

HIGH YIELD INCOME FUND INC  
Form N-CSRS  
May 01, 2009

**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 811-05296

**The High Yield Income Fund, Inc.**

Exact name of registrant as specified in charter:

Gateway Center 3,  
100 Mulberry Street,  
Newark, New Jersey 07102

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Address of principal executive offices:

Deborah A. Docs  
Gateway Center 3,  
100 Mulberry Street,  
Newark, New Jersey 07102

Name and address of agent for service:

Registrant's telephone number, including area code: 973-367-7521

Date of fiscal year end: 8/31/2009

Date of reporting period: 2/28/2009

Item 1 Reports to Stockholders

FEBRUARY 28, 2009

SEMIANNUAL REPORT

## The High Yield Income Fund, Inc.

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of fund shares.

The accompanying financial statements as of February 28, 2009, were not audited and, accordingly, no auditor's opinion is expressed on them.

The views expressed in this report and information about the Fund's holdings are for the period covered by this report and are subject to change thereafter.

## Your Fund's Performance

### Fund objectives

The primary investment objective of **The High Yield Income Fund, Inc.** is to maximize current income to shareholders. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The Fund will seek to achieve its objectives by investing primarily in corporate bonds rated below investment grade by independent rating agencies. Bonds rated below investment grade are commonly known as "junk" bonds and are subject to greater risk of default and higher volatility than investment grade bonds. Furthermore, these bonds tend to be less liquid than higher-quality bonds. The Fund is diversified, and we carefully research companies to find those with attractive yields and improving credit quality. There can be no assurance that the Fund will achieve its investment objectives.

**Subject to shareholder approval, all of the assets of the Fund will be acquired by the Dryden High Yield Fund, Inc. (the Dryden Fund) and the Dryden Fund will assume all of the liabilities of the Fund on or about June 22, 2009.**

#### Performance as of 2/28/09

	Total Return Six Months	NAV 2/28/09	Market Price 2/28/09
The High Yield Income Fund <sup>1</sup>	21.98%	\$ 3.51	\$ 3.22
Barclays Capital U.S. Corporate High Yield 1% Issuer Capped Index <sup>2</sup>	21.79	N/A	N/A
Prior Index <sup>3</sup>	21.50	N/A	N/A
Lipper Closed-End High Current Yield Funds (Leveraged) Avg. <sup>4</sup>	34.87	N/A	N/A

**Past performance does not guarantee future results and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. There are no sales charges.**

<sup>1</sup>Source: Prudential Investments LLC. Total return of the Fund represents the change in net asset value from the beginning of the period (9/1/08) through the end (2/28/09) and assumes the reinvestment of dividends and distributions. Shares of the Fund are traded on the New York Stock Exchange, Inc. using the symbol HYI. Past performance is not indicative of future results.

<sup>2</sup>Source: Barclays Capital. The Barclays Capital U.S. Corporate High Yield 1% Issuer Capped Index (1% Issuer Capped Index) covers the universe of U.S. dollar denominated, non-convertible, fixed rate, noninvestment grade debt. Issuers are capped at 1% of the Index. Index holdings must have at least one year to final maturity, at least \$150 million par amount outstanding, and be publicly issued with a rating of Ba1 or lower. Index returns do not include the effect of any sales charges, mutual fund operating expenses or taxes.

<sup>3</sup>Source: Barclays Capital. The Barclays Capital U.S. Corporate High Yield 2% Issuer Capped Index (the Prior Index) is an unmanaged index of fixed-rate, noninvestment grade debt securities with at least one year remaining to maturity. However, the representation of any single bond issuer is restricted to a maximum of 2% of the total index.

<sup>4</sup>Source: Lipper Inc. These are the average returns of 31 funds in the Closed-End High Current Yield Funds (Leveraged) category for six months.

## Your Fund's Performance (continued)

Investors cannot invest directly in an index.

**Yield and Dividend** as of 2/28/09  
**Total Monthly Dividends**  
**Paid per Share**  
**Six Months**  
\$0.3000

**Yield at Market Price<sup>5</sup>**  
9.32%

<sup>5</sup>Yield at market price is determined by dividing total monthly dividends paid per share during the six months ended February 28, 2009 by the market price per share as of February 28, 2009.

## Portfolio of Investments

as of February 28, 2009 (Unaudited)

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>LONG-TERM INVESTMENTS 127.3%</b>					
<b>BANK LOANS(e)(g) 15.0%</b>					
<b>Automotive 0.6%</b>					
Ford Motor Co., Bank Loan	B2	5.00%	12/15/13	\$ 750	\$ 239,687
<b>Cable 4.2%</b>					
CSC Holdings, Bank Loan	Ba1	1.489	2/24/12	1,870	1,705,558
<b>Chemicals 1.6%</b>					
ISP Chemco, Inc., Bank Loan	Ba3	2.379	6/04/14	798	667,639
<b>Electric 1.5%</b>					
Texas Competitive Electric Holdings Co. LLC, Bank Loan, Term B1	Ba3	3.951	10/10/14	223	139,202
Bank Loan, Term B3	Ba3	3.951	10/10/14	742	463,123
					602,325
<b>Gaming 1.5%</b>					
Harrahs Operating Co., Inc., Bank Loan	B1	4.163	1/28/15	497	286,836
Isle of Capri Casinos, Inc., Bank Loan, Delay A	B1	3.209	10/25/10	100	65,161
Bank Loan, Delay B	B1	3.209	10/25/10	114	74,094
Bank Loan, Initial	B1	3.209	10/24/11	285	185,235
					611,326
<b>Health Care &amp; Pharmaceutical 3.4%</b>					
HCA, Inc., Bank Loan	Ba3	2.959	11/17/12	1,183	1,029,350
Royalty Pharma Financial Trust, Bank Loan	Baa3	1.234	5/15/15	400	368,000
					1,397,350
<b>Paper 1.4%</b>					
Georgia-Pacific LLC, Bank Loan	Ba2	3.481	12/20/12	664	572,854
<b>Technology 0.8%</b>					
Sensata Technologies, Bank Loan	B3	2.934	4/27/13	742	331,290
Total bank loans (cost \$6,939,529)					6,128,029

See Notes to Financial Statements.

