)
Sbarro Inc., Senior Notes	10.375%	2/1/15	1,065,000	899,925

See Notes to Financial Statements.

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Hotels, Restaurants & Leisure continued				
Snoqualmie Entertainment Authority, Senior Secured Notes	4.136%	2/1/14	890,000	\$ 654,150(a)(d)
Snoqualmie Entertainment Authority, Senior Secured Notes	9.125%	2/1/15	165,000	127,875(a)
Station Casinos Inc., Senior Notes	6.000%	4/1/12	1,515,000	109,838(b)(c)
Station Casinos Inc., Senior Notes	7.750%	8/15/16	2,265,000	175,538(b)(c)
Station Casinos Inc., Senior Subordinated Notes	6.625%	3/15/18	85,000	531(b)(c)
Total Hotels, Restaurants & Leisure				33,760,531
Household Durables 0.7%				
American Greetings Corp., Senior Notes	7.375%	6/1/16	920,000	918,863
Libbey Glass Inc., Senior Secured Notes	10.000%	2/15/15	1,060,000	1,120,950(a)
Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes	9.750%	9/1/12	1,023,000	976,965(c)
Total Household Durables				3,016,778
Internet & Catalog Retail 0.4%				
Netflix Inc., Senior Notes	8.500%	11/15/17	840,000	886,200
QVC Inc., Senior Secured Notes	7.375%	10/15/20	680,000	686,800(a)
Total Internet & Catalog Retail				1,573,000
Leisure Equipment & Products 0.1%				
Eastman Kodak Co., Senior Notes	7.250%	11/15/13	470,000	450,025
Media 4.7%				
Affinion Group Inc., Senior Subordinated Notes	10.125%	10/15/13	560,000	576,800
Affinion Group Inc., Senior Subordinated Notes	11.500%	10/15/15	760,000	782,800
CCH II LLC/CCH II Capital Corp., Senior Notes	13.500%	11/30/16	551,225	660,092(a)
CCH II LLC/CCH II Capital Corp., Senior Notes	13.500%	11/30/16	10,000	12,075
Cengage Learning Acquisitions Inc., Senior Notes	10.500%	1/15/15	450,000	434,250(a)
Cengage Learning Acquisitions Inc., Senior Subordinated Notes	13.250%	7/15/15	1,550,000	1,511,250(a)
Charter Communications Operating LLC/Charter Communications Operating Capital, Senior Secured Notes	10.875%	9/15/14	3,140,000	3,528,575(a)
Clear Channel Communications Inc., Senior Notes	6.250%	3/15/11	990,000	962,775
CSC Holdings Inc., Senior Notes	8.500%	6/15/15	1,500,000	1,597,500(a)
DISH DBS Corp., Senior Notes	7.875%	9/1/19	3,090,000	3,229,050
Nielsen Finance LLC / Nielsen Finance Co., Senior Subordinated Notes, step bond	0.000%	8/1/16	1,850,000	1,766,750
Sinclair Broadcast Group Inc., Senior Subordinated Notes	8.000%	3/15/12	1,250,000	1,243,750
Sun Media Corp., Senior Notes	7.625%	2/15/13	1,060,000	1,045,425
Univision Communications Inc., Senior Secured Notes	12.000%	7/1/14	1,975,000	2,172,500(a)
UPC Holding BV, Senior Notes	9.875%	4/15/18	675,000	712,125(a)
Virgin Media Finance PLC, Senior Bonds	9.500%	8/15/16	500,000	548,750
Virgin Media Finance PLC, Senior Notes	9.125%	8/15/16	537,000	573,247
Total Media				21,357,714
Multiline Retail 0.6%				
Neiman Marcus Group Inc., Senior Notes	9.000%	10/15/15	1,734,765	1,778,134(e)
Neiman Marcus Group Inc., Senior Secured Notes	7.125%	6/1/28	1,090,000	975,550
Total Multiline Retail				2,753,684

See Notes to Financial Statements.

