

WESTERN ASSET HIGH INCOME FUND II INC.  
Form N-Q  
March 28, 2008

**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- 8709

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

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

10041  
(Zip code)

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

Registrant's telephone number, including area code:

1-800-451-2010

Date of fiscal year end: April 30

Date of reporting period: January 31, 2008

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ITEM 1.

SCHEDULE OF INVESTMENTS

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

**FORM N-Q**

**JANUARY 31, 2008**

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## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited)

January 31, 2008

| Face<br>Amount                           | Security  | Value             |
|--|---|-------------------|
| <b>CORPORATE BONDS &amp; NOTES</b> 89.0% |   |                   |
| <b>Aerospace &amp; Defense</b> 1.8%      |   |                   |
| 1,585,000                                | Alliant Techsystems Inc., Senior Subordinated Notes,<br>6.750% due 4/1/16             | \$ 1,537,450      |
| 1,535,000                                | DRS Technologies Inc., Senior Subordinated Notes:<br>6.625% due 2/1/16                | 1,508,138         |
| 3,320,000                                | 7.625% due 2/1/18   | 3,295,100         |
| 5,965,000                                | Hawker Beechcraft Acquisition Co.:  |                   |
| 2,550,000                                | Senior Notes, 8.875% due 4/1/15 (a)(b)  | 5,860,612         |
| 106,119                                  | Senior Subordinated Notes, 9.750% due 4/1/17 (a)                                      | 2,435,250         |
|  | Kac Acquisition Co., Subordinated Notes, 0.000% due<br>4/26/26 (c)(d)(e)              | 0                 |
| 2,935,000                                | L-3 Communications Corp., Senior Subordinated Notes:<br>7.625% due 6/15/12            | 3,023,050         |
| 2,600,000                                | 6.125% due 1/15/14  | 2,574,000         |
|  | <b>Total Aerospace &amp; Defense</b>  | <b>20,233,600</b> |
| <b>Airlines</b> 2.1%                     |   |                   |
| 500,000                                  | Continental Airlines Inc.:  |                   |
|  | Notes, 8.750% due 12/1/11   | 452,500           |
| 172,837                                  | Pass-Through Certificates:  |                   |
| 1,195,107                                | 6.541% due 9/15/08  | 172,837           |
| 1,765,000                                | 8.312% due 10/2/12  | 1,177,180         |
| 7,870,000                                | 7.339% due 4/19/14  | 1,614,975         |
|  | DAE Aviation Holdings Inc., Senior Notes, 11.250% due<br>8/1/15 (a)(f)                | 8,184,800         |
| 1,675,000                                | Delta Air Lines Inc.:   |                   |
|  | 8.954% due 8/10/14 (a)  | 1,603,812         |
| 1,781,295                                | Pass-Through Certificates:  |                   |
| 6,135,000                                | 6.619% due 3/18/11  | 1,754,576         |
| 2,135,000                                | 7.111% due 9/18/11  | 6,113,103         |
|  | 7.711% due 9/18/11  | 2,026,227         |
|  | <b>Total Airlines</b>   | <b>23,100,010</b> |
| <b>Auto Components</b> 1.6%              |   |                   |
| 2,120,000                                | Allison Transmission Inc.:  |                   |
| 4,190,000                                | 11.000% due 11/1/15 (a)   | 1,791,400         |
| 3,335,000                                | Senior Notes, 11.250% due 11/1/15 (a)(b)  | 3,414,850         |
|  | Keystone Automotive Operations Inc., Senior Subordinated<br>Notes, 9.750% due 11/1/13 | 2,251,125         |
| 12,180,000                               | Visteon Corp., Senior Notes, 8.250% due 8/1/10  | 10,018,050        |
|  | <b>Total Auto Components</b>  | <b>17,475,425</b> |
| <b>Automobiles</b> 2.3%                  |   |                   |
|  | Ford Motor Co.:   |                   |
| 1,880,000                                | Debentures:   |                   |
| 3,425,000                                | 8.875% due 1/15/22  | 1,419,400         |
| 2,025,000                                | 8.900% due 1/15/32  | 2,688,625         |
|  | Notes, 7.450% due 7/16/31   | 1,503,563         |

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|                               |   |                   |
|-------------------------------|---|-------------------|
| 5,320,000                     | General Motors Corp.:<br>Notes, 7.200% due 1/15/11              | 4,881,100         |
| 2,375,000                     | Senior Debentures:<br>8.250% due 7/15/23                        | 1,911,875         |
| 16,625,000                    | 8.375% due 7/15/33 (f)  | 13,590,937        |
|                               | <b>Total Automobiles</b>  | <b>25,995,500</b> |
| <b>Building Products 1.8%</b> |   |                   |
|                               | Associated Materials Inc.:                                      |                   |
| 9,725,000                     | Senior Discount Notes, step bond to yield 14.468% due<br>3/1/14 | 6,369,875         |
| 2,585,000                     | Senior Subordinated Notes, 9.750% due 4/15/12                   | 2,546,225         |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount                               |                         | Security   | Value             |
|---|-------------------------|--|-------------------|
| <b>Building Products</b>                  | <b>1.8% (continued)</b> |  |                   |
| 2,302,000                                 |                         | GTL Trade Finance Inc.:  |                   |
| 2,360,000                                 |                         | 7.250% due 10/20/17 (a)**  | \$ 2,405,841      |
| 2,345,000                                 |                         | 7.250% due 10/20/17 (a)  | 2,390,326         |
|   |                         | Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14                                  | 1,840,825         |
| 8,825,000                                 |                         | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.589% due 3/1/14            | 4,986,125         |
|   |                         | <b>Total Building Products</b>   | <b>20,539,217</b> |
| <b>Chemicals</b>                          | <b>1.3%</b>             |  |                   |
| 3,630,000                                 |                         | Georgia Gulf Corp., Senior Notes:  |                   |
| 3,110,000                                 |                         | 9.500% due 10/15/14  | 2,831,400         |
|   |                         | 10.750% due 10/15/16   | 2,021,500         |
| 2,390,000                                 |                         | Huntsman International LLC, Senior Subordinated Notes,                                     |                   |
| 3,075,000                                 |                         | 7.875% due 11/15/14  | 2,497,550         |
|   |                         | Methanex Corp., Senior Notes, 8.750% due 8/15/12   | 3,313,313         |
| 4,475,000                                 |                         | Montell Finance Co. BV, Debentures, 8.100% due 3/15/27 (a)                                 | 3,468,125         |
| 1,015,000                                 |                         | Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16                                  | 928,725           |
|   |                         | <b>Total Chemicals</b>   | <b>15,060,613</b> |
| <b>Commercial Banks</b>                   | <b>1.8%</b>             |  |                   |
| 5,260,000                                 |                         | ATF Capital BV, Senior Notes, 9.250% due 2/21/14 (a)**                                     | 5,325,750         |
| 4,490,000                                 |                         | HSBK Europe BV, 7.250% due 5/3/17 (a)**  | 3,928,750         |
|   |                         | ICICI Bank Ltd., Subordinated Bonds:   |                   |
| 1,174,000                                 |                         | 6.375% due 4/30/22 (a)(g)**  | 992,304           |
| 1,170,000                                 |                         | 6.375% due 4/30/22 (a)(g)**  | 980,541           |
| 76,695,000                                | RUB                     | JPMorgan Chase Bank, 9.500% due 2/11/11  | 3,216,970         |
|   |                         | Russian Agricultural Bank, Loan Participation Notes:                                       |                   |
| 1,654,000                                 |                         | 7.175% due 5/16/13 (a)**   | 1,699,485         |
| 1,055,000                                 |                         | 6.299% due 5/15/17 (a)**   | 1,002,250         |
|   |                         | TuranAlem Finance BV, Bonds:   |                   |
| 2,785,000                                 |                         | 8.250% due 1/22/37 (a)**   | 2,443,837         |
| 1,059,000                                 |                         | 8.250% due 1/22/37 (a)**   | 929,273           |
|   |                         | <b>Total Commercial Banks</b>  | <b>20,519,160</b> |
| <b>Commercial Services &amp; Supplies</b> | <b>2.5%</b>             |  |                   |
| 5,635,000                                 |                         | Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11               | 5,113,762         |
| 3,690,000                                 |                         | Allied Waste North America Inc., Senior Notes, 7.375% due 4/15/14                          | 3,588,525         |
| 675,000                                   |                         | Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15 (a)                                 | 556,875           |
| 7,693,000                                 |                         | DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13 | 8,019,952         |
|   |                         | Interface Inc.:  |                   |
| 2,875,000                                 |                         | Senior Notes, 10.375% due 2/1/10   | 2,975,625         |
| 1,500,000                                 |                         | Senior Subordinated Notes, 9.500% due 2/1/14   | 1,541,250         |

