

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSR

December 08, 2006

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)

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

10004  
(Zip code)

Robert I. Frenkel, Esq.  
Legg Mason & Co., LLC  
300 First Stamford Place, 4th Fl.  
Stamford, CT 06902  
(Name and address of agent for service)

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

Date of fiscal year September 30,  
end:

Date of reporting period: September 30, 2006

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ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

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

**ANNUAL REPORT**

**SEPTEMBER 30, 2006**

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

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Western Asset High Income  
Opportunity Fund Inc.

Annual Report September 30, 2006

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Letter from the Chairman

**R. JAY GERKEN, CFA**

Chairman, President and Chief  
Executive Officer

Dear Shareholder,

While the U.S. economy continued to expand, it weakened considerably as the reporting period progressed. After expanding 4.1% in the third quarter of 2005, gross domestic product ( GDP ) (i) growth slipped to 1.7% during the fourth quarter of the year. The economy then rebounded sharply in the first quarter of 2006. Over this period, GDP rose 5.6%, its best showing since the third quarter of 2003. The economy then took a step backwards in the second quarter of 2006, as GDP growth was 2.6% according to the U.S. Commerce Department. The advance estimate for third quarter GDP growth was 1.6% the lowest growth rate since the first quarter of 2003.

After increasing the federal funds rate(ii) to 5.25% in June its 17th consecutive rate hike the Federal Reserve Board ( Fed )(iii) paused from raising rates at its August, September and October meetings. In its statement accompanying the October meeting, the Fed stated, Economic growth has slowed over the course of the year, partly reflecting a cooling of the housing market. Going forward, the economy seems likely to expand at a moderate pace. Readings on core inflation have been elevated, and the high level of resource utilization has the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations and the cumulative effects of monetary policy actions and other factors restraining aggregate demand. The Fed s next meeting is on December 12th and we believe any further rate movements will likely be data dependent.

Western Asset High Income Opportunity Fund Inc.

Both short- and long-term yields rose over the reporting period. However, after peaking in late June with two- and 10-year Treasuries hitting 5.29% and 5.25%, respectively rates fell sharply as the Fed paused from its tightening cycle. In addition, inflationary pressures eased as oil prices, which rose to a record \$78 a barrel in mid-July, fell 15% in the third quarter.(iv) Overall, during the 12 months ended September 30, 2006, two-year Treasury yields increased from 4.18% to 4.71%. Over the same period, 10-year Treasury yields moved from 4.34% to 4.64%. Looking at the 12-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index(v), returned 3.67%.

Given continued strong corporate profits and low default rates, high yield bonds generated positive returns during the reporting period. While there were several high profile company specific issues, mostly in the automobile industry, they were not enough to drag down the overall high yield market. During the 12-month period ended September 30, 2006, the Citigroup High Yield Market Index(vi) returned 7.59%.

Despite periods of weakness, emerging markets debt generated strong results over the 12-month period, as the JPMorgan Emerging Markets Bond Index Global(vii) returned 7.81%. A strong global economy, solid domestic spending and a pause in U.S. interest rate hikes supported many emerging market countries.

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

### **Information About Your Fund**

As you may be aware, several issues in the mutual fund industry (not directly affecting closed-end investment companies, such as this Fund) have come under the scrutiny of federal and state regulators. Affiliates of the Fund's manager have, in recent years, received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The regulators appear to be examining, among other things, the open-end funds

Western Asset High Income Opportunity Fund Inc.

response to market timing and shareholder exchange activity, including compliance with prospectus disclosure related to these subjects. Furthermore, the Fund's prior manager has been informed by the staff of the Securities and Exchange Commission of the potential for an administrative proceeding against the prior manager in connection with disclosures regarding dividends and distributions paid to shareholders. See Note 6 to the financial statements. The Fund is not in a position to predict the outcome of these requests and investigations, or whether these may affect the Fund.

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 goals.

Sincerely,

R. Jay Gerken, CFA  
Chairman, President and Chief Executive Officer

*October 27, 2006*

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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- (i) Gross domestic product is a market value of goods and services produced by labor and property in a given country.
  - (ii) The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
  - (iii) The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
  - (iv) Source: *The Wall Street Journal*, 9/29/06.
  - (v) The Lehman Brothers 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.

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- (vi) The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.
- (vii) The JPMorgan Emerging Markets Bond Index 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. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.

Western Asset High Income Opportunity Fund Inc.

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## Fund Overview

### Special Shareholder Notices

Following the purchase of substantially all of Citigroup Inc.'s asset management business in December 2005, Legg Mason, Inc. (Legg Mason) undertook an internal reorganization to consolidate the advisory services provided to the legacy Citigroup funds through a more limited number of advisers. As part of this reorganization, at a meeting held on June 22, 2006, the Fund's Board approved a new management agreement with Legg Mason Partners Fund Advisor, LLC (LMPFA), under which LMPFA became investment manager for the Fund effective August 1, 2006.

Western Asset Management Company (Western Asset) became subadviser for the Fund, under a new subadvisory agreement between LMPFA and Western Asset, effective August 1, 2006. LMPFA and Western Asset are wholly-owned subsidiaries of Legg Mason. The portfolio managers who are responsible for the day-to-day management of the Fund remain the same immediately prior to and immediately after the date of these changes.

LMPFA provides administrative and certain oversight services to the Fund. LMPFA has delegated to the subadviser the day-to-day portfolio management of the Fund. The management fee for the Fund remains unchanged.

The Fund was formerly known as High Income Opportunity Fund Inc.

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

A. During the reporting period, the bond market faced a number of challenges, including six additional short-term interest rate hikes by the Federal Reserve Board (Fed)(i), inflationary pressures and a continued economic expansion. However, as the period progressed, oil prices fell sharply, a cooling housing market triggered slower economic growth and the Fed paused from raising rates during their meetings in August and September 2006. Collectively, this led to a sharp rally in the overall bond market and the Lehman Brothers U.S. Aggregate Bond Index(ii) generated a positive 3.67% return during the last 12 months.

Riskier asset classes, such as high yield bonds, experienced periods of sharp volatility during the reporting period. This was often triggered by uncertainty regarding Fed policy and periodic investor flights to quality. However, for the 12-month period as a whole, the Citigroup High Yield Market Index(iii) returned 7.59%. High yield bonds performed well on the back of solid corporate profits and low default rates.

### Performance Review

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For the 12 months ended September 30, 2006, the Western Asset High Income Opportunity Fund Inc. returned 7.98%, based on its net asset value ( NAV )(iv) and 9.82% based on its New York Stock Exchange ( NYSE ) market price per share. In comparison, the Fund 's unmanaged benchmark, the Citigroup High Yield Market Index, returned 7.59% and its Lipper High Current Yields Closed-End Funds Category Average(v) increased 9.11% over the same time frame. Please note that Lipper performance returns are based on each fund 's NAV.

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During the 12-month period, the Fund made distributions to shareholders totaling \$0.5040 per share. The performance table shows the Fund's 12-month total return based on its NAV and market price as of September 30, 2006. **Past performance is no guarantee of future results.**

**Performance Snapshot as of September 30, 2006 (unaudited)**

<b>Price Per Share</b>	<b>12-Month Total Return</b>
\$7.12 (NAV)	7.98%
\$6.37 (Market Price)	9.82%

**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.

**Q. What were the most significant factors affecting Fund performance?  
What were the leading contributors to performance?**

A. Early in the reporting period, the Fund's performance was driven by positive security and industry selection. Issue selection was particularly strong in CCC-rated and below securities and in the utilities and paper and forest products industries. The Fund's overweights to the airlines and telecommunications sectors and underweight to automotive also supported positive returns.

As the period progressed, an overweight in the building products sector and an underweight in the wireless telecom sector enhanced results. Elsewhere, overweight positions in a number of individual securities, including **NewPage Holding Corp.** and **Hawaiian Telcom Communications, Inc.**, were positive contributors to performance.

