

HIGH INCOME OPPORTUNITY FUND INC
Form N-Q
February 28, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

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

Investment Company Act file number **811-7920**

High Income Opportunity Fund Inc.

(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Smith Barney Fund Management LLC

300 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

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

Date of fiscal year end: **September 30**

Date of reporting period: **December 31, 2004**

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ITEM 1. SCHEDULE OF INVESTMENTS

Schedule of Investments (unaudited)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|--|-----------|---|------------|
| CORPORATE BONDS AND NOTES 93.0% | | | |
| CONSUMER DISCRETIONARY 25.1% | | | |
| Cable & Media 8.3% | | | |
| \$ 525,000 | BB+ | Avista Corp., Sr. Notes, 9.750% due 6/1/08 | \$ 611,341 |
| | | Charter Communications Holdings LLC, Sr. Discount Notes: | |
| 8,655,000 | CCC- | Step bond to yield 11.732% due 1/15/10 | 8,114,062 |
| 2,735,000 | CCC- | Step bond to yield 11.668% due 1/15/11 | 2,311,075 |
| 3,880,000 | CCC- | Step bond to yield 17.391% due 5/15/11 | 2,871,200 |
| | | CSC Holdings Inc.: | |
| 2,425,000 | BB- | Sr. Debentures, 7.625% due 7/15/18 | 2,576,563 |
| | | Sr. Notes: | |
| 1,025,000 | BB- | 7.875% due 12/15/07 | 1,104,438 |
| | | Series B: | |
| 1,200,000 | BB- | 8.125% due 7/15/09 | 1,318,500 |
| 700,000 | BB- | 7.625% due 4/1/11 | 757,750 |
| 1,955,000 | B+ | Sr. Sub. Debentures, 10.500% due 5/15/16 | 2,228,700 |
| 2,375,000 | BB- | DirecTV Holdings LLC, Sr. Notes, 8.375% due 3/15/13 | 2,674,844 |
| | | Echostar DBS Corp.: | |
| 3,150,000 | BB- | Guaranteed Notes, 6.625% due 10/1/14 (b) | 3,205,125 |
| 1,979,000 | BB- | Sr. Notes, 9.125% due 1/15/09 | 2,186,795 |
| 2,630,000 | B- | Insight Communications Co., Inc., Sr. Discount Notes, step bond to yield 13.766% due 2/15/11 | 2,570,825 |
| 650,000 | B+ | Insight Midwest L.P./Insight Capital Inc., Sr. Notes, 10.500% due 11/1/10 | 715,000 |
| 3,075,000 | B | Mediacom Broadband LLC, Sr. Notes, 11.000% due 7/15/13 | 3,321,000 |
| 75,000 | B | Mediacom LLC/Mediacom Capital Corp., Sr. Notes, 9.500% due 1/15/13 | 75,656 |
| 1,300,000 | B+ | PanAmSat Corp., Guaranteed Notes, 9.000% due 8/15/14 (b) | 1,457,625 |
| 4,500,000 | B+ | Rogers Cablesystems, Ltd., Guaranteed Notes, 11.000% due 12/1/15 | 5,040,000 |
| 2,575,000 | BBB+ | Time Warner Inc., Guaranteed Notes, 6.625% due 5/15/29 | 2,783,253 |
| | | | 45,923,752 |
| Casinos & Gaming 5.0% | | | |
| 2,170,000 | B | Ameristar Casinos Inc., Guaranteed Notes, 10.750% due 2/15/09 | 2,430,400 |
| | | Caesars Entertainment Inc., Sr. Sub. Notes: | |
| 1,300,000 | BB- | 9.375% due 2/15/07 | 1,436,500 |
| 1,325,000 | BB- | 8.875% due 9/15/08 | 1,503,875 |
| 2,545,000 | BB- | 8.125% due 5/15/11 | 2,952,200 |
| 1,845,000 | B- | Global Cash Access LLC/Global Cash Finance Corp., Sr. Sub. Notes, 8.750% due 3/15/12 | 1,997,213 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|--|-----------|---|--------------|
| Casinos & Gaming 5.0% (continued) | | | |
| \$ 2,625,000 | B- | Herbst Gaming Inc., Sr. Sub. Notes, 7.000% due 11/15/14 (b) | \$ 2,670,938 |
| 2,175,000 | B | Kerzner International Ltd., Guaranteed Notes, 8.875% due 8/15/11 | 2,387,062 |
| 700,000 | BB- | Mandalay Resort Group: Sr. Sub. Debentures, 7.625% due 7/15/13 | 770,000 |
| 1,725,000 | BB- | Sr. Sub. Notes, Series B, 10.250% due 8/1/07 | 1,957,875 |
| MGM MIRAGE: | | | |
| Guaranteed Notes: | | | |
| 875,000 | BB- | 9.750% due 6/1/07 | 975,625 |
| 2,050,000 | BB- | 8.375% due 2/1/11 | 2,321,625 |
| 2,100,000 | BB+ | Sr. Notes, 6.750% due 9/1/12 | 2,220,750 |
| 125,000 | B+ | Scientific Games Corp., Sr. Sub. Notes, 6.250% due 12/15/12 (b) | 127,812 |
| 800,000 | B+ | Station Casinos, Inc., Sr. Sub. Notes, 6.875% due 3/1/16 | 837,000 |
| 2,615,000 | B | Venetian Casino Resort LLC, Guaranteed Notes, 11.000% due 6/15/10 | 2,997,444 |
| | | | 27,586,319 |
| Home Builders 1.6% | | | |
| D.R. Horton Inc.: | | | |
| 1,140,000 | BB+ | Guaranteed Notes, 8.000% due 2/1/09 | 1,281,075 |
| 910,000 | BB- | Sr. Sub. Notes, 9.375% due 3/15/11 | 1,010,100 |
| 1,350,000 | BB- | KB HOME, Sr. Sub. Notes, 9.500% due 2/15/11 | 1,491,750 |
| 1,490,000 | BBB- | Lennar Corp., Guaranteed Notes, Series B, 9.950% due 5/1/10 | 1,598,484 |
| 650,000 | BBB- | Ryland Group, Inc., Sr. Notes, 9.750% due 9/1/10 | 710,125 |
| 1,715,000 | BB- | Schuler Homes Inc., Guaranteed Notes, 10.500% due 7/15/11 | 1,959,388 |
| 875,000 | B+ | Standard Pacific Corp., Sr. Sub. Notes, 9.250% due 4/15/12 | 1,019,375 |
| | | | 9,070,297 |
| International Cable 0.1% | | | |
| 400,000 | B- | NTL Cable Plc, Sr. Notes, 8.750% due 4/15/14 (b) | 453,000 |
| Leisure 1.0% | | | |
| 846,000 | CCC+ | AMC Entertainment Inc., Sr. Sub. Notes, 9.500% due 2/1/11 | 878,782 |
| 3,725,000 | B- | Cinemark, Inc., Sr. Discount Notes, step bond to yield 9.393% due 3/15/14 | 2,831,000 |
| 250,000 | CCC+ | LCE Acquisition Corp., Guaranteed Notes, 9.000% due 8/1/14 (b) | 271,875 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|---------------------------------------|-----------|--|------------|
| Leisure 1.0% (continued) | | | |
| \$ 900,000 | CCC | Six Flags Inc., Sr. Notes: 9.750% due 4/15/13 | \$ 918,000 |
| 675,000 | CCC | 9.625% due 6/1/14 | 681,750 |
| | | | 5,581,407 |
| Lodging 1.7% | | | |
| 275,000 | BBB- | Hilton Hotels Corp.: Notes, 7.625% due 12/1/12 | 322,081 |
| 1,360,000 | BBB- | Sr. Notes, 7.950% due 4/15/07 | 1,480,023 |
| 2,920,000 | B+ | Host Marriott L.P., Guaranteed Notes, Series I, 9.500% due 1/15/07 | 3,212,000 |
| 2,550,000 | CCC+ | MeriStar Hospitality Operating Partnership, L.P./ MeriStar Hospitality Finance Corp., Guaranteed Notes, 10.500% due 6/15/09 | 2,792,250 |
| 1,250,000 | BB+ | Starwood Hotels & Resorts Worldwide Inc., Guaranteed Notes, 7.875% due 5/1/12 | 1,434,375 |
| | | | 9,240,729 |
| Publishing & Printing 2.1% | | | |
| 175,000 | B | Cadmus Communications Corp., Sr. Sub. Notes, 8.375% due 6/15/14 | 191,406 |
| 3,925,176 | B- | Canwest Media Inc., Sr. Sub. Notes, 8.000% due 9/15/12 (b) | 4,229,377 |
| 3,000,000 | B | Dex Media Inc., Discount Notes: Step bond to yield 8.372% due 11/15/13 | 2,366,250 |
| 1,250,000 | B | Step bond to yield 9.161% due 11/15/13 | 985,938 |
| 2,300,000 | B- | Houghton Mifflin Co., Sr. Discount Notes, step bond to yield 11.232% due 10/15/13 | 1,702,000 |
| 609,000 | B | PEI Holdings Inc., Sr. Secured Notes, 11.000% due 3/15/10 | 712,530 |
| 625,000 | B- | Vertis Inc., Secured Notes, 9.750% due 4/1/09 | 681,250 |
| 601,000 | BB- | Yell Finance B.V., Sr. Discount Notes, step bond to yield 12.263% due 8/1/11 | 593,487 |
| | | | 11,462,238 |
| Radio 0.5% | | | |
| 375,000 | B- | NextMedia Operating Inc., Guaranteed Notes, 10.750% due 7/1/11 | 421,875 |
| 1,235,000 | B- | Radio One, Inc., Guaranteed Notes, Series B, 8.875% due 7/1/11 | 1,350,781 |
| 850,000 | CCC+ | Spanish Broadcasting Systems, Guaranteed Notes, 9.625% due 11/1/09 | 894,625 |
| | | | 2,667,281 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|------------------------------|-----------|---|--------------------|
| Restaurants 1.0% | | | |
| \$ 1,775,000 | CCC+ | Buffets, Inc., Sr. Sub. Notes, 11.250% due 7/15/10 | \$ 1,908,125 |
| 1,350,000 | B- | Carrols Corp., Sr. Sub. Notes, 9.000% due 1/15/13 (b) | 1,404,000 |
| 1,150,000 | B- | Friendly Ice Cream Corp., Sr. Notes, 8.375% due 6/15/12 | 1,134,188 |
| 1,000,000 | B | VICORP Restaurants, Inc., Sr. Notes, 10.500% due 4/15/11 | 1,010,000 |
| | | | 5,456,313 |
| Retail 2.3% | | | |
| 800,000 | B- | Equinox Holdings Inc., Sr. Notes, 9.000% due 12/15/09 | 856,000 |
| 1,250,000 | CCC+ | Eye Care Centers of America, Inc., Guaranteed Notes, 9.125% due 5/1/08 | 1,256,250 |
| 1,800,000 | BB+ | The Gap Inc., Notes, 10.300% due 12/15/08 | 2,200,500 |
| 2,325,000 | BB+ | J.C. Penney Co. Inc., Notes: 8.000% due 3/1/10 | 2,667,938 |
| 2,177,000 | BB+ | 9.000% due 8/1/12 | 2,694,038 |
| 897,000 | Aa3* | Pennzoil-Quaker State Co., Guaranteed Notes, 10.000% due 11/1/08 | 988,332 |
| 1,819,000 | BB | Saks Inc., Guaranteed Notes, 9.875% due 10/1/11 | 2,164,610 |
| | | | 12,827,668 |
| Television Other 0.4% | | | |
| 665,000 | CCC | Paxson Communications Corp., Guaranteed Notes: 10.750% due 7/15/08 | 701,575 |
| 1,370,000 | CCC | Step bond to yield 12.309% due 1/15/09 | 1,287,800 |
| | | | 1,989,375 |
| Textile/Apparel 1.1% | | | |
| 2,000,000 | B- | Interface, Inc., Sr. Notes, 10.375% due 2/1/10 | 2,310,000 |
| 1,255,000 | CCC | Levi Strauss & Co.: Notes, 7.000% due 11/1/06 | 1,324,025 |
| 1,350,000 | CCC | Sr. Notes, 11.625% due 1/15/08 | 1,424,250 |
| 777,000 | B+ | The William Carter Co., Guaranteed Notes, Series B, 10.875% due 8/15/11 | 874,125 |
| | | | 5,932,400 |
| | | | 138,190,779 |

