

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.
Form N-CSRS
June 26, 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 811-5497

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

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

10041
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

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

Date of fiscal year end: October 31

Date of reporting period: April 30, 2009

ITEM 1. REPORT TO STOCKHOLDERS.

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

SEMI-ANNUAL REPORT / APRIL 30, 2009

Western Asset Municipal High Income Fund Inc.

(MHF)

Managed by **WESTERN ASSET**

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

The Fund seeks high current income exempt from federal income taxes.

What's inside

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

Letter from the chairman

Dear Shareholder,

The U.S. economy weakened significantly during the six-month reporting period ended April 30, 2009. Looking back, after expanding 2.8% during the second quarter of 2008, U.S. gross domestic product (GDP) growth took a step backward during the second half of 2008. According to the U.S. Department of Commerce, third and fourth quarter 2008 GDP contracted 0.5% and 6.3%, respectively, the latter being the worst quarterly reading since 1982. Economic weakness continued in early 2009, as the preliminary estimate for first quarter 2009 GDP decline was 5.7%. This marked the first time in thirty-four years that the U.S. economy posted three consecutive quarters of negative GDP growth.

It may seem like ancient history, but when the reporting period began, speculation remained as to whether the U.S. would experience a recession. This ended in December 2008, when the National Bureau of Economic Research (NBER) which has the final say on when one begins and ends announced that a recession had begun in December 2007, making the current recession the lengthiest since the Great Depression. Contributing to the economy's troubles is the accelerating weakness in the labor market. Since December 2007, approximately 5.7 million jobs have been shed, with nearly 2.7 million being lost during the first four months of 2009. In addition, the unemployment rate continued to move steadily higher, rising from 8.5% in March to 8.9% in April 2009, to reach its highest rate since 1983.

Another strain on the economy, the housing market, appeared to finally be getting closer to reaching a bottom. According to the S&P/Case-Shiller Home Price Indexⁱⁱ, U.S. home prices continued to fall in February 2009, but they did end their sixteen-month streak of record declines. This led to hopes that prices could be nearing a period of stabilization. Other economic news also seemed to be less negative. Inflation remained low and, in March 2009, data were released showing increases in durable goods orders, manufacturing and consumer sentiment, albeit all from depressed levels.

Ongoing issues related to the housing and subprime mortgage markets and seizing credit markets prompted the Federal Reserve Board (Fed)ⁱⁱⁱ to take aggressive and, in some cases, unprecedented actions. After reducing the federal funds rate^{iv} from 5.25% in August 2007 to 2.00% in April 2008, the

Letter from the chairman *continued*

Fed then left rates on hold for several months due to growing inflationary pressures as a result of soaring oil and commodity prices, coupled with the sagging U.S. dollar. However, as inflation receded along with oil prices and the global financial crisis escalated, the Fed cut rates twice in October 2008 to 1.00%. Then, in December 2008, it reduced the federal funds rate to a range of zero to 0.25% a historic low and maintained this stance during its next meetings in January, March and April 2009. In conjunction with the April meeting, the Fed stated that it will employ all available tools to promote economic recovery and to preserve price stability. The Committee . . . anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

In addition to the interest rate cuts, the Fed took several actions to improve liquidity in the credit markets. Back in September 2008, it announced an \$85 billion rescue plan for ailing AIG and pumped \$70 billion into the financial system as Lehman Brothers' bankruptcy and mounting troubles at other financial firms roiled the markets. More recently, the Fed has taken additional measures to thaw the frozen credit markets, including the purchase of debt issued by Fannie Mae and Freddie Mac, as well as introducing the Term Asset-Backed Securities Loan Facility (TALF). In March 2009, the Fed continued to pursue aggressive measures as it announced its intentions to:

- Purchase up to an additional \$750 billion of agency mortgage-backed securities, bringing its total purchases of these securities to up to \$1.25 trillion in 2009.
- Increase its purchases of agency debt this year by up to \$100 billion to a total of up to \$200 billion.
- Buy up to \$300 billion of longer-term Treasury securities over the next six months.

The U.S. Department of the Treasury has also taken an active role in attempting to stabilize the financial system, as it orchestrated the government's takeover of mortgage giants Fannie Mae and Freddie Mac in September 2008. In October, the Treasury's \$700 billion Troubled Asset Relief Program (TARP) was approved by Congress and signed into law by former President Bush. Then, in March 2009, Treasury Secretary Geithner introduced the Public-Private Partnership Investment Program (PPIP), which will be used to facilitate the purchase of \$500 billion to \$1 trillion of troubled mortgage assets from bank balance sheets. President Obama has also made reviving the economy a priority in his administration, the cornerstone thus far being the \$787 billion stimulus package that was signed into law in February 2009.

During the six-month reporting period ended April 30, 2009, both short- and long-term Treasury yields experienced periods of extreme volatility. While earlier in 2008 investors were focused on the subprime segment of the mortgage-backed market, these concerns broadened to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This unrest triggered several flights to quality, causing Treasury yields to move lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). This was particularly true toward the end of 2008, as the turmoil in the financial markets and sharply falling stock prices caused investors to flee securities that were perceived to be risky, even high-quality corporate bonds and high-grade municipal bonds. However, toward the end of the reporting period, investor risk aversion faded somewhat given some modestly positive economic data. This helped to drive spread sector (non-Treasury) prices higher. During the six months ended April 30, 2009, two-year Treasury yields fell from 1.56% to 0.91%. Over the same time frame, ten-year Treasury yields moved from 4.01% to 3.16%.

The municipal bond market modestly outperformed its taxable bond counterpart over the six months ended April 30, 2009. Over that period, the Barclays Capital Municipal Bond Index^v and the Barclays Capital U.S. Aggregate Index^{vi} returned 8.20% and 7.74%, respectively. While municipal securities significantly outperformed the taxable market in January, February and April 2009, this significant outperformance was offset by several flights to quality that negatively impacted the tax-free bond market.

Performance review

For the six months ended April 30, 2009, Western Asset Municipal High Income Fund Inc. returned 0.21% based on its net asset value (NAV)^{vii} and 12.14% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Barclays Capital Municipal Bond Index, returned 8.20% over the same time frame. The Lipper High Yield Municipal Debt Closed-End Funds Category Average^{viii} returned 1.73% for the same period. Please note that Lipper performance returns are based on each fund's NAV.

Certain investors may be subject to the federal alternative minimum tax, and state and local taxes will apply. Capital gains, if any, are fully taxable. Please consult your personal tax or legal adviser.