**What were the leading detractors from performance?**

A. Security selection in the telecommunications and cable and other media industries detracted from overall performance during the initial portion of the reporting period.

Later in the period, the Fund's short duration(vi) negatively impacted performance, especially during the last three months of the fiscal year as yields fell across the curve. The Fund's small allocation to investment grade bonds and emerging market debt detracted from results as they

underperformed their high yield counterparts. From a sector perspective, an underweight in the consumer cyclical subsector and an overweight in the transportation subsector negatively impacted the Fund.

**Q. Were there any significant changes to the Fund during the reporting period?**

A. Early in the period, we reinvested assets from a series of calls and tenders, primarily in the telecommunications industry, into automotive bonds, buying on weakness. We also decreased the Fund's exposure to the cable industry.

**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

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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/InvestorServices](http://www.leggmason.com/InvestorServices).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102, Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current net asset value, market price and other information.

Thank you for your investment in the Western Asset High Income Opportunity Fund Inc. As ever, 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 27, 2006*

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, 2006 and are subject to change and may not be representative of the portfolio manager's current or future investments. The Fund's top ten holdings (as a percentage of net assets) as of this date were: General Motors Corp. (4.6%), Ford Motor Co. (2.9%), Sprint Capital Corp. (1.9%), Qwest Corp. (1.7%), Williams Cos. Inc. (1.7%), El Paso Corp. (1.4%), Tenet Healthcare Corp. (1.3%), EchoStar DBS Corp. (1.3%), Chesapeake Energy Corp. (1.2%) and Hertz Corp. (1.2%) Please refer to pages 6 through 20 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. Portfolio holdings are subject to change at any time and may not be representative of the portfolio manager's current or future investments. The Fund's top five sector holdings (as a percentage of net assets), as of September 30, 2006 were: Consumer Discretionary (29.9%), Telecommunication Services (11.0%), Financials (10.9%), Energy (10.5%) and Industrials (9.5%). The Fund's portfolio composition is subject to change at any time.

**RISKS:** The Fund invests in high-yield bonds, which are subject to additional risks 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 share price. 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. Please see the Fund's prospectus for more information on these and other risks.

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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(i) The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

(ii) The Lehman Brothers 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.

(iii) The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.

(iv) NAV is calculated by subtracting total liabilities and outstanding preferred stock 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 at the Fund's market price as determined by supply of and demand for the Fund's shares.

(v) Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 12-month period ended September 30, 2006, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 8 funds in the Fund's Lipper category.

(vi) Duration is a common gauge of the price sensitivity of a fixed income asset or portfolio to a change in interest rates.

**Take Advantage of the Fund's Dividend Reinvestment Plan!**

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ( Plan ), a convenient, simple and efficient way to reinvest your distributions, if any, in additional shares of the Fund. Below is a short summary of how the Plan works.

**Plan Summary**

If you are a Plan participant who has not elected to receive your distributions in the form of a cash payment, then your distributions will be reinvested automatically in additional shares of the Fund.

The number of common stock shares in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or exceeds the net asset value ( NAV ) per share on the determination date, you will be issued shares by the Fund at a price reflecting the NAV, or 95% of the market price, whichever is greater.

If the market price is less than the NAV at the time of valuation (the close of business on the determination date), American Stock Transfer & Trust Company ( AST or Plan Agent ) will buy common stock for your account in the open market.

If the Plan Agent begins to purchase additional shares in the open market and the market price of the shares subsequently rises above the NAV previously determined before the purchases are completed, the Plan Agent will attempt to terminate purchases and have the Fund issue the remaining distribution in shares at the greater of the previously determined NAV or 95% of the market price. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

A more complete description of the current Plan appears in the section of this report beginning on page 42. To find out more detailed information about the Plan and about how you can participate, please call the Plan Agent at 1-877-366-6441.

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Fund at a Glance (unaudited)

**Investment Breakdown**

**As a Percent of Total Investments**

**September 30, 2006**

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\* Amount represents less than 1%

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## Schedule of Investments (September 30, 2006)

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Face Amount	Rating	Security	Value
<b>CORPORATE BONDS &amp; NOTES 93.1%</b>			
<b>Aerospace &amp; Defense 1.1%</b>			
\$ 995,000	B+	Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16	\$ 982,562
850,000	B+	DRS Technologies Inc., Senior Subordinated Notes: 6.625% due 2/1/16	839,375
1,750,000	B	7.625% due 2/1/18	1,785,000
700,000	BB+	L-3 Communications Corp., Senior Subordinated Notes: 7.625% due 6/15/12	724,500
1,460,000	BB+	5.875% due 1/15/15	1,394,300
		<b>Total Aerospace &amp; Defense</b>	<b>5,725,737</b>
<b>Airlines 1.5%</b>			
840,000	NR	American Airlines Inc., Pass-Through Certificates, Series 2001-02, Class C, 7.800% due 4/1/08	840,525
336,635	B+	Continental Airlines Inc., Pass-Through Certificates: Series 2000-2, Class C, 8.312% due 4/2/11	313,281
2,000,000	B	Series 2001-2, Class D, 7.568% due 12/1/06	2,001,250
962,968	NR	United Airlines Inc., Pass-Through Certificates: Series 2000-1, Class B, 8.030% due 7/1/11 (a)	987,644
2,268,135	NR	Series 2000-2, Class B, 7.811% due 10/1/09 (a)	2,428,322
460,000	NR	Series 2001-1: Class B, 6.932% due 9/1/11 (a)	503,988
1,045,000	NR	Class C, 6.831% due 9/1/08 (a)	1,066,553
		<b>Total Airlines</b>	<b>8,141,563</b>
<b>Auto Components 1.3%</b>			
695,000	B	Arvin Capital I, Capital Securities, 9.500% due 2/1/27	708,900
1,820,000	B-	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	1,719,900
555,000	BB-	TRW Automotive Inc.: Senior Notes, 9.375% due 2/15/13	593,850
276,000	BB-	Senior Subordinated Notes, 11.000% due 2/15/13	302,220
1,960,000	B-	Visteon Corp., Senior Notes: 8.250% due 8/1/10	1,920,800
1,765,000	B-	7.000% due 3/10/14	1,588,500
		<b>Total Auto Components</b>	<b>6,834,170</b>
<b>Automobiles 2.5%</b>			
575,000	B	Ford Motor Co.: Debentures, 8.875% due 1/15/22	498,094
7,615,000	B	Notes, 7.450% due 7/16/31	5,920,662
1,330,000	B-	General Motors Corp.: Notes, 7.200% due 1/15/11	1,231,912

**See Notes to Financial Statements.**

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## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Automobiles 2.5% (continued)</b>			
\$ 1,350,000	B-	Senior Debentures: 8.250% due 7/15/23	\$ 1,176,188
2,720,000	B-	8.375% due 7/15/33	2,366,400
2,125,000	B-	Senior Notes, 7.125% due 7/15/13	1,877,969
		<b>Total Automobiles</b>	<b>13,071,225</b>
<b>Biotechnology 0.0%</b>			
190,000	B	Angiotech Pharmaceuticals Inc., Senior Subordinated Notes, 7.750% due 4/1/14 (b)	181,450
<b>Building Products 1.7%</b>			
4,950,000	CCC	Associated Materials Inc.: Senior Discount Notes, step bond to yield 10.793% due 3/1/14	2,747,250
225,000	CCC	Senior Subordinated Notes, 9.750% due 4/15/12	225,562
1,240,000	B	Jacuzzi Brands Inc., Secured Notes, 9.625% due 7/1/10	1,320,600
1,795,000	CCC+	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	1,705,250
4,450,000	CCC+	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.040% due 3/1/14	3,092,750
		<b>Total Building Products</b>	<b>9,091,412</b>
<b>Capital Markets 0.7%</b>			
1,690,000	B	BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14	1,842,100
365,000	B+	E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13	375,038
1,365,000	B+	7.875% due 12/1/15	1,443,487
		<b>Total Capital Markets</b>	<b>3,660,625</b>
<b>Chemicals 2.7%</b>			
1,020,000	BB-	Airgas Inc., Senior Subordinated Notes, 9.125% due 10/1/11	1,071,643
2,400,000	BB-	Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11	2,586,000
2,900,000	B+	Georgia Gulf Corp., Senior Notes, 9.500% due 10/15/14 (b)(c)	2,879,816
535,000	B	Huntsman International LLC, Senior Notes, 9.875% due 3/1/09	560,413
725,000	B+	Lyondell Chemical Co.: 8.000% due 9/15/14	737,687
595,000	B+	8.250% due 9/15/16	606,900
1,615,000	BB	Senior Secured Notes: 11.125% due 7/15/12	1,768,425
130,000	BB	10.500% due 6/1/13	143,650
700,000	BBB-	Methanex Corp., Senior Notes, 8.750% due 8/15/12	757,750
2,870,000	B-	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27 (b)	2,669,100
545,000	BB+		520,475

