WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.
Form N-CSRS
June 23, 2011

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)

620 Eighth Avenue New York, NY	10018
(Address of principal executive offices)	(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, 2011

ITEM 1. REPORT TO STOCKHOLDERS.

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

April 30, 2011

Semi-Annual Report

Western Asset Municipal High Income Fund Inc.
(MHF)

Fund objective

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

What s inside

Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset Municipal High Income Fund Inc. for the six-month reporting period ended April 30, 2011. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund s reporting period.

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

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

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

May 27, 2011

Investment commentary

Economic review

While economic data remained mixed, the U.S. economy continued to expand over the six months ended April 30, 2011. Beginning in the fourth quarter of 2010 and continuing for most of the remainder of the period, fears regarding moderating economic growth were replaced with optimism for a strengthening economy in 2011. With investor sentiment improving, interest rates generally rose, negatively impacting some sectors of the fixed-income market. All told, investors who took on additional risk in their portfolios during the reporting period were generally rewarded.

Although the U.S. Department of Commerce continued to report positive U.S. gross domestic product (GDP)i growth, the expansion has been less robust than most other periods exiting a severe recession. According to the Commerce Department, GDP growth was 3.7%, 1.7%, 2.6% and 3.1% during the first, second, third and fourth quarters of 2010, respectively. For calendar 2010 as a whole, the economy expanded 2.9%. Based on the Commerce Department s second estimate, first quarter 2011 GDP growth was 1.8%. This moderation in growth in the first quarter was due to a variety of factors, including less robust export activity, a decline in government spending and a deceleration in consumer spending given rising oil and food prices.

Turning to the job market, the unemployment rate moved lower during four of the last five months of the reporting period, though it remained elevated. The rate fell to 8.9% in February 2011, marking the first time the unemployment rate was below 9.0% since April 2009. Unemployment then ticked downward to 8.8% in March, but back up to 9.0% in April. While unemployment in the U.S. declined over the course of the reporting period, hiring has yet to rebound as strongly as in previous recoveries. The U.S. Department of Labor reported in May 2011 that approximately 13.7 million Americans looking for work have yet to find a job, and roughly 43% of these individuals have been out of work for more than six months. In addition, while the Federal Reserve Board (Fed)ii believes that unemployment will continue to decline, it projects that it will remain relatively high, between 7.5% and 8.0% at the end of 2012.

The long-ailing housing market continued to show signs of strain during the reporting period. Looking back, sales increased in the spring of 2010 largely due to the government s $8,000 tax credit for first-time home buyers. However, this proved to be only a temporary boost, as sales subsequently weakened after the tax credit expired at the end of April. Existing-home sales did rebound somewhat toward the end of 2010 and in January 2011, as mortgage rates remained relatively low. However, according to the National Association of Realtors (NAR), existing-home sales then declined a sharp 8.9% in February, before increasing 3.5% in March and then falling 0.8% in April. At the end of April, the inventory of unsold homes was a 9.2 month supply at the current sales level, versus an 8.3 month supply in March. Existing-home prices remained disappointingly low, with the NAR reporting that the median existing-home price for all housing types was $163,700 in April 2011, down 5.0% from April 2010.

The manufacturing sector was one area of the economy that remained relatively strong during the reporting period. Based on the Institute for Supply Management s PMIiii, the manufacturing

Investment commentary (cont d)

sector has grown twenty-one consecutive months since it began expanding in August 2009. After reaching a six-year peak of 60.4 in March 2010 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion), PMI data indicated somewhat more modest growth during the next nine months. However, in January 2011, the manufacturing sector expanded at its fastest pace since May 2004, with a reading of 60.8 versus 58.5 for the previous month. Manufacturing activity remained strong during the next three months and was 60.4 in April. The expansion in the manufacturing sector was broad based in April, with seventeen of eighteen industries tracked by the Institute for Supply Management growing during the month.

Financial market overview

Although the financial markets were, for the most part, characterized by healthy investor risk appetite and solid results by stocks and lower-quality bonds, there were periods of heightened volatility during the reporting period. The markets experienced sharp sell-offs in mid-November 2010, and again in mid-February and mid-March 2011. During those periods, investors tended to favor the relative safety of U.S. Treasury securities. However, these setbacks proved to be only temporary and, in each case, risk aversion was generally replaced with solid demand for riskier assets.

Due to signs that certain areas of the economy were moderating in the middle of 2010 (prior to the beginning of the reporting period), the Fed took further actions to spur the economy. At its August 10th meeting, the Fed announced an ongoing program that calls for using the proceeds from expiring agency debt and agency mortgage-backed securities to purchase longer-dated Treasury securities.

In addition, the Fed remained cautious given pockets of weakness in the economy. At its meeting in September 2010, the Fed said, The Committee will continue to monitor the economic outlook and financial developments and is prepared to provide additional accommodation if needed to support the economic recovery. . . . This led to speculation that the Fed may again move to purchase large amounts of agency and Treasury securities in an attempt to avoid a double-dip recession and ward off deflation.