During this six-month period, the Fund made distributions to shareholders totaling \$0.22 per share, which may have included a return of capital. The performance table on the next page shows the Fund's six-month total return

Letter from the chairman *continued*

based on its NAV and market price as of April 30, 2009. **Past performance is no guarantee of future results.**

PERFORMANCE SNAPSHOT as of April 30, 2009 (unaudited)

	6-MONTH TOTAL RETURN*
PRICE PER SHARE	(not annualized)
\$6.86 (NAV)	0.21%
\$7.08 (Market Price)	12.14%

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, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

A special note regarding increased market volatility

In recent months, we have experienced a series of events that have impacted the financial markets and created concerns among both novice and seasoned investors alike. In particular, we have witnessed the failure and consolidation of several storied financial institutions, periods of heightened market volatility, and aggressive actions by the U.S. federal government to steady the financial markets and restore investor confidence. While we hope that the worst is over in terms of the issues surrounding the credit and housing crises, it is likely that the fallout will continue to impact the financial markets and the U.S. economy well into 2009.

Like all asset management firms, Legg Mason has not been immune to these difficult and, in some ways, unprecedented times. However, today's challenges have only strengthened our resolve to do everything we can to help you reach your financial goals. Now, as always, we remain committed to providing you with excellent service and a full spectrum of investment choices. Rest assured, we will continue to work hard to ensure that our investment managers make every effort to deliver strong long-term results.

We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our enhanced website, www.leggmason.com/cef. Here you can gain immediate access to many special features to help guide you through difficult times, including:

- Fund prices and performance,

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

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During periods of market unrest, it is especially important to work closely with your financial advisor and remember that reaching one's investment goals unfolds over time and through multiple market cycles. Time and again, history has shown that, over the long run, the markets have eventually recovered and grown.

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.

Looking for additional information?

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

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 Standard Time, for the Fund's current NAV, market price and other information.

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 29, 2009

Letter from the chairman *continued*

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.

RISKS: 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. As interest rates rise, bond prices fall, reducing the value of the Fund. Certain investors may be subject to the federal alternative minimum tax, and state and local taxes will apply. Capital gains, if any, are fully taxable.

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 S&P/Case-Shiller Home Price Index measures the residential housing market, tracking changes in the value of the residential real estate market in twenty metropolitan regions across the United States.
- iii 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.
- iv 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.
- v The Barclays Capital (formerly Lehman Brothers) Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
- vi The Barclays Capital (formerly 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.
- vii Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended April 30, 2009, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 15 funds in the Fund's Lipper category.

Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments

Schedule of investments (unaudited)

April 30, 2009

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
MUNICIPAL BONDS	96.1%	
	Alaska 0.6%	
\$ 1,055,000	Alaska Industrial Development & Export Authority Revenue, Williams Lynxs Alaska Cargoport, 8.125% due 5/1/31(a)	\$ 863,655
	Arizona 1.9%	
1,720,000	Phoenix, AZ, IDA, MFH Revenue, Ventana Palms Apartments Project, 8.000% due 10/1/34(e)	1,807,256
1,500,000	Salt Verde, AZ Financial Corp., Gas Revenue, 5.000% due 12/1/37	1,022,490
	<i>Total Arizona</i>	<i>2,829,746</i>
	Arkansas 1.0%	
1,000,000	Arkansas State Development Financing Authority: Hospital Revenue, Washington Regional Medical Center, 7.375% due 2/1/29(b)	1,039,860
600,000	Industrial Facilities Revenue, Potlatch Corp. Projects, 7.750% due 8/1/25(a)	481,980
	<i>Total Arkansas</i>	<i>1,521,840</i>
	California 6.2%	
1,500,000	Barona, CA, Band of Mission Indians, GO, 8.250% due 12/1/20(c)	1,330,875
2,000,000	California Health Facilities Financing Authority Revenue, Refunding, Cedars-Sinai Medical Center, 5.000% due 11/15/27	1,775,760
	Golden State Tobacco Securitization Corp., California Tobacco Settlement Revenue:	
2,000,000	Asset Backed, 7.800% due 6/1/42(b)	2,424,360
1,000,000	Enhanced Asset Backed, 5.625% due 6/1/38(b)	1,132,280
600,000	Redding, CA, Redevelopment Agency, Tax Allocation, Shastec Redevelopment Project, 5.000% due 9/1/29	464,388
1,865,000	Vallejo, CA, COP, Touro University, 7.375% due 6/1/29(b)	1,911,662
	<i>Total California</i>	<i>9,039,325</i>
	Colorado 5.4%	
	Colorado Educational & Cultural Facilities Authority Revenue:	
740,000	Charter School, Peak to Peak Project, 7.500% due 8/15/21(b)	828,963
	Cheyenne Mountain Charter Academy:	
680,000	5.250% due 6/15/25	541,477
510,000	5.125% due 6/15/32	369,158
785,000	Elbert County Charter, 7.375% due 3/1/35	655,012

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810,000	Unrefunded, University of Denver Project, FGIC, 5.250% due 3/1/23	845,292
4,000,000	Public Authority for Colorado Energy, Natural Gas Purchase Revenue, 6.125% due 11/15/23	3,339,680
1,000,000	Reata South Metropolitan District, CO, GO, 7.250% due 6/1/37	687,460
500,000	Southlands, CO, Metropolitan District No. 1, GO, 7.125% due 12/1/34(b)	631,760
	<i>Total Colorado</i>	<i>7,898,802</i>

See Notes to Financial Statements.

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
	District of Columbia 1.4%	
\$ 1,895,000	District of Columbia COP, District Public Safety & Emergency, AMBAC, 5.500% due 1/1/20	\$ 1,963,220
	Florida 8.2%	
880,000	Beacon Lakes, FL, Community Development District, Special Assessment, 6.900% due 5/1/35	592,900
1,500,000	Bonnet Creek Resort Community Development District, Special Assessment, 7.500% due 5/1/34	1,191,555
2,000,000	Capital Projects Finance Authority, FL, Student Housing Revenue, Capital Projects Loan Program, Florida University, 7.850% due 8/15/31(b)	2,234,640
920,000	Century Parc Community Development District, Special Assessment, 7.000% due 11/1/31	697,010
1,000,000	Highlands County, FL, Health Facilities Authority Revenue, Adventist Health Systems, 6.000% due 11/15/25(b)	1,147,370
2,000,000	Martin County, FL, IDA Revenue, Indiantown Cogeneration Project, 7.875% due 12/15/25(a)	1,789,680
1,000,000	Orange County, FL, Health Facilities Authority Revenue, First Mortgage, GF, Orlando Inc. Project, 9.000% due 7/1/31	932,180
345,000	Palm Beach County, FL, Health Facilities Authority Revenue, John F. Kennedy Memorial Hospital Inc. Project, 9.500% due 8/1/13(d)	407,176
2,000,000	Reunion East Community Development District, Special Assessment, 7.375% due 5/1/33	1,368,140
1,000,000	Santa Rosa, FL, Bay Bridge Authority Revenue, 6.250% due 7/1/28	649,120
1,000,000	University of Central Florida, COP, FGIC, 5.000% due 10/1/25	901,550
	<i>Total Florida</i>	<i>11,911,321</i>
	Georgia 5.9%	
	Atlanta, GA, Airport Revenue:	
1,000,000	FGIC, 5.625% due 1/1/30(a)	918,200
1,000,000	FSA, 5.000% due 1/1/26	1,024,160
2,000,000	Atlanta, GA, Development Authority Educational Facilities Revenue, Science Park LLC Project, 5.000% due 7/1/32	1,773,480
2,500,000	Atlanta, GA, Tax Allocation, Atlantic Station Project, 7.900% due 12/1/24(b)	2,952,150
1,000,000	DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project, 6.125% due 7/1/40	997,830
1,000,000	Gainesville & Hall County, GA, Development Authority Revenue, Senior Living Facilities, Lanier Village Estates, 7.250% due 11/15/29	914,660
	<i>Total Georgia</i>	<i>8,580,480</i>
	Illinois 0.5%	
1,000,000	Illinois Finance Authority Revenue, Refunding, Chicago Charter School Project, 5.000% due 12/1/26	694,030