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Schedule of investments (unaudited) (cont d)

March 31, 2010

Western Asset High Income Opportunity Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Specialty Retail 1.0%				
Blockbuster Inc., Senior Secured Notes	11.750%	10/1/14	1,170,000	\$ 868,725(a)
Michaels Stores Inc., Senior Notes	10.000%	11/1/14	915,000	969,900
Michaels Stores Inc., Senior Subordinated Bonds	11.375%	11/1/16	1,230,000	1,334,550
Michaels Stores Inc., Senior Subordinated Notes, step bond	0.000%	11/1/16	1,640,000	1,459,600
Total Specialty Retail				4,632,775
Textiles, Apparel & Luxury Goods 0.6%				
Oxford Industries Inc., Senior Secured Notes	11.375%	7/15/15	2,570,000	2,878,400
Total Consumer Discretionary				77,370,557
Consumer Staples 1.4%				
Food Products 0.5%				
Bumble Bee Foods LLC, Senior Secured Notes	7.750%	12/15/15	700,000	710,500(a)
Del Monte Corp., Senior Subordinated Notes	7.500%	10/15/19	700,000	737,625(a)
Smithfield Foods Inc., Senior Secured Notes	10.000%	7/15/14	605,000	677,600(a)
Total Food Products				2,125,725
Household Products 0.3%				
American Achievement Corp., Senior Subordinated Notes	8.250%	4/1/12	580,000	577,100(a)
Reynolds Group DL Escrow Inc./Reynolds Group Escrow LLC, Senior Secured Notes	7.750%	10/15/16	950,000	980,875(a)
Total Household Products				1,557,975
Tobacco 0.6%				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	2,430,000	2,551,500(a)
Total Consumer Staples				6,235,200
Energy 13.2%				
Energy Equipment & Services 1.7%				
Basic Energy Services Inc., Senior Secured Notes	11.625%	8/1/14	1,865,000	2,060,825
Complete Production Services Inc., Senior Notes	8.000%	12/15/16	1,150,000	1,144,250
Hercules Offshore LLC, Senior Secured Notes	10.500%	10/15/17	925,000	927,313(a)
Key Energy Services Inc., Senior Notes	8.375%	12/1/14	2,005,000	2,037,581
Parker Drilling Co., Senior Notes	9.125%	4/1/18	1,480,000	1,522,550(a)
Total Energy Equipment & Services				7,692,519
Oil, Gas & Consumable Fuels 11.5%				
Adaro Indonesia PT, Notes	7.625%	10/22/19	400,000	417,520(a)
Arch Coal Inc., Senior Notes	8.750%	8/1/16	1,230,000	1,306,875(a)
Atlas Pipeline Partners LP, Senior Notes	8.750%	6/15/18	475,000	460,750
Belden & Blake Corp., Secured Notes	8.750%	7/15/12	4,172,000	3,921,680
Berry Petroleum Co., Senior Notes	10.250%	6/1/14	1,155,000	1,279,162
Chesapeake Energy Corp., Senior Notes	6.625%	1/15/16	2,285,000	2,250,725
Chesapeake Energy Corp., Senior Notes	6.250%	1/15/18	1,180,000	1,129,850
Chesapeake Energy Corp., Senior Notes	7.250%	12/15/18	585,000	587,925

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Compagnie Generale de Geophysique SA, Senior Notes	7.500%	5/15/15	360,000	362,700
Compagnie Generale de Geophysique-Veritas, Senior Notes	9.500%	5/15/16	810,000	870,750
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	1,830,000	1,889,475(a)
Corral Petroleum Holdings AB, Senior Secured Subordinated Bonds	5.251%	4/15/10	3,510,340	2,597,652(a)(c)(d)(e)
Crosstex Energy/Crosstex Energy Finance Corp., Senior Notes	8.875%	2/15/18	880,000	911,900(a)

See Notes to Financial Statements.