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## Portfolio of Investments

as of February 28, 2009 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>CORPORATE BONDS 112.3%</b>					
<b>Aerospace/Defense 5.1%</b>					
BE Aerospace, Inc., Sr. Unsec d Notes	Ba3	8.50%	7/01/18	\$ 300	\$ 239,250
Esterline Technologies Corp., Gtd. Notes	B1	7.75	6/15/13	300	281,250
Gtd. Notes	Ba2	6.625	3/01/17	175	157,500
L-3 Communications Corp., Gtd. Notes	Ba3	6.125	7/15/13	125	120,000
Gtd. Notes	Ba3	7.625	6/15/12	500	502,500
Gtd. Notes, Ser. B	Ba3	6.375	10/15/15	200	189,000
Moog, Inc., Sr. Sub. Notes	Ba3	6.25	1/15/15	300	271,500
Sr. Sub. Notes, 144A	Ba3	7.25	6/15/18	200	180,000
TransDigm, Inc., Gtd. Notes	B3	7.75	7/15/14	150	138,000
					2,079,000
<b>Airlines 0.2%</b>					
AMR Corp., M.T.N., Sr. Unsec d. Notes, Ser. B	CCC+(d)	10.40	3/10/11	100	58,000
Continental Airlines, Inc., Pass-Thru Certs., Ser. 1998-1, Class B (Sinkable, expected maturity 3/15/17)	Ba2	6.748	3/15/17	55	41,569
					99,569
<b>Automotive 1.6%</b>					
Ford Motor Credit Co., Sr. Unsec d. Notes	Caa1	7.25	10/25/11	490	265,613
Sr. Unsec d. Notes	Caa1	7.875	6/15/10	290	193,264
Sr. Unsec d. Notes	Caa1	9.875	8/10/11	100	58,129
Lear Corp., Gtd. Notes, Ser. B	Caa2	8.75	12/01/16	125	21,250
TRW Automotive, Inc., Gtd. Notes, 144A	B2	7.25	3/15/17	450	126,000
Visteon Corp., Sr. Unsec d. Notes	Caa3	7.00	3/10/14	135	5,400
					669,656
<b>Banking 0.1%</b>					
Kazkommerts International BV (Netherlands), Gtd. Notes, 144A	Ba3	8.50	4/16/13	205(c)	36,900

See Notes to Financial Statements.



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	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Building Materials &amp; Construction 1.4%</b>					
Beazer Homes USA, Inc., Gtd. Notes	B3	8.625%	5/15/11	\$ 110	\$ 47,300
D.R. Horton, Inc., Gtd. Notes	Ba3	6.50	4/15/16	100	78,000
Gtd. Notes	Ba3	7.875	8/15/11	100	92,000
KB Home, Gtd. Notes	Ba3	6.375	8/15/11	125	109,375
Owens Corning, Inc., Gtd. Notes	Ba1	6.50	12/01/16	125	91,856
Toll Corp., Gtd. Notes	Ba2	8.25	2/01/11	175	172,375
					590,906
<b>Cable 6.1%</b>					
Charter Communications Holdings I LLC,					
Gtd. Notes	C	10.00	5/15/14	99	990
Gtd. Notes	C	11.125	1/15/14	198	1,980
Gtd. Notes, 144A	Caa2	10.25	10/01/13	300	232,500
CSC Holdings, Inc., Sr. Unsec d. Notes					
	B1	7.875	2/15/18	50	45,000
DirectTV Holdings LLC					
Gtd. Notes	Ba3	7.625	5/15/16	50	48,000
Gtd. Notes	Ba3	8.375	3/15/13	175	176,750
EchoStar DBS Corp.,					
Gtd. Notes	Ba3	7.00	10/01/13	75	69,938
Gtd. Notes	Ba3	7.125	2/01/16	255	230,137
Mediacom Broadband LLC, Sr. Unsec d. Notes					
	B3	8.50	10/15/15	125	105,938
Shaw Communications, Inc. (Canada), Sr. Unsec d. Notes					
	Ba1	8.25	4/11/10	450(c)	450,000
Sr. Unsec d. Notes	Ba1	7.20	12/15/11	300(c)	289,875
Videotron Ltee, (Canada),					
Gtd. Notes	Ba2	6.375	12/15/15	100(c)	90,000
Gtd. Notes	Ba2	6.875	1/15/14	108(c)	100,980
Gtd. Notes, 144A	Ba2	9.125	4/15/18	375(c)	378,750
Virgin Media Finance PLC (United Kingdom),					
Gtd. Notes	B2	9.125	8/15/16	300(c)	263,625
					2,484,463
<b>Capital Goods 16.9%</b>					
Actuant Corp., Gtd. Notes	Ba2	6.875	6/15/17	125	110,625
ALH Finance LLC, Gtd. Notes	B3	8.50	1/15/13	250	205,000

See Notes to Financial Statements.

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## Portfolio of Investments

as of February 28, 2009 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Capital Goods (cont d)</b>					
Allied Waste North America, Inc.,					
Sr. Sec d. Notes	Baa3	6.125%	2/15/14	\$ 150	\$ 142,500
Sr. Sec d. Notes	Baa3	6.375	4/15/11	250	245,625
Sr. Sec d. Notes	Baa3	6.50	11/15/10	500	497,500
Sr. Sec d. Notes	Baa3	7.25	3/15/15	95	92,625
Sr. Sec d. Notes, Ser. B	Baa3	5.75	2/15/11	450	438,750
Ashtead Capital, Inc., Sec d. Notes, 144A	B1	9.00	8/15/16	475	275,500
Ashtead Holdings PLC (United Kingdom), Sec d. Notes, 144A	B1	8.625	8/01/15	150(c)	90,000
Baldor Electric Co., Gtd. Notes	B3	8.625	2/15/17	280	221,900
Blount, Inc., Gtd. Notes	B2	8.875	8/01/12	360	361,800
Columbus McKinnon Corp., Gtd. Notes	B1	8.875	11/01/13	450	410,625
Hertz Corp., Gtd. Notes	B1	8.875	1/01/14	670	328,300
Interline Brands, Inc., Gtd. Notes	B3	8.125	6/15/14	200	170,000
JohnsonDiversey Holdings, Inc., Discount Notes	Caa1	10.67	5/15/13	310	229,400
Gtd. Notes, Ser. B	B2	9.625	5/15/12	75	62,625
Mobile Mini, Inc., Gtd. Notes	B2	6.875	5/01/15	135	99,900
RBS Global, Inc. & Rexnord Corp., Gtd. Notes	B3	9.50	8/01/14	270	228,150
Rental Service Corp., Gtd. Notes	Caa1	9.50	12/01/14	370	197,950
SPX Corp., Sr. Unsec d. Notes, 144A	Ba2	7.625	12/15/14	675	626,062
Stena AB (Sweden), Sr. Unsec d. Notes	Ba2	7.00	12/01/16	229(c)	162,590
Sr. Unsec d. Notes	Ba2	7.50	11/01/13	275(c)	206,250
Terex Corp., Gtd. Notes	Ba1	7.375	1/15/14	275	233,750
Sr. Sub. Notes	Ba3	8.00	11/15/17	275	221,375
Ucar Finance, Inc., Gtd. Notes	Ba3	10.25	2/15/12	52	46,800
United Rentals North America, Inc., Gtd. Notes	B2	6.50	2/15/12	350	274,750
Valmont Industries, Inc., Gtd. Notes	Ba2	6.875	5/01/14	650	560,624
Waste Management, Inc., Gtd. Notes	Baa3	6.375	3/11/15	175	173,311
					6,914,287

See Notes to Financial Statements.