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|                                       |             |  |                   |
|---------------------------------------|-------------|--|-------------------|
| 4,755,000                             |             | Rental Services Corp., Senior Notes, 9.500% due 12/1/14  | 4,053,638         |
| 2,380,000                             |             | US Investigations Services Inc., 11.750% due 5/1/16 (a)  | 2,011,100         |
|                                       |             | <b>Total Commercial Services &amp; Supplies</b>          | <b>27,860,727</b> |
| <b>Communications Equipment</b>       | <b>0.4%</b> |  |                   |
| 6,100,000                             |             | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 | 4,941,000         |
| <b>Construction &amp; Engineering</b> | <b>0.1%</b> |  |                   |
| 1,240,000                             |             | Odebrecht Finance Ltd., 7.500% due 10/18/17 (a)**        | 1,243,100         |
| <b>Consumer Finance</b>               | <b>3.1%</b> |  |                   |
| 4,080,000                             |             | AmeriCredit Corp., 8.500% due 7/1/15                     | 2,988,600         |
|                                       |             | Ford Motor Credit Co.:                                   |                   |
|                                       |             | Notes:   |                   |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount                        |                         | Security  | Value             |
|---------------------------------------|-------------------------|---|-------------------|
| <b>Consumer Finance</b>               | <b>3.1% (continued)</b> |   |                   |
| 3,075,000                             |                         | 7.875% due 6/15/10  | \$ 2,896,247      |
| 3,320,000                             |                         | 7.000% due 10/1/13  | 2,786,307         |
|                                       |                         | Senior Notes:   |                   |
| 4,248,000                             |                         | 10.241% due 6/15/11 (g)   | 3,826,900         |
| 1,950,000                             |                         | 9.875% due 8/10/11  | 1,872,322         |
| 1,210,000                             |                         | 7.127% due 1/13/12 (g)  | 1,020,100         |
| 2,490,000                             |                         | 8.000% due 12/15/16   | 2,093,736         |
|                                       |                         | General Motors Acceptance Corp.:  |                   |
| 14,270,000                            |                         | Bonds, 8.000% due 11/1/31 (f)   | 11,854,274        |
| 6,890,000                             |                         | Notes, 6.875% due 8/28/12   | 5,855,398         |
|                                       |                         | <b>Total Consumer Finance</b>   | <b>35,193,884</b> |
| <b>Containers &amp; Packaging</b>     | <b>1.0%</b>             |   |                   |
| 2,000,000                             |                         | Berry Plastics Holding Corp., 8.875% due 9/15/14  | 1,785,000         |
| 1,295,000                             |                         | Graham Packaging Co. Inc., Senior Subordinated Notes,<br>9.875% due 10/15/14                    | 1,100,750         |
| 500,000                               |                         | Graphic Packaging International Corp.:  |                   |
| 4,725,000                             |                         | Senior Notes, 8.500% due 8/15/11  | 487,500           |
|                                       |                         | Senior Subordinated Notes, 9.500% due 8/15/13   | 4,476,937         |
| 1,490,000                             |                         | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15<br>(a)                               | 1,408,050         |
| 1,975,000                             |                         | Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10<br>(d)                                 | 24,688            |
| 195,000                               |                         | Smurfit-Stone Container Corp., Senior Notes, 8.000% due<br>3/15/17                              | 181,838           |
| 1,955,000                             |                         | Smurfit-Stone Container Enterprises Inc., Senior Notes,<br>8.375% due 7/1/12                    | 1,901,237         |
|                                       |                         | <b>Total Containers &amp; Packaging</b>   | <b>11,366,000</b> |
| <b>Diversified Consumer Services</b>  | <b>0.8%</b>             |   |                   |
| 6,870,000                             |                         | Education Management LLC/Education Management Finance<br>Corp., Senior Notes, 8.750% due 6/1/14 | 6,646,725         |
| 650,000                               |                         | Service Corp. International:<br>Debentures, 7.875% due 2/1/13                                   | 650,869           |
| 1,200,000                             |                         | Senior Notes:<br>7.625% due 10/1/18   | 1,230,000         |
| 1,010,000                             |                         | 7.500% due 4/1/27   | 909,000           |
|                                       |                         | <b>Total Diversified Consumer Services</b>  | <b>9,436,594</b>  |
| <b>Diversified Financial Services</b> | <b>2.7%</b>             |   |                   |
| 4,060,000                             |                         | Basell AF SCA, Senior Secured Subordinated Second Priority<br>Notes, 8.375% due 8/15/15 (a)     | 3,085,600         |
| 2,110,000                             |                         | CCM Merger Inc., Notes, 8.000% due 8/1/13 (a)   | 1,899,000         |
| 135,000                               |                         | El Paso Performance-Linked Trust Certificates, Notes,<br>7.750% due 7/15/11 (a)                 | 139,517           |
| 4,400,000                             |                         | Hexion U.S. Finance Corp./Hexion Nova Scotia Finance<br>ULC, 7.565% due<br>11/15/14 (g)         | 4,290,000         |



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|           |  |           |
|-----------|--|-----------|
| 2,610,000 | Leucadia National Corp., Senior Notes, 8.125% due 9/15/15  | 2,610,000 |
| 1,580,000 | LVB Acquisition Merger, 11.625% due 10/15/17 (a)   | 1,550,375 |
|           | Residential Capital LLC:   |           |
| 2,402,000 | 7.328% due 4/17/09 (a)(g)  | 1,176,980 |
| 1,520,000 | 8.375% due 6/30/15   | 957,600   |
| 4,290,000 | Notes, 8.375% due 6/30/10  | 2,809,950 |
| 5,125,000 | Senior Notes, 8.000% due 2/22/11 (g)   | 3,228,750 |
| 700,000   | Smurfit Kappa Funding PLC, Senior Subordinated Notes,<br>7.750% due 4/1/15                           | 647,500   |
|           | TNK-BP Finance SA:   |           |
| 1,360,000 | 7.500% due 7/18/16 (a)**   | 1,322,600 |
| 1,070,000 | Senior Notes, 7.875% due 3/13/18 (a)   | 1,064,650 |
| 4,000,000 | Vanguard Health Holdings Co. I LLC, Senior Discount Notes,<br>step bond to yield 10.653% due 10/1/15 | 2,860,000 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount   | Security   | Value             |
|--|--|-------------------|
| <b>Diversified Financial Services 2.7% (continued)</b> |  |                   |
| 3,135,000  | Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14 | \$ 2,986,088      |
|  | <b>Total Diversified Financial Services</b>  | <b>30,628,610</b> |
| <b>Diversified Telecommunication Services 5.8%</b>     |  |                   |
| 370,000  | Axtel SAB de CV:<br>7.625% due 2/1/17 (a)**  | 368,150           |
| 4,740,000  | Senior Notes, 7.625% due 2/1/17 (a)**  | 4,704,450         |
| 1,005,000  | Cincinnati Bell Inc., Senior Notes, 7.000% due 2/15/15                             | 944,700           |
| 1,260,000  | Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28               | 1,077,300         |
| 315,000  | Citizens Communications Co.:<br>7.050% due 10/1/46                                 | 248,850           |
| 4,220,000  | Senior Notes, 7.875% due 1/15/27   | 3,882,400         |
| 3,000,000  | Hawaiian Telcom Communications Inc.:<br>Senior Notes, 9.750% due 5/1/13            | 2,775,000         |
| 2,171,000  | Senior Subordinated Notes, 12.500% due 5/1/15                                      | 1,943,045         |
| 6,530,000  | Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16                           | 6,562,650         |
| 1,355,000  | Intelsat Corp., Senior Notes, 9.000% due 8/15/14                                   | 1,351,612         |
| 150,000  | L-3 Communications Corp., Senior Subordinated Notes, 6.375% due 10/15/15           | 149,625           |
| 3,000,000  | Level 3 Financing Inc.:<br>6.704% due 2/15/15 (g)                                  | 2,250,000         |
| 4,915,000  | Senior Notes, 9.250% due 11/1/14   | 4,251,475         |
| 4,525,000  | Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16 (a)         | 4,615,500         |
| 1,250,000  | Qwest Communications International Inc., Senior Notes:<br>6.565% due 2/15/09 (g)   | 1,250,000         |
| 2,100,000  | 7.500% due 2/15/14   | 2,089,500         |
| 2,378,000  | Qwest Corp.:<br>Debentures, 6.875% due 9/15/33                                     | 2,163,980         |
| 5,995,000  | Notes, 8.875% due 3/15/12  | 6,362,194         |
| 4,770,000  | Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (a)    | 3,601,350         |
| 9,400,000  | Virgin Media Finance PLC, Senior Notes, 9.125% due 8/15/16 (f)                     | 8,554,000         |
| 610,000  | Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15 (a)                 | 649,650           |
| 5,680,000  | Windstream Corp., Senior Notes, 8.625% due 8/1/16                                  | 5,907,200         |
|  | <b>Total Diversified Telecommunication Services</b>                                | <b>65,702,631</b> |
| <b>Electric Utilities 1.8%</b>                         |  |                   |
| 2,880,000  | EEB International Ltd., Senior Bonds, 8.750% due 10/31/14 (a)**                    | 2,973,600         |
| 202,000  | Enersis SA, Notes, 7.375% due 1/15/14  | 215,177           |
| 1,665,000  | IPALCO Enterprises Inc., Secured Notes, 8.625% due 11/14/11                        | 1,773,225         |

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|  |  |                   |
|--|--|-------------------|
| 221,222  | Midwest Generation LLC, Pass-Through Certificates, 8.560% due 1/2/16   | 238,090           |
| 3,999,000  | Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10            | 4,368,908         |
| 7,620,000  | Texas Competitive Electric Holding Co. LLC, 10.500% due 11/1/16 (a)(b) | 7,429,500         |
| 4,165,000  | VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17 (a)              | 3,332,000         |
|  | <b>Total Electric Utilities</b>  | <b>20,330,500</b> |
| <b>Electronic Equipment &amp; Instruments 0.4%</b> |  |                   |
| 2,795,000  | NXP BV/NXP Funding LLC:<br>Senior Notes, 9.500% due 10/15/15           | 2,449,119         |
| 2,495,000  | Senior Secured Notes, 7.875% due 10/15/14                              | 2,298,519         |
|  | <b>Total Electronic Equipment &amp; Instruments</b>                    | <b>4,747,638</b>  |
| <b>Energy Equipment &amp; Services 0.7%</b>        |  |                   |
| 3,270,000  | Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16   | 3,188,250         |
| 1,145,000  | GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14  | 1,167,900         |
| 1,600,000  | Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14 (a)         | 1,612,000         |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount  | Security  | Value            |
|---|---|------------------|
| <b>Energy Equipment &amp; Services 0.7% (continued)</b> |   |                  |
| 1,210,000   | Pride International Inc., Senior Notes, 7.375% due 7/15/14                                    | \$ 1,252,350     |
| 400,000   | Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32                                     | 450,628          |
|   | <b>Total Energy Equipment &amp; Services</b>  | <b>7,671,128</b> |
| <b>Food &amp; Staples Retailing 0.3%</b>                |   |                  |
| 2,591,000   | Delhaize America Inc., Debentures, 9.000% due 4/15/31   | 3,075,421        |
| <b>Food Products 0.4%</b>                               |   |                  |
| 1,600,000   | Dole Food Co. Inc.:<br>Debentures, 8.750% due 7/15/13   | 1,360,000        |
| 2,065,000   | Senior Notes:<br>7.250% due 6/15/10   | 1,827,525        |
| 1,050,000   | 8.875% due 3/15/11  | 939,750          |
|   | <b>Total Food Products</b>  | <b>4,127,275</b> |
| <b>Gas Utilities 0.6%</b>                               |   |                  |
| 7,425,000   | Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13 | 7,239,375        |
| <b>Health Care Equipment &amp; Supplies 0.2%</b>        |   |                  |
| 1,960,000   | Advanced Medical Optics Inc., 7.500% due 5/1/17   | 1,666,000        |
| <b>Health Care Providers &amp; Services 5.0%</b>        |   |                  |
| 1,680,000   | Community Health Systems Inc., Senior Notes, 8.875% due 7/15/15                               | 1,698,900        |
| 4,885,000   | DaVita Inc., Senior Subordinated Notes, 7.250% due 3/15/15                                    | 4,885,000        |
| 950,000   | HCA Inc.:<br>Debentures, 7.500% due 11/15/95  | 709,882          |
| 1,500,000   | Notes, 6.375% due 1/15/15   | 1,286,250        |
| 6,115,000   | Senior Notes:<br>6.500% due 2/15/16   | 5,220,681        |
| 3,580,000   | 9.250% due 11/15/16   | 3,763,475        |
| 9,560,000   | Senior Secured Notes, 9.625% due 11/15/16 (b)(f)  | 10,085,800       |
| 4,800,000   | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14       | 4,824,000        |
| 3,555,000   | Tenet Healthcare Corp., Senior Notes:<br>6.375% due 12/1/11                                   | 3,279,488        |
| 1,500,000   | 6.500% due 6/1/12   | 1,323,750        |
| 6,000,000   | 7.375% due 2/1/13   | 5,310,000        |
| 2,195,000   | 9.875% due 7/1/14   | 2,107,200        |
| 1,470,000   | 6.875% due 11/15/31   | 1,073,100        |
| 910,000   | Universal Hospital Services Inc.:<br>8.288% due 6/1/15 (g)                                    | 869,050          |
| 4,505,000   | 8.500% due 6/1/15 (b)   | 4,572,575        |
| 6,290,000   | US Oncology Holdings Inc., Senior Notes, 10.759% due 3/15/12 (b)                              | 4,764,675        |

