

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSR
July 02, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-8709

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

100 First Stamford Place

Stamford, CT 06902
(Name and address of agent for service)

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

Date of fiscal year end: April 30

Date of reporting period: April 30, 2010

ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

April 30, 2010

Annual Report

Western Asset High Income Fund II Inc.

(HIX)

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

Western Asset High Income Fund II Inc.

II

Fund objectives

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.

What's inside

Letter from the chairman	II
Investment commentary	III
Fund overview	1
Fund at a glance	5
Schedule of investments	6
Statement of assets and liabilities	21
Statement of operations	22
Statements of changes in net assets	23
Statement of cash flows	24
Financial highlights	25
Notes to financial statements	26
Report of independent registered public accounting firm	37
Board approval of management and subadvisory agreements	38
Additional information	43
Annual chief executive officer and chief financial officer certifications	48
Dividend reinvestment plan	49
Important tax information	52

Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset High Income Fund II Inc. for the twelve-month reporting period ended April 30, 2010.

Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance. Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.leggmason.com/cef. Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

May 28, 2010

Investment commentary

Economic review

The lengthiest recession since the Great Depression finally appeared to have ended during the twelve-month reporting period ended April 30, 2010. This, in turn, had significant implications for the financial markets.

Looking back, the U.S. Department of Commerce reported that U.S. gross domestic product (GDP) contracted four consecutive quarters, beginning in the third quarter of 2008 through the second quarter of 2009. Economic conditions then began to improve in the third quarter of 2009, as GDP growth was 2.2%. A variety of factors helped the economy to regain its footing, including the government's \$787 billion stimulus program, its Cash for Clunkers car rebate program, which helped spur an increase in car sales, and tax credits for first-time home buyers. Economic growth then accelerated during the fourth quarter of 2009, as GDP growth was 5.6%. The Commerce Department cited a slower drawdown in business inventories and renewed consumer spending as contributing factors spurring the economy's higher growth rate. The recovery continued during the first quarter of 2010, as the preliminary estimate for GDP growth was a solid 3.0%. The ongoing economic expansion was largely the result of increased consumer spending, which grew 3.5% during the quarter, versus a tepid 1.6% advance during the last three months of 2009.

Even before GDP growth turned positive, there were signs that the economy was on the mend. The manufacturing sector, as measured by the Institute for Supply Management's PMI, rose to 52.8 in August 2009, the first time it surpassed 50 since January 2008 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). According to PMI data, manufacturing has now expanded nine consecutive months and April 2010's PMI reading of 60.4 was the highest since July 2004. The gains in the manufacturing sector were broad-based, as seventeen of the eighteen industries tracked by the Institute for Supply Management grew in April.

There was also some positive news in the labor market. The U.S. Department of Labor reported that employers added 290,000 jobs in April, the largest monthly gain since March 2006. In addition, the Labor Department upwardly revised its new jobs data for the months of February and March 2010. Based on these revisions, an average of 143,000 new jobs a month was created during the first four months of 2010. However, the unemployment rate unexpectedly rose to 9.9% in April compared to 9.7% in March. This appeared to be due to more people looking to re-enter the workforce following the prolonged economic downturn.

There was mixed news in the housing market during the period. According to the National Association of Realtors, after existing home sales fell from December 2009 through February 2010, they increased 7.0% and 7.6% in March and April, respectively. The rebound was largely attributed to people rushing to take advantage of the government's \$8,000 tax credit for first-time home buyers that expired at the end of April. On the downside, there continued to be a large inventory of unsold homes. At the end of April 2010, there was an 8.4 month supply of unsold homes, versus an 8.1 month supply the prior month. In addition, based on its most recent data, the S&P/Case-Shiller Home Price Index indicated that month-to-month U.S. home prices fell for the sixth consecutive month in March 2010. However, U.S. home prices rose a modest 2% in the first quarter of 2010 versus the prior year.

Financial market overview

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

The twelve-month period ended April 30, 2010 was largely characterized by a return to more normal conditions and robust investor risk appetite. This was in sharp contrast to the last three months of 2008 and early 2009, when upheaval in the financial markets, periods of extreme volatility and illiquidity triggered heightened risk aversion and extreme flights to quality.

In the fixed-income market, riskier sectors, such as high-yield bonds and emerging market debt, significantly outperformed U.S. Treasuries during the reporting period. There were a number of factors contributing to the turnaround in the financial markets, including improving economic conditions, renewed investor confidence and the accommodative monetary policy by the Federal Reserve Board (Fed)iv.

While economic data often surpassed expectations during the reporting period, the Fed remained cautious. As stated by Fed Chairman Bernanke in April 2010, the economy was far from being out of the woods. At its meeting in April 2010, the Fed said it will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

However, the Fed did take a first step in reversing its accommodative monetary stance. On February 18, 2010, the Fed raised the discount rate, the interest rate it charges banks for temporary loans, from 0.50% to 0.75%. The Fed also announced the conclusion of its \$1.25 trillion

IV Western Asset High Income Fund II Inc.

Investment commentary (cont d)

mortgage securities purchase program at the end of the first quarter of 2010. In addition, the Fed has now closed nearly all of the special liquidity facilities that it created to support the financial markets during the credit crisis.

Fixed-income market review

In a turnaround from the six-month period that preceded the reporting period, when investors fled fixed-income securities that were seen as being risky and flocked to the relative safety of short-term Treasuries, investor risk aversion abated during the reporting period. Just before the beginning of the period, some encouraging economic data and a thawing of the once frozen credit markets helped bolster investor confidence, and risk aversion was replaced by robust demand for riskier and higher-yielding fixed-income securities. Despite some temporary setbacks, riskier assets continued to perform well during the remainder of the reporting period.

Both short- and long-term Treasury yields fluctuated during the reporting period as investors analyzed incoming economic data and theorized about the Fed's future actions. When the period began, Treasury yields were relatively low, given numerous flights to quality that were triggered by the fallout from the financial crisis in 2008. After starting the period at 0.91% and 3.16%, respectively, two- and ten-year Treasury yields then gyrated, rising as high as 1.42% and 4.01%, and falling as low as 0.67% and 3.10%, respectively. Short- and long-term yields declined toward the end of the reporting period given concerns regarding the escalating debt crisis in Greece. As of April 30, 2010, two- and ten-year Treasury yields were 0.97% and 3.69%, respectively.

Over the twelve months ended April 30, 2010, longer-term Treasury yields increased more than their shorter-term counterparts. This was largely the result of the Fed repeatedly saying it would keep short-term rates low for an extended period, and improving economic data triggering fears of future inflation given the government's massive stimulus program. At the same time, with risk aversion being replaced with robust risk appetite, spread sector (non-Treasury) prices moved higher. For the twelve months ended April 30, 2010, the Barclays Capital U.S. Aggregate Index^{vi} returned 8.30%.

The high-yield bond market produced very strong results during the reporting period. The asset class posted positive returns during all twelve months of the period. This strong performance was due to a variety of factors, including the generally strengthening economy, better-than-expected corporate profits and strong investor demand. All told, the Barclays Capital U.S. High Yield 2% Issuer Cap Index^{vii} returned 42.53% for the twelve months ended April 30, 2010.

Emerging market debt prices rallied sharply also posting positive returns each month during the reporting period. This rally was triggered by optimism that the worst of the global recession was over, as well as rising commodity prices, solid domestic demand and increased investor risk appetite. Over the twelve months ended April 30, 2010, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{viii} returned 23.49%.

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

May 28, 2010

All investments are subject to risk including the possible loss of principal. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

iii The S&P/Case-Shiller Home Price Index measures the residential housing market, tracking changes in the value of the residential real estate market in twenty metropolitan regions across the United States.

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

v The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

vi The Barclays Capital U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

vii The Barclays Capital U.S. High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

viii The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.

Fund overview**Q. What is the Fund's investment strategy?**

A. As a primary investment objective, 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 investment objective, the Fund seeks capital appreciation to the extent consistent with its primary objective of seeking to maximize current income. The Fund may invest up to 35% of its total assets in debt securities of issuers located in emerging market countries. It may also invest up to 30% of its assets in zero coupon securities, pay-in-kind bonds and deferred payment securities, and up to 20% of its assets in equity securities. We employ an actively managed approach that is risk-controlled and assimilates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as identifying sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with portfolio managers to determine which credits provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. S. Kenneth Leech, Stephen A. Walsh, Michael C. Buchanan, Keith J. Gardner and Ryan Brist are the co-leaders of the portfolio management team of this Fund. They are responsible for the day-to-day strategic oversight of the Fund's investments and/or supervising the day-to-day operations of the various sector specialist teams dedicated to the specific asset classes in which the Fund invests.

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

A. During the fiscal year, the fixed-income market staged an impressive rally and corporate bonds recovered from the financial crisis of 2008. The demand for risk re-emerged, in large part due to aggressive actions taken by the Federal Reserve Board (Fed), the U.S. Department of the Treasury and other government entities.

As the reporting period began, we were already in the midst of what was to be a historical rally in the high-yield bond market. In April 2009, prior to the beginning of the fiscal year, the Barclays Capital U.S. High Yield 2% Issuer Cap Indexⁱⁱ (the Index) gained 11.80%. Conditions in the credit markets continued to improve throughout the fiscal year given signs that the economy was emerging from its prolonged recession and corporate earnings were generally better-than-expected. Also supporting the corporate bond market was strong demand from investors seeking

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

incremental yields given the low rates available from short-term fixed-income securities. Despite some temporary setbacks late in the reporting period, which included heightened macro-economic concerns in Western Europe and the fear of over-reaching new financial regulations out of Washington, the high-yield market generated exceptional returns during the twelve-month reporting period. All told, the Index returned 42.53% for the twelve months ended April 30, 2010 and posted positive returns during each of those twelve months. Collectively, investor risk appetite returned and, despite rising default rates early in the fiscal year, demand for riskier high-yield securities increased. As measured by the Index, lower-rated CCC-rated bonds outperformed higher-rated BB-rated securities over the fiscal year, returning approximately 68% and 33%, respectively.