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	Moody s Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Chemicals 3.6%</b>					
Huntsman LLC, Sec d. Notes	Ba1	11.625%	10/15/10	\$ 261	\$ 258,390
Koppers, Inc., Sr. Sec d. Notes	Ba3	9.875	10/15/13	355	331,925
Momentive Performance Materials, Inc, Gtd. Notes	B3	9.75	12/01/14	200	76,000
Mosaic Co. (The), Sr. Unsec d. Notes, 144A	Baa3	7.375	12/01/14	125	121,563
Sr. Unsec d. Notes, 144A	Baa3	7.625	12/01/16	125	120,000
Nalco Co., Gtd. Notes	B1	7.75	11/15/11	575	569,250
					1,477,128
<b>Consumer 2.7%</b>					
Mac-Gray Corp., Gtd. Notes	B3	7.625	8/15/15	150	137,250
Realogy Corp., Gtd. Notes	Ca	10.50	4/15/14	1,050	220,500
Gtd. Notes, PIK	Ca	11.00	4/15/14	50	5,493
Service Corp. International, Sr. Unsec d. Notes	B1	6.75	4/01/16	50	45,500
Sr. Unsec d. Notes	B1	7.375	10/01/14	450	429,750
Stewart Enterprises, Inc., Gtd. Notes	Ba3	6.25	2/15/13	200	175,000
Ticketmaster, Gtd. Notes, 144A	Ba3	10.75	8/01/16	125	90,000
					1,103,493
<b>Electric 10.2%</b>					
AES Corp., Sr. Sec d. Notes, 144A	Ba3	8.75	5/15/13	47	45,590
Sr. Unsec d. Notes	B1	7.75	3/01/14	150	134,625
Sr. Unsec d Notes	B1	7.75	10/15/15	125	110,000
Sr. Unsec d Notes	B1	8.00	10/15/17	500	425,000
AES Eastern Energy LP, Pass-Through Cert., Ser. 1999-A	Ba1	9.00	1/02/17	180	167,831
Aquila, Inc., Sr. Unsec d. Notes	Baa2	7.95	2/01/11	225	220,423
Dynegy Holdings, Inc., Sr. Unsec d. Notes	B2	8.375	5/01/16	50	31,750
Dynegy Roseton/Danskammer, Pass-Through Trust, Ser. B	Ba3	7.67	11/08/16	550	412,500
Energy Future Holdings Corp., Gtd. Notes, PIK	B3	11.25	11/01/17	200	88,000
Mirant Corp., 144A	NR	7.40	7/15/49	75(a)(e)	75

See Notes to Financial Statements.

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## Portfolio of Investments

as of February 28, 2009 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Electric (continued)</b>					
Mirant Mid Atlantic LLC, Pass-Through Cert., Ser. A,	Ba1	8.625%	6/30/12	\$ 42	\$ 41,783
Ser. B,	Ba1	9.125	6/30/17	335	328,739
Mirant North America LLC, Gtd. Notes	B1	7.375	12/31/13	100	91,500
NRG Energy, Inc., Gtd. Notes	B1	7.25	2/01/14	400	377,000
Gtd. Notes	B1	7.375	2/01/16	280	258,300
Orion Power Holdings, Inc., Sr. Unsec d. Notes	Ba3	12.00	5/01/10	695	713,243
PSEG Energy Holdings, Inc., Sr. Unsec d. Notes	Ba3	8.50	6/15/11	275	272,778
Sithe Independence Funding Corp., Ser. A, Sr. Sec d. Notes	Ba2	9.00	12/30/13	169	156,616
Tenaska Alabama Partners LP, Sr. Sec d. Notes, 144A (original cost \$126,213; purchased 5/02/08 - 7/01/08)	Ba2	7.00	6/30/21	133(e)(f)	100,652
Texas Competitive Electric Holdings Co. LLC, Ser. B, Gtd. Notes	B3	10.25	11/01/15	325	164,125
					4,140,530
<b>Energy - Other 6.9%</b>					
Compagnie Generale de Geophysique-Veritas (France), Gtd. Notes	Ba3	7.50	5/15/15	110	86,075
Denbury Resources, Inc., Sr. Sub. Notes	B1	9.75	3/01/16	150	141,000
Forest Oil Corp., Sr. Notes, 144A	B1	8.50	2/15/14	175	159,250
McMoRan Exploration Co., Gtd. Notes	Caa1	11.875	11/15/14	275	200,063
Newfield Exploration Co., Sr. Sub. Notes	Ba3	6.625	4/15/16	350	304,500
OPTI Canada, Inc., (Canada), Sec d. Notes	B3	7.875	12/15/14	400(c)	132,000
Sec d. Notes	B3	8.25	12/15/14	75(c)	25,500
PetroHawk Energy Corp., Gtd. Notes	B3	9.125	7/15/13	150	141,750
Gtd. Notes, 144A	B3	7.875	6/01/15	150	129,000

See Notes to Financial Statements.

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	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Energy - Other (continued)</b>					
Petroplus Finance Ltd. (Bermuda),					
Gtd. Notes, 144A	B1	6.75%	5/01/14	\$ 325(c)	\$ 251,875
Gtd. Notes, 144A	B1	7.00	5/01/17	225(c)	166,500
Pioneer Natural Resource Co.,					
Gtd. Notes	Ba1	5.875	7/15/16	50	38,137
Sr. Unsecured Notes	Ba1	6.65	3/15/17	415	325,101
Sr. Unsecured Notes	Ba1	6.875	5/01/18	125	96,926
Plains Exploration & Production Co.,					
Gtd. Notes	B1	7.00	3/15/17	185	157,713
Gtd. Notes	B1	7.625	6/01/18	25	21,750
Gtd. Notes	B1	7.75	6/15/15	50	45,750
Sandridge Energy, Inc.,					
Gtd. Notes, 144A	B3	8.00	6/01/18	400	312,000
Swift Energy Co., Gtd. Notes	B1	7.125	6/01/17	130	84,500
					2,819,390
<b>Foods 3.7%</b>					
Albertsons, Inc.,					
Debentures, Sr. Unsecured Notes	Ba3	8.70	5/01/30	70	60,200
Sr. Unsecured Notes	Ba3	8.35	5/01/10	175	173,250
Aramark Corp.,					
Gtd. Notes	B3	4.67(g)	2/01/15	200	157,000
Gtd. Notes	B3	8.50	2/01/15	150	136,500
Carrols Corp., Gtd. Notes	B3	9.00	1/15/13	175	147,875
Del Monte Corp., Gtd. Notes	B2	8.625	12/15/12	100	100,750
Dole Food Co., Inc., Gtd. Notes	Caa2	7.25	6/15/10	150	134,250
National Beef Packing Co. LLC,					
Sr. Unsecured Notes	Caa1	10.50	8/01/11	150	109,500
Stater Brothers Holdings,					
Gtd. Notes	B2	7.75	4/15/15	225	216,000
SUPERVALU, Inc.,					
Sr. Unsecured Notes	Ba3	7.50	5/15/12	100	97,000
Tyson Foods, Inc.,					
Sr. Unsecured Notes, 144A	Ba3	10.50	3/01/14	175	164,938
					1,497,263
<b>Gaming 3.3%</b>					
CCM Merger, Inc., Notes, 144A (original cost \$536,438; purchased 7/14/05 - 2/22/08)					
	Caa3	8.00	8/01/13	550(f)	203,500

See Notes to Financial Statements.

