

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-Q

February 27, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number **811-07920**

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

(Exact name of registrant as specified in charter)

**620 Eighth Avenue, 49<sup>th</sup> Floor, New York, N.Y. 10018**

(Address of principal executive offices) (Zip code)

**Robert I. Frenkel, Esq.**

**Legg Mason & Co., LLC**

**100 First Stamford Place**

**Stamford, CT 06902**

(Name and address of agent for service)

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

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

Date of reporting period: **December 31, 2013**

**ITEM 1. SCHEDULE OF INVESTMENTS.**

**WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.**

FORM N-Q

DECEMBER 31, 2013

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited)

December 31, 2013

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                             |
|---|---------|---------------|-------------|-----------------------------------|
| <b>CORPORATE BONDS &amp; NOTES - 90.3%</b>  |         |               |             |                                   |
| <b>CONSUMER DISCRETIONARY - 16.6%</b>   |         |               |             |                                   |
| <b>Auto Components - 0.1%</b>   |         |               |             |                                   |
| American Axle & Manufacturing Inc., Senior Notes  | 6.625%  | 10/15/22      | 430,000     | \$ 454,725                        |
| <b>Automobiles - 0.4%</b>   |         |               |             |                                   |
| Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes  | 8.250%  | 6/15/21       | 1,140,000   | 1,302,450                         |
| Jaguar Holding Co. II/Jaguar Merger Sub Inc., Senior Notes  | 9.500%  | 12/1/19       | 530,000     | 598,900 <sup>(a)</sup>            |
| <i>Total Automobiles</i>  |         |               |             | <i>1,901,350</i>                  |
| <b>Diversified Consumer Services - 0.6%</b>   |         |               |             |                                   |
| Laureate Education Inc., Senior Notes   | 9.250%  | 9/1/19        | 980,000     | 1,070,650 <sup>(a)</sup>          |
| Service Corp. International, Senior Notes   | 7.500%  | 4/1/27        | 1,280,000   | 1,356,800                         |
| StoneMor Partners LP/Cornerstone Family Services of WV, Senior Notes                                    | 7.875%  | 6/1/21        | 920,000     | 961,400 <sup>(a)</sup>            |
| <i>Total Diversified Consumer Services</i>  |         |               |             | <i>3,388,850</i>                  |
| <b>Hotels, Restaurants &amp; Leisure - 5.2%</b>   |         |               |             |                                   |
| Bossier Casino Venture Holdco Inc., Senior Secured Bonds  | 14.000% | 2/9/18        | 1,472,544   | 1,425,163 <sup>(a)(b)(c)(d)</sup> |
| Boyd Gaming Corp., Senior Notes   | 9.125%  | 12/1/18       | 260,000     | 284,050                           |
| Boyd Gaming Corp., Senior Notes   | 9.000%  | 7/1/20        | 1,715,000   | 1,886,500                         |
| Burger King Capital Holdings LLC/Burger King Capital Finance Inc., Senior Notes, Step bond              | 0.000%  | 4/15/19       | 440,000     | 398,200 <sup>(a)</sup>            |
| Caesars Entertainment Operating Co. Inc., Senior Secured Notes  | 11.250% | 6/1/17        | 1,220,000   | 1,244,400                         |
| Caesars Entertainment Operating Co. Inc., Senior Secured Notes  | 8.500%  | 2/15/20       | 2,500,000   | 2,414,062                         |
| Carrols Restaurant Group Inc., Senior Secured Notes   | 11.250% | 5/15/18       | 1,400,000   | 1,596,000                         |
| CCM Merger Inc., Senior Notes   | 9.125%  | 5/1/19        | 1,710,000   | 1,795,500 <sup>(a)</sup>          |
| Downstream Development Quapaw, Senior Secured Notes   | 10.500% | 7/1/19        | 1,320,000   | 1,339,800 <sup>(a)</sup>          |
| Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., Senior Secured Notes        | 10.250% | 6/15/15       | 445,000     | 501 <sup>(a)(e)</sup>             |
| Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes  | 11.250% | 4/1/17        | 1,630,000   | 1,727,800 <sup>(a)</sup>          |
| Landry's Holdings II Inc., Senior Notes   | 10.250% | 1/1/18        | 750,000     | 799,687 <sup>(a)</sup>            |
| Landry's Inc., Senior Notes   | 9.375%  | 5/1/20        | 3,598,000   | 3,939,810 <sup>(a)</sup>          |
| MGM Resorts International, Senior Notes   | 5.875%  | 2/27/14       | 355,000     | 357,219                           |
| Mohegan Tribal Gaming Authority, Senior Notes   | 9.750%  | 9/1/21        | 1,590,000   | 1,721,175 <sup>(a)</sup>          |
| Paris Las Vegas Holding LLC/Harrah's Las Vegas LLC/Flamingo Las Vegas Holding LLC, Senior Secured Notes | 8.000%  | 10/1/20       | 1,710,000   | 1,786,950 <sup>(a)</sup>          |
| Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., Senior Secured Notes                     | 9.500%  | 6/15/19       | 341,000     | 375,953 <sup>(a)</sup>            |
| Seven Seas Cruises S de RL LLC, Senior Secured Notes  | 9.125%  | 5/15/19       | 1,960,000   | 2,168,250                         |
| Snoqualmie Entertainment Authority, Senior Secured Notes  | 9.125%  | 2/1/15        | 2,898,000   | 2,874,454 <sup>(a)</sup>          |
| <i>Total Hotels, Restaurants &amp; Leisure</i>  |         |               |             | <i>28,135,474</i>                 |
| <b>Household Durables - 0.9%</b>  |         |               |             |                                   |

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|  |        |          |           |                          |
|--|--------|----------|-----------|--------------------------|
| APX Group Inc., Senior Secured Notes                             | 6.375% | 12/1/19  | 920,000   | 938,400                  |
| Standard Pacific Corp., Senior Notes                             | 6.250% | 12/15/21 | 1,330,000 | 1,388,188                |
| William Lyon Homes Inc., Senior Notes                            | 8.500% | 11/15/20 | 1,520,000 | 1,653,000                |
| Woodside Homes Co. LLC/Woodside Homes Finance Inc., Senior Notes | 6.750% | 12/15/21 | 1,120,000 | 1,128,400 <sup>(a)</sup> |
| <i>Total Household Durables</i>                                  |        |          |           | <i>5,107,988</i>         |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT              | VALUE                       |
|---|---------|---------------|--------------------------|-----------------------------|
| <b>Media - 6.3%</b>   |         |               |                          |                             |
| Carmike Cinemas Inc., Secured Notes   | 7.375%  | 5/15/19       | 530,000                  | \$ 580,350                  |
| CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes                                 | 8.125%  | 4/30/20       | 3,000,000                | 3,270,000                   |
| Clear Channel Worldwide Holdings Inc., Senior Notes                                       | 6.500%  | 11/15/22      | 870,000                  | 892,838                     |
| Clear Channel Worldwide Holdings Inc., Senior Notes                                       | 6.500%  | 11/15/22      | 450,000                  | 458,438                     |
| CSC Holdings LLC, Senior Notes  | 6.750%  | 11/15/21      | 500,000                  | 541,250                     |
| DISH DBS Corp., Senior Notes  | 6.625%  | 10/1/14       | 20,000                   | 20,850                      |
| DISH DBS Corp., Senior Notes  | 7.875%  | 9/1/19        | 1,085,000                | 1,245,037                   |
| DISH DBS Corp., Senior Notes  | 6.750%  | 6/1/21        | 2,020,000                | 2,151,300                   |
| DISH DBS Corp., Senior Notes  | 5.000%  | 3/15/23       | 70,000                   | 65,625                      |
| Gibson Brands Inc., Senior Secured Notes  | 8.875%  | 8/1/18        | 400,000                  | 424,000 <sup>(a)</sup>      |
| Gray Television Inc., Senior Notes  | 7.500%  | 10/1/20       | 930,000                  | 992,775                     |
| MDC Partners Inc., Senior Notes   | 6.750%  | 4/1/20        | 250,000                  | 262,813 <sup>(a)</sup>      |
| Nara Cable Funding Ltd., Senior Secured Notes   | 8.875%  | 12/1/18       | 2,000,000                | 2,160,000 <sup>(a)</sup>    |
| New Cotai LLC/New Cotai Capital Corp., Senior Secured Notes                               | 10.625% | 5/1/19        | 993,266                  | 1,028,030 <sup>(a)(b)</sup> |
| Ono Finance II PLC, Senior Bonds  | 10.875% | 7/15/19       | 2,760,000                | 3,036,000 <sup>(a)</sup>    |
| Time Warner Cable Inc., Senior Notes  | 8.750%  | 2/14/19       | 1,490,000                | 1,779,213                   |
| Time Warner Cable Inc., Senior Notes  | 8.250%  | 4/1/19        | 678,000                  | 795,143                     |
| Univision Communications Inc., Senior Notes   | 8.500%  | 5/15/21       | 1,320,000                | 1,458,600 <sup>(a)</sup>    |
| Univision Communications Inc., Senior Secured Notes                                       | 6.875%  | 5/15/19       | 1,430,000                | 1,535,462 <sup>(a)</sup>    |
| Univision Communications Inc., Senior Secured Notes                                       | 7.875%  | 11/1/20       | 770,000                  | 849,888 <sup>(a)</sup>      |
| Univision Communications Inc., Senior Secured Notes                                       | 6.750%  | 9/15/22       | 240,000                  | 264,000 <sup>(a)</sup>      |
| UPC Holding BV, Junior Secured Subordinated Notes   | 6.375%  | 9/15/22       | 2,030,000 <sup>EUR</sup> | 2,883,431 <sup>(a)</sup>    |
| UPC Holding BV, Senior Notes  | 9.875%  | 4/15/18       | 740,000                  | 795,500 <sup>(a)</sup>      |
| UPCB Finance II Ltd., Senior Notes  | 6.375%  | 7/1/20        | 2,500,000 <sup>EUR</sup> | 3,701,491 <sup>(a)</sup>    |
| Virgin Media Finance PLC, Senior Notes  | 6.375%  | 4/15/23       | 2,890,000                | 2,955,025 <sup>(a)</sup>    |
| <i>Total Media</i>  |         |               |                          | <i>34,147,059</i>           |
| <b>Multiline Retail - 0.8%</b>  |         |               |                          |                             |
| Bon-Ton Department Stores Inc., Secured Notes   | 8.000%  | 6/15/21       | 1,320,000                | 1,336,500                   |
| Neiman Marcus Group LLC, Senior Secured Notes   | 7.125%  | 6/1/28        | 330,000                  | 328,350                     |
| Neiman Marcus Group Ltd. Inc., Senior Notes   | 8.000%  | 10/15/21      | 140,000                  | 147,000 <sup>(a)</sup>      |
| Neiman Marcus Group Ltd. Inc., Senior Notes   | 8.750%  | 10/15/21      | 2,530,000                | 2,662,825 <sup>(a)(b)</sup> |
| <i>Total Multiline Retail</i>   |         |               |                          | <i>4,474,675</i>            |
| <b>Specialty Retail - 2.0%</b>  |         |               |                          |                             |
| American Greetings Corp., Senior Notes  | 7.375%  | 12/1/21       | 1,220,000                | 1,229,150                   |
| Edcon Pty Ltd., Senior Secured Notes  | 9.500%  | 3/1/18        | 2,180,000                | 2,248,234 <sup>(a)</sup>    |
| Gymboree Corp., Senior Notes  | 9.125%  | 12/1/18       | 2,250,000                | 2,084,062                   |
| Hot Topic Inc., Senior Secured Notes  | 9.250%  | 6/15/21       | 730,000                  | 768,325 <sup>(a)</sup>      |
| Michaels Stores Inc., Senior Subordinated Bonds   | 11.375% | 11/1/16       | 873,000                  | 895,934                     |
| New Academy Finance Co. LLC/New Academy Finance Corp., Senior Notes                       | 8.000%  | 6/15/18       | 280,000                  | 288,403 <sup>(a)(b)</sup>   |
| Spencer Spirit Holdings Inc., Senior Notes  | 9.000%  | 5/1/18        | 2,090,000                | 2,137,025 <sup>(a)(b)</sup> |
| Spencer Spirit Holdings Inc./Spencer Gifts LLC/Spirit Halloween Superstores, Senior Notes | 11.000% | 5/1/17        | 1,160,000                | 1,249,900 <sup>(a)</sup>    |
| <i>Total Specialty Retail</i>   |         |               |                          | <i>10,901,033</i>           |

