

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSR

December 02, 2009

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: September 30, 2009

ITEM 1. REPORT TO STOCKHOLDERS.

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

ANNUAL REPORT / SEPTEMBER 30, 2009

Western Asset High Income Opportunity Fund Inc.

(HIO)

Managed by **WESTERN ASSET**

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

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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Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund's investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Company Limited are wholly-owned subsidiaries of Legg Mason, Inc.

Letter from the chairman

Dear Shareholder,

While the U.S. economy remained weak during much of the twelve-month reporting period ended September 30, 2009, the lengthiest recession since the Great Depression finally appeared to have ended during the third quarter of 2009.

Looking back, the U.S. Department of Commerce reported that fourth quarter 2008 U.S. gross domestic product (GDP)i contracted 5.4%. Economic weakness accelerated during the first quarter of 2009, as GDP fell 6.4%. However, the economic environment started to get relatively better during the second quarter, as GDP fell 0.7%. The economy's more modest contraction was due, in part, to smaller declines in both exports and business spending. After contracting four consecutive quarters, the Commerce Department's advance estimate for third quarter 2009 GDP growth was 3.5%. A variety of factors helped the economy to expand, including the government's \$787 billion stimulus program and its Cash for Clunkers car rebate program, which helped spur an increase in car sales.

Even before GDP advanced in the third quarter, there were signs that the economy was starting to regain its footing. As an example, the manufacturing sector, as measured by the Institute for Supply Management's PMIⁱⁱ, rose to 52.9 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). While the PMI dipped to 52.6 in September, thirteen of the eighteen manufacturing industries the PMI tracks expanded during the month. In contrast, only eleven industries expanded in August.

The long-ailing housing market also saw some improvement during the reporting period. According to its most recent data, the S&P/Case-Shiller Home Price Indexⁱⁱⁱ indicated that home prices rose 1.6% in July 2009 versus the prior month. This marked the third straight monthly gain. In addition, the National Association of Realtors' Pending Home Sales Index^{iv} rose 6.4% in August, the seventh consecutive monthly increase.

Letter from the chairman *continued*

One area that remained weak and could hamper the pace of economic recovery was the labor market. While monthly job losses have moderated compared to earlier in the year, the unemployment rate rose to 9.8% in September 2009, its highest level in twenty-six years. Since December 2007, more than seven million jobs have been shed and there have been twenty-one consecutive months of job losses.

The Federal Reserve Board (Fed)v continued to pursue an accommodative monetary policy during the reporting period. After reducing the federal funds ratevi from 5.25% in August 2007 to a range of 0 to 1/4 percent in December 2008 a historic low the Fed has maintained this stance thus far in 2009. In conjunction with its September 2009 meeting, the Fed said that it will continue to employ a wide range of tools to promote economic recovery and to preserve price stability. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

During the twelve-month reporting period ended September 30, 2009, both short- and long-term Treasury yields experienced periods of extreme volatility. When the period began, two- and ten-year Treasury yields were 2.00% and 3.85%, respectively. While earlier in 2008 investors were focused on the subprime segment of the mortgage-backed market, these concerns broadened to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This unrest triggered several flights to quality, causing Treasury yields to move lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). This was particularly true toward the end of 2008, as the turmoil in the financial markets and sharply falling stock prices caused investors to flee securities that were perceived to be risky, even high-quality corporate bonds and high-grade municipal bonds. When the first half of the reporting period ended on March 31, 2009, two- and ten-year Treasury yields were 0.81% and 2.71%, respectively.

During the second half of the period, Treasury yields generally moved higher (and their prices lower) until early June. Two- and ten-year yields peaked at 1.42% and 3.98%, respectively, before falling and ending the reporting period at 0.95% and 3.31%, respectively. In a reversal from 2008, investor risk aversion faded as the twelve-month reporting period progressed, driving spread sector (non-Treasury) prices higher. For the twelve-month period ended September 30, 2009, the Barclays Capital U.S. Aggregate Indexvii returned 10.56%.

II Western Asset High Income Opportunity Fund Inc.

The high-yield bond market produced very strong results for the twelve months ended September 30, 2009. After generating extremely poor results in October and November 2008, the asset class posted positive returns during nine of the last ten months of the reporting period. This strong rally was due to a variety of factors, including the unfreezing of the credit markets, improving economic data and strong investor demand. All told, over the twelve months ended September 30, 2009, the Citigroup High Yield Market Index^{viii} returned 21.08%.

After falling sharply in October 2008, emerging market debt prices rallied sharply posting positive returns during ten of the last eleven months of the reporting period. This was triggered by rising commodity prices, optimism that the worst of the global recession was over and increased investor risk appetite. Over the twelve months ended September 30, 2009, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{ix} returned 18.67%.

A special note regarding increased market volatility

Dramatically higher volatility in the financial markets has been very challenging for many investors. Market movements have been rapid sometimes in reaction to economic news, and sometimes creating the news. In the midst of this evolving market environment, we at Legg Mason want to do everything we can to help you reach your financial goals. Now, as always, we remain committed to providing you with excellent service and a full spectrum of investment choices. Rest assured, we will continue to work hard to ensure that our investment managers make every effort to deliver strong long-term results.

We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our enhanced website, www.leggmason.com/cef. Here you can gain immediate access to many special features to help guide you through difficult times, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

During periods of market unrest, it is especially important to work closely with your financial advisor and remember that reaching one's investment goals unfolds over time and through multiple market cycles. Time and again, history has shown that, over the long run, the markets have eventually recovered and grown.

Letter from the chairman *continued*

Information about your fund

Please read on for a more detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

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, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 30, 2009

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index

- 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

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The Pending Home Sales Index is an index created by the National Association of Realtors that tracks homes sales in which a contract is signed but the sale has not yet closed. The Index is a leading indicator of future existing home sales as it typically takes four to six weeks to close a sale after a contract has been signed.

- v 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.
- vi 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.
- 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 Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- 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.

IV Western Asset High Income Opportunity Fund Inc.

Fund overview

Q. What is the Fund's investment strategy?

A. The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

We employ an actively managed approach that is risk-aware and incorporates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with portfolio managers to determine which securities provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization.

Q. What were the overall market conditions during the Fund's reporting period?

A. During the fiscal year, a variety of factors impacted the fixed-income market, leading to periods of fluctuating Treasury yields and elevated volatility. As the reporting period began, we were in the midst of a flight to quality, triggered by the seizing credit markets, forced selling by highly leveraged investors and a lack of liquidity. Investor risk aversion intensified through December 2008, given the severe disruptions in the global financial markets. At the epicenter of the turmoil was the ongoing fallout from the September 2008 bankruptcy of Lehman Brothers. This caused investors to seek the relative safety of shorter-term Treasuries, driving their yields down to historically low levels. In contrast, riskier portions of the fixed-income

All returns cited represent respective position and/or sector return within the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index.

Fund overview *continued*

market generally performed poorly, as spreads in many sectors widened to record high levels.

Overall, Treasury yields moved higher from January 2009 through the end of the fiscal year, especially on the long end of the yield curve. This was due to less demand for these securities as risk aversion abated and, in terms of longer-term Treasuries, because of concerns regarding the massive amount of new Treasury issuance that would be needed to fund the economic stimulus package. All told, the yield on two-year Treasuries fell from 2.00% to 0.95% during the twelve-month period ended September 30, 2009. The yield on ten-year Treasuries moved from 3.85% to 3.31% over the same period.

A return to more normal market conditions, including improved liquidity and signs that the economy may be bottoming, caused a sharp rebound in the spread sectors (non-Treasuries). Following their poor performance in 2008, many of the spread sectors recouped a large portion of their earlier losses over the last nine months of the reporting period. The spread sectors were also supported by increased demand from investors seeking to generate incremental yields in a relatively low interest rate environment.

Turning to the high-yield bond market, it also experienced periods of heightened volatility during the fiscal year. In addition to an overall deterioration in credit fundamentals, extremely challenging market technicals dragged down the asset class during the first two months of the reporting period. These included the fallout from the subprime mortgage market, unrest in the financial markets, forced selling by leveraged investors, illiquidity and a rapidly weakening global economic environment. After rallying in December 2008 and January 2009, another flight to quality caused high-yield prices to weaken in the spring of 2009. During the six months ended March 31, 2009, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Indexⁱⁱ (the Index) fell 12.65%. Over that time, riskier high-yield bonds underperformed their higher-rated counterparts, as CCC-rated and BB-rated securities returned -31.10% and -4.98%, respectively.

The high-yield market then staged an impressive rally during the second half of the fiscal year, with the Index gaining 40.25%. The market was supported by improving technicals, optimism regarding the government's initiatives to stabilize the financial system, some encouraging corporate earnings news and signs that the recession could be drawing to a close. Collectively, investor risk appetite steadily returned and, despite rising default rates, demand for riskier high-yield securities increased. During the six months ended September 30, 2009, CCC-rated and BB-rated securities returned 70.28% and 27.73%, respectively. All told, the Index returned 22.51% for the twelve months ended September 30, 2009.