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## Portfolio of Investments

as of February 29, 2009 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Gaming (cont'd)</b>					
Harrah's Operating Co. Inc.,					
Gtd. Notes	Caa2	10.75%	2/01/16	\$ 603	\$ 84,420
Gtd. Notes	Caa3	5.50	7/01/10	150	38,250
Gtd. Notes	Caa3	5.625	6/01/15	117	7,020
Gtd. Notes	Caa3	6.50	6/01/16	17	1,020
Sr. Sec'd Notes, 144A	CCC-(d)	10.00	12/15/18	163	45,640
Mandalay Resort Group, Gtd. Notes	Caa3	9.375	2/15/10	100	48,000
MGM Mirage, Inc.,					
Gtd. Notes	B3	6.875	4/01/16	225	100,125
Sr. Sec'd Notes, 144A	Ba3	13.00	11/15/13	100	72,000
Mohegan Tribal Gaming Authority,					
Sr. Sub. Notes	Caa1	8.00	4/01/12	175	56,000
Sr. Sub. Notes	Caa1	8.375	7/01/11	850	518,500
Park Place Entertainment, Inc.,					
Gtd. Notes	Caa3	8.125	5/15/11	135	22,275
Shingle Springs Tribal Gaming Authority,					
Sr. Notes, 144A (original cost \$150,844; Purchased 6/22/07 - 6/26/07)					
	B3	9.375	6/15/15	150(e)(f)	87,750
Station Casinos, Inc.,					
Sr. Sub. Notes	C	6.50	2/01/14	275	8,250
Sr. Sub. Notes	C	6.625	3/15/18	75	2,250
Sr. Sub. Notes	C	6.875	3/01/16	65	1,950
Sr. Unsec'd Notes	Ca	6.00	4/01/12	100	31,000
					1,327,950
<b>Health Care &amp; Pharmaceutical 12.7%</b>					
Accellent, Inc., Gtd. Notes					
	Caa3	10.50	12/01/13	550	398,750
Alliance Imaging, Inc., Sr. Sub. Notes					
	B3	7.25	12/15/12	150	140,250
Biomet, Inc.,					
Gtd. Notes	Caa1	11.625	10/15/17	480	443,999
Gtd. Notes, PIK	B3	10.375	10/15/17	200	174,500
Bio-Rad Laboratories, Inc., Sr. Sub. Notes					
	Ba3	7.50	8/15/13	125	118,750
Boston Scientific Corp., Sr. Unsec'd Notes					
	Ba2	6.25	11/15/15	250	238,750
Catalent Pharma Solutions, Inc., Gtd. Notes					
	Caa1	9.50	4/15/15	325	110,500

See Notes to Financial Statements.

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	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Health Care &amp; Pharmaceutical (cont'd)</b>					
Columbia/HCA Healthcare Corp., Sr. Unsecured Notes	Caa1	7.50%	11/15/95	\$ 100	\$ 47,631
Sr. Unsecured Notes, M.T.N.	Caa1	8.70	2/10/10	500	493,801
Community Health Systems, Inc., Gtd. Notes	B3	8.875	7/15/15	150	141,938
HCA, Inc., Sr. Sec. d. Notes, 144A	B2	9.875	2/15/17	200	192,000
Omega Healthcare Investors, Inc., Gtd. Notes	Ba3	7.00	4/01/14	150	141,000
Gtd. Notes	Ba3	7.00	1/15/16	320	290,400
Psychiatric Solutions, Inc., Gtd. Notes	B3	7.75	7/15/15	175	153,563
Res-Care, Inc., Gtd. Notes	B1	7.75	10/15/13	325	280,313
Select Medical Corp., Gtd. Notes	B3	7.625	2/01/15	45	27,675
Senior Housing Properties Trust, Sr. Unsecured Notes	Ba1	8.625	1/15/12	618	550,019
Skilled Healthcare Group, Inc., Gtd. Notes	Caa1	11.00	1/15/14	328	321,440
Sun Healthcare Group, Inc., Gtd. Notes	B3	9.125	4/15/15	500	458,749
Surgical Care Affiliates, Inc., Sr. Sub. Notes, 144A (original cost \$191,750; purchased 6/21/07 - 1/4/08)	Caa1	10.00	7/15/17	200(e)(f)	110,000
Vanguard Health Holdings Co. II LLC, Gtd. Notes	Caa1	9.00	10/01/14	75	68,625
Ventas Realty LP, Gtd. Notes	Ba1	9.00	5/01/12	75	74,063
Viant Holdings, Inc., Gtd. Notes, 144A (original cost \$564,957; purchased 6/28/07)	Caa1	10.125	7/15/17	555(e)(f)	194,250
					5,170,966
<b>Lodging 0.9%</b>					
Felcor Lodging LP, Gtd. Notes	B1	9.00	6/01/11	95	51,300
Host Hotels & Restaurant, Gtd. Notes	Ba1	7.125	11/01/13	400	317,000
					368,300
<b>Media &amp; Entertainment 2.5%</b>					
AMC Entertainment, Inc., Gtd. Notes	B2	11.00	2/01/16	50	45,000
Sr. Sub. Notes	B2	8.00	3/01/14	100	80,000

See Notes to Financial Statements.

The High Yield Income Fund, Inc 11

## Portfolio of Investments

as of February 28, 2009 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Media &amp; Entertainment (continued)</b>					
Cinemark, Inc., Sr. Disc. Notes (Zero Coupon until 3/15/09)	B3	12.048%(h)	3/15/14	\$ 90	\$ 82,350
Clear Channel Communications, Inc., Debentures, Sr. Unsecured Notes	Caa1	6.875%	6/15/18	25	2,125
Sr. Unsecured Notes	Caa1	5.50	9/15/14	150	12,750
Sr. Unsecured Notes	Caa1	5.75	1/15/13	250	21,250
CMP Susquehanna Corp., Gtd. Notes	Ca	9.875	5/15/14	50	1,500
Dex Media West LLC, Sr. Unsecured Notes	Caa2	8.00	11/15/13	165	10,725
Sr. Sub. Notes, Ser. B	Caa1	9.875	8/15/13	415	63,288
Intelsat Subsidiary Holding Co. Ltd., (Bermuda), Sr. Unsecured Notes, 144A	B3	8.875	1/15/15	225(c)	212,625
LIN Television Corp., Gtd. Notes	B3	6.50	5/15/13	85	44,200
Medianews Group, Inc., Sr. Sub. Notes	Ca	6.875	10/01/13	125	3,438
Morris Publishing Group LLC, Gtd. Notes	Ca	7.00	8/01/13	65	3,250
Rainbow National Services LLC, Gtd. Notes, 144A	B2	10.375	9/01/14	20	20,475
RH Donnelley Corp., Sr. Unsecured Notes	Caa3	8.875	10/15/17	150	6,750
Sr. Unsecured Notes, Ser. A-3	Caa3	8.875	1/15/16	225	10,125
Sun Media Corp. (Canada), Gtd. Notes	Ba2	7.625	2/15/13	400(c)	239,999
Universal City Florida Holdings Co., Sr. Notes	B3	5.92(g)	5/01/10	250	120,000
Univision Communications, Inc., Gtd. Notes, PIK, 144A	Caa2	9.75	3/15/15	350	26,250
					1,006,100
<b>Metal 5.1%</b>					
Aleris International, Inc., Gtd. Notes, PIK	NR	9.00	12/15/14	150(a)(e)	450
Century Aluminum Co., Gtd. Notes	B3	7.50	8/15/14	80	32,000
FMG Finance Pty. Ltd. (Australia), Sr. Sec d. Notes, 144A	B1	10.625	9/01/16	400(c)	340,000
Foundation Coal Co., Sr. Unsecured Notes	Ba3	7.25	8/01/14	50	45,125

See Notes to Financial Statements.



