

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSR
July 07, 2008

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

300 First Stamford Place, 4th Fl.

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

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

Date of fiscal year end: April 30,

Date of reporting period: April 30, 2008

ITEM 1. REPORT TO STOCKHOLDERS.

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

ANNUAL REPORT / APRIL 30, 2008

**Western Asset High
Income Fund II Inc.
(HIX)**

Managed by **WESTERN ASSET**

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

Fund 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 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	I
Fund overview	1
Fund at a glance	6
Schedule of investments	7
Statement of assets and liabilities	27
Statement of operations	28
Statements of changes in net assets	29
Statement of cash flow	30
Financial highlights	31
Notes to financial statements	32
Report of independent registered public accounting firm	44
Board approval of management and subadvisory agreements	45
Additional information	50
Annual chief executive officer and chief financial officer certifications	56
Dividend reinvestment plan	57

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund's investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc.

Letter from the chairman

Dear Shareholder,

The U.S. economy weakened significantly during the 12-month reporting period ended April 30, 2008. Second quarter 2007 U.S. gross domestic product (GDP)ⁱ growth was 3.8% and third quarter GDP growth was 4.9%, its strongest showing in four years. However, continued weakness in the housing market, an ongoing credit crunch and soaring oil and food prices then took their toll on the economy. During the fourth quarter of 2007, GDP growth was 0.6%. The U.S. Commerce Department then reported that its preliminary estimate for first quarter 2008 GDP growth was a modest 0.9%. While it was once debated whether or not the U.S. would fall into a recession, it is now looking more likely that the U.S. could experience a mild recession. Even areas of the economy that had once been fairly resilient have begun to falter, including the job market. The U.S. Department of Labor reported that payroll employment declined in each of the first four months of 2008 – the longest consecutive monthly decline since early 2003.

Ongoing issues related to the housing and subprime mortgage markets and an abrupt tightening in the credit markets prompted the Federal Reserve Board (Fed)ⁱⁱ to take aggressive and, in some cases, unprecedented actions during the reporting period. At its meeting in September 2007, the Fed reduced the federal funds rateⁱⁱⁱ from 5.25% to 4.75%. This marked the first reduction in the federal funds rate since June 2003. The Fed lowered rates on six more occasions through the end of the reporting period, bringing the federal funds rate to 2.00% as of April 30, 2008. In its statement accompanying the April rate cut, the Fed stated: Recent information indicates that economic activity remains weak. Household and business spending has been subdued and labor markets have softened further. Financial markets remain under considerable stress, and tight credit conditions and the deepening housing contraction are likely to weigh on economic growth over the next few quarters.

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In addition to lowering short-term interest rates, the Fed took several actions to improve liquidity in the credit markets. In March 2008, the Fed established a new lending program allowing certain brokerage firms, known as primary dealers, to also borrow from its discount window. The Fed also

Western Asset High Income Fund II Inc. I

Letter from the chairman *continued*

increased the maximum term for discount window loans from 30 to 90 days. Then, in mid-March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase.

During the 12-month reporting period, both short- and long-term Treasury yields experienced periods of volatility. This was due, in part, to mixed economic and inflation data, the fallout from the subprime mortgage market crisis and shifting expectations regarding the Fed's monetary policy. Within the bond market, investors were initially focused on the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This turmoil triggered several flights to quality, causing Treasury yields to move sharply lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower).

Overall, during the 12 months ended April 30, 2008, two-year Treasury yields fell from 4.60% to 2.29%. Over the same time frame, 10-year Treasury yields fell from 4.63% to 3.77%. Short-term yields fell sharply in concert with the Fed's rate cuts while longer-term yields fell less dramatically due to inflationary concerns, resulting in a steepening of the U.S. yield curve^{iv}. Looking at the 12-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^v, returned 6.87%.

Increased investor risk aversion during the fiscal year caused the high-yield bond market to produce weak results over the 12-month period ended April 30, 2008. During that period, the Citigroup High Yield Market Index^{vi} returned -0.67%. While high-yield bond prices rallied several times during the reporting period, several flights to quality dragged down the sector, although overall default rates continued to be low.

Despite increased investor risk aversion, emerging markets debt generated positive results, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{vii} returned 4.60% over the 12 months ended April 30, 2008. Overall solid demand, an expanding global economy, increased domestic spending and the Fed's numerous rate cuts supported the emerging market debt asset class.

Please read on for a more detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

II Western Asset High Income Fund II Inc.

Information about your fund

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, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

May 30, 2008

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 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.
- iii 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.
- iv The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- v The Lehman Brothers 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.
- vi The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- vii 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. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.

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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 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. We employ an actively managed approach that is risk controlled and assimilates top-down macro-economic 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.

Western Asset Management Company (Western Asset), the Fund's subadviser, utilizes 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.

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

A. During the fiscal year, the U.S. bond market experienced periods of increased volatility. Changing perceptions regarding the economy, inflation and future Federal Reserve Board (Fed); monetary policy caused bond prices to fluctuate. Two- and 10-year Treasury yields began the reporting period at 4.60% and 4.63%, respectively. Treasury yields then moved sharply higher as incoming economic data improved and inflationary pressures increased. By mid-June 2007, two- and 10-year Treasuries were yielding 5.10% and 5.26%, respectively, and market sentiment was that the Fed's next move would be to raise interest rates.

Fund overview *continued*

However, after their June peaks, Treasury yields moved lower, as concerns regarding the subprime mortgage market and a severe credit crunch triggered a massive flight to quality. Investors were drawn to the relative safety of Treasuries, causing their yields to fall and their prices to rise. At the same time, increased investor risk aversion caused other segments of the bond market to falter. As conditions in the credit market worsened in August 2007, central banks around the world took action by injecting approximately \$500 billion of liquidity into the financial system. Additionally, the Fed began lowering the discount rateⁱⁱ and the federal funds rateⁱⁱⁱ in August and September 2007, respectively. While this initially helped ease the credit crunch, continued subprime mortgage write-offs and weak economic data triggered additional flights to quality in November 2007 and the first quarter of 2008. At the end of the reporting period, two- and 10-year Treasury yields had fallen to 2.29% and 3.77%, respectively. While the Fed attempted to stimulate growth by cutting short-term interest rates from 5.25% to 2.00% during the reporting period, by the end of April 2008, it was generally assumed that the U.S. could be headed for a mild recession.

Given increased investor risk aversion, higher-quality securities outperformed their lower-rated counterparts over the fiscal year. During the 12-month period ended April 30, 2008, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^{iv}, gained 6.87%. In contrast, the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index^v returned -0.80%.

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

A. We believe that the ability to integrate fundamental credit research with rigorous relative value analysis can drive performance in high-yield portfolios. This is the basis of each investment and does not change regardless of market conditions. We remained committed to a value approach. While the high-yield market suffered from significant technical dislocations which negatively impacted valuations, in our view, this has created significant opportunities for long-term investors.

Performance review

For the 12 months ended April 30, 2008, Western Asset High Income Fund II Inc. returned -5.19% based on its net asset value (NAV^{vi}) and -6.15% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index and the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{vii}, returned -0.80% and 4.60%, respectively, over the same time frame. Its former unmanaged benchmark, the Citigroup High Yield Market Index^{viii}, returned -0.67% for the same period. The Lipper High Current Yield (Leveraged) Closed-End Funds Category Average^{ix} returned -14.91% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the 12-month period, the Fund made distributions to shareholders totaling \$0.98 per share. The performance table shows the Fund's 12-month total return based on its NAV and market price as of April 30, 2008. **Past performance is no guarantee of future results.**

PERFORMANCE SNAPSHOT as of April 30, 2008 (unaudited)

PRICE PER SHARE	12-MONTH TOTAL RETURN*
\$ 10.76 (NAV)	-5.19%
\$ 9.90 (Market Price)	-6.15%

All figures represent past performance and are not a guarantee of future results.

***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. Issue selection had no significant impact on the Fund's relative performance during the 12 months ended April 30, 2008. Over this period, the positive impact of eight of the Fund's 10 largest positions outperforming the benchmark was offset by eight of the Fund's 10 largest underweights also outperforming the benchmark.

In terms of sector and sub-sector allocations, the Fund was rewarded for its underweights to poor-performing areas such as Media - Cable, which returned -4.81% and Consumer Cyclicals¹, which returned -4.55%, as well as its overweight to Utilities², which returned 6.00%. However, these positives were negated by the Fund's underweight to Consumer Non-Cyclicals³, which returned 5.26%, and an overweight to Financials, which returned -11.46%.

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Consumer Cyclical consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Services and Textile.

²Utilities consists of the following industries: Electric, Natural Gas and Other Utility.

³Consumer Non-Cyclical consists of the following industries: Consumer Products, Food/Beverage, Health Care, Pharmaceuticals, Supermarkets and Tobacco.

Fund overview *continued*

Q. What were the leading detractors from performance?

A. Although emerging markets exposure aided performance relative to the Fund's high-yield peer group, relative to the EMBI Global, an underweight to emerging market debt was a major detractor from performance. The Fund's underweight to emerging market debt relative to the EMBI Global was more a reflection of our view that high-yield valuations in general were extremely attractive as opposed to a negative view on emerging markets debt valuations.

The Fund's credit quality positioning also had a negative impact on its performance relative to the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index. This was largely due to an overweight to issues rated CCC, which returned -5.99% for the 12 months ended April 30, 2008, and an underweight to BB- rated issues, which returned 0.34% for the same period.^x The positioning reflected our view that the lower credit valuations were even more attractive than the valuations of BB- and higher-rated issues.

The Fund added leverage during the reporting period to purchase additional high-yield securities at what appeared to be attractive yields. Unfortunately, the additional leverage hurt the Fund's performance during the reporting period. However, maintaining a lower level of leverage than allowed helped performance versus the Fund's peer group.

Q. Were there any significant changes to the Fund during the reporting period?

A. There were no significant changes to the Fund during the reporting period.

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/individualinvestors.

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 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

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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 Team

May 20, 2008

4 Western Asset High Income Fund II Inc. 2008 Annual Report

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.

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 net assets) as of April 30, 2008 were: Corporate Bonds & Notes (121.7%), Sovereign Bonds (6.8%), Collateralized Senior Loans (3.6%), Convertible Preferred Stocks (1.0%) and Convertible Bonds & Notes (0.8%). The Fund's portfolio composition is subject to change at any time.

RISKS: As interest rates rise, bond prices fall, 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.

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

- 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 discount rate is the interest rate charged by the U.S. Federal Reserve Bank on short-term loans (usually overnight or weekend) to banks.
- iii 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.
- iv The Lehman Brothers 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.
- v The Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Lehman Brothers U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- vi 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 at the Fund's market price as determined by supply of and demand for the Fund's shares.
- vii 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. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.
- viii The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- ix Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the 12-month period ended April 30, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 36 funds in the Fund's Lipper category.
- x Source: Based on the returns within the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments April 30, 2008

6 Western Asset High Income Fund II Inc. 2008 Annual Report

Schedule of investments

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
CORPORATE BONDS & NOTES 88.2%		
	Aerospace & Defense 1.7%	
	DRS Technologies Inc., Senior Subordinated Notes:	
1,535,000	6.625% due 2/1/16	\$ 1,527,325
3,320,000	7.625% due 2/1/18	3,403,000
	Hawker Beechcraft Acquisition Co.:	
6,455,000	8.875% due 4/1/15(a)(b)	6,793,887
2,550,000	9.750% due 4/1/17	2,703,000
106,119	Kac Acquisition Co., Subordinated Notes, 1.000% due 4/26/26(c)(d)(g)	0
	L-3 Communications Corp., Senior Subordinated Notes:	
2,935,000	7.625% due 6/15/12	3,023,050
2,600,000	6.125% due 1/15/14	2,580,500
	<i>Total Aerospace & Defense</i>	<i>20,030,762</i>
	Airlines 1.9%	
	Continental Airlines Inc., Pass-Through Certificates:	
95,329	6.541% due 9/15/08	95,329
1,147,795	8.312% due 10/2/12	1,073,188
1,765,000	7.339% due 4/19/14(d)	1,553,200
7,870,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15(a)(e)	8,037,237
	Delta Air Lines Inc.:	
1,644,136	8.954% due 8/10/14	1,463,281
	Pass-Through Certificates:	
1,773,817	6.619% due 3/18/11	1,739,856
6,135,000	7.111% due 9/18/11	6,005,803
2,135,000	7.711% due 9/18/11	1,964,200
	<i>Total Airlines</i>	<i>21,932,094</i>
	Auto Components 1.6%	
	Allison Transmission Inc.:	
2,120,000	11.000% due 11/1/15(e)	2,093,500
4,190,000	Senior Notes, 11.250% due 11/1/15(b)(e)	4,011,925
3,620,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	2,081,500
12,180,000	Visteon Corp., Senior Notes, 8.250% due 8/1/10(a)	10,779,300
	<i>Total Auto Components</i>	<i>18,966,225</i>
	Automobiles 2.0%	
	Ford Motor Co., Debentures:	
1,880,000	8.875% due 1/15/22	1,532,200
3,425,000	8.900% due 1/15/32	2,594,437