The Fed then took additional action in early November 2010. Citing that the pace of recovery in output and employment continues to be slow, the Fed announced another round of quantitative easing to help stimulate the economy, entailing the purchase of $600 billion of long-term U.S. Treasury securities by the end of the second quarter of 2011. This, coupled with the Fed s previously announced program to use the proceeds of expiring securities to purchase Treasuries, means it could buy a total of $850 billion to $900 billion of Treasury securities by the end of June 2011. At its meeting in April 2011, the Fed said it continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate[iv] for an extended period. The Fed also stated that it would end its program of purchasing $600 billion of Treasury securities on schedule at the end of June.

Fixed-income market review

After rallying in October 2010 (prior to the beginning of the reporting period) in the wake of the Fed indicating the possibility of another round of quantitative easing, the spread sectors (non-Treasuries) started to weaken toward the middle of November. This occurred as financial troubles in Ireland resulted in a re-emergence of the European sovereign debt crisis. While most spread sectors regained their footing during the last five months of the reporting period, others, such as emerging market debt, produced mixed results given ongoing uncertainties in Europe, concerns regarding economic growth in China and its potential impact on the global economy, geopolitical unrest in the Middle East and Libya and the devastating earthquake and tsunami in Japan.

Both short- and long-term Treasury yields fluctuated but, overall, moved higher during the six months ended April 30, 2011. When the period began, two- and ten-year Treasury yields were 0.34% and 2.63%, respectively. Treasury yields initially moved lower, with two- and ten-year Treasury yields hitting their lows for the period of 0.33% and 2.53%, respectively, on November 4, 2010. Yields then moved sharply higher given expectations for stronger growth in 2011 and the potential for rising inflation. On February 14, 2011, two-year Treasury yields peaked at 0.87%, while ten-year Treasuries peaked at 3.75% on February 8, 2011. Treasury yields then declined as investor risk aversion increased given the uprising in Libya and, later, given the tragic events in Japan. Yields moved higher toward the end of March as investor risk appetite resumed, but then declined in April given disappointing first quarter 2011 GDP data. When the period ended on April 30, 2011, two-year Treasury yields were 0.61% and ten-year Treasury yields were 3.32%.

The municipal bond market lagged its taxable bond counterpart over the six months ended April 30, 2011. Over that period, the Barclays Capital Municipal Bond Index[v] and the Barclays Capital U.S. Aggregate Index[vi] returned -1.68% and 0.02%, respectively. The municipal bond market was negatively impacted by a sharp increase in issuance of Build America Bonds in advance of the expiration of the popular program at the end of 2010. These new securities were not readily absorbed by investor demand. In addition, there were some high profile issues regarding the financial well-being of some municipal bond issuers. However, the municipal market began to strengthen in April 2011 given improving tax revenues and a sharp decline in new issuance.

Performance review

For the six months ended April 30, 2011, Western Asset Municipal High Income Fund Inc. returned -2.69% based on its net asset value (NAV)[vii] and -5.62% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmark, the Barclays Capital Municipal Bond Index, returned -1.68% for the same period. The Lipper High Yield Municipal Debt Closed-End Funds Category Average[viii] returned -5.21% over the same time frame. 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 shows the Fund s

Investment commentary (cont d)

six-month total return based on its NAV and market price as of April 30, 2011. **Past performance is no guarantee of future results.**

Performance Snapshot as of April 30, 2011 (unaudited)

Price Per Share	6-Month Total Return*
$7.39 (NAV)	-2.69%
$7.25 (Market Price)	-5.62%

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. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

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 XMHFX 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 5:30 p.m. Eastern 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.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and
Chief Executive Officer

May 27, 2011

RISKS: *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 s holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

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

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

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

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

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

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 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 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, 2011, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 14 funds in the Fund s Lipper category.

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Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund s investments as of April 30, 2011 and October 31, 2010. The Fund is actively managed. As a result, the composition of the Fund s investments is subject to change at any time.

Spread duration (unaudited)

Economic Exposure April 30, 2011

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund s sectors relative to the selected benchmark sectors as of the end of the reporting period.

BC Muni Bond	Barclays Capital Municipal Bond Index
MHF	Western Asset Municipal High Income Fund Inc.

Effective duration (unaudited)

Interest Rate Exposure April 30, 2011

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund s sectors relative to the selected benchmark sectors as of the end of the reporting period.

BC Muni Bond	Barclays Capital Municipal Bond Index
MHF	Western Asset Municipal High Income Fund Inc.

4 Western Asset Municipal High Income Fund Inc. 2011 Semi-Annual Report

Schedule of investments (unaudited)

April 30, 2011

Western Asset Municipal High Income Fund Inc.