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**Textiles, Apparel & Luxury Goods - 0.3%**

|   |         |        |         |                           |
|---|---------|--------|---------|---------------------------|
| Chinos Intermediate Holdings A Inc., Senior Notes                 | 7.750%  | 5/1/19 | 620,000 | 635,500 <sup>(a)(b)</sup> |
| Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes | 11.375% | 2/1/17 | 810,000 | 814,050 <sup>(a)</sup>    |

*Total Textiles, Apparel & Luxury Goods* 1,449,550

**TOTAL CONSUMER DISCRETIONARY** 89,960,704

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                       |
|---|---------|---------------|-------------|-----------------------------|
| <b>CONSUMER STAPLES - 3.0%</b>  |         |               |             |                             |
| <b>Beverages - 0.4%</b>   |         |               |             |                             |
| Carolina Beverage Group LLC/Carolina Beverage Group Finance Inc., Secured Notes | 10.625% | 8/1/18        | 820,000     | \$ 865,100 <sup>(a)</sup>   |
| Crestview DS Merger Subordinated II Inc., Senior Secured Notes                  | 10.000% | 9/1/21        | 1,230,000   | 1,325,325 <sup>(a)</sup>    |
| <i>Total Beverages</i>  |         |               |             | <i>2,190,425</i>            |
| <b>Food &amp; Staples Retailing - 0.3%</b>                                      |         |               |             |                             |
| Beverages & More Inc., Senior Secured Notes                                     | 10.000% | 11/15/18      | 1,640,000   | 1,658,450 <sup>(a)</sup>    |
| <b>Food Products - 2.0%</b>   |         |               |             |                             |
| Chiquita Brands International Inc./Chiquita Brands LLC, Senior Secured Notes    | 7.875%  | 2/1/21        | 1,930,000   | 2,094,050 <sup>(a)</sup>    |
| Dole Food Co. Inc., Senior Secured Notes  | 7.250%  | 5/1/19        | 1,290,000   | 1,288,388 <sup>(a)</sup>    |
| Post Holdings Inc., Senior Notes  | 7.375%  | 2/15/22       | 1,570,000   | 1,687,750 <sup>(a)</sup>    |
| Simmons Foods Inc., Senior Secured Notes  | 10.500% | 11/1/17       | 3,190,000   | 3,405,325 <sup>(a)</sup>    |
| Sun Merger Sub Inc., Senior Notes   | 5.875%  | 8/1/21        | 1,380,000   | 1,417,950 <sup>(a)</sup>    |
| Wells Enterprises Inc., Senior Secured Notes                                    | 6.750%  | 2/1/20        | 650,000     | 661,375 <sup>(a)</sup>      |
| <i>Total Food Products</i>  |         |               |             | <i>10,554,838</i>           |
| <b>Household Products - 0.1%</b>  |         |               |             |                             |
| Spectrum Brands Escrow Corp., Senior Notes                                      | 6.625%  | 11/15/22      | 580,000     | 618,425 <sup>(a)</sup>      |
| <b>Tobacco - 0.2%</b>   |         |               |             |                             |
| Alliance One International Inc., Secured Notes                                  | 9.875%  | 7/15/21       | 1,250,000   | 1,178,125                   |
| <b>TOTAL CONSUMER STAPLES</b>   |         |               |             | <b>16,200,263</b>           |
| <b>ENERGY - 12.7%</b>   |         |               |             |                             |
| <b>Energy Equipment &amp; Services - 2.2%</b>                                   |         |               |             |                             |
| Atwood Oceanics Inc., Senior Notes  | 6.500%  | 2/1/20        | 760,000     | 815,100                     |
| CGG, Senior Notes   | 9.500%  | 5/15/16       | 462,000     | 488,565                     |
| CGG, Senior Notes   | 7.750%  | 5/15/17       | 410,000     | 423,325                     |
| Gulfmark Offshore Inc., Senior Notes  | 6.375%  | 3/15/22       | 1,240,000   | 1,255,500                   |
| Hercules Offshore Inc., Senior Notes  | 10.250% | 4/1/19        | 840,000     | 955,500 <sup>(a)</sup>      |
| Hercules Offshore Inc., Senior Notes  | 8.750%  | 7/15/21       | 1,230,000   | 1,377,600 <sup>(a)</sup>    |
| Hercules Offshore Inc., Senior Notes  | 7.500%  | 10/1/21       | 1,160,000   | 1,235,400 <sup>(a)</sup>    |
| Parker Drilling Co., Senior Notes   | 9.125%  | 4/1/18        | 1,650,000   | 1,757,250                   |
| Petroleum Geo-Services ASA, Senior Notes  | 7.375%  | 12/15/18      | 1,030,000   | 1,102,100 <sup>(a)</sup>    |
| SESI LLC, Senior Notes  | 7.125%  | 12/15/21      | 1,320,000   | 1,478,400                   |
| Sierra Hamilton LLC/Sierra Hamilton Finance Inc., Senior Secured Notes          | 12.250% | 12/15/18      | 1,280,000   | 1,321,600 <sup>(a)(c)</sup> |
| <i>Total Energy Equipment &amp; Services</i>                                    |         |               |             | <i>12,210,340</i>           |



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**Oil, Gas & Consumable Fuels - 10.5%**

|  |         |          |           |                                |
|--|---------|----------|-----------|--------------------------------|
| Alliance Oil Co., Ltd., Senior Notes                                       | 7.000%  | 5/4/20   | 200,000   | 194,000 <sup>(a)</sup>         |
| Arch Coal Inc., Senior Notes   | 7.000%  | 6/15/19  | 1,190,000 | 952,000                        |
| Arch Coal Inc., Senior Notes   | 9.875%  | 6/15/19  | 690,000   | 617,550                        |
| Atlas Pipeline Partners LP/Atlas Pipeline Finance Corp., Senior Notes      | 6.625%  | 10/1/20  | 470,000   | 493,500                        |
| Berry Petroleum Co., Senior Notes  | 6.375%  | 9/15/22  | 1,430,000 | 1,462,175                      |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes | 9.375%  | 5/1/19   | 3,090,000 | 3,445,350                      |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes | 9.375%  | 5/1/19   | 80,000    | 89,200                         |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes | 7.625%  | 1/15/22  | 360,000   | 364,500 <sup>(a)</sup>         |
| Carrizo Oil & Gas Inc., Senior Notes                                       | 7.500%  | 9/15/20  | 770,000   | 847,000                        |
| Chesapeake Energy Corp., Senior Notes                                      | 6.875%  | 11/15/20 | 550,000   | 624,250                        |
| Chesapeake Energy Corp., Senior Notes                                      | 6.125%  | 2/15/21  | 1,360,000 | 1,465,400                      |
| Comstock Resources Inc., Senior Notes                                      | 9.500%  | 6/15/20  | 1,120,000 | 1,260,000                      |
| CONSOL Energy Inc., Senior Notes   | 8.250%  | 4/1/20   | 1,550,000 | 1,685,625                      |
| Corral Petroleum Holdings AB, Senior Notes                                 | 15.000% | 12/31/17 | 2,629,932 | 2,610,207 <sup>(a)(b)(c)</sup> |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                          |
|---|---------|---------------|-------------|--------------------------------|
| <b>Oil, Gas &amp; Consumable Fuels - continued</b>                          |         |               |             |                                |
| Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes              | 8.875%  | 2/15/18       | 590,000     | \$ 620,975                     |
| El Paso Corp., Medium-Term Notes  | 7.800%  | 8/1/31        | 870,000     | 887,197                        |
| Enterprise Products Operating LLC, Junior Subordinated Notes                | 8.375%  | 8/1/66        | 680,000     | 753,881 <sup>(f)</sup>         |
| EPE Holdings LLC/EP Energy Bond Co. Inc., Senior Notes                      | 8.875%  | 12/15/17      | 1,230,765   | 1,270,765 <sup>(a)(b)</sup>    |
| Globe Luxembourg SCA, Senior Secured Notes                                  | 9.625%  | 5/1/18        | 2,180,000   | 2,269,598 <sup>(a)</sup>       |
| Halcon Resources Corp., Senior Notes  | 9.750%  | 7/15/20       | 1,610,000   | 1,686,475                      |
| Halcon Resources Corp., Senior Notes  | 9.750%  | 7/15/20       | 620,000     | 648,675 <sup>(a)</sup>         |
| Halcon Resources Corp., Senior Notes  | 8.875%  | 5/15/21       | 1,320,000   | 1,339,800                      |
| Kodiak Oil & Gas Corp., Senior Notes  | 8.125%  | 12/1/19       | 1,390,000   | 1,549,850                      |
| LUKOIL International Finance BV, Bonds                                      | 6.356%  | 6/7/17        | 140,000     | 157,150 <sup>(a)</sup>         |
| Magnum Hunter Resources Corp., Senior Notes                                 | 9.750%  | 5/15/20       | 2,300,000   | 2,495,500                      |
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes     | 6.500%  | 8/15/21       | 182,000     | 196,560                        |
| MEG Energy Corp., Senior Notes  | 7.000%  | 3/31/24       | 2,620,000   | 2,659,300 <sup>(a)</sup>       |
| Milagro Oil & Gas Inc., Secured Notes                                       | 10.500% | 5/15/16       | 1,690,000   | 1,275,950 <sup>(e)</sup>       |
| Murray Energy Corp., Senior Secured Notes                                   | 8.625%  | 6/15/21       | 900,000     | 936,000 <sup>(a)</sup>         |
| Natural Resource Partners LP, Senior Notes                                  | 9.125%  | 10/1/18       | 1,150,000   | 1,181,625 <sup>(a)</sup>       |
| Peabody Energy Corp., Senior Notes  | 7.875%  | 11/1/26       | 910,000     | 928,200                        |
| Petrobras International Finance Co., Senior Notes                           | 6.875%  | 1/20/40       | 55,000      | 52,566                         |
| Petrobras International Finance Co., Senior Notes                           | 6.750%  | 1/27/41       | 1,220,000   | 1,141,228                      |
| Plains Exploration & Production Co., Senior Notes                           | 8.625%  | 10/15/19      | 1,310,000   | 1,437,690                      |
| Plains Exploration & Production Co., Senior Notes                           | 6.750%  | 2/1/22        | 250,000     | 275,573                        |
| PT Adaro Indonesia, Senior Notes  | 7.625%  | 10/22/19      | 400,000     | 423,500 <sup>(a)</sup>         |
| Quicksilver Resources Inc., Senior Notes                                    | 11.000% | 7/1/21        | 1,850,000   | 2,016,500 <sup>(a)</sup>       |
| Rosneft Finance SA, Senior Notes  | 7.500%  | 7/18/16       | 210,000     | 236,775 <sup>(a)</sup>         |
| Samson Investment Co., Senior Notes   | 10.500% | 2/15/20       | 3,360,000   | 3,679,200 <sup>(a)</sup>       |
| Sanchez Energy Corp., Senior Notes  | 7.750%  | 6/15/21       | 1,970,000   | 2,024,175 <sup>(a)</sup>       |
| SandRidge Energy Inc., Senior Notes   | 7.500%  | 2/15/23       | 170,000     | 173,400                        |
| Shelf Drilling Holdings Ltd., Senior Secured Notes                          | 8.625%  | 11/1/18       | 930,000     | 1,009,050 <sup>(a)</sup>       |
| Sidewinder Drilling Inc., Senior Notes                                      | 9.750%  | 11/15/19      | 560,000     | 498,400 <sup>(a)</sup>         |
| Summit Midstream Holdings LLC/Summit Mindstream Finance Corp., Senior Notes | 7.500%  | 7/1/21        | 630,000     | 661,500 <sup>(a)</sup>         |
| Tennessee Gas Pipeline Co., Senior Notes                                    | 8.375%  | 6/15/32       | 3,270,000   | 4,234,640                      |
| Xinergy Ltd., Senior Secured Notes  | 9.250%  | 5/15/19       | 2,410,000   | 1,699,050 <sup>(a)</sup>       |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>                                |         |               |             | <i>56,531,505</i>              |
| <b>TOTAL ENERGY</b>   |         |               |             | <b>68,741,845</b>              |
| <b>FINANCIALS - 9.1%</b>  |         |               |             |                                |
| <b>Capital Markets - 0.2%</b>   |         |               |             |                                |
| Goldman Sachs Group Inc., Subordinated Notes                                | 6.750%  | 10/1/37       | 1,210,000   | 1,350,354                      |
| <b>Commercial Banks - 3.5%</b>  |         |               |             |                                |
| Barclays Bank PLC, Subordinated Notes                                       | 10.179% | 6/12/21       | 1,930,000   | 2,561,602 <sup>(a)</sup>       |
| Barclays Bank PLC, Subordinated Notes                                       | 7.625%  | 11/21/22      | 2,000,000   | 2,135,000                      |
| Credit Agricole SA, Subordinated Notes                                      | 8.375%  | 10/13/19      | 1,660,000   | 1,892,400 <sup>(a)(f)(g)</sup> |