Westlake Chemical Corp., Senior Notes, 6.625% due  
1/15/16  
**Total Chemicals**

14,301,859

**See Notes to Financial Statements.**

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## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Commercial Services &amp; Supplies 2.5%</b>			
\$ 2,250,000	CCC+	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	\$ 2,261,250
2,580,000	BB-	Allied Waste North America Inc., Senior Notes, Series B, 8.500% due 12/1/08	2,715,450
1,600,000	CCC+	Brand Services Inc., Senior Notes, 12.000% due 10/15/12	1,800,448
1,930,000	B	DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, 9.500% due 2/15/13	2,007,200
1,050,000	B+	Quebecor World Capital Corp., Senior Notes, 8.750% due 3/15/16 (b)	1,015,875
2,990,000	BB-	Windstream Corp., Senior Notes, 8.625% due 8/1/16 (b)	3,214,250
		<b>Total Commercial Services &amp; Supplies</b>	<b>13,014,473</b>
<b>Communications Equipment 1.1%</b>			
4,815,000	B	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	4,309,425
1,950,000	B-	Nortel Networks Corp., Notes, 6.875% due 9/1/23	1,618,500
		<b>Total Communications Equipment</b>	<b>5,927,925</b>
<b>Consumer Finance 4.8%</b>			
580,000	B-	ACE Cash Express Inc., 10.250% due 10/1/14 (b)	590,150
		Ford Motor Credit Co.:	
		Notes:	
925,000	B	7.875% due 6/15/10	901,544
2,535,000	B	9.957% due 4/15/12 (d)	2,656,031
1,140,000	B	7.000% due 10/1/13	1,059,155
		Senior Notes:	
1,037,000	B	10.640% due 6/15/11 (b)(d)	1,084,765
2,245,000	B	9.875% due 8/10/11	2,325,371
		General Motors Acceptance Corp.:	
11,680,000	BB	Bonds, 8.000% due 11/1/31	12,246,153
4,660,000	BB	Notes, 6.875% due 8/28/12	4,617,990
		<b>Total Consumer Finance</b>	<b>25,481,159</b>
<b>Containers &amp; Packaging 2.7%</b>			
1,175,000	CCC+	Berry Plastics Holding Corp., 8.875% due 9/15/14 (b)	1,186,750
1,265,000	CCC+	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	1,249,188
		Graphic Packaging International Corp.:	
405,000	B-	Senior Notes, 8.500% due 8/15/11	416,138
2,350,000	B-	Senior Subordinated Notes, 9.500% due 8/15/13	2,414,625
1,875,000	B-	JSG Funding PLC, Senior Notes, 9.625% due 10/1/12	1,987,500
		Owens-Brockway Glass Container Inc.:	
1,575,000	B	Senior Notes, 6.750% due 12/1/14	1,504,125
2,479,000	BB-	Senior Secured Notes, 8.875% due 2/15/09	2,559,567
		Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (b)	969,325
955,000	NR	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10 (a)	112,375
725,000			
1,550,000	BBB	Sealed Air Corp., Notes, 6.950% due 5/15/09 (b)	1,604,955
		<b>Total Containers &amp; Packaging</b>	<b>14,004,548</b>

**See Notes to Financial Statements.**

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## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Diversified Consumer Services 1.9%</b>			
\$ 1,255,000	CCC+	Education Management LLC/Education Management Corp., Senior Notes, 8.750% due 6/1/14 (b)	\$ 1,273,825
725,000	B	Hertz Corp.: Senior Notes, 8.875% due 1/1/14 (b)	763,062
4,870,000	B	Senior Subordinated Notes, 10.500% due 1/1/16 (b)	5,381,350
1,225,000	BB-	Service Corp. International: Debentures, 7.875% due 2/1/13	1,267,875
1,115,000	BB-	Senior Notes, 6.500% due 3/15/08	1,120,575
		<b>Total Diversified Consumer Services</b>	<b>9,806,687</b>
<b>Diversified Financial Services 2.3%</b>			
1,755,000	B-	Basell AF SCA, Senior Subordinated Notes, 8.375% due 8/15/15 (b)	1,750,612
435,000	BB	Case Credit Corp., Notes, 6.750% due 10/21/07	438,263
1,250,000	CCC+	CCM Merger Inc., Notes, 8.000% due 8/1/13 (b)	1,206,250
420,000	CCC+	CitiSteel USA Inc., Senior Secured Notes: 12.949% due 9/1/10 (d)	435,750
510,000	NR	15.000% due 10/1/10 (b)(e)	549,525
1,199,000	B-	Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12	1,264,945
670,000	B	Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, Second Priority, Senior Secured Notes, 9.000% due 7/15/14	686,750
1,230,000	B-	Hughes Network Systems LLC/HNS Finance Corp., Senior Notes, 9.500% due 4/15/14 (b)	1,273,050
500,000	CCC	Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11	477,500
840,000	B-	UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12	886,200
2,710,000	B-	UGS Corp., Senior Subordinated Notes, 10.000% due 6/1/12	2,940,350
		<b>Total Diversified Financial Services</b>	<b>11,909,195</b>
<b>Diversified Telecommunication Services 6.9%</b>			
1,975,000	B-	Cincinnati Bell Inc.: Senior Notes, 7.000% due 2/15/15	1,945,375
460,000	B-	Senior Subordinated Notes, 8.375% due 1/15/14	466,900
285,000	BB-	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	247,950
1,610,000	BB+	Citizens Communications Co., Senior Notes, 9.000% due 8/15/31	1,734,775
1,555,000	NR	GT Group Telecom Inc., Senior Discount Notes, 13.250% due 2/1/10 (a)(c)(d)(f)	0
2,360,000	CCC+	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15	2,489,800
650,000	B	Insight Midwest LP/Insight Capital Inc., Senior Notes, 10.500% due 11/1/10	676,000

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		Intelsat Bermuda Ltd., Senior Notes:	
1,830,000	B+	9.250% due 6/15/16 (b)	1,932,938
3,665,000	B	11.250% due 6/15/16 (b)	3,912,387
	B	Nordic Telephone Co. Holdings, Senior Notes, 8.875% due	
1,200,000		5/1/16 (b)	1,267,500
	B-	Northern Telecom Capital Corp., Notes, 7.875% due	
895,000		6/15/26	783,125
		NTL Cable PLC, Senior Notes:	
400,000	B-	8.750% due 4/15/14	417,000
1,005,000	B-	9.125% due 8/15/16	1,042,688

