

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-Q
September 29, 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, 4th Floor

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: October 31

Date of reporting period: July 31, 2008

ITEM 1. SCHEDULE OF INVESTMENTS

WESTERN ASSET HIGH INCOME FUND II INC.

FORM N-Q

JULY 31, 2008

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited)

July 31, 2008

| Face Amount | Security | Value |
|---|--|--------------|
| CORPORATE BONDS & NOTES 88.3% | | |
| CONSUMER DISCRETIONARY 16.9% | | |
| Auto Components 1.4% | | |
| 2,120,000 | Allison Transmission Inc., Senior Notes: 11.000% due 11/1/15 (a) | \$ 1,929,200 |
| 3,505,000 | 11.250% due 11/1/15 (a)(b) | 3,066,875 |
| 3,620,000 | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | 1,285,100 |
| | Visteon Corp., Senior Notes: 8.250% due 8/1/10 | 3,085,455 |
| 3,567,000 | 12.250% due 12/31/16 (a) | 5,379,500 |
| 7,685,000 | Total Auto Components | 14,746,130 |
| Automobiles 1.4% | | |
| 1,880,000 | Ford Motor Co., Debentures: 8.875% due 1/15/22 | 968,200 |
| 3,425,000 | 8.900% due 1/15/32 | 1,832,375 |
| | General Motors Corp.: Notes, 7.200% due 1/15/11 | 4,181,100 |
| 6,335,000 | Senior Debentures: 8.250% due 7/15/23 | 1,187,500 |
| | 8.375% due 7/15/33 | 7,186,387 |
| 2,375,000 | Total Automobiles | 15,355,562 |
| 14,445,000 | | |
| Diversified Consumer Services 0.6% | | |
| 5,315,000 | Education Management LLC/Education Management Finance Corp., Senior Subordinated Notes, 10.250% due 6/1/16 | 4,637,338 |
| | Service Corp. International, Senior Notes: 7.625% due 10/1/18 | 1,146,000 |
| 1,200,000 | 7.500% due 4/1/27 | 830,725 |
| 1,010,000 | Total Diversified Consumer Services | 6,614,063 |
| Hotels, Restaurants & Leisure 3.7% | | |
| 1,000,000 | Boyd Gaming Corp., Senior Subordinated Notes: 6.750% due 4/15/14 | 740,000 |
| 410,000 | 7.125% due 2/1/16 | 297,250 |
| 3,820,000 | Buffets Inc., Senior Notes, 12.500% due 11/1/14 (c) | 76,400 |
| 2,930,000 | Caesars Entertainment Inc., Senior Subordinated Notes, 8.125% due 5/15/11 | 2,212,150 |
| | Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13 | 2,357,125 |
| 2,725,000 | Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (a) | 387,200 |
| 484,000 | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 | 4,379,550 |
| 4,515,000 | Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15 (a) | 2,271,500 |
| 2,950,000 | | |

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|-----------|---|-----------|
| 2,360,000 | El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13 | 2,324,600 |
| 975,000 | Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15 (a) | 521,625 |
| 2,350,000 | Harrah s Operating Co. Inc., Senior Notes, 10.750% due 2/1/16 (a) | 1,786,000 |
| 3,455,000 | Indianapolis Downs LLC & Capital Corp., 11.000% due 11/1/12 (a) | 2,815,825 |
| 5,435,000 | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 | 3,994,725 |
| 955,000 | MGM MIRAGE Inc.: Notes, 6.750% due 9/1/12 | 842,787 |
| 355,000 | Senior Notes: 8.500% due 9/15/10 | 343,463 |
| 450,000 | 5.875% due 2/27/14 | 357,750 |
| 620,000 | 7.500% due 6/1/16 | 497,550 |
| 815,000 | 7.625% due 1/15/17 | 656,075 |
| 455,000 | Senior Subordinated Notes, 8.375% due 2/1/11 | 412,912 |
| 380,000 | Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15 | 267,900 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|---|---|-------------------|
| Hotels, Restaurants & Leisure 3.7% (continued) | | |
| 3,664,000 | Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 (a) | \$ 3,792,240 |
| 2,485,000 | Sbarro Inc., Senior Notes, 10.375% due 2/1/15 | 2,050,125 |
| 1,670,000 | Snoqualmie Entertainment Authority, Senior Secured Notes, 6.936% due 2/1/14 (a)(d) | 1,227,450 |
| | Station Casinos Inc.: | |
| | Senior Notes: | |
| 2,500,000 | 6.000% due 4/1/12 | 1,687,500 |
| 4,235,000 | 7.750% due 8/15/16 | 2,858,625 |
| 1,445,000 | Senior Subordinated Notes, 6.625% due 3/15/18 | 643,025 |
| | Total Hotels, Restaurants & Leisure | 39,801,352 |
| Household Durables 1.7% | | |
| 310,000 | American Greetings Corp., Senior Notes, 7.375% due 6/1/16 | 297,600 |
| 4,000,000 | Holt Group Inc., Senior Notes, 9.750% due 1/15/06 (c)(e)(f) | 0 |
| 3,355,000 | Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17 | 2,935,625 |
| 5,655,000 | K Hovnanian Enterprises Inc., 11.500% due 5/1/13 (a) | 5,753,963 |
| 3,730,000 | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 | 3,711,350 |
| 5,765,000 | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.952% due 9/1/12 | 5,274,975 |
| | Total Household Durables | 17,973,513 |
| Internet & Catalog Retail 0.2% | | |
| 2,165,000 | Ticketmaster, Senior Notes, 10.750% due 8/1/16 (a) | 2,251,600 |
| Media 5.6% | | |
| 4,765,000 | Affinion Group Inc.: | |
| | Senior Notes, 10.125% due 10/15/13 | 4,812,650 |
| 3,730,000 | Senior Subordinated Notes, 11.500% due 10/15/15 | 3,730,000 |
| 15,741,000 | CCH I LLC/CCH I Capital Corp., Senior Secured Notes, 11.000% due 10/1/15 | 12,002,512 |
| 2,623,000 | CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 10/1/13 | 2,321,355 |
| 1,500,000 | Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12 | 1,035,000 |
| 1,325,000 | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11 | 914,250 |
| 6,180,000 | Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14 (a) | 6,458,100 |
| 2,950,000 | CMP Susquehanna Corp., 9.875% due 5/15/14 | 1,873,250 |
| 3,000,000 | CSC Holdings Inc.: | |
| | Senior Debentures, 8.125% due 8/15/09 | 3,037,500 |

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|-----------|--|-------------------|
| | Senior Notes: | |
| 280,000 | 8.125% due 7/15/09 | 283,500 |
| 885,000 | 7.625% due 4/1/11 | 879,469 |
| 3,350,000 | Dex Media Inc., Discount Notes, step bond to yield 8.367% due 11/15/13 | 2,026,750 |
| 2,344,000 | Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13 | 1,845,900 |
| 525,000 | DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13 | 544,688 |
| 1,345,000 | EchoStar DBS Corp., Senior Notes, 7.750% due 5/31/15 | 1,297,925 |
| 2,419,000 | Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22 (a)(g) | 2,376,667 |
| 9,195,000 | Idearc Inc., Senior Notes, 8.000% due 11/15/16 | 4,229,700 |
| | R.H. Donnelley Corp.: | |
| 2,150,000 | Senior Discount Notes, 6.875% due 1/15/13 | 1,075,000 |
| 1,560,000 | Senior Notes, 8.875% due 1/15/16 | 760,500 |
| 680,000 | R.H. Donnelley Inc., 11.750% due 5/15/15 (a) | 506,600 |
| 2,345,000 | Sun Media Corp., 7.625% due 2/15/13 | 2,239,475 |
| | TL Acquisitions Inc.: | |
| 4,350,000 | Senior Notes, 10.500% due 1/15/15 (a) | 3,849,750 |
| 3,380,000 | Senior Subordinated Notes, step bond to yield 13.358% due 7/15/15 (a) | 2,484,300 |
| | Total Media | 60,584,841 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|---|--|--------------------|
| CONSUMER DISCRETIONARY 16.9% (continued) | | |
| Multiline Retail 1.3% | | |
| 675,000 | Dollar General Corp.: | |
| 3,930,000 | Senior Notes, 10.625% due 7/15/15 | \$ 683,438 |
| | Senior Subordinated Notes, 11.875% due 7/15/17 (b) | 3,733,500 |
| 1,040,000 | Neiman Marcus Group Inc.: | |
| 2,660,000 | 7.125% due 6/1/28 | 920,400 |
| 6,155,000 | Senior Notes, 9.000% due 10/15/15 (b) | 2,620,100 |
| | Senior Subordinated Notes, 10.375% due 10/15/15 | 6,062,675 |
| | Total Multiline Retail | 14,020,113 |
| Specialty Retail 1.0% | | |
| 1,910,000 | Ace Hardware Corp., Senior Secured Notes, 9.125% due 6/1/16 (a) | 1,747,650 |
| | AutoNation Inc., Senior Notes: | |
| 385,000 | 4.791% due 4/15/13 (d) | 319,550 |
| 830,000 | 7.000% due 4/15/14 | 718,988 |
| 3,685,000 | Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12 | 2,952,606 |
| 2,250,000 | Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15 | 2,306,250 |
| | Michaels Stores Inc.: | |
| 2,410,000 | Senior Notes, 10.000% due 11/1/14 | 1,946,075 |
| 1,830,000 | Senior Subordinated Bonds, 11.375% due 11/1/16 | 1,299,300 |
| | Total Specialty Retail | 11,290,419 |
| | TOTAL CONSUMER DISCRETIONARY | 182,637,593 |
| CONSUMER STAPLES 1.3% | | |
| Food & Staples Retailing 0.1% | | |
| 576,000 | Delhaize America Inc., Debentures, 9.000% due 4/15/31 | 663,503 |
| Food Products 0.5% | | |
| 1,600,000 | Dole Food Co. Inc.: | |
| | Debentures, 8.750% due 7/15/13 | 1,448,000 |
| | Senior Notes: | |
| 1,570,000 | 8.625% due 5/1/09 | 1,544,487 |
| 2,065,000 | 7.250% due 6/15/10 | 1,910,125 |
| 1,050,000 | 8.875% due 3/15/11 | 962,063 |
| | Total Food Products | 5,864,675 |
| Household Products 0.3% | | |
| 1,265,000 | American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12 (a) | 1,246,025 |
| 1,890,000 | Visant Holding Corp., Senior Notes, 8.750% due 12/1/13 | 1,809,675 |
| | Total Household Products | 3,055,700 |
| Tobacco 0.4% | | |
| 875,000 | Alliance One International Inc., Senior Notes: | |
| | 8.500% due 5/15/12 | 824,688 |
| 3,780,000 | 11.000% due 5/15/12 | 3,883,950 |
| | Total Tobacco | 4,708,638 |