| <b>Hotels, Restaurants &amp; Leisure 4.4%</b> | <b>Total Health Care Providers &amp; Services</b>                               |                       |
|---|---|-----------------------|
| 600,000                                       | Boyd Gaming Corp., Senior Subordinated Notes:<br>7.750% due 12/15/12            | 55,773,826<br>568,500 |
| 1,000,000                                     | 6.750% due 4/15/14  | 875,000               |
| 3,820,000                                     | Buffets Inc., Senior Notes, 12.500% due 11/1/14 (d)                             | 267,400               |
| 2,725,000                                     | Carrols Corp., Senior Subordinated Notes, 9.000% due<br>1/15/13                 | 2,384,375             |
| 484,000                                       | Choctaw Resort Development Enterprise, Senior Notes,<br>7.250% due 11/15/19 (a) | 459,800               |
| 4,515,000                                     | Denny s Holdings Inc., Senior Notes, 10.000% due 10/1/12                        | 4,266,675             |
| 1,740,000                                     | Downstream Development Quapaw, Senior Notes, 12.000%<br>due 10/15/15 (a)        | 1,531,200             |
| 2,360,000                                     | El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13                          | 2,265,600             |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount                           |                         | Security  | Value             |
|--|-------------------------|---|-------------------|
| <b>Hotels, Restaurants &amp; Leisure</b> | <b>4.4% (continued)</b> |   |                   |
| 975,000                                  |                         | Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15 (a) | \$ 736,125        |
| 4,150,000                                |                         | Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14                                  | 1,649,625         |
| 3,020,000                                |                         | Indianapolis Downs LLC & Capital Corp., 11.000% due 11/1/12 (a)                                     | 2,823,700         |
| 4,070,000                                |                         | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10                        | 4,070,000         |
| 3,850,000                                |                         | Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15   | 3,465,000         |
| 955,000                                  |                         | MGM MIRAGE Inc.:<br>Notes, 6.750% due 9/1/12  | 923,963           |
| 355,000                                  |                         | Senior Notes:<br>8.500% due 9/15/10   | 370,975           |
| 450,000                                  |                         | 5.875% due 2/27/14  | 409,500           |
| 620,000                                  |                         | 7.500% due 6/1/16   | 598,300           |
| 4,470,000                                |                         | 7.625% due 1/15/17  | 4,358,250         |
| 455,000                                  |                         | Senior Subordinated Notes, 8.375% due 2/1/11  | 467,513           |
| 380,000                                  |                         | Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15                      | 342,000           |
| 4,700,000                                |                         | Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12                          | 4,535,500         |
| 3,930,000                                |                         | Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 (a)                                     | 4,082,287         |
| 2,485,000                                |                         | Sbarro Inc., Senior Notes, 10.375% due 2/1/15   | 2,124,675         |
| 885,000                                  |                         | Snoqualmie Entertainment Authority, Senior Secured Notes:<br>9.063% due 2/1/14 (a)(g)               | 800,925           |
| 840,000                                  |                         | 9.125% due 2/1/15 (a)   | 772,800           |
|  |                         | Station Casinos Inc.:<br>Senior Notes:<br>6.000% due 4/1/12   | 35,100            |
| 40,000                                   |                         | 7.750% due 8/15/16  | 3,677,937         |
| 4,150,000                                |                         | Senior Subordinated Notes, 6.625% due 3/15/18   | 1,058,662         |
| 1,635,000                                |                         | <b>Total Hotels, Restaurants &amp; Leisure</b>  | <b>49,921,387</b> |
| <b>Household Durables</b>                | <b>1.4%</b>             |   |                   |
| 310,000                                  |                         | American Greetings Corp., Senior Notes, 7.375% due 6/1/16   | 308,450           |
| 4,000,000                                |                         | Holt Group Inc., Senior Notes, 9.750% due 1/15/06 (c)(d)(e)   | 0                 |
| 3,355,000                                |                         | Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17  | 2,885,300         |
| 2,605,000                                |                         | K Hovnanian Enterprises Inc., Senior Notes, 7.500% due 5/15/16                                      | 1,875,600         |
| 1,760,000                                |                         | KB Home:<br>7.750% due 2/1/10   | 1,707,200         |
| 520,000                                  |                         | Senior Subordinated Notes, 8.625% due 12/15/08  | 520,000           |
| 3,730,000                                |                         | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11              | 3,730,000         |
| 5,765,000                                |                         |   | 5,044,375         |

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|   |             |  |            |
|---|-------------|--|------------|
|   |             | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.952% due 9/1/12 |            |
|   |             | <b>Total Household Durables</b>  | 16,070,925 |
| <b>Household Products</b>                               | <b>0.3%</b> |  |            |
|   |             | American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12                                 | 1,163,800  |
| 1,265,000   |             | Visant Holding Corp., Senior Notes, 8.750% due 12/1/13   | 1,838,025  |
|   |             | <b>Total Household Products</b>  | 3,001,825  |
| 1,890,000   |             |  |            |
| <b>Independent Power Producers &amp; Energy Traders</b> | <b>7.8%</b> |  |            |
|   |             | AES China Generating Co., Ltd., 8.250% due 6/26/10   | 2,433,257  |
| 2,480,000   |             | AES Corp.:   |            |
|   |             | 8.000% due 10/15/17  | 6,800,875  |
| 6,635,000   |             | Senior Notes:  |            |
|   |             | 9.500% due 6/1/09  | 1,218,195  |
| 1,177,000   |             | 9.375% due 9/15/10   | 1,995,000  |
| 1,900,000   |             | Dynegy Holdings Inc.:  |            |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount   | Security   | Value             |
|--|--|-------------------|
| <b>Independent Power Producers &amp; Energy Traders 7.8% (continued)</b> |  |                   |
| 3,605,000  | Senior Debentures, 7.625% due 10/15/26   | \$ 3,100,300      |
| 3,770,000  | Senior Notes, 7.750% due 6/1/19  | 3,449,550         |
| 4,000,000  | Dynegy Inc., 7.670% due 11/8/16  | 3,995,000         |
|  | Edison Mission Energy, Senior Notes:   |                   |
| 2,600,000  | 7.750% due 6/15/16   | 2,665,000         |
| 2,500,000  | 7.200% due 5/15/19   | 2,450,000         |
| 4,275,000  | 7.625% due 5/15/27   | 4,029,187         |
| 34,380,000   | Energy Future Holdings, Senior Notes, 11.250% due 11/1/17<br>(a)(b)              | 34,036,200        |
|  | Mirant Mid Atlantic LLC:   |                   |
| 584,577  | 10.060% due 12/30/28   | 695,646           |
| 1,923,235  | Pass-Through Certificates, 9.125% due 6/30/17                                    | 2,127,579         |
| 4,235,000  | Mirant North America LLC, Senior Notes, 7.375% due<br>12/31/13                   | 4,256,175         |
|  | NRG Energy Inc., Senior Notes:   |                   |
| 890,000  | 7.250% due 2/1/14  | 868,863           |
| 11,570,000   | 7.375% due 2/1/16 (f)  | 11,208,437        |
| 1,800,000  | 7.375% due 1/15/17   | 1,748,250         |
| 890,000  | TXU Corp., Senior Notes, 6.500% due 11/15/24                                     | 663,413           |
|  | <b>Total Independent Power Producers &amp; Energy Traders</b>                    | <b>87,740,927</b> |
| <b>Industrial Conglomerates 0.1%</b>                                     |  |                   |
| 680,000  | Koppers Inc., Senior Notes, 9.875% due 10/15/13                                  | 727,600           |
| 2,750,000  | Moll Industries Inc., Senior Subordinated Notes, 10.500%<br>due 7/1/08 (c)(d)(e) | 0                 |
|  | <b>Total Industrial Conglomerates</b>  | <b>727,600</b>    |
| <b>IT Services 1.5%</b>  |  |                   |
| 2,380,000  | Ceridian Corp., Senior Notes, 12.250% due 11/15/15 (a)(b)                        | 2,011,100         |
|  | First Data Corp.:  |                   |
| 2,600,000  | 5.625% due 11/1/11   | 1,956,679         |
| 5,040,000  | 9.875% due 9/24/15 (a)   | 4,466,700         |
|  | SunGard Data Systems Inc.:   |                   |
| 2,900,000  | Senior Notes, 9.125% due 8/15/13   | 2,958,000         |
| 5,390,000  | Senior Subordinated Notes, 10.250% due 8/15/15                                   | 5,416,950         |
|  | <b>Total IT Services</b>   | <b>16,809,429</b> |
| <b>Machinery 0.2%</b>  |  |                   |
| 1,260,000  | American Railcar Industries Inc., Senior Notes, 7.500% due<br>3/1/14             | 1,140,300         |
| 1,390,000  | Terex Corp., Senior Subordinated Notes, 7.375% due<br>1/15/14                    | 1,379,575         |
|  | <b>Total Machinery</b>   | <b>2,519,875</b>  |
| <b>Media 6.8%</b>  |  |                   |
|  | Affinion Group Inc.:   |                   |
| 4,465,000  | Senior Notes, 10.125% due 10/15/13   | 4,442,675         |
| 4,030,000  | Senior Subordinated Notes, 11.500% due 10/15/15                                  | 3,747,900         |
|  | CCH I Holdings LLC/CCH I Holdings Capital Corp.:                                 |                   |