Q. How did we respond to these changing market conditions?

A. When the reporting period began, the Fund was aggressively positioned, with a lower average quality rating than that of the Index. This was based on our expectations that there was little chance of a deep or lengthy recession. In hindsight, this proved to be the wrong decision for the first half of the reporting period, as the upheaval in the financial markets during the fall of 2008 contributed to a severe global downturn that few people could have predicted. We did, however, given the weak economy, move to a more defensive posture from a sector perspective during the first half of the fiscal year. In particular, we increased our exposure to areas that generally hold up relatively well during economic declines, such as Wireless¹ companies. However, these efforts were, at times, challenged due to illiquid conditions in the marketplace.

Toward the end of the fiscal year, we made several other adjustments to the Fund's portfolio. At the end of 2008, a number of large financial institutions' securities were downgraded to below investment grade status. As a result, the Financials sector portion of the benchmark substantially increased. Given improved fundamentals at many of these banks, we significantly increased the Fund's exposure to the Financials sector in an attempt to reduce the Fund's underweight versus the benchmark. During the last three months of the period, we also sought to capture profits in a number of holdings given the extremely strong performance in the high-yield market. In particular, we emphasized selling certain senior unsecured securities that had performed very well and reallocated those assets into senior secured securities. This also served to reduce the portfolio's overall risk profile.

Finally, during the reporting period, the Fund utilized credit default swaps (CDS) to increase our exposure to the high-yield market when we believed it was beneficial to increase our exposure to particular securities. Utilization of these CDS resulted in a very modest detraction from performance.

Performance review

For the twelve months ended September 30, 2009, Western Asset High Income Opportunity Fund Inc. returned 16.86% based on its net asset value (NAV)ⁱⁱⁱ and 53.69% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index, returned 22.51% for the same period. The Lipper High Current Yield Closed-End Funds Category Average^{iv} returned 7.42% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

¹ Wireless is included in the Telecommunication Services sector.

Fund overview *continued*

During the twelve-month period, the Fund made distributions to shareholders totaling \$0.61 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of September 30, 2009. **Past performance is no guarantee of future results.**

PERFORMANCE SNAPSHOT as of September 30, 2009 (unaudited)

PRICE PER SHARE	12-MONTH TOTAL RETURN*
\$5.70 (NAV)	16.86%
\$5.82 (Market Price)	53.69%

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 in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

Q. What were the leading contributors to performance?

A. The Fund's quality biases were the largest contributors to performance during the period. The Fund's overweight to CCC and below-rated securities benefited from improved demand during the second half of the period, as investors looked to generate incremental yields given the low interest rate environment. The Fund also benefited from its underweight to B-rated securities, which underperformed the benchmark as high-yield managers tended to favor BB-rated securities in the first half of the period and increased their exposure to lower-quality (below B-rated) securities during the second half of the period.

Also contributing to results was the Fund's overall underweight to Communications¹ (+14%), as it lagged the benchmark. Within the Communications space, our underweight to Media - Non-Cable was beneficial, as advertising-based businesses continued to struggle. We also benefited by continuing to favor Wireless issuers due to their hard assets and predictable cash flows. The Fund also benefited from an underweight to the over-leveraged high-yield Information Technology sector (+18.2%), which also lagged the benchmark during the period.

In terms of security selection, the Fund benefited from its overweight to **Wind Acquisition Finance SA**, an Italian wireless company. The company continued to generate solid results during the period. In addition, it benefited from the thawing of the credit markets, as Wind Acquisition was able to tap the market to improve its maturity profile. An overweight to aluminum products producer **Noranda Aluminium Acquisition Corp.** also contributed to performance during the fiscal year. We increased the Fund's

¹ Communications consists of the following industries: Media - Cable, Media - Non-Cable and Telecommunications.

All returns cited represent respective position and/or sector return within the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index.

exposure to this position during the trough of the credit cycle that occurred early in the period. Noranda's securities had been under significant pressure during the credit crisis. This was the result of the company being seen as a leveraged commodity producer that was exposed to the deteriorating construction and transportation end-markets. In addition, it had experienced a fire in one of its main plants. We believed management was navigating the situation well and the company was well positioned once aluminum market conditions improved. We correctly identified that its bonds had upside potential as management was pursuing a deleveraging strategy through debt exchanges. We also felt that the company had sufficient insurance coverage to return its main facility to operation.

Q. What were the leading detractors from performance?

A. Sector selection, as a whole, was a detractor from relative performance over the fiscal year. During the global financial crisis, the rating agencies downgraded several financial intermediaries to below investment grade status. As a result, Financials became a larger part of the high-yield market during the fiscal year. Despite adding exposure to the Financials sector, our underweight detracted from performance as Financials rapidly recovered in the second half of the twelve-month reporting period, rising 92.8% during that time. In addition, having an overweight in the defensive Utilities sector (+9.7%) was not rewarded during the twelve months ended September 30, 2009. The sector was negatively impacted by the poor performance of both Electric Utilities and Gas Utilities issuers. The high-yield Gas Utilities sub-sector remained volatile along with commodity oil and gas prices, as investors had a cautious outlook on the global demand for energy.

Overall, security selection was also a detractor from performance. Specifically, the Fund did not benefit from its overweight to Utilities company **Energy Future Holdings Corp.** In an effort to remedy an overleveraged balance sheet, Energy Future Holdings attempted to renegotiate bank covenants that would have negatively impacted the senior unsecured bonds in its portfolio. This effort pressured senior unsecured bond prices over the reporting period. The Fund was also negatively impacted by its positions in two over-leveraged Gaming¹ securities, **Inn of the Mountain Gods Resort & Casino** and **Station Casinos Inc.** These casino/lodging operators ultimately sought bankruptcy protection as occupancy rates dwindled and consumers chose to stay home rather than visit the casino floors. Finally, an overweight to auto supplier **Visteon Corp.** negatively impacted performance. Visteon also sought bankruptcy protection as demand for its products and services plummeted with the fall in global new car sales, as original equipment manufacturers (OEMs) found themselves flush with inventory and scrambled to reduce production volumes.

¹ Gaming is included in the Consumer Discretionary sector.

All returns cited represent respective position and/or sector return within the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index.

Fund overview *continued*

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.

Thank you for your investment in Western Asset High Income Opportunity Fund 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,

Western Asset Management Company

October 20, 2009

6 Western Asset High Income Opportunity Fund Inc. 2009 Annual Report

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.

Portfolio holdings and breakdowns are as of September 30, 2009 and are subject to change and may not be representative of the portfolio managers' current or future investments. Please refer to pages 9 through 26 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of September 30, 2009 were: Consumer Discretionary (20.2%), Financials (14.6%), Energy (14.1%), Industrials (11.4%) and Telecommunication Services (10.0%). The Fund's portfolio composition is subject to change at any time.

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 index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- ii The Barclays Capital U.S. Corporate 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.
- iii 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.
- iv Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended September 30, 2009, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 6 funds in the Fund's Lipper category.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments

The bar graphs above represent the composition of the Fund's investments as of September 30, 2009 and September 30, 2008 and do 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.

Schedule of investments

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 91.6%		
CONSUMER DISCRETIONARY 18.8%		
\$ 390,000	Auto Components 0.8%	
	Affinia Group Inc., Senior Secured Notes, 10.750% due 8/15/16(a)	\$ 421,200
290,000	Allison Transmission Inc., Senior Notes:	
2,120,000	11.000% due 11/1/15(a)	285,650
660,000	11.250% due 11/1/15(a)(b)	1,982,200
	Keystone Automotive Operations Inc., Senior Subordinated Notes,	
	9.750% due 11/1/13	176,550
	Visteon Corp., Senior Notes:	
532,000	8.250% due 8/1/10(c)	133,000
1,087,000	12.250% due 12/31/16(a)(c)	282,620
	<i>Total Auto Components</i>	3,281,220
	Automobiles 0.3%	
	Motors Liquidation Co., Senior Notes:	
2,665,000	7.200% due 1/15/11(c)	419,737
2,125,000	7.125% due 7/15/13(c)	334,688
4,220,000	8.375% due 7/15/33(c)	706,850
	<i>Total Automobiles</i>	1,461,275
	Diversified Consumer Services 0.8%	
3,215,000	Education Management LLC/Education Management Finance Corp., Senior Subordinated Notes, 10.250% due 6/1/16	3,584,725
	Hotels, Restaurants & Leisure 6.3%	
1,345,000	Ameristar Casinos Inc., Senior Notes, 9.250% due 6/1/14(a)	1,402,162
675,000	Boyd Gaming Corp., Senior Subordinated Notes, 7.125% due 2/1/16	597,375
618,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	627,270
1,695,000	Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15(a)	1,322,100
	El Pollo Loco Inc.:	
2,915,000	Senior Notes, 11.750% due 11/15/13	2,696,375
695,000	Senior Secured Notes, 11.750% due 12/1/12(a)	735,831
445,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15(a)(c)	14,463
	Harrah's Operating Co. Inc.:	
2,650,000	Senior Notes, 10.750% due 2/1/16	2,153,125
	Senior Secured Notes:	
725,000	10.000% due 12/15/15(a)	605,375
1,420,000	11.250% due 6/1/17(a)	1,441,300
520,000	10.000% due 12/15/18(a)	416,000
2,200,000	Harrahs Operating Escrow LLC/Harrahs Escrow Corp., Senior Secured Notes, 11.250% due 6/1/17(a)	2,271,500