| | | |
|---|---|------------------|
| | TOTAL CONSUMER STAPLES | 14,292,516 |
| ENERGY 12.8% | | |
| Energy Equipment & Services 0.6% | | |
| 2,450,000 | Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16 | 2,443,875 |
| 1,145,000 | GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14 | 1,133,550 |
| 1,600,000 | Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14 (a) | 1,616,000 |
| 1,210,000 | Pride International Inc., Senior Notes, 7.375% due 7/15/14 | 1,225,125 |
| 400,000 | Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32 | 428,268 |
| | Total Energy Equipment & Services | 6,846,818 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | | Security | Value |
|--|-----|---|--------------|
| ENERGY 12.8% (continued) | | | |
| Oil, Gas & Consumable Fuels 12.2% | | | |
| 3,690,000 | | Atlas Pipeline Partners LP, 8.750% due 6/15/18 (a) | \$ 3,643,875 |
| 6,995,000 | | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 | 7,099,925 |
| | | Chesapeake Energy Corp., Senior Notes: | |
| 4,430,000 | | 6.625% due 1/15/16 | 4,274,950 |
| 1,885,000 | | 6.500% due 8/15/17 | 1,771,900 |
| 4,670,000 | | 7.250% due 12/15/18 | 4,599,950 |
| 2,109,075 | | Corral Finans AB, Senior Secured Subordinated Bonds, 4.290% due 4/15/10 (a)(b)(d) | 1,782,169 |
| | | El Paso Corp.: | |
| | | Medium-Term Notes: | |
| 5,025,000 | | 7.800% due 8/1/31 | 5,020,317 |
| 6,385,000 | | 7.750% due 1/15/32 | 6,378,264 |
| 5,200,000 | | Notes, 7.875% due 6/15/12 | 5,399,410 |
| | | Enterprise Products Operating LP: | |
| 55,000 | | Junior Subordinated Notes, 8.375% due 8/1/66 (d) | 53,813 |
| 4,740,000 | | Subordinated Notes, 7.034% due 1/15/68 (d) | 4,139,802 |
| 5,670,000 | | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11 | 5,641,650 |
| | | Gazprom: | |
| | | Bonds: | |
| 104,590,000 | RUB | 6.790% due 10/29/09 | 4,449,077 |
| 34,860,000 | RUB | 7.000% due 10/27/11 | 1,464,668 |
| 153,000 | | Loan Participation Notes, 6.212% due 11/22/16 (a) | 141,479 |
| 50,960,000 | RUB | Gazprom OAO, 6.950% due 8/6/09 | 2,166,482 |
| 1,100,000 | | Inergy LP/Inergy Finance Corp., Senior Notes, 8.250% due 3/1/16 (a) | 1,064,250 |
| 3,705,000 | | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 | 3,788,362 |
| 2,070,000 | | KazMunaiGaz Finance Sub B.V., 8.375% due 7/2/13 (a) | 2,119,162 |
| 1,720,000 | | LUKOIL International Finance BV, 6.356% due 6/7/17 (a)(g) | 1,543,700 |
| | | Mariner Energy Inc., Senior Notes: | |
| 1,465,000 | | 7.500% due 4/15/13 | 1,395,413 |
| 1,110,000 | | 8.000% due 5/15/17 | 1,051,725 |
| 2,260,000 | | MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18 (a) | 2,260,000 |
| 1,015,000 | | OPTI Canada Inc., Senior Secured Notes, 7.875% due 12/15/14 | 1,012,463 |
| 2,985,000 | | Parallel Petroleum Corp., 10.250% due 8/1/14 | 2,977,537 |
| | | Pemex Project Funding Master Trust: | |
| 836,000 | | 6.625% due 6/15/35 (a) | 821,538 |
| 230,000 | | 6.625% due 6/15/35 (a) | 226,021 |

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|-----------|---|-----------|
| 5,001,000 | Senior Bonds, 6.625% due 6/15/35 (g) | 4,914,488 |
| | Petrohawk Energy Corp., Senior Notes: | |
| 2,275,000 | 9.125% due 7/15/13 | 2,314,812 |
| 910,000 | 7.875% due 6/1/15 (a) | 884,975 |
| | Petroplus Finance Ltd.: | |
| 1,500,000 | 6.750% due 5/1/14 (a) | 1,320,000 |
| 2,250,000 | Senior Note, 7.000% due 5/1/17 (a) | 1,957,500 |
| | Petrozuata Finance Inc.: | |
| 4,234,014 | 8.220% due 4/1/17 (a)(g) | 4,418,194 |
| 265,369 | 8.220% due 4/1/17 (a) | 277,575 |
| 2,540,000 | Quicksilver Resources Inc., 8.250% due 8/1/15 | 2,482,850 |
| | SandRidge Energy Inc.: | |
| 7,500,000 | 8.625% due 4/1/15 (a)(b) | 7,612,500 |
| 1,780,000 | Senior Notes, 8.000% due 6/1/18 (a) | 1,771,100 |
| 7,272,000 | SemGroup LP, Senior Notes, 8.750% due 11/15/15 | 1,018,080 |
| | (a)(c)(e) | |
| 2,140,000 | Southwestern Energy Co., Senior Notes, 7.500% due | 2,204,200 |
| | 2/1/18 (a) | |
| 740,000 | Targa Resources Partners LP, Senior Notes, 8.250% | 699,300 |
| | due 7/1/16 (a) | |
| 3,370,000 | Teekay Corp., Senior Notes, 8.875% due 7/15/11 | 3,555,350 |
| 230,000 | TNK-BP Finance SA, 6.625% due 3/20/17 (a) | 195,500 |
| 4,165,000 | VeraSun Energy Corp., 9.375% due 6/1/17 | 2,207,450 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | | Security | Value |
|--|--------------------------|---|--------------------|
| Oil, Gas & Consumable Fuels | 12.2% (continued) | | |
| 2,275,000 | | W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14 (a) | \$ 2,149,875 |
| 2,550,000 | | Whiting Petroleum Corp., Senior Subordinated Notes: 7.250% due 5/1/12 | 2,518,125 |
| 1,975,000 | | 7.000% due 2/1/14 | 1,910,812 |
| | | Williams Cos. Inc.: | |
| | | Notes: | |
| 2,760,000 | | 7.875% due 9/1/21 | 2,946,300 |
| 3,689,000 | | 8.750% due 3/15/32 | 4,205,460 |
| 3,700,000 | | Senior Notes, 7.625% due 7/15/19 | 3,903,500 |
| | | Total Oil, Gas & Consumable Fuels | 131,755,848 |
| | | TOTAL ENERGY | 138,602,666 |
| FINANCIALS | 10.3% | | |
| Commercial Banks | 1.9% | | |
| 5,260,000 | | ATF Capital BV, Senior Notes, 9.250% due 2/21/14 (a)(g) | 5,246,850 |
| 4,490,000 | | HSBK Europe BV, 7.250% due 5/3/17 (a)(g) | 3,794,050 |
| | | ICICI Bank Ltd., Subordinated Bonds: | |
| 1,174,000 | | 6.375% due 4/30/22 (a)(d)(g) | 999,810 |
| 1,170,000 | | 6.375% due 4/30/22 (a)(d)(g) | 992,241 |
| 76,695,000 | RUB | JPMorgan Chase Bank, Credit-Linked Notes (Russian Agricultural Bank), 9.500% due 2/11/11 (f) | 3,275,231 |
| 1,320,000 | | RSHB Capital, Notes, 7.125% due 1/14/14 (a) | 1,307,988 |
| | | Russian Agricultural Bank, Loan Participation Notes: | |
| 1,204,000 | | 7.175% due 5/16/13 (a)(g) | 1,196,656 |
| 1,055,000 | | 6.299% due 5/15/17 (a)(g) | 951,293 |
| | | TuranAlem Finance BV, Bonds: | |
| 2,785,000 | | 8.250% due 1/22/37 (a)(g) | 2,137,487 |
| 1,059,000 | | 8.250% due 1/22/37 (a)(g) | 822,049 |
| | | Total Commercial Banks | 20,723,655 |
| Consumer Finance | 3.9% | | |
| 4,090,000 | | AmeriCredit Corp., 8.500% due 7/1/15 | 3,159,525 |
| | | Ford Motor Credit Co.: | |
| | | Notes: | |
| 3,075,000 | | 7.875% due 6/15/10 | 2,619,925 |
| 3,320,000 | | 7.000% due 10/1/13 | 2,380,765 |
| | | Senior Notes: | |
| 4,248,000 | | 8.026% due 6/15/11 (d) | 3,355,083 |
| 1,620,000 | | 5.538% due 1/13/12 (d) | 1,175,394 |
| 15,860,000 | | 12.000% due 5/15/15 | 13,380,781 |
| | | General Motors Acceptance Corp.: | |
| 14,400,000 | | Bonds, 8.000% due 11/1/31 | 8,083,080 |
| 3,130,000 | | Notes, 6.875% due 8/28/12 | 1,965,928 |
| 6,750,000 | | SLM Corp., 8.450% due 6/15/18 | 6,381,018 |
| | | Total Consumer Finance | 42,501,499 |