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|   |         |         |                          |                             |
|---|---------|---------|--------------------------|-----------------------------|
| Intesa Sanpaolo SpA, Senior Notes                           | 3.625%  | 8/12/15 | 2,680,000                | 2,758,650 <sup>(a)</sup>    |
| M&T Bank Corp., Junior Subordinated Notes                   | 6.875%  | 6/15/16 | 1,790,000                | 1,728,259 <sup>(a)(g)</sup> |
| Royal Bank of Scotland Group PLC, Junior Subordinated Bonds | 7.648%  | 9/30/31 | 1,210,000                | 1,276,550 <sup>(f)(g)</sup> |
| Royal Bank of Scotland Group PLC, Subordinated Notes        | 5.000%  | 10/1/14 | 950,000                  | 971,033                     |
| Royal Bank of Scotland Group PLC, Subordinated Notes        | 6.100%  | 6/10/23 | 1,470,000                | 1,484,538                   |
| Royal Bank of Scotland NV, Subordinated Notes               | 7.750%  | 5/15/23 | 390,000                  | 429,711                     |
| Royal Bank of Scotland PLC, Subordinated Notes              | 13.125% | 3/19/22 | 2,480,000 <sup>AUD</sup> | 2,611,892 <sup>(a)(f)</sup> |
| Santander Issuances SAU, Notes                              | 5.911%  | 6/20/16 | 1,100,000                | 1,169,709 <sup>(a)</sup>    |
| <i>Total Commercial Banks</i>                               |         |         |                          | <i>19,019,344</i>           |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT            | VALUE                       |
|--|--------|---------------|------------------------|-----------------------------|
| <b>Consumer Finance - 1.3%</b>                                 |        |               |                        |                             |
| Ally Financial Inc., Senior Notes                              | 8.000% | 3/15/20       | 1,410,000              | \$ 1,697,287                |
| GMAC International Finance BV, Senior Bonds                    | 7.500% | 4/21/15       | 830,000 <sup>EUR</sup> | 1,223,186 <sup>(a)</sup>    |
| SLM Corp., Medium-Term Notes, Senior Notes                     | 8.450% | 6/15/18       | 1,110,000              | 1,297,313                   |
| SLM Corp., Medium-Term Notes, Senior Notes                     | 8.000% | 3/25/20       | 1,150,000              | 1,306,687                   |
| Stearns Holdings Inc., Senior Secured Notes                    | 9.375% | 8/15/20       | 640,000                | 656,000 <sup>(a)</sup>      |
| TMX Finance LLC/TitleMax Finance Corp., Senior Secured Notes   | 8.500% | 9/15/18       | 570,000                | 609,900 <sup>(a)</sup>      |
| <i>Total Consumer Finance</i>                                  |        |               |                        | 6,790,373                   |
| <b>Diversified Financial Services - 2.8%</b>                   |        |               |                        |                             |
| Bank of America Corp., Junior Subordinated Notes               | 5.200% | 6/1/23        | 800,000                | 708,000 <sup>(f)(g)</sup>   |
| ING US Inc., Junior Subordinated Notes                         | 5.650% | 5/15/53       | 500,000                | 486,375 <sup>(f)</sup>      |
| International Lease Finance Corp., Senior Notes                | 8.625% | 9/15/15       | 820,000                | 913,275                     |
| International Lease Finance Corp., Senior Notes                | 8.750% | 3/15/17       | 100,000                | 118,250                     |
| International Lease Finance Corp., Senior Notes                | 8.875% | 9/1/17        | 4,200,000              | 5,019,000                   |
| International Lease Finance Corp., Senior Notes                | 8.250% | 12/15/20      | 1,860,000              | 2,180,850                   |
| JPMorgan Chase & Co., Junior Subordinated Bonds                | 6.000% | 8/1/23        | 630,000                | 605,588 <sup>(f)(g)</sup>   |
| Nationstar Mortgage LLC/Nationstar Capital Corp., Senior Notes | 6.500% | 8/1/18        | 1,370,000              | 1,400,825                   |
| Nationstar Mortgage LLC/Nationstar Capital Corp., Senior Notes | 7.875% | 10/1/20       | 1,020,000              | 1,063,350                   |
| TransUnion Holding Co. Inc., Senior Notes                      | 9.625% | 6/15/18       | 1,370,000              | 1,479,600                   |
| ZFS Finance USA Trust II, Bonds                                | 6.450% | 12/15/65      | 1,000,000              | 1,075,000 <sup>(a)(f)</sup> |
| <i>Total Diversified Financial Services</i>                    |        |               |                        | 15,050,113                  |
| <b>Insurance - 0.9%</b>  |        |               |                        |                             |
| American International Group Inc., Senior Notes                | 8.250% | 8/15/18       | 1,565,000              | 1,961,516                   |
| Fidelity & Guaranty Life Holdings Inc., Senior Notes           | 6.375% | 4/1/21        | 850,000                | 896,750 <sup>(a)</sup>      |
| ING Capital Funding Trust III, Junior Subordinated Bonds       | 3.848% | 3/31/14       | 430,000                | 430,538 <sup>(f)(g)</sup>   |
| Liberty Mutual Group Inc., Junior Subordinated Bonds           | 7.800% | 3/15/37       | 900,000                | 972,000 <sup>(a)</sup>      |
| MetLife Capital Trust IV, Junior Subordinated Notes            | 7.875% | 12/15/37      | 650,000                | 749,125 <sup>(a)</sup>      |
| <i>Total Insurance</i>   |        |               |                        | 5,009,929                   |
| <b>Real Estate Management &amp; Development - 0.4%</b>         |        |               |                        |                             |
| Howard Hughes Corp., Senior Notes                              | 6.875% | 10/1/21       | 2,130,000              | 2,225,850 <sup>(a)</sup>    |
| <b>TOTAL FINANCIALS</b>  |        |               |                        | 49,445,963                  |
| <b>HEALTH CARE - 6.3%</b>                                      |        |               |                        |                             |
| <b>Health Care Equipment &amp; Supplies - 0.8%</b>             |        |               |                        |                             |
| Alere Inc., Senior Subordinated Notes                          | 6.500% | 6/15/20       | 1,710,000              | 1,757,025                   |
| ConvaTec Finance International SA, Senior Notes                | 8.250% | 1/15/19       | 830,000                | 851,787 <sup>(a)(b)</sup>   |
| Lantheus Medical Imaging Inc., Senior Notes                    | 9.750% | 5/15/17       | 2,180,000              | 1,962,000                   |
| <i>Total Health Care Equipment &amp; Supplies</i>              |        |               |                        | 4,570,812                   |