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Hotels, Restaurants & Leisure 6.3%<i>continued</i>	
\$ 1,640,000	Indianapolis Downs LLC & Capital Corp., Senior Secured Notes, 11.000% due 11/1/12(a)	\$ 975,800
3,030,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10(c)(d)	1,416,525
	MGM MIRAGE Inc.:	
	Senior Notes:	
95,000	8.500% due 9/15/10	94,763
1,915,000	11.375% due 3/1/18(a)	1,809,675
	Senior Secured Notes:	
150,000	10.375% due 5/15/14(a)	160,875
360,000	11.125% due 11/15/17(a)	395,100
3,090,000	Senior Subordinated Notes, 8.375% due 2/1/11	2,873,700
225,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	153,562
430,000	Penn National Gaming Inc., Senior Subordinated Notes, 8.750% due 8/15/19(a)	433,225
1,570,000	Pinnacle Entertainment Inc., Senior Notes, 8.625% due 8/1/17(a)	1,585,700
1,065,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15	846,675
	Snoqualmie Entertainment Authority, Senior Secured Notes:	
890,000	4.680% due 2/1/14(a)(e)	440,550
165,000	9.125% due 2/1/15(a)	88,275
	Station Casinos Inc.:	
	Senior Notes:	
1,515,000	6.000% due 4/1/12(c)(d)	454,500
2,265,000	7.750% due 8/15/16(c)(d)	690,825
85,000	Senior Subordinated Notes, 6.625% due 3/15/18(c)(d)	3,400
	<i>Total Hotels, Restaurants & Leisure</i>	<i>26,706,026</i>
	Household Durables 1.2%	
	American Greetings Corp., Senior Notes:	
490,000	7.375% due 6/1/16	471,625
55,000	7.375% due 6/1/16	46,750
465,000	K Hovnanian Enterprises Inc., Senior Notes, 11.500% due 5/1/13	492,900
1,790,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	1,798,950
2,250,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, 9.750% due 9/1/12	2,148,750
	<i>Total Household Durables</i>	<i>4,958,975</i>
	Leisure Equipment & Products 0.1%	
310,000	WMG Acquisition Corp., Senior Secured Notes, 9.500% due 6/15/16(a)	328,600

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Media 6.6%	
	Affinion Group Inc.:	
	Senior Notes:	
\$ 1,150,000	10.125% due 10/15/13(a)	\$ 1,187,375
520,000	10.125% due 10/15/13	536,900
4,200,000	Senior Subordinated Notes, 11.500% due 10/15/15	4,336,500
	CCH I LLC/CCH I Capital Corp.:	
930,000	Senior Notes, 11.000% due 10/1/15(c)(d)	167,400
6,965,000	Senior Secured Notes, 11.000% due 10/1/15(c)(d)	1,323,350
765,000	CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 10/1/13(c)(d)	860,625
	Cengage Learning Acquisitions Inc.:	
830,000	Senior Notes, 10.500% due 1/15/15(a)	788,500
1,380,000	Senior Subordinated Notes, 13.250% due 7/15/15(a)	1,276,500
360,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12(c)(d)(f)	900
650,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11(c)(d)	4,875
3,140,000	Charter Communications Inc., Senior Secured Notes, 12.875% due 9/15/14(a)(d)	3,414,750
1,500,000	CSC Holdings Inc., Senior Notes, 8.500% due 6/15/15(a)	1,582,500
	DISH DBS Corp., Senior Notes:	
480,000	6.625% due 10/1/14	468,000
705,000	7.750% due 5/31/15	722,625
2,915,000	7.875% due 9/1/19(a)	2,958,725
2,325,000	Historic TW Inc., Senior Notes, 6.625% due 5/15/29	2,392,234
2,160,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16(c)	108,000
1,915,000	R.H. Donnelley Corp., Senior Notes, 8.875% due 1/15/16(c)	119,688
1,250,000	Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12	1,109,375
1,060,000	Sun Media Corp., Senior Notes, 7.625% due 2/15/13	816,200
1,975,000	Univision Communications Inc., Senior Secured Notes, 12.000% due 7/1/14(a)	2,133,000
675,000	UPC Holding BV, Senior Notes, 9.875% due 4/15/18(a)	712,125
	Virgin Media Finance PLC:	
500,000	Senior Bonds, 9.500% due 8/15/16	528,750
537,000	Senior Notes, 9.125% due 8/15/16	554,452
	<i>Total Media</i>	<i>28,103,349</i>
	Multiline Retail 1.0%	
190,000	Dollar General Corp., Senior Notes, 10.625% due 7/15/15	210,900
	Neiman Marcus Group Inc.:	
3,718,395	Senior Notes, 9.000% due 10/15/15(b)	3,197,820
965,000	Senior Secured Notes, 7.125% due 6/1/28	829,900
	<i>Total Multiline Retail</i>	<i>4,238,620</i>

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Specialty Retail 1.1%	
		Blockbuster Inc.:	
\$	1,495,000	Senior Secured Notes, 11.750% due 10/1/14(a)	\$ 1,431,462
	1,160,000	Senior Subordinated Notes, 9.000% due 9/1/12	748,200
	365,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	376,863
	155,000	Limited Brands Inc., Senior Notes, 8.500% due 6/15/19(a)	162,419
	1,760,000	Michaels Stores Inc., Senior Notes, 10.000% due 11/1/14	1,742,400
		<i>Total Specialty Retail</i>	<i>4,461,344</i>
		Textiles, Apparel & Luxury Goods 0.6%	
	2,340,000	Oxford Industries Inc., Senior Secured Notes, 11.375% due 7/15/15	2,518,425
		TOTAL CONSUMER DISCRETIONARY	79,642,559
CONSUMER STAPLES	1.6%		
	985,000	Food Products 0.7% Del Monte Corp., Senior Subordinated Notes, 7.500% due 10/15/19(a)	999,775
		Dole Food Co. Inc.:	
		Senior Notes:	
	270,000	7.250% due 6/15/10	271,350
	445,000	8.875% due 3/15/11	447,781
	700,000	Senior Secured Notes, 8.000% due 10/1/16(a)	706,125
	605,000	Smithfield Foods Inc., Senior Secured Notes, 10.000% due 7/15/14(a)	638,275
		<i>Total Food Products</i>	<i>3,063,306</i>
	670,000	Household Products 0.5% American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12(a)	670,000
	1,235,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	1,262,788
		<i>Total Household Products</i>	<i>1,932,788</i>
		Tobacco 0.4%	
		Alliance One International Inc., Senior Notes:	
	1,150,000	10.000% due 7/15/16(a)	1,193,125
	660,000	10.000% due 7/15/16(a)	684,750
		<i>Total Tobacco</i>	<i>1,877,875</i>
		TOTAL CONSUMER STAPLES	6,873,969
ENERGY	13.5%		
	2,305,000	Energy Equipment & Services 1.9% ANR Pipeline Co., Debentures, 9.625% due 11/1/21	3,214,928
	1,400,000	Basic Energy Services Inc., Senior Secured Notes, 11.625% due 8/1/14(a)	1,491,000
	1,150,000	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	1,052,250
	1,575,000	Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14	1,504,125
	550,000	North American Energy Alliance LLC / North American Energy Alliance Finance Corp., Senior Secured Notes, 10.875% due	569,250

6/1/16(a)

See Notes to Financial Statements.