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Diversified Financial Services 2.9%

| | | |
|-----------|--|-----------|
| 3,380,000 | Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (a) | 2,095,600 |
| 2,210,000 | Capmark Financial Group Inc., 5.875% due 5/10/12 | 1,409,472 |
| 2,110,000 | CCM Merger Inc., Notes, 8.000% due 8/1/13 (a) | 1,724,925 |
| 4,190,000 | Citigroup Inc., Junior Subordinated Notes, Preferred Securities, 8.400% due 4/30/18 (d)(h) | 3,592,883 |
| 135,000 | El Paso Performance-Linked Trust Certificates, Senior Notes, 7.750% due 7/15/11 (a) | 137,285 |
| 4,400,000 | Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, 7.176% due 11/15/14 (d) | 3,454,000 |
| 3,460,000 | Leucadia National Corp., Senior Notes, 8.125% due 9/15/15 | 3,464,325 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|--|--|--------------------|
| Diversified Financial Services 2.9% (continued) | | |
| 6,943,000 | Residential Capital LLC: Junior Secured Notes, 9.625% due 5/15/15 (a) | \$ 2,742,485 |
| 5,159,000 | Senior Secured Notes, 8.500% due 5/15/10 (a) | 3,714,480 |
| 460,000 | Smurfit Kappa Funding PLC, Senior Subordinated Notes, 7.750% due 4/1/15 | 416,300 |
| | TNK-BP Finance SA: 7.500% due 7/18/16 (a)(g) | 1,237,600 |
| 1,360,000 | Senior Notes, 7.875% due 3/13/18 (a) | 995,100 |
| 1,070,000 | Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 10.653% due 10/1/15 | 3,540,000 |
| 4,000,000 | Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14 | 3,072,300 |
| 3,135,000 | Total Diversified Financial Services | 31,596,755 |
| Insurance 0.5% | | |
| 6,560,000 | American International Group Inc., Junior Subordinated Debentures, 8.175% due 5/15/58 (a)(d) | 5,892,376 |
| Real Estate Investment Trusts (REITs) 0.5% | | |
| 130,000 | Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15 | 116,350 |
| 2,500,000 | Host Marriott LP, Senior Notes, 7.125% due 11/1/13 | 2,312,500 |
| 2,535,000 | Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.750% due 4/1/17 | 2,401,912 |
| | Total Real Estate Investment Trusts (REITs) | 4,830,762 |
| Real Estate Management & Development 0.6% | | |
| 2,270,000 | Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15 | 1,373,350 |
| | Realogy Corp.: 10.500% due 4/15/14 | 334,050 |
| 510,000 | 11.000% due 4/15/14 (b) | 2,463,750 |
| 4,500,000 | Senior Subordinated Notes, 12.375% due 4/15/15 | 2,090,400 |
| 4,355,000 | Total Real Estate Management & Development | 6,261,550 |
| | TOTAL FINANCIALS | 111,806,597 |
| HEALTH CARE 6.0% | | |
| Health Care Equipment & Supplies 0.5% | | |
| 2,670,000 | Advanced Medical Optics Inc., Senior Subordinated Notes, 7.500% due 5/1/17 | 2,416,350 |
| | Biomet Inc.: 10.375% due 10/15/17 (b) | 1,512,225 |
| 1,430,000 | 11.625% due 10/15/17 | 1,851,881 |
| 1,745,000 | Total Health Care Equipment & Supplies | 5,780,456 |
| Health Care Providers & Services 5.5% | | |
| 4,735,000 | CRC Health Corp., 10.750% due 2/1/16 | 3,764,325 |
| | DaVita Inc.: Senior Notes, 6.625% due 3/15/13 | 2,146,200 |
| 2,190,000 | Senior Subordinated Notes, 7.250% due 3/15/15 | 3,010,744 |
| 3,045,000 | | |

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| | | |
|-----------|---|-----------|
| | HCA Inc.: | |
| 950,000 | Debentures, 7.500% due 11/15/95 | 679,530 |
| 1,500,000 | Notes, 6.375% due 1/15/15 | 1,237,500 |
| 6,115,000 | Senior Notes, 6.500% due 2/15/16 | 5,121,312 |
| | Senior Secured Notes: | |
| 3,580,000 | 9.250% due 11/15/16 | 3,696,350 |
| 9,560,000 | 9.625% due 11/15/16 (b) | 9,870,700 |
| 4,800,000 | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 4,836,000 |
| | Tenet Healthcare Corp., Senior Notes: | |
| 3,555,000 | 6.375% due 12/1/11 | 3,519,450 |
| 2,240,000 | 6.500% due 6/1/12 | 2,186,800 |
| 6,000,000 | 7.375% due 2/1/13 | 5,670,000 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|--|---|-------------------|
| Health Care Providers & Services 5.5% (continued) | | |
| 985,000 | 9.875% due 7/1/14 | \$ 994,850 |
| 1,470,000 | 6.875% due 11/15/31 | 1,065,750 |
| | Universal Hospital Services Inc.: | |
| 910,000 | 6.303% due 6/1/15 (d) | 850,850 |
| 4,505,000 | Senior Secured Notes, 8.500% due 6/1/15 (b) | 4,527,525 |
| 7,869,000 | US Oncology Holdings Inc., Senior Notes, 7.949% due 3/15/12 (b)(d) | 6,334,545 |
| | Total Health Care Providers & Services | 59,512,431 |
| Pharmaceuticals 0.0% | | |
| 10,855,000 | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 (c)(e) | 244,238 |
| | TOTAL HEALTH CARE | 65,537,125 |
| INDUSTRIALS 12.4% | | |
| Aerospace & Defense 1.5% | | |
| 2,370,000 | BE Aerospace Inc., 8.500% due 7/1/18 | 2,452,950 |
| | DRS Technologies Inc., Senior Subordinated Notes: | |
| 335,000 | 6.625% due 2/1/16 | 340,025 |
| 3,320,000 | 7.625% due 2/1/18 | 3,469,400 |
| | Hawker Beechcraft Acquisition Co.: | |
| 7,565,000 | Senior Notes, 8.875% due 4/1/15 (b) | 7,508,263 |
| 280,000 | Senior Subordinated Notes, 9.750% due 4/1/17 | 277,900 |
| 106,119 | Kac Acquisition Co., Subordinated Notes, 1.000% due 4/26/26 (c)(e)(f) | 0 |
| 2,600,000 | L-3 Communications Corp., Senior Subordinated Notes, 6.125% due 1/15/14 | 2,470,000 |
| | Total Aerospace & Defense | 16,518,538 |
| Airlines 1.9% | | |
| | Continental Airlines Inc., Pass-Through Certificates: | |
| 95,329 | 6.541% due 9/15/08 | 89,609 |
| 1,147,795 | 8.312% due 10/2/12 | 1,021,537 |
| 1,765,000 | 7.339% due 4/19/14 | 1,306,100 |
| 7,870,000 | DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 (a) | 7,712,600 |
| | Delta Air Lines Inc.: | |
| 1,644,136 | 8.954% due 8/10/14 (f) | 1,200,219 |
| | Pass-Through Certificates: | |
| 1,773,817 | 6.619% due 3/18/11 | 1,614,174 |
| 6,135,000 | 7.111% due 9/18/11 | 5,490,825 |
| 2,135,000 | 7.711% due 9/18/11 | 1,761,375 |
| | Total Airlines | 20,196,439 |
| Building Products 1.8% | | |
| | Associated Materials Inc.: | |
| 9,895,000 | Senior Discount Notes, step bond to yield 14.669% due 3/1/14 | 6,110,162 |
| 3,005,000 | Senior Subordinated Notes, 9.750% due 4/15/12 | 2,974,950 |