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Denbury Resources Inc., Senior Subordinated Notes	8.250%	2/15/20	1,268,000	\$ 1,350,420
Enterprise Products Operating LLP, Junior Subordinated Notes	8.375%	8/1/66	1,380,000	1,402,403
Enterprise Products Operating LLP, Subordinated Notes	7.034%	1/15/68	620,000	590,639
Griffin Coal Mining Co. Pty Ltd., Senior Notes	9.500%	12/1/16	70,000	45,150(a)(b)
International Coal Group Inc., Senior Secured Notes	9.125%	4/1/18	2,120,000	2,162,400
Linn Energy LLC/Linn Energy Finance Corp., Senior Notes	8.625%	4/15/20	1,360,000	1,365,100(a)
Mariner Energy Inc., Senior Notes	7.500%	4/15/13	940,000	951,750
Mariner Energy Inc., Senior Notes	8.000%	5/15/17	555,000	548,063
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes	8.750%	4/15/18	480,000	495,000
Murray Energy Corp., Senior Secured Notes	10.250%	10/15/15	1,720,000	1,771,600(a)
OPTI Canada Inc., Senior Secured Notes	9.000%	12/15/12	1,000,000	1,035,000(a)
OPTI Canada Inc., Senior Secured Notes	7.875%	12/15/14	345,000	324,300
OPTI Canada Inc., Senior Secured Notes	8.250%	12/15/14	920,000	869,400
Overseas Shipholding Group Inc., Senior Notes	8.125%	3/30/18	1,435,000	1,431,412
Petrohawk Energy Corp., Senior Notes	9.125%	7/15/13	1,495,000	1,567,881
Petroplus Finance Ltd., Senior Notes	6.750%	5/1/14	630,000	570,150(a)
Petroplus Finance Ltd., Senior Notes	7.000%	5/1/17	780,000	674,700(a)
Plains Exploration & Production Co., Senior Notes	10.000%	3/1/16	1,125,000	1,248,750
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	1,195,000	1,272,675
Quicksilver Resources Inc., Senior Notes	8.250%	8/1/15	1,200,000	1,230,000
Quicksilver Resources Inc., Senior Notes	11.750%	1/1/16	455,000	523,250
SandRidge Energy Inc., Senior Notes	8.625%	4/1/15	4,200,000	4,105,500(e)
SandRidge Energy Inc., Senior Notes	8.750%	1/15/20	60,000	58,800(a)
Stone Energy Corp., Senior Notes	8.625%	2/1/17	950,000	940,500
Teekay Corp., Senior Notes	8.500%	1/15/20	2,650,000	2,782,500
Tennessee Gas Pipeline Co., Senior Notes	8.375%	6/15/32	3,270,000	3,843,401
Whiting Petroleum Corp., Senior Subordinated Notes	7.000%	2/1/14	775,000	797,281
<i>Total Oil, Gas & Consumable Fuels</i>				51,944,989
Total Energy				59,637,508
Financials 16.7%				
Capital Markets 0.1%				
Lehman Brothers Holdings Inc., Medium-Term Notes, Senior Notes	5.250%	2/6/12	1,420,000	337,250(b)
Commercial Banks 1.2%				
BAC Capital Trust VI, Capital Securities, Junior Subordinated Notes	5.625%	3/8/35	830,000	687,387
BankAmerica Institutional Capital A, Junior Subordinated Bonds	8.070%	12/31/26	520,000	527,800(a)
BankAmerica Institutional Capital B, Junior Subordinated Bonds	7.700%	12/31/26	600,000	590,250(a)
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	700,000	761,250(a)(f)
NB Capital Trust II, Junior Subordinated Notes	7.830%	12/15/26	770,000	766,150
NB Capital Trust IV	8.250%	4/15/27	960,000	976,800

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Royal Bank of Scotland Group PLC, Subordinated Notes	5.000%	11/12/13	765,000	743,782
Royal Bank of Scotland Group PLC, Subordinated Notes	5.050%	1/8/15	330,000	312,788
<i>Total Commercial Banks</i>				<i>5,366,207</i>

See Notes to Financial Statements.