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|            |   |            |
|------------|---|------------|
| 2,265,000  | Senior Accreting Notes, 12.125% due 1/15/15   | 1,211,775  |
| 4,495,000  | Senior Notes, 11.750% due 5/15/14   | 2,427,300  |
| 14,781,000 | CCH I LLC/CCH Capital Corp., Senior Secured Notes,<br>11.000% due 10/1/15 (f)   | 10,660,796 |
| 2,890,000  | CCH II LLC/CCH II Capital Corp., Senior Notes:<br>10.250% due 9/15/10   | 2,752,725  |
| 293,000    | 10.250% due 10/1/13   | 272,490    |
| 1,500,000  | Charter Communications Holdings LLC, Senior Discount<br>Notes, 12.125% due 1/15/12  | 948,750    |
| 1,325,000  | Charter Communications Holdings LLC/Charter<br>Communications Holdings Capital Corp., Senior Discount<br>Notes, 11.750% due 5/15/11 | 856,281    |
| 3,270,000  | CMP Susquehanna Corp., 9.875% due 5/15/14<br>CSC Holdings Inc.:   | 2,272,650  |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount                     | Security  | Value             |
|---------------------------------|---|-------------------|
| <b>Media 6.8% (continued)</b>   |   |                   |
| 4,210,000                       | Senior Debentures, 8.125% due 8/15/09   | \$ 4,294,200      |
|                                 | Senior Notes:   |                   |
| 280,000                         | 8.125% due 7/15/09  | 285,600           |
| 3,400,000                       | 7.625% due 4/1/11   | 3,383,000         |
| 3,350,000                       | Dex Media Inc., Discount Notes, step bond to yield 8.367% due 11/15/13                  | 2,989,875         |
| 2,344,000                       | Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13 | 2,396,740         |
| 4,010,000                       | DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13       | 4,165,387         |
| 3,410,000                       | EchoStar DBS Corp., Senior Notes, 7.000% due 10/1/13                                    | 3,435,575         |
| 2,419,000                       | Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22 (a) **                 | 2,358,525         |
| 8,395,000                       | Idearc Inc., Senior Notes, 8.000% due 11/15/16  | 7,555,500         |
| 1,260,000                       | Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15                        | 1,200,150         |
|                                 | R.H. Donnelley Corp.:   |                   |
| 3,200,000                       | Senior Discount Notes, 6.875% due 1/15/13   | 2,704,000         |
| 1,560,000                       | Senior Notes, 8.875% due 1/15/16  | 1,345,500         |
| 2,345,000                       | Sun Media Corp., 7.625% due 2/15/13   | 2,233,613         |
|                                 | TL Acquisitions Inc.:   |                   |
| 4,350,000                       | Senior Notes, 10.500% due 1/15/15 (a)   | 3,980,250         |
| 3,380,000                       | Senior Subordinated Notes, step bond to yield 13.358% due 7/15/15 (a)                   | 2,585,700         |
|                                 | XM Satellite Radio Inc., Senior Notes:  |                   |
| 2,065,000                       | 7.739% due 5/1/13 (g)   | 1,775,900         |
| 790,000                         | 9.750% due 5/1/14   | 720,875           |
|                                 | <b>Total Media</b>  | <b>77,003,732</b> |
| <b>Metals &amp; Mining 4.1%</b> |   |                   |
| 13,010,000                      | Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17 (f)                | 13,855,650        |
| 2,545,000                       | Metals USA Holdings Corp., Senior Notes, 10.729% due 7/1/12 (a)(b)                      | 1,883,300         |
| 4,225,000                       | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15                              | 4,214,437         |
| 1,240,000                       | Noranda Aluminum Acquisition Corp., 8.738% due 5/15/15 (a)(b)                           | 948,600           |
| 3,375,000                       | Noranda Aluminum Holding Corp., Senior Notes, 10.488% due 11/15/14 (a)(b)               | 2,581,875         |
| 5,140,000                       | Novelis Inc., Senior Notes, 7.250% due 2/15/15  | 4,767,350         |
| 7,415,000                       | Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15 (a)                             | 7,007,175         |
| 1,720,000                       | Steel Dynamics Inc., 7.375% due 11/1/12 (a)   | 1,724,300         |
| 4,930,000                       | Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15                       | 4,461,650         |
|                                 | Vale Overseas Ltd., Notes:  |                   |

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|  |   |            |
|--|---|------------|
| 1,284,000                                    | 8.250% due 1/17/34 **   | 1,387,055  |
| 4,158,000                                    | 6.875% due 11/21/36 **  | 3,872,304  |
|  | <b>Total Metals &amp; Mining</b>  | 46,703,696 |
| <b>Multiline Retail 1.2%</b>                 |   |            |
| 6,470,000                                    | Dollar General Corp., Senior Subordinated Notes, 11.875% due 7/15/17 (a)(b) | 5,208,350  |
| 1,040,000                                    | Neiman Marcus Group Inc.:   |            |
| 930,000                                      | 7.125% due 6/1/28   | 930,800    |
| 6,700,000                                    | Senior Notes, 9.000% due 10/15/15 (b)                                       | 934,650    |
|  | Senior Subordinated Notes, 10.375% due 10/15/15                             | 6,700,000  |
|  | <b>Total Multiline Retail</b>   | 13,773,800 |
| <b>Oil, Gas &amp; Consumable Fuels 10.4%</b> |   |            |
| 6,995,000                                    | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12                     | 6,995,000  |
| 4,430,000                                    | Chesapeake Energy Corp., Senior Notes:                                      |            |
| 2,755,000                                    | 6.625% due 1/15/16  | 4,352,475  |
|  | 6.500% due 8/15/17  | 2,679,237  |
| 1,005,000                                    | Compagnie Generale de Geophysique SA, Senior Notes,                         |            |
| 2,072,228                                    | 7.500% due 5/15/15  | 994,950    |
|  | Corral Finans AB, 5.758% due 4/15/10 (a)(b)                                 | 1,719,949  |
|  | El Paso Corp.:  |            |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount  |     | Security   | Value        |
|--|-----|--|--------------|
| <b>Oil, Gas &amp; Consumable Fuels 10.4% (continued)</b> |     |  |              |
| 5,025,000  |     | Medium-Term Notes:   |              |
| 6,385,000  |     | 7.800% due 8/1/31  | \$ 5,022,216 |
| 5,200,000  |     | 7.750% due 1/15/32   | 6,380,716    |
| 3,000,000  |     | Notes, 7.875% due 6/15/12  | 5,431,868    |
|  |     | Senior Subordinated Notes, 7.000% due 6/15/17                    | 3,058,602    |
|  |     | Enterprise Products Operating LP:                                |              |
| 4,740,000  |     | 7.034% due 1/15/68 (g)   | 4,217,965    |
| 2,250,000  |     | Junior Subordinated Notes, 8.375% due 8/1/66 (g)                 | 2,251,847    |
| 5,670,000  |     | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11            | 5,443,200    |
|  |     | Gazprom:   |              |
|  |     | Bonds:   |              |
| 104,590,000  | RUB | 6.790% due 10/29/09  | 4,279,467    |
| 34,860,000   | RUB | 7.000% due 10/27/11  | 1,425,123    |
|  |     | Loan Participation Notes:  |              |
| 873,000  |     | 6.212% due 11/22/16 (a) **                                       | 853,358      |
| 1,770,000  |     | Senior Notes, 6.510% due 3/7/22 (a) **                           | 1,677,075    |
| 50,960,000   | RUB | Gazprom OAO, 6.950% due 8/6/09                                   | 2,091,961    |
| 3,705,000  |     | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 | 3,473,437    |
| 1,720,000  |     | LUKOIL International Finance BV, 6.356% due 6/7/17 (a) **        | 1,646,900    |
|  |     | Mariner Energy Inc., Senior Notes:                               |              |
| 1,465,000  |     | 7.500% due 4/15/13   | 1,410,063    |
| 1,110,000  |     | 8.000% due 5/15/17   | 1,065,600    |
| 995,000  |     | Northwest Pipeline Corp., Senior Notes, 7.000% due 6/15/16       | 1,057,188    |
| 2,525,000  |     | OPTI Canada Inc., Senior Secured Notes, 8.250% due 12/15/14 (a)  | 2,487,125    |
|  |     | Pemex Project Funding Master Trust:                              |              |
| 64,000   |     | 6.125% due 8/15/08   | 64,864       |
| 245,000  |     | 6.291% due 6/15/10 (a)(g)  | 246,470      |
| 142,000  |     | 6.291% due 6/15/10 (a)(g)  | 142,852      |
| 836,000  |     | 6.625% due 6/15/35 (a)   | 862,752      |
| 230,000  |     | 6.625% due 6/15/35 (a)   | 237,360      |
| 5,198,000  |     | Senior Bonds, 6.625% due 6/15/35 (a) **                          | 5,344,843    |
| 908,000  |     | Senior Notes, 5.724% due 12/3/12 (a)(g)                          | 883,257      |
| 1,705,000  |     | Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13         | 1,768,938    |
|  |     | Petroplus Finance Ltd.:  |              |
| 1,500,000  |     | 6.750% due 5/1/14 (a)  | 1,380,000    |
| 2,250,000  |     | Senior Note, 7.000% due 5/1/17 (a)                               | 2,053,125    |
|  |     | Petrozuata Finance Inc.:   |              |
| 4,276,000  |     | 8.220% due 4/1/17 (a) **   | 4,393,590    |
| 268,000  |     | 8.220% due 4/1/17 (a)  | 277,380      |
| 5,665,000  |     | SemGroup LP, Senior Notes, 8.750% due 11/15/15 (a)               | 5,325,100    |
| 2,560,000  |     | Southwestern Energy Co., Senior Notes, 7.500% due 2/1/18 (a)     | 2,643,200    |