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| | | |
|--|--|-------------------|
| 2,360,000 | GTL Trade Finance Inc.: | |
| 2,302,000 | 7.250% due 10/20/17 (a)(g) | 2,351,176 |
| | 7.250% due 10/20/17 (a)(g) | 2,296,148 |
| 2,080,000 | Nortek Inc.: | |
| 1,355,000 | Senior Secured Notes, 10.000% due 12/1/13 (a) | 1,872,000 |
| 8,825,000 | Senior Subordinated Notes, 8.500% due 9/1/14 | 774,044 |
| | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.589% due 3/1/14 | 3,684,438 |
| | Total Building Products | 20,062,918 |
| Commercial Services & Supplies 3.0% | | |
| 6,040,000 | Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11 | 6,070,200 |
| 1,690,000 | Allied Waste North America Inc., Senior Notes, 7.375% due 4/15/14 | 1,694,225 |
| 1,285,000 | Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15 (a) | 1,130,800 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|--|---|-------------------|
| Commercial Services & Supplies 3.0% (continued) | | |
| 3,520,000 | DynCorp International LLC/DIV Capital Corp.: 9.500% due 2/15/13 (a) | \$ 3,515,600 |
| 7,693,000 | Senior Subordinated Notes, 9.500% due 2/15/13 | 7,625,686 |
| 2,875,000 | Interface Inc.: Senior Notes, 10.375% due 2/1/10 | 3,033,125 |
| 1,500,000 | Senior Subordinated Notes, 9.500% due 2/1/14 | 1,586,250 |
| 5,305,000 | Rental Services Corp., Senior Notes, 9.500% due 12/1/14 | 4,376,625 |
| 2,380,000 | US Investigations Services Inc.: 11.750% due 5/1/16 (a) | 2,034,900 |
| 1,020,000 | Senior Subordinated Notes, 10.500% due 11/1/15 (a) | 928,200 |
| | Total Commercial Services & Supplies | 31,995,611 |
| Construction & Engineering 0.7% | | |
| 3,330,000 | CSC Holdings Inc., 8.500% due 6/15/15 (a) | 3,296,700 |
| 3,740,000 | Odebrecht Finance Ltd., 7.500% due 10/18/17 (a)(g) | 3,786,750 |
| | Total Construction & Engineering | 7,083,450 |
| Industrial Conglomerates 0.3% | | |
| 2,750,000 | Moll Industries Inc., Senior Subordinated Notes, 10.500% due 7/1/08 (c)(e)(f) | 0 |
| 1,800,000 | Sequa Corp., Senior Notes: 11.750% due 12/1/15 (a) | 1,575,000 |
| 1,800,000 | 13.500% due 12/1/15 (a)(b) | 1,575,000 |
| | Total Industrial Conglomerates | 3,150,000 |
| Machinery 0.1% | | |
| 1,260,000 | American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14 | 1,171,800 |
| 490,000 | Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14 | 481,425 |
| | Total Machinery | 1,653,225 |
| Road & Rail 1.7% | | |
| 10,825,000 | Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 | 9,471,875 |
| 7,020,000 | Kansas City Southern de Mexico, Senior Notes: 9.375% due 5/1/12 (g) | 7,283,250 |
| 910,000 | 7.625% due 12/1/13 | 896,350 |
| 125,000 | 7.375% due 6/1/14 | 120,937 |
| 820,000 | Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09 | 833,325 |
| | Total Road & Rail | 18,605,737 |
| Trading Companies & Distributors 1.1% | | |
| 2,955,000 | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (a) | 2,615,175 |
| 5,825,000 | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16 | 5,038,625 |
| 6,005,000 | Penhall International Corp., Senior Secured Notes, 12.000% due | 4,293,575 |

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| | | |
|--|--|-------------|
| | 8/1/14 (a) | |
| Transportation Infrastructure 0.3% | Total Trading Companies & Distributors | 11,947,375 |
| 5,090,000 | Swift Transportation Co., Senior Secured Notes: | |
| 2,595,000 | 10.426% due 5/15/15 (a)(d) | 1,857,850 |
| | 12.500% due 5/15/17 (a) | 1,025,025 |
| | Total Transportation Infrastructure | 2,882,875 |
| | TOTAL INDUSTRIALS | 134,096,168 |
| INFORMATION TECHNOLOGY 2.1% | | |
| Communications Equipment 0.4% | | |
| 6,100,000 | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 | 4,331,000 |
| Electronic Equipment, Instruments & Components 0.2% | | |
| 2,085,000 | NXP BV/NXP Funding LLC: | |
| | Senior Notes, 9.500% due 10/15/15 | 1,449,075 |
| 1,120,000 | Senior Secured Notes: | |
| | 5.541% due 10/15/13 (d) | 883,400 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|--|--|------------|
| Electronic Equipment, Instruments & Components 0.2% (continued) | | |
| 155,000 | 7.875% due 10/15/14 | \$ 129,813 |
| | Total Electronic Equipment, Instruments & Components | 2,462,288 |
| IT Services 1.1% | | |
| 3,045,000 | Ceridian Corp., Senior Notes, 12.250% due 11/15/15 (a)(b) | 2,770,950 |
| 2,600,000 | First Data Corp., 5.625% due 11/1/11 | 1,404,000 |
| | SunGard Data Systems Inc.: | |
| 1,480,000 | Senior Notes, 9.125% due 8/15/13 | 1,520,700 |
| 5,890,000 | Senior Subordinated Notes, 10.250% due 8/15/15 | 6,007,800 |
| | Total IT Services | 11,703,450 |
| Semiconductors & Semiconductor Equipment 0.1% | | |
| 1,150,000 | Freescale Semiconductor Inc., 10.125% due 12/15/16 | 908,500 |
| Software 0.3% | | |
| 3,890,000 | Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16 | 2,975,850 |
| | TOTAL INFORMATION TECHNOLOGY | 22,381,088 |
| MATERIALS 8.5% | | |
| Chemicals 1.2% | | |
| 8,020,000 | Georgia Gulf Corp., Senior Notes, 10.750% due 10/15/16 | 4,210,500 |
| 2,390,000 | Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14 | 2,252,575 |
| 3,075,000 | Methanex Corp., Senior Notes, 8.750% due 8/15/12 | 3,259,500 |
| 4,475,000 | Montell Finance Co. BV, Debentures, 8.100% due 3/15/27 (a) | 2,617,875 |
| 1,015,000 | Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16 | 852,600 |
| | Total Chemicals | 13,193,050 |
| Containers & Packaging 1.0% | | |
| 2,000,000 | Berry Plastics Holding Corp., 8.875% due 9/15/14 | 1,610,000 |
| 1,080,000 | Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14 | 928,800 |
| 4,225,000 | Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13 | 3,950,375 |
| 1,120,000 | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (a) | 957,600 |
| 1,975,000 | Radnor Holdings Inc., Senior Notes, 11.000% due 3/15/10 (c)(e)(f) | 0 |
| 1,700,000 | Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16 (a) | 1,759,500 |
| 1,195,000 | Solo Cup Co., Senior Subordinated Notes, 8.500% due 2/15/14 | 1,027,700 |
| | Total Containers & Packaging | 10,233,975 |
| Metals & Mining 3.4% | | |
| 1,590,000 | Evraz Group SA, Notes: 8.875% due 4/24/13 (a) | 1,554,225 |