Q. How did we respond to these changing market conditions?

A. We made a number of adjustments to the portfolio during the reporting period. At the end of 2008, a number of large financial institutions

Fund overview (cont d)

securities were downgraded to below investment grade status. As a result, the Financials sector portion of the Index substantially increased. Given valuations that implied a high probability of default despite evidence of stabilizing fundamentals at many of these banks, we significantly increased the portfolio's exposure to the Financials sector in an attempt to take advantage of this opportunity.

As a hedge against our lower-quality bias in the portfolio and given the uncertain economic environment, we favored more defensive industries, such as Energy, that generally hold up relatively well during economic declines. When the sharp rally continued into the fourth quarter of 2009 and the first quarter of 2010 and valuations improved dramatically, we sought to reduce the level of risk in the portfolio and increased the overall quality of the Fund by reducing its significant overweight to CCC-rated securities. We felt this adjustment was warranted given the fragile state of the economic recovery and external factors that could impact the financial markets. As a case in point, toward the end of the reporting period, volatility in the financial markets returned due to the debt crisis in Greece.

The Fund employed U.S. Treasury futures, which were used to help manage durationⁱⁱⁱ. These positions slightly contributed to performance.

Performance review

For the twelve months ended April 30, 2010, Western Asset High Income Fund II Inc. returned 69.38% based on its net asset value (NAV)^{iv} and 81.29% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Barclays Capital U.S. High Yield 2% Issuer Cap Index and the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^v, returned 42.53% and 23.49%, respectively, for the same period. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Average^{vi} returned 56.06% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$1.14 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of April 30, 2010. **Past performance is no guarantee of future results.**

Performance Snapshot as of April 30, 2010

Price Per Share	12-Month Total Return*
\$9.00 (NAV)	69.38%
\$9.82 (Market Price)	81.29%

All figures represent past performance and are not a guarantee of future results. The performance stated may have been due to extraordinary market conditions, which may not be sustainable over longer periods.

* Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Q. What were the leading contributors to performance?

A. The portfolio's quality biases were the largest contributors to the Fund's relative performance during the reporting period. The portfolio's overweight to CCC and below-rated securities benefited from improved demand, as investors looked to receive the historically high incremental yield given the low interest rate environment. Also enhancing the Fund's results was its underweight to BB-rated securities, which underperformed the Index during the reporting period.

Security selection was also a significant contributor to performance. Over the period, six of the Fund's ten largest overweight positions outperformed the Index. In addition, the Fund was rewarded for underweighting a number of securities that generated relatively poor results, with six of the Fund's ten largest underweight positions lagging the Index during the fiscal year. In addition, despite the negative impact from the recession, only 4.1% of the Fund's portfolio defaulted during the twelve months ended April 30, 2010. The default rate in the overall high-yield market, as tracked by Moody's Investors Service, was 9.5% over the same period.

In terms of individual holdings, overweight positions in **Verso Paper Holdings LLC, Ford Motor Credit Co., LLC** and **DAE Aviation Holdings Inc.** were among the Fund's largest contributors to performance.

Verso Paper Holdings LLC is a leading producer of coated papers used by publishers, catalogers, advertisers and commercial print producers. The company had performed poorly given the lengthy recession and falling demand for its paper products. However, with the economy strengthening and advertising revenues rising,

the company's bonds rallied and produced extremely strong results over the period. Ford Motor Credit Co., LLC benefited from its historically high underwriting standards and a sole focus on automotive financing. Additionally, these bonds responded well to the stronger-than-anticipated corporate earnings, increasing volumes and revamped product offerings from their parent Ford Motor Company. DAE Aviation Holdings Inc. is an aircraft maintenance, repair and overhaul company. Demand for its products and services increased as global economic conditions improved and airlines have looked to maintain their existing fleets rather than purchase new airplanes. This helped the company to maintain strong credit metrics throughout the fiscal year.

Also contributing to performance was our bias to the high-yield issuers versus the emerging market debt market. During the reporting period, emerging market debt, as represented by the EMBI Global, returned 23.49%, significantly underperforming the U.S. high-yield market. The Fund's emphasis on U.S. high-yield bonds was based on our belief that U.S. high-yield valuations were more attractive on a risk/reward basis.

Finally, sector selection was an overall positive factor in results. Leading the way was our overweight to Basic Industry¹, which included positions in both domestic and emerging market Metals & Mining companies, as well as our exposure to the Paper sub-sector.

Q. What were the leading detractors from performance?

A. The Fund produced very strong results on both an absolute and relative basis for the fiscal year. However, a number of individual holdings negatively impacted the Fund's relative results. Individual issuers that detracted the most from performance included our exposure to **Station Casinos Inc.**, our exposure to secured **Blockbuster Inc.** bonds and an underweight position in the **Royal Bank of Scotland Group PLC**.

The gaming market had suffered deep declines due to the severe economic recession. In addition to this, home prices in Las Vegas had fallen substantially since their peak in May 2006, contributing to the pullback in economic activity. Collectively, this took its toll on the local population of Las Vegas, a market of focus for Station Casinos Inc. Given deteriorating revenues, the firm announced an exchange offer to bondholders in December 2008. However, the offer was rejected and negotiations between the parties have been difficult. Unable to reach agreement on a restructuring plan with its various debt holders, Station Casinos Inc. filed for bankruptcy protection in July 2009 and it continues to negotiate with lenders and creditors. Poor fundamental results and secular concerns over Blockbuster Inc.'s in-store rental model pressured their first lien-secured bonds during the period. As a result, our holdings detracted from performance as their prices declined in a rising market. The company is currently in restructuring negotiations with certain of its bondholders as liquidity remains challenged. While the Fund's exposure to the Financials sector substantially increased during the reporting period, we chose to emphasize U.S.-based financial institutions. Not having a larger exposure to Royal Bank of Scotland Group PLC detracted from the Fund's relative performance, as its high-yield bonds returned 103% during the fiscal year.

Finally, while our sector positioning was, overall, a positive contributor to performance, our overweight to the Utilities sector tempered our results. The Utilities sector was seen as defensive in nature during a period in which investors were looking to add risk to their portfolios. The Utilities sector was up 26% during the reporting period, significantly lagging the overall U.S. high-yield market.

Looking for additional information?

The Fund is traded under the symbol `HIX` and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol `XHGIX` on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites, as well as www.leggmason.com/cef.

1 Basic Industry consists of the following industries: Chemicals, Metals & Mining and Paper.

All returns cited represent respective position and/or sector return within the Barclays Capital U.S. High Yield 2% Issuer Cap Index.

4 Western Asset High Income Fund II Inc. 2010 Annual Report

Fund overview (cont d)

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888 777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Standard Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset High Income Fund II Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

June 3, 2010

RISKS: *As interest rates rise, bond prices fall generally, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. The risks are magnified in emerging markets.*

Portfolio holdings and breakdowns are as of April 30, 2010 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 6 through 20 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of total investments) as of April 30, 2010 were: Consumer Discretionary (18.3%), Financials (17.9%), Energy (14.1%), Industrials (10.4%) and Telecommunication Services (9.8%). The Fund's portfolio composition is subject to change at any time.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

- i The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ii The Barclays Capital U.S. High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- iii Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- iv Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund s market price as determined by supply of and demand for the Fund s shares.
- v The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- vi Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended April 30, 2010, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 34 funds in the Fund s Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of April 30, 2010 and April 30, 2009 and does not include derivatives. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

6 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Corporate Bonds & Notes 88.8%				
Consumer Discretionary 16.5%				
Auto Components 0.2%				
Cooper-Standard Automotive Inc., Senior Notes	8.500%	5/1/18	2,030,000	\$ 2,085,825(a)
Automobiles 0.7%				
Motors Liquidation Co., Senior Debentures	8.375%	7/15/33	7,855,000	3,043,813(b)
Motors Liquidation Co., Senior Notes	7.200%	1/15/11	9,995,000	3,773,112(b)
Total Automobiles				6,816,925
Diversified Consumer Services 0.7%				
Service Corp. International, Senior Notes	7.500%	4/1/27	760,000	720,100(m)
Sotheby's, Senior Notes	7.750%	6/15/15	2,150,000	2,198,375
Stonemor Operating LLC/Cornerstone Family Services/Osiris Holdings, Senior Notes	10.250%	12/1/17	4,211,000	4,453,133(a)(m)
Total Diversified Consumer Services				7,371,608
Hotels, Restaurants & Leisure 6.1%				
Ameristar Casinos Inc., Senior Notes	9.250%	6/1/14	2,515,000	2,653,325
Boyd Gaming Corp., Senior Subordinated Notes	6.750%	4/15/14	1,000,000	930,000(m)
Choctaw Resort Development Enterprise, Senior Notes	7.250%	11/15/19	468,000	327,600(a)(m)
Downstream Development Quapaw, Senior Notes	12.000%	10/15/15	2,985,000	2,873,062(a)(m)
El Pollo Loco Inc., Senior Notes	11.750%	11/15/13	4,500,000	4,027,500(m)
El Pollo Loco Inc., Senior Secured Notes	11.750%	12/1/12	2,530,000	2,656,500
Fontainebleau Las Vegas Holdings LLC/ Fontainebleau Las Vegas Capital Corp.	10.250%	6/15/15	975,000	18,281(a)(b)
Harrah's Operating Co. Inc., Senior Bonds	5.625%	6/1/15	2,300,000	1,650,250
Harrah's Operating Co. Inc., Senior Notes	10.750%	2/1/16	5,096,000	4,509,960(m)
Harrah's Operating Co. Inc., Senior Secured Notes	10.000%	12/15/15	2,524,000	2,372,560
Harrah's Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	5,365,000	5,874,675(m)
Indianapolis Downs LLC & Capital Corp., Senior Secured Notes	11.000%	11/1/12	2,215,000	1,672,325(a)
Inn of the Mountain Gods Resort & Casino, Senior Notes	12.000%	11/15/10	6,400,000	3,176,000(b)(c)
Landry's Restaurants Inc., Senior Secured Notes	11.625%	12/1/15	1,750,000	1,898,750(a)(m)
MGM MIRAGE Inc., Senior Notes	8.500%	9/15/10	160,000	161,400(m)
MGM MIRAGE Inc., Senior Notes	6.750%	4/1/13	2,000,000	1,910,000
MGM MIRAGE Inc., Senior Secured Notes	10.375%	5/15/14	890,000	979,000(a)(m)
MGM MIRAGE Inc., Senior Secured Notes	11.125%	11/15/17	2,135,000	2,436,569(a)(m)
MGM MIRAGE Inc., Senior Secured Notes	9.000%	3/15/20	110,000	116,050(a)
MGM MIRAGE Inc., Senior Subordinated Notes	8.375%	2/1/11	2,500,000	2,543,750(m)
Mohegan Tribal Gaming Authority, Senior Notes	6.125%	2/15/13	840,000	760,200
Mohegan Tribal Gaming Authority, Senior Secured Notes	11.500%	11/1/17	3,750,000	4,012,500(a)(m)
	8.000%	4/1/12	580,000	553,900(m)