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|   |   |                    |
|---|---|--------------------|
| 230,000                                 | TNK-BP Finance SA, 6.625% due 3/20/17 (a)               | 210,450            |
| 2,275,000                               | W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 (a) | 2,149,875          |
|   | Whiting Petroleum Corp., Senior Subordinated Notes:     |                    |
| 2,550,000                               | 7.250% due 5/1/12                                       | 2,537,250          |
| 1,975,000                               | 7.000% due 2/1/14                                       | 1,945,375          |
|   | Williams Cos. Inc.:                                     |                    |
|   | Notes:  |                    |
| 3,650,000                               | 7.875% due 9/1/21                                       | 4,042,375          |
| 5,625,000                               | 8.750% due 3/15/32                                      | 6,750,000          |
| 3,700,000                               | Senior Notes, 7.625% due 7/15/19                        | 4,005,250          |
|   | <b>Total Oil, Gas &amp; Consumable Fuels</b>            | <b>117,279,628</b> |
| <b>Paper &amp; Forest Products 2.5%</b> |   |                    |
| 1,100,000                               | Abitibi-Consolidated Co. of Canada, Senior Notes:       |                    |
|   | 7.750% due 6/15/11                                      | 844,250            |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount                                       | Security   | Value             |
|--|--|-------------------|
| <b>Paper &amp; Forest Products 2.5% (continued)</b>  |  |                   |
| 1,530,000  | 8.491% due 6/15/11 (g)   | \$ 1,118,813      |
| 2,180,000  | 8.375% due 4/1/15  | 1,553,250         |
|  | Abitibi-Consolidated Inc.:   |                   |
| 2,220,000  | 7.875% due 8/1/09  | 2,131,200         |
| 1,750,000  | Debentures, 7.400% due 4/1/18  | 1,120,000         |
| 1,335,000  | Notes, 8.550% due 8/1/10   | 1,101,375         |
|  | Appleton Papers Inc.:  |                   |
| 3,895,000  | Senior Notes, 8.125% due 6/15/11   | 3,817,100         |
| 4,685,000  | Senior Subordinated Notes, 9.750% due 6/15/14  | 4,579,587         |
|  | NewPage Corp.:   |                   |
| 8,140,000  | Senior Secured Notes, 9.489% due 5/1/12 (g)  | 8,017,900         |
| 830,000  | Senior Subordinated Notes, 12.000% due 5/1/13  | 825,850           |
| 1,960,000  | Newpage Holding Corp., 11.818% due 11/1/13 (b)(g)  | 1,715,000         |
|  | Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25                                 | 1,419,875         |
| 1,535,000  |  | 1,419,875         |
|  | <b>Total Paper &amp; Forest Products</b>   | <b>28,244,200</b> |
| <b>Pharmaceuticals 0.4%</b>                          |  |                   |
| 10,855,000   | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 (d)               | 4,396,275         |
| <b>Real Estate Investment Trusts (REITs) 0.8%</b>    |  |                   |
| 130,000  | Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15                                | 125,450           |
|  | Host Marriott LP, Senior Notes:  |                   |
| 2,500,000  | 7.125% due 11/1/13   | 2,487,500         |
| 1,860,000  | 6.375% due 3/15/15   | 1,785,600         |
|  | Ventas Realty LP/Ventas Capital Corp., Senior Notes:   |                   |
| 1,245,000  | 6.500% due 6/1/16  | 1,245,000         |
| 3,105,000  | 6.750% due 4/1/17  | 3,136,050         |
|  | <b>Total Real Estate Investment Trusts (REITs)</b>   | <b>8,779,600</b>  |
| <b>Real Estate Management &amp; Development 0.6%</b> |  |                   |
| 2,180,000  | Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15 | 1,068,200         |
|  | Realogy Corp.:   |                   |
| 710,000  | Senior Notes, 10.500% due 4/15/14 (a)  | 511,200           |
| 8,450,000  | Senior Subordinated Notes, 12.375% due 4/15/15 (a)   | 5,070,000         |
|  | <b>Total Real Estate Management &amp; Development</b>  | <b>6,649,400</b>  |
| <b>Road &amp; Rail 1.8%</b>                          |  |                   |
| 6,240,000  | Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes, 9.375% due 5/1/12          | 6,458,400         |
|  | Hertz Corp.:   |                   |
| 3,930,000  | Senior Notes, 8.875% due 1/1/14  | 3,812,100         |
| 8,125,000  | Senior Subordinated Notes, 10.500% due 1/1/16  | 7,850,781         |
|  | Kansas City Southern de Mexico, Senior Notes:  |                   |
| 910,000  | 7.625% due 12/1/13   | 882,700           |
| 125,000  | 7.375% due 3/1/14 (a)  | 119,063           |

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|                              |  |            |
|------------------------------|--|------------|
| 820,000                      | Kansas City Southern Railway, Senior Notes, 7.500% due<br>6/15/09        | 829,225    |
| <b>Software 0.2%</b>         | <b>Total Road &amp; Rail</b>   | 19,952,269 |
| 2,960,000                    | Activant Solutions Inc., Senior Subordinated Notes, 9.500%<br>due 5/1/16 | 2,512,300  |
| <b>Specialty Retail 0.9%</b> |  |            |
| 850,000                      | AutoNation Inc., Senior Notes:<br>6.258% due 4/15/13 (g)                 | 716,125    |
| 830,000                      | 7.000% due 4/15/14   | 742,850    |
| 4,005,000                    | Blockbuster Inc., Senior Subordinated Notes, 9.000% due<br>9/1/12        | 3,183,975  |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount                                   | Security   | Value             |
|--|--|-------------------|
| <b>Specialty Retail 0.9% (continued)</b>         |  |                   |
| 1,995,000  | Eye Care Centers of America, Senior Subordinated Notes,<br>10.750% due 2/15/15                           | \$ 2,119,688      |
| 1,830,000  | Michaels Stores Inc.:  |                   |
| 2,410,000  | 11.375% due 11/1/16  | 1,491,450         |
|  | Senior Notes, 10.000% due 11/1/14  | 2,156,950         |
|  | <b>Total Specialty Retail</b>  | <b>10,411,038</b> |
| <b>Textiles, Apparel &amp; Luxury Goods 0.2%</b> |  |                   |
| 2,950,000  | Simmons Co., Senior Discount Notes, step bond to yield<br>9.995% due 12/15/14                            | 1,961,750         |
| <b>Tobacco 0.4%</b>                              |  |                   |
| 875,000  | Alliance One International Inc., Senior Notes:<br>8.500% due 5/15/12                                     | 818,125           |
| 3,780,000  | 11.000% due 5/15/12  | 3,874,500         |
|  | <b>Total Tobacco</b>   | <b>4,692,625</b>  |
| <b>Trading Companies &amp; Distributors 1.1%</b> |  |                   |
| 2,955,000  | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (a)  | 2,482,200         |
| 5,965,000  | H&E Equipment Services Inc., Senior Notes, 8.375% due<br>7/15/16   | 5,517,625         |
| 5,865,000  | Penhall International Corp., Senior Secured Notes, 12.000%<br>due 8/1/14 (a)                             | 4,897,275         |
|  | <b>Total Trading Companies &amp; Distributors</b>  | <b>12,897,100</b> |
| <b>Transportation Infrastructure 0.4%</b>        |  |                   |
| 4,625,000  | Saint Acquisition Corp.:   |                   |
| 5,410,000  | Secured Notes, 12.500% due 5/15/17 (a)   | 1,850,000         |
|  | Senior Secured Notes, 10.815% due 5/15/15 (a)(g)   | 2,082,850         |
|  | <b>Total Transportation Infrastructure</b>   | <b>3,932,850</b>  |
| <b>Wireless Telecommunication Services 3.0%</b>  |  |                   |
| 2,900,000  | ALLTEL Communications Inc., Senior Notes, 10.375% due<br>12/1/17 (a)(b)                                  | 2,523,000         |
| 1,825,000  | American Tower Corp., Senior Notes, 7.500% due 5/1/12  | 1,884,312         |
| 4,860,000  | MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14   | 4,495,500         |
| 4,180,000  | Nextel Communications Inc., Senior Notes, 7.375% due<br>8/1/15   | 3,826,644         |
| 1,575,000  | Rural Cellular Corp.:  |                   |
| 2,105,000  | Senior Notes, 9.875% due 2/1/10  | 1,638,000         |
| 2,590,000  | Senior Secured Notes, 8.250% due 3/15/12   | 2,178,675         |
| 13,510,000                                       | Senior Subordinated Notes, 8.124% due 6/1/13 (g)   | 2,628,850         |
| 2,220,000  | True Move Co., Ltd., 10.750% due 12/16/13 (a) **   | 12,902,050        |
|  | UBS Luxembourg SA for OJSC Vimpel Communications,<br>Loan Participation Notes, 8.250% due 5/23/16 (a) ** | 2,222,886         |
|  | <b>Total Wireless Telecommunication Services</b>   | <b>34,299,917</b> |
|  | <b>TOTAL CORPORATE BONDS &amp; NOTES</b>   |                   |
|  | (Cost \$1,087,867,292)   | 1,004,209,382     |



**ASSET-BACKED SECURITY 0.0%**

**Diversified Financial Services 0.0%**

1,975,400

Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19 (c)(d)(e) (Cost - \$2,052,466)