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|---|--|-------------------|
| 680,000 | 9.500% due 4/24/18 (a) | 658,784 |
| 4,005,000 | Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17 | 4,201,706 |
| 2,545,000 | Metals USA Holdings Corp., 8.791% due 7/1/12 (b)(d) | 2,347,762 |
| 5,000,000 | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 | 5,200,000 |
| 3,855,000 | Noranda Aluminium Holding Corp., Senior Notes, 8.578% due 11/15/14 (d) | 3,180,375 |
| 5,140,000 | Novelis Inc., Senior Notes, 7.250% due 2/15/15 | 4,780,200 |
| 8,630,000 | Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15 (a) | 8,457,400 |
| 1,284,000 | Vale Overseas Ltd., Notes: 8.250% due 1/17/34 (g) | 1,419,978 |
| 3,268,000 | 6.875% due 11/21/36 (g) | 3,138,865 |
| 2,070,000 | Vedanta Resources PLC, Senior Notes, 8.750% due 1/15/14 (a)(g) | 2,080,350 |
| | Total Metals & Mining | 37,019,645 |
| Paper & Forest Products 2.9% | | |
| 6,400,000 | Abitibi-Consolidated Co. of Canada: 15.500% due 7/15/10 (a) | 4,832,000 |
| 5,000,000 | Senior Secured Notes, 13.750% due 4/1/11 (a) | 5,237,500 |
| 3,895,000 | Appleton Papers Inc.: Senior Notes, 8.125% due 6/15/11 | 3,729,462 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|---|--|--------------|
| Paper & Forest Products 2.9% (continued) | | |
| 4,685,000 | Senior Subordinated Notes, 9.750% due 6/15/14 | \$ 4,357,050 |
| 8,025,000 | NewPage Corp., Senior Secured Notes, 9.123% due 5/1/12 | 7,663,875 |
| 2,787,134 | (d) | 2,605,971 |
| | Newpage Holding Corp., 9.986% due 11/1/13 (b)(d) | 1,731,825 |
| 1,935,000 | Smurfit Capital Funding PLC, Debentures, 7.500% due | 1,208,350 |
| 1,430,000 | 11/20/25 | 31,366,033 |
| | Verso Paper Holdings LLC, 11.375% due 8/1/16 | 91,812,703 |
| | Total Paper & Forest Products | |
| | TOTAL MATERIALS | |
| TELECOMMUNICATION SERVICES 8.9% | | |
| Diversified Telecommunication Services 6.1% | | |
| 370,000 | Axtel SAB de CV: | 371,850 |
| 4,740,000 | 7.625% due 2/1/17 (a)(g) | 4,751,850 |
| | Senior Notes, 7.625% due 2/1/17 (a)(g) | |
| 1,260,000 | Cincinnati Bell Telephone Co., Senior Debentures, 6.300% | 989,100 |
| | due 12/1/28 | |
| 315,000 | Citizens Communications Co.: | 214,988 |
| 4,220,000 | Debentures, 7.050% due 10/1/46 | 3,734,700 |
| | Senior Notes, 7.875% due 1/15/27 | |
| 855,000 | Hawaiian Telcom Communications Inc.: | 316,350 |
| 5,211,000 | Senior Notes, 9.750% due 5/1/13 | 1,120,365 |
| | Senior Subordinated Notes, 12.500% due 5/1/15 | |
| 1,745,000 | Inmarsat Finance II PLC, step bond to yield 8.867% due | 1,762,450 |
| 1,925,000 | 11/15/12 | 2,006,813 |
| 5,000,000 | Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16 | 4,962,500 |
| 2,215,000 | Intelsat Corp., 9.250% due 8/15/14 (a) | 2,242,688 |
| | Intelsat Jackson Holdings Ltd., 9.500% due 6/15/16 (a) | |
| 2,165,000 | Level 3 Financing Inc.: | 1,818,600 |
| 4,915,000 | 6.704% due 2/15/15 (d) | 4,497,225 |
| 4,525,000 | Senior Notes, 9.250% due 11/1/14 | 4,389,250 |
| | Nordic Telephone Co. Holdings, Senior Secured Bonds, | |
| | 8.875% due 5/1/16 (a) | |
| 1,250,000 | Qwest Communications International Inc., Senior Notes: | 1,243,750 |
| 8,095,000 | 6.176% due 2/15/09 (d) | 7,508,112 |
| 4,770,000 | 7.500% due 2/15/14 | |
| | Telcordia Technologies Inc., Senior Subordinated Notes, | 3,911,400 |
| 2,220,000 | 10.000% due 3/15/13 (a) | 2,125,650 |
| | UBS Luxembourg SA for OJSC Vimpel Communications, | |
| 700,000 | Loan Participation Notes, 8.250% due 5/23/16 (a)(g) | 2,125,650 |
| | Vimpel Communications, Loan Participation Notes, 8.375% | |
| | due | |
| | 4/30/13 (a) | 685,939 |
| 9,400,000 | Virgin Media Finance PLC, Senior Notes, 9.125% due | 8,742,000 |
| 3,100,000 | 8/15/16 | 3,224,000 |

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| | | |
|---|--|-------------------|
| | Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15 (a) | |
| 5,445,000 | Windstream Corp., Senior Notes, 8.625% due 8/1/16 | 5,540,287 |
| | Total Diversified Telecommunication Services | 66,159,867 |
| Wireless Telecommunication Services 2.8% | | |
| 2,900,000 | ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17 (a)(b) | 3,378,500 |
| 1,825,000 | American Tower Corp., Senior Notes, 7.500% due 5/1/12 | 1,866,062 |
| 4,860,000 | MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14 | 4,738,500 |
| | Nextel Communications Inc., Senior Notes, 7.375% due 8/1/15 | 3,220,594 |
| 4,180,000 | Rural Cellular Corp., Senior Subordinated Notes, 5.682% due 6/1/13 (d) | 2,602,950 |
| 2,590,000 | Sprint Capital Corp., Senior Notes, 6.875% due 11/15/28 | 2,661,314 |
| 3,350,000 | True Move Co., Ltd., 10.750% due 12/16/13 (a)(f)(g) | 11,415,950 |
| 13,510,000 | Total Wireless Telecommunication Services | 29,883,870 |
| | TOTAL TELECOMMUNICATION SERVICES | 96,043,737 |
| UTILITIES 9.1% | | |
| Electric Utilities 1.5% | | |
| | EEB International Ltd., Senior Bonds, 8.750% due 10/31/14 (a)(g) | 3,067,200 |
| 2,880,000 | Enersis SA, Notes, 7.375% due 1/15/14 | 215,133 |
| 202,000 | IPALCO Enterprises Inc., Senior Secured Notes, 8.625% due 11/14/11 | 1,700,381 |
| 1,665,000 | Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10 | 3,327,605 |
| 3,074,000 | | |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|--|---|--------------|
| Electric Utilities 1.5% (continued) | | |
| 8,760,000 | Texas Competitive Electric Holding Co. LLC, Senior Notes, 10.500% due 11/1/16 (a)(b) | \$ 8,475,300 |
| | Total Electric Utilities | 16,785,619 |
| Gas Utilities 0.5% | | |
| 6,190,000 | Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13 | 5,741,225 |
| Independent Power Producers & Energy Traders 7.1% | | |
| 144,000 | AES China Generating Co., Ltd., 8.250% due 6/26/10 | 133,792 |
| | AES Corp., Senior Notes: | |
| 1,900,000 | 9.375% due 9/15/10 | 2,009,250 |
| 6,365,000 | 8.000% due 10/15/17 | 6,301,350 |
| 510,000 | 8.000% due 6/1/20 (a) | 493,425 |
| | Dynegy Holdings Inc.: | |
| 3,605,000 | Senior Debentures, 7.625% due 10/15/26 | 3,028,200 |
| 2,060,000 | Senior Notes, 7.750% due 6/1/19 | 1,905,500 |
| 4,000,000 | Dynegy Inc., 7.670% due 11/8/16 | 3,915,000 |
| | Edison Mission Energy, Senior Notes: | |
| 2,600,000 | 7.750% due 6/15/16 | 2,619,500 |
| 2,500,000 | 7.200% due 5/15/19 | 2,362,500 |
| 4,275,000 | 7.625% due 5/15/27 | 3,783,375 |
| 31,740,000 | Energy Future Holdings, Senior Notes, 11.250% due 11/1/17 (a)(b) | 31,581,300 |
| 1,929,103 | Mirant Mid Atlantic LLC, Pass-Through Certificates, 10.060% due 12/30/28 | 2,175,064 |
| | Mirant North America LLC, Senior Notes, 7.375% due 12/31/13 | 3,266,250 |
| 3,250,000 | NRG Energy Inc., Senior Notes: | |
| 890,000 | 7.250% due 2/1/14 | 869,975 |
| 9,970,000 | 7.375% due 2/1/16 | 9,695,825 |
| 1,800,000 | 7.375% due 1/15/17 | 1,741,500 |
| 890,000 | TXU Corp., Senior Notes, 6.500% due 11/15/24 | 657,383 |
| | Total Independent Power Producers & Energy Traders | 76,539,189 |
| | TOTAL UTILITIES | 99,066,033 |
| | TOTAL CORPORATE BONDS & NOTES | |
| | (Cost \$1,079,748,894) | 956,276,226 |
| ASSET-BACKED SECURITY 0.0% | | |
| FINANCIAL 0.0% | | |
| Diversified Financial Services 0.0% | | |
| 1,975,400 | Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19 (c)(e)(f) | |
| | (Cost - \$2,052,466) | 0 |
| CONVERTIBLE BONDS & NOTES 0.3% | | |
| INDUSTRIALS 0.3% | | |