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Mohegan Tribal Gaming Authority, Senior Subordinated Notes				
Mohegan Tribal Gaming Authority, Senior Subordinated Notes	6.875%	2/15/15	420,000	333,900(m)
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16	4,710,000	5,251,650(a)(m)
Penn National Gaming Inc., Senior Subordinated Notes	8.750%	8/15/19	850,000	890,375(a)(m)
Pinnacle Entertainment Inc., Senior Notes	8.625%	8/1/17	2,355,000	2,472,750(a)(m)
Pinnacle Entertainment Inc., Senior Subordinated Notes	7.500%	6/15/15	690,000	667,575
Pinnacle Entertainment Inc., Senior Subordinated Notes	8.750%	5/15/20	500,000	500,625(a)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Hotels, Restaurants & Leisure continued				
Snoqualmie Entertainment Authority, Senior Secured Notes	4.136%	2/1/14	1,800,000	\$ 1,451,250(a)(d)(m)
Station Casinos Inc., Senior Notes	6.000%	4/1/12	7,305,000	566,137(b)(c)
Station Casinos Inc., Senior Subordinated Notes	6.625%	3/15/18	1,450,000	19,938(b)(c)
Total Hotels, Restaurants & Leisure				60,268,357
Household Durables 0.4%				
American Greetings Corp., Senior Notes	7.375%	6/1/16	1,137,000	1,129,750(m)
Libbey Glass Inc., Senior Secured Notes	10.000%	2/15/15	1,940,000	2,058,825(a)
Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes	9.750%	9/1/12	1,021,000	971,226
Total Household Durables				4,159,801
Internet & Catalog Retail 0.5%				
Netflix Inc., Senior Notes	8.500%	11/15/17	1,820,000	1,947,400
QVC Inc., Senior Secured Notes	7.375%	10/15/20	3,405,000	3,473,100(a)
Total Internet & Catalog Retail				5,420,500
Media 5.4%				
Allbritton Communications Co., Senior Notes	8.000%	5/15/18	1,480,000	1,487,400(a)
Cablevision Systems Corp., Senior Notes	7.750%	4/15/18	10,000	10,200(a)
Cablevision Systems Corp., Senior Notes	8.000%	4/15/20	10,000	10,225(a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	7.875%	4/30/18	4,740,000	4,846,650(a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	8.125%	4/30/20	3,680,000	3,781,200(a)
Cengage Learning Acquisitions Inc., Senior Notes	10.500%	1/15/15	785,000	773,225(a)(m)
Cengage Learning Acquisitions Inc., Senior Subordinated Notes	13.250%	7/15/15	2,860,000	2,845,700(a)(m)
Charter Communications Operating LLC/Charter Communications Operating Capital, Senior Secured Notes	10.875%	9/15/14	8,660,000	9,829,100(a)(m)
Clear Channel Communications Inc., Senior Notes	6.250%	3/15/11	1,810,000	1,778,325
CMP Susquehanna Corp.	4.774%	5/15/14	254,000	76,200(a)(c)(d)(e)
CSC Holdings Inc., Senior Debentures	7.875%	2/15/18	1,500,000	1,597,500(m)
CSC Holdings Inc., Senior Notes	8.500%	6/15/15	605,000	647,350(a)(m)
DISH DBS Corp., Senior Notes	6.625%	10/1/14	980,000	992,250(m)
DISH DBS Corp., Senior Notes	7.875%	9/1/19	3,415,000	3,602,825(m)
Globo Comunicacoes e Participacoes SA, Bonds	7.250%	4/26/22	2,039,000	2,146,048(a)(f)
Live Nation Entertainment Inc., Senior Notes	8.125%	5/15/18	840,000	867,300(a)
NET Servicos de Comunicacao SA, Bonds	7.500%	1/27/20	1,090,000	1,147,225(a)(m)
Nielsen Finance LLC / Nielsen Finance Co., Senior Subordinated Notes, step bond	0.000%	8/1/16	3,400,000	3,315,000
Sinclair Broadcast Group Inc., Senior Subordinated Notes	8.000%	3/15/12	3,000,000	2,996,250(m)
Sun Media Corp., Senior Notes	7.625%	2/15/13	2,525,000	2,506,062(m)
Univision Communications Inc., Senior Secured Notes	12.000%	7/1/14	3,795,000	4,212,450(a)(m)
UPC Holding BV, Senior Notes	9.875%	4/15/18	1,265,000	1,340,900(a)(m)
Virgin Media Finance PLC, Senior Bonds	9.500%	8/15/16	1,370,000	1,510,425(m)

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Virgin Media Finance PLC, Senior Notes	9.125%	8/15/16	1,830,000	1,962,675(m)
Total Media				54,282,485

See Notes to Financial Statements.

8 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments (cont d)

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Multiline Retail 0.5%				
Neiman Marcus Group Inc., Senior Notes	9.000%	10/15/15	3,910,978	\$ 4,028,307(g)(m)
Neiman Marcus Group Inc., Senior Secured Notes	7.125%	6/1/28	1,070,000	995,100(m)
Total Multiline Retail				5,023,407
Specialty Retail 1.3%				
Blockbuster Inc., Senior Secured Notes	11.750%	10/1/14	2,227,000	1,642,413(a)
Michaels Stores Inc., Senior Subordinated Bonds	11.375%	11/1/16	2,000,000	2,195,000
Michaels Stores Inc., Senior Subordinated Notes, step bond	0.000%	11/1/16	9,320,000	8,679,250(m)
Total Specialty Retail				12,516,663
Textiles, Apparel & Luxury Goods 0.7%				
Oxford Industries Inc., Senior Secured Notes	11.375%	7/15/15	4,705,000	5,293,125
Phillips-Van Heusen Corp., Senior Notes	7.375%	5/15/20	1,340,000	1,380,200
Total Textiles, Apparel & Luxury Goods				6,673,325
Total Consumer Discretionary 164,618,896				
Consumer Staples 1.2%				
Food Products 0.4%				
Bumble Bee Foods LLC, Senior Secured Notes	7.750%	12/15/15	1,290,000	1,322,250(a)(m)
Del Monte Corp., Senior Subordinated Notes	7.500%	10/15/19	1,285,000	1,363,706(a)(m)
Smithfield Foods Inc., Senior Secured Notes	10.000%	7/15/14	1,130,000	1,274,075(a)(m)
Total Food Products				3,960,031
Household Products 0.2%				
American Achievement Corp., Senior Subordinated Notes	8.250%	4/1/12	1,065,000	1,067,663(a)
Reynolds Group DL Escrow Inc./Reynolds Group Escrow LLC, Senior Secured Notes	7.750%	10/15/16	785,000	816,400(a)(m)
Total Household Products				1,884,063
Tobacco 0.6%				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	6,080,000	6,475,200(a)(m)
Total Consumer Staples				12,319,294
Energy 13.3%				
Energy Equipment & Services 1.6%				
Basic Energy Services Inc., Senior Secured Notes	11.625%	8/1/14	3,510,000	3,909,262(m)
Complete Production Services Inc., Senior Notes	8.000%	12/15/16	2,225,000	2,286,188(m)
GulfMark Offshore Inc., Senior Subordinated Notes	7.750%	7/15/14	1,145,000	1,145,000(m)
Hercules Offshore LLC, Senior Secured Notes	10.500%	10/15/17	1,695,000	1,754,325(a)(m)
Key Energy Services Inc., Senior Notes	8.375%	12/1/14	3,665,000	3,756,625(m)
Parker Drilling Co., Senior Notes	9.125%	4/1/18	2,730,000	2,805,075(a)
Total Energy Equipment & Services				15,656,475
Oil, Gas & Consumable Fuels 11.7%				
Adaro Indonesia PT, Notes	7.625%	10/22/19	770,000	811,426(a)(m)
Arch Coal Inc., Senior Notes	8.750%	8/1/16	2,375,000	2,541,250(a)(m)