6 Western Asset High Income Opportunity Fund Inc. 2010 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

March 31, 2010

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Consumer Finance 5.3%				
FMG Finance Pty Ltd., Senior Secured Notes	10.625%	9/1/16	1,490,000	\$ 1,724,675(a)
Ford Motor Credit Co., LLC, Senior Notes	9.875%	8/10/11	1,000,000	1,060,918
Ford Motor Credit Co., LLC, Senior Notes	7.500%	8/1/12	1,785,000	1,849,312
Ford Motor Credit Co., LLC, Senior Notes	12.000%	5/15/15	6,495,000	7,767,182
GMAC Inc., Debentures, zero coupon bond	0.000%	6/15/15	4,300,000	2,773,500
GMAC Inc., Senior Bonds, zero coupon bond	0.000%	12/1/12	1,800,000	1,465,061
GMAC Inc., Senior Notes	7.500%	12/31/13	320,000	328,800
GMAC Inc., Senior Notes	8.300%	2/12/15	70,000	73,675(a)
GMAC Inc., Senior Notes	8.000%	3/15/20	1,640,000	1,685,100(a)
GMAC Inc., Subordinated Notes	8.000%	12/31/18	74,000	73,630
SLM Corp., Medium-Term Notes, Senior Notes	8.450%	6/15/18	1,465,000	1,483,812
SLM Corp., Senior Notes	8.000%	3/25/20	3,700,000	3,608,973
Total Consumer Finance				23,894,638
Diversified Financial Services 7.9%				
AES Red Oak LLC, Secured Notes	9.200%	11/30/29	3,920,000	3,880,800
Astoria Depositor Corp.	8.144%	5/1/21	1,550,000	1,512,219(a)
Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities	10.250%	8/15/39	1,120,000	1,330,326
CCM Merger Inc., Notes	8.000%	8/1/13	2,255,000	1,973,125(a)
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/14	1,438,420	1,362,903
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/15	318,420	297,723
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/16	1,290,700	1,193,898
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/17	4,712,981	4,359,507
Express LLC/Express Finance Corp., Senior Notes	8.750%	3/1/18	1,350,000	1,383,750(a)
Fresenius U.S. Finance II Inc., Senior Notes	9.000%	7/15/15	1,250,000	1,400,000(a)
International Lease Finance Corp., Medium-Term Notes	6.375%	3/25/13	2,450,000	2,395,867
International Lease Finance Corp., Medium-Term Notes, Senior Notes	5.625%	9/20/13	1,670,000	1,576,473
International Lease Finance Corp., Notes	5.875%	5/1/13	520,000	499,718
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	1,230,000	1,261,406(a)
JPMorgan Chase & Co., Junior Subordinated Notes	7.900%	4/30/18	90,000	96,273(d)(f)
LBI Escrow Corp., Senior Secured Notes	8.000%	11/1/17	1,715,000	1,781,456(a)
Leucadia National Corp., Senior Notes	7.750%	8/15/13	450,000	470,250
Leucadia National Corp., Senior Notes	8.125%	9/15/15	1,220,000	1,270,325
MBNA Capital A, Junior Subordinated Notes	8.278%	12/1/26	1,250,000	1,268,750
Midwest Gaming Borrower LLC/Midwest Finance Corp., Senior Secured Notes	11.625%	4/15/16	690,000	682,693(a)
New Communications Holdings Inc., Senior Notes	8.750%	4/15/22	154,000	154,770(a)
TNK-BP Finance SA	7.875%	3/13/18	1,525,000	1,681,313

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TNK-BP Finance SA, Senior Notes	7.875%	3/13/18	744,000	819,330(a)
UPC Germany GmbH, Senior Secured Bonds	8.125%	12/1/17	1,200,000	1,243,500(a)
Vanguard Health Holdings Co., II LLC, Senior Notes	8.000%	2/1/18	1,785,000	1,744,837(a)
<i>Total Diversified Financial Services</i>				35,641,212

See Notes to Financial Statements.