	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Metal (cont d)</b>					
Freeport-McMoRan Copper & Gold, Inc.,					
Sr. Unsec d. Notes	Ba2	7.084%(g)	4/01/15	\$ 100	\$ 74,750
Sr. Unsec d. Notes	Ba2	8.375	4/01/17	340	293,250
Gerdau AmeriSteel Corp. (Canada),					
Gtd. Notes	Ba1	10.375	7/15/11	200(c)	204,500
Ispat Inland ULC (Canada), Gtd. Notes					
	Baa2	9.75	4/01/14	690(c)	636,525
Metals USA, Inc., Sr. Sec d. Notes					
	B3	11.125	12/01/15	397	226,290
Novelis, Inc. (Canada), Gtd. Notes					
	B3	7.25	2/15/15	115(c)	35,938
U.S. Steel Corp., Sr. Unsec d. Notes					
	Baa3	7.00	2/01/18	225	168,622
					2,057,450
<b>Non Captive Finance 1.2%</b>					
Lender Process Services, Inc., Gtd. Notes					
	Ba2	8.125	7/01/16	475	474,406
<b>Packaging 6.0%</b>					
Ball Corp., Gtd. Notes					
	Ba1	6.625	3/15/18	375	361,875
Berry Plastics Holding Corp.,					
Sec d. Notes	Caa1	5.871(g)	9/15/14	225	104,625
Sr. Sec d. Notes					
	Caa1	8.875	9/15/14	175	104,125
BWAY Corp., Gtd. Notes					
	B3	10.00	10/15/10	150	140,625
Crown Americas LLC,					
Gtd. Notes	B1	7.625	11/15/13	400	402,000
Gtd. Notes					
	B1	7.75	11/15/15	114	114,855
Exopack Holding Corp., Gtd. Notes					
	B3	11.25	2/01/14	225	131,063
Graham Packaging Co., Inc.,					
Gtd. Notes	Caa1	8.50	10/15/12	100	77,500
Gtd. Notes					
	Caa1	9.875	10/15/14	75	47,250
Greif, Inc., Gtd. Notes					
	Ba2	6.75	2/01/17	415	363,125
Owens Brockway Glass					
Container, Inc.,					
Gtd. Notes	Ba3	8.25	5/15/13	450	454,500
Silgan Holdings, Inc., Sr. Sub. Notes					
	B1	6.75	11/15/13	175	161,000
					2,462,543
<b>Paper 2.4%</b>					
Cascades, Inc. (Canada), Gtd. Notes					
	Ba3	7.25	2/15/13	185(c)	105,913

See Notes to Financial Statements.

## Portfolio of Investments

as of February 28, 2009 (Unaudited) continued

	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Paper (cont d)</b>					
Cellu Tissue Holdings, Inc., Sec d. Notes	B2	9.75%	3/15/10	\$ 75(e)	\$ 60,000
Domtar Corp., Gtd. Notes	Ba3	5.375	12/01/13	175	122,500
Gtd. Notes	Ba3	7.875	10/15/11	100	85,250
Georgia-Pacific Corp., Gtd. Notes, 144A (original cost \$275,000; purchased 12/13/06)	Ba3	7.125	1/15/17	275(f)	252,312
Graphic Packaging International Corp., Gtd. Notes	B3	8.50	8/15/11	275	242,000
Norampac, Inc. (Canada), Gtd. Notes	Ba3	6.75	6/01/13	60(c)	23,400
Verso Paper Holdings LLC, Gtd. Notes, Ser. B	B3	11.375	8/01/16	335	70,350
					961,725
<b>Pipelines &amp; Other 3.4%</b>					
AmeriGas Partners LP, Sr. Unsec d. Notes	Ba3	7.125	5/20/16	75	69,750
EL Paso Corp., Sr. Unsec d. Notes	Ba3	8.25	2/15/16	175	162,750
Sr. Unsec d. Notes, MTN	Ba3	8.05	10/15/30	110	86,854
Markwest Energy Partners LP, Gtd. Notes, Ser. B	B2	6.875	11/01/14	50	35,125
Gtd. Notes, Ser. B	B2	8.75	4/15/18	120	85,200
Targa Resources, Inc., Gtd. Notes	B3	8.50	11/01/13	400	252,000
Williams Cos., Inc. (The), Sr. Unsec d. Notes	Baa3	8.125	3/15/12	350	344,750
Williams Partners LP, Sr. Unsec d. Notes	Ba2	7.25	2/01/17	375	326,250
					1,362,679
<b>Retailers 1.1%</b>					
GameStop Corp., Gtd. Notes	Ba1	8.00	10/01/12	140	140,000
Neiman-Marcus Group, Inc., Gtd. Notes, PIK	B3	9.00	10/15/15	205	80,975
Pantry, Inc. (The), Gtd. Notes	Caa1	7.75	2/15/14	50	37,750
Susser Holdings LLC, Gtd. Notes	B3	10.625	12/15/13	204	195,840
					454,565

See Notes to Financial Statements.

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	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Technology 8.3%</b>					
Affiliated Computer Services, Inc., Sr. Unsecured Notes	Ba2	4.70%	6/01/10	\$ 800	\$ 763,999
Avago Technologies Finance Wireless (Singapore), Gtd. Notes	B1	10.125	12/01/13	455(c)	383,338
Gtd. Notes	B3	11.875	12/01/15	125(c)	92,500
Computer Associated International, Inc., Sr. Unsecured Notes, 144A	Ba1	6.125	12/01/14	150	134,438
First Data Corp., Gtd. Notes	B3	9.875	9/24/15	100	55,000
Freescale Semiconductor, Inc., Gtd. Notes, PIK	Caa2	9.125	12/15/14	830	53,950
Iron Mountain, Inc., Gtd. Notes	B2	7.75	1/15/15	250	248,125
Gtd. Notes	B2	8.00	6/15/20	50	47,000
Gtd. Notes	B2	8.625	4/01/13	175	175,000
Nortel Networks Ltd. (Canada), Gtd. Notes	NR	10.125	7/15/13	100(a)(c)	13,500
Open Solutions, Inc., Gtd. Notes, 144A	Caa2	9.75	2/01/15	100	15,750
Seagate Technology HDD Holdings (Cayman Islands), Gtd. Notes	Ba2	6.375	10/01/11	674(c)	454,949
Sensata Technologies BV (Netherlands), Gtd. Notes	Caa3	8.00	5/01/14	200(c)	52,000
Serena Software, Inc., Gtd. Notes	Caa1	10.375	3/15/16	225	133,313
STATS ChipPAC Ltd. (Singapore), Gtd. Notes	Ba1	6.75	11/15/11	100(c)	80,000
Gtd. Notes	Ba1	7.50	7/19/10	150(c)	133,500
SunGuard Data Systems, Inc., Gtd. Notes	B3	4.875	1/15/14	485	386,788
Sr. Unsecured Notes, 144A	Caa1	10.625	5/15/15	200	169,000
					3,392,150
<b>Telecommunications 6.9%</b>					
American Tower Corp., Sr. Unsecured Notes	Ba1	7.125	10/15/12	250	249,375
Centennial Communications Corp., Gtd. Notes	B2	10.125	6/15/13	175	180,906
Cincinnati Bell, Inc., Gtd. Notes	B2	8.375	1/15/14	100	91,500

See Notes to Financial Statements.