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Automobiles 2.0% <i>continued</i>	
4,590,000	General Motors Corp.: Notes, 7.200% due 1/15/11	\$ 4,073,625
2,375,000	Senior Debentures: 8.250% due 7/15/23	1,787,188
16,625,000	8.375% due 7/15/33(a)	12,738,906
	<i>Total Automobiles</i>	<i>22,726,356</i>
	Building Products 1.8%	
9,640,000	Associated Materials Inc.: Senior Discount Notes, step bond to yield 14.485% due 3/1/14(a)	6,940,800
3,005,000	Senior Subordinated Notes, 9.750% due 4/15/12	3,005,000
2,360,000	GTL Trade Finance Inc.: 7.250% due 10/20/17(e)**	2,432,719
2,302,000	7.250% due 10/20/17(e)**	2,375,565
2,345,000	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	1,729,437
8,825,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.589% due 3/1/14	3,838,875
	<i>Total Building Products</i>	<i>20,322,396</i>
	Chemicals 1.3%	
1,310,000	Georgia Gulf Corp., Senior Notes: 9.500% due 10/15/14	1,113,500
6,440,000	10.750% due 10/15/16	4,701,200
2,390,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14	2,533,400
3,075,000	Methanex Corp., Senior Notes, 8.750% due 8/15/12	3,313,312
4,475,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27(e)	2,998,250
1,015,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	898,275
	<i>Total Chemicals</i>	<i>15,557,937</i>
	Commercial Banks 1.8%	
5,260,000	ATF Capital BV, Senior Notes, 9.250% due 2/21/14(e)**	5,338,900
4,490,000	HSBK Europe BV, 7.250% due 5/3/17(e)**	3,951,200
	ICICI Bank Ltd., Subordinated Bonds:	
1,174,000	6.375% due 4/30/22(e)(f)**	1,048,791
1,170,000	6.375% due 4/30/22(e)(f)**	1,045,245
76,695,000RUB	JPMorgan Chase Bank, Credit Linked Notes (Russian Agricultural Bank), 9.500%, due 2/11/11(d)	3,149,648
	Russian Agricultural Bank, Loan Participation Notes:	
1,654,000	7.175% due 5/16/13(e)**	1,697,418
1,055,000	6.299% due 5/15/17(e)**	985,106

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Commercial Banks 1.8% <i>continued</i>	
	TuranAlem Finance BV, Bonds:	
2,785,000	8.250% due 1/22/37(e)**	\$ 2,276,737
1,059,000	8.250% due 1/22/37(e)**	864,409
	<i>Total Commercial Banks</i>	<i>20,357,454</i>
	Commercial Services & Supplies 2.6%	
6,675,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	5,773,875
3,690,000	Allied Waste North America Inc., Senior Notes, 7.375% due 4/15/14	3,736,125
1,285,000	Ashtead Holdings PLC, Secured Notes, 8.625% due 8/1/15(e)	1,117,950
7,693,000	DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13(a)	7,933,406
	Interface Inc.:	
2,875,000	Senior Notes, 10.375% due 2/1/10	3,025,938
1,500,000	Senior Subordinated Notes, 9.500% due 2/1/14	1,552,500
5,305,000	Rental Services Corp., Senior Notes, 9.500% due 12/1/14	4,774,500
2,380,000	US Investigations Services Inc., 11.750% due 5/1/16(e)	1,939,700
	<i>Total Commercial Services & Supplies</i>	<i>29,853,994</i>
	Communications Equipment 0.4%	
6,100,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	4,605,500
	Construction & Engineering 0.3%	
3,740,000	Odebrecht Finance Ltd., 7.500% due 10/18/17(e)**	3,786,750
	Consumer Finance 3.9%	
4,090,000	AmeriCredit Corp., 8.500% due 7/1/15	3,190,200
	Ford Motor Credit Co.:	
	Notes:	
3,075,000	7.875% due 6/15/10	2,928,273
3,320,000	7.000% due 10/1/13	2,867,527
	Senior Notes:	
4,248,000	8.050% due 6/15/11(f)	3,896,236
1,950,000	9.875% due 8/10/11	1,888,136
1,210,000	5.460% due 1/13/12(f)	1,018,316
13,970,000	12.000% due 5/15/15	14,367,572
190,000	8.000% due 12/15/16	166,534
	General Motors Acceptance Corp.:	
14,270,000	Bonds, 8.000% due 11/1/31(a)	10,820,299
4,370,000	Notes, 6.875% due 8/28/12	3,469,933
	<i>Total Consumer Finance</i>	<i>44,613,026</i>

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Containers & Packaging 1.0%	
2,000,000	Berry Plastics Holding Corp., 8.875% due 9/15/14	\$ 1,880,000
1,295,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	1,223,775
4,725,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	4,725,000
1,490,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15(e)	1,404,325
1,975,000	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10(c)(d)(g)	0
1,700,000	Rock-Tenn Co., Senior Notes, 9.250% due 3/15/16(e)	1,793,500
660,000	Smurfit-Stone Container Enterprises Inc., Senior Notes, 8.375% due 7/1/12	607,200
	<i>Total Containers & Packaging</i>	<i>11,633,800</i>
	Diversified Consumer Services 0.5%	
4,970,000	Education Management LLC/Education Management Finance Corp., Senior Subordinated Notes, 10.250% due 6/1/16	4,199,650
	Service Corp. International, Senior Notes:	
1,200,000	7.625% due 10/1/18	1,261,500
1,010,000	7.500% due 4/1/27	888,800
	<i>Total Diversified Consumer Services</i>	<i>6,349,950</i>
	Diversified Financial Services 3.7%	
4,060,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15(e)	2,963,800
2,110,000	CCM Merger Inc., Notes, 8.000% due 8/1/13(e)	1,825,150
4,190,000	Citigroup Inc., Junior Subordinated Notes, 8.400% due 10/30/49(f)	4,245,853
135,000	El Paso Performance-Linked Trust Certificates, Senior Notes, 7.750% due 7/15/11(e)	140,359
5,800,000	Elyria Foundry Co./EH Acquisition Inc., 13.000% due 3/1/13(e)	5,684,000
4,400,000	Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, 7.565% due 11/15/14(f)	4,147,000
3,460,000	Leucadia National Corp., Senior Notes, 8.125% due 9/15/15	3,546,500
	LVB Acquisition Merger:	
1,745,000	Senior Subordinated Bonds, 11.625% due 10/15/17(e)	1,862,788
1,040,000	Subordinated Inc., 10.375% due 10/15/17(b)(e)	1,107,600
	Residential Capital LLC:	
3,957,000	6.546% due 4/17/09(e)(f)	1,805,381
1,520,000	8.875% due 6/30/15(f)	767,600
4,290,000	Notes, 8.375% due 6/30/10(f)	2,348,775
5,125,000	Senior Notes, 8.000% due 2/22/11(f)	2,665,000
700,000	Smurfit Kappa Funding PLC, Senior Subordinated Notes, 7.750% due 4/1/15	638,750
	TNK-BP Finance SA:	
1,360,000	7.500% due 7/18/16(e)**	1,320,900
1,070,000	Senior Notes, 7.875% due 3/13/18(e)	1,064,650

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Diversified Financial Services 3.7% <i>continued</i>	
	Vanguard Health Holdings Co.:	
4,000,000	I LLC, Senior Discount Notes, step bond to yield 10.653% due 10/1/15	\$ 3,380,000
3,135,000	II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	3,205,537
	<i>Total Diversified Financial Services</i>	<i>42,719,643</i>
	Diversified Telecommunication Services 5.4%	
	Axtel SAB de CV:	
370,000	7.625% due 2/1/17(e)**	376,475
4,740,000	Senior Notes, 7.625% due 2/1/17(e)**	4,811,100
1,260,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	1,071,000
	Citizens Communications Co.:	
315,000	7.050% due 10/1/46	226,800
4,220,000	Senior Notes, 7.875% due 1/15/27	3,766,350
	Hawaiian Telcom Communications Inc.:	
855,000	Senior Notes, 9.750% due 5/1/13	380,475
5,211,000	Senior Subordinated Notes, 12.500% due 5/1/15	1,354,860
3,600,000	Intelsat Bermuda Ltd., Senior Notes, 11.250% due 6/15/16	3,667,500
1,355,000	Intelsat Corp., Senior Notes, 9.000% due 8/15/14	1,373,631
150,000	L-3 Communications Corp., Senior Subordinated Notes, 6.375% due 10/15/15	149,063
	Level 3 Financing Inc.:	
3,000,000	6.704% due 2/15/15(f)	2,415,000
4,915,000	Senior Notes, 9.250% due 11/1/14	4,497,225
4,525,000	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16(e)	4,649,438
	Qwest Communications International Inc., Senior Notes:	
1,250,000	6.565% due 2/15/09(f)	1,256,250
8,095,000	7.500% due 2/15/14(a)	7,993,812
2,378,000	Qwest Corp., Debentures, 6.875% due 9/15/33	2,033,190
4,770,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13(a)(e)	3,601,350
700,000	Vimpel Communications, 8.375% due 4/30/13(e)	700,545
9,400,000	Virgin Media Finance PLC, Senior Notes, 9.125% due 8/15/16(a)	9,118,000
1,010,000	Wind Acquisition Finance SA, Senior Bonds, 10.750% due 12/1/15(e)	1,093,325
7,110,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16(a)	7,483,275
	<i>Total Diversified Telecommunication Services</i>	<i>62,018,664</i>
	Electric Utilities 1.8%	
2,880,000	EEB International Ltd., Senior Bonds, 8.750% due 10/31/14(e)**	3,067,200
202,000	Enersis SA, Notes, 7.375% due 1/15/14	217,664
1,665,000	IPALCO Enterprises Inc., Secured Notes, 8.625% due 11/14/11	1,802,363

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Electric Utilities 1.8% <i>continued</i>	
221,222	Midwest Generation LLC, Pass-Through Certificates, 8.560% due 1/2/16	\$ 238,920
3,999,000	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	4,428,892
7,620,000	Texas Competitive Electric Holding Co. LLC, Senior Notes, 10.500% due 11/1/16 (b)(e)	7,839,075
4,165,000	VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17(e)	2,769,725
	<i>Total Electric Utilities</i>	20,363,839
	Electronic Equipment & Instruments 0.3%	
	NXP BV/NXP Funding LLC:	
2,795,000	Senior Notes, 9.500% due 10/15/15	2,711,150
	Senior Secured Notes:	
1,120,000	5.463% due 10/15/13(f)	1,034,600
155,000	7.875% due 10/15/14	153,838
	<i>Total Electronic Equipment & Instruments</i>	3,899,588
	Energy Equipment & Services 0.7%	
3,270,000	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	3,294,525
1,145,000	GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14	1,190,800
1,600,000	Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14(e)	1,664,000
1,210,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	1,268,988
400,000	Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32	446,436
	<i>Total Energy Equipment & Service</i>	7,864,749
	Food & Staples Retailing 0.2%	
1,751,000	Delhaize America Inc., Debentures, 9.000% due 4/15/31	2,172,583
	Food Products 0.4%	
	Dole Food Co. Inc.:	
1,600,000	Debentures, 8.750% due 7/15/13	1,368,000
	Senior Notes:	
780,000	8.625% due 5/1/09	758,550
2,065,000	7.250% due 6/15/10	1,858,500
1,050,000	8.875% due 3/15/11	945,000
	<i>Total Food Products</i>	4,930,050
	Gas Utilities 0.6%	
7,425,000	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13(a)	7,350,750
	Health Care Equipment & Supplies 0.2%	
2,670,000	Advanced Medical Optics Inc., 7.500% due 5/1/17	2,429,700
	Health Care Providers & Services 5.1%	
1,680,000	Community Health Systems Inc., Senior Notes, 8.875% due 7/15/15	1,755,600