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Diversified Telecommunication Services 6.9% (continued)</b>			
\$ 720,000	B	PanAmSat Corp., Senior Notes, 9.000% due 8/15/14	\$ 747,000
205,000	B	Qwest Communications International Inc., Senior Notes: 7.500% due 2/15/14	206,538
590,000	B	Series B, 7.500% due 2/15/14	594,425
4,640,000	BB	Qwest Corp.: Notes, 8.875% due 3/15/12	5,086,600
2,945,000	BB	Senior Notes, 7.500% due 10/1/14 (b)	3,055,437
	A	Southwestern Bell Telephone Co., Debentures, 7.000% due 11/15/27	
2,100,000			2,155,765
	B-	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (b)	
4,245,000			2,844,150
	B-	Wind Acquisition Finance SA, Senior Bond, 10.750% due 12/1/15 (b)	
4,195,000			4,651,206
		<b>Total Diversified Telecommunication Services</b>	<b>36,257,559</b>
<b>Electric Utilities 0.7%</b>			
705,406	BB-	Midwest Generation LLC, Pass-Through Certificates, Series B, 8.560% due 1/2/16	749,935
2,350,000	B-	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	2,673,125
		<b>Total Electric Utilities</b>	<b>3,423,060</b>
<b>Energy Equipment &amp; Services 2.0%</b>			
2,655,000	B+	ANR Pipeline Co., Debentures, 9.625% due 11/1/21	3,283,494
573,000	B	Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14	565,838
260,000	B	GulfMark Offshore Inc., 7.750% due 7/15/14	262,600
1,725,000	B	Hanover Compressor Co., Senior Notes, 9.000% due 6/1/14	1,837,125
625,000	BB-	Pride International Inc., Senior Notes, 7.375% due 7/15/14	646,875
3,270,000	B+	Tennessee Gas Pipeline Co., Bonds, 8.375% due 6/15/32	3,768,387
		<b>Total Energy Equipment &amp; Services</b>	<b>10,364,319</b>
<b>Food &amp; Staples Retailing 0.3%</b>			
1,535,000	BB+	Delhaize America Inc., Debentures, 9.000% due 4/15/31	1,805,757
<b>Food Products 0.5%</b>			
230,000	BB+	Ahold Lease USA Inc., Pass-Through Certificates, Series 2001 A-2, 8.620% due 1/2/25	237,044
2,025,000	B	Dole Food Co. Inc., Senior Notes: 7.250% due 6/15/10	1,888,312
575,000	B	8.875% due 3/15/11	553,438
		<b>Total Food Products</b>	<b>2,678,794</b>
<b>Health Care Providers &amp; Services 4.5%</b>			
2,400,000	B-	AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13	2,556,000
1,350,000	B	Community Health Systems Inc., Senior Subordinated Notes, 6.500% due 12/15/12	1,297,688

1,200,000	B	DaVita Inc.:	
1,640,000	B	Senior Notes, 6.625% due 3/15/13	1,177,500
		Senior Subordinated Notes, 7.250% due 3/15/15	1,619,500

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

	Face Amount	Rating	Security	Value
<b>Health Care Providers &amp; Services</b>		<b>4.5% (continued)</b>		
\$	105,000	B+	Extencicare Health Services Inc.: Senior Notes, 9.500% due 7/1/10	\$ 110,644
	1,000,000	B	Senior Subordinated Notes, 6.875% due 5/1/14	1,075,000
	4,445,000	BB+	HCA Inc.: Debentures, 7.500% due 11/15/95	3,192,683
	970,000	BB+	Notes, 7.690% due 6/15/25	762,062
	40,000	BB+	Senior Notes: 6.300% due 10/1/12	33,950
	1,150,000	BB+	6.375% due 1/15/15	931,500
	40,000	BB+	6.500% due 2/15/16	32,200
	2,675,000	B-	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	2,601,438
	1,275,000	BB+	Omnicare Inc., Senior Subordinated Notes, 6.875% due 12/15/15	1,244,719
	4,250,000	CCC+	Tenet Healthcare Corp., Senior Notes: 7.375% due 2/1/13	3,851,562
	3,190,000	CCC+	9.875% due 7/1/14	3,193,987
			<b>Total Health Care Providers &amp; Services</b>	<b>23,680,433</b>
<b>Hotels, Restaurants &amp; Leisure</b>		<b>4.5%</b>		
	1,325,000	BB-	Caesars Entertainment Inc., Senior Subordinated Notes, 8.875% due 9/15/08	1,391,250
	1,450,000	B-	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	1,486,250
	120,000	CCC+	Cinemark Inc., Senior Discount Notes, step bond to yield 9.856% due 3/15/14	96,300
	2,625,000	B-	Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14	2,559,375
	275,000	BB	Hilton Hotels Corp.: Notes, 7.625% due 12/1/12	293,906
	1,360,000	BB	Senior Notes, 7.950% due 4/15/07	1,383,800
	2,515,000	B-	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10	2,647,037
	150,000	B	Isle of Capri Casinos Inc., Senior Subordinated Notes: 9.000% due 3/15/12	157,313
	555,000	B	7.000% due 3/1/14	530,025
	2,150,000	B	Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15	2,029,063
	700,000	B+	Mandalay Resort Group, Senior Subordinated, Debentures, 7.625% due 7/15/13	694,750
	2,100,000	BB	MGM MIRAGE Inc., Senior Notes, 6.750% due 9/1/12	2,081,625
	1,400,000	B+	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	1,372,000
	2,290,000	B	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 (b)	2,453,162
	220,000	B+	River Rock Entertainment Authority, Senior Notes, 9.750% due 11/1/11	234,850
	1,250,000	BBB-	Starwood Hotels & Resorts Worldwide Inc., Senior Notes, 7.875% due 5/1/12	1,318,750
	2,035,000	BB-	Station Casinos Inc.: Senior Notes, 7.750% due 8/15/16	2,121,488

800,000

B+

Senior Subordinated Notes, 6.875% due 3/1/16

754,000

**Total Hotels, Restaurants & Leisure**

23,604,944

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Household Durables 2.8%</b>			
\$ 200,000	BB+	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	\$ 204,000
1,105,000	BB	Beazer Homes USA Inc.: 8.125% due 6/15/16	1,080,138
190,000	BB	Senior Notes, 6.875% due 7/15/15	172,900
1,140,000	BBB-	D.R. Horton Inc., Senior Notes, 8.000% due 2/1/09	1,193,581
2,150,000	B-	Interface Inc., Senior Notes, 10.375% due 2/1/10	2,354,250
2,440,000	BB	K Hovnanian Enterprises Inc., Senior Notes: 7.500% due 5/15/16	2,290,550
1,505,000	BB	8.625% due 1/15/17	1,501,238
1,670,000	B-	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	1,701,312
1,390,000	B-	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 10.830% due 9/1/12	1,132,850
2,225,000	B	Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14	2,280,625
735,000	B+	Standard Pacific Corp., Senior Subordinated Notes, 9.250% due 4/15/12	712,950
		<b>Total Household Durables</b>	<b>14,624,394</b>
<b>Household Products 0.7%</b>			
1,000,000	CCC	Nutro Products Inc., Senior Subordinated Notes, 10.750% due 4/15/14 (b)	1,075,000
1,140,000	CCC	Spectrum Brands Inc., Senior Subordinated Notes: 8.500% due 10/1/13	991,800
300,000	CCC	7.375% due 2/1/15	241,500
1,235,000	B-	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13 (b)	1,248,894
		<b>Total Household Products</b>	<b>3,557,194</b>
<b>Independent Power Producers &amp; Energy Traders 4.1%</b>			
1,055,000	NR	AES China Generating Co., Ltd., Class A, 8.250% due 6/26/10	1,037,339
3,855,000	B	AES Corp.: Senior Notes: 9.500% due 6/1/09	4,134,488
820,000	B	8.875% due 2/15/11	881,500
40,000	B	7.750% due 3/1/14	41,800
470,000	BB-	Senior Secured Notes, 9.000% due 5/15/15 (b)	508,775
4,500,000	B-	Dynegy Holdings Inc., Senior Debentures, 7.625% due 10/15/26	4,128,750
800,000	BB-	Edison Mission Energy, Senior Notes: 7.730% due 6/15/09	826,000
295,000	BB-	7.500% due 6/15/13 (b)	299,425
1,670,000	BB-	7.750% due 6/15/16 (b)	1,699,225
225,000	B-	Mirant Americas Generation LLC, Senior Notes, 9.125% due 5/1/31	230,063
1,825,000	B-	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	1,836,406
		NRG Energy Inc., Senior Notes:	