12 Western Asset High Income Opportunity Fund Inc. 2009 Annual Report

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Energy Equipment & Services 1.9%<i>continued</i>	
\$ 60,000	Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32	\$ 71,244
	<i>Total Energy Equipment & Services</i>	7,902,797
	Oil, Gas & Consumable Fuels 11.6%	
1,230,000	Arch Coal Inc., Senior Notes, 8.750% due 8/1/16(a)	1,273,050
1,740,000	Atlas Pipeline Partners LP, Senior Notes, 8.750% due 6/15/18	1,400,700
4,172,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	3,900,820
1,155,000	Berry Petroleum Co., Senior Notes, 10.250% due 6/1/14	1,238,737
	Chesapeake Energy Corp., Senior Notes:	
2,845,000	6.625% due 1/15/16	2,702,750
1,180,000	6.250% due 1/15/18	1,062,000
585,000	7.250% due 12/15/18	555,750
360,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	360,000
810,000	Compagnie Generale de Geophysique-Veritas, Senior Notes, 9.500% due 5/15/16(a)	860,625
550,000	Concho Resources Inc., Senior Notes, 8.625% due 10/1/17	566,500
3,448,377	Corral Petroleum Holdings AB, Senior Secured Subordinated Bonds, 5.509% due 4/15/10(a)(b)(e)	2,913,879
415,000	El Paso Corp., Medium-Term Notes, 7.800% due 8/1/31	382,679
345,000	Encore Acquisition Co., Senior Subordinated Notes, 9.500% due 5/1/16	365,700
	Enterprise Products Operating LLP:	
1,380,000	Junior Subordinated Notes, 8.375% due 8/1/66(e)	1,291,927
620,000	Subordinated Notes, 7.034% due 1/15/68(e)	543,315
2,500,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	2,490,625
1,410,000	Forest Oil Corp., Senior Notes, 8.500% due 2/15/14(a)	1,427,625
2,815,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	2,575,725
	Mariner Energy Inc., Senior Notes:	
940,000	7.500% due 4/15/13	911,800
555,000	8.000% due 5/15/17	510,600
480,000	MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18	480,000
	OPTI Canada Inc., Senior Secured Notes:	
770,000	7.875% due 12/15/14	592,900
1,240,000	8.250% due 12/15/14	967,200
1,495,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13	1,543,587
	Petroplus Finance Ltd., Senior Notes:	
630,000	6.750% due 5/1/14(a)	592,988
780,000	7.000% due 5/1/17(a)	713,700

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Oil, Gas & Consumable Fuels 11.6%<i>continued</i>	
\$	1,125,000	Plains Exploration & Production Co., Senior Notes: 10.000% due 3/1/16	\$ 1,217,813
	725,000	8.625% due 10/15/19	737,688
		Quicksilver Resources Inc., Senior Notes:	
	1,200,000	8.250% due 8/1/15	1,176,000
	455,000	11.750% due 1/1/16	503,913
	4,200,000	SandRidge Energy Inc., Senior Notes, 8.625% due 4/1/15(b)	4,184,250
	3,485,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15(a)(c)(d)	243,950
	700,000	Teekay Corp., Senior Notes, 8.875% due 7/15/11	723,625
	3,270,000	Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32	3,942,289
	1,415,000	VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17(c)	194,563
	1,325,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14(a)	1,212,375
	1,275,000	Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14	1,265,437
	1,303,000	Williams Cos. Inc., Notes, 8.750% due 3/15/32	1,498,176
		<i>Total Oil, Gas & Consumable Fuels</i>	<i>49,125,261</i>
		TOTAL ENERGY	57,028,058
FINANCIALS	13.0%	Capital Markets 0.1%	
	1,420,000	Lehman Brothers Holdings Inc., Medium-Term Notes, Senior Notes, 5.250% due 2/6/12(c)	248,500
		Commercial Banks 1.3%	
	830,000	BAC Capital Trust VI, Capital Securities, Junior Subordinated Notes, 5.625% due 3/8/35	645,649
	600,000	BankAmerica Institutional Capital B, Junior Subordinated Bonds, 7.700% due 12/31/26(a)	561,000
		Royal Bank of Scotland Group PLC, Subordinated Notes:	
	765,000	5.000% due 11/12/13	702,153
	330,000	5.050% due 1/8/15	296,372
	3,090,000	Wells Fargo Capital XIII, Medium-Term Notes, 7.700% due 3/26/13(e)(g)	2,734,650
	605,000	Wells Fargo Capital XV, Junior Subordinated Notes, 9.750% due 9/26/13(e)(g)	632,225
		<i>Total Commercial Banks</i>	<i>5,572,049</i>
		Consumer Finance 4.7%	
	2,440,000	FMG Finance Pty Ltd., Senior Secured Notes, 10.625% due 9/1/16(a)	2,714,500
		Ford Motor Credit Co., Senior Notes:	
	477,000	5.549% due 6/15/11(e)	456,131
	1,000,000	9.875% due 8/10/11	1,014,619
	8,165,000	12.000% due 5/15/15	9,006,493
	2,515,000	Ford Motor Credit Co., LLC, Senior Notes, 7.500% due 8/1/12	2,416,319

See Notes to Financial Statements.

14 Western Asset High Income Opportunity Fund Inc. 2009 Annual Report

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Consumer Finance 4.7%<i>continued</i>	
	GMAC LLC:	
\$ 5,304,000	Senior Notes, 8.000% due 11/1/31(a)	\$ 4,322,760
74,000	Subordinated Notes, 8.000% due 12/31/18(a)	56,610
	<i>Total Consumer Finance</i>	<i>19,987,432</i>
	Diversified Financial Services 3.8%	
1,120,000	Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities, 10.250% due 8/15/39	1,240,721
2,255,000	CCM Merger Inc., Notes, 8.000% due 8/1/13(a)	1,860,375
	CIT Group Inc., Senior Notes:	
525,000	4.125% due 11/3/09(i)	423,556
1,775,000	0.420% due 3/12/10(e)(i)	1,280,219
1,250,000	Fresenius U.S. Finance II Inc., Senior Notes, 9.000% due 7/15/15(a)	1,368,750
195,000	International Lease Finance Corp., Medium-Term Notes, Senior Notes, 5.750% due 6/15/11	177,692
2,040,000	JPMorgan Chase & Co., Junior Subordinated Notes, 7.900% due 4/30/18(e)(g)	1,964,718
	Leucadia National Corp., Senior Notes:	
450,000	7.750% due 8/15/13	454,500
1,220,000	8.125% due 9/15/15	1,250,500
	TNK-BP Finance SA:	
1,525,000	7.875% due 3/13/18(a)	1,505,938
744,000	Senior Notes, 7.875% due 3/13/18(a)	730,087
2,850,000	Vanguard Health Holdings Co., I LLC, Senior Discount Notes, step bond to yield 12.732% due 10/1/15	2,978,250
765,000	Vanguard Health Holdings Co., II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	784,125
	<i>Total Diversified Financial Services</i>	<i>16,019,431</i>
	Insurance 1.0%	
	American International Group Inc.:	
860,000	Junior Subordinated Notes, 8.175% due 5/15/58(e)	522,450
	Medium-Term Notes, Senior Notes:	
2,250,000	5.450% due 5/18/17	1,633,351
615,000	5.850% due 1/16/18	445,935
	Senior Notes:	
340,000	5.600% due 10/18/16	249,809
1,325,000	8.250% due 8/15/18	1,127,692
590,000	MetLife Capital Trust IV, Junior Subordinated Notes, 7.875% due 12/15/37(a)	563,450
	<i>Total Insurance</i>	<i>4,542,687</i>

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
\$ 425,000	Real Estate Investment Trusts (REITs) 0.4% Host Hotels & Resorts, LP, Senior Notes, 6.375% due 3/15/15	\$ 404,812
360,000	Ventas Realty LP/Ventas Capital Corp., Senior Notes: 6.500% due 6/1/16	351,000
1,165,000	6.750% due 4/1/17	1,147,525
	<i>Total Real Estate Investment Trusts (REITs)</i>	<i>1,903,337</i>
660,400	Real Estate Management & Development 0.6% Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, step bond to yield 23.322% due 6/30/15(a)(d)(f)	247,650
75,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	61,125
2,300,000	Realogy Corp.: Senior Notes, 10.500% due 4/15/14	1,679,000
445,000	Senior Subordinated Notes, 12.375% due 4/15/15	248,087
204,742	Senior Toggle Notes, 11.000% due 4/15/14(b)	136,154
	<i>Total Real Estate Management & Development</i>	<i>2,372,016</i>
5,340,000	Thriffs & Mortgage Finance 1.1% Ocwen Capital Trust I, Junior Subordinated Capital Securities, 10.875% due 8/1/27	4,592,400
	TOTAL FINANCIALS	55,237,852
HEALTH CARE 6.6%	Health Care Equipment & Supplies 0.5% Biomet Inc.:	
310,000	Senior Notes, 11.625% due 10/15/17	339,450
1,860,000	Senior Toggle Notes, 10.375% due 10/15/17(b)	1,985,550
	<i>Total Health Care Equipment & Supplies</i>	<i>2,325,000</i>
3,515,000	Health Care Providers & Services 6.0% CRC Health Corp., Senior Subordinated Notes, 10.750% due 2/1/16	2,478,075
1,640,000	DaVita Inc., Senior Subordinated Notes, 7.250% due 3/15/15	1,631,800
3,920,000	HCA Inc.:	
40,000	Debentures, 7.500% due 11/15/95	2,792,945
	Senior Notes, 6.250% due 2/15/13	38,400
1,885,000	Senior Secured Notes:	
2,820,000	9.625% due 11/15/16(b)	1,965,112
2,000,000	7.875% due 2/15/20(a)	2,837,625
	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	2,010,000
2,350,000	Tenet Healthcare Corp., Senior Notes:	
1,200,000	7.375% due 2/1/13	2,338,250
530,000	9.000% due 5/1/15(a)	1,260,000
	10.000% due 5/1/18(a)	586,975