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Health Care Providers & Services 5.1% <i>continued</i>	
	DaVita Inc.:	
2,190,000	Senior Notes, 6.625% due 3/15/13	\$ 2,190,000
3,045,000	Senior Subordinated Notes, 7.250% due 3/15/15	3,067,837
	HCA Inc.:	
950,000	Debentures, 7.500% due 11/15/95	740,738
1,500,000	Notes, 6.375% due 1/15/15	1,342,500
6,115,000	Senior Notes, 6.500% due 2/15/16	5,503,500
	Senior Secured Notes:	
3,580,000	9.250% due 11/15/16	3,857,450
9,560,000	9.625% due 11/15/16 ^{(a)(b)}	10,288,950
4,800,000	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	4,944,000
	Tenet Healthcare Corp., Senior Notes:	
3,555,000	6.375% due 12/1/11	3,359,475
2,240,000	6.500% due 6/1/12	2,088,800
6,000,000	7.375% due 2/1/13	5,595,000
985,000	9.875% due 7/1/14	1,012,088
1,470,000	6.875% due 11/15/31	1,098,825
	Universal Hospital Services Inc.:	
910,000	8.288% due 6/1/15 ^(f)	864,500
4,505,000	8.500% due 6/1/15 ^(b)	4,617,625
7,869,000	US Oncology Holdings Inc., Senior Notes, 7.949% due 3/15/12 ^{(b)(f)}	6,373,890
	<i>Total Health Care Providers & Service</i>	<i>58,700,778</i>
	Hotels, Restaurants & Leisure 3.6%	
1,000,000	Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14	837,500
3,820,000	Buffets Inc., Senior Notes, 12.500% due 11/1/14 ^(g)	114,600
2,725,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13	2,520,625
484,000	Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 ^(e)	428,340
4,515,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	4,328,756
1,740,000	Downstream Development Quapaw, Senior Notes, 12.000% due 10/15/15 ^(e)	1,331,100
2,360,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	2,301,000
915,000	Firekeepers Development Authority, Senior Secured Notes, 13.875% due 5/15/15 ^(e)	933,300
975,000	Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp., 10.250% due 6/15/15 ^(e)	704,438
2,350,000	Harrah's Operating Co., Inc., 10.750% due 2/1/16	2,032,750
3,455,000	Indianapolis Downs LLC & Capital Corp., 11.000% due 11/1/12 ^(e)	3,126,775

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Hotels, Restaurants & Leisure 3.6% <i>continued</i>	
4,555,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 MGM MIRAGE Inc.:	\$ 3,962,850
955,000	Notes, 6.750% due 9/1/12	892,925
	Senior Notes:	
355,000	8.500% due 9/15/10	365,650
450,000	5.875% due 2/27/14	389,250
620,000	7.500% due 6/1/16	564,200
3,760,000	7.625% due 1/15/17	3,449,800
455,000	Senior Subordinated Notes, 8.375% due 2/1/11	455,000
380,000	Mohegan Tribal Gaming Authority, Senior Subordinated Notes, 6.875% due 2/15/15	323,950
3,664,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14(e)	3,929,640
2,485,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15	2,248,925
1,670,000	Snoqualmie Entertainment Authority, Senior Secured Notes, 6.936% due 2/1/14(e)(f) Station Casinos Inc.:	1,319,300
	Senior Notes:	
40,000	6.000% due 4/1/12	33,950
4,150,000	7.750% due 8/15/16	3,475,625
1,635,000	Senior Subordinated Notes, 6.625% due 3/15/18	989,175
	<i>Total Hotels, Restaurants & Leisure</i>	<i>41,059,424</i>
	Household Durables 1.2%	
310,000	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	314,650
4,000,000	Holt Group Inc., Senior Notes, 9.750% due 1/15/06(c)(d)(g)	0
3,355,000	Jarden Corp., Senior Subordinated Notes, 7.500% due 5/1/17 K Hovnanian Enterprises Inc.:	3,103,375
810,000	6.500% due 1/15/14	579,150
1,795,000	Senior Notes, 7.500% due 5/15/16	1,283,425
3,730,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	3,832,575
5,765,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.952% due 9/1/12	5,332,625
	<i>Total Household Durables</i>	<i>14,445,800</i>
	Household Products 0.3%	
1,265,000	American Achievement Corp., Senior Subordinated Notes, 8.250% due 4/1/12	1,119,525
1,890,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	1,871,100
	<i>Total Household Products</i>	<i>2,990,625</i>

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Independent Power Producers & Energy Traders 7.9%	
2,019,000	AES China Generating Co., Ltd., 8.250% due 6/26/10	\$ 1,886,406
	AES Corp., Senior Notes:	
1,177,000	9.500% due 6/1/09	1,225,551
1,900,000	9.375% due 9/15/10	2,030,625
6,365,000	8.000% due 10/15/17(a)	6,667,337
	Dynegy Holdings Inc.:	
3,605,000	Senior Debentures, 7.625% due 10/15/26	3,325,613
3,770,000	Senior Notes, 7.750% due 6/1/19	3,770,000
4,000,000	Dynegy Inc., 7.670% due 11/8/16	4,006,504
	Edison Mission Energy, Senior Notes:	
2,600,000	7.750% due 6/15/16	2,736,500
2,500,000	7.200% due 5/15/19	2,531,250
4,275,000	7.625% due 5/15/27	4,184,156
34,380,000	Energy Future Holdings, Senior Notes, 11.250% due 11/1/17(a)(b)(e)	36,184,950
	Mirant Mid Atlantic LLC, Pass-Through Certificates:	
1,923,235	9.125% due 6/30/17	2,129,983
584,577	10.060% due 12/30/28	672,263
4,065,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	4,237,763
	NRG Energy Inc., Senior Notes:	
890,000	7.250% due 2/1/14	916,700
11,570,000	7.375% due 2/1/16(a)	11,946,025
1,800,000	7.375% due 1/15/17	1,858,500
890,000	TXU Corp., Senior Notes, 6.500% due 11/15/24	681,154
	<i>Total Independent Power Producers & Energy Traders</i>	<i>90,991,280</i>
	Industrial Conglomerates 0.1%	
680,000	Koppers Inc., Senior Notes, 9.875% due 10/15/13	724,200
2,750,000	Moll Industries Inc., Senior Subordinated Notes, 10.500% due 7/1/08(c)(d)(g)	0
	<i>Total Industrial Conglomerates</i>	<i>724,200</i>
	IT Services 1.6%	
3,045,000	Ceridian Corp., Senior Notes, 12.250% due 11/15/15(b)(e)	2,862,300
	First Data Corp.:	
2,600,000	5.625% due 11/1/11	1,991,584
5,040,000	9.875% due 9/24/15(e)	4,592,700
	SunGard Data Systems Inc.:	
2,900,000	Senior Notes, 9.125% due 8/15/13	3,045,000
5,390,000	Senior Subordinated Notes, 10.250% due 8/15/15(a)	5,753,825
	<i>Total IT Services</i>	<i>18,245,409</i>

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Machinery 0.2%	
1,260,000	American Railcar Industries Inc., Senior Notes, 7.500% due 3/1/14	\$ 1,140,300
1,610,000	Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14	1,650,250
	<i>Total Machinery</i>	<i>2,790,550</i>
	Media 6.1%	
	Affinion Group Inc.:	
4,465,000	Senior Notes, 10.125% due 10/15/13	4,531,975
4,030,000	Senior Subordinated Notes, 11.500% due 10/15/15	3,974,587
1,340,000	CCH I Holdings LLC/CCH I Holdings Capital Corp., Senior Notes, 11.750% due 5/15/14	757,100
16,741,000	CCH I LLC/CCH I Capital Corp., Senior Secured Notes, 11.000% due 10/1/15(a)	13,099,832
	CCH II LLC/CCH II Capital Corp., Senior Notes:	
2,330,000	10.250% due 9/15/10	2,254,275
293,000	10.250% due 10/1/13	268,095
1,500,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12	913,125
1,325,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11	829,781
6,180,000	Charter Communications Inc., Senior Secured Notes, 10.875% due 9/15/14(e)	6,566,250
2,950,000	CMP Susquehanna Corp., 9.875% due 5/15/14	2,124,000
	CSC Holdings Inc.:	
4,210,000	Senior Debentures, 8.125% due 8/15/09	4,304,725
	Senior Notes:	
280,000	8.125% due 7/15/09	286,300
885,000	7.625% due 4/1/11	896,063
3,350,000	Dex Media Inc., Discount Notes, step bond to yield 8.367% due 11/15/13	2,537,625
2,344,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, 9.875% due 8/15/13	2,215,080
4,010,000	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13	4,140,325
443,000	EchoStar DBS Corp., Senior Notes, 7.000% due 10/1/13	444,108
2,419,000	Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22(e)**	2,455,285
9,455,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16	6,193,025
	R.H. Donnelley Corp.:	
3,200,000	Senior Discount Notes, 6.875% due 1/15/13	2,064,000
1,560,000	Senior Notes, 8.875% due 1/15/16	1,021,800
2,345,000	Sun Media Corp., 7.625% due 2/15/13	2,286,375

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Media 6.1% continued	
	TL Acquisitions Inc.:	
4,350,000	Senior Notes, 10.500% due 1/15/15(e)	\$ 3,958,500
3,380,000	Senior Subordinated Notes, step bond to yield 13.358% due 7/15/15(e)	2,585,700
	<i>Total Media</i>	70,707,931
	Metals & Mining 4.1%	
	Evrax Group SA, Notes:	
1,390,000	8.875% due 4/24/13(e)	1,414,325
680,000	9.500% due 4/24/18(e)	685,100
10,100,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17(a)	11,185,750
2,545,000	Metals USA Holdings Corp., 8.698% due 7/1/12(b)(f)	2,099,625
6,105,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	6,318,675
3,875,000	Noranda Aluminum Holding Corp., Senior Notes, 10.488% due 11/15/14(b)(e)	3,119,375
5,140,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15	4,728,800
7,465,000	Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15(a)(e)	7,427,675
1,720,000	Steel Dynamics Inc., Senior Notes, 7.375% due 11/1/12(e)	1,758,700
3,485,000	Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15	3,345,600
	Vale Overseas Ltd., Notes:	
1,284,000	8.250% due 1/17/34**	1,506,774
3,478,000	6.875% due 11/21/36**	3,528,779
	<i>Total Metals & Mining</i>	47,119,178
	Multiline Retail 1.3%	
5,900,000	Dollar General Corp., Senior Subordinated Notes, 11.875% due 7/15/17(a)(b)	5,457,500
	Neiman Marcus Group Inc.:	
1,040,000	7.125% due 6/1/28	936,000
7,710,000	Senior Subordinated Notes, 10.375% due 10/15/15(a)	8,134,050
	<i>Total Multiline Retail</i>	14,527,550
	Oil, Gas & Consumable Fuels 11.1%	
6,995,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12(a)	7,204,850
	Chesapeake Energy Corp., Senior Notes:	
4,430,000	6.625% due 1/15/16	4,452,150
2,755,000	6.500% due 8/15/17	2,727,450
1,005,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	1,042,688
2,090,580	Corral Finans AB, 7.716% due 4/15/10(b)(e)	1,797,899

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Oil, Gas & Consumable Fuels 11.1% <i>continued</i>	
	El Paso Corp.:	
	Medium-Term Notes:	
5,025,000	7.800% due 8/1/31	\$ 5,310,395
6,385,000	7.750% due 1/15/32(a)	6,751,608
5,200,000	Notes, 7.875% due 6/15/12	5,568,306
	Enterprise Products Operating LP:	
4,740,000	7.034% due 1/15/68(f)	4,148,623
2,250,000	Junior Subordinated Notes, 8.375% due 8/1/66(f)	2,242,795
5,670,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	5,670,000
850,000	Forbes Energy Services, 11.000% due 2/15/15(e)	854,250
	Gazprom:	
	Bonds:	
104,590,000RUB	0.287% due 10/29/09	4,416,313
34,860,000RUB	0.296% due 10/27/11	1,471,964
	Loan Participation Notes:	
153,000	6.212% due 11/22/16(e)	144,968
1,770,000	Senior Notes, 6.510% due 3/7/22(e)**	1,623,975
50,960,000RUB	Gazprom OAO, 0.294% due 8/6/09	2,160,931
1,100,000	Inergy LP/Inergy Finance Corp., Senior Notes, 8.250% due 3/1/16(e)	1,133,000
3,705,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	3,760,575
1,720,000	LUKOIL International Finance BV, 6.356% due 6/7/17(e)**	1,601,750
	Mariner Energy Inc., Senior Notes:	
1,465,000	7.500% due 4/15/13	1,454,013
1,110,000	8.000% due 5/15/17	1,096,125
2,260,000	Mark West Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes, 8.750% due 4/15/18(e)	2,356,050
	OPTI Canada Inc., Senior Secured Notes:	
575,000	7.875% due 12/15/14	587,938
2,210,000	8.250% due 12/15/14	2,292,875
1,210,000	Parallel Petroleum Corp., 10.250% due 8/1/14	1,216,050
	Pemex Project Funding Master Trust:	
64,000	6.125% due 8/15/08	64,576
245,000	4.100% due 6/15/10(e)(f)	244,878
142,000	4.100% due 6/15/10(e)(f)	142,284
836,000	6.625% due 6/15/35(e)	875,096
230,000	6.625% due 6/15/35(e)	240,756
7,791,000	Senior Bonds, 6.625% due 6/15/35(a)**	8,155,354
908,000	Senior Notes, 3.676% due 12/3/12(e)(f)	871,907
2,275,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13	2,417,187