**Health Care Providers & Services - 5.3%**

|  |         |          |           |                          |
|--|---------|----------|-----------|--------------------------|
| Acadia Healthcare Co. Inc., Senior Notes               | 12.875% | 11/1/18  | 864,000   | 1,049,760                |
| Acadia Healthcare Co. Inc., Senior Notes               | 6.125%  | 3/15/21  | 720,000   | 741,600 <sup>(a)</sup>   |
| CHS/Community Health Systems Inc., Senior Notes        | 8.000%  | 11/15/19 | 2,390,000 | 2,605,100                |
| CRC Health Corp., Senior Subordinated Notes            | 10.750% | 2/1/16   | 4,210,000 | 4,228,419                |
| DJO Finance LLC/DJO Finance Corp., Senior Notes        | 9.875%  | 4/15/18  | 1,330,000 | 1,436,400                |
| ExamWorks Group Inc., Senior Notes                     | 9.000%  | 7/15/19  | 2,050,000 | 2,229,375                |
| Fresenius Medical Care U.S. Finance Inc., Senior Notes | 6.875%  | 7/15/17  | 780,000   | 889,200                  |
| Fresenius Medical Care U.S. Finance Inc., Senior Notes | 6.500%  | 9/15/18  | 280,000   | 317,800 <sup>(a)</sup>   |
| Fresenius U.S. Finance II Inc., Senior Notes           | 9.000%  | 7/15/15  | 2,060,000 | 2,286,600 <sup>(a)</sup> |
| HCA Inc., Debentures                                   | 7.500%  | 11/15/95 | 3,920,000 | 3,430,000                |
| HCA Inc., Senior Secured Notes                         | 7.875%  | 2/15/20  | 500,000   | 538,125                  |
| HCA Inc., Senior Secured Notes                         | 7.250%  | 9/15/20  | 460,000   | 502,550                  |
| IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes | 8.375%  | 5/15/19  | 2,580,000 | 2,747,700                |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                        |
|---|---------|---------------|-------------|------------------------------|
| <b>Health Care Providers &amp; Services - continued</b>                     |         |               |             |                              |
| Physiotherapy Associates Holdings Inc., Senior Notes                        | 11.875% | 5/1/19        | 1,610,000   | \$ 635,950 <sup>(a)(e)</sup> |
| Radnet Management Inc., Senior Notes  | 10.375% | 4/1/18        | 1,970,000   | 1,974,925                    |
| Tenet Healthcare Corp., Senior Notes  | 8.125%  | 4/1/22        | 1,480,000   | 1,598,400                    |
| Tenet Healthcare Corp., Senior Secured Notes                                | 6.000%  | 10/1/20       | 1,330,000   | 1,390,681 <sup>(a)</sup>     |
| <i>Total Health Care Providers &amp; Services</i>                           |         |               |             | 28,602,585                   |
| <b>Pharmaceuticals - 0.2%</b>   |         |               |             |                              |
| Salix Pharmaceuticals Ltd., Senior Notes                                    | 6.000%  | 1/15/21       | 810,000     | 832,275 <sup>(a)</sup>       |
| <b>TOTAL HEALTH CARE</b>  |         |               |             | 34,005,672                   |
| <b>INDUSTRIALS - 14.6%</b>  |         |               |             |                              |
| <b>Aerospace &amp; Defense - 2.0%</b>                                       |         |               |             |                              |
| CBC Ammo LLC/CBC FinCo Inc., Senior Notes                                   | 7.250%  | 11/15/21      | 2,100,000   | 2,079,000 <sup>(a)</sup>     |
| Ducommun Inc., Senior Notes   | 9.750%  | 7/15/18       | 1,010,000   | 1,128,675                    |
| Erickson Air-Crane Inc., Senior Secured Notes                               | 8.250%  | 5/1/20        | 2,483,000   | 2,582,320 <sup>(a)</sup>     |
| GenCorp Inc., Secured Notes   | 7.125%  | 3/15/21       | 760,000     | 817,000                      |
| Kratos Defense & Security Solutions Inc., Senior Secured Notes              | 10.000% | 6/1/17        | 2,850,000   | 3,088,687                    |
| Triumph Group Inc., Senior Notes  | 8.625%  | 7/15/18       | 870,000     | 943,950                      |
| <i>Total Aerospace &amp; Defense</i>  |         |               |             | 10,639,632                   |
| <b>Airlines - 1.7%</b>  |         |               |             |                              |
| Air Canada, Pass-Through Trust, Secured Notes                               | 6.625%  | 5/15/18       | 560,000     | 560,336 <sup>(a)</sup>       |
| Air Canada, Senior Secured Notes  | 8.750%  | 4/1/20        | 1,440,000   | 1,537,200 <sup>(a)</sup>     |
| American Airlines, Pass-Through Trust, Secured Notes                        | 7.000%  | 1/31/18       | 645,362     | 682,471 <sup>(a)</sup>       |
| DAE Aviation Holdings Inc., Senior Notes                                    | 11.250% | 8/1/15        | 3,520,000   | 3,535,400 <sup>(a)</sup>     |
| Delta Air Lines Inc., Pass-Through Certificates, Secured Notes              | 8.021%  | 8/10/22       | 680,035     | 765,040                      |
| Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes | 9.750%  | 12/17/16      | 328,320     | 371,002                      |
| United Airlines Inc., Pass-Through Certificates, Notes                      | 5.500%  | 10/29/20      | 460,000     | 473,800                      |
| United Airlines Inc., Pass-Through Certificates, Secured Notes              | 9.250%  | 5/10/17       | 118,876     | 131,655                      |
| United Airlines Inc., Pass-Through Certificates, Senior Secured Notes       | 6.125%  | 4/29/18       | 740,000     | 773,300                      |
| United Airlines Inc., Pass-Through Certificates, Subordinated Secured Notes | 7.339%  | 4/19/14       | 315,179     | 319,371                      |
| <i>Total Airlines</i>   |         |               |             | 9,149,575                    |
| <b>Building Products - 0.4%</b>   |         |               |             |                              |
| Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Notes                 | 6.875%  | 2/15/21       | 1,020,000   | 1,009,800 <sup>(a)</sup>     |
| Building Materials Corp. of America, Senior Notes                           | 6.750%  | 5/1/21        | 600,000     | 651,000 <sup>(a)</sup>       |
| Building Materials Corp. of America, Senior Secured Notes                   | 7.500%  | 3/15/20       | 550,000     | 596,750 <sup>(a)</sup>       |
| Rearden G Holdings EINS GmbH, Senior Notes                                  | 7.875%  | 3/30/20       | 100,000     | 104,500 <sup>(a)</sup>       |
| <i>Total Building Products</i>  |         |               |             | 2,362,050                    |
| <b>Commercial Services &amp; Supplies - 2.2%</b>                            |         |               |             |                              |

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|   |        |          |           |                          |
|---|--------|----------|-----------|--------------------------|
| Garda World Security Corp., Senior Notes                                | 7.250% | 11/15/21 | 390,000   | 394,875 <sup>(a)</sup>   |
| JM Huber Corp., Senior Notes  | 9.875% | 11/1/19  | 860,000   | 992,225 <sup>(a)</sup>   |
| Monitronics International Inc., Senior Notes                            | 9.125% | 4/1/20   | 3,280,000 | 3,493,200                |
| RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Notes            | 8.250% | 2/1/21   | 810,000   | 917,325                  |
| Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes | 7.750% | 4/15/20  | 1,423,000 | 1,572,415 <sup>(a)</sup> |
| Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes | 7.750% | 4/15/20  | 891,000   | 984,555 <sup>(a)</sup>   |
| TMS International Corp., Senior Notes                                   | 7.625% | 10/15/21 | 600,000   | 642,000 <sup>(a)</sup>   |
| United Rentals North America Inc., Senior Notes                         | 7.625% | 4/15/22  | 2,608,000 | 2,911,180                |
| <i>Total Commercial Services &amp; Supplies</i>                         |        |          |           | <i>11,907,775</i>        |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                       |
|--|---------|---------------|-------------|-----------------------------|
| <b>Construction &amp; Engineering - 0.6%</b>   |         |               |             |                             |
| Abengoa Finance SAU, Senior Notes  | 8.875%  | 11/1/17       | 1,460,000   | \$ 1,576,800 <sup>(a)</sup> |
| Ausdrill Finance Pty Ltd., Senior Notes  | 6.875%  | 11/1/19       | 200,000     | 183,500 <sup>(a)</sup>      |
| Michael Baker International LLC/CDL Acquisition Co. Inc., Senior Secured Notes               | 8.250%  | 10/15/18      | 1,430,000   | 1,472,900 <sup>(a)</sup>    |
| Odebrecht Finance Ltd., Senior Notes   | 4.375%  | 4/25/25       | 260,000     | 227,500 <sup>(a)</sup>      |
| <i>Total Construction &amp; Engineering</i>  |         |               |             | 3,460,700                   |
| <b>Electrical Equipment - 0.4%</b>   |         |               |             |                             |
| International Wire Group Holdings Inc., Senior Secured Notes                                 | 8.500%  | 10/15/17      | 1,020,000   | 1,083,750 <sup>(a)</sup>    |
| NES Rentals Holdings Inc., Senior Secured Notes  | 7.875%  | 5/1/18        | 930,000     | 988,125 <sup>(a)</sup>      |
| <i>Total Electrical Equipment</i>  |         |               |             | 2,071,875                   |
| <b>Industrial Conglomerates - 0.3%</b>   |         |               |             |                             |
| Leucadia National Corp., Senior Notes  | 8.125%  | 9/15/15       | 1,290,000   | 1,435,125                   |
| <b>Machinery - 1.4%</b>  |         |               |             |                             |
| CTP Transportation Products LLC/CTP Finance Inc., Senior Secured Notes                       | 8.250%  | 12/15/19      | 610,000     | 638,975 <sup>(a)</sup>      |
| Dematic SA/DH Services Luxembourg Sarl, Senior Notes   | 7.750%  | 12/15/20      | 2,820,000   | 3,010,350 <sup>(a)</sup>    |
| Gardner Denver Inc., Senior Notes  | 6.875%  | 8/15/21       | 1,510,000   | 1,513,775 <sup>(a)</sup>    |
| Global Brass and Copper Inc., Senior Secured Notes   | 9.500%  | 6/1/19        | 1,260,000   | 1,442,700                   |
| SPL Logistics Escrow LLC/SPL Logistics Finance Corp., Senior Secured Notes                   | 8.875%  | 8/1/20        | 890,000     | 950,075 <sup>(a)</sup>      |
| <i>Total Machinery</i>   |         |               |             | 7,555,875                   |
| <b>Marine - 1.0%</b>   |         |               |             |                             |
| Horizon Lines LLC, Secured Notes   | 13.000% | 10/15/16      | 1,716,023   | 1,595,901 <sup>(b)</sup>    |
| Horizon Lines LLC, Senior Secured Notes  | 11.000% | 10/15/16      | 953,000     | 955,383                     |
| Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes | 8.125%  | 11/15/21      | 1,420,000   | 1,455,500 <sup>(a)</sup>    |
| Ultrapetrol Bahamas Ltd., Senior Secured Mortgage Notes                                      | 8.875%  | 6/15/21       | 280,000     | 302,750 <sup>(a)</sup>      |
| Ultrapetrol Bahamas Ltd., Senior Secured Notes   | 8.875%  | 6/15/21       | 960,000     | 1,034,400 <sup>(c)</sup>    |
| <i>Total Marine</i>  |         |               |             | 5,343,934                   |
| <b>Road &amp; Rail - 1.8%</b>  |         |               |             |                             |
| Flexi-Van Leasing Inc., Senior Notes   | 7.875%  | 8/15/18       | 1,290,000   | 1,373,850 <sup>(a)</sup>    |
| Florida East Coast Holdings Corp., Senior Notes  | 10.500% | 8/1/17        | 3,056,108   | 3,163,072 <sup>(b)</sup>    |
| Jack Cooper Finance Co., Senior Secured Notes  | 9.250%  | 6/1/20        | 850,000     | 919,062 <sup>(a)</sup>      |
| Jack Cooper Holdings Corp., Senior Secured Notes   | 9.250%  | 6/1/20        | 1,380,000   | 1,492,125 <sup>(a)</sup>    |
| Quality Distribution LLC/QD Capital Corp., Secured Notes                                     | 9.875%  | 11/1/18       | 2,588,000   | 2,879,150                   |