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950,000	B-	7.250% due 2/1/14	945,250
5,160,000	B-	7.375% due 2/1/16	5,140,650
		<b>Total Independent Power Producers &amp; Energy Traders</b>	<b>21,709,671</b>

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Industrial Conglomerates</b> 0.1%			
\$ 650,000	BB-	Sequa Corp., Senior Notes, 9.000% due 8/1/09	\$ 693,063
<b>Insurance</b> 0.6%			
3,095,000	BB	Crum & Forster Holdings Corp., Senior Notes, 10.375% due 6/15/13	3,187,850
<b>Internet &amp; Catalog Retail</b> 0.4%			
1,040,000	B	Brookstone Co. Inc., Senior Secured Notes, 12.000% due 10/15/12	951,600
1,215,000	B-	FTD Inc., Senior Subordinated Notes, 7.750% due 2/15/14	1,202,850
		<b>Total Internet &amp; Catalog Retail</b>	<b>2,154,450</b>
<b>IT Services</b> 0.7%			
775,000	B-	Sungard Data Systems Inc.: Senior Notes, 9.125% due 8/15/13	806,000
2,810,000	B-	Senior Subordinated Notes, 10.250% due 8/15/15	2,908,350
		<b>Total IT Services</b>	<b>3,714,350</b>
<b>Leisure Equipment &amp; Products</b> 0.3%			
1,450,000	B-	Warner Music Group, Senior Subordinated Notes, 7.375% due 4/15/14	1,421,000
<b>Machinery</b> 0.5%			
175,000	BB	Case New Holland Inc., Senior Notes, 9.250% due 8/1/11	186,375
485,000	B+	Commercial Vehicle Group Inc., Senior Notes, 8.000% due 7/1/13	466,812
1,040,000	B	Mueller Group Inc., Senior Subordinated Notes, 10.000% due 5/1/12	1,134,900
1,195,000	B	Mueller Holdings Inc., Discount Notes, step bond to yield 15.500% due 4/15/14	1,057,575
		<b>Total Machinery</b>	<b>2,845,662</b>
<b>Media</b> 11.8%			
1,935,000	B-	Affinion Group Inc., 10.125% due 10/15/13	2,041,425
675,000	B-	AMC Entertainment Inc.: Senior Note, Series B, 8.625% due 8/15/12	700,313
2,675,000	CCC+	Senior Subordinated Notes, 11.000% due 2/1/16	2,929,125
465,000	CCC+	Barrington Broadcasting Group LLC/Barrington Broadcasting Capital Corp., Senior Subordinated Notes, 10.500% due 8/15/14 (b)	455,700
1,860,176	B-	CanWest Media Inc., Senior Subordinated Notes, 8.000% due 9/15/12	1,846,225
1,960,000	CCC-	CCH I Holdings LLC, Senior Notes, 13.500% due 1/15/14	1,514,100
60,000	CCC-	CCH I Holdings LLC/CCH I Holding Capital Corp., Senior Notes, 11.750% due 5/15/14 (d)	43,050
2,950,000	CCC-	CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	2,699,250
2,570,000	CCC-	CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 9/15/10	2,634,250
		CSC Holdings Inc.: Senior Debentures: 7.875% due 2/15/18	151,163
145,000	B+	7.625% due 7/15/18	1,928,906
1,875,000	B+		

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		Senior Notes:	
1,025,000	B+	7.875% due 12/15/07	1,042,937
760,000	B+	7.250% due 4/15/12 (b)	760,950
		Series B:	
1,200,000	B+	8.125% due 7/15/09	1,248,000
700,000	B+	7.625% due 4/1/11	721,875

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Media	Face Amount 11.8% (continued)	Rating	Security	Value
\$	683,000	B	Dex Media East LLC/Dex Media East Finance Co., Senior Notes, Series B, 12.125% due 11/15/12	\$ 765,814
	1,416,000	B	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, Series B, 9.875% due 8/15/13	1,536,360
	1,544,000	BB-	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes: 8.375% due 3/15/13	1,607,690
	1,320,000	BB-	6.375% due 6/15/15	1,247,400
	945,000	BB-	EchoStar DBS Corp., Senior Notes: 7.000% due 10/1/13 (b)	928,462
	3,150,000	BB-	6.625% due 10/1/14	3,004,312
	2,950,000	BB-	7.125% due 2/1/16 (b)	2,865,187
	2,575,000	BBB+	Historic TW Inc., Senior Notes, 6.625% due 5/15/29	2,581,963
	2,300,000	CCC+	Houghton Mifflin Co., Senior Discount Notes, step bond to yield 11.232% due 10/15/13	2,018,250
	2,630,000	CCC+	Insight Communications Co. Inc., Senior Discount Notes, 12.250% due 2/15/11	2,794,375
	2,880,000	B-	Kabel Deutschland GMBH, Senior Notes, 10.625% due 7/1/14 (b)	3,103,200
	1,100,000	B	Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15	1,060,125
	100,000	B-	LIN Television Corp., Series B, 6.500% due 5/15/13	93,750
	2,160,000	B-	LodgeNet Entertainment Corp., Senior Subordinated Notes, 9.500% due 6/15/13	2,322,000
	1,635,000	B	Primedia Inc., Senior Notes, 8.875% due 5/15/11	1,606,387
	1,060,000	B	Quebecor Media Inc., Senior Notes, 7.750% due 3/15/16	1,066,625
	525,000	B	R.H. Donnelley Corp.: Senior Discount Notes: Series A-1, 6.875% due 1/15/13	481,688
	950,000	B	Series A-2, 6.875% due 1/15/13	871,625
	2,675,000	B	Senior Notes, Series A-3, 8.875% due 1/15/16	2,695,062
	500,000	B	R.H. Donnelley Finance Corp. I, Senior Subordinated Notes, 10.875% due 12/15/12 (b)	552,500
	1,235,000	B	Radio One Inc., Senior Subordinated Notes, Series B, 8.875% due 7/1/11	1,267,419
	2,540,000	B+	Rainbow National Services LLC: Senior Notes, 8.750% due 9/1/12 (b)	2,730,500
	450,000	B+	Senior Subordinated Debentures, 10.375% due 9/1/14 (b)	510,750
	270,000	BB+	Rogers Cable Inc.: Secured Notes, 5.500% due 3/15/14	255,150
	175,000	BB+	Senior Secured Notes, 6.250% due 6/15/13	173,688
	1,935,000	BB+	Senior Secured Second Priority Notes, 6.750% due 3/15/15	1,964,025
	795,000	B	Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12	809,906
	320,000	CCC	Vertis Inc., Senior Secured Second Lien Notes, 9.750% due 4/1/09	324,400
			<b>Total Media</b>	<b>61,955,882</b>

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<b>Metals &amp; Mining</b>	<b>1.1%</b>			
	175,000	B	Chaparral Steel Co., Senior Notes, 10.000% due 7/15/13	196,000
		BBB-	International Steel Group Inc., Senior Notes, 6.500% due 4/15/14	1,181,075
	1,190,000			
	2,870,000	B-	Metals USA Inc., 11.125% due 12/1/15	3,157,000