The High Yield Income Fund, Inc 15

## Portfolio of Investments

as of February 28, 2009 (Unaudited) continued

	Moody s Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>Telecommunications (cont d)</b>					
Citizens Communications Co.,					
Sr. Unsec d. Notes	Ba2	9.00%	8/15/31	\$ 150	\$ 109,500
Sr. Unsec d. Notes	Ba2	9.25	5/15/11	100	102,000
Fairpoint Communications, Inc.,					
Sr. Unsec d. Notes, 144A	B3	13.125	4/01/18	250	103,750
Hawaiian Telcom Communications, Inc.,					
Gtd Notes, Ser. B	NR	12.50	5/01/15	225(a)(e)	2,250
Level 3 Financing, Inc., Gtd. Notes	Caa1	12.25	3/15/13	425	293,250
Qwest Communications International, Inc.,					
Gtd. Notes, Ser. B	Ba3	7.50	2/15/14	205	173,738
Qwest Corp., Sr. Unsec d. Notes	Ba1	7.50	10/01/14	275	244,406
Sprint Capital Corp.,					
Gtd. Notes	Ba2	6.375	5/01/09	250	249,375
Gtd. Notes	Ba2	7.625	1/30/11	50	43,375
Gtd. Notes	Ba2	8.375	3/15/12	25	20,250
Gtd. Notes	Ba2	8.75	3/15/32	250	150,625
Time Warner Telecom Holdings, Inc.,					
Gtd. Notes	B3	9.25	2/15/14	325	307,938
Windstream Corp., Gtd. Notes	Ba3	8.625	8/01/16	525	504,000
					2,826,238
Total corporate bonds (cost \$59,579,743)					45,777,657
				<b>Shares</b>	
<b>COMMON STOCKS</b>					
<b>Electric</b>					
Mirant Corp. (cost \$1,623)					92 1,125
				<b>Units</b>	
<b>WARRANTS(b)</b>					
Sirius XM Radio, Inc., 144A Expiring 3/15/10					150(e) 0
Viasystems Group, Inc., Expiring 1/10/31					10,871(e) 1
Total warrants (cost \$219,817)					1,126
Total long-term investments (cost \$66,740,712)					51,906,812

See Notes to Financial Statements.



	Moody's Rating	Interest Rate	Maturity Date	Principal Amount (000)	Value (Note 1)
<b>SHORT-TERM INVESTMENTS 8.8%</b>					
<b>U.S. GOVERNMENT AGENCY SECURITIES</b>					
Federal Home Loan Bank, Discount Notes	NR	.12%(h)	3/02/09	\$ 1,603	\$ 1,602,989
Discount Notes	NR	.33(h)	4/07/09	2,000	1,999,294
Total short-term investments (cost \$3,602,275)					3,602,283
<b>Total Investments 136.1%</b>					
<b>(cost \$70,342,987; Note 4)</b>					
Liabilities in excess of other assets (36.1%)					55,509,095 (14,725,884)
<b>Net Assets 100.0%</b>					
					\$ 40,783,211

The ratings reflected are as of February 28, 2009. Ratings of certain bonds may have changed subsequent to that date. The following abbreviations are used in the portfolio descriptions:

M.T.N. Medium Term Note

NR Not rated by Moody's or Standard & Poor's

PIK Payment in Kind

144A Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may not be resold subject to that rule except to qualified institution buyers. Unless otherwise noted, 144A securities are deemed to be liquid.

(a) Represents issuer in default on interest payment; non-income producing security.

(b) Non-income producing security.

(c) US\$ denominated foreign securities.

(d) Standard & Poor's Rating.

(e) Indicates a security that has been deemed illiquid.

(f) Indicates a restricted security; the aggregate original cost of such securities is \$1,845,202. The aggregate value of \$948,464 is approximately 2.3% of net assets.

(g) Indicates a variable rate security. The interest rate shown reflects the rate in effect at February 28, 2009.

(h) Represents zero coupon or step bond. Rate shown reflects the effective yield at February 28, 2009.

See Notes to Financial Statements.

The High Yield Income Fund, Inc 17

## Portfolio of Investments

as of February 28, 2009 (Unaudited) continued

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of February 28, 2009 in valuing the Fund's assets carried at fair value:

Valuation inputs	Investments in Securities	Other Financial Instruments*
Level 1 Quoted Prices	\$ 1,125	\$
Level 2 Other Significant Observable Inputs	55,507,894	
Level 3 Significant Unobservable Inputs	76	
Total	\$ 55,509,095	\$

\* Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as futures, forwards and swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

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

	Investments in Securities
<b>Balance as of 8/31/08</b>	\$ 76
Realized gain (loss)	
Change in unrealized appreciation (depreciation)	
Net purchases (sales)	
Transfers in and/or out of Level 3	
<b>Balance as of 2/28/09</b>	\$ 76

See Notes to Financial Statements.



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The industry classification of portfolio holdings and liabilities in excess of other assets shown as a percentage of net assets as of February 28, 2009 were as follows:

Capital Goods	16.9%
Health Care & Pharmaceutical	16.1
Electric	11.7
Cable	10.3
Technology	9.1
U.S. Government Agency Security	8.8
Energy - Other	6.9
Telecommunications	6.9
Packaging	6.0
Chemicals	5.2
Aerospace/Defense	5.1
Metal	5.1
Gaming	4.8
Paper	3.8
Foods	3.7
Pipelines & Other	3.4
Consumer	2.7
Media & Entertainment	2.5
Automotive	2.2
Building Materials & Construction	1.4
Non-Captive Finance	1.2
Retailers	1.1
Lodging	0.9
Airlines	0.2
Banking	0.1
	136.1
Liabilities in excess of other assets	(36.1)
	100.0%

See Notes to Financial Statements.