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Health Care Providers & Services 6.0%<i>continued</i>	
	Universal Hospital Services Inc., Senior Secured Notes:	
\$ 530,000	4.635% due 6/1/15(e)	\$ 451,825
1,990,000	8.500% due 6/1/15(b)	1,960,150
3,635,000	US Oncology Holdings Inc., Senior Notes, 7.178% due 3/15/12(b)(e)	3,180,625
1,685,000	US Oncology Inc., Senior Secured Notes, 9.125% due 8/15/17(a)	1,781,888
	<i>Total Health Care Providers & Services</i>	25,313,670
	Pharmaceuticals 0.1%	
430,000	Elan Corp. PLC, Senior Notes, 8.750% due 10/15/16(a)	424,625
4,870,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12(c)(d)	24,350
	<i>Total Pharmaceuticals</i>	448,975
	TOTAL HEALTH CARE	28,087,645
INDUSTRIALS 10.8%	Aerospace & Defense 1.7%	
	Hawker Beechcraft Acquisition Co., Senior Notes:	
720,000	8.500% due 4/1/15	514,800
4,835,000	8.875% due 4/1/15(b)	3,118,575
	L-3 Communications Corp., Senior Subordinated Notes:	
1,460,000	5.875% due 1/15/15	1,460,000
260,000	6.375% due 10/15/15	263,900
1,690,000	TransDigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14(a)	1,641,412
	<i>Total Aerospace & Defense</i>	6,998,687
	Airlines 2.5%	
400,000	American Airlines Inc., Senior Secured Notes, 10.500% due 10/15/12(a)	407,000
	Continental Airlines Inc., Pass-Through Certificates:	
207,548	8.312% due 4/2/11	184,718
930,000	7.339% due 4/19/14(f)	802,125
5,145,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15(a)	4,038,825
	Delta Air Lines Inc.:	
	Pass-Through Certificates:	
1,825,000	7.711% due 9/18/11	1,688,125
961,310	8.954% due 8/10/14(f)	757,031
	Senior Secured Notes:	
655,000	9.500% due 9/15/14(a)	658,275
720,000	12.250% due 3/15/15(a)	675,000
	United Airlines Inc., Pass-Through Certificates:	
962,968	8.030% due 7/1/11	1,054,450
305,916	6.932% due 9/1/11	299,798
	<i>Total Airlines</i>	10,565,347

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Building Products 1.3%	
	Associated Materials Inc.:	
\$ 4,265,000	Senior Discount Notes, 11.250% due 3/1/14	\$ 3,241,400
945,000	Senior Subordinated Notes, 9.750% due 4/15/12	933,188
760,000	Nortek Inc., Senior Secured Notes, 10.000% due 12/1/13(d)(i)	779,000
4,790,000	NTK Holdings Inc., Senior Discount Notes, 10.750% due 3/1/14(d)(i)	155,675
225,000	USG Corp., Senior Notes, 9.750% due 8/1/14(a)	236,250
	<i>Total Building Products</i>	<i>5,345,513</i>
	Commercial Services & Supplies 1.8%	
435,000	ACCO Brands Corp., Senior Secured Notes, 10.625% due 3/15/15(a)	456,750
	Altegrity Inc., Senior Subordinated Notes:	
280,000	10.500% due 11/1/15(a)	238,000
2,405,000	11.750% due 5/1/16(a)	1,863,875
1,745,000	DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13	1,788,625
	RSC Equipment Rental Inc.:	
2,495,000	Senior Notes, 9.500% due 12/1/14	2,420,150
965,000	Senior Secured Notes, 10.000% due 7/15/17(a)	1,042,200
	<i>Total Commercial Services & Supplies</i>	<i>7,809,600</i>
	Machinery 0.2%	
730,000	American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	682,550
225,000	Terex Corp., Senior Notes, 10.875% due 6/1/16	246,375
	<i>Total Machinery</i>	<i>928,925</i>
	Road & Rail 2.0%	
	Kansas City Southern de Mexico, Senior Notes:	
3,210,000	9.375% due 5/1/12	3,274,200
520,000	7.375% due 6/1/14	507,000
1,855,000	12.500% due 4/1/16(a)	2,059,050
355,000	Kansas City Southern Railway, Senior Notes, 13.000% due 12/15/13	410,025
2,240,000	RailAmerica Inc., Senior Secured Notes, 9.250% due 7/1/17(a)	2,357,600
	<i>Total Road & Rail</i>	<i>8,607,875</i>
	Trading Companies & Distributors 1.1%	
1,445,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16(a)	1,394,425
465,000	Ashtead Holdings PLC, Senior Secured Notes, 8.625% due 8/1/15(a)	448,725
1,855,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	1,706,600
2,565,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14(a)(d)	1,244,025
	<i>Total Trading Companies & Distributors</i>	<i>4,793,775</i>

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Transportation Infrastructure 0.2%	
	Swift Transportation Co., Senior Secured Notes:	
\$ 460,000	8.190% due 5/15/15(a)(e)	\$ 328,900
595,000	12.500% due 5/15/17(a)	449,225
	<i>Total Transportation Infrastructure</i>	778,125
	TOTAL INDUSTRIALS	45,827,847
INFORMATION TECHNOLOGY 1.9%		
	Communications Equipment 0.6%	
3,140,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	2,406,025
	IT Services 0.8%	
	Ceridian Corp., Senior Notes:	
385,000	11.250% due 11/15/15	346,981
1,430,000	12.250% due 11/15/15(b)	1,222,650
	First Data Corp.:	
250,000	5.625% due 11/1/11	205,000
1,385,000	Senior Notes, 9.875% due 9/24/15	1,272,469
290,000	SunGard Data Systems Inc., Senior Subordinated Notes, 10.250% due 8/15/15	297,250
	<i>Total IT Services</i>	3,344,350
	Semiconductors & Semiconductor Equipment 0.5%	
	Freescall Semiconductor Inc.:	
	Senior Notes:	
1,115,000	8.875% due 12/15/14	858,550
346,294	9.125% due 12/15/14(b)	240,674
905,000	Senior Subordinated Notes, 10.125% due 12/15/16	606,350
425,000	Sensata Technologies B.V., Senior Notes, 8.000% due 5/1/14	398,438
	<i>Total Semiconductors & Semiconductor Equipment</i>	2,104,012
	TOTAL INFORMATION TECHNOLOGY	7,854,387
MATERIALS 8.0%		
	Chemicals 0.4%	
1,270,000	Ashland Inc., Senior Notes, 9.125% due 6/1/17(a)	1,362,075
45,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	46,350
494,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	466,830
	<i>Total Chemicals</i>	1,875,255
	Containers & Packaging 1.0%	
705,000	BWAY Corp., Senior Subordinated Notes, 10.000% due 4/15/14(a)	749,063
	Graham Packaging Co. L.P.:	
480,000	Senior Notes, 8.500% due 10/15/12	487,200
805,000	Senior Subordinated Notes, 9.875% due 10/15/14	831,162
725,000	Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10(c)(d)(f)	0