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Metals &amp; Mining 1.1% (continued)</b>			
\$ 1,445,000	B-	RathGibson Inc., Senior Notes, 11.250% due 2/15/14 (b)	\$ 1,495,575
		<b>Total Metals &amp; Mining</b>	<b>6,029,650</b>
<b>Multi-Utilities 0.1%</b>			
525,000	BB+	Avista Corp., Senior Notes, 9.750% due 6/1/08	558,338
<b>Multiline Retail 1.4%</b>			
2,177,000	BBB-	J.C. Penney Co. Inc., Notes, 9.000% due 8/1/12	2,525,274
	B-	Neiman Marcus Group Inc., Senior Subordinated Notes, 10.375% due 10/15/15	3,564,225
3,285,000		Saks Inc., Notes, 9.875% due 10/1/11	1,336,329
1,219,000	B+		
		<b>Total Multiline Retail</b>	<b>7,425,828</b>
<b>Office Electronics 0.5%</b>			
2,275,000	B+	Xerox Capital Trust I Exchange Capital Securities, 8.000% due 2/1/27	2,331,875
180,000	BB+	Xerox Corp., Senior Notes, 6.750% due 2/1/17	183,600
		<b>Total Office Electronics</b>	<b>2,515,475</b>
<b>Oil, Gas &amp; Consumable Fuels 8.4%</b>			
1,130,000	B-	Alpha Natural Resources LLC/Alpha Natural Resources Capital Corp., Senior Notes, 10.000% due 6/1/12	1,220,400
	CCC+	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	2,738,190
2,652,000		Chesapeake Energy Corp., Senior Notes:	
	BB	6.625% due 1/15/16	3,167,050
3,265,000		6.875% due 1/15/16	334,050
340,000	BB	6.500% due 8/15/17	659,750
700,000	BB	6.250% due 1/15/18	1,492,000
1,600,000	BB-	Cimarex Energy Co., Senior Notes, 9.600% due 3/15/12	1,188,260
1,121,000	BB-	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	567,150
570,000		El Paso Corp., Medium-Term Notes:	
	B	7.800% due 8/1/31	772,500
750,000	B	7.750% due 1/15/32	6,463,250
6,275,000		Enterprise Products Operating LP, Junior Subordinated Notes, 8.375% due 8/1/66 (d)	1,275,766
1,210,000	B+	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	1,473,750
	CCC+	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 (b)	2,903,200
3,040,000	B-	Mariner Energy Inc., Senior Notes, 7.500% due 4/15/13 (b)	902,400
940,000	B+	OMI Corp., Senior Notes, 7.625% due 12/1/13	746,025
735,000	B-	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13 (b)	1,272,600
1,260,000		Plains Exploration & Production Co., Senior Subordinated Notes, Series B, 8.750% due 7/1/12	2,257,812
2,125,000	B+	Pogo Producing Co., Senior Subordinated Notes:	

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60,000	B+	7.875% due 5/1/13 (b)	61,425
2,040,000	B+	6.875% due 10/1/17	1,955,850
520,000	B+	Series B, 8.250% due 4/15/11	534,950
100,000	BB-	SESI LLC, Senior Notes, 6.875% due 6/1/14 (b)	99,500
	B	Swift Energy Co., Senior Subordinated Notes, 9.375% due 5/1/12	742,000
700,000			
1,210,000	A-	Vintage Petroleum Inc., Senior Notes, 8.250% due 5/1/12	1,277,511

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Oil, Gas &amp; Consumable Fuels</b>	<b>8.4% (continued)</b>		
\$ 1,125,000	B	Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14 Williams Cos. Inc.:	\$ 1,102,500
		Notes:	
2,580,000	BB-	7.875% due 9/1/21	2,709,000
3,780,000	BB-	8.750% due 3/15/32	4,158,000
1,825,000	BB-	Senior Notes, 7.625% due 7/15/19	1,907,125
		<b>Total Oil, Gas &amp; Consumable Fuels</b>	<b>43,982,014</b>
<b>Paper &amp; Forest Products</b>	<b>1.8%</b>		
2,650,000	B	Appleton Papers Inc., Senior Subordinated Notes, Series B, 9.750% due 6/15/14	2,630,125
1,115,000	B+	Catalyst Paper Corp., Senior Notes, Series D, 8.625% due 6/15/11	1,101,062
1,005,000	B+	Domtar Inc., Notes, 5.375% due 12/1/13	864,300
2,705,000	CCC+	NewPage Corp., Senior Subordinated Notes, 12.000% due 5/1/13	2,813,200
510,000	BB+	P.H. Glatfelter, Senior Notes, 7.125% due 5/1/16 (b) Verso Paper Holdings LLC:	499,844
630,000	B+	Senior Secured Notes, 9.125% due 8/1/14 (b)	637,088
1,025,000	B-	Senior Subordinated Notes, 11.375% due 8/1/16 (b)	1,022,438
		<b>Total Paper &amp; Forest Products</b>	<b>9,568,057</b>
<b>Personal Products</b>	<b>0.4%</b>		
2,150,000	B+	Playtex Products Inc., Senior Secured Notes, 8.000% due 3/1/11	2,241,375
<b>Pharmaceuticals</b>	<b>0.4%</b>		
1,980,000	CCC	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12	1,925,550
<b>Real Estate Investment Trusts (REITs)</b>	<b>1.5%</b>		
75,000	BB-	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	76,875
2,920,000	BB	Host Marriott LP, Senior Notes: Series I, 9.500% due 1/15/07	2,960,150
1,300,000	BB	Series O, 6.375% due 3/15/15	1,267,500
1,430,000	B	Kimball Hill Inc., Senior Subordinated Notes, 10.500% due 12/15/12	1,297,725
470,000	BB+	Ventas Realty LP/Ventas Capital Corp.: 7.125% due 6/1/15	485,862
425,000	BB+	Senior Notes: 6.500% due 6/1/16	424,469
1,120,000	BB+	6.750% due 4/1/17	1,132,600
		<b>Total Real Estate Investment Trusts (REITs)</b>	<b>7,645,181</b>
<b>Road &amp; Rail</b>	<b>0.7%</b>		
1,240,000	BB-	Avis Budget Car Rental LLC/Avis Budget Finance Inc., Senior Notes, 7.905% due 5/15/14 (b)(d)	1,221,400

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		Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes:	
220,000	B-	10.250% due 6/15/07	226,050
2,115,000	B-	9.375% due 5/1/12	2,252,475
70,000	B-	12.500% due 6/15/12	77,350
		<b>Total Road &amp; Rail</b>	<b>3,777,275</b>

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>Semiconductors &amp; Semiconductor Equipment 0.2%</b>			
\$ 2,035,000	B-	MagnaChip Semiconductor, Senior Subordinated Notes, 8.000% due 12/15/14	\$ 1,246,438
<b>Software 0.2%</b>			
1,140,000	CCC+	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16 (b)	1,060,200
<b>Specialty Retail 1.9%</b>			
845,000	B	Asbury Automotive Group Inc., Senior Subordinated Notes, 9.000% due 6/15/12	869,294
445,000	BB+	AutoNation Inc., Senior Notes: 7.507% due 4/15/13 (b)(d)	452,788
560,000	BB+	7.000% due 4/15/14 (b)	561,400
900,000	CCC	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	830,250
1,775,000	CCC	Buffets Inc., Senior Subordinated Notes, 11.250% due 7/15/10	1,885,937
1,800,000	BBB-	Gap Inc., Notes, 9.550% due 12/15/08	1,942,124
1,950,000	CCC+	Hines Nurseries Inc., Senior Notes, 10.250% due 10/1/11	1,769,625
1,720,000	B-	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	1,668,400
		<b>Total Specialty Retail</b>	<b>9,979,818</b>
<b>Textiles, Apparel &amp; Luxury Goods 0.9%</b>			
950,000	B-	Levi Strauss & Co., Senior Notes: 9.750% due 1/15/15	990,375
1,600,000	B-	8.875% due 4/1/16	1,600,000
3,350,000	B-	Simmons Co., Senior Discount Notes, step bond to yield 10.002% due 12/15/14	2,403,625
		<b>Total Textiles, Apparel &amp; Luxury Goods</b>	<b>4,994,000</b>
<b>Thrifts &amp; Mortgage Finance 1.1%</b>			
5,500,000	CCC-	Ocwen Capital Trust I, Capital Securities, 10.875% due 8/1/27	5,816,250
<b>Tobacco 0.2%</b>			
1,130,000	B-	Alliance One International Inc., 11.000% due 5/15/12	1,158,250
<b>Trading Companies &amp; Distributors 1.1%</b>			
940,000	B	Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (b)	982,300
805,000	B+	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16 (b)	829,150
2,205,000	CCC+	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (b)	2,320,762
1,490,000	B-	Transdigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (b)	1,508,625
		<b>Total Trading Companies &amp; Distributors</b>	<b>5,640,837</b>
<b>Wireless Telecommunication Services 3.0%</b>			
2,550,000	BBB+		2,632,875