**TOTAL CONSUMER
DISCRETIONARY**

CONSUMER STAPLES 6.1%

Consumer Products 3.2%

| | | | |
|-----------|------|---|-----------|
| 1,220,000 | BBB- | American Greetings Corp., Notes, 6.100% due 8/1/28 | 1,308,450 |
| 1,950,000 | B | Hines Nurseries Inc., Guaranteed Notes, 10.250% due 10/1/11 | 2,140,125 |
| 2,550,000 | CCC | Home Interiors & Gifts Inc., Guaranteed Notes, 10.125% due 6/1/08 | 2,116,500 |
| 2,200,000 | B- | Icon Health & Fitness, Inc., Guaranteed Notes, 11.250% due 4/1/12 | 1,859,000 |
| 1,150,000 | CCC+ | Leiner Health Products Inc., Sr. Sub. Notes, 11.000% due 6/1/12 | 1,262,125 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|---|-----------|---|-------------------|
| Consumer Products 3.2% (continued) | | | |
| \$ 2,150,000 | B | Playtex Products, Inc., Secured Notes, 8.000% due 3/1/11 | \$ 2,359,625 |
| 225,000 | B- | Riddell Bell Holdings Inc., Sr. Sub. Notes, 8.375% due 10/1/12 (b) | 234,000 |
| 2,550,000 | B- | Sealy Mattress Co., Sr. Sub. Notes, 8.250% due 6/15/14 | 2,715,750 |
| 3,350,000 | B- | Simmons Bedding Co., Sr. Discount Notes, step bond to yield 10.002% due 12/15/14 (b) | 2,060,250 |
| 1,395,000 | B | Sola International Inc., Notes, 6.875% due 3/15/08 | 1,417,585 |
| | | | 17,473,410 |
| Food Processing/Beverages/Tobacco 1.6% | | | |
| 875,000 | B+ | Cott Beverages USA Inc., Guaranteed Notes, 8.000% due 12/15/11 | 957,031 |
| 995,000 | BB- | Dean Foods Co., Sr. Notes, 6.900% due 10/15/17 | 1,021,119 |
| 1,125,000 | B | Del Monte Corp., Sr. Sub. Notes, 8.625% due 12/15/12 | 1,265,625 |
| 2,575,000 | CCC+ | Doane Pet Care Co.: Guaranteed Notes, 10.750% due 3/1/10 | 2,768,125 |
| 175,000 | CCC+ | Sr. Sub. Notes, 9.750% due 5/15/07 | 173,250 |
| 2,675,000 | B- | Pinnacle Foods Holding Corp., Sr. Sub. Notes, 8.250% due 12/1/13 (b) | 2,561,313 |
| | | | 8,746,463 |
| Retail Food & Drug 0.9% | | | |
| 1,500,000 | B | Jean Coutu Group Inc., Sr. Sub. Notes, 8.500% due 8/1/14 (b) | 1,545,000 |
| 75,000 | B- | Rite Aid Corp.: Guaranteed Notes, 11.250% due 7/1/08 | 81,750 |
| 1,845,000 | B- | Notes, 7.125% due 1/15/07 | 1,854,225 |
| 1,630,000 | B- | Sr. Notes, 7.625% due 4/15/05 | 1,654,450 |
| | | | 5,135,425 |
| Supermarkets 0.4% | | | |
| 1,347,665 | BB | Ahold Lease USA, Inc., Guaranteed Pass-Through Certificates: Series 01-A-1, step bond to yield 7.820% due 1/2/20 | 1,463,058 |
| 675,000 | BB | Series 01-A-2, step bond to yield 8.620% due 1/2/25 | 739,547 |
| | | | 2,202,605 |
| TOTAL CONSUMER STAPLES | | | 33,557,903 |
| ENERGY 6.3% | | | |
| Drillers & Service 0.7% | | | |
| 650,000 | B- | | 666,250 |

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| | | | |
|-----------|-----|--|-----------|
| 1,725,000 | B | Dresser-Rand Group Inc., Sr. Sub. Notes, 7.375% due 11/1/14 (b) | |
| | | Hanover Compressor Co., Sr. Notes, 9.000% due 6/1/14 | 1,927,688 |
| 865,000 | BB- | SESI, LLC, Guaranteed Notes, 8.875% due 5/15/11 | 951,500 |
| <hr/> | | | |
| | | | 3,545,438 |
| <hr/> | | | |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|---------------------------|-----------|---|-------------------|
| Oil & Gas 5.6% | | | |
| \$ 4,500,000 | B- | Dyneegy Holdings Inc.: 2nd Priority Sr. Secured Notes, 8.020% due 7/15/08 (b)(c) | \$ 4,927,500 |
| 4,500,000 | CCC+ | Debentures, 7.625% due 10/15/26 | 3,931,875 |
| 750,000 | CCC+ | El Paso Corp., Sr. Medium-Term Notes: 7.800% due 8/1/31 | 723,750 |
| 6,275,000 | CCC+ | 7.750% due 1/15/32 | 6,039,688 |
| 1,121,000 | B+ | Magnum Hunter Resource, Inc., Sr. Notes, 9.600% due 3/15/12 | 1,277,940 |
| 2,125,000 | B+ | Plains Exploration & Production Co., Sr. Sub. Notes, Series B, 8.750% due 7/1/12 | 2,385,313 |
| 520,000 | BB | Pogo Producing Co., Sr. Sub. Notes, Series B, 8.250% due 4/15/11 | 566,800 |
| 700,000 | B | Swift Energy Co., Sr. Sub. Notes, 9.375% due 5/1/12 | 787,500 |
| 1,210,000 | BB- | Vintage Petroleum Inc.: Sr. Notes, 8.250% due 5/1/12 | 1,340,075 |
| 1,600,000 | B | Sr. Sub. Notes, 7.875% due 5/15/11 | 1,712,000 |
| 1,825,000 | B+ | The Williams Cos., Inc., Notes: 7.625% due 7/15/19 | 2,016,625 |
| 2,950,000 | B+ | 7.875% due 9/1/21 | 3,304,000 |
| 1,550,000 | B+ | 8.750% due 3/15/32 | 1,788,312 |
| | | | 30,801,378 |
| | | TOTAL ENERGY | 34,346,816 |

FINANCIALS 5.1%**Financial & Leasing 5.1%**

| | | | |
|-----------|------|---|-----------|
| 425,000 | BB- | Ahold Finance USA, Inc., Notes, 8.250% due 7/15/10 | 483,437 |
| 9,956,016 | D | Airplanes Pass-Through Trust, Corporate Asset-Backed Securities, Guaranteed Notes, Series D, 10.875% due 3/15/12 (d)(f) | 0 |
| 975,000 | B- | Borden U.S. Finance Corp./Nova Scotia Finance ULC, Secured Notes, 9.000% due 7/15/14 (b) | 1,087,125 |
| 683,000 | B | Dex Media East LLC/Dex Media East Finance Co., Guaranteed Notes, 12.125% due 11/15/12 | 835,821 |
| 1,416,000 | B | Dex Media West LLC/Dex Media Finance Co., Sr. Sub. Notes, Series B, 9.875% due 8/15/13 | 1,639,020 |
| 1,325,000 | BBB- | Ford Motor Credit Co., Notes, 7.250% due 10/25/11 | 1,422,879 |
| 1,275,000 | BBB- | General Motors Acceptance Corp., Notes, 6.875% due 8/28/12 | 1,303,672 |
| 1,680,000 | BB | Markel Capital Trust I, Capital Securities, Guaranteed Notes, Series B, 8.710% due 1/1/46 | 1,823,301 |
| 2,250,000 | B- | Nexstar Finance, Inc., Sr. Sub. Notes, 7.000% due 1/15/14 | 2,238,750 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|---|-----------|---|-------------------|
| Financial & Leasing 5.1% (continued) | | | |
| \$ 5,500,000 | CCC- | Ocwen Capital Trust I, Capital Securities, Guaranteed Notes, 10.875% due 8/1/27 | \$ 5,678,750 |
| 500,000 | B+ | R.H. Donnelley Finance Corp. I, Guaranteed Notes, 10.875% due 12/15/12 (b) | 596,250 |
| 3,250,000 | BBB- | Sprint Capital Corp., Guaranteed Notes: 6.875% due 11/15/28 | 3,568,919 |
| 5,550,000 | BBB- | 8.750% due 3/15/32 | 7,417,075 |
| TOTAL FINANCIALS | | | 28,094,999 |