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Atlas Pipeline Partners LP, Senior Notes	8.750%	6/15/18	1,020,000	1,009,800(m)
Belden & Blake Corp., Secured Notes	8.750%	7/15/12	7,595,000	7,253,225(m)
Berry Petroleum Co., Senior Notes	10.250%	6/1/14	2,280,000	2,536,500(m)
Chesapeake Energy Corp., Senior Notes	6.625%	1/15/16	2,000,000	1,980,000(m)
Chesapeake Energy Corp., Senior Notes	6.500%	8/15/17	1,420,000	1,391,600(m)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Chesapeake Energy Corp., Senior Notes	6.250%	1/15/18	2,500,000	\$2,425,000(m)
Chesapeake Energy Corp., Senior Notes	7.250%	12/15/18	2,870,000	2,884,350(m)
Compagnie Generale de Geophysique-Veritas, Senior Notes	9.500%	5/15/16	1,365,000	1,467,375(m)
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	3,840,000	4,108,800(a)
Corral Petroleum Holdings AB, Senior Secured Subordinated Bonds	5.251%	4/15/49	6,986,805	5,973,718(a)(d)(e)(g)
Crosstex Energy/Crosstex Energy Finance Corp., Senior Notes	8.875%	2/15/18	1,600,000	1,672,000(a)
Denbury Resources Inc., Senior Subordinated Notes	8.250%	2/15/20	2,322,000	2,501,955
El Paso Corp., Medium-Term Notes	7.800%	8/1/31	493,000	494,410(m)
El Paso Corp., Notes	7.875%	6/15/12	5,200,000	5,534,745(m)
Enterprise Products Operating LLP, Junior Subordinated Notes	8.375%	8/1/66	285,000	296,759(d)(m)
Griffin Coal Mining Co. Pty Ltd., Senior Notes	9.500%	12/1/16	130,000	85,997(a)(b)
International Coal Group Inc., Senior Secured Notes	9.125%	4/1/18	3,900,000	4,056,000
KazMunaiGaz Finance Sub B.V., Senior Notes	8.375%	7/2/13	2,070,000	2,300,287(a)(f)
Linn Energy LLC/Linn Energy Finance Corp., Senior Notes	8.625%	4/15/20	2,860,000	2,981,550(a)
LUKOIL International Finance BV, Bonds	6.356%	6/7/17	1,720,000	1,747,950(a)(f)
Mariner Energy Inc., Senior Notes	8.000%	5/15/17	815,000	902,613(m)
MarkWest Energy Partners LP/ MarkWest Energy Finance Corp., Senior Notes	8.750%	4/15/18	2,440,000	2,540,650(m)
Murray Energy Corp., Senior Secured Notes	10.250%	10/15/15	4,330,000	4,524,850(a)(m)
OPTI Canada Inc., Senior Secured Notes	9.000%	12/15/12	1,820,000	1,874,600(a)(m)
OPTI Canada Inc., Senior Secured Notes	7.875%	12/15/14	1,480,000	1,417,100(m)
OPTI Canada Inc., Senior Secured Notes	8.250%	12/15/14	1,495,000	1,442,675
Overseas Shipholding Group Inc., Senior Notes	8.125%	3/30/18	3,010,000	3,085,250
Peabody Energy Corp., Senior Notes	7.375%	11/1/16	1,700,000	1,810,500
Peabody Energy Corp., Senior Notes	7.875%	11/1/26	400,000	424,000
Pemex Project Funding Master Trust, Senior Bonds	6.625%	6/15/35	6,067,000	6,012,530(f)
Penn Virginia Resource Partners LP/ Penn Virginia Resource Finance Corp., Senior Notes	8.250%	4/15/18	1,970,000	2,019,250
Petrobras International Finance Co., Senior Notes	6.875%	1/20/40	1,145,000	1,190,128(f)
Petrohawk Energy Corp., Senior Notes	9.125%	7/15/13	3,045,000	3,197,250(m)
Petroplus Finance Ltd., Senior Notes	6.750%	5/1/14	2,200,000	2,101,000(a)(m)
Petroplus Finance Ltd., Senior Notes	7.000%	5/1/17	320,000	292,800(a)(m)
Plains Exploration & Production Co., Senior Notes	10.000%	3/1/16	1,975,000	2,197,187(m)
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	2,260,000	2,401,250(m)
Quicksilver Resources Inc., Senior Notes	11.750%	1/1/16	485,000	565,025(m)
Quicksilver Resources Inc., Senior Subordinated Notes	7.125%	4/1/16	3,000,000	2,917,500
SandRidge Energy Inc., Senior Notes	8.625%	4/1/15	7,890,000	7,988,625(g)(m)
Stone Energy Corp., Senior Notes	8.625%	2/1/17	1,750,000	1,736,875(m)
Teekay Corp., Senior Notes	8.500%	1/15/20	4,810,000	5,098,600
Tesoro Corp., Senior Notes	6.250%	11/1/12	2,000,000	2,025,000(m)
Whiting Petroleum Corp., Senior Subordinated Notes	7.000%	2/1/14	1,705,000	1,768,938(m)
Williams Partners LP, Senior Notes	5.250%	3/15/20	1,510,000	1,556,085(a)(m)
Total Oil, Gas & Consumable Fuels				117,144,978
Total Energy				132,801,453

See Notes to Financial Statements.

10 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments (cont d)

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Financials 15.1%				
Capital Markets 0.3%				
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	2,320,000	\$ 2,256,388
Lehman Brothers Holdings Inc., Medium-Term Notes, Senior Notes	5.250%	2/6/12	2,715,000	610,875(b)
Total Capital Markets				2,867,263
Commercial Banks 1.8%				
BAC Capital Trust VI, Capital Securities, Junior Subordinated Notes	5.625%	3/8/35	1,910,000	1,589,825(m)
BankAmerica Institutional Capital A, Junior Subordinated Bonds	8.070%	12/31/26	970,000	980,912(a)(m)
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	1,300,000	1,365,000(a)(d)(h)(m)
ICICI Bank Ltd., Subordinated Bonds	6.375%	4/30/22	1,174,000	1,137,685(a)(d)(f)
ICICI Bank Ltd., Subordinated Bonds	6.375%	4/30/22	1,170,000	1,132,242(a)(d)(f)
NB Capital Trust II, Junior Subordinated Notes	7.830%	12/15/26	1,300,000	1,300,000(m)
NB Capital Trust IV, Junior Subordinated Notes	8.250%	4/15/27	1,762,000	1,788,430(m)
RSHB Capital, Loan Participation Notes, Secured Notes	7.125%	1/14/14	3,040,000	3,304,304(a)(f)
RSHB Capital, Loan Participation Notes, Senior Secured Bonds	6.299%	5/15/17	1,055,000	1,094,773(a)(f)
RSHB Capital, Loan Participation Notes, Senior Secured Notes	7.175%	5/16/13	1,204,000	1,300,200(a)(f)
RSHB Capital, Loan Participation Notes, Senior Secured Notes	9.000%	6/11/14	2,010,000	2,307,882(a)(f)
Total Commercial Banks				17,301,253
Consumer Finance 5.1%				
FMG Finance Pty Ltd., Senior Secured Notes	10.625%	9/1/16	3,130,000	3,693,400(a)(m)
Ford Motor Credit Co., LLC, Senior Notes	9.875%	8/10/11	1,000,000	1,058,554(m)
Ford Motor Credit Co., LLC, Senior Notes	7.500%	8/1/12	580,000	599,748(m)
Ford Motor Credit Co., LLC, Senior Notes	12.000%	5/15/15	15,550,000	18,833,134(m)
GMAC Inc., Senior Notes	6.875%	8/28/12	3,166,000	3,241,193(m)
GMAC Inc., Senior Notes	6.750%	12/1/14	6,140,000	6,186,050(m)
GMAC Inc., Subordinated Notes	8.000%	12/31/18	11,000	11,069
GMAC LLC, Debentures, zero coupon bond	0.000%	6/15/15	4,290,000	2,874,300(m)
GMAC LLC, Senior Bonds, zero coupon bond	0.000%	12/1/12	4,210,000	3,531,958(m)
SLM Corp., Medium-Term Notes, Senior Notes	8.450%	6/15/18	2,675,000	2,676,763(m)
SLM Corp., Senior Notes	8.000%	3/25/20	8,560,000	8,252,756(m)
Total Consumer Finance				50,958,925
Diversified Financial Services 6.5%				
AES Red Oak LLC, Secured Notes	9.200%	11/30/29	4,270,000	4,270,000
Astoria Depositor Corp., Pass-Through Certificates	8.144%	5/1/21	2,810,000	2,753,800(a)

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities	10.250%	8/15/39	2,160,000	2,605,500(m)
CCM Merger Inc., Notes	8.000%	8/1/13	4,430,000	4,103,287(a)(m)
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/14	4,882,937	4,724,242
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/15	556,732	532,375
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/16	2,497,888	2,382,361
CIT Group Inc., Senior Secured Bonds	7.000%	5/1/17	8,639,044	8,239,488(m)
Express LLC/Express Finance Corp., Senior Notes	8.750%	3/1/18	2,480,000	2,566,800(a)
International Lease Finance Corp., Medium-Term Notes	6.375%	3/25/13	3,870,000	3,727,979
International Lease Finance Corp., Medium-Term Notes, Senior Notes	5.625%	9/20/13	3,070,000	2,852,779
International Lease Finance Corp., Notes	5.875%	5/1/13	990,000	935,365