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

April 30, 2009

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Indiana 0.4%	
	County of St. Joseph, IN, EDR, Holy Cross Village Notre Dame Project:	
\$ 285,000	6.000% due 5/15/26	\$ 206,423
550,000	6.000% due 5/15/38	368,373
	<i>Total Indiana</i>	<i>574,796</i>
	Kansas 0.7%	
1,150,000	Salina, KS, Hospital Revenue, Refunding & Improvement Salina Regional Health, 5.000% due 10/1/22	1,058,034
	Kentucky 1.1%	
2,000,000	Louisville & Jefferson County, KY, Metro Government Health System Revenue, Norton Healthcare Inc., 5.250% due 10/1/36	1,598,540
	Louisiana 1.2%	
1,000,000	Epps, LA, COP, 8.000% due 6/1/18	909,620
1,000,000	St. John Baptist Parish, LA, Revenue, Marathon Oil Corp., 5.125% due 6/1/37	768,920
	<i>Total Louisiana</i>	<i>1,678,540</i>
	Maryland 1.1%	
1,500,000	Maryland State Economic Development Corp. Revenue, Chesapeake Bay, 7.730% due 12/1/27(b)	1,578,195
	Massachusetts 4.3%	
860,000	Boston, MA, Industrial Development Financing Authority Revenue, Roundhouse Hospitality LLC Project, 7.875% due 3/1/25(a)	670,439
3,000,000	Massachusetts Educational Financing Authority Education Loan Revenue, 6.125% due 1/1/22(a)	3,022,710
1,000,000	Massachusetts State DFA Revenue, Briarwood, 8.250% due 12/1/30(b)	1,117,930
1,000,000	Massachusetts State HEFA Revenue, Caritas Christi Obligation, 6.750% due 7/1/16	1,007,060
315,000	Massachusetts State Port Authority Revenue, 13.000% due 7/1/13(d)	396,978
	<i>Total Massachusetts</i>	<i>6,215,117</i>
	Michigan 6.9%	
2,130,000	Allen Academy, COP, 7.500% due 6/1/23	1,725,300
	Cesar Chavez Academy, COP:	
1,000,000	6.500% due 2/1/33	774,730
1,000,000	8.000% due 2/1/33	923,430
1,000,000	Gaudior Academy, COP, 7.250% due 4/1/34	765,910
3,000,000	Michigan State Hospital Finance Authority, Refunding Hospital, Sparrow Obligated, 5.000% due 11/15/31	2,282,190
2,000,000	Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital, 8.250% due 9/1/39	2,218,360
975,000	Star International Academy, COP, 7.000% due 3/1/33	733,990
700,000	William C. Abney Academy, COP, 6.750% due 7/1/19	644,854
	<i>Total Michigan</i>	<i>10,068,764</i>

See Notes to Financial Statements.

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
\$ 1,300,000	Missouri 0.8% Missouri State HEFA Revenue, Refunding, St. Lukes Episcopal, 5.000% due 12/1/21	\$ 1,226,212
2,345,000	Montana 1.1% Montana State Board of Investment, Resource Recovery Revenue, Yellowstone Energy LP Project, 7.000% due 12/31/19(a)	1,540,055
1,600,000	New Hampshire 1.0% New Hampshire HEFA Revenue, Healthcare System, Covenant Health System, 5.500% due 7/1/34	1,382,528
1,500,000	New Jersey 9.0% Casino Reinvestment Development Authority Revenue, MBIA, 5.250% due 6/1/20	1,511,565
1,000,000	New Jersey EDA, Retirement Community Revenue, SeaBrook Village Inc., 8.250% due 11/15/30(b)	1,110,860
5,000,000	New Jersey Health Care Facilities Financing Authority Revenue, Trinitas Hospital Obligation Group: 5.250% due 7/1/30	3,490,950
3,000,000	7.500% due 7/1/30(b)	3,255,630
5,000,000	New Jersey State, EDA, Revenue, Refunding, 6.875% due 1/1/37(a)	3,719,850
	<i>Total New Jersey</i>	<i>13,088,855</i>
1,000,000	New Mexico 1.3% Otero County, NM, Jail Project Revenue, 7.500% due 12/1/24	871,790
1,000,000	Sandoval County, NM, Incentive Payment Revenue, Refunding, 5.000% due 6/1/20	1,049,560
	<i>Total New Mexico</i>	<i>1,921,350</i>
700,000	New York 6.2% Brookhaven, NY, IDA Civic Facilities Revenue, Memorial Hospital Medical Center Inc., 8.250% due 11/15/30(b)	781,011
1,000,000	Monroe County, NY, IDA, Civic Facilities Revenue, Woodland Village Project, 8.550% due 11/15/32(b)	1,128,430
2,000,000	MTA, New York Service Contract, Refunding, AMBAC, 5.000% due 7/1/30	1,989,540
780,000	New York City, NY, IDA, Civic Facilities Revenue, Special Needs Facilities Pooled Program, 8.125% due 7/1/19(b)	830,762
1,500,000	New York State Dormitory Authority Revenue: Mental Health Services Facilities Improvement, AMBAC, 5.000% due 2/15/35	1,445,175
2,500,000	New York University Hospitals Center, 5.000% due 7/1/26	1,938,225
840,000	Suffolk County, NY, IDA, Civic Facilities Revenue, Eastern Long Island Hospital Association, 7.750% due 1/1/22(b)	959,583
	<i>Total New York</i>	<i>9,072,726</i>
905,000	North Carolina 0.7% North Carolina Medical Care Community, Health Care Facilities Revenue, First Mortgage, DePaul Community Facilities Project, 7.625% due 11/1/29(b)	951,617