| | | | |
|---|------|---|-------------------|
| HEALTHCARE 4.3% | | | |
| Healthcare Equipment & Supplies 4.3% | | | |
| 1,350,000 | CC | aaiPharma Inc., Guaranteed Notes, step bond to yield 12.000% due 4/1/10 | 1,015,875 |
| 2,450,000 | B- | AmeriPath, Inc., Guaranteed Notes, 10.500% due 4/1/13 | 2,615,375 |
| 2,900,000 | B | Athena Neurosciences Financial LLC, Guaranteed Notes, 7.250% due 2/21/08 | 3,045,000 |
| 1,350,000 | B | Community Health Systems Inc., Sr. Sub. Notes, 6.500% due 12/15/12 (b) | 1,366,875 |
| 725,000 | B- | Curative Health Services, Inc., Sr. Notes, 10.750% due 5/1/11 | 652,500 |
| 1,773,624 | B+ | Dade Behring Holdings Inc., Guaranteed Notes, 11.910% due 10/3/10 | 1,982,025 |
| 775,000 | B | Extendicare Health Services Inc.: Guaranteed Notes, 9.500% due 7/1/10 | 871,875 |
| 1,000,000 | B- | Sr. Sub. Notes, 6.875% due 5/1/14 | 1,025,000 |
| 650,000 | CCC+ | Hanger Orthopedic Group Inc., Guaranteed Notes, 10.375% due 2/15/09 | 674,375 |
| 1,150,000 | BB+ | HCA Inc., Notes, 6.375% due 1/15/15 | 1,156,776 |
| 2,675,000 | B- | IASIS Healthcare LLC/IASIS Capital Corp., Sr. Sub. Notes, 8.750% due 6/15/14 | 2,929,125 |
| 1,375,000 | CCC+ | InSight Health Services Corp., Guaranteed Notes, Series B, 9.875% due 11/1/11 | 1,395,625 |
| 4,250,000 | B- | Tenet Healthcare Corp.: Notes, 7.375% due 2/1/13 | 4,143,750 |
| 575,000 | B- | Sr. Notes: 5.375% due 11/15/06 | 580,750 |
| 75,000 | B- | 9.875% due 7/1/14 (b) | 82,125 |
| TOTAL HEALTHCARE | | | 23,537,051 |