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		IWO Holdings Inc., Senior Secured Notes, 9.257% due 1/15/12 (d)	
250,000	BB	Rogers Wireless Communications Inc., Senior Secured Notes, 7.250% due 12/15/12	262,813
620,000	B+	Rogers Wireless Inc., Senior Subordinated Notes, 8.000% due 12/15/12	661,850
2,040,000	CCC	Rural Cellular Corp., Senior Notes, 9.875% due 2/1/10	2,136,900
5,550,000	BBB+	Sprint Capital Corp.: Notes, 8.750% due 3/15/32	6,787,578
3,250,000	BBB+	Senior Notes, 6.875% due 11/15/28	3,303,121
		<b>Total Wireless Telecommunication Services</b>	15,785,137
		<b>TOTAL CORPORATE BONDS &amp; NOTES</b>	
		(Cost \$478,851,077)	<b>490,180,083</b>

See Notes to Financial Statements.

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Face Amount	Rating	Security	Value
<b>CONVERTIBLE BOND 0.1%</b>			
<b>Semiconductors 0.1%</b>			
\$ 650,000	CC	Amkor Technologies Inc., Senior Subordinated Bond, 2.500% due 5/15/11 (Cost \$568,083)	\$ 546,000
<b>ASSET-BACKED SECURITY 0.0%</b>			
<b>Diversified Financial Services 0.0%</b>			
9,956,016	D	Airplanes Pass-Through Trust, Subordinated Notes, Series D, 10.875% due 3/15/19 (a)(c)(f) (Cost \$10,745,818)	0
<b>LOAN PARTICIPATION 1.1%</b>			
<b>United States 1.1%</b>			
5,500,000	NR	UPC Broadband Holding B.V. Term Loan, (Toronto Dominion) 7.640% due 3/15/13 (g) (Cost \$5,500,000)	5,495,826
<b>SOVEREIGN BONDS 1.6%</b>			
<b>Brazil 0.5%</b>			
1,480,000	BB	Federative Republic of Brazil: 11.000% due 8/17/40	1,928,810
640,000	BB	Collective Action Securities, Notes, 8.000% due 1/15/18	702,560
		<b>Total Brazil</b>	2,631,370
<b>Panama 0.1%</b>			
510,000	BB	Republic of Panama, 9.375% due 4/1/29	656,625
<b>Russia 1.0%</b>			
4,690,000	BBB+	Russian Federation, 5.000% due 3/31/30 (d)	5,239,621
		<b>TOTAL SOVEREIGN BONDS</b> (Cost \$8,377,023)	<b>8,527,616</b>
<b>Shares</b>			
<b>COMMON STOCKS 0.1%</b>			
<b>CONSUMER DISCRETIONARY 0.0%</b>			
<b>Household Durables 0.0%</b>			
4,660,992		Home Interiors & Gifts Inc. (c)(f)*	46,610
<b>CONSUMER STAPLES 0.0%</b>			
<b>Food Products 0.0%</b>			
73,499		Aurora Foods Inc. (c)(f)*	0
<b>FINANCIALS 0.0%</b>			
<b>Diversified Financial Services 0.0%</b>			
10,722		Outsourcing Solutions Inc. (c)*	45,568
<b>INFORMATION TECHNOLOGY 0.1%</b>			
<b>Communications Equipment 0.1%</b>			
12,427		Motorola Inc.	310,675
<b>Semiconductors &amp; Semiconductor Equipment 0.0%</b>			
1,372		Freescale Semiconductor Inc., Class B Shares*	52,150
		<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>362,825</b>

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

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## Schedule of Investments (September 30, 2006) (continued)

Shares	Security	Value
<b>TELECOMMUNICATION SERVICES 0.0%</b>		
<b>Diversified Telecommunication Services 0.0%</b>		
3,736	McLeodUSA Inc., Class A Shares (c)*	\$ 0
20,125	Pagemart Wireless (b)(c)(f)	201
	<b>TOTAL TELECOMMUNICATION SERVICES</b>	<b>201</b>
	<b>TOTAL COMMON STOCKS</b>	<b>455,204</b>
	(Cost \$7,384,183)	
<b>PREFERRED STOCKS 0.5%</b>		
<b>CONSUMER DISCRETIONARY 0.3%</b>		
<b>Automobiles 0.3%</b>		
22,300	Ford Motor Co., 7.400%	404,745
17,100	Ford Motor Co., 8.000%	322,335
1,600	Ford Motor Co., Series F, 7.550%	29,232
900	General Motors Corp., 7.250%	16,587
31,700	General Motors Corp., 7.500%	600,715
10,100	General Motors Corp., Senior Notes, 7.250%	186,749
2,200	General Motors Corp., Senior Notes, 7.375%	41,206
400	General Motors Corp., Senior Notes, 7.375%	7,540
	<b>TOTAL CONSUMER DISCRETIONARY</b>	<b>1,609,109</b>
<b>ENERGY 0.2%</b>		
<b>Oil, Gas &amp; Consumable Fuels 0.2%</b>		
3,111	Chesapeake Energy Corp., 6.250%	784,874
<b>FINANCIALS 0.0%</b>		
<b>Diversified Financial Services 0.0%</b>		
3,400	Preferred Plus, Series FRD-1, 7.400%	61,268
8,400	Saturns, Series F 2003-5, 8.125%	159,180
	<b>TOTAL FINANCIALS</b>	<b>220,448</b>
	<b>TOTAL PREFERRED STOCKS</b>	
	(Cost \$2,396,757)	<b>2,614,431</b>
<b>CONVERTIBLE PREFERRED STOCKS 0.2%</b>		
<b>TELECOMMUNICATION SERVICES 0.2%</b>		
<b>Wireless Telecommunication Services 0.2%</b>		
19,800	Crown Castle International Corp., 6.250% due 8/15/12 (Cost \$584,350)	<b>1,111,275</b>
<b>Warrants</b>		
<b>WARRANTS (c)(f) 0.0%</b>		
1,705	Cybernet Internet Services International Inc., Expires 7/1/09 (b)*	0
1,555	GT Group Telecom Inc., Class B Shares, Expires 2/1/10 (b)*	0
1,185	IWO Holdings Inc., Expires 1/15/11 (b)*	0
1,000	Jazztel PLC, Expires 7/15/10 (b)*	0
1,765	Merrill Corp., Class B Shares, Expires 5/1/09 (b)*	0
245	Pliant Corp., Expires 6/1/10 (b)*	2
6,975	RSL Communications Ltd., Class A Shares, Expires 11/15/06*	0

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

## Schedule of Investments (September 30, 2006) (continued)

Warrants	Security	Value
<b>WARRANTS (c)(f) 0.0% (continued)</b>		
3,510	Viasystems Group Inc., Expires 1/12/10*	\$ 0
	<b>TOTAL WARRANTS</b>	<b>2</b>
	(Cost \$644,503)	
	<b>TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENT</b>	<b>508,930,437</b>
	(Cost \$515,051,794)	
<b>Face Amount</b>		
<b>SHORT-TERM INVESTMENT 1.5%</b>		
<b>Repurchase Agreement 1.5%</b>		
\$ 8,242,000	Nomura Securities International Inc. repurchase agreement dated 9/29/06, 5.330% due 10/2/06; Proceeds at maturity \$8,245,661; (Fully collateralized by U.S government agency obligation, 4.250% due 6/23/08; Market value \$8,407,213) (Cost \$8,242,000)	<b>8,242,000</b>
	<b>TOTAL INVESTMENTS 98.2% (Cost \$523,293,794#)</b>	<b>517,172,437</b>
	Other Assets in Excess of Liabilities 1.8%	9,227,694
	<b>TOTAL NET ASSETS 100.0%</b>	<b>\$526,400,131</b>

\* Non-income producing security.