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|   |         |          |           |                             |
|---|---------|----------|-----------|-----------------------------|
| <i>Total Road &amp; Rail</i>  |         |          |           | 9,827,259                   |
| <b>Trading Companies &amp; Distributors - 0.6%</b>  |         |          |           |                             |
| Ashtead Capital Inc., Senior Secured Notes  | 6.500%  | 7/15/22  | 1,340,000 | 1,435,475 <sup>(a)</sup>    |
| H&E Equipment Services Inc., Senior Notes   | 7.000%  | 9/1/22   | 1,620,000 | 1,773,900                   |
| <i>Total Trading Companies &amp; Distributors</i>   |         |          |           | 3,209,375                   |
| <b>Transportation - 1.9%</b>  |         |          |           |                             |
| CMA CGM, Senior Notes   | 8.500%  | 4/15/17  | 3,110,000 | 3,063,350 <sup>(a)</sup>    |
| Hapag-Lloyd AG, Senior Notes  | 9.750%  | 10/15/17 | 1,700,000 | 1,806,250 <sup>(a)</sup>    |
| Neovia Logistics Intermediate Holdings LLC/Logistics Intermediate Finance Corp., Senior Notes | 10.000% | 2/15/18  | 1,980,000 | 2,009,700 <sup>(a)(b)</sup> |
| Syncreon Group BV/Syncreon Global Finance US Inc., Senior Notes                               | 8.625%  | 11/1/21  | 1,750,000 | 1,820,000 <sup>(a)</sup>    |
| Watco Cos., LLC/Watco Finance Corp., Senior Notes   | 6.375%  | 4/1/23   | 1,320,000 | 1,313,400 <sup>(a)</sup>    |
| <i>Total Transportation</i>   |         |          |           | 10,012,700                  |

See Notes to Schedule of Investments.

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY  | RATE    | MATURITY DATE | FACE AMOUNT              | VALUE                       |
|---|---------|---------------|--------------------------|-----------------------------|
| <b>Transportation Infrastructure - 0.3%</b>   |         |               |                          |                             |
| Aguila 3 SA, Senior Secured Notes   | 7.875%  | 1/31/18       | 1,570,000                | \$ 1,672,050 <sup>(a)</sup> |
| <b>TOTAL INDUSTRIALS</b>  |         |               |                          | 78,647,925                  |
| <b>INFORMATION TECHNOLOGY - 2.3%</b>  |         |               |                          |                             |
| <b>Computers &amp; Peripherals - 0.5%</b>   |         |               |                          |                             |
| Hewlett-Packard Co., Senior Notes   | 4.650%  | 12/9/21       | 2,750,000                | 2,836,292                   |
| <b>Internet Software &amp; Services - 0.5%</b>  |         |               |                          |                             |
| Ancestry.com Inc., Senior Notes   | 11.000% | 12/15/20      | 1,070,000                | 1,246,550                   |
| Zayo Group LLC/Zayo Capital Inc., Senior Secured Notes  | 8.125%  | 1/1/20        | 990,000                  | 1,089,000                   |
| <i>Total Internet Software &amp; Services</i>   |         |               |                          | 2,335,550                   |
| <b>IT Services - 0.8%</b>   |         |               |                          |                             |
| Compiler Finance Subordinated Inc., Senior Notes  | 7.000%  | 5/1/21        | 310,000                  | 309,225 <sup>(a)</sup>      |
| First Data Corp., Senior Notes  | 12.625% | 1/15/21       | 2,130,000                | 2,510,737                   |
| First Data Corp., Senior Secured Notes  | 6.750%  | 11/1/20       | 590,000                  | 616,550 <sup>(a)</sup>      |
| First Data Corp., Senior Subordinated Notes   | 11.750% | 8/15/21       | 760,000                  | 805,600 <sup>(a)</sup>      |
| <i>Total IT Services</i>  |         |               |                          | 4,242,112                   |
| <b>Semiconductors &amp; Semiconductor Equipment - 0.1%</b>                                    |         |               |                          |                             |
| Freescale Semiconductor Inc., Senior Subordinated Notes                                       | 10.125% | 12/15/16      | 683,000                  | 698,368                     |
| <b>Software - 0.4%</b>  |         |               |                          |                             |
| Audatex North America Inc., Senior Notes  | 6.000%  | 6/15/21       | 720,000                  | 757,800 <sup>(a)</sup>      |
| Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes | 9.250%  | 1/15/18       | 1,240,000                | 1,289,600 <sup>(a)</sup>    |
| <i>Total Software</i>   |         |               |                          | 2,047,400                   |
| <b>TOTAL INFORMATION TECHNOLOGY</b>   |         |               |                          | 12,159,722                  |
| <b>MATERIALS - 10.3%</b>  |         |               |                          |                             |
| <b>Chemicals - 0.5%</b>   |         |               |                          |                             |
| Kerling PLC, Senior Secured Notes   | 10.625% | 2/1/17        | 1,048,000 <sup>EUR</sup> | 1,533,644 <sup>(a)</sup>    |
| KP Germany Erste GmbH, Senior Secured Notes   | 11.625% | 7/15/17       | 420,000 <sup>EUR</sup>   | 669,085 <sup>(a)</sup>      |
| KP Germany Erste GmbH, Senior Secured Notes   | 11.625% | 7/15/17       | 320,000 <sup>EUR</sup>   | 509,779 <sup>(a)</sup>      |
| <i>Total Chemicals</i>  |         |               |                          | 2,712,508                   |
| <b>Construction Materials - 0.0%</b>  |         |               |                          |                             |
| Cemex SAB de CV, Senior Secured Notes   | 9.000%  | 1/11/18       | 140,000                  | 154,350 <sup>(a)</sup>      |

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**Containers & Packaging - 2.9%**

|  |         |          |                        |                           |
|--|---------|----------|------------------------|---------------------------|
| Ardagh Packaging Finance PLC, Senior Notes   | 9.125%  | 10/15/20 | 1,130,000              | 1,243,000 <sup>(a)</sup>  |
| Ardagh Packaging Finance PLC, Senior Secured Notes   | 7.375%  | 10/15/17 | 560,000 <sup>EUR</sup> | 827,247 <sup>(a)</sup>    |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes                                   | 9.125%  | 10/15/20 | 2,170,000              | 2,376,150 <sup>(a)</sup>  |
| Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes                                   | 7.000%  | 11/15/20 | 1,440,000              | 1,461,600 <sup>(a)</sup>  |
| BOE Intermediate Holding Corp., Senior Notes   | 9.000%  | 11/1/17  | 512,295                | 536,629 <sup>(a)(b)</sup> |
| Exopack Holdings SA, Senior Notes  | 7.875%  | 11/1/19  | 1,780,000              | 1,824,500 <sup>(a)</sup>  |
| Pactiv LLC, Senior Bonds   | 8.375%  | 4/15/27  | 2,230,000              | 2,096,200                 |
| Pretium Packaging LLC/Pretium Finance Inc., Senior Secured Notes   | 11.500% | 4/1/16   | 2,280,000              | 2,445,300                 |
| Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes | 8.500%  | 5/15/18  | 280,000                | 296,800                   |
| Viskase Cos. Inc., Senior Secured Notes  | 9.875%  | 1/15/18  | 2,470,000              | 2,599,551 <sup>(a)</sup>  |
| <i>Total Containers &amp; Packaging</i>  |         |          |                        | <i>15,706,977</i>         |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT              | VALUE                        |
|--|---------|---------------|--------------------------|------------------------------|
| <b>Metals &amp; Mining - 5.7%</b>  |         |               |                          |                              |
| ArcelorMittal, Senior Notes  | 5.000%  | 2/25/17       | 810,000                  | \$ 872,775                   |
| ArcelorMittal, Senior Notes  | 6.000%  | 3/1/21        | 1,990,000                | 2,119,350                    |
| ArcelorMittal, Senior Notes  | 6.750%  | 2/25/22       | 340,000                  | 371,450                      |
| Barmingo Finance Pty Ltd., Senior Notes  | 9.000%  | 6/1/18        | 1,170,000                | 1,082,250 <sup>(a)</sup>     |
| Cliffs Natural Resources Inc., Senior Notes                                    | 3.950%  | 1/15/18       | 120,000                  | 121,288                      |
| Cliffs Natural Resources Inc., Senior Notes                                    | 5.900%  | 3/15/20       | 1,540,000                | 1,627,190                    |
| Coeur Mining Inc., Senior Notes  | 7.875%  | 2/1/21        | 1,850,000                | 1,887,000                    |
| Evraz Group SA, Notes  | 9.500%  | 4/24/18       | 100,000                  | 109,625 <sup>(a)</sup>       |
| Evraz Group SA, Senior Notes   | 9.500%  | 4/24/18       | 100,000                  | 109,625 <sup>(a)</sup>       |
| FMG Resources (August 2006) Pty Ltd., Senior Notes                             | 7.000%  | 11/1/15       | 288,000                  | 299,340 <sup>(a)</sup>       |
| FMG Resources (August 2006) Pty Ltd., Senior Notes                             | 6.375%  | 2/1/16        | 720,000                  | 747,000 <sup>(a)</sup>       |
| FMG Resources (August 2006) Pty Ltd., Senior Notes                             | 8.250%  | 11/1/19       | 2,210,000                | 2,489,012 <sup>(a)</sup>     |
| Midwest Vanadium Pty Ltd., Senior Secured Notes                                | 11.500% | 2/15/18       | 1,570,000                | 1,318,800 <sup>(a)(d)</sup>  |
| Mirabela Nickel Ltd., Notes  | 3.500%  | 3/28/14       | 310,000                  | 263,500 <sup>(a)(b)(c)</sup> |
| Mirabela Nickel Ltd., Senior Notes   | 8.750%  | 4/15/18       | 1,340,000                | 368,500 <sup>(a)(e)</sup>    |
| Molycorp Inc., Senior Secured Notes  | 10.000% | 6/1/20        | 1,450,000                | 1,446,375                    |
| Noranda Aluminum Acquisition Corp., Senior Notes                               | 11.000% | 6/1/19        | 440,000                  | 376,200 <sup>(a)</sup>       |
| Optima Specialty Steel Inc., Senior Secured Notes                              | 12.500% | 12/15/16      | 1,160,000                | 1,278,900 <sup>(a)</sup>     |
| Prince Mineral Holding Corp., Senior Secured Notes                             | 11.500% | 12/15/19      | 1,280,000                | 1,430,400 <sup>(a)</sup>     |
| Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes                     | 8.250%  | 1/15/21       | 2,260,000                | 2,316,500 <sup>(a)</sup>     |
| Ryerson Inc./Joseph T. Ryerson & Son Inc., Senior Secured Notes                | 9.000%  | 10/15/17      | 2,040,000                | 2,164,950                    |
| Schaeffler Holding Finance BV, Senior Secured Bonds                            | 6.875%  | 8/15/18       | 880,000                  | 937,200 <sup>(a)(b)</sup>    |
| Schaeffler Holding Finance BV, Senior Secured Notes                            | 6.875%  | 8/15/18       | 1,050,000 <sup>EUR</sup> | 1,551,015 <sup>(a)(b)</sup>  |
| St. Barbara Ltd., Senior Secured Notes   | 8.875%  | 4/15/18       | 1,980,000                | 1,658,250 <sup>(a)</sup>     |
| SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes | 7.375%  | 2/1/20        | 610,000                  | 640,500 <sup>(a)</sup>       |
| Thompson Creek Metals Co. Inc., Senior Notes                                   | 12.500% | 5/1/19        | 1,050,000                | 1,029,000                    |
| Thompson Creek Metals Co. Inc., Senior Secured Notes                           | 9.750%  | 12/1/17       | 1,340,000                | 1,480,700                    |
| Vale Overseas Ltd., Notes  | 8.250%  | 1/17/34       | 62,000                   | 72,041                       |
| Vale Overseas Ltd., Notes  | 6.875%  | 11/21/36      | 68,000                   | 70,567                       |
| Vedanta Resources PLC, Senior Notes  | 8.750%  | 1/15/14       | 100,000                  | 100,500 <sup>(a)</sup>       |
| Vedanta Resources PLC, Senior Notes  | 6.750%  | 6/7/16        | 200,000                  | 208,250 <sup>(a)</sup>       |
| <i>Total Metals &amp; Mining</i>   |         |               |                          | <i>30,548,053</i>            |
| <b>Paper &amp; Forest Products - 1.2%</b>                                      |         |               |                          |                              |
| Appvion Inc., Secured Notes  | 9.000%  | 6/1/20        | 3,480,000                | 3,527,850 <sup>(a)</sup>     |
| Resolute Forest Products Inc., Senior Notes                                    | 5.875%  | 5/15/23       | 1,770,000                | 1,646,100 <sup>(a)</sup>     |
| Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes                | 11.750% | 1/15/19       | 1,070,000                | 1,139,550                    |
| Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes                | 11.750% | 1/15/19       | 232,000                  | 178,640                      |
| Verso Paper Holdings LLC/Verso Paper Inc., Senior Subordinated Notes           | 11.375% | 8/1/16        | 288,000                  | 138,240                      |
| <i>Total Paper &amp; Forest Products</i>                                       |         |               |                          | <i>6,630,380</i>             |
| <b>TOTAL MATERIALS</b>   |         |               |                          | <b>55,752,268</b>            |