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Insurance 1.0%				
American International Group Inc., Junior Subordinated Notes	8.175%	5/15/58	860,000	\$ 733,150(d)
American International Group Inc., Medium-Term Notes, Senior Notes	5.450%	5/18/17	1,500,000	1,381,897
American International Group Inc., Medium-Term Notes, Senior Notes	5.850%	1/16/18	485,000	451,332
American International Group Inc., Senior Notes	8.250%	8/15/18	1,465,000	1,539,517
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	590,000	607,700(a)
Total Insurance				4,713,596
Real Estate Investment Trusts (REITs) 0.6%				
DuPont Fabros Technology LP, Senior Notes	8.500%	12/15/17	700,000	724,500(a)
Host Hotels & Resorts, LP, Senior Notes	6.375%	3/15/15	425,000	423,938
Ventas Realty LP/Ventas Capital Corp., Senior Notes	6.500%	6/1/16	360,000	368,342
Ventas Realty LP/Ventas Capital Corp., Senior Notes	6.750%	4/1/17	1,165,000	1,197,757
Total Real Estate Investment Trusts (REITs)				2,714,537
Real Estate Management & Development 0.6%				
Ashton Woods USA LLC, Ashton Woods Finance Co., Senior Subordinated Notes, step bond	0.000%	6/30/15	660,400	297,180(a)(c)
Realogy Corp., Senior Notes	10.500%	4/15/14	2,830,000	2,455,025
Total Real Estate Management & Development				2,752,205
Total Financials				
Health Care 6.0%				
Biotechnology 0.1%				
Talecris Biotherapeutics Holdings Corp., Senior Notes	7.750%	11/15/16	300,000	303,000(a)
Health Care Equipment & Supplies 0.5%				
Biomet Inc., Senior Notes	10.000%	10/15/17	910,000	1,007,825
Biomet Inc., Senior Toggle Notes	10.375%	10/15/17	950,000	1,049,750(e)
Total Health Care Equipment & Supplies				2,057,575
Health Care Providers & Services 5.3%				
CRC Health Corp., Senior Subordinated Notes	10.750%	2/1/16	3,515,000	3,189,862
HCA Inc., Debentures	7.500%	11/15/95	3,920,000	3,096,800
HCA Inc., Senior Notes	6.300%	10/1/12	100,000	100,375
HCA Inc., Senior Notes	6.250%	2/15/13	40,000	39,900
HCA Inc., Senior Secured Notes	7.875%	2/15/20	2,820,000	2,959,238(a)
IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes	8.750%	6/15/14	2,000,000	2,047,500
Tenet Healthcare Corp., Senior Notes	9.000%	5/1/15	1,200,000	1,299,000(a)
Tenet Healthcare Corp., Senior Notes	10.000%	5/1/18	3,070,000	3,453,750(a)
Universal Hospital Services Inc., Senior Secured Notes	3.859%	6/1/15	530,000	454,475(d)
Universal Hospital Services Inc., Senior Secured Notes	8.500%	6/1/15	1,990,000	1,990,000(e)
US Oncology Holdings Inc., Senior Notes	6.643%	3/15/12	3,750,000	3,571,875(d)(e)
US Oncology Inc., Senior Secured Notes	9.125%	8/15/17	1,685,000	1,769,250
Total Health Care Providers & Services				23,972,025
Pharmaceuticals 0.1%				
Pharmanet Development Group Inc., Senior Secured Notes	10.875%	4/15/17	520,000	520,000(a)
Total Health Care				26,852,600

See Notes to Financial Statements.

8 Western Asset High Income Opportunity Fund Inc. 2010 Semi-Annual Report

Schedule of investments (unaudited) (cont d)

March 31, 2010

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Industrials 9.0%				
Aerospace & Defense 1.1%				
Freedom Group Inc., Senior Secured Notes	10.250%	8/1/15	1,965,000	\$ 2,087,812(a)
TransDigm Inc., Senior Subordinated Notes	7.750%	7/15/14	830,000	854,900(a)
Wyle Services Corp., Senior Subordinated Notes	10.500%	4/1/18	1,815,000	1,824,075(a)
Total Aerospace & Defense				4,766,787
Airlines 2.7%				
American Airlines Inc., Senior Secured Notes	10.500%	10/15/12	400,000	428,000(a)
Continental Airlines Inc., Pass-Through Certificates	8.312%	4/2/11	206,943	200,735
Continental Airlines Inc., Pass-Through Certificates	7.339%	4/19/14	930,000	905,587
Continental Airlines Inc., Pass-Through Certificates	9.250%	5/10/17	180,000	189,000(g)
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	5,105,000	4,798,700(a)
Delta Air Lines Inc., Pass-Through Certificates	7.711%	9/18/11	1,825,000	1,815,875
Delta Air Lines Inc., Pass-Through Certificates	8.954%	8/10/14	1,455,928	1,370,392
Delta Air Lines Inc., Pass-Through Certificates, Subordinated Notes	9.750%	12/17/16	630,000	648,900
Delta Air Lines Inc., Secured Notes	8.021%	8/10/22	253,921	233,607
Delta Air Lines Inc., Senior Secured Notes	9.500%	9/15/14	655,000	691,844(a)
United Air Lines Inc., Senior Secured Notes	9.875%	8/1/13	710,000	749,050(a)
Total Airlines				12,031,690
Building Products 0.3%				
Nortek Inc., Senior Secured Notes	11.000%	12/1/13	1,243,378	