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Oil, Gas & Consumable Fuels 11.1% <i>continued</i>	
	Petroplus Finance Ltd.:	
1,500,000	6.750% due 5/1/14(e)	\$ 1,417,500
2,250,000	Senior Note, 7.000% due 5/1/17(e)	2,103,750
	Petrozuata Finance Inc.:	
4,234,014	8.220% due 4/1/17(e)**	4,326,590
265,369	8.220% due 4/1/17(e)	274,656
5,665,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15(a)(e)	5,395,912
2,560,000	Southwestern Energy Co., Senior Notes, 7.500% due 2/1/18(e)	2,726,397
3,370,000	Teekay Shipping Corp., Senior Notes, 8.875% due 7/15/11	3,597,475
230,000	TNK-BP Finance SA, 6.625% due 3/20/17(e)	209,588
2,275,000	W&T Offshore Inc., Senior Notes, 8.250% due 6/15/14(e)	2,240,875
	Whiting Petroleum Corp., Senior Subordinated Notes:	
2,550,000	7.250% due 5/1/12	2,569,125
1,975,000	7.000% due 2/1/14	1,989,812
	Williams Cos. Inc.:	
	Notes:	
3,650,000	7.875% due 9/1/21	4,005,875
5,425,000	8.750% due 3/15/32	6,442,187
3,700,000	Senior Notes, 7.625% due 7/15/19	4,014,500
	<i>Total Oil, Gas & Consumable Fuels</i>	<i>127,413,821</i>
	Paper & Forest Products 2.8%	
	Abitibi-Consolidated Co. of Canada:	
7,295,000	15.500% due 7/15/10(e)	5,070,025
	Senior Notes:	
410,000	7.750% due 6/15/11	186,550
650,000	8.375% due 4/1/15	273,000
5,000,000	Senior Secured Notes, 13.750% due 4/1/11(e)	5,275,000
285,000	Abitibi-Consolidated Inc., Notes, 8.550% due 8/1/10	152,475
	Appleton Papers Inc.:	
3,895,000	Senior Notes, 8.125% due 6/15/11	3,817,100
4,685,000	Senior Subordinated Notes, 9.750% due 6/15/14	4,532,737
	NewPage Corp.:	
8,140,000	Senior Secured Notes, 9.489% due 5/1/12(a)(f)	8,526,650
830,000	Senior Subordinated Notes, 12.000% due 5/1/13	883,950
2,630,000	Newpage Holding Corp., 11.818% due 11/1/13(b)(f)	2,524,800
1,535,000	Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25	1,381,500
	<i>Total Paper & Forest Products</i>	<i>32,623,787</i>
	Pharmaceuticals 0.0%	
10,855,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12(c)(g)	40,706

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Real Estate Investment Trusts (REITs) 0.6%	
130,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	\$ 121,550
2,500,000	Host Marriott LP, Senior Notes, 7.125% due 11/1/13	2,503,125
	Ventas Realty LP/Ventas Capital Corp., Senior Notes:	
1,245,000	6.500% due 6/1/16	1,210,763
3,105,000	6.750% due 4/1/17	3,066,187
	<i>Total Real Estate Investment Trusts (REITs)</i>	<i>6,901,625</i>
	Real Estate Management & Development 0.6%	
2,180,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15	1,209,900
	Realogy Corp.:	
710,000	10.500% due 4/15/14	525,400
4,300,000	11.000% due 4/15/14 ^(b)	2,838,000
4,355,000	Senior Subordinated Notes, 12.375% due 4/15/15	2,395,250
	<i>Total Real Estate Management & Development</i>	<i>6,968,550</i>
	Road & Rail 1.7%	
7,020,000	Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes, 9.375% due 5/1/12 ^{(a)**}	7,353,450
10,235,000	Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 ^(a)	10,350,144
	Kansas City Southern de Mexico, Senior Notes:	
910,000	7.625% due 12/1/13	874,737
125,000	7.375% due 3/1/14 ^(e)	118,906
820,000	Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09	844,600
	<i>Total Road & Rail</i>	<i>19,541,837</i>
	Semiconductors & Semiconductor Equipment 0.1%	
1,210,000	Freescale Semiconductor Inc., Senior Notes, 8.875% due 12/15/14	1,070,850
	Software 0.2%	
2,960,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16	2,501,200
	Specialty Retail 0.9%	
	AutoNation Inc., Senior Notes:	
850,000	4.713% due 4/15/13 ^(d)	738,438
830,000	7.000% due 4/15/14	782,275
3,040,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	2,485,200
1,995,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	2,062,331
	Michaels Stores Inc.:	
2,410,000	Senior Notes, 10.000% due 11/1/14	2,349,750
1,830,000	Senior Subordinated Bonds, 11.375% due 11/1/16	1,651,575
	<i>Total Specialty Retail</i>	<i>10,069,569</i>

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Textiles, Apparel & Luxury Goods 0.1%	
1,020,000	Simmons Co., Senior Discount Notes, step bond to yield 9.995% due 12/15/14	\$ 736,950
	Tobacco 0.4%	
875,000	Alliance One International Inc., Senior Notes: 8.500% due 5/15/12	835,625
3,780,000	11.000% due 5/15/12	3,912,300
	<i>Total Tobacco</i>	<i>4,747,925</i>
	Trading Companies & Distributors 1.1%	
2,955,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16 ^(e)	2,600,400
5,875,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	5,140,625
5,865,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 ^(e)	4,516,050
	<i>Total Trading Companies & Distributors</i>	<i>12,257,075</i>
	Transportation Infrastructure 0.3%	
2,945,000	Saint Acquisition Corp.: Secured Notes, 12.500% due 5/15/17 ^(e)	1,052,838
7,090,000	Senior Secured Notes, 10.815% due 5/15/15 ^{(e)(f)}	2,375,150
	<i>Total Transportation Infrastructure</i>	<i>3,427,988</i>
	Wireless Telecommunication Services 2.7%	
2,900,000	ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17 ^{(b)(e)}	2,305,500
1,825,000	American Tower Corp., Senior Notes, 7.500% due 5/1/12	1,875,188
4,860,000	MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14	4,799,250
4,180,000	Nextel Communications Inc., Senior Notes, 7.375% due 8/1/15	3,346,257
1,575,000	Rural Cellular Corp.: Senior Notes, 9.875% due 2/1/10	1,638,000
2,590,000	Senior Subordinated Notes, 6.076% due 6/1/13 ^(f)	2,628,850
13,510,000	True Move Co., Ltd., 10.750% due 12/16/13 ^{(e)**}	12,091,450
2,220,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16 ^{(e)**}	2,181,039
	<i>Total Wireless Telecommunication Services</i>	<i>30,865,534</i>
	TOTAL CORPORATE BONDS & NOTES	
	(Cost \$1,083,975,756)	1,015,955,952
ASSET-BACKED SECURITY 0.0%		
1,975,400	Diversified Financial Services 0.0% Airplanes Pass-Through Trust, Subordinated Notes, 10.875% due 3/15/19 ^{(c)(d)(g)} (Cost \$1,990,851)	0
CONVERTIBLE BONDS & NOTES 0.6%		
565,265	Airlines 0.1% Delta Air Lines Inc., Pass-Through Certificates, 7.379% due 5/18/10	562,439

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
3,590,000	Marine 0.2% Horizon Lines Inc., 4.250% due 8/15/12	\$ 2,692,500
3,350,000	Media 0.3% Virgin Media Inc., 6.500% due 11/15/16 ^(e) TOTAL CONVERTIBLE BONDS & NOTES	3,379,312
	(Cost \$6,734,940)	6,634,251
COLLATERALIZED MORTGAGE OBLIGATION 0.2% 2,996,594	Countrywide Home Loan Mortgage Pass Through Trust, 5.215% due 4/20/35 ^(f) (Cost \$1,800,152)	1,947,786
SOVEREIGN BONDS 4.9%		
1,400,000EUR	Argentina 0.5% Republic of Argentina: 9.250% due 10/21/02 ^(g)	632,000
300,000EUR	9.000% due 6/20/03 ^(g)	140,098
250,000EUR	10.250% due 1/26/07 ^(g)	122,586
275,000EUR	8.000% due 2/26/08 ^(g)	130,564
3,875,894ARS	Bonds, 2.000% due 1/3/10 ^(f)	2,709,204
665,000	Bonds, 7.000% due 9/12/13**	520,159
97,000EUR	GDP Linked Securities, 1.262% due 12/15/35 ^(f)	13,967
1,175,000EUR	Medium-Term Notes: 7.000% due 3/18/04 ^(g)	553,292
600,000EUR	8.125% due 10/4/04 ^(g)	274,360
525,000EUR	9.000% due 5/24/05 ^{(e)(g)} <i>Total Argentina</i>	246,807 5,343,037
	Brazil 1.2% Brazil Nota do Tesouro Nacional:	
1,000BRL	9.762% due 1/1/10	557
18,729,000BRL	9.762% due 7/1/10 ^(a)	10,286,340
4,315,000BRL	9.762% due 1/1/12	2,269,275
2,177,000BRL	6.000% due 5/15/17 <i>Total Brazil</i>	2,002,136 14,558,308
2,055,000	Colombia 0.2% Republic of Colombia, 7.375% due 9/18/37**	2,286,188
2,100,000	Ecuador 0.2% Republic of Ecuador, 10.000% due 8/15/30 ^{(e)**}	2,128,875
	Indonesia 0.3% Republic of Indonesia:	
11,011,000,000IDR	10.250% due 7/15/22	967,945
8,077,000,000IDR	11.000% due 9/15/25	734,982
6,948,000,000IDR	10.250% due 7/15/27	589,127
8,327,000,000IDR	9.750% due 5/15/37 <i>Total Indonesia</i>	655,060 2,947,114

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Mexico 0.2%	
1,880,000	United Mexican States, Medium-Term Notes, 6.050% due 1/11/40**	\$ 1,880,000
	Panama 0.5%	
1,285,000	Republic of Panama:	1,458,475
350,000	9.625% due 2/8/11**	388,500
4,130,000	7.250% due 3/15/15**	4,310,687
	6.700% due 1/26/36**	6,157,662
	<i>Total Panama</i>	
	Peru 0.0%	
259,000	Republic of Peru:	273,245
198,000	Bonds, 6.550% due 3/14/37	231,858
	Global Bonds, 7.350% due 7/21/25	505,103
	<i>Total Peru</i>	
	Turkey 1.0%	
2,023,000TRY	Republic of Turkey:	1,427,605
490,000	14.000% due 1/19/11	493,503
1,175,000	7.000% due 6/5/20**	1,805,461
594,000	11.875% due 1/15/30**	609,964
7,954,000	Bonds, 7.000% due 9/26/16**	7,372,861
	Notes, 6.875% due 3/17/36 ^(a) **	11,709,394
	<i>Total Turkey</i>	
	Uruguay 0.1%	
1,026,307	Oriental Republic of Uruguay, Bonds, 7.625% due 3/21/36**	1,086,603
	Venezuela 0.7%	
273,000	Bolivarian Republic of Venezuela:	256,961
8,258,000	8.500% due 10/8/14	6,534,142
241,000	5.750% due 2/26/16**	187,679
	7.650% due 4/21/25	
	Collective Action Securities:	
1,164,000	9.375% due 1/13/34**	1,053,420
183,000	Notes, 10.750% due 9/19/13	189,863
	<i>Total Venezuela</i>	8,222,065
	TOTAL SOVEREIGN BONDS	
	(Cost \$57,094,810)	56,824,349
COLLATERALIZED SENIOR LOANS 2.6%	Auto Components 0.4%	
4,975,000	Allison Transmission, Term Loan B, 5.480% due 8/7/14 ^(f)	4,676,057