0

**CONVERTIBLE BOND & NOTE 0.1%**

**Airlines 0.1%**

565,265

Delta Air Lines Inc., Pass-Through Certificates, 7.379% due 5/18/10 (Cost - \$570,352)

564,907

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount            |             | Security  | Value             |
|------------------------|-------------|---|-------------------|
| <b>SOVEREIGN BONDS</b> | <b>5.5%</b> |   |                   |
| <b>Argentina</b>       | <b>0.5%</b> |   |                   |
| 1,400,000              | EUR         | Republic of Argentina:<br>9.250% due 10/21/02 (d)               | \$ 635,143        |
| 300,000                | EUR         | 9.000% due 6/20/03 (d)  | 140,243           |
| 250,000                | EUR         | 10.250% due 1/26/07 (d)   | 122,434           |
| 275,000                | EUR         | 8.000% due 2/26/08 (d)  | 131,209           |
| 4,427,573              | ARS         | Bonds, 2.000% due 1/3/10 (g)                                    | 3,072,580         |
| 665,000                |             | Bonds, Series VII, 7.000% due 9/12/13 **                        | 590,649           |
| 97,000                 | EUR         | GDP Linked Securities, 1.262% due 12/15/35 (g)                  | 15,295            |
|                        |             | Medium-Term Notes:  |                   |
| 1,175,000              | EUR         | 7.000% due 3/18/04 (d)  | 553,469           |
| 600,000                | EUR         | 8.125% due 10/4/04 (d)  | 274,920           |
| 525,000                | EUR         | 9.000% due 5/24/05 (a)(d)                                       | 247,061           |
|                        |             | <b>Total Argentina</b>  | <b>5,783,003</b>  |
| <b>Brazil</b>          | <b>1.3%</b> |   |                   |
| 1,000                  | BRL         | Brazil Nota do Tesouro Nacional:<br>10.000% due 1/1/10          | 544               |
| 18,729,000             | BRL         | 10.000% due 7/1/10 (f)  | 10,057,323        |
| 2,177,000              | BRL         | Series B, 6.000% due 5/15/17                                    | 1,914,652         |
| 4,315,000              | BRL         | Series F, 10.000% due 1/1/12                                    | 2,249,012         |
|                        |             | <b>Total Brazil</b>   | <b>14,221,531</b> |
| <b>Colombia</b>        | <b>0.2%</b> |   |                   |
| 2,055,000              |             | Republic of Colombia, 7.375% due 9/18/37 **                     | 2,191,144         |
| <b>Ecuador</b>         | <b>0.2%</b> |   |                   |
| 2,100,000              |             | Republic of Ecuador, 10.000% due 8/15/30 (a) **                 | 2,034,375         |
| <b>Indonesia</b>       | <b>0.3%</b> |   |                   |
| 8,077,000,000          | IDR         | Republic of Indonesia:<br>Series FR40, 11.000% due 9/15/25      | 899,987           |
| 6,948,000,000          | IDR         | Series FR42, 10.250% due 7/15/27                                | 726,584           |
| 11,011,000,000         | IDR         | Series FR43, 10.250% due 7/15/22                                | 1,169,662         |
| 8,327,000,000          | IDR         | Series FR45, 9.750% due 5/15/37                                 | 816,378           |
|                        |             | <b>Total Indonesia</b>  | <b>3,612,611</b>  |
| <b>Mexico</b>          | <b>0.5%</b> |   |                   |
| 3,230,000              |             | United Mexican States, Medium-Term Notes:<br>6.050% due 1/11/40 | 3,194,470         |
| 2,423,000              |             | Series A, 6.750% due 9/27/34 **                                 | 2,629,561         |
|                        |             | <b>Total Mexico</b>   | <b>5,824,031</b>  |
| <b>Panama</b>          | <b>0.5%</b> |   |                   |
| 1,285,000              |             | Republic of Panama:<br>9.625% due 2/8/11 **                     | 1,465,221         |
| 350,000                |             | 7.250% due 3/15/15 **   | 388,500           |
| 4,130,000              |             | 6.700% due 1/26/36 **   | 4,184,723         |
|                        |             | <b>Total Panama</b>   | <b>6,038,444</b>  |

**Peru 0.0%**

259,000  
198,000

Republic of Peru:  
Bonds, 6.550% due 3/14/37  
Global Bonds, 7.350% due 7/21/25  
**Total Peru**

266,770  
225,621  
492,391

**Turkey 1.1%**

2,023,000 TRY  
490,000

Republic of Turkey:  
14.000% due 1/19/11  
7.000% due 6/5/20 \*\*

1,639,161  
511,438

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount                                   | Security   | Value             |
|--|--|-------------------|
| <b>Turkey 1.1% (continued)</b>                   |  |                   |
| 1,175,000  | 11.875% due 1/15/30 **   | \$ 1,844,750      |
| 594,000  | Bonds, 7.000% due 9/26/16 **                                       | 631,125           |
| 7,954,000  | Notes, 6.875% due 3/17/36 **                                       | 7,810,828         |
|  | <b>Total Turkey</b>  | <b>12,437,302</b> |
| <b>Uruguay 0.1%</b>                              |  |                   |
| 1,026,307  | Oriental Republic of Uruguay, Bonds, 7.625% due 3/21/36 **         | 1,084,037         |
| <b>Venezuela 0.8%</b>                            |  |                   |
|  | Bolivarian Republic of Venezuela:                                  |                   |
| 273,000  | 8.500% due 10/8/14   | 272,318           |
| 8,258,000  | 5.750% due 2/26/16 **  | 6,926,397         |
| 241,000  | 7.650% due 4/21/25   | 209,429           |
|  | Collective Action Securities:                                      |                   |
| 1,164,000  | 9.375% due 1/13/34 **  | 1,182,333         |
| 183,000  | Notes, 10.750% due 9/19/13   | 201,071           |
|  | <b>Total Venezuela</b>   | <b>8,791,548</b>  |
|  | <b>TOTAL SOVEREIGN BONDS</b>                                       |                   |
|  | (Cost \$61,444,890)  | 62,510,417        |
| <b>COLLATERALIZED SENIOR LOANS 2.6%</b>          |  |                   |
| <b>Auto Components 0.4%</b>                      |  |                   |
| 4,987,500  | Allison Transmission, Term Loan B, 8.170% due 8/7/14 (g)           | 4,386,327         |
| <b>Containers &amp; Packaging 0.3%</b>           |  |                   |
| 5,187,704  | Berry Plastics Corp., Senior Term Loan, 11.646% due 6/15/14 (g)    | 3,942,655         |
| <b>Media 0.4%</b>                                |  |                   |
| 5,000,000  | Univision Communications Inc., Term Loan B, 7.095% due 9/15/14 (g) | 4,125,520         |
| <b>Oil, Gas &amp; Consumable Fuels 1.1%</b>      |  |                   |
|  | Ashmore Energy International:                                      |                   |
| 279,613  | Synthetic Revolving Credit Facility, 5.098% due 3/30/14 (g)        | 258,642           |
| 2,084,796  | Term Loan, 7.830% due 3/30/14 (g)                                  | 1,928,437         |
| 7,500,000  | SandRidge Energy, Term Loan, 8.625% due 4/1/15 (g)                 | 7,443,750         |
| 3,000,000  | Stallion Oilfield Services, Term Loan, 9.384% due 7/31/12 (g)      | 2,700,000         |
|  | <b>Total Oil, Gas &amp; Consumable Fuels</b>                       | <b>12,330,829</b> |
| <b>Paper &amp; Forest Products 0.2%</b>          |  |                   |
| 2,500,000  | Verso Paper Holdings Term Loan, 11.210% due 2/1/12 (g)             | 2,312,500         |
| <b>Trading Companies &amp; Distributors 0.2%</b> |  |                   |
| 2,000,000  | Penhall International Corp., Term Loan, 12.824% due 4/1/12 (g)     | 1,780,000         |