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Diversified Financial Services continued</i>				
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	5,250,000	\$ 5,223,750(a)(m)
JPMorgan Chase & Co., Junior Subordinated Notes	7.900%	4/30/18	90,000	94,837(d)(h)(m)
LBI Escrow Corp., Senior Secured Notes	8.000%	11/1/17	3,595,000	3,734,306(a)
Leucadia National Corp., Senior Notes	7.750%	8/15/13	80,000	83,700(m)
Leucadia National Corp., Senior Notes	8.125%	9/15/15	3,670,000	3,862,675(m)
MBNA Capital A, Junior Subordinated Notes	8.278%	12/1/26	2,150,000	2,193,000(m)
Midwest Gaming Borrower LLC/Midwest Finance Corp., Senior Secured Notes	11.625%	4/15/16	1,450,000	1,497,125(a)
TNK-BP Finance SA	6.625%	3/20/17	230,000	235,750(a)
TNK-BP Finance SA, Senior Notes	7.500%	7/18/16	1,540,000	1,655,500(a)(f)
TNK-BP Finance SA, Senior Notes	7.875%	3/13/18	1,390,000	1,508,150(a)(f)
TNK-BP Finance SA, Senior Notes	7.875%	3/13/18	200,000	221,000(a)
UPC Germany GmbH, Senior Secured Bonds	8.125%	12/1/17	2,200,000	2,255,000(a)(m)
Vanguard Health Holdings Co., II LLC, Senior Notes	8.000%	2/1/18	2,640,000	2,626,800(a)
Total Diversified Financial Services				64,885,569
<i>Insurance 0.6%</i>				
American International Group Inc., Junior Subordinated Notes	8.175%	5/15/58	1,850,000	1,616,437(d)(m)
American International Group Inc., Medium-Term Notes, Senior Notes	5.450%	5/18/17	135,000	124,472(m)
American International Group Inc., Senior Notes	8.250%	8/15/18	3,180,000	3,397,878(m)
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,100,000	1,153,158(a)(m)
Total Insurance				6,291,945
<i>Real Estate Investment Trusts (REITs) 0.2%</i>				
Host Hotels & Resorts LP, Senior Notes	7.125%	11/1/13	1,500,000	1,533,750(m)
<i>Real Estate Management & Development 0.6%</i>				
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, step bond	0.000%	6/30/15	1,297,400	778,440(a)(c)
Realogy Corp., Senior Notes	10.500%	4/15/14	5,605,000	5,254,687(m)
Total Real Estate Management & Development				6,033,127
Total Financials				149,871,832
<i>Health Care 5.1%</i>				
<i>Health Care Equipment & Supplies 0.5%</i>				
Biomet Inc., Senior Notes	10.000%	10/15/17	2,150,000	2,375,750(m)
Biomet Inc., Senior Toggle Notes	10.375%	10/15/17	1,710,000	1,889,550(g)(m)
Total Health Care Equipment & Supplies				4,265,300
<i>Health Care Providers & Services 4.5%</i>				
American Renal Holdings, Senior Secured Notes	8.375%	5/15/18	2,390,000	2,419,875(a)
CRC Health Corp., Senior Subordinated Notes	10.750%	2/1/16	6,175,000	5,912,562(m)
HCA Inc., Debentures	7.500%	11/15/95	1,325,000	1,116,313(m)
HCA Inc., Senior Notes	6.300%	10/1/12	180,000	183,600
HCA Inc., Senior Secured Notes	9.625%	11/15/16	8,894,000	9,694,460(g)(m)
Tenet Healthcare Corp., Senior Notes	9.000%	5/1/15	1,408,000	1,540,000(a)(m)
Tenet Healthcare Corp., Senior Notes	10.000%	5/1/18	5,810,000	6,645,187(a)(m)
Tenet Healthcare Corp., Senior Notes	6.875%	11/15/31	1,470,000	1,280,738(m)
Universal Hospital Services Inc., Senior Secured Notes	3.859%	6/1/15	1,010,000	868,600(d)(m)

See Notes to Financial Statements.

12 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments (cont d)

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Health Care Providers & Services continued				
Universal Hospital Services Inc., Senior Secured Notes	8.500%	6/1/15	4,840,000	\$ 4,827,900(g)(m)
US Oncology Holdings Inc., Senior Notes	6.643%	3/15/12	8,442,000	8,104,320(d)(g)(m)
US Oncology Inc., Senior Secured Notes	9.125%	8/15/17	2,130,000	2,236,500(m)
Total Health Care Providers & Services				44,830,055
Pharmaceuticals 0.1%				
Pharmanet Development Group Inc., Senior Secured Notes	10.875%	4/15/17	1,100,000	1,131,625(a)
Total Health Care				50,226,980
Industrials 9.5%				
Aerospace & Defense 1.0%				
Freedom Group Inc., Senior Secured Notes	10.250%	8/1/15	4,130,000	4,326,175(a)(m)
Kac Acquisition Co., Subordinated Notes	8.000%	4/26/26	106,119	0(b)(c)(e)
TransDigm Inc., Senior Subordinated Notes	7.750%	7/15/14	1,275,000	1,311,656(a)(m)
Wyle Services Corp., Senior Subordinated Notes	10.500%	4/1/18	3,810,000	3,986,213(a)
Total Aerospace & Defense				9,624,044
Air Freight & Logistics 0.1%				
TGI International Ltd., Senior Notes	9.500%	10/3/17	500,000	557,500(a)
Airlines 2.5%				
Continental Airlines Inc., Pass-Through Certificates	8.312%	10/2/12	860,736	852,128
Continental Airlines Inc., Pass-Through Certificates	7.339%	4/19/14	1,708,191	1,667,621
Continental Airlines Inc., Pass-Through Certificates	5.983%	4/19/22	4,911,452	4,862,337(m)
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	9,280,000	9,303,200(a)(m)
Delta Air Lines Inc., Pass-Through Certificates	7.379%	5/18/10	95,625	96,103
Delta Air Lines Inc., Pass-Through Certificates	7.711%	9/18/11	2,135,000	2,135,000(m)
Delta Air Lines Inc., Pass-Through Certificates	6.821%	8/10/22	1,432,586	1,464,819(m)
Delta Air Lines Inc., Pass-Through Certificates, Subordinated Notes	9.750%	12/17/16	1,150,000	1,219,000(m)
Delta Air Lines Inc., Secured Notes	8.021%	8/10/22	457,057	436,490
Delta Air Lines Inc., Senior Secured Notes	9.500%	9/15/14	1,310,000	1,393,513(a)(m)
United Air Lines Inc., Senior Secured Notes	9.875%	8/1/13	1,080,000	1,136,700(a)
Total Airlines				24,566,911
Building Products 1.0%				
GTL Trade Finance Inc., Senior Notes	7.250%	10/20/17	2,260,000	2,412,550(a)(f)
GTL Trade Finance Inc., Senior Notes	7.250%	10/20/17	2,202,000	2,350,635(a)(f)
Nortek Inc., Senior Secured Notes	11.000%	12/1/13	3,887,200	4,217,612
Rearden G Holdings EINS GmbH, Senior Notes	7.875%	3/30/20	800,000	830,800(a)
Total Building Products				9,811,597
Commercial Services & Supplies 1.5%				
ACCO Brands Corp., Senior Secured Notes	10.625%	3/15/15	3,075,000	3,420,937(a)(m)

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Altegrity Inc., Senior Subordinated Notes	10.500%	11/1/15	1,060,000	1,054,700(a)(m)
Altegrity Inc., Senior Subordinated Notes	11.750%	5/1/16	4,775,000	4,566,094(a)(m)
Garda World Security Corp., Senior Notes	9.750%	3/15/17	1,320,000	1,374,450(a)
Geo Group Inc., Senior Notes	7.750%	10/15/17	2,965,000	3,046,537(a)(m)
RSC Equipment Rental Inc., Senior Notes	9.500%	12/1/14	455,000	469,788(m)
RSC Equipment Rental Inc., Senior Secured Notes	10.000%	7/15/17	1,155,000	1,267,613(a)
<i>Total Commercial Services & Supplies</i>				<i>15,200,119</i>

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Construction & Engineering 0.4%				
Odebrecht Finance Ltd., Senior Notes	7.500%	10/18/17	3,740,000	\$ 4,029,850(a)(f)
Electrical Equipment 0.3%				
NES Rentals Holdings Inc., Senior Secured Notes	12.250%	4/15/15	2,850,000	2,753,812(a)
Marine 0.5%				
Trico Shipping AS, Senior Secured Notes	11.875%	11/1/14	5,270,000	5,355,637(a)(m)
Road & Rail 1.5%				
Kansas City Southern de Mexico, Senior Notes	9.375%	5/1/12	2,329,000	2,394,212
Kansas City Southern de Mexico, Senior Notes	7.375%	6/1/14	2,200,000	2,255,000
Kansas City Southern de Mexico, Senior Notes	12.500%	4/1/16	2,905,000	3,449,688(m)
Kansas City Southern de Mexico, Senior Notes	8.000%	2/1/18	670,000	701,825(a)
Kansas City Southern Railway, Senior Notes	13.000%	12/15/13	280,000	336,000(m)
Kansas City Southern Railway, Senior Notes	8.000%	6/1/15	950,000	1,009,375
RailAmerica Inc., Senior Secured Notes	9.250%	7/1/17	4,347,000	4,705,627(m)
Total Road & Rail				14,851,727
Trading Companies & Distributors 0.4%				
Ashtead Capital Inc., Notes	9.000%	8/15/16	2,255,000	2,333,925(a)(m)
H&E Equipment Services Inc., Senior Notes	8.375%	7/15/16	2,205,000	2,205,000(m)
Total Trading Companies & Distributors				4,538,925
Transportation 0.3%				
Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes	9.500%	5/1/18	3,460,000	3,498,925(a)
Total Industrials				94,789,047
Information Technology 3.7%				
Communications Equipment 0.5%				
Lucent Technologies Inc., Debentures	6.450%	3/15/29	6,100,000	4,498,750(m)
Electronic Equipment, Instruments & Components 1.2%				
Jabil Circuit Inc., Senior Notes	7.750%	7/15/16	2,575,000	2,742,375(m)
Jabil Circuit Inc., Senior Notes	8.250%	3/15/18	150,000	163,125
KEMET Corp., Senior Secured Notes	10.500%	5/1/18	3,490,000	3,490,000(a)
NXP BV/NXP Funding LLC, Senior Secured Notes	7.875%	10/15/14	6,105,000	6,043,950
Total Electronic Equipment, Instruments & Components				12,439,450
IT Services 1.3%				
Ceridian Corp., Senior Notes	12.250%	11/15/15	3,498,525	3,620,973(g)(m)
First Data Corp., Senior Notes	5.625%	11/1/11	3,100,000	2,685,375(m)
First Data Corp., Senior Notes	9.875%	9/24/15	440,000	404,800(m)
First Data Corp., Senior Notes	10.550%	9/24/15	5,411,135	4,815,910(g)(m)
GXS Worldwide Inc., Senior Secured Notes	9.750%	6/15/15	1,390,000	1,369,150(a)(m)
Total IT Services				12,896,208
Semiconductors & Semiconductor Equipment 0.5%				
Freescale Semiconductor Inc., Senior Notes	8.875%	12/15/14	385,000	381,150(m)
Freescale Semiconductor Inc., Senior Notes	9.125%	12/15/14	1,332,442	1,335,773(g)(m)
Freescale Semiconductor Inc., Senior Secured Notes	9.250%	4/15/18	2,370,000	2,476,650(a)
Freescale Semiconductor Inc., Senior Subordinated Notes	10.125%	12/15/16	1,030,000	995,238(m)
Total Semiconductors & Semiconductor Equipment				5,188,811

See Notes to Financial Statements.