| | | | |
|-------------------------------------|-----|---|-----------|
| INDUSTRIALS 28.5% | | | |
| Aerospace & Defense 0.4% | | | |
| 650,000 | BB- | Sequa Corp., Sr. Notes, 9.000% due 8/1/09 | 736,125 |
| 1,250,000 | B | Titan Corp., Guaranteed Notes, 8.000% due 5/15/11 | 1,337,500 |
| | | | 2,073,625 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|-------------------------------|-----------|---|------------|
| Airlines 0.6% | | | |
| \$ 438,638 | BB | Continental Airlines, Inc., Pass-Through Certificates: Series 00-2, Class C, 8.312% due 4/2/11 | \$ 337,976 |
| 2,380,000 | B | Series 01-2, Class D, 7.568% due 12/1/06 | 1,954,672 |
| 962,969 | NR | United Air Lines Inc., Pass-Through Certificates: Series 00-1, Class B, 8.030% due 7/1/11 (d) | 163,725 |
| 2,268,135 | NR | Series 00-2, Class B, 7.811% due 10/1/09 (d) | 621,118 |
| 460,000 | NR | Series 01-1: Class B, 6.932% due 9/1/11 (d) | 140,497 |
| 1,045,000 | NR | Class C, 6.831% due 9/1/08 (d) | 48,801 |
| | | | 3,266,789 |
| Automotive 2.1% | | | |
| 695,000 | B+ | Arvin Capital I, Capital Securities, 9.500% due 2/1/27 | 722,800 |
| 1,925,000 | BBB- | Dana Corp., Notes, 6.500% due 3/1/09 | 2,040,500 |
| 2,200,000 | B- | Eagle-Picher Industries, Inc., Sr. Notes, 9.750% due 9/1/13 | 2,211,000 |
| 775,000 | BBB- | Ford Motor Co., Notes, 7.450% due 7/16/31 | 781,700 |
| 1,800,000 | BBB- | General Motors Corp.: Debentures, 8.375% due 7/15/33 | 1,870,114 |
| 2,125,000 | BBB- | Sr. Notes, 7.125% due 7/15/13 | 2,178,034 |
| 1,000,000 | B- | Tenneco Automotive Inc., Sr. Secured 2nd Lien Notes, Series B, 10.250% due 7/15/13 | 1,185,000 |
| 276,000 | BB- | TRW Automotive Inc., Sr. Sub. Notes, 11.000% due 2/15/13 | 333,960 |
| | | | 11,323,108 |
| Building Products 1.4% | | | |
| 435,000 | B- | Associated Materials Inc.: Guaranteed Notes, 9.750% due 4/15/12 | 488,287 |
| 4,950,000 | B- | Sr. Discount Notes, step bond to yield 10.793% due 3/1/14 | 3,588,750 |
| 1,850,000 | B- | Goodman Global Holding Co. Inc., Sr. Notes, 5.760% due 6/15/12 (b) | 1,887,000 |
| 1,500,000 | B- | THL Buildco Inc., Sr. Notes, 8.500% due 9/1/14 (b) | 1,575,000 |
| | | | 7,539,037 |
| Business Services 1.9% | | | |
| 1,975,000 | B- | Advanstar Communications Inc., Sr. Secured Notes, 9.220% due 8/15/08 (c) | 2,073,750 |
| 2,250,000 | B- | Allied Security Escrow Corp., Sr. Sub. Notes, 11.375% due 7/15/11 (b) | 2,362,500 |
| 1,075,000 | B- | Cenveo Corp., Sr. Sub. Notes, 7.875% due 12/1/13 | 1,005,125 |
| 550,000 | B | Iron Mountain Inc., Sr. Sub. Notes: 8.625% due 4/1/13 | 587,125 |
| 2,000,000 | B | 6.625% due 1/1/16 | 1,875,000 |
| 1,460,000 | B+ | Mail-Well I Corp., Sr. Notes, 9.625% due 3/15/12 | 1,609,650 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|---|-----------|--|--------------|
| Business Services 1.9% (continued) | | | |
| \$ 1,125,000 | CCC- | Muzak LLC/Muzak Finance Corp., Sr. Notes, 10.000% due 2/15/09 | \$ 1,053,281 |
| | | | 10,566,431 |
| Capital Goods 0.2% | | | |
| 1,150,000 | B | Terex Corp., Guaranteed Notes, Series B, 10.375% due 4/1/11 | 1,293,750 |
| Chemicals 7.1% | | | |
| 1,020,000 | BB- | Airgas Inc., Guaranteed Notes, 9.125% due 10/1/11 | 1,139,850 |
| 1,700,000 | CCC+ | Aventine Renewable Energy Holdings Inc., Secured Notes, 8.50125% due 12/15/11 (b)(c) | 1,725,500 |
| 2,600,000 | B- | BCP Caylux Holdings Luxembourg SCA, Sr. Sub. Notes, 9.625% due 6/15/14 (b) | 2,944,500 |
| 2,400,000 | B+ | Equistar Chemicals L.P./Equistar Funding Corp., Sr. Notes, 10.625% due 5/1/11 | 2,796,000 |
| 700,000 | BB+ | FMC Corp., Medium-Term Notes, Series A, 6.750% due 5/5/05 | 712,250 |
| 15,785,000 | CCC+ | Huntsman International Holdings LLC, Sr. Discount Notes, zero coupon bond to yield 13.094% due 12/31/09 | 8,918,525 |
| 870,000 | B- | Huntsman International LLC, Guaranteed Notes, 9.875% due 3/1/09 | 959,175 |
| 1,750,000 | BB | IMC Global Inc., Guaranteed Notes, Series B, 11.250% due 6/1/11 | 2,030,000 |
| 1,750,000 | BB- | ISP Chemco Inc., Guaranteed Notes, Series B, 10.250% due 7/1/11 | 1,986,250 |
| 1,715,000 | B+ | ISP Holdings Inc., Sr. Secured Notes, Series B, 10.625% due 12/15/09 | 1,907,938 |
| 4,150,000 | B- | KI Holdings Inc., Sr. Discount Notes, 9.879% due 11/15/14 (b) | 2,676,750 |
| 1,745,000 | B+ | Lyondell Chemical Co., Sr. Secured Notes: 11.125% due 7/15/12 | 2,080,913 |
| 630,000 | B+ | Series B, 9.875% due 5/1/07 | 663,075 |
| 700,000 | BBB- | Methanex Corp., Sr. Notes, 8.750% due 8/15/12 | 820,750 |
| 655,000 | B- | OM Group Inc., Guaranteed Notes, 9.250% due 12/15/11 | 700,850 |
| 2,025,000 | CCC | Resolution Performance Products Inc., Sr. Sub. Notes, 13.500% due 11/15/10 | 2,212,313 |