|  |  |            |
|--|--|------------|
|  | <b>TOTAL COLLATERALIZED SENIOR LOANS</b>   |            |
|  | (Cost \$31,900,364)                        | 28,877,831 |
| <b>Shares</b>                            |  |            |
| <b>COMMON STOCKS 0.0%</b>                |  |            |
| <b>CONSUMER DISCRETIONARY 0.0%</b>       |  |            |
| <b>Household Durables 0.0%</b>           |  |            |
| 10,685,938                               | Home Interiors & Gifts Inc. (c)(e)*        | 11         |
| 52,472                                   | Mattress Discounters Corp. (c)(e)*         | 0          |
|  | <b>TOTAL COMMON STOCKS</b>                 |            |
|  | (Cost \$7,763,106)                         | 11         |
| <b>CONVERTIBLE PREFERRED STOCKS 0.8%</b> |  |            |
| <b>FINANCIALS 0.8%</b>                   |  |            |
| 4,260                                    | Bank of America Corp., 7.250% due 12/31/49 | 4,779,720  |
| 69,700                                   | Citigroup Inc., 6.500% due 12/31/49        | 3,767,285  |
|  | <b>TOTAL CONVERTIBLE PREFERRED STOCKS</b>  |            |
|  | (Cost \$7,745,000)                         | 8,547,005  |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Shares                                     | Security  | Value            |
|--|---|------------------|
| <b>ESCROWED SHARES 0.0%</b>                |   |                  |
| 2,025,000                                  | Pillowtex Corp. (c)(d)(e)*<br>(Cost - \$0)  | \$ 0             |
| <b>PREFERRED STOCKS 0.4%</b>               |   |                  |
| <b>CONSUMER DISCRETIONARY 0.1%</b>         |   |                  |
| <b>Automobiles 0.1%</b>                    |   |                  |
| 65,000                                     | Ford Motor Co., 7.400%  | 1,028,300        |
| 1,800                                      | Ford Motor Co., 8.000%  | 30,330           |
| 1,800                                      | Ford Motor Co., Series F, 7.550%  | 30,420           |
|  | <b>Total Automobiles</b>  | <b>1,089,050</b> |
| <b>Media 0.0%</b>                          |   |                  |
| 8  | ION Media Networks Inc., Series B, 12.000% *  | 34,125           |
|  | <b>TOTAL CONSUMER DISCRETIONARY</b>   | <b>1,123,175</b> |
| <b>FINANCIALS 0.3%</b>                     |   |                  |
| <b>Diversified Financial Services 0.1%</b> |   |                  |
| 12,100                                     | Preferred Plus, Trust Series FRD-1, 7.400%  | 191,664          |
| 8,200                                      | Preferred Plus, Series FMC1 Trust, Senior Debentures,<br>Series LMG-3, 8.250%   | 148,420          |
| 44,100                                     | Saturns, Series F 2003-5, 8.125%  | 736,470          |
| 17,552                                     | TCR Holdings Corp., Class B Shares (c)(e)*  | 17               |
| 9,654                                      | TCR Holdings Corp., Class C Shares (c)(e)*  | 10               |
| 25,451                                     | TCR Holdings Corp., Class D Shares (c)(e)*  | 25               |
| 52,657                                     | TCR Holdings Corp., Class E Shares (c)(e)*  | 53               |
|  |   | <b>1,076,659</b> |
| <b>Thrifts &amp; Mortgage Finance 0.2%</b> |   |                  |
| 110,000                                    | Federal National Mortgage Association (FNMA), 8.250%  | 2,906,200        |
|  | <b>TOTAL FINANCIALS</b>   | <b>3,982,859</b> |
|  | <b>TOTAL PREFERRED STOCKS</b>   |                  |
|  | (Cost \$5,137,505)  | 5,106,034        |
| <b>Warrants</b>                            |   |                  |
| <b>WARRANTS 0.1%</b>                       |   |                  |
| 18,500                                     | Bolivarian Republic of Venezuela, Oil-linked payment<br>obligations, expires 4/15/20*   | 679,875          |
| 31,517,970                                 | ContiFinancial Corp., Liquidating Trust, Units of Interest<br>(Represents interest in a trust in the liquidation of<br>ContiFinancial Corp. and its affiliates) (c)(e)* | 32               |
| 2,750                                      | Leap Wireless International Inc., Expires 4/15/10(c)(e)*  | 0                |
| 13,614                                     | Pillowtex Corp., Expires 11/24/09(c)(e)*  | 0                |
|  | <b>TOTAL WARRANTS</b>   |                  |
|  | (Cost \$10,069)   | 679,907          |
|  | <b>TOTAL INVESTMENTS BEFORE SHORT-TERM<br/>INVESTMENTS</b>  |                  |
|  | (Cost \$1,204,491,044)  | 1,110,495,494    |

| Face<br>Amount                |             |   |  |           |
|-------------------------------|-------------|---|--|-----------|
| <b>SHORT-TERM INVESTMENTS</b> | <b>1.5%</b> |   |  |           |
| <b>Sovereign Bonds</b>        | <b>1.5%</b> |   |  |           |
| 4,491,000                     | MYR         | Bank Negara Malaysia Monetary Notes:<br>Series 0207, 3.569% due 2/14/08 |  | 1,388,594 |
| 3,346,000                     | MYR         | Series 4207, zero coupon bond to yield 3.390% due 4/22/08               |  | 1,026,499 |
| 43,825,000                    | EGP         | Egypt Treasury Bills:<br>Zero coupon bond to yield 7.470% due 10/28/08  |  | 7,488,693 |

*See Notes to Schedule of Investments.*

## Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face<br>Amount                |                         | Security  | Value         |
|-------------------------------|-------------------------|---|---------------|
| <b>Sovereign Bonds</b>        | <b>1.5% (continued)</b> |   |               |
| 42,275,000                    | EGP                     | Zero coupon bond to yield 20.240% due 11/11/08  | \$ 7,203,675  |
|                               |                         | <b>Total Sovereign Bonds</b>  |               |
|                               |                         | (Cost \$17,116,426)   | 17,107,461    |
| <b>U.S. Government Agency</b> | <b>0.0%</b>             |   |               |
| 27,000                        |                         | Federal National Mortgage Association (FNMA), Discount<br>Notes, 4.030% -4.365% due 3/17/08 (h) |               |
|                               |                         | (Cost - \$26,856)   | 26,856        |
|                               |                         | <b>TOTAL SHORT-TERM INVESTMENTS</b>   |               |
|                               |                         | (Cost \$17,143,282)   | 17,134,317    |
|                               |                         | <b>TOTAL INVESTMENTS</b>  |               |
|                               |                         | <b>100.0%</b><br>(Cost \$1,221,634,326#)  | 1,127,629,811 |

- 
- \* Non-income producing security.  
Face amount denominated in U.S. dollars, unless otherwise noted.
- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (b) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (c) Illiquid security.
- (d) Security is currently in default.
- (e) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
- (f) All or a portion of this security is segregated for open futures contracts, reverse repurchase agreements and foreign currency contracts.
- (g) Variable rate security. Interest rate disclosed is that which is in effect at January 31, 2008.
- (h) Rate shown represents yield-to-maturity.
- # Aggregate cost for federal income tax purposes is substantially the same.
- \*\* All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.

- - Abbreviations used in this schedule:

ARS - Argentine Peso  
 BRL - Brazilian Real  
 EGP - Egyptian Pound  
 EUR - Euro  
 GDP - Gross Domestic Product  
 IDR - Indonesian Rupiah  
 MYR - Malaysian Ringgit  
 OJSC - Open Joint Stock Company  
 RUB - Russian Ruble  
 TRY - Turkish Lira

*See Notes to Schedule of Investments.*





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

**1. Organization and Significant Accounting Policies**

Western Asset High Income Fund II 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 seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

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.** Debt securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund may value these securities at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

**(b) Reverse Repurchase Agreements.** The Fund may enter into a reverse repurchase agreement in which the Fund sells a portfolio security at a specified price with an agreement to purchase the same or substantially the same security from the same counterparty at a fixed or determinable price at a future date. When entering into reverse repurchase agreements, the Fund's custodian delivers to the counterparty liquid assets, the market value of which, at the inception of the transaction, at least equals the repurchase price (including accrued interest). The Fund pays interest on amounts obtained pursuant to reverse repurchase agreements. Reverse repurchase agreements are considered to be borrowings, which may create leverage risk to the Fund.

**(c) Financial Futures Contracts.** The Fund may enter into financial futures contracts typically, but not necessarily, to hedge a portion of the portfolio. Upon entering into a financial futures contract, the Fund is required to deposit cash or securities as initial margin, equal to a certain percentage of the contract amount (initial margin deposit). Additional securities are also segregated up to the current market value of the financial futures contracts. Subsequent payments, known as variation margin, are made or received by the Fund each day, depending on the daily fluctuations in the value of the underlying financial instruments. For foreign denominated futures, variation margins are not settled daily. The Fund recognizes an unrealized gain or loss equal to the fluctuation in the value. When the financial futures contracts are closed, a realized gain or loss is recognized equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contracts.

The risks associated with entering into financial futures contracts include the possibility that a change in the value of the contract may not correlate with the changes in the value of the underlying financial instruments. In addition, investing in financial futures contracts involves the risk that the Fund could lose more than the initial margin deposit and subsequent payments required for a futures transaction. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

**(d) Forward Foreign Currency Contracts.** The Fund may enter 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 records 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 was closed.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected in the Statement of Assets and Liabilities. 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.

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**(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 at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

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) Credit and Market Risk.** The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involves 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. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

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

## 2. Investments

At January 31, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |                |
|-------------------------------|----------------|
| Gross unrealized appreciation | \$18,175,836   |
| Gross unrealized depreciation | (112,180,351)  |
| Net unrealized depreciation   | \$(94,004,515) |

At January 31, 2008, the Fund had the following open futures contracts:

|                             | Number of<br>Contracts | Expiration<br>Date | Basis<br>Value | Market<br>Value | Unrealized<br>Loss |
|-----------------------------|------------------------|--------------------|----------------|-----------------|--------------------|
| <b>Contracts to Sell:</b>   |                        |                    |                |                 |                    |
| U.S. Treasury 10 Year Notes | 10                     | 3/08               | \$1,138,302    | \$1,167,188     | \$(28,886)         |

At January 31, 2008, the Fund had the following open forward foreign currency contracts:

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| Foreign Currency<br>Contracts to Buy:                                     | Local<br>Currency | Market<br>Value | Settlement<br>Date | Unrealized<br>Gain (Loss) |
|---|-------------------|-----------------|--------------------|---------------------------|
| Indian Rupee  | 19,552,500        | \$495,134       | 3/14/08            | \$134                     |
| Indian Rupee  | 58,622,700        | 1,484,521       | 3/14/08            | (1,480)                   |
| Indian Rupee  | 19,567,200        | 495,411         | 3/17/08            | (589)                     |
| <b>Net Unrealized Loss on Open Forward Foreign Currency<br/>Contracts</b> |                   |                 |                    | <b>\$(1,935)</b>          |

Transactions in reverse repurchase agreements for the Fund during the period ended January 31, 2008 were as follows:

| Average<br>Daily<br>Balance | Weighted<br>Average<br>Interest Rate | Maximum<br>Amount<br>Outstanding |
|-----------------------------|--------------------------------------|----------------------------------|
| \$93,194,606                | 5.068%                               | \$122,354,452                    |

Interest rates on reverse repurchase agreements ranged from 1.000% to 5.850% during the period ended January 31, 2008. Interest expense incurred on reverse repurchase agreements totaled \$3,620,967.