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

April 30, 2009

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Ohio 2.7%	
\$ 1,500,000	Cuyahoga County, OH, Hospital Facilities Revenue, Canton Inc. Project, 7.500% due 1/1/30	\$ 1,367,055
1,500,000	Miami County, OH, Hospital Facilities Revenue, Refunding and Improvement Upper Valley Medical Center, 5.250% due 5/15/21	1,281,075
1,260,000	Riversouth Authority, OH, Revenue, Riversouth Area Redevelopment, 5.000% due 12/1/25	1,295,456
	<i>Total Ohio</i>	<i>3,943,586</i>
	Pennsylvania 4.5%	
1,000,000	Cumberland County, PA, Municipal Authority Retirement Community Revenue, Wesley Affiliate Services Inc. Project, 7.250% due 1/1/35(b)	1,194,620
1,000,000	Lebanon County, PA, Health Facilities Authority Revenue, Good Samaritan Hospital Project, 6.000% due 11/15/35	772,260
1,000,000	Monroe County, PA, Hospital Authority Revenue, Pocono Medical Center, 5.000% due 1/1/27	820,250
940,000	Northumberland County, PA, IDA Facilities Revenue, NHS Youth Services Inc. Project, 7.500% due 2/15/29	736,236
1,000,000	Philadelphia, PA, Authority for IDR, Host Marriot LP Project, Remarketed 10/31/95, 7.750% due 12/1/17(a)	835,520
2,000,000	Westmoreland County, PA, IDA Revenue, Health Care Facilities, Redstone Highlands Health, 8.125% due 11/15/30(b)	2,226,060
	<i>Total Pennsylvania</i>	<i>6,584,946</i>
	South Carolina 0.1%	
110,000	McCormick County, SC, COP, 9.750% due 7/1/09	110,252
	Tennessee 2.2%	
1,000,000	Clarksville, TN, Natural Gas Acquisition Corp. Gas Revenue, 5.000% due 12/15/21	747,910
1,000,000	Johnson City, TN, Health & Educational Facilities Board, Hospital Revenue, Mountain States Health Alliance, 5.500% due 7/1/36	781,710
2,500,000	Shelby County, TN, Health Educational & Housing Facilities Board Revenue, Trezevant Manor Project, 5.750% due 9/1/37	1,624,975
	<i>Total Tennessee</i>	<i>3,154,595</i>
	Texas 14.7%	
540,000	Bexar County, TX, Housing Financial Corp., MFH Revenue, Continental Lady Ester, 6.875% due 6/1/29(b)	553,257
2,000,000	Brazos River Authority Texas PCR, TXU Co., 8.250% due 5/1/33(a)(e)	904,300
1,500,000	Brazos River, TX, Harbor Industrial Development Corp., Environmental Facilities Revenue, Dow Chemical Co., 5.900% due 5/1/38(a)(f)	1,259,040
1,500,000	Burnet County, TX, Public Facility Project Revenue, 7.500% due 8/1/24	1,398,225
1,000,000	Garza County, TX, Public Facility Corp.: 5.500% due 10/1/18	882,080
2,000,000	Project Revenue, 5.750% due 10/1/25	1,908,800
2,000,000	Gulf Coast of Texas, IDA, Solid Waste Disposal Revenue, CITGO Petroleum Corp. Project, 7.500% due 10/1/12(a)(f)	2,031,420

See Notes to Financial Statements.

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
	Texas 14.7% continued	
\$ 2,000,000	Harris County, TX, Cultural Education Facilities Finance Corp., Medical Facilities Revenue, Baylor College of Medicine, 5.625% due 11/15/32	\$ 2,000,680
2,750,000	Houston, TX, Airport Systems Revenue, Special Facilities, Continental Airlines Inc. Project, 6.125% due 7/15/27(a)	1,557,435
1,000,000	Laredo, TX, ISD Public Facility Corp. Lease Revenue, AMBAC, 5.000% due 8/1/29	967,770
1,000,000	Midlothian, TX, Development Authority, Tax Increment Contract Revenue, 6.200% due 11/15/29	731,110
2,500,000	North Texas Tollway Authority Revenue, 5.750% due 1/1/40	2,489,075
1,500,000	Texas State Public Finance Authority, Uplift Education, 5.750% due 12/1/27	1,103,535
1,865,000	West Texas Detention Facility Corp. Revenue, 8.000% due 2/1/25 Willacy County, TX:	1,537,543
1,050,000	Local Government Corp. Revenue, 6.875% due 9/1/28	771,824
	PFC Project Revenue:	
1,000,000	8.250% due 12/1/23	863,680
580,000	County Jail, 7.500% due 11/1/25	471,975
	<i>Total Texas</i>	<i>21,431,749</i>
	Virginia 3.0%	
345,000	Alexandria, VA, Redevelopment & Housing Authority, MFH Revenue, Parkwood Court Apartments Project, 8.125% due 4/1/30	293,961
1,000,000	Broad Street CDA Revenue, 7.500% due 6/1/33	772,290
2,500,000	Chesterfield County, VA, EDA, Solid Waste and Sewer Disposal Revenue, Virginia Electric Power Co. Project, 5.600% due 11/1/31(a)	2,195,900
1,000,000	Fairfax County, VA, EDA Revenue, Retirement Community, Greenspring Village Inc., 7.500% due 10/1/29(b)	1,048,060
	<i>Total Virginia</i>	<i>4,310,211</i>
	West Virginia 1.4%	
2,500,000	Pleasants County, WV, PCR, Refunding County Commission Allegheny, 5.250% due 10/15/37	2,030,275
	Wisconsin 0.6%	
1,000,000	Wisconsin State HEFA Revenue, Aurora Health Care, 6.400% due 4/15/33	890,570
	TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$156,042,415)	139,713,932

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

April 30, 2009

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

FACE AMOUNT	SECURITY	VALUE
SHORT-TERM INVESTMENTS 1.6%		
\$ 100,000	Florida 0.1% Orange County, FL, School Board, COP, LOC-Wachovia Bank N.A., 0.450%, 5/1/09(g)	\$ 100,000
200,000	Illinois 0.2% Illinois Finance Authority Revenue, Central Dupage Health, SPA-JPMorgan Chase, 0.410%, 5/1/09(g)	200,000
100,000	Romeoville, IL, Revenue, Refunding, Lewis University, LOC-JPMorgan Chase, 0.500%, 5/1/09(g)	100,000
	<i>Total Illinois</i>	<i>300,000</i>
500,000	Missouri 0.3% Missouri State HEFA, Washington University, SPA-JPMorgan Chase, 0.350%, 5/1/09(g)	500,000
100,000	Oklahoma 0.1% Oklahoma State Turnpike Authority Revenue, SPA-JPMorgan Chase, 0.450%, 5/1/09(g)	100,000
100,000	Oregon 0.1% Medford, OR, Hospital Facilities Authority Revenue, Cascade Manor Project, LOC-KBC Bank N.V., 0.500%, 5/1/09(g)	100,000
700,000	Pennsylvania 0.5% Pennsylvania State, HEFA Revenue, Refunding, Carnegie Mellon University, SPA-Morgan Guaranty Trust, 0.400%, 5/1/09(g)	700,000
500,000	Virginia 0.3% Virginia Commonwealth University, VA, AMBAC, LOC-Wachovia Bank N.A., SPA-Wachovia Bank N.A., 0.450%, 5/1/09(g)	500,000
	TOTAL SHORT-TERM INVESTMENTS (Cost \$2,300,000)	2,300,000
	TOTAL INVESTMENTS 97.7% (Cost \$158,342,415#)	142,013,932
	Other Assets in Excess of Liabilities 2.3%	3,391,538
	TOTAL NET ASSETS 100.0%	\$ 145,405,470

(a) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).