**TELECOMMUNICATION SERVICES - 9.7%**

**Diversified Telecommunication Services - 6.3%**

|  |        |         |           |                          |
|--|--------|---------|-----------|--------------------------|
| Axtel SAB de CV, Senior Secured Notes, Step Bond       | 7.000% | 1/31/20 | 129,000   | 120,937 <sup>(a)</sup>   |
| CenturyLink Inc., Senior Notes                         | 5.800% | 3/15/22 | 2,350,000 | 2,332,375                |
| Cogent Communications Group Inc., Senior Secured Notes | 8.375% | 2/15/18 | 1,660,000 | 1,809,400 <sup>(a)</sup> |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                     |
|--|---------|---------------|-------------|---------------------------|
| <b>Diversified Telecommunication Services - continued</b>                  |         |               |             |                           |
| Inmarsat Finance PLC, Senior Notes   | 7.375%  | 12/1/17       | 380,000     | \$ 397,100 <sup>(a)</sup> |
| Intelsat Jackson Holdings SA, Senior Notes                                 | 7.250%  | 10/15/20      | 2,750,000   | 3,021,562                 |
| Intelsat Jackson Holdings SA, Senior Notes                                 | 7.500%  | 4/1/21        | 670,000     | 742,025                   |
| Intelsat Jackson Holdings SA, Senior Notes                                 | 5.500%  | 8/1/23        | 3,380,000   | 3,227,900 <sup>(a)</sup>  |
| Level 3 Financing Inc., Senior Notes                                       | 7.000%  | 6/1/20        | 130,000     | 138,450                   |
| Level 3 Financing Inc., Senior Notes                                       | 8.625%  | 7/15/20       | 2,350,000   | 2,643,750                 |
| Level 3 Financing Inc., Senior Notes                                       | 6.125%  | 1/15/21       | 630,000     | 637,875 <sup>(a)</sup>    |
| TW Telecom Holdings Inc., Senior Notes                                     | 5.375%  | 10/1/22       | 480,000     | 472,800                   |
| TW Telecom Holdings Inc., Senior Notes                                     | 6.375%  | 9/1/23        | 1,870,000   | 1,949,475 <sup>(a)</sup>  |
| UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes | 8.250%  | 5/23/16       | 130,000     | 144,300 <sup>(a)</sup>    |
| Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH, Senior Secured Notes  | 7.500%  | 3/15/19       | 430,000     | 469,775 <sup>(a)</sup>    |
| Verizon Communications Inc., Senior Notes                                  | 5.150%  | 9/15/23       | 1,830,000   | 1,968,630                 |
| Wind Acquisition Finance SA, Senior Notes                                  | 11.750% | 7/15/17       | 1,610,000   | 1,714,650 <sup>(a)</sup>  |
| Wind Acquisition Finance SA, Senior Secured Notes                          | 7.250%  | 2/15/18       | 200,000     | 210,500 <sup>(a)</sup>    |
| Wind Acquisition Holdings Finance SpA, Senior Notes                        | 12.250% | 7/15/17       | 4,431,123   | 4,685,913 <sup>(a)</sup>  |
| Windstream Corp., Senior Notes   | 7.500%  | 4/1/23        | 4,330,000   | 4,373,300                 |
| Windstream Corp., Senior Notes   | 6.375%  | 8/1/23        | 2,910,000   | 2,735,400                 |
| <i>Total Diversified Telecommunication Services</i>                        |         |               |             | 33,796,117                |
| <b>Wireless Telecommunication Services - 3.4%</b>                          |         |               |             |                           |
| Sprint Capital Corp., Senior Notes   | 6.875%  | 11/15/28      | 2,900,000   | 2,747,750                 |
| Sprint Capital Corp., Senior Notes   | 8.750%  | 3/15/32       | 5,335,000   | 5,748,462                 |
| Sprint Communications Inc., Senior Notes                                   | 6.000%  | 12/1/16       | 200,000     | 218,750                   |
| Sprint Communications Inc., Senior Notes                                   | 9.000%  | 11/15/18      | 2,770,000   | 3,344,775 <sup>(a)</sup>  |
| Sprint Corp., Senior Notes   | 7.875%  | 9/15/23       | 2,860,000   | 3,081,650 <sup>(a)</sup>  |
| Syniverse Holdings Inc., Senior Notes                                      | 9.125%  | 1/15/19       | 1,455,000   | 1,596,863                 |
| T-Mobile USA Inc., Senior Notes  | 6.542%  | 4/28/20       | 560,000     | 597,100                   |
| T-Mobile USA Inc., Senior Notes  | 6.125%  | 1/15/22       | 460,000     | 469,200                   |
| T-Mobile USA Inc., Senior Notes  | 6.731%  | 4/28/22       | 400,000     | 418,500                   |
| VimpelCom Holdings BV, Senior Notes  | 7.504%  | 3/1/22        | 200,000     | 209,424 <sup>(a)</sup>    |
| <i>Total Wireless Telecommunication Services</i>                           |         |               |             | 18,432,474                |
| <b>TOTAL TELECOMMUNICATION SERVICES</b>                                    |         |               |             | 52,228,591                |
| <b>UTILITIES - 5.7%</b>  |         |               |             |                           |
| <b>Electric Utilities - 2.1%</b>   |         |               |             |                           |
| AES Red Oak LLC, Secured Notes   | 9.200%  | 11/30/29      | 4,200,000   | 4,641,000                 |
| FirstEnergy Corp., Notes   | 7.375%  | 11/15/31      | 1,540,000   | 1,677,612                 |
| GenOn REMA LLC, Pass-Through Certificates                                  | 9.237%  | 7/2/17        | 612,109     | 630,472                   |
| GenOn REMA LLC, Pass-Through Certificates                                  | 9.681%  | 7/2/26        | 2,680,000   | 2,760,400                 |
| Midwest Generation LLC, Pass-Through Certificates                          | 8.560%  | 1/2/16        | 1,586,891   | 1,816,990 <sup>(c)</sup>  |

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*Total Electric Utilities* 11,526,474

**Gas Utilities - 0.3%**

|  |        |         |           |           |
|--|--------|---------|-----------|-----------|
| Southern Natural Gas Co., Senior Notes                                   | 8.000% | 3/1/32  | 60,000    | 77,020    |
| Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes | 7.375% | 3/15/20 | 1,330,000 | 1,429,750 |

*Total Gas Utilities* 1,506,770

**Independent Power Producers & Energy Traders - 3.3%**

|   |         |          |           |                           |
|---|---------|----------|-----------|---------------------------|
| Atlantic Power Corp., Senior Notes  | 9.000%  | 11/15/18 | 1,190,000 | 1,246,525                 |
| Calpine Corp., Senior Secured Notes   | 7.875%  | 7/31/20  | 176,000   | 193,600 <sup>(a)</sup>    |
| Calpine Corp., Senior Secured Notes   | 7.875%  | 1/15/23  | 1,303,000 | 1,430,043 <sup>(a)</sup>  |
| Colbun SA, Senior Notes   | 6.000%  | 1/21/20  | 100,000   | 107,786 <sup>(a)</sup>    |
| Dynegy Roseton LLC/Dynegy Danskammer LLC Pass-Through Trust, Secured Bonds  | 7.670%  | 8/11/16  | 380,000   | 0 <sup>(c)(d)(e)(h)</sup> |
| Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Secured Notes | 12.250% | 3/1/22   | 1,030,000 | 1,215,400 <sup>(a)</sup>  |