| 250,000 | CCC+ | Rhodia S.A., Sr. Notes: 7.625% due 6/1/10 (b) | 251,875 |
| 450,000 | CCC+ | 10.250% due 6/1/10 (b) | 508,500 |
| 2,750,000 | CCC+ | Sr. Sub. Notes, 8.875% due 6/1/11 (b) | 2,784,375 |
| 170,000 | B+ | Terra Capital Inc., Guaranteed Sr. Notes, 12.875% due 10/15/08 | 213,350 |
| 943,000 | BB- | Westlake Chemical Corp., Guaranteed Sr. Notes, 8.750% due 7/15/11 | 1,070,305 |
| | | | 39,103,044 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|--|-----------|--|--------------|
| Consumer Products 1.2% | | | |
| \$ 1,225,000 | BB | Service Corp. International: Debentures, 7.875% due 2/1/13 | \$ 1,338,312 |
| 1,365,000 | BB | Notes: 6.875% due 10/1/07 | 1,428,131 |
| 1,715,000 | BB | 6.500% due 3/15/08 | 1,779,312 |
| 1,880,000 | B+ | Stewart Enterprises, Inc., Sr. Sub. Notes, 10.750% due 7/1/08 | 2,044,500 |
| | | | 6,590,255 |
| Containers & Packaging 2.9% | | | |
| 2,450,000 | B+ | Anchor Glass Container Corp., Sr. Secured Notes, 11.000% due 2/15/13 | 2,633,750 |
| 1,375,000 | B- | Berry Plastics Corp., Guaranteed Sr. Notes, 10.750% due 7/15/12 | 1,581,250 |
| 3,420,000 | BB- | Owens-Brockway Glass Container Inc., Guaranteed Sr. Notes, 8.875% due 2/15/09 | 3,732,075 |
| 1,975,000 | B+ | Plastipak Holdings Inc., Guaranteed Notes, 10.750% due 9/1/11 | 2,231,750 |
| 245,000 | CCC+ | Pliant Corp.: Guaranteed Notes, 13.000% due 6/1/10 | 240,100 |
| 1,100,000 | CCC+ | Sr. Secured 2nd Lien Notes, 11.125% due 9/1/09 | 1,204,500 |
| 725,000 | CCC | Radnor Holdings Corp., Sr. Notes, 11.000% due 3/15/10 | 625,313 |
| 1,550,000 | BBB | Sealed Air Corp., Notes, 6.950% due 5/15/09 (b) | 1,696,413 |
| 1,385,000 | CCC | Tekni-Plex Inc.: Guaranteed Notes, Series B, 12.750% due 6/15/10 | 1,322,675 |
| 1,000,000 | CCC | Sr. Secured Notes, 8.750% due 11/15/13 (b) | 1,000,000 |
| | | | 16,267,826 |
| Industrial 1.8% | | | |
| 1,235,000 | NR | Aqua-Chem Inc., Sr. Sub. Notes, 11.250% due 7/1/08 (f) | 994,175 |
| 435,000 | BB- | Case Credit Corp., Notes, 6.750% due 10/21/07 | 445,875 |
| 375,000 | BB- | Case New Holland Inc., Sr. Notes, 9.250% due 8/1/11 (b) | 419,062 |
| 1,075,000 | B- | Columbus McKinnon Corp., Sr. Secured Notes, 10.000% due 8/1/10 | 1,214,750 |
| 1,975,000 | B | FlowServe Corp., Sr. Sub. Notes, 12.250% due 8/15/10 | 2,192,250 |
| 1,600,000 | B- | Invensys Plc, Sr. Notes, 9.875% due 3/15/11 (b) | 1,728,000 |
| 690,000 | B+ | NMHG Holding Co., 10.000% due 5/15/09 | 765,900 |
| 625,000 | B- | Rexnord Corp., Sr. Sub. Notes, 10.125% due 12/15/12 | 709,375 |
| 1,515,000 | B- | Sensus Metering Systems Inc., Sr. Sub. Notes, 8.625% due 12/15/13 | 1,560,450 |
| | | | 10,029,837 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|---|-----------|--|--------------------|
| Industrial Services 1.3% | | | |
| \$ 475,000 | BB- | Allied Waste North America Inc., Series B: | |
| | | Guaranteed Notes, 9.250% due 9/1/12 | \$ 516,562 |
| 2,000,000 | B+ | Sr. Notes, 7.375% due 4/15/14 | 1,925,000 |
| 2,580,000 | BB- | Sr. Sub. Notes, 8.500% due 12/1/08 | 2,747,700 |
| 1,600,000 | CCC+ | Brand Services Inc., Sr. Notes, 12.000% due 10/15/12 | 1,800,000 |
| | | | 6,989,262 |
| Paper & Forest Products 4.5% | | | |
| 2,250,000 | BB- | Abitibi-Consolidated Inc., Debentures, 8.850% due 8/1/30 | 2,272,500 |
| 1,000,000 | B+ | Ainsworth Lumber Co. Ltd., Sr. Notes, 6.750% due 3/15/14 | 983,750 |
| 2,525,000 | B+ | Appleton Papers Inc., Sr. Sub. Notes, Series B, 9.750% due 6/15/14 | 2,802,750 |
| 1,550,000 | B- | Blue Ridge Paper Products Inc., Sr. Secured Notes, 9.500% due 12/15/08 | 1,468,625 |
| 3,000,000 | BB | Bowater Inc., Debentures, 9.500% due 10/15/12 | 3,449,304 |
| | | Buckeye Technologies Inc., Sr. Sub. Notes: | |
| 875,000 | B | 9.250% due 9/15/08 | 879,375 |
| 2,930,000 | B | 8.000% due 10/15/10 | 2,944,650 |
| 1,875,000 | B | JSG Funding Plc, Sr. Notes, 9.625% due 10/1/12 | 2,100,000 |
| 2,500,000 | B- | Newark Group Inc., Sr. Sub. Notes, 9.750% due 3/15/14 | 2,675,000 |
| 4,875,000 | B | Stone Container Finance, Guaranteed Notes, 7.375% due 7/15/14 | 5,216,250 |
| | | | 24,792,204 |
| Steel/Metal 2.6% | | | |
| 1,525,000 | B+ | AK Steel Corp., Sr. Notes, 7.875% due 2/15/09 | 1,561,219 |
| 2,425,000 | B | IMCO Recycling Inc., Sr. Secured Notes, 10.375% due 10/15/10 | 2,764,500 |
| 1,056,000 | BBB | Ispat Inland ULC, Secured Notes, 9.750% due 4/1/14 | 1,309,440 |
| 1,315,000 | BB | Luscar Coal Ltd., Sr. Notes, 9.750% due 10/15/11 | 1,499,100 |
| 1,600,000 | B- | Mueller Group Inc., Sr. Sub. Notes, 10.000% due 5/1/12 | 1,752,000 |
| 1,400,000 | B- | Mueller Holdings Inc., step bond to yield 14.984% due 4/15/14 | 966,000 |