(b) Pre-Refunded bonds are escrowed with U.S. government obligations and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.

(c) All or a portion of this security is held at the broker as collateral for open futures contracts.

(d) Bonds are escrowed to maturity by government securities and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.

(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, 2009.

(g) Variable rate demand obligations have a demand feature under which the Fund can tender them back to the issuer or liquidity provider on no more than 7 days notice. Date shown is the date of the next interest rate change.

Aggregate cost for federal income tax purposes is substantially the same.

See Notes to Financial Statements.

8 | Western Asset Municipal High Income Fund Inc. 2009 Semi-Annual Report

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

Abbreviations used in this schedule:

AMBAC	Ambac Assurance Corporation	Insured Bonds
CDA	Community Development Authority	
COP	Certificate of Participation	
DFA	Development Finance Agency	
EDA	Economic Development Authority	
EDR	Economic Development Revenue	
FGIC	Financial Guaranty Insurance Company	Insured Bonds
FSA	Financial Security Assurance	Insured Bonds
GO	General Obligation	
HEFA	Health & Educational Facilities Authority	
IDA	Industrial Development Authority	
IDR	Industrial Development Revenue	
ISD	Independent School District	
LOC	Letter of Credit	
MBIA	Municipal Bond Investors Assurance Corporation	Insured Bonds
MFH	Multi-Family Housing	
MTA	Metropolitan Transportation Authority	
PCR	Pollution Control Revenue	
PFC	Public Facilities Corporation	
SPA	Standby Bond Purchase Agreement	Insured Bonds

SUMMARY OF INVESTMENTS BY SECTOR* (unaudited)

Pre-refunded/escrowed to maturity	22.4%
Hospitals	20.7
Leasing	12.4
Industrial development	12.0
Education	7.2
Special tax	5.0
Transportation	5.0
Resource recovery	4.1
Power	3.6
Other revenue	2.3
Local general obligation	2.2
Housing	1.5
Short-term investments	1.6
Total Investment	100.0%

*As a percentage of total investments. Please note that Fund holdings are as of April 30, 2009 and are subject to change.

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

April 30, 2009

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

RATINGS TABLE

S&P/Moody s/Fitch

AAA/Aaa	11.0%
AA/ Aa	4.7
A	24.5
BBB/Baa	21.1
BB/Ba	3.5
B	1.1
CCC/Caa	0.6
CC/Ca	0.5
A-1/VMIG1	1.6
NR	31.4
	100.0%

As a percentage of total investments.

In the event that a security is rated by multiple nationally recognized statistical rating organizations (NRSROs) and receives different ratings, the fund will treat the security as being rated in the lowest rating category received from an NRSRO.

See pages 11 and 12 for definitions of ratings.

See Notes to Financial Statements.

Bond ratings (unaudited)

The definitions of the applicable rating symbols are set forth below:

Standard & Poor's Ratings Service (Standard & Poor's) Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC, CC and C	Bonds rated BB, B, CCC, CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
D	Bonds rated D are in default and payment of interest and/or repayment of principal is in arrears.

Moody's Investors Service (Moody's) Numerical modifiers 1, 2 and 3 may be applied to each generic rating from Aa to Caa, where 1 is the highest and 3 the lowest ranking within its generic category.

Aaa	Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes can be visualized as most unlikely to impair the fundamentally strong position of such issues.
Aa	Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.
A	Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
Baa	Bonds rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
Ba	Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and therefore not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
B	Bonds rated B generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Bond ratings (unaudited) *continued*

Caa	Bonds rated Caa are of poor standing. These may be in default, or present elements of danger may exist with respect to principal or interest.
Ca	Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.
C	Bonds rated C are the lowest class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Fitch Ratings Service (Fitch) Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Fitch. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC and CC	Bonds rated BB , B , CCC and CC are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents a lower degree of speculation than B , and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
NR	Indicates that the bond is not rated by Standard & Poor s, Moody s or Fitch.

Short-Term Security Ratings (unaudited)

SP-1	Standard & Poor s highest rating indicating very strong or strong capacity to pay principal and interest; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
A-1	Standard & Poor s highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
VMIG 1	Moody s highest rating for issues having a demand feature VRDO.
MIG1	Moody s highest rating for short-term municipal obligations.
P-1	Moody s highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating.
F1	Fitch s highest rating indicating the strongest capacity for timely payment of financial commitments; those issues determined to possess overwhelming strong credit feature are denoted with a plus (+) sign.

Statement of assets and liabilities (unaudited)**April 30, 2009**

ASSETS:	
Investments, at value (Cost \$158,342,415)	\$142,013,932
Cash	8,131
Interest receivable	3,500,253
Receivable for securities sold	10,000
Receivable from broker variation margin on open futures contracts	8,062
Prepaid expenses	20,184
<i>Total Assets</i>	<i>145,560,562</i>
LIABILITIES:	
Investment management fee payable	64,816
Directors fees payable	5,954
Accrued expenses	84,322
<i>Total Liabilities</i>	<i>155,092</i>
TOTAL NET ASSETS	\$145,405,470
NET ASSETS:	
Par value (\$0.01 par value; 21,201,173 shares issued and outstanding; 500,000,000 shares authorized)	\$ 212,012
Paid-in capital in excess of par value	192,320,968
Undistributed net investment income	904,281
Accumulated net realized loss on investments and futures contracts	(31,933,413)
Net unrealized depreciation on investments and futures contracts	(16,098,378)
TOTAL NET ASSETS	\$145,405,470
Shares Outstanding	21,201,173
Net Asset Value	\$6.86

See Notes to Financial Statements.