14 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments (cont d)

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Software 0.2%				
Aspect Software Inc., Senior Secured Notes	10.625%	5/15/17	2,160,000	\$ 2,184,300(a)
Total Information Technology				37,207,519
Materials 9.3%				
Chemicals 2.2%				
Ashland Inc., Senior Notes	9.125%	6/1/17	4,975,000	5,683,937(a)(m)
CF Industries Inc., Senior Notes	6.875%	5/1/18	410,000	428,450
CF Industries Inc., Senior Notes	7.125%	5/1/20	1,420,000	1,498,100
FMC Finance III SA, Senior Notes	6.875%	7/15/17	3,520,000	3,669,600(m)
Georgia Gulf Corp., Senior Secured Notes	9.000%	1/15/17	3,040,000	3,222,400(a)
Hexion Finance Escrow LLC/Hexion Escrow Corp., Senior Secured Notes	8.875%	2/1/18	1,260,000	1,245,825(a)(m)
Kerling PLC, Senior Secured Notes	10.625%	1/28/17	1,753,000EUR	2,488,661(a)
Solutia Inc., Senior Notes	8.750%	11/1/17	1,925,000	2,064,563(m)
Solutia Inc., Senior Notes	7.875%	3/15/20	2,050,000	2,126,875
Total Chemicals				22,428,411
Containers & Packaging 1.4%				
Berry Plastics Corp., Senior Secured Notes	9.500%	5/15/18	3,640,000	3,626,350(a)
Berry Plastics Holding Corp., Second Priority Senior Secured Notes	8.875%	9/15/14	1,455,000	1,436,813(m)
BWAY Corp., Senior Subordinated Notes	10.000%	4/15/14	1,445,000	1,589,500
Radnor Holdings Inc., Senior Notes	11.000%	3/15/11	2,100,000	0(b)(c)(e)
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC, Senior Notes	8.500%	5/15/18	920,000	931,500(a)
Solo Cup Co., Senior Secured Notes	10.500%	11/1/13	2,210,000	2,364,700
Viskase Cos. Inc., Senior Secured Notes	9.875%	1/15/18	3,730,000	3,823,250(a)(m)
Total Containers & Packaging				13,772,113
Metals & Mining 2.4%				
Evraz Group SA, Notes	8.875%	4/24/13	2,840,000	3,003,300(a)
Evraz Group SA, Notes	8.875%	4/24/13	1,590,000	1,669,500(a)(f)
Evraz Group SA, Notes	9.500%	4/24/18	680,000	724,200(a)(m)
Metals USA Inc., Senior Secured Notes	11.125%	12/1/15	4,875,000	5,313,750(m)
Rio Tinto Finance USA Ltd., Senior Notes	9.000%	5/1/19	1,820,000	2,348,672(m)
Ryerson Holding Corp., Senior Discount Notes, zero coupon bond	0.000%	2/1/15	5,220,000	2,486,025(a)(e)
Teck Resources Ltd., Senior Secured Notes	10.250%	5/15/16	1,000,000	1,210,000(m)
Vale Overseas Ltd., Notes	8.250%	1/17/34	2,296,000	2,708,784(f)
Vale Overseas Ltd., Notes	6.875%	11/21/36	2,143,000	2,255,137(f)
Vedanta Resources PLC, Senior Notes	8.750%	1/15/14	2,070,000	2,245,950(a)(f)
Total Metals & Mining				23,965,318

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Paper & Forest Products 3.3%

Abitibi-Consolidated Co. of Canada, Senior Secured Notes	13.750%	4/1/11	2,229,871	2,363,664(a)(b)
Appleton Papers Inc., Senior Secured Notes	10.500%	6/15/15	2,680,000	2,733,600(a)
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	5,530,000	5,032,300(a)(m)
Georgia-Pacific LLC, Senior Notes	8.250%	5/1/16	3,170,000	3,487,000(a)(m)
NewPage Corp., Senior Secured Notes	11.375%	12/31/14	4,040,000	4,171,300(m)
PE Paper Escrow GmbH, Senior Secured Notes	12.000%	8/1/14	1,070,000	1,221,858(a)(m)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Paper & Forest Products continued				
Smurfit Capital Funding PLC, Debentures	7.500%	11/20/25	2,505,000	\$ 2,298,337(m)
Verso Paper Holdings LLC	11.375%	8/1/16	2,950,000	2,839,375
Verso Paper Holdings LLC, Senior Secured Notes	11.500%	7/1/14	4,265,000	4,766,137(a)(m)
Verso Paper Holdings LLC, Senior Secured Notes	9.125%	8/1/14	3,600,000	3,690,000(m)
Total Paper & Forest Products				32,603,571
Total Materials				92,769,413
Telecommunication Services 9.6%				
Diversified Telecommunication Services 5.4%				
Axtel SAB de CV, Senior Notes	7.625%	2/1/17	4,740,000	4,704,450(a)(f)
Axtel SAB de CV, Senior Notes	7.625%	2/1/17	370,000	368,150(a)(f)
CC Holdings GS V LLC, Senior Secured Notes	7.750%	5/1/17	2,880,000	3,146,400(a)(m)
Cincinnati Bell Telephone Co., Senior Debentures	6.300%	12/1/28	1,305,000	1,057,050(m)
Hawaiian Telcom Communications Inc., Senior Subordinated Notes	12.500%	5/1/15	5,441,000	544(b)(c)
Inmarsat Finance PLC, Senior Notes	7.375%	12/1/17	990,000	1,037,025(a)
Intelsat Intermediate Holding Co., Ltd., Senior Discount Notes	9.500%	2/1/15	3,140,000	3,281,300(m)
Intelsat Jackson Holdings Ltd., Senior Notes	9.500%	6/15/16	4,895,000	5,225,412
Intelsat Jackson Holdings Ltd., Senior Notes	11.250%	6/15/16	1,380,000	1,500,750
Intelsat Jackson Holdings Ltd., Senior Notes	11.500%	6/15/16	7,775,000	8,435,875(m)
Level 3 Financing Inc., Senior Notes	8.750%	2/15/17	3,000,000	2,842,500(m)
Level 3 Financing Inc., Senior Notes	10.000%	2/1/18	1,820,000	1,801,800(a)(m)
Nordic Telephone Co. Holdings, Senior Secured Bonds	8.875%	5/1/16	1,085,000	1,167,731(a)(m)
Qwest Communications International Inc., Senior Notes	8.000%	10/1/15	2,480,000	2,672,200(a)(m)
tw telecom holdings Inc., Senior Notes	8.000%	3/1/18	2,620,000	2,724,800(a)
UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes	8.250%	5/23/16	2,220,000	2,414,250(a)(f)
Vimpel Communications, Loan Participation Notes	8.375%	4/30/13	700,000	752,500(a)(m)
Wind Acquisition Finance SA, Senior Bonds	12.000%	12/1/15	3,653,000	3,917,843(a)(m)
Wind Acquisition Holdings Finance SpA, Senior Notes	12.250%	7/15/17	3,260,000	3,431,150(a)(g)(m)
Windstream Corp., Senior Notes	8.625%	8/1/16	3,505,000	3,605,769(m)
Total Diversified Telecommunication Services				54,087,499
Wireless Telecommunication Services 4.2%				
ALLTEL Communications Inc., Senior Notes	10.375%	12/1/17	3,130,000	3,640,490(a)(c)(g)(m)
Cricket Communications Inc., Senior Secured Notes	7.750%	5/15/16	5,180,000	5,400,150(m)
Sprint Capital Corp., Senior Notes	7.625%	1/30/11	810,000	835,313(m)
Sprint Capital Corp., Senior Notes	8.375%	3/15/12	5,155,000	5,464,300(m)
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,500,000	2,187,500
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	11,875,000	11,934,375(m)
True Move Co., Ltd., Notes	10.750%	12/16/13	11,515,000	11,802,875(a)(f)
Total Wireless Telecommunication Services				41,265,003
Total Telecommunication Services				95,352,502
Utilities 5.5%				
Electric Utilities 1.8%				
EEB International Ltd., Senior Bonds	8.750%	10/31/14	2,880,000	3,204,000(a)(f)
	9.681%	7/2/26	4,380,000	4,708,500(m)

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Reliant Energy Mid-Atlantic Power Holdings LLC, Senior Notes				
Texas Competitive Electric Holdings Co. LLC, Senior Notes	10.250%	11/1/15	13,530,000	10,215,150(m)
<i>Total Electric Utilities</i>				<i>18,127,650</i>

See Notes to Financial Statements.