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| | | | |
|---|-------------|--|-----------|
| Airlines | 0.0% | | |
| | | Delta Air Lines Inc., Pass-Through Certificates, 7.379% due 5/18/10 | 441,461 |
| | 469,639 | | |
| Marine | 0.3% | | |
| | 3,590,000 | Horizon Lines Inc., 4.250% due 8/15/12 | 2,858,537 |
| | | TOTAL CONVERTIBLE BONDS & NOTES | |
| | | (Cost \$3,325,537) | 3,299,998 |
| COLLATERALIZED MORTGAGE OBLIGATION | 0.1% | | |
| | 2,857,266 | Countrywide Home Loan Mortgage Pass-Through Trust, 4.549% due 4/20/35 (d) (Cost - \$1,721,096) | 1,828,650 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | | Security | Value |
|------------------------|-------------|---|-------------------|
| SOVEREIGN BONDS | 4.3% | | |
| Argentina | 0.2% | | |
| | | Republic of Argentina: | |
| 1,400,000 | EUR | 9.250% due 10/21/02 (c) | \$ 622,101 |
| 300,000 | EUR | 9.000% due 6/20/03 (c) | 137,400 |
| 250,000 | EUR | 10.250% due 1/26/07 (c) | 119,860 |
| 275,000 | EUR | 8.000% due 2/26/08 (c) | 128,094 |
| 665,000 | | Bonds, 7.000% due 9/12/13 (g) | 491,897 |
| 97,000 | EUR | GDP Linked Securities, 1.262% due 12/15/35 (d) | 11,872 |
| | | Medium-Term Notes: | |
| 1,175,000 | EUR | 7.000% due 3/18/04 (c) | 540,440 |
| 600,000 | EUR | 8.125% due 10/4/04 (c) | 266,615 |
| 525,000 | EUR | 9.000% due 5/24/05 (a)(c) | 241,473 |
| | | Total Argentina | 2,559,752 |
| Brazil | 1.1% | | |
| | | Brazil Nota do Tesouro Nacional: | |
| 1,000 | BRL | 10.000% due 1/1/10 | 601 |
| 12,268,000 | BRL | 10.000% due 7/1/10 | 7,253,550 |
| 4,315,000 | BRL | 10.000% due 1/1/12 | 2,462,789 |
| 2,177,000 | BRL | 6.000% due 5/15/17 | 2,222,114 |
| | | Total Brazil | 11,939,054 |
| Colombia | 0.2% | | |
| 2,055,000 | | Republic of Colombia, 7.375% due 9/18/37 (g) | 2,250,225 |
| Ecuador | 0.2% | | |
| 2,100,000 | | Republic of Ecuador, 10.000% due 8/15/30 (a)(g) | 1,942,500 |
| Indonesia | 0.3% | | |
| | | Republic of Indonesia: | |
| 11,011,000,000 | IDR | 10.250% due 7/15/22 | 1,044,696 |
| 8,077,000,000 | IDR | 11.000% due 9/15/25 | 790,565 |
| 6,948,000,000 | IDR | 10.250% due 7/15/27 | 634,687 |
| 8,327,000,000 | IDR | 9.750% due 5/15/37 | 708,425 |
| | | Total Indonesia | 3,178,373 |
| Panama | 0.6% | | |
| | | Republic of Panama: | |
| 350,000 | | 7.250% due 3/15/15 (g) | 378,875 |
| 1,097,000 | | 9.375% due 4/1/29 (g) | 1,440,910 |
| 4,130,000 | | 6.700% due 1/26/36 (g) | 4,222,925 |
| | | Total Panama | 6,042,710 |
| Peru | 0.1% | | |
| | | Republic of Peru: | |
| 259,000 | | Bonds, 6.550% due 3/14/37 | 268,972 |
| 198,000 | | Global Bonds, 7.350% due 7/21/25 | 225,225 |
| | | Total Peru | 494,197 |
| Turkey | 0.9% | | |
| | | Republic of Turkey: | |
| 490,000 | | 7.000% due 6/5/20 (g) | 476,525 |

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| | | |
|-----------------------|---|------------|
| 1,175,000 | 11.875% due 1/15/30 (g) | 1,771,313 |
| 594,000 | Bonds, 7.000% due 9/26/16 (g) | 601,425 |
| 7,954,000 | Notes, 6.875% due 3/17/36 (g) | 7,347,507 |
| | Total Turkey | 10,196,770 |
| Venezuela 0.7% | | |
| 273,000 | Bolivarian Republic of Venezuela: 8.500% due 10/8/14 | 251,842 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | Security | Value |
|--|--|-------------------|
| Venezuela 0.7% (continued) | | |
| 8,258,000 | 5.750% due 2/26/16 (g) | \$ 6,276,080 |
| 241,000 | 7.650% due 4/21/25 | 184,486 |
| | Collective Action Securities: | |
| 1,164,000 | 9.375% due 1/13/34 (g) | 1,002,786 |
| 183,000 | Notes, 10.750% due 9/19/13 | 188,032 |
| | Total Venezuela | 7,903,226 |
| | TOTAL SOVEREIGN BONDS | |
| | (Cost \$47,122,760) | 46,506,807 |
| COLLATERALIZED SENIOR LOANS 3.1% | | |
| CONSUMER DISCRETIONARY 0.7% | | |
| Auto Components 0.4% | | |
| 4,962,500 | Allison Transmission, Term Loan B, 5.220% due 8/7/14 (d) | 4,455,084 |
| Media 0.3% | | |
| 3,000,000 | Newsday LLC, 9.750% due 8/1/13 | 2,998,125 |
| | TOTAL CONSUMER DISCRETIONARY | 7,453,209 |
| ENERGY 0.9% | | |
| Energy Equipment & Services 0.5% | | |
| 5,368,753 | Turbo Beta Ltd., Term Loan, 14.500% due 3/15/18 (d)(e) | 5,315,065 |
| Oil, Gas & Consumable Fuels 0.4% | | |
| | Ashmore Energy International: | |
| 279,613 | Synthetic Revolving Credit Facility, 5.098% due 3/30/12 (d) | 257,244 |
| 2,039,206 | Term Loan, 5.696% due 3/30/14 (d) | 1,876,070 |
| | Stallion Oilfield Services, Term Loan, 7.611% due 7/31/12 (d) | 2,649,999 |
| 3,000,000 | Total Oil, Gas & Consumable Fuels | 4,783,313 |
| | TOTAL ENERGY | 10,098,378 |
| INDUSTRIALS 0.2% | | |
| Trading Companies & Distributors 0.2% | | |
| 2,291,615 | Penhall International Corp., Term Loan, 9.883% due 4/1/12 (d)(f) | 2,039,538 |
| INFORMATION TECHNOLOGY 0.4% | | |
| IT Services 0.4% | | |
| 5,040,000 | First Data Corp., 9.320% due 9/24/15 (d) | 4,648,598 |
| MATERIALS 0.5% | | |
| Containers & Packaging 0.4% | | |
| 5,488,481 | Berry Plastics Corp., Senior Term Loan, 9.791% due 6/15/14 (d) | 3,293,089 |
| 1,000,000 | Graphic Packaging, Term Loan B, 4.734% due 5/3/14 (d) | 941,071 |
| | Total Containers & Packaging | 4,234,160 |
| Paper & Forest Products 0.1% | | |
| 1,120,000 | Verso Paper Holdings LLC, 8.709% due 2/1/13 (d) | 932,400 |
| | TOTAL MATERIALS | 5,166,560 |

TELECOMMUNICATION SERVICES 0.4%

Media 0.4%

| | | |
|-----------|---|------------|
| 5,000,000 | Univision Communications Inc., Term Loan B, 5.149% due 9/15/14 (d) | 4,105,470 |
| | TOTAL COLLATERALIZED SENIOR LOANS | |
| | (Cost \$37,071,772) | 33,511,753 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Shares | Security | Value |
|--|---|-----------|
| COMMON STOCKS 0.0% | | |
| CONSUMER DISCRETIONARY 0.0% | | |
| Household Durables 0.0% | | |
| 10,685,938 | Home Interiors & Gifts Inc. (e)(f)* | \$ 11 |
| 52,472 | Mattress Discounters Corp. (e)(f)* | 0 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$7,763,106) | 11 |
| CONVERTIBLE PREFERRED STOCKS 0.7% | | |
| FINANCIALS 0.7% | | |
| Diversified Financial Services 0.7% | | |
| 4,500 | Bank of America Corp., 7.250% due 12/31/49 | 4,198,500 |
| 69,700 | Citigroup Inc., 6.500% due 12/31/49 | 3,083,528 |
| | TOTAL CONVERTIBLE PREFERRED STOCKS | |
| | (Cost \$7,996,392) | 7,282,028 |
| ESCROWED SHARES 0.0% | | |
| 2,025,000 | Pillowtex Corp. (c)(e)(f)* | |
| | (Cost - \$0) | 0 |
| PREFERRED STOCKS 0.3% | | |
| CONSUMER DISCRETIONARY 0.1% | | |
| Automobiles 0.1% | | |
| 65,000 | Ford Motor Co., 7.400% | 696,150 |
| 1,800 | Ford Motor Co., 8.000% | 19,800 |
| 1,800 | Ford Motor Co., Series F, 7.550% | 21,654 |
| | Total Automobiles | 737,604 |
| Media 0.0% | | |
| 8 | ION Media Networks Inc., Series B, 12.000% * | 4,875 |
| | TOTAL CONSUMER DISCRETIONARY | 742,479 |
| FINANCIALS 0.2% | | |
| Diversified Financial Services 0.1% | | |
| 12,100 | Preferred Plus Trust, Series FRD-1, 7.400% | 135,520 |
| 8,200 | Preferred Plus, Series FMC1 Trust, Senior Debentures, 8.250% | 88,150 |
| 44,100 | Saturns, Series F 2003-5, 8.125% | 498,330 |
| 17,552 | TCR Holdings Corp., Class B Shares, (e)(f)* | 18 |
| 9,654 | TCR Holdings Corp., Class C Shares, (e)(f)* | 10 |
| 25,451 | TCR Holdings Corp., Class D Shares, (e)(f)* | 25 |
| 52,657 | TCR Holdings Corp., Class E Shares, (e)(f)* | 53 |
| | | 722,106 |
| Thrifts & Mortgage Finance 0.1% | | |
| 78,575 | Federal National Mortgage Association (FNMA), 8.250% | 1,319,274 |
| | TOTAL FINANCIALS | 2,041,380 |
| | TOTAL PREFERRED STOCKS | |
| | (Cost \$4,351,880) | 2,783,859 |
| Warrants | | |
| WARRANTS 0.1% | | |