Statement of operations (unaudited)**For the Six Months Ended April 30, 2009**

INVESTMENT INCOME:	
Interest	\$ 5,034,119
EXPENSES:	
Investment management fee (Note 2)	387,099
Shareholder reports	27,777
Directors' fees	24,725
Legal fees	21,420
Audit and tax	21,397
Transfer agent fees	13,372
Stock exchange listing fees	9,971
Insurance	2,008
Custody fees	938
Miscellaneous expenses	4,807
<i>Total Expenses</i>	<i>513,514</i>
NET INVESTMENT INCOME	4,520,605
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS (NOTES 1 AND 3):	
Net Realized Loss From:	
Investment transactions	(1,022,310)
Futures contracts	(2,718,869)
<i>Net Realized Loss</i>	<i>(3,741,179)</i>
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	40,762
Futures contracts	(720,844)
<i>Change in Net Unrealized Appreciation/Depreciation</i>	<i>(680,082)</i>
NET LOSS ON INVESTMENTS AND FUTURES CONTRACTS	(4,421,261)
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 99,344

See Notes to Financial Statements.

Statements of changes in net assets

FOR THE SIX MONTHS ENDED APRIL 30, 2009 (unaudited)
AND THE YEAR ENDED OCTOBER 31, 2008

	2009	2008
OPERATIONS:		
Net investment income	\$ 4,520,605	\$ 9,315,087
Net realized loss	(3,741,179)	(3,721,736)
Change in net unrealized appreciation/depreciation	(680,082)	(20,902,204)
<i>Increase (Decrease) in Net Assets From Operations</i>	<i>99,344</i>	<i>(15,308,853)</i>
DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):		
Net investment income	(4,696,127)	(8,918,253)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(4,696,127)</i>	<i>(8,918,253)</i>
FUND SHARE TRANSACTIONS:		
Reinvestment of distributions (81,912 and 56,336 shares issued, respectively)	550,105	436,238
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>550,105</i>	<i>436,238</i>
DECREASE IN NET ASSETS	(4,046,678)	(23,790,868)
NET ASSETS:		
Beginning of period	149,452,148	173,243,016
End of period*	\$145,405,470	\$149,452,148
* Includes undistributed net investment income of:	\$904,281	\$1,079,803

See Notes to Financial Statements.

Financial highlights**FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH YEAR ENDED OCTOBER 31, UNLESS OTHERWISE NOTED:**

	2009 ¹	2008	2007	2006	2005	2004
NET ASSET VALUE, BEGINNING OF PERIOD	\$7.08	\$8.23	\$8.22	\$7.95	\$7.84	\$7.92
INCOME (LOSS) FROM OPERATIONS:						
Net investment income	0.21	0.44	0.42	0.42	0.45	0.51
Net realized and unrealized gain (loss)	(0.21)	(1.17)		0.26	0.11	(0.05)
<i>Total income (loss) from operations</i>	<i>0.00*</i>	<i>(0.73)</i>	<i>0.42</i>	<i>0.68</i>	<i>0.56</i>	<i>0.46</i>
LESS DISTRIBUTIONS FROM:						
Net investment income	(0.22)	(0.42)	(0.41)	(0.41)	(0.45)	(0.53)
Return of capital						(0.01)
<i>Total distributions</i>	<i>(0.22)</i>	<i>(0.42)</i>	<i>(0.41)</i>	<i>(0.41)</i>	<i>(0.45)</i>	<i>(0.54)</i>
NET ASSET VALUE, END OF PERIOD	\$6.86	\$7.08	\$8.23	\$8.22	\$7.95	\$7.84
MARKET PRICE, END OF PERIOD	\$7.08	\$6.53	\$7.75	\$7.84	\$7.10	\$7.39
<i>Total return, based on NAV^{2,3}</i>	<i>0.21%</i>	<i>(9.02)%</i>	<i>5.40%</i>	<i>9.24%</i>	<i>7.82%⁴</i>	<i>6.32%</i>
<i>Total return, based on Market Price³</i>	<i>12.14%</i>	<i>(10.89)%</i>	<i>4.06%</i>	<i>16.66%</i>	<i>2.16%</i>	<i>3.76%</i>
NET ASSETS, END OF PERIOD (MILLIONS)	\$145	\$149	\$173	\$173	\$167	\$165
RATIOS TO AVERAGE NET ASSETS:						
Gross expenses	0.73% ⁵	0.71%	0.84% ⁶	0.79%	0.85%	0.80%
Net expenses	0.735	0.71	0.796,7	0.797	0.85	0.80
Net investment income	6.425	5.59	5.14	5.27	5.74	6.47
PORTFOLIO TURNOVER RATE	3%	17%	16%	18%	39%	33%

1 For the six months ended April 30, 2009 (unaudited).

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. Total returns for periods of less than one year are not annualized.

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. Total returns for periods of less than one year are not annualized.

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

5 Annualized.

6 Included in the expense ratios are certain non-recurring restructuring (and reorganization, if applicable) fees that were incurred by the Fund during the period. Without these fees, the gross and net expense ratios would both have been 0.73%.

7 Reflects fee waivers and/or expense reimbursements.

* Amount represents less than \$0.01.

See Notes to Financial Statements.

Notes to financial statements (unaudited)

1. Organization and significant accounting policies

Western Asset Municipal High Income Fund 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 high current income exempt from federal income taxes.

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. Securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service that are based on transactions in municipal obligations, quotations from municipal bond dealers, market transactions in comparable securities and various other relationships between securities. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. When prices are not readily available, or are determined not to reflect fair value, the Fund may value these securities at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

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

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Notes to financial statements (unaudited) *continued*

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

	APRIL 30, 2009	QUOTED PRICES (LEVEL 1)	OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments in securities	\$142,013,932		\$142,013,932	
Other financial instruments*	230,105	\$230,105		
Total	\$142,244,037	\$230,105	\$142,013,932	

* Other financial instruments includes futures contracts.

(b) Financial futures contracts. The Fund may enter into financial futures contracts typically 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 in value 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. 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.

(c) Credit and market risk. The Fund invests in high yield instruments that are subject to certain credit and market risks. The yields of high yield 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.

(d) 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. 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.

(e) Distributions to shareholders. Distributions from net investment income for the Funds, if any, are declared and paid on a monthly basis. The Funds intend to satisfy conditions that will enable interest from municipal securities, which is exempt from federal and certain state income taxes, to retain such tax-exempt status when distributed to the shareholders of the Funds. Distributions of net realized gains, if any, are taxable and 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.

(f) 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, 2009, 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.

(g) 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.

2. Investment management agreement and other transactions with affiliates

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

LMPFA provides administrative and certain oversight services to the Fund. The Fund pays LMPFA an investment management fee, calculated daily and paid monthly, at an annual rate of 0.55% of the Fund's average daily net assets.

LMPFA delegates to the subadviser the day-to-day portfolio management of the Fund. For its services, LMPFA pays Western Asset 70% of the net management fee it receives from the Fund.