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Containers & Packaging 0.4%	
5,356,794	Berry Plastics Corp., Senior Term Loan, 9.728% due 6/15/14 ^(f)	\$ 4,030,988
1,000,000	Graphic Packaging, Term Loan B, 4.734% due 5/3/14	954,306
	<i>Total Containers & Packaging</i>	<i>4,985,294</i>
	Media 0.4%	
5,000,000	Univision Communications Inc., Term Loan B, 5.494% due 9/15/14 ^(f)	4,223,440
	Oil, Gas & Consumable Fuels 1.1%	
	Ashmore Energy International:	
279,613	Synthetic Revolving Credit Facility, 5.098% due 3/30/14 ^(f)	247,458
2,062,001	Term Loan, 5.696% due 3/30/14 ^(f)	1,824,871
7,500,000	SandRidge Energy, Term Loan, 8.625% due 4/1/15 ^(f)	7,546,875
3,000,000	Stallion Oilfield Services, Term Loan, 7.611% due 7/31/12 ^(f)	2,670,000
	<i>Total Oil, Gas & Consumable Fuels</i>	<i>12,289,204</i>
	Paper & Forest Products 0.2%	
2,500,000	Verso Paper Holdings Term Loan, 9.489% due 2/1/12 ^(f)	2,335,417
	Trading Companies & Distributors 0.1%	
2,120,401	Penhall International Corp., Term Loan, 10.133% due 4/1/12 ^(f)	1,675,117
	TOTAL COLLATERALIZED SENIOR LOANS	
	(Cost \$33,027,329)	30,184,529
	SHARES	
COMMON STOCKS 0.0%		
CONSUMER DISCRETIONARY 0.0%		
10,685,938	Household Durables 0.0%	
52,472	Home Interiors & Gifts Inc. ^{(c)(d)*}	11
	Mattress Discounters Corp. ^{(c)(d)*}	0
	TOTAL COMMON STOCKS	
	(Cost \$7,763,106)	11
CONVERTIBLE PREFERRED STOCKS 0.7%		
4,500	FINANCIALS 0.7%	
69,700	Bank of America Corp., 7.250% due 12/31/49	4,941,000
	Citigroup Inc., 6.500% due 12/31/49	3,634,855
	TOTAL CONVERTIBLE PREFERRED STOCKS	
	(Cost \$7,996,392)	8,575,855
ESCROWED SHARES 0.0%		
2,025,000	Pillowtex Corp. ^{(c)(d)(g)*} (Cost \$0)	0
PREFERRED STOCKS 0.6%		
CONSUMER DISCRETIONARY 0.1%		
66,800	Automobiles 0.1%	
1,800	Ford Motor Co., 7.400%	1,077,334
	Ford Motor Co., 8.000%	31,122

Total Automobiles

1,108,456

See Notes to Financial Statements.

WESTERN ASSET HIGH INCOME FUND II INC.

SHARES	SECURITY	VALUE
8	Media 0.0% ION Media Networks Inc., Series B, 12.000%*	\$ 5,625
FINANCIALS 0.5%	<i>Total Consumer Discretionary</i>	<i>1,114,081</i>
1,970	Capital Markets 0.2% Lehman Brothers Holdings Inc., 7.250%	2,411,280
12,100	Diversified Financial Services 0.1% Preferred Plus, Trust Series FRD-1, 7.400%	188,760
8,200	Preferred Plus, Series FMC1 Trust, Senior Debentures, Series LMG-3, 8.250%	144,156
44,100	Saturns, Series F 2003-5, 8.125%	753,669
17,552	TCR Holdings Corp.:	
9,654	Class B Shares ^{(c)(d)*}	17
25,451	Class C Shares ^{(c)(d)*}	10
52,657	Class D Shares ^{(c)(d)*}	25
	Class E Shares ^{(c)(d)*}	53
		1,086,690
78,575	Thrifts & Mortgage Finance 0.2% Federal National Mortgage Association (FNMA), 8.250%	1,967,518
	TOTAL FINANCIALS	5,465,488
	TOTAL PREFERRED STOCKS	
	(Cost \$6,321,880)	6,579,569
WARRANTS		
WARRANTS 0.1%		
18,500	Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20*	666,000
5,800	Elyria Foundry Co. LLC, Expires 3/1/15 ^{(c)(d)*}	0
2,750	Leap Wireless International Inc., Expires 4/15/10 ^{(c)(d)*}	0
13,614	Pillowtex Corp., Expires 11/24/09 ^{(c)(d)*}	0
	TOTAL WARRANTS	
	(Cost \$10,070)	666,000
	TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS	
	(Cost \$1,206,715,286)	1,127,368,302
FACE AMOUNT		
SHORT-TERM INVESTMENTS 2.1%		
2,700,000MYR	Sovereign Bonds 1.7% Bank Negara Malaysia Islamic Notes, Zero coupon bond to yield 3.335% due 7/24/08	848,264
1,985,000MYR	Bank Negara Malaysia Monetary Notes: Zero coupon bond to yield 3.318% due 5/29/08	626,768

See Notes to Financial Statements.

Schedule of investments *continued*

April 30, 2008

WESTERN ASSET HIGH INCOME FUND II INC.

FACE AMOUNT	SECURITY	VALUE
	Sovereign Bonds 1.7% <i>continued</i>	
4,444,000MYR	Zero coupon bond to yield 3.334% due 6/17/08	\$ 1,400,760
4,716,000MYR	Zero coupon bond to yield 3.333% due 7/17/08	1,482,538
	Egypt Treasury Bills:	
43,825,000EGP	Zero coupon bond to yield 7.470% due 10/28/08	7,892,581
42,275,000EGP	Zero coupon bond to yield 20.240% due 11/11/08	7,591,393
	TOTAL SOVEREIGN BONDS	
	(Cost \$19,346,076)	19,842,304
	Repurchase Agreement 0.4%	
4,099,000	Morgan Stanley tri-party repurchase agreement dated 4/30/08, 1.950% due 5/1/08; Proceeds at maturity \$4,099,222; (Fully collateralized by U.S. government agency obligation, 5.00% due 12/14/18; Market value \$4,264,653) (Cost \$4,099,000)	4,099,000
	TOTAL SHORT-TERM INVESTMENTS (Cost \$23,445,076)	23,941,304
	TOTAL INVESTMENTS 100.0% (Cost \$1,230,160,362#)	\$ 1,151,309,606

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

* Non-income producing security.

(a) All or a portion of this security is segregated for extended settlements, open forwards and foreign currency contracts.

(b) Payment-in-kind security for which part of the income earned may be paid as additional principal.

(c) Illiquid security.

(d) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).

(e) 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.

(f) Variable rate security. Interest rate disclosed is that which is in effect at April 30, 2008.

(g) Security is currently in default.

(f) Variable rate security. Interest rate disclosed is that which is in effect at April 30, 2008.

** All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.

Aggregate cost for federal income tax purposes is \$1,233,166,173.

Abbreviations used in this schedule:

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

See Notes to Financial Statements.

Statement of assets and liabilities**April 30, 2008**

ASSETS:	
Investments, at value (Cost \$1,230,160,362)	\$1,151,309,606
Foreign currency, at value (Cost \$2,890,616)	2,933,796
Cash	29
Interest and dividends receivable	29,266,899
Receivable for securities sold	24,638,991
Prepaid expenses	60,840
<i>Total Assets</i>	<i>1,208,210,161</i>
LIABILITIES:	
Loan payable (Note 4)	250,000,000
Payable for open reverse repurchase agreement (Note 3)	97,372,913
Payable for securities purchased	24,159,233
Interest payable (Note 4)	896,300
Investment management fee payable	762,849
Directors' fees payable	24,484
Payable for open forward currency contracts	12,821
Accrued expenses	168,887
<i>Total Liabilities</i>	<i>373,397,487</i>
TOTAL NET ASSETS	\$ 834,812,674
NET ASSETS:	
Par value (\$0.001 par value; 77,614,787 shares issued and outstanding; 100,000,000 shares authorized)	\$ 77,615
Paid-in capital in excess of par value	1,041,434,075
Undistributed net investment income	13,745,015
Accumulated net realized loss on investments, futures contracts and foreign currency transactions	(141,971,575)
Net unrealized depreciation on investments and foreign currencies	(78,472,456)
TOTAL NET ASSETS	\$ 834,812,674
Shares Outstanding	77,614,787
Net Asset Value	\$10.76

See Notes to Financial Statements.

Statement of operations**For the Year Ended April 30, 2008**

INVESTMENT INCOME:	
Interest	\$106,861,428
Dividends	514,254
Less: Foreign taxes withheld	(30,058)
<i>Total Investment Income</i>	<i>107,345,624</i>
EXPENSES:	
Interest expense (Notes 3 and 4)	15,248,292
Investment management fee (Note 2)	9,495,950
Commitment fees (Note 4)	344,125
Directors' fees	213,021
Shareholder reports	175,502
Legal fees	119,633
Custody fees	117,773
Audit and tax	87,853
Stock exchange listing fees	57,462
Transfer agent fees	27,645
Insurance	17,088
Miscellaneous expenses	14,867
<i>Total Expenses</i>	<i>25,919,211</i>
Less: Fees paid indirectly (Note 1)	(2,157)
<i>Net Expenses</i>	<i>25,917,054</i>
NET INVESTMENT INCOME	81,428,570
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FUTURES CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS (NOTES 1 AND 3):	
Net Realized Loss from:	
Investment transactions	(24,458,333)
Futures contracts	(177,648)
Foreign currency transactions	(30,803)
<i>Net Realized Loss</i>	<i>(24,666,784)</i>
Change in Net Unrealized Appreciation/Depreciation from:	
Investments	(107,199,093)
Foreign currencies	369,893
<i>Change in Net Unrealized Appreciation/Depreciation</i>	<i>(106,829,200)</i>
<i>Net Loss on Investments, Futures Contracts and Foreign Currency Transactions</i>	<i>(131,495,984)</i>
DECREASE IN NET ASSETS FROM OPERATIONS	\$ (50,067,414)

See Notes to Financial Statements.

Statements of changes in net assets

FOR THE YEARS ENDED APRIL 30, 2008	2008	2007
OPERATIONS:		
Net investment income	\$ 81,428,570	\$ 69,783,200
Net realized gain (loss)	(24,666,784)	25,847,494
Change in net unrealized appreciation/depreciation	(106,829,200)	22,252,936
Increase from payment by affiliate		21,963
<i>Increase (Decrease) in Net Assets from Operations</i>	<i>(50,067,414)</i>	<i>117,905,593</i>
DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):		
Net investment income	(75,674,418)	(68,689,087)
<i>Decrease in Net Assets from Distributions to Shareholders</i>	<i>(75,674,418)</i>	<i>(68,689,087)</i>
INCREASE (DECREASE) IN NET ASSETS	(125,741,832)	49,216,506
NET ASSETS:		
Beginning of year	960,554,506	911,338,000
End of year*	\$ 834,812,674	\$ 960,554,506
* Includes undistributed net investment income of:	\$13,745,015	\$5,416,350

See Notes to Financial Statements.

Statement of cash flows**For the Year Ended April 30, 2008**

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Interest and dividends received	\$ 93,929,276
Operating expenses paid	(10,589,931)
Net purchases of short-term investments	17,438,386
Realized loss on foreign currency transactions	(30,803)
Realized loss on futures contracts	(177,648)
Net change in unrealized appreciation on foreign currencies	369,893
Purchases of long-term investments	(727,706,997)
Proceeds from disposition of long-term investments	570,630,666
Change in payable for open forward currency contracts	12,821
Interest paid	(15,582,043)
<i>Net Cash Provided by Operating Activities</i>	<i>(71,706,380)</i>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:	
Cash distributions paid on Common Stock	(75,674,418)
Proceeds from loan	125,000,000
Proceeds from reverse repurchase agreements	24,261,899
<i>Net Cash Flows Used by Financing Activities</i>	<i>73,587,481</i>
NET INCREASE IN CASH	1,881,101
Cash, beginning of year	1,052,724
Cash, end of year	\$ 2,933,825
RECONCILIATION OF INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Decrease in Net Assets from Operations	\$ (50,067,414)
Accretion of discount on investments	(8,682,200)
Amortization of premium on investments	1,584,065
Decrease in investments, at value	5,560,276
Increase in payable for securities purchased	5,346,430
Increase in interest and dividends receivable	(6,318,213)
Increase in receivable for securities sold	(18,887,225)
Increase in payable for open forward currency contracts	12,821
Increase in prepaid expenses	(2,860)
Decrease in interest payable	(333,751)
Increase in accrued expenses	81,691
<i>Total Adjustments</i>	<i>(21,638,966)</i>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ (71,706,380)

See Notes to Financial Statements.