16 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments (cont d)

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Gas Utilities 0.2%				
Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes	7.375%	3/15/20	2,230,000	\$ 2,285,750
Independent Power Producers & Energy Traders 3.4%				
AES Corp., Senior Notes	9.375%	9/15/10	400,000	408,000(m)
AES Corp., Senior Notes	8.000%	10/15/17	621,000	642,735(m)
Colbun SA, Senior Notes	6.000%	1/21/20	1,100,000	1,119,232(a)(f)
Dynegy Holdings Inc., Senior Debentures	7.625%	10/15/26	3,975,000	2,762,625
Dynegy Inc., Bonds	7.670%	11/8/16	4,100,000	3,876,550(m)
Edison Mission Energy, Senior Notes	7.750%	6/15/16	2,890,000	2,261,425(m)
Edison Mission Energy, Senior Notes	7.200%	5/15/19	1,405,000	1,011,600(m)
Edison Mission Energy, Senior Notes	7.625%	5/15/27	4,605,000	3,154,425(m)
Energy Future Holdings Corp., Senior Notes	10.875%	11/1/17	6,650,000	5,270,125(m)
Energy Future Holdings Corp., Senior Notes	11.250%	11/1/17	1,730,000	1,262,900(g)
Mirant Americas Generation LLC, Senior Notes	8.500%	10/1/21	710,000	692,250
Mirant Americas Generation LLC, Senior Notes	9.125%	5/1/31	4,655,000	4,398,975(m)
Mirant Mid Atlantic LLC, Pass-Through Certificates	10.060%	12/30/28	2,143,448	2,330,999
NRG Energy Inc., Senior Notes	7.250%	2/1/14	1,960,000	1,991,850(m)
NRG Energy Inc., Senior Notes	7.375%	2/1/16	905,000	898,213(m)
NRG Energy Inc., Senior Notes	7.375%	1/15/17	1,310,000	1,293,625(m)
Total Independent Power Producers & Energy Traders 33,375,529				
Multi-Utilities 0.1%				
Empresas Publicas de Medellin ESP, Senior Notes	7.625%	7/29/19	740,000	828,800(a)(m)
Total Utilities 54,617,729				
Total Corporate Bonds & Notes (Cost \$840,394,192) 884,574,665				
Collateralized Mortgage Obligation 0.2%				
Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 (Cost \$1,407,725)	2.312%	4/20/35	2,291,359	1,938,527(d)
Collateralized Senior Loans 2.5%				
Consumer Discretionary 0.5%				
Media 0.5%				
Newsday LLC, Term Loan	10.500%	7/15/10	4,000,000	4,370,000(i)(j)
SuperMedia, Term Loan	11.000%	6/30/10	769,537	722,578(i)(j)
Total Consumer Discretionary 5,092,578				
Energy 0.7%				
Energy Equipment & Services 0.5%				
Turbo Beta Ltd., Term Loan	14.500%	5/13/10	5,557,815	5,002,033(c)(i)(j)
Oil, Gas & Consumable Fuels 0.2%				
Ashmore Energy International, Synthetic Revolving Credit Facility	3.273%	5/28/10	279,613	265,749(i)(j)

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Ashmore Energy International, Term Loan	3.290%	6/30/10	1,879,640	1,786,442(i)(j)
<i>Total Oil, Gas & Consumable Fuels</i>				<i>2,052,191</i>
Total Energy				7,054,224
Financials 0.4%				
<i>Real Estate Management & Development 0.4%</i>				
Realty Corp., Term Loan	13.500%	10/15/10	3,500,000	3,948,438(i)(j)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Industrials 0.4%				
<i>Aerospace & Defense 0.1%</i>				
Hawker Beechcraft Acquisition Co. LLC, Term Loan	2.290 - 2.354%	6/30/10	1,000,000	\$ 861,094(i)(j)
<i>Airlines 0.3%</i>				
United Airlines Inc., Term Loan B	2.313 - 2.375%	7/28/10	3,006,566	2,776,564(i)(j)
<i>Trading Companies & Distributors 0.0%</i>				
Penhall International Corp., Term Loan	9.442%	10/1/10	3,014,108	376,764(i)(j)
Total Industrials				4,014,422
Materials 0.1%				
<i>Chemicals 0.1%</i>				
Lyondell Chemical Co., Term Loan	3.748 - 7.000%	5/28/10	697,895	636,829(i)(j)
Telecommunication Services 0.2%				
<i>Diversified Telecommunication Services 0.2%</i>				
Level 3 Communications Inc., Term Loan	11.500%	10/15/10	2,000,000	2,191,250(i)(j)
Utilities 0.2%				
<i>Independent Power Producers & Energy Traders 0.2%</i>				
Energy Future Holdings, Term Loan B3	3.751 - 3.790%	6/30/10	2,393,862	1,956,649(i)(j)
Total Collateralized Senior Loans (Cost \$25,604,896)				24,894,390
Convertible Bonds & Notes 0.6%				
Financials 0.1%				
<i>Real Estate Investment Trusts (REITs) 0.1%</i>				
Annaly Capital Management Inc., Senior Notes	4.000%	2/15/15	640,000	660,800
Industrials 0.5%				
<i>Marine 0.5%</i>				
Horizon Lines Inc., Senior Notes	4.250%	8/15/12	6,340,000	5,690,150(m)
Total Convertible Bonds & Notes (Cost \$6,142,175)				6,350,950
Sovereign Bonds 3.5%				
<i>Argentina 0.3%</i>				
Republic of Argentina	9.250%	10/21/02	1,400,000EUR	820,173(b)
Republic of Argentina	9.000%	6/20/03	300,000EUR	180,744(b)
Republic of Argentina	10.250%	1/26/07	250,000EUR	157,278(b)
Republic of Argentina	8.000%	2/26/08	275,000EUR	168,428(b)
Republic of Argentina, Bonds	7.000%	9/12/13	665,000	588,322
Republic of Argentina, GDP Linked Securities	0.000%	12/15/35	97,000EUR	8,976(d)
Republic of Argentina, Medium-Term Notes	7.000%	3/18/04	1,175,000EUR	711,826(b)
Republic of Argentina, Medium-Term Notes	8.125%	10/4/04	600,000EUR	351,503(b)
Republic of Argentina, Medium-Term Notes	9.000%	5/24/05	525,000EUR	318,050(a)(b)
Total Argentina				3,305,300
<i>Brazil 1.2%</i>				
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/12	19,078,000BRL	10,616,511
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/17	2,639,000BRL	1,358,631
Total Brazil				11,975,142
<i>Colombia 0.1%</i>				
Republic of Colombia, Senior Notes	7.375%	3/18/19	495,000	571,230
<i>Hungary 0.1%</i>				
Republic of Hungary, Senior Notes	6.250%	1/29/20	700,000	734,173

See Notes to Financial Statements.

18 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments (cont d)

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Indonesia 0.4%				
Republic of Indonesia	10.250%	7/15/22	11,011,000,000IDR \$	1,362,499
Republic of Indonesia	11.000%	9/15/25	7,031,000,000IDR	894,733
Republic of Indonesia	10.250%	7/15/27	6,948,000,000IDR	827,327
Republic of Indonesia, Bonds	9.750%	5/15/37	8,327,000,000IDR	910,040
Total Indonesia				3,994,599
Panama 0.5%				
Republic of Panama	9.375%	4/1/29	1,097,000	1,519,345(f)
Republic of Panama	6.700%	1/26/36	3,370,000	3,681,725(f)
Total Panama				5,201,070
Turkey 0.6%				
Republic of Turkey	11.875%	1/15/30	1,175,000	1,880,000(f)
Republic of Turkey, Bonds	7.000%	9/26/16	594,000	663,052(f)
Republic of Turkey, Senior Notes	7.000%	6/5/20	490,000	538,388(f)
Republic of Turkey, Senior Notes	6.875%	3/17/36	2,784,000	2,808,360(f)
Total Turkey				5,889,800
Venezuela 0.3%				
Bolivarian Republic of Venezuela	5.750%	2/26/16	3,370,000	2,443,250(a)(f)
Bolivarian Republic of Venezuela, Collective Action Securities	9.375%	1/13/34	1,164,000	855,540(f)
Total Venezuela				3,298,790
Total Sovereign Bonds (Cost \$32,669,504)				34,970,104

	Shares	
Common Stocks 1.7%		
Consumer Discretionary 1.1%		
Media 1.1%		
Charter Communications Inc.	187,249	7,096,737*(e)
Charter Communications Inc., Class A Shares	88,573	3,356,917*
Dex One Corp.	5,437	164,796*
SuperMedia Inc.	6,947	311,932*
Total Consumer Discretionary		10,930,382
Energy 0.1%		
Oil, Gas & Consumable Fuels 0.1%		
SemGroup Corp., Class A Shares	20,408	592,841*
Financials 0.1%		
Diversified Financial Services 0.1%		
CIT Group Inc.	31,946	1,297,008*
Industrials 0.0%		
Building Products 0.0%		

Edgar Filing: WESTERN ASSET HIGH INCOME FUND II INC. - Form N-CSR

Nortek Inc.	7,072	335,941*
Materials 0.4%		
Chemicals 0.4%		
Georgia Gulf Corp.	166,551	3,420,957*
Total Common Stocks (Cost \$16,625,829)		16,577,129

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Convertible Preferred Stocks 1.1%				
Financials 1.1%				
<i>Diversified Financial Services 1.1%</i>				
Bank of America Corp.	7.250%		6,812 \$	6,689,316(m)
Citigroup Inc.	7.500%	12/15/12	33,500	4,415,970(m)
Total Convertible Preferred Stocks (Cost \$9,929,053)				11,105,286
			Shares	
Preferred Stocks 1.3%				
Consumer Discretionary 0.2%				
<i>Automobiles 0.2%</i>				
Corts-Ford Motor Co.	7.400%		101,500	2,267,510
Corts-Ford Motor Co.	8.000%		1,800	42,966
Ford Motor Co., Series F	7.550%		2,700	64,125
Total Automobiles				2,374,601
<i>Media 0.0%</i>				
CMP Susquehanna Radio Holdings Corp.	0.000%		59,329	59*(a)(c)(d)(e)
Total Consumer Discretionary				2,374,660
Financials 1.1%				
<i>Commercial Banks 0.3%</i>				
Santander Finance Preferred SA Unipersonal	10.500%		105,775	2,873,907(c)
<i>Diversified Financial Services 0.8%</i>				
Citigroup Capital XII	8.500%		214,775	5,619,051(d)
Preferred Plus, Series FMC1 Trust	8.250%		8,200	196,390
Preferred Plus, Trust, Series FRD-1	7.400%		12,600	278,460
Saturns, Series F 2003-5	8.125%		69,100	1,661,855
Total Diversified Financial Services				7,755,756
<i>Thriffs & Mortgage Finance 0.0%</i>				
Federal National Mortgage Association (FNMA)	8.250%		84,700	123,662*
Total Financials				10,753,325
Total Preferred Stocks (Cost \$13,908,254)				13,127,985
		Expiration Date	Warrants	
Warrants 0.1%				
Bolivarian Republic of Venezuela, Oil-linked payment obligations		4/15/20	18,500	511,062
Buffets Restaurant Holdings		4/28/14	3,488	35*(c)(e)
Charter Communications Inc.		11/30/14	4,876	29,257*
CNB Capital Trust		3/23/19	67,797	68*(a)(c)(e)
Nortek Inc.		12/7/14	8,427	21,068*(e)
SemGroup Corp.		11/30/14	21,482	177,224*(c)
Turbo Beta Ltd.		11/1/14	1	0*(c)(e)
Total Warrants (Cost \$119,065)				738,714
Total Investments Before Short-Term Investments (Cost \$946,800,693)				994,277,750

See Notes to Financial Statements.