Notes to financial statements (unaudited) continued

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

3. Investments

During the six months ended April 30, 2009, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) were as follows:

Purchases	\$3,875,140
Sales	6,915,121

At April 30, 2009, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 4,269,509
Gross unrealized depreciation	(20,597,992)
Net unrealized depreciation	\$(16,328,483)

At April 30, 2009, the Fund had the following open futures contracts:

	NUMBER OF CONTRACTS	EXPIRATION DATE	BASIS VALUE	MARKET VALUE	UNREALIZED GAIN
Contracts to Sell:					
U.S. Treasury 30-Year Bonds	43	6/09	\$5,500,293	\$5,270,188	\$230,105

4. Distributions subsequent to April 30, 2009

On February 9, 2009, the Board of Directors (the Board) declared a dividend in the amount of \$0.037 per share payable on May 29, 2009 to shareholders of record on May 22, 2009. On May 26, 2009, the Board of the Fund declared three dividends, each in the amount of \$0.037 per share, payable on June 26, 2009, July 31, 2009 and August 28, 2009 to shareholders of record on June 19, 2009, July 24, 2009 and August 21, 2009, respectively.

5. Capital loss carryforward

As of October 31, 2008, the Fund had a net capital loss carryforward of approximately \$27,288,556, of which \$733,106 expires in 2009, \$601,572 expires in 2010, \$5,066,581 expires in 2011, \$10,608,178 expires in 2012, \$5,677,661 expires in 2013, \$1,928,255 expires in 2015 and \$2,673,203 expires in 2016. These amounts will be available to offset any future taxable capital gains.

6. Recent accounting pronouncements

In March 2008, the Financial Accounting Standards Board (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.

* * *

In April 2009, FASB issued FASB Staff Position No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 provides additional guidance for estimating fair value in accordance with FAS 157, when the volume and level of activity for the asset or liability have significantly decreased as well as guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for fiscal years and interim periods ending after June 15, 2009. Management is currently evaluating the impact the adoption of FSP 157-4 will have on the Fund's financial statement disclosures.

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 Municipal High Income Fund 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 agreement (the Sub-Advisory Agreement) with the Manager's affiliate, Western Asset Management Company (the Subadviser), on an annual basis. In response to a request by the Independent Directors, an in-person meeting of the Board was held on October 23, 2008 (the Leadership Meeting) with senior leadership of the Manager, the Subadviser and their corporate parent, Legg Mason, Inc. (Legg Mason) to discuss the investment advisory and other services provided to the Fund and other funds in the same complex under the Board's supervision (the Legg Mason Closed-end Funds). During this Leadership Meeting, information was presented to the Board regarding, among other things, the Subadviser's economic and financial markets outlook and its investment strategies given that outlook. Additionally, the Board received information regarding recent organizational changes and the continuing financial and other resources available to the Legg Mason organization to support its activities in respect of the Legg Mason Closed-end Funds. At a meeting (the Contract Renewal Meeting) held in-person on November 12 and 13, 2008, the Board, including the Independent Directors, considered and approved continuation of each of the Management Agreement and Sub-Advisory Agreement for an additional one-year term. To assist in its consideration of the renewals of the Management Agreement and Sub-Advisory Agreement, 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 (together with the information provided at the Leadership and Contract Renewal Meetings, the Contract Renewal Information), certain portions of which are discussed below. A presentation made by the Manager and Subadviser to the Board at the Contract Renewal Meeting in connection with its evaluations of the Management Agreement and Sub-Advisory Agreement encompassed the Fund and the other Legg Mason Closed-end Funds. In addition to the Contract Renewal Information, 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 the other Legg Mason Closed-end Funds 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 Agreement

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

Nature, Extent and Quality of the Services under the Management Agreement and Sub-Advisory Agreement

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 Agreement, 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 the Subadviser at the Contract Renewal Meeting, the financial resources available to the Legg Mason organization.

The Board considered the responsibilities of the Manager and the Subadviser under the Management Agreement and the Sub-Advisory Agreement, respectively, including the Manager's coordination and oversight of services provided to the Fund by the Subadviser and others.

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 Agreement 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 nonleveraged closed-end high yield municipal debt funds, as classified by Lipper, regardless of asset size. The Board noted that it had received and discussed with the Manager and

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

Subadviser information throughout the year at periodic intervals comparing the Fund's performance against its benchmark and 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 each of the 1- and 3-year periods ended June 30, 2008 was ranked first among the six funds in the Performance Universe for that period; the Fund's performance for the 5-year period ended June 30, 2008 was ranked third among the six funds in the Performance Universe for that period; and the Fund's performance for the 10-year period ended June 30, 2008 was ranked sixth among the six funds in the Performance Universe for that period. The Manager noted that the Subadviser assumed portfolio management responsibility for the Fund in December 2005. The Board also considered the volatile market conditions during the past year and 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 Agreement 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 universe (the Expense Universe) selected and provided by Lipper for the 1-year period ended June 30, 2008. The Expense Universe consisted of the Fund and five other nonleveraged closed-end high yield municipal debt funds, as classified by Lipper. The six Expense Universe funds had assets ranging from \$81.9 million to \$277.1 million. Two of the other funds in the Expense Universe were larger than the Fund and three funds were smaller.

The Lipper Expense Information comparing the Management Fee as well as the Fund's actual total expenses to the Fund's Expense Universe showed that the Fund's contractual Management Fee was ranked first among the six funds in the Expense Universe and that its actual Management Fee (i.e., giving effect to any voluntary fee waivers implemented by the Manager with respect to the Fund

and by managers of the other funds in the Expense Universe) and actual total expenses in each case ranked second among the funds in the Expense Universe. The Board noted that the small number of funds in the Expense Universe made meaningful comparisons difficult.

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.

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 Agreement.

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 for the Manager's fiscal years ended March 31, 2008 and March 31, 2007. 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. In 2007, the Board received a report from an outside consultant that had reviewed the Manager's methodologies and the Board received assurances at the Contract Renewal Meeting that there had been no significant changes to those methodologies since the report was rendered. 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 by 3 percent over the period covered by the analysis. The Board concluded that profitability was not unreasonable in light of the nature, scope and quality of the services provided to the Fund by the Manager.

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

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 noted further the favorable Expense Group rankings of the Management Fee in the Lipper Expense Information. 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.

* * * * *

In light of all of the foregoing, the Board determined that, under the circumstances, continuation of the Management Agreement and Sub-Advisory Agreement 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 Agreement, 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 Agreement as part of the Contract Renewal Information 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 Agreement in private sessions with their independent legal counsel at which no representatives of the Manager were present.