Financial highlights**FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH YEAR ENDED APRIL 30:**

	2008¹	2007¹	2006	2005¹	2004
NET ASSET VALUE, BEGINNING OF YEAR	\$12.38	\$11.74	\$11.10	\$11.03	\$10.42
INCOME (LOSS) FROM OPERATIONS:					
Net investment income	1.05	0.90	0.92	1.02	1.12
Net realized and unrealized gain (loss)	(1.69)	0.63	0.63	0.27	0.85
<i>Total income (loss) from operations</i>	<i>(0.64)</i>	<i>1.53</i>	<i>1.55</i>	<i>1.29</i>	<i>1.97</i>
LESS DISTRIBUTIONS FROM:					
Net investment income	(0.98)	(0.89)	(0.91)	(1.22)	(1.38)
<i>Total distributions</i>	<i>(0.98)</i>	<i>(0.89)</i>	<i>(0.91)</i>	<i>(1.22)</i>	<i>(1.38)</i>
<i>Increase in Net Asset Value due to shares issued on reinvestment of distributions</i>					<i>0.02</i>
NET ASSET VALUE, END OF YEAR	\$10.76	\$12.38	\$11.74	\$11.10	\$11.03
MARKET PRICE, END OF YEAR	\$ 9.90	\$11.61	\$10.04	\$11.14	\$11.75
<i>Total return, based on NAV^{2,3}</i>	<i>(5.19)%</i>	<i>13.58%⁴</i>	<i>14.43%</i>	<i>12.13%</i>	<i>19.99%</i>
<i>Total return, based on Market Price³</i>	<i>(6.15)%</i>	<i>25.58%</i>	<i>(1.58)%</i>	<i>5.39%</i>	<i>13.51%</i>
NET ASSETS, END OF YEAR (000s)	\$834,813	\$960,555	\$911,338	\$861,635	\$839,022
RATIOS TO AVERAGE NET ASSETS:					
Gross expenses	2.94%	1.96%	2.31%	2.69%	2.17%
Gross expenses, excluding interest expense	1.21	1.01	1.21	1.67	1.57
Net expenses	2.945	1.96	2.306	2.69	2.17
Net expenses, excluding interest expense	1.215	1.01	1.206	1.67	1.57
Net investment income	9.25	7.55	7.94	8.99	10.18
PORTFOLIO TURNOVER RATE	52%	90%	55%	54%	50%
SUPPLEMENTAL DATA:					
Loans Outstanding, End of Year (000s)	\$250,000	\$125,000	\$125,000	\$300,000	\$300,000
Asset Coverage for Loan Outstanding	434%	868%	829%	387%	380%
Weighted Average Loan (000s)	\$213,320	\$125,000	\$203,630	\$300,000	\$300,000
Weighted Average Interest Rate on Loans	5.00%	5.56%	4.21%	2.44%	1.64%

¹ Per share amounts have been calculated using the average shares method.

² Performance figures may reflect fee waivers and/or expense reimbursements. In the absence of fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

³ The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.

⁴ The prior investment manager fully reimbursed the Fund for losses incurred resulting from an investment transaction error. Without this reimbursement, the total return would not have changed.

⁵ There was no impact to the expense ratio as a result of fees paid indirectly.

⁶ Reflects fee waivers and/or expense reimbursements.

See Notes to Financial Statements.

Notes to financial statements

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). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

(a) Investment valuation. Debt securities are valued at the mean between the bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the 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 investments at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

(b) 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.

(c) 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.

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

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

(e) Credit and market risk. The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involves risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

Notes to financial statements *continued*

(f) Cash flow information. The Fund invests in securities and distributes dividends from net investment income and net realized gains, which are paid in cash and may be reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments are presented in the Statement of Cash Flows.

(g) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults on an expected interest payment, the Fund's policy is to generally halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default.

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

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected in the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(i) 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.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities, at the date of valuation, resulting from changes in exchange rates.

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.

(j) Distributions to shareholders. Distributions from net investment income for the Fund, if any, are declared and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Distributions are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(k) Fees paid indirectly. The Fund's custody fees are reduced according to a fee arrangement, which provides for a reduction based on the level of cash deposited with the custodian by the Fund. The amount is shown as a reduction of expenses on the Statement of Operations.

(l) Federal and other taxes. It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute substantially all of its taxable income and net realized gains, if any, to shareholders each year. Therefore, no federal income tax provision is required in the Fund's financial statements.

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years and has concluded that as of April 30, 2008, no provision for income tax would be required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

Notes to financial statements *continued*

(m) **Reclassification.** GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. During the current year, the following reclassifications have been made:

	Undistributed Net Investment Income	Accumulated Net Realized Loss
(a)	\$2,574,513	\$(2,574,513)

(a) Reclassifications are primarily due to foreign currency transactions treated as ordinary income for tax purposes, differences between book and tax amortization of premium on fixed income securities and income from mortgage backed securities treated as capital gains for tax purposes.

2. Investment management agreement and other transactions with affiliates

Legg Mason Partners Fund Advisor, LLC (LMPFA) is the Fund's investment manager. Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (Western Asset Limited) are the Fund's subadvisers. LMPFA, Western Asset and Western Asset Limited are wholly-owned subsidiaries of Legg Mason, Inc. (Legg Mason).

LMPFA provides administrative and certain oversight services to the Fund. The Fund pays an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of the Fund's average weekly net assets plus the proceeds of any outstanding borrowings used for leverage.

LMPFA has delegated to the subadvisers the day-to-day portfolio management of the Fund. Western Asset Limited provides certain advisory services to the Fund relating to currency transactions and investment in non-U.S. dollar denominated securities. For its services, LMPFA pays Western Asset 70% of the net management fee it receives from the Fund. In turn, Western Asset pays Western Asset Limited a subadvisory fee of 0.30% on assets managed by Western Asset Limited.

During periods in which the Fund utilizes financial leverage, the fees which are payable to the investment manager as a percentage of the Fund's assets will be higher than if the Fund did not utilize leverage because the fees are calculated as a percentage of the Fund's assets, including those investments purchased with leverage.

Certain officers and one Director of the Fund are employees of Legg Mason or its affiliates and do not receive compensation from the Fund.

36 Western Asset High Income Fund II Inc. 2008 Annual Report

3. Investments

During the year ended April 30, 2008, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S Government & Agency Obligations were as follows:

	INVESTMENTS	U.S. GOVERNMENT & AGENCY OBLIGATIONS
Purchases	\$723,338,722	\$10,752,173
Sales	581,927,697	8,671,541

At April 30, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	\$ 30,004,227
Gross unrealized depreciation	(111,860,794)
Net unrealized appreciation	\$ (81,856,567)

Transactions in reverse repurchase agreements for the Fund during the year ended April 30, 2008 were as follows:

AVERAGE DAILY BALANCE*	WEIGHTED AVERAGE INTEREST RATE*	MAXIMUM AMOUNT OUTSTANDING
\$94,215,684	4.592%	\$122,354,452

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

Interest rates on reverse repurchase agreements ranged from 0.600% to 5.850% during the year ended April 30, 2008. Interest expense incurred on reverse repurchase agreements totaled \$4,398,051.

At April 30, 2008, the Fund had the following open reverse repurchase agreements:

FACE AMOUNT	SECURITY	VALUE
\$ 4,805,010	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.850% to be repurchased at an amount and date to be determined, collateralized by: \$5,260,000 ATF Capital BV, 9.250% due 2/21/14; Market value (including accrued interest) \$5,432,467.	\$ 4,805,010
4,229,502	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.750% to be repurchased at an amount and date to be determined, collateralized by: \$4,740,000 Axtel Sab de CV, 7.625% due 2/1/17; Market value (including accrued interest) \$4,900,463.	4,229,502

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1,895,200	Reverse Repurchase Agreement with Credit Suisse, dated 3/20/08 bearing 2.500% to be repurchased at an amount and date to be determined, collateralized by: \$2,000,000 Republic of Colombia, 7.375% due 9/18/37; Market value (including accrued interest) \$2,242,636.	1,895,200
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Notes to financial statements *continued*

FACE AMOUNT	SECURITY	VALUE
\$ 2,776,320	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.900% to be repurchased at an amount and date to be determined, collateralized by: \$2,880,000 EEB International Ltd., 8.750% due 10/31/14; Market value (including accrued interest) \$3,193,189.	\$ 2,776,320
2,190,353	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.900% to be repurchased at an amount and date to be determined, collateralized by: \$2,302,000 GTL Trade Finance Inc., 7.250% due 10/20/17; Market value (including accrued interest) \$2,380,581.	2,190,353
1,419,540	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.800% to be repurchased at an amount and date to be determined, collateralized by: \$1,770,000 Gaz Cap SA Luxembourg, 6.510% due 3/7/22; Market value (including accrued interest) \$1,641,196.	1,419,540
1,791,028	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.750% to be repurchased at an amount and date to be determined, collateralized by: \$2,419,000 Globo Comunicacoes Part, 7.250% due 4/26/22; Market value (including accrued interest) \$2,457,681.	1,791,028
3,710,087	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$4,490,000 HSBK Europe BV, 7.250% due 5/3/17; Market value (including accrued interest) \$4,112,174.	3,710,087
1,036,055	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.900% to be repurchased at an amount and date to be determined, collateralized by: \$1,174,000 ICICI Bank Ltd., 6.375% due 4/30/22; Market value (including accrued interest) \$1,086,416.	1,036,055
1,160,640	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.850% to be repurchased at an amount and date to be determined, collateralized by: \$1,240,000 Odebrecht Finance Ltd., 7.500% due 10/18/17; Market value (including accrued interest) \$1,258,803.	1,160,640
1,402,064	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$1,285,000 Republic of Panama, 9.625% due 2/8/11; Market value (including accrued interest) \$1,486,677.	1,402,064
366,800	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$350,000 Republic of Panama, 7.250% due 3/15/15; Market value (including accrued interest) \$391,741.	366,800
3,864,028	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.500% to be repurchased at an amount and date to be determined, collateralized by: \$4,130,000 Republic of Panama, 6.700% due 1/26/36; Market value (including accrued interest) \$4,383,666.	3,864,028

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FACE AMOUNT	SECURITY	VALUE
\$ 1,578,800	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.600% to be repurchased at an amount and date to be determined, collateralized by: \$1,698,000 Pemex Project Funding Master Trust, 6.625% due 6/15/35; Market value (including accrued interest) \$1,819,787.	\$ 1,578,800
1,952,249	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.600% to be repurchased at an amount and date to be determined, collateralized by: \$2,101,000 Pemex Project Funding Master Trust, 6.625% due 6/15/35; Market value (including accrued interest) \$2,251,691.	1,952,249
3,216,150	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.500% to be repurchased at an amount and date to be determined, collateralized by: \$3,500,000 Pemex Project Funding Master Trust, 6.625% due 6/15/35; Market value (including accrued interest) \$3,751,033.	3,216,150
1,548,640	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.750% to be repurchased at an amount and date to be determined, collateralized by: \$1,654,000 RSHB Capital SA, 7.175% due 5/16/13; Market value (including accrued interest) \$1,751,864.	1,548,640
900,970	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.950% to be repurchased at an amount and date to be determined, collateralized by: \$1,055,000 RSHB Capital SA, 6.299% due 5/15/17; Market value (including accrued interest) \$1,015,778.	900,970
1,051,965	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.650% to be repurchased at an amount and date to be determined, collateralized by: \$1,026,307 Republic Oriental Del Uruguay, 7.625% due 3/21/36; Market value (including accrued interest) \$1,095,321.	1,051,965
6,265,350	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$7,020,000 Kansas City Southern de Mexico, 9.375% due 5/1/12; Market value (including accrued interest) \$7,682,513.	6,265,350
1,176,400	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.900% to be repurchased at an amount and date to be determined, collateralized by: \$1,360,000 TNK-BP Finance SA, 7.500% due 7/18/16; Market value (including accrued interest) \$1,350,043.	1,176,400
10,992,177	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.750% to be repurchased at \$10,752,891 on 6/2/08, collateralized by: \$13,410,000 True Move Co., Ltd., 10.750% due 12/16/13; Market value (including accrued interest) \$12,541,556.	10,992,177
2,030,265	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.750% to be repurchased at an amount and date to be determined, collateralized by: \$2,785,000 Turanalem Finance BV Global, 8.250% due 1/22/37; Market value (including accrued interest) \$2,339,859.	2,030,265