20 Western Asset High Income Fund II Inc. 2010 Annual Report

Schedule of investments (cont d)

April 30, 2010

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Short-Term Investments 0.2%				
U.S. Government Agency 0.0%				
Federal National Mortgage Association (FNMA), Discount Notes (Cost \$372,783)	0.190%	8/19/10	373,000	\$ 372,787 ^{(k)(l)}
Repurchase Agreement 0.2%				
Morgan Stanley tri-party repurchase agreement dated 4/30/10; Proceeds at maturity \$1,553,023; (Fully collateralized by U.S. government agency obligations, 2.620% due 1/21/14; Market value \$1,597,012) (Cost \$1,553,000)	0.180%	5/3/10	1,553,000	1,553,000
Total Short-Term Investments (Cost \$1,925,783)				1,925,787
Total Investments 100.0% (Cost \$948,726,476#)				\$ 996,203,537

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

* Non-income producing security.

- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (b) The coupon payment on these securities is currently in default as of April 30, 2010.
- (c) Illiquid security.
- (d) Variable rate security. Interest rate disclosed is that which is in effect at April 30, 2010.
- (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 held by the counterparty as collateral for open reverse repurchase agreements.
- (g) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (h) Security has no maturity date. The date shown represents the next call date.
- (i) The date shown represents the last in a range of interest reset dates.
- (j) Interest rates disclosed represent the effective rates on loans and debt securities. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (k) Rate shown represents yield-to-maturity.
- (l) All or a portion of this security is held at the broker as collateral for open futures contracts.
- (m) All or a portion of this security is pledged as collateral pursuant to the loan agreement (See Note 5).
- # Aggregate cost for federal income tax purposes is \$952,486,502.

Abbreviations used in this schedule:

BRL Brazilian Real
 EUR Euro
 IDR Indonesian Rupiah

See Notes to Financial Statements.

Statement of assets and liabilities

April 30, 2010

Assets:

Investments, at value (Cost \$948,726,476)	\$ 996,203,537
Foreign currency, at value (Cost \$344,768)	376,980
Cash	761
Interest and dividends receivable	22,993,205
Receivable for securities sold	8,864,978
Receivable for forward currency contracts	50,812
Receivable from broker variation margin on open futures contracts	3,078
Prepaid expenses	68,824
Total Assets	1,028,562,175

Liabilities:

Loan payable (Note 5)	196,500,000
Payable for open reverse repurchase agreements (Note 3)	54,603,698
Payable for securities purchased	25,079,899
Investment management fee payable	646,907
Interest payable (Notes 3 and 5)	374,722
Deferred foreign capital gains tax	9,843
Directors' fees payable	9,250
Accrued expenses	215,651
Total Liabilities	277,439,970
Total Net Assets	\$ 751,122,205

Net Assets:

Par value (\$0.001 par value; 83,456,689 shares issued and outstanding; 100,000,000 shares authorized)	\$ 83,457
Paid-in capital in excess of par value	1,076,542,623
Undistributed net investment income	9,200,373
Accumulated net realized loss on investments, futures contracts and foreign currency transactions	(382,358,113)
Net unrealized appreciation on investments, futures contracts and foreign currencies	47,653,865*
Total Net Assets	\$ 751,122,205

Shares Outstanding 83,456,689

Net Asset Value \$9.00

* Net of deferred foreign capital gains tax of \$9,843.

See Notes to Financial Statements.

Statement of operations

For the Year Ended April 30, 2010

Investment Income:

Interest	\$101,547,814
Dividends	1,241,638
Less: Foreign taxes withheld	(47,098)
Total Investment Income	102,742,354

Expenses:

Investment management fee (Note 2)	7,030,208
Interest expense (Notes 3 and 5)	3,882,802
Commitment fees (Note 5)	2,388,787
Directors' fees	205,859
Legal fees	162,085
Stock exchange listing fees	83,535
Audit and tax	78,500
Transfer agent fees	73,141
Custody fees	43,510
Shareholder reports	42,939
Insurance	11,224
Miscellaneous expenses	5,392
Total Expenses	14,007,982
Net Investment Income	88,734,372

Realized and Unrealized Gain (Loss) on Investments, Futures Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):

Net Realized Gain (Loss) From:	
Investment transactions	(57,048,256)
Futures contracts	(13,632)
Foreign currency transactions	158,513
Net Realized Loss	(56,903,375)
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	299,359,076*
Futures contracts	88,833
Foreign currencies	68,312
Change in Net Unrealized Appreciation/Depreciation	299,516,221
Net Gain on Investments, Futures Contracts and Foreign Currency Transactions	242,612,846
Increase in Net Assets From Operations	\$331,347,218

* Net of change of \$9,843 in deferred foreign capital gains tax.

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended April 30,	2010	2009
Operations:		
Net investment income	\$ 88,734,372	\$ 91,234,602
Net realized loss	(56,903,375)	(214,286,186)
Change in net unrealized appreciation/depreciation	299,516,221	(157,899,942)
<i>Increase (Decrease) in Net Assets From Operations</i>	<i>331,347,218</i>	<i>(280,951,526)</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(94,488,329)	(90,608,414)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(94,488,329)</i>	<i>(90,608,414)</i>
Fund Share Transactions (Note 7):		
Net assets of shares issued in connection with merger (0 and 4,286,967 shares issued, respectively)		39,324,962
Reinvestment of distributions (1,139,677 and 415,672 shares issued, respectively)	9,305,410	2,384,010
Cost of aggregate fractional shares repurchased (0 and 414 aggregate fractional shares, respectively)		(3,800)
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>9,305,410</i>	<i>41,705,172</i>
<i>Increase (Decrease) in Net Assets</i>	<i>246,164,299</i>	<i>(329,854,768)</i>
Net Assets:		
Beginning of year	504,957,906	834,812,674
End of year*	\$ 751,122,205	\$ 504,957,906
* Includes undistributed net investment income of:	\$9,200,373	\$13,665,604

See Notes to Financial Statements.

24 Western Asset High Income Fund II Inc. 2010 Annual Report

Statement of cash flows

For the Year Ended April 30, 2010

Cash Flows Provided (Used) by Operating Activities:

Interest and dividends received	\$ 85,022,714
Operating expenses paid	(10,225,234)
Interest paid	(3,845,344)
Net sales and maturities of short-term investments	1,903,387
Realized loss on futures contracts	(13,632)
Realized gain on foreign currency transactions	158,513
Net change in unrealized appreciation on futures contracts	88,833
Net change in unrealized appreciation on foreign currencies	68,312
Purchases of long-term investments	(729,976,755)
Proceeds from disposition of long-term investments	695,237,698
Change in receivable from broker variation margin on open futures contracts	(3,078)
Change in receivable for open forward currency contracts	(50,812)
Change in deferred foreign capital gains tax	9,843
Net Cash Provided By Operating Activities	38,374,445

Cash Flows Provided (Used) by Financing Activities:

Cash distributions paid on Common Stock	(85,182,919)
Proceeds from loan	35,000,000
Proceeds from reverse repurchase agreements	11,952,378
Net Cash Used By Financing Activities	(38,230,541)
Net Increase in Cash	143,904
Cash, beginning of year	233,837
Cash, end of year	\$377,741

Reconciliation of Increase in Net Assets from Operations to Net Cash Flows Provided (Used) by Operating Activities:

Increase in net assets from operations	\$ 331,347,218
Accretion of discount on investments	(20,689,307)
Amortization of premium on investments	774,768
Increase in investments, at value	(288,535,802)
Increase in payable for securities purchased	10,276,799
Decrease in interest and dividends receivable	2,194,899
Decrease in receivable for securities sold	3,112,513
Increase in receivable for open forward currency contracts	(50,812)
Increase in receivable to broker variation margin on open futures contracts	(3,078)
Decrease in prepaid expenses	11,575
Increase in interest payable	37,458
Decrease in accrued expenses	(111,629)
Increase in deferred foreign capital gains tax	9,843
Total Adjustments	(292,972,773)
Net Cash Flows Provided by Operating Activities	\$ 38,374,445

Non-Cash Financing Activities:

Proceeds from reinvestment of distributions	\$ 9,305,410
---	--------------

See Notes to Financial Statements.

Financial highlights

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

	2010 ¹	2009 ¹	2008 ¹	2007 ¹	2006
Net asset value, beginning of year	\$6.13	\$10.76	\$12.38	\$11.74	\$11.10
Income (loss) from operations:					
Net investment income	1.07	1.14	1.05	0.90	0.92
Net realized and unrealized gain (loss)	2.94	(4.64)	(1.69)	0.63	0.63
Total income (loss) from operations	4.01	(3.50)	(0.64)	1.53	1.55
Less distributions from:					
Net investment income	(1.14)	(1.13)	(0.98)	(0.89)	(0.91)
Total distributions	(1.14)	(1.13)	(0.98)	(0.89)	(0.91)
Net asset value, end of year	\$9.00	\$6.13	\$10.76	\$12.38	\$11.74
Market price, end of year	\$9.82	\$6.22	\$9.90	\$11.61	\$10.04
Total return, based on NAV 2,3	69.38%	(32.74)%	(5.19)%	13.58% ⁴	14.43%
Total return, based on Market Price 3	81.29%	(25.51)%	(6.15)%	25.58%	(1.58)%
Net assets, end of year (000s)	\$751,122	\$504,958	\$834,813	\$960,555	\$911,338