| 1,710,000 | BBB- | Phelps Dodge Corp., Sr. Notes, 8.750% due 6/1/11 | 2,087,600 |
| 2,110,000 | B+ | Wolverine Tube Inc., Guaranteed Notes, 10.500% due 4/1/09 | 2,310,450 |
| | | | 14,250,309 |
| Transportation Other 0.5% | | | |
| 1,450,000 | B+ | General Maritime Corp., Sr. Notes, 10.000% due 3/15/13 | 1,674,750 |
| 960,000 | BB+ | Windsor Petroleum Transport Corp., Notes, 7.840% due 1/15/21 (b) | 1,005,600 |
| | | | 2,680,350 |
| TOTAL INDUSTRIALS | | | 156,765,827 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|--|-----------|---|-------------------|
| INFORMATION TECHNOLOGY 2.7% | | | |
| Technology 2.7% | | | |
| \$ 900,000 | B | Amkor Technology Inc., Sr. Notes: 9.250% due 2/15/08 | \$ 924,750 |
| 2,205,000 | CCC+ | 10.500% due 5/1/09 | 2,216,025 |
| 1,555,000 | NR | GT Group Telecom Inc., Sr. Discount Notes, step bond to yield 15.233% due 2/1/10 (d)(f) | 156 |
| 6,775,000 | B | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 | 6,165,250 |
| 1,950,000 | B- | Nortel Networks Corp., Notes, 6.875% due 9/1/23 | 1,842,750 |
| 475,000 | B- | Nortel Networks Ltd., Notes, 6.125% due 2/15/06 | 485,688 |
| 895,000 | B- | Northern Telecom Capital, Notes, 7.875% due 6/15/26 | 890,525 |
| 2,060,000 | BBB- | Thomas & Betts Corp., Medium-Term Notes, 6.625% due 5/7/08 | 2,206,289 |
| TOTAL INFORMATION TECHNOLOGY | | | 14,731,433 |
| TELECOMMUNICATION SERVICES 8.5% | | | |
| Cellular & PCs 4.2% | | | |
| 1,157,300 | CCC- | AirGate PCS, Inc., Sr. Sub. Secured Notes: 9.375% due 9/1/09 | 1,252,777 |
| 525,000 | CCC+ | 5.875% due 10/15/11 (b) | 542,062 |
| 3,008,000 | CCC | Alamosa Delaware Inc.: Sr. Discount Notes, step bond to yield 11.437% due 7/31/09 | 3,278,720 |
| 568,000 | CCC | Sr. Notes, 11.000% due 7/31/10 | 671,660 |
| 3,825,000 | A | Cingular Wireless LLC: Notes, 8.125% due 5/1/12 | 4,630,423 |
| 4,425,000 | A | Sr. Notes: 7.875% due 3/1/11 | 5,221,889 |
| 100,000 | A | 8.750% due 3/1/31 | 135,243 |
| 1,350,000 | CCC | Dobson Cellular Systems, Secured Notes, 9.875% due 11/1/12 (b) | 1,336,500 |
| 2,550,000 | CCC+ | IWO Escrow Co., Secured Notes, 1.000% due 1/15/12 (b) | 2,581,875 |
| 1,875,000 | BB | Nextel Communications, Inc., Sr. Notes, 7.375% due 8/1/15 | 2,071,875 |
| 998,000 | B- | Nextel Partners Inc., Sr. Notes, 12.500% due 11/15/09 | 1,135,225 |
| | | | 22,858,249 |
| Networks 2.9% | | | |
| 2,250,000 | BB+ | AT&T Corp., Sr. Notes: 9.050% due 11/15/11 | 2,601,562 |
| 1,600,000 | BB+ | 9.750% due 11/15/31 | 1,918,000 |
| 4,025,000 | BB- | Qwest Corp., Notes, 9.125% due 3/15/12 (b) | 4,669,000 |
| 3,990,000 | B | Qwest Services Corp., Notes: 14.000% due 12/15/10 (b) | 4,817,925 |
| 1,583,000 | B | 14.500% due 12/15/14 (b) | 2,010,410 |
| | | | 16,016,897 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|--------------------------------|-----------|---|--------------------|
| Towers 1.4% | | | |
| \$ 1,453,000 | CCC | American Tower Corp., Sr. Notes, 9.375% due 2/1/09 | \$ 1,543,812 |
| 985,000 | CCC | American Tower Escrow Corp., Discount Notes, zero coupon bond to yield 14.330% due 8/1/08 | 741,212 |
| 2,420,000 | CCC | Crown Castle International Corp., Sr. Notes: 10.750% due 8/1/11 | 2,637,800 |
| 1,150,000 | CCC | 7.500% due 12/1/13 | 1,242,000 |
| 1,700,000 | B- | SpectraSite Inc., Sr. Notes, 8.250% due 5/15/10 | 1,823,250 |
| | | | 7,988,074 |
| | | TOTAL TELECOMMUNICATION SERVICES | 46,863,220 |
| UTILITIES 6.4% | | | |
| Electric Utilities 5.2% | | | |
| 3,855,000 | B- | The AES Corp., Sr. Notes: 9.500% due 6/1/09 | 4,404,337 |
| 100,000 | B- | 7.750% due 3/1/14 | 109,000 |
| 2,550,000 | B+ | Allegheny Energy Supply Statutory Trust 2001, Secured Notes, 10.250% due 11/15/07 (b) | 2,907,000 |
| 4,710,000 | B | Calpine Corp.: 2nd Priority Sr. Secured Notes, 8.500% due 7/15/10 (b) | 4,062,375 |
| 15,000 | CCC+ | Sr. Notes, 8.625% due 8/15/10 | 11,550 |
| 1,215,000 | B | Sr. Secured Notes, 8.750% due 7/15/13 (b) | 1,008,450 |
| 1,750,000 | B | Edison Mission Energy, Sr. Notes: 10.000% due 8/15/08 | 2,016,875 |
| 800,000 | B | 7.730% due 6/15/09 | 864,000 |
| 3,000,000 | B | 9.875% due 4/15/11 | 3,570,000 |
| 1,225,000 | NR | Mirant Americas Generation LLC, Sr. Notes, 9.125% due 5/1/31 (d) | 1,283,188 |
| 5,150,000 | B | NRG Energy, Inc., 2nd Priority Sr. Secured Notes, 8.000% due 12/15/13 (b) | 5,639,250 |
| 2,350,000 | B | Orion Power Holdings Inc., Sr. Notes, 12.000% due 5/1/10 | 2,996,250 |
| | | | 28,872,275 |
| Gas Utilities 1.2% | | | |
| 2,925,000 | B+ | Reliant Resources, Inc., Secured Notes: 9.250% due 7/15/10 | 3,276,000 |
| 2,725,000 | B+ | 9.500% due 7/15/13 | 3,109,906 |
| | | | 6,385,906 |
| | | TOTAL UTILITIES | 35,258,181 |
| | | | 511,346,209 |