The High Yield Income Fund, Inc **19**

## Statement of Assets and Liabilities

as of February 28, 2009 (Unaudited)

<b>Assets</b>	
Investments, at value (cost \$70,342,987)	\$ 55,509,095
Foreign currency, at value (cost \$66,356)	52,515
Interest receivable	1,332,270
Receivable for investments sold	512,260
Prepaid expenses	828
<b>Total assets</b>	<b>57,406,968</b>
<b>Liabilities</b>	
Loan payable (Note 5)	15,500,000
Payable for investments purchased	849,385
Accrued expenses	164,459
Deferred directors' fees	51,305
Management fee payable	22,645
Loan interest payable	20,864
Payable to custodian	15,099
<b>Total liabilities</b>	<b>16,623,757</b>
<b>Net Assets</b>	<b>\$ 40,783,211</b>
Net assets were comprised of:	
Common stock, at par	\$ 116,052
Paid-in capital in excess of par	83,313,033
	83,429,085
Distributions in excess of net investment income	(336,558)
Accumulated net realized loss on investments and foreign currency transactions	(27,461,583)
Net unrealized depreciation on investments and foreign currencies	(14,847,733)
<b>Net assets, February 28, 2009</b>	<b>\$ 40,783,211</b>
Net asset value per share (\$40,783,211 ÷ 11,605,150 shares of common stock issued and outstanding)	<b>\$3.51</b>

See Notes to Financial Statements.

## Statement of Operations

Six Months Ended February 28, 2009 (Unaudited)

<b>Net Investment Income</b>	
Income	
Interest	\$ 3,148,284
Expenses	
Management fee	152,691
Loan interest expense (Note 5)	187,617
Legal fees and expenses	53,000
Reports to shareholders	53,000
Custodian s fees and expenses	34,000
Audit fee	25,000
Transfer agent s fees and expenses	13,000
Registration fees	12,000
Directors fees and expenses	8,000
Miscellaneous	24,139
<b>Total expenses</b>	<b>562,447</b>
Net investment income	2,585,837
<b>Realized and Unrealized Loss on Investments and Foreign Currency Transactions</b>	
Net realized loss on investments	(6,276,176)
Net change in net unrealized appreciation/depreciation on:	
Investments	(9,232,585)
Foreign currencies	(14,340)
	(9,246,925)
Net loss on investments and foreign currency transactions	(15,523,101)
<b>Net Decrease In Net Assets Resulting From Operations</b>	<b>\$ (12,937,264)</b>

See Notes to Financial Statements.

The High Yield Income Fund, Inc 21

## Statement of Cash Flows

Six Months Ended February 28, 2009 (Unaudited)

### Increase (Decrease) in Cash

#### Cash flows provided from (used in) operating activities:

Interest received (excluding discount and premium amortization of \$61,499)	\$ 3,344,312
Operating expenses paid	(342,572)
Loan interest paid	(228,113)
Maturities of short-term portfolio investments, net	(682,155)
Purchases of long-term portfolio investments	(19,909,477)
Proceeds from disposition of long-term portfolio investments	29,284,627
Foreign currencies	(14,340)
Prepaid expenses	(828)
Net cash provided from operating activities	11,451,454

#### Cash flows provided from (used in) financing activities:

Cash dividends paid (excluding reinvestment of dividends of \$17,075)	(3,480,844)
Increase in payable to custodian for temporary overdraft	15,099
Decrease in borrowing	(8,000,000)
Net cash used in financing activities	(11,465,745)

Net decrease in cash	(14,291)
Cash at beginning of period	66,806
Cash at end of period	\$ 52,515

#### Reconciliation of Net Decrease in Net Assets to Net Cash Provided from (used in)

##### Operating Activities

Net decrease in net assets resulting from operations	\$ (12,937,264)
Decrease in investments	8,221,792
Net realized loss on investment transactions	6,276,176
Increase in net unrealized appreciation on investments	9,246,925
Increase in interest receivable	315,766
Increase in receivable for investments sold	(512,260)
Increase in prepaid expenses	(828)
Increase in payable for investments purchased	849,385
Decrease in loan interest payable	(40,496)
Increase in accrued expenses and other liabilities	32,258
Total adjustments	24,388,718
Net cash provided from operating activities	\$ 11,451,454

See Notes to Financial Statements.

## Statement of Changes in Net Assets

(Unaudited)

	Six Months Ended February 28, 2009	Year Ended August 31, 2008
<b>Decrease In Net Assets</b>		
<b>Operations</b>		
Net investment income	\$ 2,585,837	\$ 5,440,544
Net realized loss on investment and foreign currency transactions	(6,276,176)	(1,138,794)
Net change in unrealized appreciation/depreciation on investments and foreign currencies	(9,246,925)	(4,019,290)
Net increase (decrease) in net assets resulting from operations	(12,937,264)	282,460
Dividends paid to shareholders from net investment income	(3,480,329)	(5,307,215)
Net asset value of shares issued to shareholders in reinvestment of dividends	17,075	
Total decrease	(16,400,518)	(5,024,755)
<b>Net Assets</b>		
Beginning of period	57,183,729	62,208,484
End of period(a)	\$ 40,783,211	\$ 57,183,729
(a) Includes undistributed net investment income of	\$	\$ 557,934

See Notes to Financial Statements.

The High Yield Income Fund, Inc 23

## Notes to Financial Statements

(Unaudited)

The High Yield Income Fund, Inc. (the Fund) was organized in Maryland on August 21, 1987 as a diversified, closed-end management investment company. The Fund's primary investment objective is to maximize current income to shareholders through investment in a diversified portfolio of high-yield, fixed-income securities rated in the medium to lower categories by recognized rating services, or non-rated securities of comparable quality. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic or political developments in a specific industry or region.

### **Note 1. Accounting Policies**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

*Securities Valuation:* Securities for which market quotations are readily available including securities listed on national securities exchanges and those traded over-the-counter are valued at the last quoted sales price on the valuation date on which the security is traded. If such securities were not traded on the valuation date, but market quotations are readily available, they are valued at the most recently quoted bid price provided by an independent pricing service or by a principal market maker. Securities for which market quotations are not readily available or for which the pricing agent or market maker does not provide a valuation or methodology, or provides a valuation or methodology that, in the judgment of the adviser, does not represent fair value, are valued by a Valuation Committee appointed by the Board of Directors, in consultation with the adviser. When determining the fair valuation of securities some of the factors influencing the valuation include, the nature of any restrictions on disposition of the securities; assessment of the general liquidity of the securities; the issuer's financial condition and the markets in which it does business; the cost of the investment; the size of the holding and the capitalization of issuer; the prices of any recent transactions or bids/offers for such securities or any comparable securities; any available analyst media or other reports or information deemed reliable by the investment adviser regarding the issuer or the markets or industry in which it operates. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the price used by other mutual funds to calculate their net asset values.

Short-term debt securities, which mature in sixty days or less, are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of the difference between the principal amount due at maturity and cost. Short-term debt securities, which mature in more than sixty days, are valued at current market quotations.

In connection with transactions in repurchase agreements with U.S. financial institutions, it is the Fund's policy that its custodian or designated subcustodians, as the case may be under tri-party repurchase agreements, take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction including accrued interest. If the seller defaults and the 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. The Fund's custodian will maintain, in a segregated account of the Fund, cash, U.S. Government securities, equity securities or other liquid, unencumbered assets marked to market daily, having a value equal to or greater than the Fund's purchase commitments with respect to certain investments.