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
\$ 640,000	Containers & Packaging 1.0%<i>continued</i>	
1,495,000	Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16	\$ 688,000
	Solo Cup Co., Senior Secured Notes, 10.500% due 11/1/13(a)	1,592,175
	<i>Total Containers & Packaging</i>	<i>4,347,600</i>
	Metals & Mining 2.8%	
2,625,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	2,536,406
2,500,404	Noranda Aluminium Acquisition Corp., Senior Notes, 6.163% due 5/15/15(b)(e)	1,775,287
	Novelis Inc., Senior Notes:	
2,755,000	7.250% due 2/15/15	2,396,850
780,000	11.500% due 2/15/15(a)	791,700
3,030,000	Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15	2,893,650
	Teck Resources Ltd., Senior Secured Notes:	
650,000	9.750% due 5/15/14	718,250
540,000	10.250% due 5/15/16	612,900
	<i>Total Metals & Mining</i>	<i>11,725,043</i>
	Paper & Forest Products 3.8%	
4,685,000	Abitibi-Consolidated Co. of Canada, Senior Secured Notes, 13.750% due 4/1/11(a)(c)	4,638,150
	Appleton Papers Inc.:	
125,000	Senior Notes, 8.125% due 6/15/11(d)	102,031
720,000	Senior Secured Notes, 11.250% due 12/15/15(a)	711,481
5,375,000	Senior Subordinated Notes, 9.750% due 6/15/14(d)	2,452,344
2,180,000	Georgia-Pacific LLC, Senior Notes, 8.250% due 5/1/16(a)	2,272,650
	NewPage Corp., Senior Secured Notes:	
2,005,000	7.278% due 5/1/12(e)	1,253,125
255,000	10.000% due 5/1/12	169,575
1,785,000	11.375% due 12/31/14(a)	1,762,688
3,052,635	Newpage Holding Corp., Senior Notes, 8.579% due 11/1/13(b)(e)	625,790
560,000	PE Paper Escrow GmbH, Senior Secured Notes, 12.000% due 8/1/14(a)	605,909
1,380,000	Verso Paper Holdings LLC, Senior Secured Notes, 11.500% due 7/1/14(a)	1,421,400
	<i>Total Paper & Forest Products</i>	<i>16,015,143</i>
	TOTAL MATERIALS	33,963,041
TELECOMMUNICATION SERVICES 9.7%	Diversified Telecommunication Services 6.0%	
1,620,000	CC Holdings GS V LLC, Senior Secured Notes, 7.750% due 5/1/17(a)	1,684,800
385,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	288,750
670,000	Frontier Communications Corp., Senior Notes, 8.125% due 10/1/18	677,537
1,555,000	GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10(c)(d)(f)	0
980,000	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, 12.500% due 5/1/15(c)(d)	1,225

See Notes to Financial Statements.

20 Western Asset High Income Opportunity Fund Inc. 2009 Annual Report

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
\$	1,345,000	Diversified Telecommunication Services 6.0%<i>continued</i>	
	1,660,000	Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16	\$ 1,445,875
	1,720,000	Intelsat Corp., Senior Notes, 9.250% due 8/15/14	1,709,800
		Intelsat Intermediate Holding Co., Ltd., Senior Discount Notes, step bond to yield 11.988% due 2/1/15	1,724,300
	170,000	Intelsat Jackson Holdings Ltd., Senior Notes:	
	3,935,000	9.500% due 6/15/16	179,350
		11.500% due 6/15/16	4,210,450
	2,815,000	Level 3 Financing Inc., Senior Notes:	
	2,320,000	12.250% due 3/15/13	2,857,225
	1,710,000	9.250% due 11/1/14	2,056,100
		Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16(a)	1,778,400
	240,000	Qwest Communications International Inc., Senior Notes:	
	1,585,000	7.500% due 2/15/14	238,200
		8.000% due 10/1/15(a)	1,590,944
	2,263,000	Wind Acquisition Finance SA:	
	460,000	Senior Bonds, 10.750% due 12/1/15(a)	2,500,615
	1,770,000	Senior Notes, 11.750% due 7/15/17(a)	520,950
		Windstream Corp., Senior Notes, 8.625% due 8/1/16	1,818,675
		<i>Total Diversified Telecommunication Services</i>	<i>25,283,196</i>
		Wireless Telecommunication Services 3.7%	
	1,340,000	ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17(a)(b)	1,628,995
	2,000,000	Cricket Communications Inc., Senior Secured Notes, 7.750% due 5/15/16(a)	2,040,000
	610,000	iPCS Inc., Senior Secured Notes, 2.608% due 5/1/13(e)	518,500
	120,000	MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14	123,300
		Sprint Capital Corp., Senior Notes:	
	350,000	7.625% due 1/30/11	360,063
	605,000	8.375% due 3/15/12	627,687
	8,585,000	8.750% due 3/15/32	8,155,750
	2,260,000	True Move Co., Ltd., Notes, 10.750% due 12/16/13(a)	2,180,900
		<i>Total Wireless Telecommunication Services</i>	<i>15,635,195</i>
		TOTAL TELECOMMUNICATION SERVICES	40,918,391
UTILITIES 7.7%			
	15,655,000	Electric Utilities 2.7%	
		Texas Competitive Electric Holdings Co. LLC, Senior Notes, 10.250% due 11/1/15	11,349,875
	2,520,000	Gas Utilities 0.6%	
		Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	2,504,250

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
		Independent Power Producers & Energy Traders 4.4%	
		AES Corp.:	
\$	1,540,000	Secured Notes, 8.750% due 5/15/13(a)	\$ 1,576,575
		Senior Notes:	
	200,000	8.000% due 10/15/17	202,250
	560,000	8.000% due 6/1/20	558,600
		Dynegy Holdings Inc.:	
	2,090,000	Senior Debentures, 7.625% due 10/15/26	1,442,100
	2,915,000	Senior Notes, 7.750% due 6/1/19	2,499,612
	320,000	Dynegy Inc., Bonds, 7.670% due 11/8/16	294,000
		Edison Mission Energy, Senior Notes:	
	1,670,000	7.750% due 6/15/16	1,469,600
	1,150,000	7.200% due 5/15/19	937,250
	1,785,000	7.625% due 5/15/27	1,285,200
		Energy Future Holdings Corp., Senior Notes:	
	1,970,000	10.875% due 11/1/17	1,497,200
	1,188,800	11.250% due 11/1/17(b)	790,552
		Mirant Mid-Atlantic LLC, Pass-Through Certificates:	
	326,503	9.125% due 6/30/17	329,768
	984,037	10.060% due 12/30/28	1,003,718
	780,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	780,000
		NRG Energy Inc., Senior Notes:	
	3,250,000	7.250% due 2/1/14	3,201,250
	105,000	7.375% due 1/15/17	101,850
	890,000	RRI Energy Inc., Senior Notes, 7.875% due 6/15/17	873,313
		<i>Total Independent Power Producers & Energy Traders</i>	<i>18,842,838</i>
		TOTAL UTILITIES	32,696,963
		TOTAL CORPORATE BONDS & NOTES	
		(Cost \$417,722,569)	388,130,712
ASSET-BACKED SECURITY	0.0%		
FINANCIALS	0.0%		
	9,956,016	Diversified Financial Services 0.0%	
		Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19(c)(d)(f) (Cost \$10,589,167)	0
COLLATERALIZED MORTGAGE OBLIGATION		0.2%	
	1,426,493	Countrywide Home Loan Mortgage Pass-Through Trust, 5.214% due 4/20/35(e) (Cost \$888,205)	641,922
COLLATERALIZED SENIOR LOANS	2.9%		
CONSUMER DISCRETIONARY	0.9%		
	2,158,724	Auto Components 0.4%	
		Allison Transmission Inc., Term Loan B, 3.206% due 8/7/14(e)	1,892,482

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	FACE AMOUNT	SECURITY	VALUE
\$	968,305	Media 0.5%	
	1,500,000	Idearc Inc., Term Loan B, 4.250% due 11/1/14(c)(e)	\$ 415,026
		Newsday LLC, Term Loan, 9.750% due 7/15/13(e)	1,569,375
		<i>Total Media</i>	<i>1,984,401</i>
		TOTAL CONSUMER DISCRETIONARY	3,876,883
ENERGY 0.6%		Energy Equipment & Services 0.4%	
	2,589,602	Turbo Beta Ltd., Term Loan, 14.500% due 3/15/18(b)(d)(e)	1,877,461
	1,500,000	Oil, Gas & Consumable Fuels 0.2%	
		Stallion Oilfield Services, Term Loan, 7.736% due 7/31/12(e)	648,750
		TOTAL ENERGY	2,526,211
FINANCIALS 0.8%		Diversified Financial Services 0.2%	
	1,000,000	CIT Group Inc., Term Loan, 10.276% due 1/18/12(e)	1,028,750
	2,500,000	Real Estate Management & Department 0.6%	
		Realogoy Corp., Term Loan, 13.500% due 10/15/17	2,609,375
		TOTAL FINANCIALS	3,638,125
INDUSTRIALS 0.3%		Aerospace & Defense 0.0%	
	385	Hawker Beechcraft, Term Loan B, 3.798% due 3/26/14(e)	296
	1,492,880	Airlines 0.3%	
		United Airlines Inc., Term Loan B, 2.331% due 1/12/14(e)	1,115,928
	1,120,195	Trading Companies & Distributors 0.0%	
		Penhall International Corp., Term Loan, 12.288% due 4/1/12(e)	61,611
		TOTAL INDUSTRIALS	1,177,835
MATERIALS 0.0%		Paper & Forest Products 0.0%	
	8,998	Verso Paper Holdings LLC, Term Loan, 11.771% due 2/1/13	2,632
TELECOMMUNICATION SERVICES 0.3%		Diversified Telecommunication Services 0.3%	
	1,250,000	Level 3 Communications Inc., Term Loan, 11.500% due 3/13/14(e)	1,327,344
		TOTAL COLLATERALIZED SENIOR LOANS	12,549,030
CONVERTIBLE BONDS & NOTES 0.6%		(Cost \$14,848,930)	
CONSUMER DISCRETIONARY 0.3%		Media 0.3%	
	1,145,000	Virgin Media Inc., Senior Notes, 6.500% due 11/15/16(a)	1,205,113
INDUSTRIALS 0.3%		Airlines 0.0%	
	110,000	AMR Corp., Senior Notes, 6.250% due 10/15/14	116,737