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| | | | |
|--------|--|---|---------------|
| 18,500 | | Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20 | 661,375 |
| | | Leap Wireless International Inc., Expires 4/15/10 | |
| 2,750 | | (a)(e)(f)* | 0 |
| 13,614 | | Pillowtex Corp., Expires 11/24/09 (e)(f)* | 0 |
| | | TOTAL WARRANTS | |
| | | (Cost \$10,069) | 661,375 |
| | | TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS | |
| | | (Cost \$1,191,163,972) | 1,052,150,707 |

Face
Amount
SHORT-TERM INVESTMENTS 2.8%
Sovereign Bonds 1.8%

| | | | |
|-----------|-----|--|-----------|
| | | Bank Negara Malaysia Islamic Notes: | |
| 1,275,000 | MYR | Zero coupon bond to yield 3.310% due 8/21/08 | 390,841 |
| 441,000 | MYR | Zero coupon bond to yield 3.270% due 9/16/08 | 134,874 |
| 4,509,000 | MYR | Zero coupon bond to yield 3.490% due 9/23/08 | 1,377,719 |

See Notes to Schedule of Investments.

Western Asset High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2008

| Face Amount | | Security | Value |
|-----------------------------|-------------------------|---|-------------------------|
| Sovereign Bonds | 1.8% (continued) | | |
| 1,957,000 | MYR | Bank Negara Malaysia Monetary Notes: | |
| 1,939,000 | MYR | Zero coupon bond to yield 3.480% due 8/7/08 | \$ 600,643 |
| 2,116,000 | MYR | Zero coupon bond to yield 3.264% due 8/14/08 | 594,770 |
| 1,593,000 | MYR | Zero coupon bond to yield 3.273% due 8/28/08 | 648,251 |
| | | Zero coupon bond to yield 3.300% due 10/21/08 | 485,612 |
| | | Egypt Treasury Bills: | |
| 43,825,000 | EGP | Zero coupon bond to yield 7.470% due 10/28/08 (f) | 8,059,936 |
| 42,275,000 | EGP | Zero coupon bond to yield 6.500% due 11/11/08 (f) | 7,740,230 |
| | | Total Sovereign Bonds | |
| | | (Cost \$19,613,337) | 20,032,876 |
| Repurchase Agreement | 1.0% | | |
| 10,929,000 | | Morgan Stanley tri-party repurchase agreement dated 7/31/08, 2.130% due 8/1/08; Proceeds at maturity - \$10,929,647; (Fully collateralized by various U.S. government agency obligations, 0.000% due 10/15/19; Market value - \$11,149,511) (Cost - \$10,929,000) | 10,929,000 |
| | | TOTAL SHORT-TERM INVESTMENTS | |
| | | (Cost \$30,542,337) | 30,961,876 |
| | | TOTAL INVESTMENTS 100.0% | |
| | | (Cost \$1,221,706,309#) | \$ 1,083,112,583 |

- * 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) Security is currently in default.
- (d) Variable rate security. Interest rate disclosed is that which is in effect at July 31, 2008.
- (e) Illiquid security.
- (f) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 2).
- (g) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.
- (h) Security has no maturity date. The date shown represents the next call date.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

| | |
|------|----------------------------|
| 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

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) Repurchase Agreements. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(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) 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-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

(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.

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

(e) Foreign Currency Translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates 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) Security Transactions. Security transactions are accounted for on a trade date basis.

Notes to Schedule of Investments (unaudited) (continued)**2. Investment Valuation**

Effective May 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157 (FAS 157). FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

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

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 reported sales price or official closing price on the primary market or exchange on which they trade. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the last quoted bid and asked prices as of the close of business of that market. 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.

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

| | July 31, 2008 | Quoted Prices (Level 1) | Other Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|------------------------------|------------------|----------------------------|---|--|
| Investments in Securities | \$ 1,083,112,583 | \$ 10,060,906 | \$ 1,054,011,638 | \$ 19,040,039 |
| Other Financial Instruments* | 15,888 | | 15,888 | |
| Total | \$ 1,083,128,471 | \$ 10,060,906 | \$ 1,054,027,526 | \$ 19,040,039 |

* Other financial instruments include forward contracts.

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

| | | Investments in Securities |
|------------------------------------|----|--------------------------------------|
| Balance as of April 30, 2008 | \$ | 116 |
| Accrued Premiums/Discounts | | |
| Realized Gain | | 58 |
| Change in unrealized depreciation | | 1 |
| Net sales | | (58) |
| Transfers in and/or out of Level 3 | | 19,039,922 |
| Balance as of July 31, 2008 | \$ | 19,040,039 |

Notes to Schedule of Investments (unaudited) (continued)**3. Investments**

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

| | | |
|-------------------------------|----|---------------|
| Gross unrealized appreciation | \$ | 19,398,891 |
| Gross unrealized depreciation | | (157,992,617) |
| Net unrealized depreciation | \$ | (138,593,726) |

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

| Average Daily Balance* | Weighted Average Interest Rate* | Maximum Amount Outstanding |
|------------------------------|---------------------------------------|----------------------------------|
| \$96,046,152 | 2.766% | \$98,508,317 |

* Average based on the number of days that the Fund had reverse repurchase agreements outstanding.

Interest rates on reverse repurchase agreements ranged from 0.350% to 3.500% during the period ended July 31, 2008. Interest expense incurred on reverse repurchase agreements totaled \$678,836.

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

| Face Amount | Security | Value |
|----------------|--|--------------|
| \$ 4,876,020 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.850% to be repurchased at \$4,919,640 on 8/26/08, collateralized by: \$5,260,000 ATF Capital BV, 9.250% due 2/21/14 Market value (including accrued interest) - \$5,463,391. | \$ 4,876,020 |
| 4,393,506 | Reverse Repurchase Agreement with Credit Suisse, dated 5/5/08 bearing 2.500% to be repurchased at \$4,427,678 on 8/25/08 collateralized by: \$4,740,000 Axtel SAB de CV, 7.625% due 2/1/17 Market value (including accrued interest) - \$4,932,563. | 4,393,506 |
| 2,672,640 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.800% to be repurchased at \$2,701,118 on 9/19/08, collateralized by: \$2,880,000 EEB International Ltd., 8.750% due 10/31/14 Market value (including accrued interest) - \$3,131,233. | 2,672,640 |

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| | | |
|-----------|--|-----------|
| 2,185,749 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.750% to be repurchased at \$2,207,956 on 9/15/08, collateralized by: \$2,302,000 GTL Trade Finance Inc., 7.250% due 10/20/17 Market value (including accrued interest) - \$2,343,116. | 2,185,749 |
| 1,003,770 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.750% to be repurchased at \$1,014,275 on 9/19/08 collateralized by: \$1,174,000 ICICI Bank Ltd., 6.375% due 4/30/22 Market value (including accrued interest) - \$1,018,827. | 1,003,770 |
| 1,138,320 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.750% to be repurchased at \$1,150,233 on 9/19/08, collateralized by: \$1,240,000 Odebrecht Finance Ltd., 7.500% due 10/18/17 Market value (including accrued interest) - \$1,282,180. | 1,138,320 |
| 916,267 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.850% to be repurchased at \$925,915 on 9/15/08, collateralized by: \$1,055,000 Russian Agricultural Bank, 6.299% due 5/15/17 Market value (including accrued interest) - \$965,379. | 916,267 |