TOTAL CORPORATE BONDS AND NOTES

(Cost \$474,372,272)

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| FACE AMOUNT | RATING(a) | SECURITY | VALUE |
|--|-----------|---|------------------|
| CONVERTIBLE BONDS 0.4% | | | |
| INFORMATION TECHNOLOGY 0.4% | | | |
| Technology 0.4% | | | |
| \$ 4,405,000 | B | Sanmina-SCI Corp., Sub. Debentures, zero coupon bond to yield 5.385% due 9/12/20 (Cost \$2,264,888) | \$ 2,323,637 |
| SHARES | | | |
| CONVERTIBLE PREFERRED STOCK 1.0% | | | |
| TELECOMMUNICATION SERVICES 1.0% | | | |
| Cellular & PCs 0.8% | | | |
| 4,660 | | Alamosa Holdings, Inc., Series B, 7.500% due 7/31/13 | 4,372,245 |
| Towers 0.2% | | | |
| 19,800 | | Crown Castle International Corp., 6.250% due 8/15/12 | 970,200 |
| TOTAL TELECOMMUNICATION SERVICES | | | 5,342,445 |
| TOTAL CONVERTIBLE PREFERRED STOCK (Cost \$2,063,871) | | | 5,342,445 |
| COMMON STOCK (e) 0.8% | | | |
| CONSUMER DISCRETIONARY 0.3% | | | |
| International Cable 0.3% | | | |
| 87,708 | | Telewest Global, Inc. | 1,541,907 |
| CONSUMER STAPLES 0.0% | | | |
| Food Processing/Beverages/Tobacco 0.0% | | | |
| 73,499 | | Aurora Foods, Inc. (f) | 0 |
| INDUSTRIALS 0.0% | | | |
| Aerospace & Defense 0.0% | | | |
| 3,259 | | Northrop Grumman Corp. | 177,159 |
| Business Services 0.0% | | | |
| 7,966 | | Outsourcing Solutions, Inc. | 27,881 |
| TOTAL INDUSTRIALS | | | 205,040 |
| INFORMATION TECHNOLOGY 0.1% | | | |
| Technology 0.1% | | | |
| 1,372 | | Freescale Semiconductor Inc., Class B Shares | 25,190 |

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| | | |
|--|-------------------------------|----------------|
| 12,427 | Motorola, Inc. | 213,744 |
| TOTAL INFORMATION TECHNOLOGY | | 238,934 |
| TELECOMMUNICATION SERVICES 0.4% | | |
| Cellular & PCs 0.3% | | |
| 47,800 | AirGate PCS, Inc. | 1,701,680 |
| 20,125 | Weblink Wireless, Inc. (b)(f) | 201 |
| | | 1,701,881 |

See Notes to Schedule of Investments.