Notes to financial statements *continued*

FACE AMOUNT	SECURITY	VALUE
\$ 1,600,468	Reverse Repurchase Agreement with Credit Suisse, dated 3/11/08 bearing 0.600% to be repurchased at an amount and date to be determined, collateralized by: \$1,175,000 Republic of Turkey, 11.875% due 1/15/30; Market value (including accrued interest) \$1,846,477.	\$ 1,600,468
499,800	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.900% to be repurchased at an amount and date to be determined, collateralized by: \$490,000 Republic of Turkey, 7.000% due 6/5/20; Market value (including accrued interest) \$507,373.	499,800
6,337,747	Reverse Repurchase Agreement with Credit Suisse, dated 3/20/08 bearing 2.500% to be repurchased at an amount and date to be determined, collateralized by: \$7,954,000 Republic of Turkey, 6.875% due 3/17/36; Market value (including accrued interest) \$7,439,730.	6,337,747
629,640	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.600% to be repurchased at an amount and date to be determined, collateralized by: \$594,000 Republic of Turkey, 7.000% due 9/26/16; Market value (including accrued interest) \$614,031.	629,640
1,654,024	Reverse Repurchase Agreement with Credit Suisse, dated 4/24/08 bearing 2.600% to be repurchased at an amount and date to be determined, collateralized by: \$1,880,000 United Mexican States, 6.050% due 1/11/40; Market value (including accrued interest) \$1,914,684.	1,654,024
1,297,482	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.750% to be repurchased at an amount and date to be determined, collateralized by: \$1,284,000 Vale Overseas Ltd., 8.250% due 1/17/34; Market value (including accrued interest) \$1,537,331.	1,297,482
3,224,106	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 4/28/08 bearing 2.800% to be repurchased at an amount and date to be determined, collateralized by: \$3,478,000 Vale Overseas Ltd., 6.875% due 11/21/36; Market value (including accrued interest) \$3,635,197.	3,224,106
1,008,140	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.500% to be repurchased at an amount and date to be determined, collateralized by: \$1,164,000 Bolivarian Republic of Venezuela, 9.375% due 1/13/34; Market value (including accrued interest) \$1,086,098.	1,008,140
477,636	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$665,000 Republic of Argentina, 7.000% due 9/12/13; Market value (including accrued interest) \$526,484.	477,636
2,248,711	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$2,360,000 GTL Trade Finance Inc., 7.250% due 10/20/17; Market value (including accrued interest) \$2,522,460.	2,248,711

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FACE AMOUNT	SECURITY	VALUE
\$ 3,791,678	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08, bearing 2.950% to be repurchased at an amount and date to be determined, collateralized by: \$4,246,000 Petrozuata Finance Inc., 8.220% due 4/1/17; Market value (including accrued interest) \$4,367,446.	\$ 3,791,678
336,330	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.900% to be repurchased at an amount and date to be determined, collateralized by: \$370,000 Axtel Sab de CV, 7.625% due 2/1/17; Market value (including accrued interest) \$383,451.	336,330
5,918,509	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$8,258,000 Bolivarian Republic of Venezuela, 5.750% due 2/26/16; Market value (including accrued interest) \$6,618,934.	5,918,509
868,023	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.750% to be repurchased at an amount and date to be determined, collateralized by: \$1,170,000 ICICI Bank Ltd., 6.375% due 4/30/22; Market value (including accrued interest) \$1,082,743.	868,023
1,830,150	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.850% to be repurchased at an amount and date to be determined, collateralized by: \$2,100,000 Republic of Ecuador, 10.000% due 8/15/30; Market value (including accrued interest) \$2,277,721.	1,830,150
2,034,630	Reverse Repurchase Agreement with JPMorgan Chase & Co., dated 3/24/08 bearing 2.750% to be repurchased at an amount and date to be determined, collateralized by: \$2,220,000 UBS Luxembourg SA, 8.250% due 5/23/16; Market value (including accrued interest) \$2,261,544.	2,034,630
787,366	Reverse Repurchase Agreement with Credit Suisse, dated 3/24/08 bearing 2.800% to be repurchased at an amount and date to be determined, collateralized by: \$1,059,000 Turanalem Finance BV Global, 8.250% due 1/22/37; Market value (including accrued interest) \$888,411.	787,366
1,468,880	Reverse Repurchase Agreement with Credit Suisse, dated 3/27/08 bearing 3.500% to be repurchased at an amount and date to be determined, collateralized by: \$1,720,000 Lukoil International Finance BV, 6.356% due 6/7/17; Market value (including accrued interest) \$1,645,360.	1,468,880
	Total Reverse Repurchase Agreements (Proceeds \$97,372,913)	\$ 97,372,913

At April 30, 2008, the Portfolio had open forward foreign currency contracts:

FOREIGN CURRENCY	LOCAL CURRENCY	MARKET VALUE	SETTLEMENT DATE	UNREALIZED LOSS
Contracts to Buy:				
Indian Rupee	\$19,552,500	\$ 480,894	6/16/08	\$ (1,765)
Indian Rupee	19,567,200	481,255	6/16/08	(2,184)
Indian Rupee	58,622,700	1,441,825	6/16/08	(8,872)
Net unrealized loss on open forward foreign currency contracts				\$ (12,821)

Notes to financial statements *continued*

4. Loan

At April 30, 2008, the Fund had a \$325,000,000 credit line available pursuant to a revolving credit and security agreement dated as of December 21, 2006 (Agreement), with CIESCO, LLC and Citibank, N.A. (Citibank). Citibank acts as administrative agent and secondary lender. Also, as of April 30, 2008, the Fund had a \$250,000,000 loan outstanding pursuant to the Agreement. The loan generally bears interest at a variable rate based on the weighted average interest rates of the underlying commercial paper or LIBOR, plus any applicable margin. In addition, the Fund pays a commitment fee on the total amount of the loan available, whether used or unused. For the year ended April 30, 2008, the Fund paid \$344,125 in commitment fees. Securities held by the Fund are subject to a lien, granted to the lenders, to the extent of the borrowings outstanding and any additional expenses. For the year ended April 30, 2008, based on the number of days during the reporting period that the Fund had a loan balance outstanding, the average loan balance was \$213,319,672 and the weighted average interest rate was 5.026%. Total interest expense on the loan for the period was \$10,850,241.

5. Distributions subsequent to April 30, 2008

On February 15, 2008, the Board of Directors of the Fund declared a dividend distribution in the amount of \$0.0775 per share payable on May 30, 2008 to shareholders of record on May 23, 2008.

In addition, on May 27, 2008, the Board of Directors of the Fund declared a dividend distribution in the amount of \$0.0950 per share for the following payable dates on June 27, July 25 and August 29, 2008 to shareholders of record on June 20, July 18 and August 22, 2008, respectively.

6. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal years ended April 30, were as follows:

	2008	2007
<i>Distributions paid from:</i>		
Ordinary Income	\$75,674,418	\$68,689,087

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As of April 30, 2008, the components of accumulated earnings on a tax basis were as follows:

Undistributed ordinary income net	\$ 14,502,756
Capital loss carryforward*	(115,740,682)
Other book/tax temporary differences ^(a)	(23,982,823)
Unrealized appreciation/(depreciation) ^(b)	(81,478,267)
Total accumulated earnings / (losses) net	\$ (206,699,016)

* As of April 30, 2008, the Fund had the following net capital loss carryforward remaining:

Year of Expiration	Amount
4/30/2010	\$ (35,792,543)
4/30/2011	(77,131,183)
4/30/2016	(2,816,956)
	\$ (115,740,682)

These amounts will be available to offset any future taxable capital gains.

(a) Other book/tax temporary differences are attributable primarily to the tax deferral of post-October capital losses for tax purposes, book/tax differences in the accrual of income on securities in default and book/tax differences in the timing of the deductibility of various expenses.

(b) The difference between book-basis and tax-basis unrealized appreciation / (depreciation) is attributable primarily to the tax deferral of losses on wash sales and the difference between book and tax amortization methods for premiums on fixed income securities.

7. Recent accounting pronouncements

On September 20, 2006, the Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management has determined that there is no material impact to the Fund's valuation policies as a result of adopting FAS 157. The Fund will implement the disclosure requirements beginning with its July 31, 2008 Form N-Q.

* * *

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In March 2008, FASB 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.

Report of independent registered public accounting firm

**The Board of Directors and Shareholders
Western Asset High Income Fund II Inc.:**

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Western Asset High Income Fund II Inc. as of April 30, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, the statement of cash flows for the year then ended, and the financial highlights for each of the years in the three-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the years in the two-year period ended April 30, 2005 were audited by other independent registered public accountants whose report thereon, dated June 22, 2005, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of April 30, 2008, by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Western Asset High Income Fund II Inc. as of April 30, 2008, and the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, its cash flows for the year then ended, and the financial highlights for each of the years in the three-year period then ended, in conformity with U.S. generally accepted accounting principles.

New York, New York
June 25, 2008

Board approval of management and subadvisory agreements (unaudited)

Background

The Investment Company Act of 1940 (the 1940 Act) requires that the Board of Directors (the Board) of Western Asset High Income Fund II Inc.(the Fund), including a majority of its members that are not considered to be interested persons under the 1940 Act (the Independent Directors) voting separately, approve the continuation of the investment management contract (the Management Agreement) with the Fund's manager, Legg Mason Partners Fund Advisor, LLC (the Manager) and the sub-advisory agreements (the Sub-Advisory Agreements) with the Manager's affiliates, Western Asset Management Company (Western Asset) and Western Asset Management Company Limited (together with Western Asset, the Subadviser), on an annual basis. At a meeting (the Contract Renewal Meeting) held in-person on November 13 and 14, 2007, the Board, including the Independent Directors, considered and approved continuation of each of the Management Agreement and Sub-Advisory Agreements for an additional one-year term. To assist in its consideration of the renewals of the Management Agreement and Sub-Advisory Agreements, the Board received and considered a variety of information about the Manager and Subadviser, as well as the management and sub-advisory arrangements for the Fund and other funds overseen by the Board (the Contract Renewal Information), certain portions of which are discussed below. A presentation made by the Manager and Western Asset to the Board at the Contract Renewal Meeting in connection with its evaluations of the Management Agreement and Sub-Advisory Agreements encompassed the Fund and all the funds for which the Board has responsibility. In addition to the Contract Renewal Information, including information presented by management at the Contract Renewal Meeting, the Board received performance and other information throughout the year related to the respective services rendered by the Manager and the Subadviser to the Fund. The Board's evaluation took into account the information received throughout the year and also reflected the knowledge and familiarity gained as Board members of the Fund and other funds in the same complex with respect to the services provided to the Fund by each of the Manager and Subadviser.

The discussion below covers both advisory and administrative functions being rendered by the Manager, each such function being encompassed by the Management Agreement, and the investment advisory function being rendered by the Subadviser.

Board approval of management agreement and sub-advisory agreements

In its deliberations regarding renewal of the Management Agreement and Sub-Advisory Agreements, the Fund's Board, including the Independent Directors, considered the factors below.

Board approval of management and subadvisory agreements (unaudited) *continued*

Nature, extent and quality of the services under the management agreement and sub-advisory agreements

The Board received and considered Contract Renewal Information regarding the nature, extent and quality of services provided to the Fund by the Manager and the Subadviser under the Management Agreement and the Sub-Advisory Agreements, respectively, during the past year. The Board also reviewed Contract Renewal Information regarding the Fund's compliance policies and procedures established pursuant to Rule 38a-1 under the 1940 Act.

The Board reviewed the qualifications, backgrounds and responsibilities of the Fund's senior personnel and the portfolio management team primarily responsible for the day-to-day portfolio management of the Fund. The Board also considered, based on its knowledge of the Manager and its affiliates, the Contract Renewal Information and the Board's discussions with the Manager and Western Asset at the Contract Renewal Meeting, the financial resources available to the parent organization of the Manager and Subadviser, Legg Mason, Inc. (*Legg Mason*).

The Board considered the responsibilities of the Manager and the Subadviser under the Management Agreement and the Sub-Advisory Agreements, respectively, including the Manager's coordination and oversight of services provided to the Fund by the Subadviser and others. The Board also considered the brokerage policies and practices of the Manager and Subadviser, the standards applied in seeking best execution, the policies and practices of the Manager and Subadviser regarding soft dollars, the use of a broker affiliated with the Manager or the Subadviser, and the existence of quality controls applicable to brokerage allocation procedures. In addition, the Manager also reported generally to the Board on, among other things, its business plans, recent organizational changes, including Legg Mason's plans to address the pending retirement of its Chief Executive Officer, and the compensation plan for the Fund's portfolio managers.

The Board concluded that, overall, the nature, extent and quality of services provided (and expected to be provided) to the Fund under the Management Agreement and the Sub-Advisory Agreements have been satisfactory under the circumstances.