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

FACE AMOUNT	SECURITY	VALUE
\$ 1,685,000	Marine 0.3% Horizon Lines Inc., Senior Notes, 4.250% due 8/15/12	\$ 1,337,469
	TOTAL INDUSTRIALS	1,454,206
	TOTAL CONVERTIBLE BONDS & NOTES (Cost \$2,388,784)	2,659,319
SOVEREIGN BONDS 0.7%		
2,784,000	Russia 0.7% Russian Federation, 7.500% due 3/31/30(a) (Cost \$3,045,368)	3,050,150
	Food Products 0.0% Aurora Foods Inc.(d)(f)*	0
COMMON STOCKS 0.5%		
CONSUMER STAPLES 0.0%		
73,499		
MATERIALS 0.5%		
70,396	Chemicals 0.5% Georgia Gulf Corp.*	2,111,881
1	Pliant Corp.(d)(f)*	0
	TOTAL MATERIALS	2,111,881
TELECOMMUNICATION SERVICES 0.0%		
3,736	Diversified Telecommunication Services 0.0% McLeodUSA Inc., Class A Shares(d)(f)*	0
20,125	Pagemart Wireless(d)(f)*	201
	TOTAL TELECOMMUNICATION SERVICES	201
	TOTAL COMMON STOCKS	
	(Cost \$2,911,206)	2,112,082
CONVERTIBLE PREFERRED STOCKS 0.6%		
FINANCIALS 0.6%		
3,030	Diversified Financial Services 0.6% Bank of America Corp., 7.250% (Cost \$3,008,006)	2,575,470
PREFERRED STOCKS 0.4%		
CONSUMER DISCRETIONARY 0.2%		
22,300	Automobiles 0.2% Corts-Ford Motor Co., 7.400%	378,877
17,100	Corts-Ford Motor Co., 8.000%	292,410
1,600	Ford Motor Co., Series F, 7.550%	25,072
900	Motors Liquidation Co., 7.250%	3,026
10,100	Motors Liquidation Co., 7.250%	33,961

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

	SHARES	SECURITY	VALUE
		Automobiles 0.2%<i>continued</i>	
	2,200	Motors Liquidation Co., 7.375%	\$ 7,398
	400	Motors Liquidation Co., 7.375%	1,345
	31,700	Motors Liquidation Co., 7.500%	106,591
		<i>Total Automobiles</i>	848,680
		Media 0.0%	
	4	ION Media Networks Inc., Series B, 12.000%(d)(f)*	0
		TOTAL CONSUMER DISCRETIONARY	848,680
FINANCIALS	0.2%		
		Consumer Finance 0.2%	
	1,181	Preferred Blocker Inc., 7.000%(a)	686,862
		Diversified Financial Services 0.0%	
	3,400	Preferred Plus, Trust, Series FRD-1, 7.400%	54,400
	8,400	Saturns, Series F 2003-5, 8.125%	148,428
		<i>Total Diversified Financial Services</i>	202,828
		Thriffs & Mortgage Finance 0.0%	
	37,200	Federal National Mortgage Association (FNMA), 8.250%(e)(h)*	59,892
		TOTAL FINANCIALS	949,582
		TOTAL PREFERRED STOCKS	
		(Cost \$2,974,177)	1,798,262
WARRANTS			
WARRANTS	0.0%		
	1,981	Buffets Restaurant Holdings, Expires 4/28/14(d)(f)*	0
	1,555	GT Group Telecom Inc., Class B Shares, Expires 2/1/10(a)(d)(f)*	0
	1,000	Jazztel PLC, Expires 7/15/10(a)(d)(f)*	0
	1	Turbo Cayman Ltd., Expires 11/1/14(f)*	0
		TOTAL WARRANTS	
		(Cost \$122,751)	0
		TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT	
		(Cost \$458,499,163)	413,516,947
		FACE AMOUNT	
SHORT-TERM INVESTMENT	1.3%		
\$	5,448,000	Repurchase Agreement 1.3%	
		Morgan Stanley tri-party repurchase agreement dated 9/30/09, 0.030% due 10/1/09; Proceeds at maturity \$5,448,005; (Fully collateralized by U.S. government agency obligation, 0.000% due 1/21/10; Market value \$5,558,332) (Cost \$5,448,000)	5,448,000
		TOTAL INVESTMENTS 98.8% (Cost \$463,947,163#)	418,964,947
		Other Assets in Excess of Liabilities 1.2%	4,890,928
		TOTAL NET ASSETS 100.0%	\$ 423,855,875

See Notes to Financial Statements.

Schedule of investments *continued*

September 30, 2009

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

* Non-income producing security.

(a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

(b) Payment-in-kind security for which part of the income earned may be paid as additional principal.

(c) The coupon payment on these securities is currently in default as of September 30, 2009.

(d) Illiquid security.

(e) Variable rate security. Interest rate disclosed is that which is in effect at September 30, 2009.

(f) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).

(g) Security has no maturity date. The date shown represents the next call date.

(h) On September 7, 2008, the Federal Housing Finance Agency placed Fannie Mae (FNMA) and Freddie Mac (FHLMC) into conservatorship.

(i) Subsequent to September 30, 2009, this security is in default.

Aggregate cost for federal income tax purposes is \$467,902,794.

Abbreviation used in this schedule:

GMAC

General Motors Acceptance Corp.

See Notes to Financial Statements.

Statement of assets and liabilities

September 30, 2009

ASSETS:	
Investments, at value (Cost \$463,947,163)	\$ 418,964,947
Foreign currency, at value (Cost \$1,375)	1,381
Cash	440
Interest and dividend receivable	10,895,921
Receivable for securities sold	4,263,740
Prepaid expenses	38,280
<i>Total Assets</i>	<i>434,164,709</i>
LIABILITIES:	
Payable for securities purchased	9,869,538
Investment management fee payable	271,671
Directors' fees payable	19,856
Accrued expenses	147,769
<i>Total Liabilities</i>	<i>10,308,834</i>
TOTAL NET ASSETS	\$ 423,855,875
NET ASSETS:	
Par value (\$0.001 par value; 74,409,071 shares issued and outstanding; 500,000,000 shares authorized)	\$ 74,409
Paid-in capital in excess of par value	745,715,977
Undistributed net investment income	4,617,729
Accumulated net realized loss on investments, written options, swap contracts and foreign currency transactions	(281,570,030)
Net unrealized depreciation on investments and foreign currencies	(44,982,210)
TOTAL NET ASSETS	\$ 423,855,875
Shares Outstanding	74,409,071
Net Asset Value	\$5.70

See Notes to Financial Statements.

Statement of operations**For the Year Ended September 30, 2009**

INVESTMENT INCOME:	
Interest	\$ 47,802,471
Dividends	457,738
<i>Total Investment Income</i>	<i>48,260,209</i>
EXPENSES:	
Investment management fee (Note 2)	2,789,033
Legal fees	243,381
Directors' fees	120,753
Shareholder reports	97,597
Excise tax (Note 1)	81,388
Stock exchange listing fees	58,848
Audit and tax	41,020
Transfer agent fees	37,449
Insurance	9,223
Custody fees	6,567
Miscellaneous expenses	12,245
<i>Total Expenses</i>	<i>3,497,504</i>
NET INVESTMENT INCOME	44,762,705
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, WRITTEN OPTIONS, SWAP CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS (NOTES 1, 3 AND 4):	
Net Realized Gain (Loss) From:	
Investment transactions	(56,238,440)
Written options	51,300
Swap contracts	(98,868)
Foreign currency transactions	(6,501)
<i>Net Realized Loss</i>	<i>(56,292,509)</i>
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	64,711,573
Written options	(42,998)
Foreign currencies	6
<i>Change in Net Unrealized Appreciation/Depreciation</i>	<i>64,668,581</i>
NET GAIN ON INVESTMENTS, WRITTEN OPTIONS, SWAP CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS	8,376,072
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 53,138,777

See Notes to Financial Statements.