Notes to Schedule of Investments (unaudited) (continued)

| Face Amount | Security | Value |
|--------------|---|--------------|
| \$ 1,213,120 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.800% to be repurchased at \$1,225,669 on 9/15/08, collateralized by: \$1,360,000 TNK-BP Finance SA, 7.500% due 7/18/16 Market value (including accrued interest) - \$1,241,480. | \$ 1,213,120 |
| 2,067,862 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.750% to be repurchased at \$2,085,712 on 8/26/08, collateralized by: \$2,785,000 TuranAlem Finance BV, 8.250% due 1/22/37 Market value (including accrued interest) - \$2,143,731. | 2,067,862 |
| 507,150 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.550% to be repurchased at \$512,071 on 9/19/08, collateralized by: \$490,000 Republic of Turkey, 7.000% due 6/5/20 Market value (including accrued interest) - \$481,867. | 507,150 |
| 614,790 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.600% to be repurchased at \$620,873 on 9/19/08, collateralized by: \$594,000 Republic of Turkey, 7.000% due 9/26/16 Market value (including accrued interest) - \$615,888. | 614,790 |
| 1,371,312 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.650% to be repurchased at \$1,385,141 on 9/19/08, collateralized by: \$1,284,000 Vale Overseas Ltd., 8.250% due 1/17/34 Market value (including accrued interest) - \$1,424,296. | 1,371,312 |
| 919,327 | Reverse Repurchase Agreement with Credit Suisse, dated 5/5/08 bearing 2.250% to be repurchased at \$924,556 on 8/4/08, collateralized by: \$1,164,000 Bolivarian Republic of Venezuela, 9.375% due 1/13/34 Market value (including accrued interest) - \$1,008,420. | 919,327 |
| 2,247,900 | Reverse Repurchase Agreement with Credit Suisse, dated 5/5/08 bearing 3.250% to be repurchased at \$2,270,629 on 8/25/08, collateralized by: \$2,360,000 GTL Trade Finance Inc., 7.250% due 10/20/17 Market value (including accrued interest) - \$2,399,327. | 2,247,900 |
| 3,640,945 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.900% to be repurchased at \$3,672,621 on 8/21/08, collateralized by: \$4,234,014 Petrozuata Finance Inc., 8.220% due 4/1/17 Market value (including accrued interest) - \$4,547,041. | 3,640,945 |
| 347,615 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.750% to be repurchased at \$351,253 on 9/19/08, collateralized by: \$370,000 Axtel SAB de CV, 7.625% due 2/1/17 Market value (including accrued interest) - \$385,956. | 347,615 |
| 884,052 | Reverse Repurchase Agreement with Credit Suisse, dated 5/5/08 bearing 2.500% to be repurchased at \$890,928 on 8/25/08, collateralized by: \$1,170,000 ICICI Bank Ltd., 6.375% due 4/30/22 Market value (including accrued interest) - \$1,011,193. | 884,052 |
| 1,953,000 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 5/5/08 bearing 2.750% to be repurchased at \$1,969,858 on 8/26/08, collateralized by: \$2,100,000 Republic of Ecuador, 10.000% due 8/15/30 Market value (including accrued interest) - \$2,047,500. | 1,953,000 |

Notes to Schedule of Investments (unaudited) (continued)

| Face Amount | Security | Value |
|--------------|--|--------------|
| \$ 1,097,928 | Reverse Repurchase Agreement with Credit Suisse, dated 6/2/08 bearing 2.500% to be repurchased at \$1,104,332 on 8/25/08, collateralized by: \$1,204,000 Russian Agricultural Bank, 7.175% due 5/16/13 Market value (including accrued interest) - \$1,214,731. | \$ 1,097,928 |
| 2,944,468 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 6/10/08 bearing 2.650% to be repurchased at \$2,966,143 on 9/18/08, collateralized by: \$3,268,000 Vale Overseas Ltd., 6.875% due 11/21/36 Market value (including accrued interest) - \$3,143,183. | 2,944,468 |
| 1,998,600 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 2.750% to be repurchased at \$2,010,356 on 9/12/08, collateralized by: \$2,000,000 Republic of Colombia, 7.375% due 9/18/37 Market value (including accrued interest) - \$2,244,511. | 1,998,600 |
| 1,872,790 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$1,888,084 on 9/19/08, collateralized by: \$2,419,000 Globo Comunicacoes e Participacoes, 7.250% due 4/26/22; Market value (including accrued interest) - \$2,422,530. | 1,872,790 |
| 3,656,656 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$3,686,163 on 9/18/08, collateralized by: \$4,490,000 HSBK Europe BV, 7.250% due 5/3/17 Market value (including accrued interest) - \$3,873,662. | 3,656,656 |
| 1,367,191 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$1,378,356 on 9/19/08, collateralized by: \$1,097,000 Republic of Panama, 9.375% due 4/1/29 Market value (including accrued interest) - \$1,475,216. | 1,367,191 |
| 357,910 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$360,833 on 9/19/08, collateralized by: \$350,000 Republic of Panama, 7.250% due 3/15/15 Market value (including accrued interest) - \$388,460. | 357,910 |
| 6,412,068 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$6,464,433 on 9/19/08, collateralized by: \$7,020,000 Kansas City Southern de Mexico, 9.375% due 5/1/12; Market value (including accrued interest) - \$7,447,781. | 6,412,068 |
| 515,375 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$519,584 on 9/19/08, collateralized by: \$665,000 Republic of Argentina, 7.000% due 9/12/13 Market value (including accrued interest) - \$509,859. | 515,375 |
| 5,940,805 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$5,962,753 on 8/4/08 collateralized by: \$8,258,000 Bolivarian Republic of Venezuela, 5.750% due 2/26/16; Market value (including accrued interest) - \$6,480,885. | 5,940,805 |
| 894,855 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 2.750% to be repurchased at \$900,597 on 9/19/08, collateralized by: \$1,059,000 TuranAlem Finance BV, 8.250% due 1/22/37 Market value (including accrued interest) - \$865,733. | 894,855 |
| 1,604,588 | Reverse Repurchase Agreement with Credit Suisse, dated 6/27/08 bearing 3.500% to be repurchased at \$1,617,692 on 9/19/08, collateralized by: \$1,720,000 Lukoil International Finance BV, 6.356% due 6/7/17; Market value (including accrued interest) - \$1,560,128. | 1,604,588 |

Notes to Schedule of Investments (unaudited) (continued)

| Face Amount | Security | Value |
|--------------|--|----------------------|
| \$ 3,859,072 | Reverse Repurchase Agreement with Credit Suisse, dated 7/3/08 bearing 2.250% to be repurchased at \$3,877,885 on 9/19/08, collateralized by: \$4,130,000 Republic of Panama, 6.700% due 1/26/36 Market value (including accrued interest) - \$4,227,437. | \$ 3,859,072 |
| 2,250,000 | Reverse Repurchase Agreement with Credit Suisse, dated 7/3/08 bearing 3.000% to be repurchased at \$2,264,625 on 9/19/08, collateralized by: \$2,500,000 Odebrecht Finance Ltd., 7.500% due 10/18/17 Market value (including accrued interest) - \$2,585,041. | 2,250,000 |
| 1,844,370 | Reverse Repurchase Agreement with Credit Suisse, dated 7/3/08 bearing 3.000% to be repurchased at \$1,856,358 on 9/19/08, collateralized by: \$2,070,000 Vedanta Resources PLC, 8.750% due 1/15/14 Market value (including accrued interest) - \$2,095,137. | 1,844,370 |
| 4,470,394 | Reverse Repurchase Agreement with Credit Suisse, dated 7/8/08 bearing 2.250% to be repurchased at an amount and date to be determined, collateralized by: \$5,001,000 Pemex Project Funding Master Trust, 6.625% due 6/15/35; Market value (including accrued interest) - \$4,957,034. | 4,470,394 |
| 9,466,119 | Reverse Repurchase Agreement with Credit Suisse, dated 7/21/08 bearing 3.000% to be repurchased at \$9,512,661 on 9/18/08, collateralized by: \$13,410,000 True Move Co., Ltd., 10.750% due 12/16/13 Market value (including accrued interest) - \$11,512,632. | 9,466,119 |
| 1,959,150 | Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 7/21/08 bearing 2.750% to be repurchased at \$1,968,129 on 9/19/08, collateralized by: \$2,220,000 UBS Luxembourg SA for OJSC Vimpel Communications, 8.250% due 5/23/16 Market value (including accrued interest) - \$2,160,488. | 1,959,150 |
| 1,559,813 | Reverse Repurchase Agreement with Credit Suisse, dated 7/31/08 bearing 2.000% to be repurchased at \$1,560,159 on 8/4/08, collateralized by: \$1,175,000 Republic of Turkey, 11.875% due 1/15/30 Market value (including accrued interest) - \$1,777,758. | 1,559,813 |
| 6,387,062 | Reverse Repurchase Agreement with Credit Suisse, dated 7/31/08 bearing 2.000% to be repurchased at \$6,388,481 on 8/4/08, collateralized by \$7,954,000 Republic of Turkey, 6.875%, due 3/17/36 Market value (including accrued interest) - \$7,551,086 | 6,387,062 |
| | Total Reverse Repurchase Agreements (Proceeds \$93,412,559) | \$ 93,412,559 |

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

| Foreign Currency | Local Currency | Market Value | Settlement Date | Unrealized Gain |
|---|----------------|--------------|-----------------|-----------------|
| Contracts to Buy: | | | | |
| Indian Rupee | 39,119,700 | \$911,189 | 9/16/08 | \$9,190 |
| Indian Rupee | 32,672,700 | 761,023 | 9/16/08 | 1,016 |
| Indian Rupee | 25,950,000 | 604,436 | 9/16/08 | 5,682 |
| Net Unrealized Gain on Open Forward Foreign Currency Contracts | | | | \$15,888 |

Notes to Schedule of Investments (unaudited) (continued)

4. Recent Accounting Pronouncement

In March 2008, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (FAS 161). FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about the Fund's derivative and hedging activities, including how such activities are accounted for and their effect on the Fund's financial position, performance and cash flows. Management is currently evaluating the impact the adoption of FAS 161 will have on the Fund's financial statements and related disclosures.

ITEM 2. CONTROLS AND PROCEDURES.

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

ITEM 3. EXHIBITS.

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

SIGNATURES

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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: September 26, 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: September 26, 2008

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

Date: September 26, 2008