Fund performance

The Board received and considered performance information and analyses (the *Lipper Performance Information*) for the Fund, as well as for a group of funds (the *Performance Universe*) selected by Lipper, Inc. (*Lipper*), an independent provider of investment company data. The Board was provided with a description of the methodology Lipper used to determine the similarity of the Fund with the funds included in the *Performance Universe*. The *Performance Universe* consisted of the Fund and all debt-leveraged closed-end high current yield funds, as classified by Lipper, regardless of asset size or primary

distribution channel. The Board noted that it had received and discussed with the Manager and Western Asset information throughout the year at periodic intervals comparing the Fund's performance against its benchmark(s) and, at the Board's request, its peer funds as selected by Lipper.

The Lipper Performance Information comparing the Fund's performance to that of the Performance Universe based on net asset value per share showed, among other things, that the Fund's performance for the 1-year period ended June 30, 2007 ranked in the third quintile of the Performance Universe and that the Fund's performance for the 3- and 5-year periods ended June 30, 2007 in each case ranked in the first quintile for the period. The Board also considered the Fund's performance in relation to its benchmark(s) and in absolute terms.

Based on its review, which included consideration of all of the factors noted above, the Board concluded that, under the circumstances, the Fund's performance supported continuation of the Management Agreement and Sub-advisory Agreements for an additional period not to exceed one year.

Management fees and expense ratios

The Board reviewed and considered the management fee (the Management Fee) payable by the Fund to the Manager in light of the nature, extent and quality of the management and sub-advisory services provided by the Manager and the Subadviser. The Board noted that the compensation paid to the Subadviser is paid by the Manager, not the Fund, and, accordingly, that the retention of the Subadviser does not increase the fees or expenses otherwise incurred by the Fund's shareholders.

Additionally, the Board received and considered information and analyses prepared by Lipper (the Lipper Expense Information) comparing the Management Fee and the Fund's overall expenses with those of funds in an expense group (the Expense Group) selected and provided by Lipper for the 1-year period ended June 30, 2007. The Expense Group consisted of the Fund and six other debt-leveraged closed-end high current yield funds, as classified by Lipper. The seven Expense Group funds had assets ranging from \$186.2 million to the Fund's \$924.3 million.

The Lipper Expense Information comparing the Management Fee as well as the Fund's actual total expenses to the Fund's Expense Group showed that, on the basis of common assets only, the Fund's contractual Management Fee ranked fifth among the seven funds in the Expense Group; the Fund's actual Management Fee (i.e., giving effect to any voluntary fee waivers implemented by the Manager and managers of the other funds in the Expense Group) ranked second among the funds in the Expense Group; and the Fund's actual total expenses ranked first among the funds in the Expense Group. The Lipper Expense Information showed that, on the basis of both common and leveraged assets, the Fund's contractual Management Fee ranked fifth among the seven funds in the Expense Group; the Fund's actual Management Fee ranked fifth

Board approval of management and subadvisory agreements (unaudited) *continued*

among the funds in the Expense Group; and the Fund's actual total expenses ranked first among the funds in the Expense Group.

The Board also reviewed Contract Renewal Information regarding fees charged by the Manager to other U.S. clients investing primarily in an asset class similar to that of the Fund, including, where applicable, separate accounts. The Board was advised that the fees paid by such other clients generally are lower, and may be significantly lower, than the Management Fee. The Contract Renewal Information discussed the significant differences in scope of services provided to the Fund and to these other clients, noting that the Fund is provided with administrative services, office facilities, Fund officers (including the Fund's chief executive, chief financial and chief compliance officers), and that the Manager coordinates and oversees the provision of services to the Fund by other fund service providers. The Board considered the fee comparisons in light of the differences required to manage these different types of accounts. The Contract Renewal Information included an analysis of complex-wide management fees provided by the Manager, which, among other things, set out a proposed framework of fees based on asset classes.

Taking all of the above into consideration, the Board determined that the Management Fee and the sub-advisory fee were reasonable in light of the nature, extent and quality of the services provided to the Fund under the Management Agreement and the Sub-Advisory Agreements.

Manager profitability

The Board, as part of the Contract Renewal Information, received an analysis of the profitability to the Manager and its affiliates in providing services to the Fund. The Board also received profitability information with respect to the Legg Mason fund complex as a whole. In addition, the Board received Contract Renewal Information with respect to the Manager's revenue and cost allocation methodologies used in preparing such profitability data, together with a report from an outside consultant that had reviewed the Manager's methodologies. The profitability to the Subadviser was not considered to be a material factor in the Board's considerations since the Subadviser's fee is paid by the Manager, not the Fund. The profitability analysis presented to the Board as part of the Contract Renewal Information indicated that profitability to the Manager in providing services to the fund had decreased slightly over the period covered by the analysis. However, the Board noted that the Manager had implemented a new revenue and cost allocation methodology in 2007 which was used in preparing the profitability analysis presented at the Contract Renewal Meeting and that the methodology was subject to further review and refinement. The Board did not consider profitability to the Manager in providing services to the Fund to be such as to support a determination against continuation of the Management Agreement and Sub-Advisory Agreements in light of the nature, scope and quality of such services, but determined that continued monitoring of profitability would be merited at its current level.

Economies of scale

The Board received and discussed Contract Renewal Information concerning whether the Manager realizes economies of scale if the Fund's assets grow. The Board noted that because the Fund is a closed-end Fund with no current plans to seek additional assets beyond maintaining its dividend reinvestment plan, any significant growth in its assets generally will occur through appreciation in the value of the Fund's investment portfolio, rather than sales of additional shares in the Fund. The Board determined that the Management Fee structure was appropriate under present circumstances.

Other benefits to the manager and the subadviser

The Board considered other benefits received by the Manager, the Subadviser and its affiliates as a result of their relationship with the Fund, including the opportunity to obtain research services from brokers who effect Fund portfolio transactions.

* * * * *

In light of all of the foregoing, the Board determined that, under the circumstances, continuation of the Management Agreement and Sub-Advisory Agreements would be consistent with the interests of the Fund and its shareholders and unanimously voted to continue each Agreement for a period of one additional year.

No single factor reviewed by the Board was identified by the Board as the principal factor in determining whether to approve continuation of the Management Agreement and Sub-Advisory Agreements, and each Board member attributed different weights to the various factors. The Independent Directors were advised by separate independent legal counsel throughout the process. Prior to the Contract Renewal Meeting, the Board received a memorandum discussing its responsibilities in connection with the proposed continuation of the Management Agreement and Sub-Advisory Agreements from Fund counsel and the Independent Directors separately received a memorandum discussing such responsibilities from their independent counsel. Prior to voting, the Independent Directors also discussed the proposed continuation of the Management Agreement and the Sub-Advisory Agreements in private sessions with their independent legal counsel at which no representatives of the Manager were present.

Additional information (unaudited)

Information about Directors and Officers

The business and affairs of Western Asset High Income Fund II Inc. (Fund) are managed under the direction of the Board of Directors. Information pertaining to the Directors and Officers of the Fund is set forth below.

NON-INTERESTED DIRECTORS:

CAROL L. COLMAN
c/o Chairman of the Fund, 620 Eighth Avenue New York, NY 10018

Birth year	1946
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class III
Term of office1 and length of time served	Since 2002
Principal occupation(s) during past 5 years	President, Colman Consulting Co.
Number of portfolios in fund complex overseen by director (including the Fund)	25
Other board memberships held by Director	None

DANIEL P. CRONIN
c/o Chairman of the Fund, 620 Eighth Avenue New York, NY 10018

Birth year	1946
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class I
Term of office1 and length of time served	Since 1998
Principal occupation(s) during past 5 years	Formerly Associate General Counsel, Pfizer Inc.
Number of portfolios in fund complex overseen by director (including the Fund)	25
Other board memberships held by Director	None

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PAOLO M. CUCCHI

Drew University 108 Brothers College Madison, NJ 07940

Birth year	1941
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class II
Term of office1 and length of time served	Since 2007
Principal occupation(s) during past 5 years	Vice President and Dean of College of Liberal Arts at Drew University
Number of portfolios in fund complex overseen by director (including the Fund)	25
Other board memberships held by Director	None

LESLIE H. GELB

c/o Chairman of the Fund, 620 Eighth Avenue New York, NY 10018

Birth year	1937
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class II
Term of office1 and length of time served	Since 1998
Principal occupation(s) during past 5 years	President, Emeritus and Senior Board Fellow, The Council on Foreign Relations; Formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, The New York Times
Number of portfolios in fund complex overseen by director (including the Fund)	25
Other board memberships held by Director	Director of two registered investment companies advised by Blackstone Asia Advisors LLC (Blackstone Advisors)

WILLIAM R. HUTCHINSON

535 N. Michigan Avenue Suite 1012 Chicago, IL 60611

Birth year	1942
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class III
Term of office1 and length of time served	Since 2003
Principal occupation(s) during past 5 years	President, W.R. Hutchinson & Associates Inc.; Formerly Group Vice President, Mergers and Acquisitions, BP Amoco p.l.c.
Number of portfolios in fund complex overseen by director (including the Fund)	25
Other board memberships held by Director	Director of Associated Banc-Corp.

Additional information (unaudited) continued

Information about Directors and Officers

RIORDAN ROETT

The Johns Hopkins University 1740 Massachusetts Ave., NW Washington, DC 20036

Birth year	1938
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class II
Term of office1 and length of time served	Since 1998
Principal occupation(s) during past 5 years	Professor and Director, Latin America Studies Program, Paul H. Nitze School of Avanced International Studies, The Johns Hopkins University
Number of portfolios in fund complex overseen by director (including the Fund)	24
Other board memberships held by Director	None

JESWALD W. SALACUSE

c/o Chairman of the Fund, 620 Eighth Avenue New York, NY 10018

Birth year	1938
Position(s) held with Fund1	Director and Member of the Nominating and Audit Committees, Class I
Term of office1 and length of time served	Since 1998
Principal occupation(s) during past 5 years	Henry J. Braker Professor of Commercial Law and formerly Dean, The Fletcher School of Law and Diplomacy, Tufts University
Number of portfolios in fund complex overseen by director (including the Fund)	23
Other board memberships held by Director	Director of two registered investment companies advised by Blackstone Advisors

52 Western Asset High Income Fund II Inc.

INTERESTED DIRECTORS:

R. JAY GERKEN, CFA³
 Legg Mason & Co., LLC (Legg Mason) 620 Eighth Avenue, New York, NY 10018

Birth year	1951
Position(s) held with Fund1	Director, Chairman, President and Chief Executive Officer, Class III
Term of office1 and length of time served	Since 2002
Principal occupation(s) during past 5 years	Managing Director, Legg Mason; Chairman of the Board and Trustee/Director of 153 funds associated with Legg Mason Partners Fund Advisor, LLC. (LMPFA) and its affiliates; President of LMPFA (since 2006); Chairman, President and Chief Executive Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates; formerly, Chairman, Smith Barney Fund Management LLC (SBFM) and Citi Fund Management, Inc. (CFM) (2002 to 2005); formerly, Chairman, President and Chief Executive Officer, Travelers Investment Advisers Inc. (2002 to 2005)
Number of portfolios in fund complex overseen by director (including the Fund)	138
Other board memberships held by Director	None

OFFICERS:

KAPREL OZSOLAK
 Legg Mason 55 Water Street New York, NY 10041

Birth year	1965
Position(s) held with Fund1	Chief Financial Officer and Treasurer
Term of office1 and length of time served	Since 2004
Principal occupation(s) during past 5 years	Director of Legg Mason; Chief Financial Officer and Treasurer of certain mutual funds associated with Legg Mason; Formerly, Controller of certain mutual funds associated with certain predecessor firms of Legg Mason (from 2002 to 2004)
Number of portfolios in fund complex overseen by director (including the Fund)	N/A
Other board memberships held by Director	N/A

Additional information (unaudited) continued

Information about Directors and Officers

TED P. BECKER
Legg Mason 620 Eighth Avenue, New York, NY 10018

Birth year	1951
Position(s) held with Fund1	Chief Compliance Officer
Term of office1 and length of time served	Since 2006
Principal occupation(s) during past 5 years	Director of Global Compliance at Legg Mason (since 2006); Chief Compliance Officer of LMPFA (since 2006); Managing Director of Compliance at Legg Mason, (since 2005); Chief Compliance Officer with certain mutual funds associated with Legg Mason, LMPFA and certain affiliates (since 2006); formerly Managing Director of Compliance at CAM or its predecessors (from 2002 to 2005).
Number of portfolios in fund complex overseen by director (including the Fund)	N/A
Other board memberships held by Director	N/A

ROBERT I. FRENKEL
Legg Mason 300 First Stamford Place Stamford, CT 06902