All ratings are by Standard & Poor's Ratings Service, unless otherwise noted. All ratings are unaudited.

- (a) Security is currently in default.
- (b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (c) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
- (d) Variable rate security. Interest rate disclosed is that which is in effect at September 30, 2006.
- (e) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (f) Illiquid security.
- (g) Participation interest was acquired through the financial institution indicated parenthetically.
- # Aggregate cost for federal income tax purposes is \$524,529,941.

See page 21 for definitions of ratings.

**See Notes to Financial Statements.**



Bond Ratings (unaudited)

The definitions of the applicable rating symbols are set forth below:

*Standard & Poor's Ratings Service (Standard & Poor's)* Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC, CC and C	Bonds rated BB, B, CCC, CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
D	Bonds rated D are in default and payment of interest and/or repayment of principal is in arrears.
NR	Indicates that the bond is not rated by Standard & Poor's, Moody's Investors Service or Fitch Ratings Service.

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

**Statement of Assets and Liabilities (September 30, 2006)****ASSETS:**

Investments, at value (Cost \$523,293,794)	\$	517,172,437
Cash		500
Dividends and interest receivable		10,679,740
Receivable for securities sold		5,138,337
Other receivables		289,606
Prepaid expenses		31,486
<b>Total Assets</b>		<b>533,312,106</b>

**LIABILITIES:**

Payable for securities purchased		6,247,697
Investment management fee payable		345,216
Deferred compensation payable		20,819
Directors' fees payable		1,507
Accrued expenses		296,736
<b>Total Liabilities</b>		<b>6,911,975</b>
<b>Total Net Assets</b>	<b>\$</b>	<b>526,400,131</b>

**NET ASSETS:**

Par value (\$0.001 par value; 73,927,179 shares issued and outstanding; 500,000,000 shares authorized)	\$	73,927
Paid-in capital in excess of par value		840,585,911
Undistributed net investment income		1,915,999
Accumulated net realized loss on investments		(310,054,349)
Net unrealized depreciation on investments		(6,121,357)
<b>Total Net Assets</b>	<b>\$</b>	<b>526,400,131</b>
<b>Shares Outstanding</b>		<b>73,927,179</b>
<b>Net Asset Value</b>	<b>\$</b>	<b>7.12</b>

**See Notes to Financial Statements.**

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

**Statement of Operations (For the year ended September 30, 2006)****INVESTMENT INCOME:**

Interest	\$	44,499,887
Dividends		181,292
<b>Total Investment Income</b>		<b>44,681,179</b>

**EXPENSES:**

Investment management fee (Note 2)		4,195,948
Shareholder reports		218,417
Transfer agent fees		133,150
Stock exchange listing fees		64,033
Legal fees		37,937
Audit and tax		31,079
Custody fees		21,759
Insurance		11,205
Directors' fees		10,995
Miscellaneous expenses		11,454
<b>Total Expenses</b>		<b>4,735,977</b>
Less: Fee waivers and/or expense reimbursements (Note 2)		(11,599)
<b>Net Expenses</b>		<b>4,724,378</b>
<b>Net Investment Income</b>		<b>39,956,801</b>

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (NOTES 1 AND 3):**

Net Realized Gain From Investment Transactions		13,277,404
Change in Net Unrealized Appreciation/Depreciation From Investments		(18,369,684)
<b>Net Loss on Investments</b>		<b>(5,092,280)</b>
<b>Increase in Net Assets From Operations</b>	<b>\$</b>	<b>34,864,521</b>

See Notes to Financial Statements.

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

**Statements of Changes in Net Assets (For the years ended September 30,)**

	2006		2005
<b>OPERATIONS:</b>			
Net investment income	\$ 39,956,801	\$	38,067,236
Net realized gain	13,277,404		5,010,895
Change in net unrealized appreciation/depreciation	(18,369,684)		(12,301,915)
Increase from payment by affiliate (Note 2)			227,500
<b>Increase in Net Assets From Operations</b>	<b>34,864,521</b>		<b>31,003,716</b>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):</b>			
Net investment income	(37,259,298)		(40,364,240)
<b>Decrease in Net Assets From Distributions to Shareholders</b>	<b>(37,259,298)</b>		<b>(40,364,240)</b>
<b>Decrease in Net Assets</b>	<b>(2,394,777)</b>		<b>(9,360,524)</b>
<b>NET ASSETS:</b>			
Beginning of year	528,794,908		538,155,432
<b>End of year*</b>	<b>\$ 526,400,131</b>	<b>\$</b>	<b>528,794,908</b>
<hr/>			
* Includes undistributed (overdistributed) net investment income of:	\$ 1,915,999	\$	(1,493,047)

See Notes to Financial Statements.

Western Asset High Income Opportunity Fund Inc. 2006 Annual Report

**Financial Highlights**

For a share of capital stock outstanding throughout each year ended September 30:

	2006(1)	2005(1)	2004(1)	2003(1)	2002
<b>Net Asset Value, Beginning of Year</b>	\$ 7.15	\$ 7.28	\$ 7.08	\$ 6.10	\$ 7.15
<b>Income (Loss) From Operations:</b>					
Net investment income	0.54	0.52	0.56	0.63	0.66
Net realized and unrealized gain (loss)	(0.07)	(0.10)	0.24	1.03	(0.96)
Total Income (Loss) From Operations	0.47	0.42	0.80	1.66	(0.30)
<b>Less Distributions From:</b>					
Net investment income	(0.50)	(0.55)	(0.57)	(0.61)	(0.67)
Return of capital			(0.03)	(0.07)	(0.08)
Total Distributions	(0.50)	(0.55)	(0.60)	(0.68)	(0.75)
<b>Net Asset Value, End of Year</b>	\$ 7.12	\$ 7.15	\$ 7.28	\$ 7.08	\$ 6.10
<b>Market Price, End of Year</b>	\$ 6.37	\$ 6.29	\$ 6.83	\$ 7.09	\$ 6.00
<b>Total Return Based on Net Asset Value(2)</b>	7.98%	6.69%(3)	12.05%	28.67%	(4.85)%
<b>Total Return, Based on Market Price(4)</b>	9.82%	0.04%	4.97%	31.00%	(8.20)%
<b>Net Assets, End of Year (millions)</b>	\$ 526	\$ 529	\$ 538	\$ 523	\$ 442
<b>Ratios to Average Net Assets:</b>					
Gross expenses	0.90%	1.25%	1.26%	1.28%	1.23%
Net expenses	0.90(5)	1.25	1.26	1.28	1.23
Net investment income	7.62	7.07	7.73	9.46	10.04
<b>Portfolio Turnover Rate</b>	65%	22%	31%	37%	77%

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- (1) Per share amounts have been calculated using the average shares method.
  - (2) Performance figures may reflect fee waivers and/or expense reimbursements. Past performance is no guarantee of future results. In the absence of fee waivers and/or expense reimbursements, the total return would have been lower.
  - (3) The investment manager fully reimbursed the Fund for losses incurred resulting from an investment transaction error. Without this reimbursement, total return would not have changed.
  - (4) The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan.
  - (5) Reflects fee waivers and/or expense reimbursements.