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Schedule of Investments (unaudited) (continued)

December 31, 2004

| SHARES | SECURITY | VALUE |
|--|--|------------------|
| Competitive Local Exchange Carrier 0.0% | | |
| 3,736 | McLeodUSA, Inc., Class A Shares | \$ 2,690 |
| Towers 0.1% | | |
| 35,253 | Crown Castle International Corp. | 586,610 |
| TOTAL TELECOMMUNICATION SERVICES | | 2,291,181 |
| TOTAL COMMON STOCK | | |
| (Cost \$8,835,977) | | 4,277,062 |
| WARRANTS | | |
| WARRANTS (e) 0.0% | | |
| CONSUMER DISCRETIONARY 0.0% | | |
| Cable & Media 0.0% | | |
| 6,725 | Iridium World Communications Ltd., Expire 7/15/05 (b)(f) | 67 |
| Publishing/ Printing 0.0% | | |
| 1,765 | Merrill Corp., Class B Shares, Expire 5/1/09 (b)(f) | 0 |
| TOTAL CONSUMER DISCRETIONARY | | 67 |
| INDUSTRIALS 0.0% | | |
| Containers & Packaging 0.0% | | |
| 245 | Pliant Corp., Expire 6/1/10 (b)(f) | 3 |
| Steel/Metal 0.0% | | |
| 1,075 | Mueller Group Inc., Expire 4/15/14 (b) | 75,519 |
| TOTAL INDUSTRIALS | | 75,522 |
| INFORMATION TECHNOLOGY 0.0% | | |
| Technology 0.0% | | |
| 1,705 | Cybernet Internet Services International, Inc., Expire 7/1/09 (b)(f) | 0 |
| 1,555 | GT Group Telecom Inc., Expire 2/1/10 (b)(f) | 0 |
| 3,510 | Viasystems Group Inc., Expire 1/31/10 (f) | 0 |
| 6,135 | WAM!NET Inc., Expire 3/1/05 (f) | 61 |
| TOTAL INFORMATION TECHNOLOGY | | 61 |
| TELECOMMUNICATION SERVICES 0.0% | | |
| Cellular & PCs 0.0% | | |
| 1,155 | Horizon PCS Inc., Expire 10/1/10 (b)(f) | 0 |
| 1,185 | IWO Holdings Inc., Expire 1/15/11 (b)(f) | 12 |
| | | 12 |
| Competitive Local Exchange Carrier 0.0% | | |
| 6,975 | RSL Communications, Ltd., Expire 11/15/06 (f) | 0 |

| | | | |
|-----------------|-------------|-----------------------------|---|
| Networks | 0.0% | | |
| | 1,000 | Jazztel Plc, Expire 7/15/10 | 0 |

See Notes to Schedule of Investments.

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| Schedule of Investments (unaudited) (continued) | | December 31, 2004 | |
|---|-------------|--|-----------------------|
| WARRANTS | SECURITY | VALUE | |
| Towers | 0.0% | | |
| | 985 | American Tower Corp., Expire 8/1/08 (b) | \$ 227,043 |
| | | TOTAL TELECOMMUNICATION SERVICES | 227,055 |
| | | TOTAL WARRANTS | |
| | | (Cost \$1,541,871) | 302,705 |
| FACE AMOUNT | | | |
| REPURCHASE AGREEMENT | 3.6% | | |
| \$ | 19,779,000 | UBS Securities LLC dated 12/31/04, 2.170% due 1/3/05; Proceeds at maturity \$19,782,577; (Fully collateralized by various U.S. government agency obligations, 0.000% to 8.500% due 1/18/05 to 3/1/26; Market value \$20,077,914) (Cost \$19,779,000) | 19,779,000 |
| | | TOTAL INVESTMENTS | 98.8% |
| | | (Cost \$508,857,879**) | 543,371,058 |
| | | Other Assets in Excess of Liabilities | 1.2% 6,533,770 |
| | | TOTAL NET ASSETS | 100.0% |
| | | | \$ 549,904,828 |

- (a) All ratings are by Standard & Poor's Ratings Service, except for those identified by an asterisk (*), which are rated by Moody's Investors Service.
- (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 the guidelines approved by the Board of Directors, unless otherwise noted.
- (c) Interest rate shown reflects current rate on instruments with variable rates.
- (d) Security is currently in default.
- (e) Non-income producing security.
- (f) Security has been deemed illiquid.
Security is valued in good faith at fair value by or under the direction of the Board of Directors.

** Aggregate cost for federal income tax purposes is substantially the same.

See page 17 for definitions of ratings.

See Notes to Schedule of Investments.

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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 a 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 issue 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 bonds 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 for bonds 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.

Moody's Investors Service ("Moody's") -- Numerical modifiers 1, 2 and 3 may be applied to each generic rating from "Aa" to "Caa", where 1 is the highest and 3 the lowest rating within its generic category.

- Aa Bonds rated "Aa" are judged to be of high quality by all standards. Together with the "Aaa" group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large in "Aaa" securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in "Aaa" securities.
- A Bonds rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
- Baa Bonds rated "Baa" are considered to be medium grade obligations; that is, they are neither highly protected nor poorly secured. Interest payment and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. These bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba Bonds rated "Ba" are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

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| | |
|-----|--|
| B | Bonds rated "B" generally lack characteristics of desirable investments. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small. |
| Caa | Bonds rated "Caa" are of poor standing. These issues may be in default, or there may be present elements of danger with respect to principal or interest. |
| Ca | Bonds rated "Ca" represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings. |
| C | Bonds rated "C" are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing. |
| NR | Indicates that the bond is not rated by Standard & Poor's or Moody's. |

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Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

The High Income Opportunity Fund Inc. (Fund), a Maryland corporation, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company.

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

(a) Investment Valuation. Fixed income securities are valued at the mean between bid and asked prices provided by an independent pricing service that are based on transactions in corporate obligations, quotations from corporate bond dealers, market transactions in comparable securities and various relationships between securities. Securities listed or traded on national securities exchanges or reported on the NASDAQ National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price on that day, at the last sale price. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund may value these 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 value.

(b) Repurchase Agreements. When entering into repurchase agreements, it is the Fund's policy that a custodian takes possession of the underlying collateral securities, the value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults and the 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) Security Transactions. Security transactions are accounted for on a trade date basis.

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Notes to Schedule of Investments (unaudited) (continued)

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

2. Investments

At December 31, 2004, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 60,291,952 |
| Gross unrealized depreciation | (25,778,773) |
| Net unrealized appreciation | \$ 34,513,179 |

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ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

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

SIGNATURES

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

High Income Opportunity Fund Inc.

By R. Jay Gerken

R. Jay Gerken

Chief Executive Officer

Date: February 25, 2005

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

By R. Jay Gerken

R. Jay Gerken

Chief Executive Officer

Date: February 25, 2005

By Robert J. Brault

Robert J. Brault

Chief Financial Officer

Date: February 25, 2005