*Restricted Securities:* The Fund may invest up to 20% of its total assets in securities, which are not readily marketable, including those which are restricted as to disposition under securities law (restricted securities).

*Cash Flow Information:* The Fund invests in securities and distributes dividends from net investment income, which are paid in cash or are 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 is presented in the Statement of Cash Flows.

Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value, accruing income on PIK (payment-in-kind) securities and accreting discounts and amortizing premiums on debt obligations.

*Foreign Currency Translation:* The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

- (i) market value of investment securities, other assets and liabilities at the current rates of exchange.
  
- (ii) purchases and sales of investment securities, income and expenses at the rates of exchange prevailing on the respective dates of such transactions.

## Notes to Financial Statements

(Unaudited) continued

The Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held at the end of the period. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of long-term debt securities sold during the period. Accordingly, such realized foreign currency gains or losses are included in the reported net realized gains or losses on investment transactions.

Net realized gains or losses on foreign currency transactions represent net foreign exchange gains or losses from sales and maturities of short-term securities and forward currency contracts, disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of interest, discount and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net currency gains or losses resulting from the valuing of foreign currency denominated assets (excluding investments) and liabilities at period-end exchange rates are reflected as a component of net unrealized appreciation or depreciation on investments and foreign currencies.

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

*Security Transactions and Investment Income:* Security transactions are recorded on the trade date. Realized and unrealized gains or losses from securities transactions are calculated on the identified cost basis. Interest income, which is comprised of stated coupon rate, original issue discount, market discount and premium, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. The Fund amortizes premium and accretes discounts on debt securities as adjustments to interest income. Expenses are recorded on the accrual basis.

*Taxes:* For federal income tax purposes, it is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income and capital gains, if any, to its shareholders. Therefore, no federal income tax provision is required.



Withholding taxes on foreign dividends are recorded net of reclaimable amounts at the time the related income is earned.

*Dividends and Distributions:* The Fund expects to pay dividends of net investment income monthly and make distributions of net realized capital and currency gains, if any, annually. Dividends and distributions to shareholders, which are determined in accordance with federal income tax regulations and which may differ from generally accepted accounting principles, are recorded on the ex-dividend date. Permanent book/tax differences relating to income and gains are reclassified amongst undistributed net investment income, accumulated net realized gain or loss and paid-in capital in excess of par, as appropriate.

*Estimates:* The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

## **Note 2. Agreements**

The Fund has a management agreement with Prudential Investments LLC ( PI ). Pursuant to this agreement, PI has responsibility for all investment advisory services and supervises the subadviser s performance of such services. PI has entered into a subadvisory agreement with Prudential Investment Management, Inc. ( PIM ). PIM furnishes investment advisory services in connection with the management of the Fund. PI pays for the services of PIM, the compensation of officers and employees of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid to PI is computed weekly and payable monthly, at an annual rate of .70 of 1% of the average weekly net assets of the Fund.

PI and PIM are indirect, wholly-owned subsidiaries of Prudential Financial, Inc. ( Prudential ).

## **Note 3. Portfolio Securities**

Purchases and sales of investment securities, other than short-term investments, for the six months ended February 28, 2009, aggregated \$20,758,862 and \$29,785,733, respectively.

## Notes to Financial Statements

(Unaudited) continued

### Note 4. Tax Information

The United States federal income tax basis of the Fund's investments and the net unrealized depreciation as of February 28, 2009, were as follows:

Tax Basis of Investments	Appreciation	Depreciation	Net Unrealized Depreciation
\$70,886,595	\$406,253	\$(15,783,753)	\$(15,377,500)

The difference between book basis and tax basis was attributed to deferred losses on wash sales and differences in the treatment of premium amortization and accreting market discount for book and tax purposes.

For federal income tax purposes, the Fund had a capital loss carryforward as of August 31, 2008 of approximately \$19,388,700 of which \$5,010,500 expires in 2009, \$6,960,200 expires in 2010, \$7,076,300 expires in 2011, \$282,300 expires in 2014 and \$59,400 expires in 2016. Accordingly, no capital gains distribution is expected to be paid to shareholders until net realized gains have been realized in excess of such amounts. It is unlikely the Fund will be able to realize the full benefit of the remaining carryforwards prior to the expiration date. Approximately \$3,249,200 of its capital loss carryforward expired unused in the fiscal year ended August 31, 2008. The Fund elected to treat post-October capital losses of approximately \$1,344,400 as having been incurred in the following fiscal year (August 31, 2009).

Management has analyzed the Funds' tax positions taken on federal income tax returns for all open tax years and has concluded that as of February 28, 2009, no provision for income tax would be required in the Funds' 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.

### Note 5. Borrowings

The Fund has a credit agreement with State Street Bank & Trust Co. The maximum commitment under this agreement is \$30,000,000. Interest on any such borrowings outstanding fluctuates daily at .85 of 1% over the Federal Funds rate and is payable

monthly. The Fund may utilize these borrowings (leverage) in order to increase the potential for gain on amounts invested. There can be no guarantee that these gains will be realized. There are increased risks associated with the use of leverage. The expiration of the credit agreement is June 29, 2009. The average daily balance outstanding for the six months ended February 28, 2009, was \$18,723,757 at a weighted average interest rate of 1.78%. The maximum face amount of borrowings outstanding at any month-end during the six months ended February 28, 2009 was \$23,500,000.

The Fund pays commitment fees at an annual rate of .15 of 1% of the maximum commitment under the credit agreement, regardless of usage. The commitment fee is accrued daily and paid quarterly. Commitment fees are included in Loan interest expense as reported on the Statement of Operations.

#### **Note 6. Capital**

There are 200 million shares of \$.01 par value common stock authorized. Prudential owned 11,000 shares of common stock as of February 28, 2009.

During the six months ended February 28, 2009 the Fund issued 4,678 shares in connection with the reinvestment of dividends. During the year ended August 31, 2008 the Fund did not issue shares in connection with the reinvestment of dividends.

#### **Note 7. Reorganization**

On March 10, 2009, the Board of Directors of the Fund approved an Agreement and Plan of Reorganization (the Plan) which provides for the transfer of all the assets of the Fund for Class A shares of the Dryden High Yield Fund, Inc., and the assumption of the liabilities of the Fund. The Plan is subject to approval by the shareholders of the Fund at a special meeting to be held on May 11, 2009.

In the event the Fund is acquired by Dryden High Yield Fund, Inc. pursuant to the Plan, the future utilization of the capital loss carryforward (Note 4) will be limited under certain conditions defined in the Internal Revenue Code of 1986, as amended.

#### **Note 8. Subsequent Events**

On March 3, 2009 and April 1, 2009 the Board of Directors of the Fund declared dividends of \$.0400 and \$.0375 per share, respectively, payable on March 31, 2009 and April 30, 2009, respectively, to shareholders of record on March 17, 2009 and April 15, 2009, respectively.

## Notes to Financial Statements

(Unaudited) continued

### **Note 9. New Accounting Pronouncements**

In March 2008, the FASB released Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities ( FAS 161 ). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements has not yet been determined.

## Financial Highlights

(Unaudited)