Additional shareholder information (unaudited)

Result of annual meeting of shareholders

The Annual Meeting of Shareholders of Western Asset Municipal High Income Fund Inc. was held on February 27, 2009, for the purpose of considering and voting upon the election of Directors. The following table provides information concerning the matter voted upon at the Meeting:

Election of directors

NOMINEE	COMMON SHARES VOTED FOR ELECTION	COMMON SHARES WITHHELD
Carol L. Colman	18,109,114	486,680
R. Jay Gerken	18,171,509	424,285
Riordan Roett	18,107,063	488,731

At April 30, 2009, in addition to Carol L. Colman, R. Jay Gerken and Riordan Roett, the other Directors of the Fund were as follows:

Daniel P. Cronin
 Paolo M. Cucchi
 Leslie H. Gelb
 William R. Hutchinson
 Jeswald W. Salacuse

Dividend reinvestment plan (unaudited)

The Fund's policy, which may be changed by the Fund's Board of Directors, is generally to make monthly distributions of substantially all its net investment income (i.e., income other than net realized capital gains) to the holders of the Fund's capital shares. From time to time, when the Fund makes a substantial capital gains distribution, it may do so in lieu of paying its regular monthly dividend. Net income of the Fund consists of all income accrued on portfolio assets less all expenses of the Fund. Expenses of the Fund are accrued each day. Net realized capital gains, if any, will be distributed to shareholders at least once a year.

Under the Fund's Dividend Reinvestment Plan (Plan), a shareholder whose capital shares are registered in his or her own name will have all distributions reinvested automatically by American Stock Transfer & Trust Company (AST), as purchasing agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in street name) will be reinvested by the broker or nominee in additional capital shares under the Plan, unless the service is not provided by the broker or nominee or the shareholder elects to receive distributions in cash. Investors who own capital shares registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to shareholders who do not participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of AST, as dividend-paying agent.

The number of capital shares distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. Whenever the market price of the capital shares is equal to or exceeds 98% of net asset value (NAV) per share on the determination date (generally, the record date for the distribution), participants will be issued capital shares valued at the greater of (1) 98% of the NAV or (2) 95% of the market price. To the extent that the Fund issues shares to participants in the Plan at a discount to NAV, the interests of remaining shareholders (i.e., those who do not participate in the Plan) in the Fund's net assets will be proportionately diluted.

If 98% of the NAV per share of the capital shares at the time of valuation (which is the close of business on the determination date) exceeds the market price of capital shares, AST will buy capital shares in the open market, on the NYSE or elsewhere, for the participants' accounts. If, following the commencement of the purchases and before AST has completed its purchases, the market price exceeds 98% of what the NAV per share of the capital shares was at the valuation time, AST will attempt to terminate purchases in the open market and cause the Fund to issue the remaining portion of the dividend or distribution by issuing shares at a price equal to the greater of (1) 98% of the NAV per share as of the valuation time, or (2) 95% of the then current market price. In this case, the number of shares of capital shares received by a Plan participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. To the

extent AST is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share price paid by AST may exceed 98% of the NAV per share of the capital shares. AST will begin to purchase capital shares on the open market as soon as practicable after the payment date of the dividend or capital gains distribution, but in no event shall such purchases continue later than 30 days after that date, except when necessary to comply with applicable provisions of the Federal securities laws.

AST maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in each account, including information needed by a shareholder for personal and tax records. The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. Capital shares in the account of each Plan participant will be held by AST in uncertificated form in the name of the Plan participant.

Plan participants are subject to no charge for reinvesting dividends and capital gains distributions under the Plan. AST's fees for handling the reinvestment of dividends and capital gains distributions will be paid by the Fund. No brokerage charges shall apply with respect to its capital shares issued directly by the Fund under the Plan. Each Plan participant will, however, bear a pro-rata share of brokerage commissions actually incurred with respect to any open market purchases made under the Plan.

Experience under the Plan may indicate that changes to it are desirable. The Fund reserves the right to amend or terminate the Plan as applied to any dividend or capital gains distribution paid subsequent to written notice of the change sent to participants at least 30 days before the record date for the dividend or capital gains distribution. The Plan also may be amended or terminated by AST or the Fund on at least 30 days' written notice to Plan participants. All correspondence concerning the Plan should be directed by mail to American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10038 or by telephone at 1 (877) 366-6441.

Western Asset Municipal High Income Fund Inc.

Directors

Carol L. Colman
Daniel P. Cronin
Paolo M. Cucchi
Leslie H. Gelb
R. Jay Gerken, CFA
Chairman
William R. Hutchinson
Riordan Roett
Jeswald W. Salacuse

Officers

R. Jay Gerken, CFA
President and Chief Executive Officer

Kaprel Ozsolak
Chief Financial Officer and Treasurer

Ted P. Becker
Chief Compliance Officer

Robert I. Frenkel
Secretary and Chief Legal Officer

Thomas C. Mandia
Assistant Secretary

Albert Laskaj
Controller

Steven Frank
Controller

Western Asset Municipal High Income Fund Inc.

55 Water Street
New York, New York 10041

Investment manager

Legg Mason Partners Fund Advisor, LLC

Subadvisers

Western Asset Management Company

Custodian

State Street Bank and Trust Company
1 Lincoln Street
Boston, Massachusetts 02111

Transfer agent

American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10038

Independent registered public accounting firm

KPMG LLP
345 Park Avenue
New York, New York 10154

Legal counsel

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017-3909

New York Stock Exchange Symbol

MHF

Western Asset Municipal High Income Fund Inc.

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.
55 Water Street
New York, New York 10041

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time, the Fund may purchase, at market prices, shares of its common stock in the open market.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at www.sec.gov. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. To obtain information on Form N-Q from the Fund, shareholders can call 1-888-777-0102.

Information on how the Fund voted proxies relating to portfolio securities during the prior 12-month period ended June 30th of each year and a description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities are available (1) without charge, upon request, by calling 1-888-777-0102, (2) on the Fund's website at www.leggmason.com/cef and (3) on the SEC's website at www.sec.gov.

This report is transmitted to the shareholders of the Western Asset Municipal High Income Fund Inc. for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

American Stock
Transfer & Trust Company
59 Maiden Lane
New York, New York 10038

WAS04050 6/09 SR09-835

ITEM 2. CODE OF ETHICS.

Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not Applicable.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 11. CONTROLS AND PROCEDURES.

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

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in

the case of an annual report) that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Not applicable.

Exhibit 99.CODE ETH

(a) (2) Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002 attached hereto.

Exhibit 99.CERT

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 attached hereto.

Exhibit 99.906CERT

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this Report to be signed on its behalf by the undersigned, there unto duly authorized.

Western Asset Municipal High Income Fund Inc.

By: /s/ R. Jay Gerken
R. Jay Gerken
Chief Executive Officer
Western Asset Municipal High Income Fund Inc.

Date: June 26, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ R. Jay Gerken
(R. Jay Gerken)
Chief Executive Officer
Western Asset Municipal High Income Fund Inc.

Date: June 26, 2009

By: /s/ Kaprel Ozsolak
(Kaprel Ozsolak)
Chief Financial Officer
Western Asset Municipal High Income Fund Inc.

Date: June 26, 2009