**See Notes to Schedule of Investments.**

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY   | RATE    | MATURITY DATE | FACE AMOUNT | VALUE                     |
|--|---------|---------------|-------------|---------------------------|
| <b>Independent Power Producers &amp; Energy Traders - continued</b>                |         |               |             |                           |
| Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes | 6.875%  | 8/15/17       | 780,000     | \$ 811,200 <sup>(a)</sup> |
| Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes | 10.000% | 12/1/20       | 2,935,000   | 3,133,113                 |
| First Wind Holdings Inc., Senior Secured Notes                                     | 10.250% | 6/1/18        | 1,740,000   | 1,914,000 <sup>(a)</sup>  |
| Foresight Energy LLC/Foresight Energy Corp., Senior Notes                          | 7.875%  | 8/15/21       | 1,720,000   | 1,775,900 <sup>(a)</sup>  |
| Mirant Americas Generation LLC, Senior Notes                                       | 9.125%  | 5/1/31        | 4,863,000   | 4,972,417                 |
| Mirant Mid Atlantic LLC, Pass-Through Certificates                                 | 9.125%  | 6/30/17       | 126,970     | 136,334                   |
| Mirant Mid Atlantic LLC, Pass-Through Certificates                                 | 10.060% | 12/30/28      | 858,353     | 938,824                   |
| <i>Total Independent Power Producers &amp; Energy Traders</i>                      |         |               |             | 17,875,142                |
| <b>TOTAL UTILITIES</b>   |         |               |             | 30,908,386                |
| <b>TOTAL CORPORATE BONDS &amp; NOTES</b>   |         |               |             |                           |
| (Cost - \$464,057,605)   |         |               |             | 488,051,339               |
| <b>COLLATERALIZED MORTGAGE OBLIGATIONS - 0.1%</b>                                  |         |               |             |                           |
| Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1                   |         |               |             |                           |
| (Cost - \$531,005)   |         |               |             | 666,347 <sup>(f)</sup>    |
| <b>SENIOR LOANS - 1.8%</b>   |         |               |             |                           |
| <b>CONSUMER DISCRETIONARY - 0.8%</b>   |         |               |             |                           |
| <b>Hotels, Restaurants &amp; Leisure - 0.7%</b>                                    |         |               |             |                           |
| Equinox Holdings Inc., Second Lien Term Loan                                       | 9.750%  | 7/31/20       | 1,290,000   | 1,312,575 <sup>(i)</sup>  |
| Stockbridge SBE Holdings LLC, Term Loan B  | 13.000% | 5/2/17        | 2,225,000   | 2,458,625 <sup>(i)</sup>  |
| <i>Total Hotels, Restaurants &amp; Leisure</i>                                     |         |               |             | 3,771,200                 |
| <b>Specialty Retail - 0.1%</b>   |         |               |             |                           |
| Gymboree Corp., Initial Term Loan  | 5.000%  | 2/23/18       | 620,000     | 581,095 <sup>(i)</sup>    |
| <b>TOTAL CONSUMER DISCRETIONARY</b>  |         |               |             | 4,352,295                 |
| <b>CONSUMER STAPLES - 0.1%</b>   |         |               |             |                           |
| <b>Food Products - 0.1%</b>  |         |               |             |                           |
| AdvancePierre Foods Inc., Second Lien Term Loan                                    | 9.500%  | 10/10/17      | 550,000     | 533,500 <sup>(i)</sup>    |
| <b>ENERGY - 0.1%</b>   |         |               |             |                           |
| <b>Energy Equipment &amp; Services - 0.0%</b>                                      |         |               |             |                           |
| Frac Tech International LLC, Term Loan B   | 8.500%  | 5/6/16        | 120,000     | 120,825 <sup>(i)</sup>    |
| <b>Oil, Gas &amp; Consumable Fuels - 0.1%</b>                                      |         |               |             |                           |



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|  |         |          |           |                          |
|--|---------|----------|-----------|--------------------------|
| Rice Energy LLC, Second Lien Term Loan                 | 8.500%  | 10/25/18 | 347,375   | 356,060 <sup>(i)</sup>   |
| <b>TOTAL ENERGY</b>                                    |         |          |           | 476,885                  |
| <b>HEALTH CARE - 0.2%</b>                              |         |          |           |                          |
| <b>Health Care Providers &amp; Services - 0.2%</b>     |         |          |           |                          |
| Physiotherapy Associates Holdings Inc., Exit Term Loan |         | 10/10/16 | 1,170,000 | 1,164,150 <sup>(i)</sup> |
| <b>INDUSTRIALS - 0.4%</b>                              |         |          |           |                          |
| <b>Machinery - 0.4%</b>                                |         |          |           |                          |
| Intelligrated Inc., Second Lien Term Loan              | 10.500% | 1/30/20  | 2,180,000 | 2,234,500 <sup>(i)</sup> |
| <b>MATERIALS - 0.2%</b>                                |         |          |           |                          |
| <b>Chemicals - 0.2%</b>                                |         |          |           |                          |
| Kronos Inc., Second Lien Term Loan                     | 9.750%  | 4/30/20  | 980,000   | 1,017,566 <sup>(i)</sup> |
| <b>TOTAL SENIOR LOANS</b>                              |         |          |           |                          |
| (Cost - \$9,280,390)                                   |         |          |           | 9,778,896                |
| <b>SOVEREIGN BONDS - 0.2%</b>                          |         |          |           |                          |
| <b>Colombia - 0.0%</b>                                 |         |          |           |                          |
| Republic of Colombia, Senior Notes                     | 7.375%  | 3/18/19  | 100,000   | 120,700                  |
| <b>Russia - 0.0%</b>                                   |         |          |           |                          |
| RSHB Capital, Loan Participation Notes, Senior Notes   | 6.299%  | 5/15/17  | 140,000   | 149,625 <sup>(a)</sup>   |

See Notes to Schedule of Investments.

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

## Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY   | RATE   | MATURITY DATE | FACE AMOUNT | VALUE                        |
|--|--------|---------------|-------------|------------------------------|
| <b>Turkey - 0.1%</b>                                   |        |               |             |                              |
| Republic of Turkey, Senior Notes                       | 7.000% | 6/5/20        | 12,000      | \$ 13,128                    |
| Republic of Turkey, Senior Notes                       | 6.875% | 3/17/36       | 377,000     | 371,251                      |
| <i>Total Turkey</i>                                    |        |               |             | <i>384,379</i>               |
| <b>Venezuela - 0.1%</b>                                |        |               |             |                              |
| Bolivarian Republic of Venezuela, Global Senior Bonds  | 8.500% | 10/8/14       | 12,000      | 11,748                       |
| Bolivarian Republic of Venezuela, Senior Bonds         | 5.750% | 2/26/16       | 386,000     | 328,872 <sup>(a)</sup>       |
| Bolivarian Republic of Venezuela, Senior Bonds         | 9.375% | 1/13/34       | 53,000      | 39,564                       |
| Bolivarian Republic of Venezuela, Senior Notes         | 7.650% | 4/21/25       | 16,000      | 10,880                       |
| <i>Total Venezuela</i>                                 |        |               |             | <i>391,064</i>               |
| <b>TOTAL SOVEREIGN BONDS</b>                           |        |               |             |                              |
| (Cost - \$1,092,442)                                   |        |               |             | 1,045,768                    |
| <b>U.S. GOVERNMENT &amp; AGENCY OBLIGATIONS - 0.1%</b> |        |               |             |                              |
| <b>U.S. Government Obligations - 0.1%</b>              |        |               |             |                              |
| U.S. Treasury Notes (Cost - \$286,709)                 | 1.250% | 11/30/18      | 290,000     | 283,815                      |
| <b>SHARES</b>  |        |               |             |                              |
| <b>COMMON STOCKS - 2.0%</b>                            |        |               |             |                              |
| <b>CONSUMER DISCRETIONARY - 0.0%</b>                   |        |               |             |                              |
| <b>Hotels, Restaurants &amp; Leisure - 0.0%</b>        |        |               |             |                              |
| Bossier Casino Venture Holdco Inc.                     |        |               | 86,730      | 173,460 <sup>*(c)(d)</sup>   |
| <b>Household Durables - 0.0%</b>                       |        |               |             |                              |
| William Lyon Homes, Class A Shares                     |        |               | 3,328       | 73,682*                      |
| <b>TOTAL CONSUMER DISCRETIONARY</b>                    |        |               |             |                              |
|  |        |               |             | 247,142                      |
| <b>ENERGY - 0.4%</b>                                   |        |               |             |                              |
| <b>Energy Equipment &amp; Services - 0.4%</b>          |        |               |             |                              |
| KCAD Holdings I Ltd.                                   |        |               | 275,927,431 | 2,352,558 <sup>*(c)(d)</sup> |
| <b>FINANCIALS - 0.8%</b>                               |        |               |             |                              |
| <b>Diversified Financial Services - 0.6%</b>           |        |               |             |                              |
| Citigroup Inc.   |        |               | 64,503      | 3,361,251                    |
| <b>Real Estate Management &amp; Development - 0.2%</b> |        |               |             |                              |
| Realogy Holdings Corp.                                 |        |               | 17,806      | 880,863 <sup>*(d)</sup>      |
| Realogy Holdings Corp.                                 |        |               | 15          | 742*                         |

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|   |         |                  |
|---|---------|------------------|
| <i>Total Real Estate Management &amp; Development</i> |         | 881,605          |
| <b>TOTAL FINANCIALS</b>                               |         | 4,242,856        |
| <b>INDUSTRIALS - 0.8%</b>                             |         |                  |
| <b>Building Products - 0.0%</b>                       |         |                  |
| Nortek Inc.   | 1,112   | 82,955*          |
| <b>Marine - 0.8%</b>                                  |         |                  |
| DeepOcean Group Holding AS                            | 106,322 | 3,503,895*(c)(d) |
| Horizon Lines Inc., Class A Shares                    | 758,779 | 637,374*         |
| <i>Total Marine</i>                                   |         | 4,141,269        |
| <b>TOTAL INDUSTRIALS</b>                              |         | 4,224,224        |
| <b>TOTAL COMMON STOCKS</b>                            |         |                  |
| (Cost - \$10,931,428)                                 |         | 11,066,780       |
| <b>CONVERTIBLE PREFERRED STOCKS - 0.1%</b>            |         |                  |
| <b>MATERIALS - 0.1%</b>                               |         |                  |
| <b>Metals &amp; Mining - 0.1%</b>                     |         |                  |
| ArcelorMittal (Cost - \$265,000)                      | 6.000%  | 10,600 275,600   |

See Notes to Schedule of Investments.

## WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Schedule of investments (unaudited) (cont d)

December 31, 2013

| SECURITY   | RATE                   | SHARES             | VALUE                       |
|--|------------------------|--------------------|-----------------------------|
| <b>PREFERRED STOCKS - 1.5%</b>   |                        |                    |                             |
| <b>FINANCIALS - 1.5%</b>   |                        |                    |                             |
| <b>Consumer Finance - 1.1%</b>   |                        |                    |                             |
| GMAC Capital Trust I   | 8.125%                 | 216,388            | \$ 5,786,215 <sup>(f)</sup> |
| <b>Diversified Financial Services - 0.4%</b>   |                        |                    |                             |
| Citigroup Capital XIII   | 7.875%                 | 92,250             | 2,513,812 <sup>(f)</sup>    |
| <b>TOTAL PREFERRED STOCKS</b>  |                        |                    |                             |
| (Cost - \$7,794,546)   |                        |                    | 8,300,027                   |
|  | <b>EXPIRATION DATE</b> | <b>WARRANTS</b>    |                             |
| <b>WARRANTS - 0.1%</b>   |                        |                    |                             |
| Jack Cooper Holdings Corp.   | 12/15/17               | 2,184              | 278,460*                    |
| Jack Cooper Holdings Corp.   | 5/6/18                 | 1,018              | 129,795*                    |
| <b>TOTAL WARRANTS</b>  |                        |                    |                             |
| (Cost - \$55,656)  |                        |                    | 408,255                     |
| <b>TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS</b>   |                        |                    |                             |
| (Cost - \$494,294,781)   |                        |                    | 519,876,827                 |
|  | <b>MATURITY DATE</b>   | <b>FACE AMOUNT</b> |                             |
| <b>SHORT-TERM INVESTMENTS - 1.9%</b>   |                        |                    |                             |
| <b>Repurchase Agreements - 1.9%</b>  |                        |                    |                             |
| Barclays Capital Inc. repurchase agreement dated 12/31/13; Proceeds at maturity - \$10,400,006; (Fully collateralized by U.S. government obligations, 2.000% due 4/30/16; Market value - \$10,613,340) (Cost - \$10,400,000) | 0.010%                 | 1/2/14             | 10,400,000                  |
| <b>TOTAL INVESTMENTS - 98.1%</b>   |                        |                    |                             |
| (Cost - \$504,694,781#)  |                        |                    | 530,276,827                 |
| Other Assets in Excess of Liabilities - 1.9%   |                        |                    | 10,136,867                  |
| <b>TOTAL NET ASSETS - 100.0%</b>   |                        |                    | \$ 540,413,694              |

Face amount denominated in U.S. dollars, unless otherwise noted.

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- \* Non-income producing security.
  
- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
  
- (b) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional debt securities.
  
- (c) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).
  
- (d) Illiquid security.
  
- (e) The coupon payment on these securities is currently in default as of December 31, 2013.
  
- (f) Variable rate security. Interest rate disclosed is as of the most recent information available.
  
- (g) Security has no maturity date. The date shown represents the next call date.
  
- (h) Value is less than \$1.
  
- (i) Interest rates disclosed represent the effective rates on senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
  
- (j) All or a portion of this loan is unfunded as of December 31, 2013. The interest rate for fully unfunded term loans is to be determined.

# Aggregate cost for federal income tax purposes is substantially the same.  
Abbreviations used in this schedule:

|      |                          |
|------|--------------------------|
| AUD  | Australian Dollar        |
| EUR  | Euro                     |
| OJSC | Open Joint Stock Company |

**See Notes to Schedule of Investments.**

**Notes to Schedule of Investments (unaudited)**

**1. Organization and significant accounting policies**

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

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

**(a) Investment valuation.** The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.







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|   |            |            |
|---|------------|------------|
| Centrally cleared credit default swaps on credit indices - buy protection | 447,519    | 447,519    |
| Total   | \$ 729,207 | \$ 729,207 |

See Schedule of Investments for additional detailed categorizations.

**Notes to Schedule of Investments (unaudited) (continued)**

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

| INVESTMENTS IN SECURITIES   | COMMON STOCKS                 |                           |              |              | TOTAL         |
|---|-------------------------------|---------------------------|--------------|--------------|---------------|
|   | CORPORATE<br>BONDS &<br>NOTES | CONSUMER<br>DISCRETIONARY | ENERGY       | INDUSTRIALS  |               |
| Balance as of September 31, 2013  | \$ 3,797,236                  | \$ 173,460                | \$ 2,351,729 | \$ 3,262,872 | \$ 9,585,297  |
| Accrued premiums/discounts  | 13,488                        |                           |              |              | 13,488        |
| Realized gain (loss)  |                               |                           |              |              |               |
| Change in unrealized appreciation (depreciation) <sup>(1)</sup>   | 17,930                        |                           | 829          | 241,023      | 259,782       |
| Purchases   | 687,552                       |                           |              |              | 687,552       |
| Sales   | (217,336)                     |                           |              |              | (217,336)     |
| Transfers into Level 3  |                               |                           |              |              |               |
| Transfers out of Level 3  |                               |                           |              |              |               |
| Balance as of December 31, 2013   | \$ 4,298,870                  | \$ 173,460                | \$ 2,352,558 | \$ 3,503,895 | \$ 10,328,783 |
| Net change in unrealized appreciation (depreciation)<br>for investments in securities still held at<br>December 31, 2013 <sup>(1)</sup> | \$ 17,930                     |                           | \$ 829       | \$ 241,023   | \$ 259,782    |

The Fund's policy is to recognize transfers between levels as of the end of the reporting period.

(1) Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

**(b) Repurchase agreements.** The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights 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) Futures contracts.** The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded.

Futures contracts involve, to varying degrees, risk of loss. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

**(d) Forward foreign currency contracts.** The Fund enters into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

**Notes to Schedule of Investments (unaudited) (continued)**

When entering into a forward foreign currency contract, the Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

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

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

**(f) Swap agreements.** The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes, including to increase the Fund's return. The use of swaps involves risks that are different from those associated with other portfolio transactions. Swap agreements are privately negotiated in the over-the-counter market ( OTC Swaps ) or may be executed on a registered exchange ( Centrally Cleared Swaps ). Unlike Centrally Cleared Swaps, the Fund has credit exposure to the counterparties of OTC Swaps.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of Centrally Cleared Swaps, if any, is recorded as a receivable or payable for variation margin. Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments.

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of December 31, 2013, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the period ended December 31, 2013, see Note 3.

**Credit default swaps**

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

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

payment/performance risk.

**Notes to Schedule of Investments (unaudited) (continued)**

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

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

**(g) Loan participations.** The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement related to the loan, or any rights of off-set against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

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

**(h) Unfunded loan commitments.** The Fund may enter into certain credit agreements where all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the borrower's discretion. The commitments are disclosed in the accompanying Schedule of Investments. At December 31, 2013, the Fund had sufficient cash and/or securities to cover these commitments.

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

**(j) Foreign investment risks.** The Fund's investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Fund. Foreign investments may also subject the Fund to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

**(k) Counterparty risk and credit-risk-related contingent features of derivative instruments.** The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund's investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund's net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

**Notes to Schedule of Investments (unaudited) (continued)**

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Securities pledged as collateral, if any, to cover the obligations of the Fund under derivative contracts are noted in the Schedule of Investments.

As of December 31, 2013, the Fund held forward foreign currency contracts with credit related contingent features which had a liability position of \$281,688. If a contingent feature in the master agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties.

**(I) Security transactions.** Security transactions are accounted for on a trade date basis.

**2. Investments**

At December 31, 2013, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |               |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 34,010,357 |
| Gross unrealized depreciation | (8,428,311)   |
| Net unrealized appreciation   | \$ 25,582,046 |

At December 31, 2013, the Fund had the following open forward foreign currency contracts:

| Foreign Currency<br>Contracts to Sell:                         | Counterparty               | Local<br>Currency | Market<br>Value | Settlement<br>Date | Unrealized<br>Loss |
|--|----------------------------|-------------------|-----------------|--------------------|--------------------|
| Euro   | Citibank, N.A.             | 6,033,937         | \$ 8,300,730    | 2/18/14            | \$ (233,568)       |
| Euro   | Royal Bank of Scotland PLC | 1,706,017         | 2,346,924       | 2/18/14            | (48,120)           |
| Net unrealized loss on open forward foreign currency contracts |                            |                   |                 |                    | \$ (281,688)       |

At December 31, 2013, the Fund had the following open swap contracts:

| CENTRALLY CLEARED CREDIT DEFAULT SWAPS ON CREDIT INDICES - BUY PROTECTION <sup>1</sup> |                                 |                     |   |                              |                                 |                            |
|--|---------------------------------|---------------------|---|------------------------------|---------------------------------|----------------------------|
| SWAP COUNTERPARTY<br>(REFERENCE ENTITY)  | NOTIONAL<br>AMOUNT <sup>2</sup> | TERMINATION<br>DATE | PERIODIC<br>PAYMENTS<br>MADE BY<br>THE FUND | MARKET<br>VALUE <sup>3</sup> | UPFRONT<br>PREMIUMS<br>RECEIVED | UNREALIZED<br>DEPRECIATION |
| Barclays Capital Inc. (Markit<br>CDX.NA.HY.21 Index)                                   | \$ 7,010,000                    | 12/20/18            | 5.000% quarterly                            | \$ (597,601)                 | \$ (436,981)                    | \$ (160,620)               |
| BNP Pribas<br>(Markit CDX.NA.HY.21 Index)  | 12,650,000                      | 12/20/18            | 5.000% quarterly                            | (1,078,410)                  | (791,511)                       | (286,899)                  |
| Total  | \$ 19,660,000                   |                     |   | \$ (1,676,011)               | \$ (1,228,492)                  | \$ (447,519)               |

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- (1) If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or the underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or the underlying securities comprising the referenced index.
- (2) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.
- (3) The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Decreasing market values (sell protection) or increasing market values (buy protection) when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

Percentage shown is an annual percentage rate.



**Notes to Schedule of Investments (unaudited) (continued)****3. Derivative instruments and hedging activities**

GAAP requires enhanced disclosure about an entity's derivative and hedging activities.

The following is a summary of the Fund's derivative instruments categorized by risk exposure at December 31, 2013.

| <b>Primary Underlying Risk</b> | <b>Forward Foreign<br/>Currency Contracts<br/>Unrealized<br/>Depreciation</b> | <b>Centrally Cleared Swap<br/>Contracts<br/>Unrealized<br/>Depreciation</b> | <b>Total</b> |
|--------------------------------|---|---|--------------|
| Foreign Exchange Risk          | \$ (281,688)  |   | \$ (281,688) |
| Credit Risk                    |   | \$ (447,519)  | (447,519)    |
| Total                          | \$ (281,688)  | \$ (447,519)  | \$ (729,207) |

During the period ended December 31, 2013, the volume of derivative activity for the Fund was as follows:

|   |  |
|---|--|
| Futures contracts (to buy)                        | <b>Average Market Value</b><br>\$ 1,105,918      |
| Forward foreign currency contracts (to sell)      | 10,536,706                                       |
| Credit default swap contracts (to buy protection) | <b>Average Notional Balance</b><br>\$ 11,480,000 |

At December 31, 2013, there were no open positions held in this derivative.

**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.

Western Asset High Income Opportunity Fund Inc.

By                    /s/   **KENNETH D. FULLER**  
                              **Kenneth D. Fuller**  
                              **Chief Executive Officer**

Date: February 25, 2014

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

By                    /s/   **KENNETH D. FULLER**  
                              **Kenneth D. Fuller**  
                              **Chief Executive Officer**

Date: February 25, 2014

By                    /s/   **RICHARD F. SENNETT**  
                              **Richard F. Sennett**  
                              **Principal Financial Officer**

Date: February 25, 2014