Statements of changes in net assets

FOR THE YEARS ENDED SEPTEMBER 30,	2009	2008
OPERATIONS:		
Net investment income	\$ 44,762,705	\$ 43,397,535
Net realized loss	(56,292,509)	(16,109,083)
Change in net unrealized appreciation/depreciation	64,668,581	(91,797,128)
<i>Increase (Decrease) in Net Assets From Operations</i>	<i>53,138,777</i>	<i>(64,508,676)</i>
DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):		
Net investment income	(45,192,276)	(41,768,856)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(45,192,276)</i>	<i>(41,768,856)</i>
FUND SHARE TRANSACTIONS:		
Proceeds from shares issued on reinvestment of distributions (481,892 and 0 shares issued, respectively)	2,336,007	
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>2,336,007</i>	
INCREASE (DECREASE) IN NET ASSETS	10,282,508	(106,277,532)
NET ASSETS:		
Beginning of year	413,573,367	519,850,899
End of year*	\$ 423,855,875	\$ 413,573,367
* Includes undistributed net investment income of:	\$4,617,729	\$4,195,350

See Notes to Financial Statements.

Financial highlights**FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH YEAR ENDED SEPTEMBER 30:**

	2009 ¹	2008 ¹	2007 ¹	2006 ¹	2005 ¹
NET ASSET VALUE, BEGINNING OF YEAR	\$5.59	\$7.03	\$7.12	\$7.15	\$7.28
INCOME (LOSS) FROM OPERATIONS:					
Net investment income	0.60	0.59	0.55	0.54	0.52
Net realized and unrealized gain (loss)	0.12	(1.46)	(0.08)	(0.07)	(0.10)
<i>Total income (loss) from operations</i>	<i>0.72</i>	<i>(0.87)</i>	<i>0.47</i>	<i>0.47</i>	<i>0.42</i>
LESS DISTRIBUTIONS FROM:					
Net investment income	(0.61)	(0.57)	(0.56)	(0.50)	(0.55)
<i>Total distributions</i>	<i>(0.61)</i>	<i>(0.57)</i>	<i>(0.56)</i>	<i>(0.50)</i>	<i>(0.55)</i>
NET ASSET VALUE, END OF YEAR	\$5.70	\$5.59	\$7.03	\$7.12	\$7.15
MARKET PRICE, END OF YEAR	\$5.82	\$4.34	\$6.47	\$6.37	\$6.29
<i>Total return, based on NAV^{2,3}</i>	<i>16.86%</i>	<i>(12.32)%</i>	<i>7.29%</i>	<i>7.98%</i>	<i>6.69%</i>
<i>Total return, based on Market Price³</i>	<i>53.69%</i>	<i>(26.04)%</i>	<i>10.37%</i>	<i>9.82%</i>	<i>0.04%</i>
NET ASSETS, END OF YEAR (MILLIONS)	\$424	\$414	\$520	\$526	\$529
RATIOS TO AVERAGE NET ASSETS:					
Gross expenses	1.00%	0.91%	0.85% ⁴	0.90%	1.25%
Net expenses	1.00	0.915	0.854 ⁶	0.906	1.25
Net investment income	12.84	9.03	7.55	7.62	7.07
PORTFOLIO TURNOVER RATE	71%	54%	56%	65%	22%

1 Per share amounts have been calculated using the average shares method.

2 Performance figures may reflect fee waivers and/or expense reimbursements. In the absence of fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

3 The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.

4 Included in the expense ratios are certain non-recurring restructuring (and reorganization, if applicable) fees that were incurred by the Fund during the period. Without these fees, the gross and net expense ratios would both have been 0.84%.

5 The impact to the expense ratio was less than 0.01% as a result of fees paid indirectly.

6 Reflects fee waivers and/or expense reimbursements.

See Notes to Financial Statements.

Notes to financial statements

1. Organization and significant accounting policies

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

The following are significant accounting policies consistently followed by the Portfolio and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through November 19, 2009, the issuance date of the financial statements.

(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. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the bid and asked prices as of the close of business of that market. Equity securities for which market quotations are available are valued at the last reported sale price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these investments 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.

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

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

Notes to financial statements *continued*

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

The Fund uses valuation techniques to measure fair value that are consistent with the market approach, income approach and/or cost approach, depending on the type of the security and the particular circumstance.

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

DESCRIPTION	QUOTED PRICES (LEVEL 1)	OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
Long-term investments :				
Corporate bonds & notes		\$387,883,062	\$247,650	\$388,130,712
Asset-backed securities			0	0
Collateralized mortgage obligations		641,922		641,922
Collateralized senior loans		12,549,030		12,549,030
Convertible bonds & notes		2,659,319		2,659,319
Sovereign bonds		3,050,150		3,050,150
Common stocks:				
Telecommunication services			201	201
Other common stocks	\$2,111,881		0	2,111,881
Convertible preferred stocks	2,575,470			2,575,470
Preferred stocks:				
Financials	262,720	686,862		949,582
Other preferred stocks	848,680		0	848,680
Warrants			0	0
Total long-term investments	\$5,798,751	\$407,470,345	\$247,851	\$413,516,947
Short-term investment		5,448,000		5,448,000
Total	\$5,798,751	\$412,918,345	\$247,851	\$418,964,947

See Schedule of Investments for additional detailed categorizations.

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

INVESTMENTS IN SECURITIES	CORPORATE BOND & NOTES	ASSET- BACKED SECURITIES	COMMON STOCKS			PREFERRED STOCKS	WARRANTS	TOTAL
			TELECOMMUNICATION SERVICES	OTHER COMMON STOCKS				
Balance as of September 30, 2008	\$ 1,268,162	\$ 0	\$ 201	\$ 5		\$ 0	\$ 1,268,368	
Accrued premiums/ discounts	76,995						76,995	
Realized gain/ (loss) ¹	5,197			(1,923,750)		(500,865)	(2,419,418)	
Change in unrealized appreciation (depreciation) ²	(33,425)			1,923,745		500,865	2,391,185	
Net purchases (sales)	(77,761)						(77,761)	
Net transfers in and/or out of Level 3	(991,518)					\$ 0	(991,518)	
Balance as of September 30, 2009	\$ 247,650	\$ 0	\$ 201	\$ 0	\$ 0	\$ 0	\$ 247,851	
Net unrealized appreciation (depreciation) for investments in securities still held at September 30, 2009 ²	\$(2,303,288)	\$(11,102,032)	\$(8,148)	\$(235,518)	\$(74,675)	\$(122,751)	\$(13,846,412)	

¹ This amount is included in net realized gain (loss) from investment transactions in the accompanying Statement of Operations.

² This amount is included in the change in net unrealized appreciation (depreciation) in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

(b) Repurchase agreements. 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 daily 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) Swap agreements. The Fund may invest in swaps for the purpose of managing their exposure to interest rate, credit or market risk, or for other

Notes to financial statements *continued*

purposes. The use of swaps involves risks that are different from those associated with ordinary portfolio transactions.

Credit default swaps

The Fund may enter into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where a Fund has exposure to a sovereign issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to Financial Statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

Payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the Statement of Assets and Liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. A liquidation payment received or made at the termination of the swap is recognized as realized gain or loss in the Statement of Operations. Net periodic payments received or paid by the Fund are recognized as realized gain or loss at the time of receipt of payment on the Statement of Operations.

The Fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized in the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation/ (depreciation). Gains or losses are realized upon termination of the swap agreement. Periodic payments and premiums received or made by a Fund are recorded in the Statement of Operations as realized gains or losses, respectively. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities held as collateral for swap contracts are identified in the Portfolio of Investments and restricted cash, if any, is identified in the Statement of Assets and Liabilities. Risks may exceed amounts recognized in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms, and the possible lack of liquidity with respect to the swap agreements.

(d) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the Fund realizes a gain from investments equal to the amount of the premium received. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is treated as a

Notes to financial statements *continued*

realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing a call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(e) Swaptions. The Fund may write swaption contracts to manage exposure to fluctuations in interest rates and to enhance portfolio yield. Swaption contracts written by the Fund represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date. If a written call swaption is exercised, the writer enters a swap and is obligated to pay the fixed rate and receive a floating rate in exchange. If a written put swaption is exercised, the writer enters a swap and is obligated to pay the floating rate and receive a fixed rate in exchange. Swaptions are marked to market daily based upon quotations from market makers.

When the Fund writes a swaption, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked to market daily to reflect the current market value of the swaption written. Changes in the value of the swaption are reported as unrealized gains or losses in the Statement of Operations. If the swaption expires, the Fund realizes a gain equal to the amount of the premium received. When a written swaption is exercised, the premium received is added to the basis of the swap agreement entered.

Entering into a swaption contract involves, to varying degrees, the elements of credit, market and interest rate risk associated with both option contracts and swap contracts. To reduce credit risk from potential counterparty default, the Fund enters into swaption contracts with counterparties whose creditworthiness has been evaluated by the Investment Manager. The Fund bears the market risk arising from any change in index values or interest rates.

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