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At January 31, 2008, the Fund had the following open reverse repurchase agreements:

| Face<br>Amount | Security   | Value        |
|----------------|--|--------------|
| \$ 5,036,450   | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.200% to be repurchased at \$5,042,913 on 2/4/08, collateralized by: \$5,260,000 ATF Capital BV, 9.250% due 2/21/14; Market value (including accrued interest) - \$5,542,582.          | \$ 5,036,450 |
| 4,386,396      | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$4,391,757 on 2/4/08, collateralized by: \$4,740,000 Axtel Sab de CV, 7.625% due 2/1/17; Market value (including accrued interest) - \$4,885,163.                  | 4,386,396    |
| 1,956,200      | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$1,958,442 on 2/4/08, collateralized by: \$2,000,000 Republic of Colombia, 7.375% due 9/18/37; Market value (including accrued interest) - \$2,187,610.            | 1,956,200    |
| 2,674,080      | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.150% to be repurchased at \$2,677,471 on 2/4/08, collateralized by: \$2,880,000 EEB International Ltd., 8.750% due 10/31/14; Market value (including accrued interest) - \$3,037,627. | 2,674,080    |
| 2,115,538      | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.150% to be repurchased at \$2,188,221 on 2/4/08, collateralized by: \$2,302,000 GTL Trade Finance Inc., 7.250% due 10/20/17; Market value (including accrued interest) - \$2,452,344. | 2,115,538    |
| 770,859        | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.250% to be repurchased at \$771,860 on 2/4/08, collateralized by: \$873,000 Gaz Cap SA Luxembourg, 6.212% due 11/22/16; Market value (including accrued interest) - \$863,935.        | 770,859      |
| 1,720,440      | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.050% to be repurchased at \$1,722,569 on 2/4/08, collateralized by: \$1,770,000 Gaz Cap SA Luxembourg, 6.510% due 3/7/22; Market value (including accrued interest) - \$1,723,609.    | 1,720,440    |
| 1,777,481      | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$1,779,654 on 2/4/08, collateralized by: \$2,419,000 Globo Comunicacoes Part, 7.250% due 4/26/22; Market value (including accrued interest) - \$2,405,484.         | 1,777,481    |
| 3,646,329      | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$3,650,786 on 2/4/08, collateralized by: \$4,490,000 HSBK Europe BV, 7.250% due 5/3/17; Market value (including accrued interest) - \$4,009,237.                   | 3,646,329    |
| 1,020,147      | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.100% to be repurchased at \$1,021,425 on 2/4/08, collateralized by: \$1,174,000 ICICI Bank Ltd., 6.375% due 4/30/22; Market value (including accrued interest) - \$1,011,525.         | 1,020,147    |
| 1,149,480      | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.000% to be repurchased at \$1,150,885 on 2/4/08,  |              |

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collateralized by: \$1,240,000 Odebrecht Finance Ltd.,  
7.500% due 10/18/17; Market value (including accrued interest) - \$1,270,034.

1,149,480

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|    |            |   |              |
|----|------------|---|--------------|
| \$ | 1,381,889  | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$1,383,578 on 2/4/08, collateralized by: \$1,285,000 Republic of Panama, 9.625% due 2/8/11; Market value (including accrued interest) - \$1,524,709.                    | \$ 1,381,889 |
|    | 366,170    | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$366,590 on 2/4/08, collateralized by: \$350,000 Republic of Panama, 7.250% due 3/15/15; Market value (including accrued interest) - \$398,190.                         | 366,170      |
|    | 1,255,320  | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$1,256,758 on 2/4/08, collateralized by: \$1,320,000 Republic of Panama, 6.700% due 1/26/36; Market value (including accrued interest) - \$1,338,948.                   | 1,255,320    |
|    | 2,672,310  | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$2,675,372 on 2/4/08, collateralized by: \$2,810,000 Republic of Panama, 6.700% due 1/26/36; Market value (including accrued interest) - \$2,850,336.                   | 2,672,310    |
|    | 3,157,000  | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$3,160,617 on 2/4/08, collateralized by: \$3,500,000 Pemex Project Funding Master Trust, 6.625% due 6/15/35; Market value (including accrued interest) - \$3,629,249.   | 3,157,000    |
|    | 1,532,100  | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$1,533,973 on 2/4/08, collateralized by: \$1,654,000 Russian Agricultural Bank, 7.175% due 5/16/13; Market value (including accrued interest) - \$1,724,589.            | 1,532,100    |
|    | 919,960    | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.200% to be repurchased at \$921,141 on 2/4/08, collateralized by: \$1,055,000 Russian Agricultural Bank, 6.299% due 5/15/17; Market value (including accrued interest) - \$1,016,490.      | 919,960      |
|    | 1,138,174  | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 3.650% to be repurchased at \$1,139,444 on 2/4/08, collateralized by: \$1,026,307 Oriental Republic of Uruguay, 7.625% due 3/21/36; Market value (including accrued interest) - \$1,112,630. | 1,138,174    |
|    | 1,181,160  | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.150% to be repurchased at \$1,182,658 on 2/4/08, collateralized by: \$1,360,000 TNK-BP Finance SA, 7.500% due 7/18/16; Market value (including accrued interest) - \$1,326,523.            | 1,181,160    |
|    | 11,393,136 | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$11,407,061 on 2/4/08, collateralized by: \$13,410,000 True Move Co., Ltd., 10.750% due 12/16/13; Market value (including accrued interest) - \$12,991,670.             | 11,393,136   |
|    | 2,417,380  | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 3.850% to be repurchased at \$2,420,224 on 2/4/08, collateralized by: \$2,785,000 TuranAlem Finance BV Global, 8.250% due 1/22/37; Market value (including accrued interest) - \$2,450,150.  | 2,417,380    |



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|    |           |   |              |
|----|-----------|---|--------------|
| \$ | 1,660,745 | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$1,662,648 on 2/4/08, collateralized by: \$1,175,000 Republic of Turkey, 11.875% due 1/15/30; Market value (including accrued interest) - \$1,851,267.            | \$ 1,660,745 |
|    | 514,255   | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.150% to be repurchased at \$514,907 on 2/4/08, collateralized by: \$490,000 Republic of Turkey, 7.000% due 6/5/20; Market value (including accrued interest) - \$516,873.            | 514,255      |
|    | 6,937,479 | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$6,945,428 on 2/4/08, collateralized by: \$7,954,000 Republic of Turkey, 6.875% due 3/17/36; Market value (including accrued interest) - \$8,016,643.             | 6,937,479    |
|    | 641,223   | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 3.850% to be repurchased at \$641,977 on 2/4/08, collateralized by: \$594,000 Republic of Turkey, 7.000% due 9/26/16; Market value (including accrued interest) - \$645,747.           | 641,223      |
|    | 2,302,942 | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$2,305,581 on 2/4/08, collateralized by: \$2,262,000 United Mexican States, 6.750% due 9/27/34; Market value (including accrued interest) - \$2,508,107.          | 2,302,942    |
|    | 1,285,284 | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.000% to be repurchased at \$1,286,855 on 2/4/08, collateralized by: \$1,284,000 Vale Overseas Ltd., 8.250% due 1/17/34; Market value (including accrued interest) - \$1,391,420.     | 1,285,284    |
|    | 3,638,250 | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.050% to be repurchased at \$3,642,752 on 2/4/08, collateralized by: \$4,158,000 Vale Overseas Ltd., 6.875% due 11/21/36; Market value (including accrued interest) - \$3,928,848.    | 3,638,250    |
|    | 982,300   | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$983,425 on 2/4/08, collateralized by: \$1,164,000 Bolivarian Republic of Venezuela, 9.375% due 1/13/34; Market value (including accrued interest) - \$1,188,029. | 982,300      |
|    | 490,371   | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$490,970 on 2/4/08, collateralized by: \$665,000 Republic of Argentina, 7.000% due 9/12/13; Market value (including accrued interest) - \$608,809.                | 490,371      |
|    | 3,738,603 | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.200% to be repurchased at \$3,743,401 on 2/4/08, collateralized by: \$4,246,000 Petrozuata Finance Inc., 8.220% due 4/1/17; Market value (including accrued interest) - \$4,480,059. | 3,738,603    |
|    | 345,210   | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.150% to be repurchased at \$345,648 on 2/4/08, collateralized by: \$370,000 Axtel Sab de CV, 7.625% due 2/1/17; Market value (including accrued interest) - \$382,256.               | 345,210      |
|    | 6,325,628 | Reverse Repurchase Agreement with Credit Suisse dated 1/24/08, bearing 3.750% to be repurchased at \$6,332,876 on 2/4/08, collateralized by: \$8,258,000 Bolivarian Republic of Venezuela,  |              |

5.750% due 2/26/16; Market value (including accrued interest) - \$7,131,557.

6,325,628

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|    |           |   |    |                   |
|----|-----------|---|----|-------------------|
| \$ | 877,734   | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$878,807 on 2/4/08, collateralized by: \$1,170,000 ICICI Bank Ltd., 6.375% due 4/30/22; Market value (including accrued interest) - \$999,697.                    | \$ | 877,734           |
|    | 2,137,800 | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.100% to be repurchased at \$2,140,478 on 2/4/08, collateralized by: \$2,100,000 Republic of Ecuador, 10.000% due 8/15/30; Market value (including accrued interest) - \$2,131,386.   |    | 2,137,800         |
|    | 2,011,320 | Reverse Repurchase Agreement with JP Morgan Chase & Co., dated 1/24/08 bearing 4.000% to be repurchased at \$2,013,778 on 2/4/08, collateralized by: \$2,220,000 UBS Luxembourg SA, 8.250% due 5/23/16; Market value (including accrued interest) - \$2,314,461.      |    | 2,011,320         |
|    | 842,646   | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 4.000% to be repurchased at \$843,676 on 2/4/08, collateralized by: \$1,059,000 TuranAlem Finance BV Global, 8.250% due 1/22/37; Market value (including accrued interest) - \$972,956.        |    | 842,646           |
|    | 1,479,200 | Reverse Repurchase Agreement with Credit Suisse, dated 1/24/08 bearing 3.750% to be repurchased at \$1,480,895 on 2/4/08, collateralized by: \$1,720,000 Lukoil International Finance BV, 6.356% due 6/7/17; Market value (including accrued interest) - \$1,663,627. |    | 1,479,200         |
|    |           | <b>Total Reverse Repurchase Agreements</b><br>(Proceeds \$89,878,989)   | \$ | <b>89,878,989</b> |

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ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

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

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**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 Fund II Inc.**

By */s/ R. Jay Gerken*  
R. Jay Gerken  
Chief Executive Officer

Date: March 28, 2008

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/ R. Jay Gerken*  
R. Jay Gerken  
Chief Executive Officer

Date: March 28, 2008

By */s/ Kaprel Ozsolak*  
Kaprel Ozsolak  
Chief Financial Officer

Date: March 28, 2008