Security		Rate		Maturity Date		Face Amount		Value	
Municipal Bonds 97.0%									
Arizona 1.7%									
Pima County, AZ, IDA Revenue, Tucson Electric Power Co.		5.750	%	9/1/29		$1,000,000	$	1,002,210	
Salt Verde, AZ, Financial Corp. Gas Revenue		5.000	%	12/1/37		1,500,000		1,236,795	
University Medical Center Corp., AZ, Hospital Revenue		6.250	%	7/1/29		500,000		502,485	
Total Arizona								***2,741,490***	
Arkansas 0.4%									
Arkansas State Development Financing Authority, Industrial Facilities Revenue, Potlatch Corp. Projects		7.750	%	8/1/25		600,000		***602,346***	(a)
California 4.5%									
Golden State Tobacco Securitization Corp., California Tobacco Settlement Revenue, Asset Backed		7.800	%	6/1/42		2,000,000		2,288,400	(b)
M-S-R Energy Authority, CA, Gas Revenue		7.000	%	11/1/34		2,000,000		2,201,840	
M-S-R Energy Authority, CA, Gas Revenue		6.500	%	11/1/39		2,000,000		2,058,020	
Redding, CA, Redevelopment Agency, Tax Allocation, Shastec Redevelopment Project		5.000	%	9/1/29		600,000		502,104	
Total California								***7,050,364***	
Colorado 5.1%									
Colorado Educational & Cultural Facilities Authority Revenue:									
Charter School Peak to Peak Project		7.500	%	8/15/21		665,000		678,120	(b)
Cheyenne Mountain Charter Academy		5.250	%	6/15/25		680,000		638,629	
Cheyenne Mountain Charter Academy		5.125	%	6/15/32		510,000		446,444	
Elbert County Charter		7.375	%	3/1/35		785,000		712,238	
Public Authority for Colorado Energy, Natural Gas Purchase Revenue		6.125	%	11/15/23		4,000,000		4,224,160	
Reata South Metropolitan District, CO, GO		7.250	%	6/1/37		1,000,000		799,960	
Southlands, CO, Metropolitan District No. 1, GO		7.125	%	12/1/34		500,000		602,970	(b)
Total Colorado								***8,102,521***	
Delaware 4.0%									
Delaware State EDA Revenue, Indian River Power LLC		5.375	%	10/1/45		4,000,000		3,447,160	
Sussex County, DE, Recovery Zone Facility Revenue, NRG Energy Inc., Indian River Power LLC		6.000	%	10/1/40		3,000,000		2,864,580	
Total Delaware								***6,311,740***	
District of Columbia 1.3%									

District of Columbia COP, District Public Safety & Emergency, AMBAC		5.500	%	1/1/20		1,895,000		***1,978,058***	

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc.

Security	Rate		Maturity Date	Face Amount	Value	
Florida 6.3%						
Beacon Lakes, FL, Community Development District, Special Assessment	6.900	%	5/1/35	$ 815,000	$ 761,789	
Bonnet Creek Resort Community Development District, Special Assessment	7.500	%	5/1/34	1,500,000	1,377,690	
Century Parc Community Development District, Special Assessment	7.000	%	11/1/31	885,000	851,547	
Highlands County, FL, Health Facilities Authority Revenue, Adventist Health Systems	6.000	%	11/15/25	1,000,000	1,080,700	(b)
Martin County, FL, IDA Revenue, Indiantown Cogeneration Project	7.875	%	12/15/25	2,000,000	2,007,780	(a)
Orange County, FL, Health Facilities Authority Revenue, First Mortgage, GF, Orlando Inc. Project	9.000	%	7/1/31	1,000,000	970,920	
Palm Beach County, FL, Health Facilities Authority Revenue, John F. Kennedy Memorial Hospital Inc. Project	9.500	%	8/1/13	225,000	248,699	(c)
Reunion East Community Development District, Special Assessment	7.375	%	5/1/33	2,000,000	1,322,420	
Santa Rosa, FL, Bay Bridge Authority Revenue	6.250	%	7/1/28	1,000,000	401,030	
University of Central Florida, COP, FGIC	5.000	%	10/1/25	1,000,000	911,590	
Total Florida					***9,934,165***	
Georgia 6.8%						
Atlanta, GA, Airport Revenue:						
AGM	5.000	%	1/1/26	1,000,000	1,012,590	
FGIC	5.625	%	1/1/30	1,000,000	999,340	(a)
Atlanta, GA, Development Authority Educational Facilities Revenue, Science Park LLC Project	5.000	%	7/1/32	2,000,000	1,949,180	
Atlanta, GA, Tax Allocation, Atlantic Station Project	7.900	%	12/1/24	2,500,000	2,634,775	(b)
Atlanta, GA, Water & Wastewater Revenue	6.250	%	11/1/39	2,000,000	2,070,500	
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.125	%	7/1/40	1,000,000	1,064,200	
Gainesville & Hall County, GA, Development Authority Revenue, Senior Living Facilities, Lanier Village Estates	7.250	%	11/15/29	1,000,000	1,001,650	
Total Georgia					***10,732,235***	
Hawaii 2.7%						
Hawaii State Department of Budget & Finance Special Purpose:						
Revenue, Hawaiian Electric Co.	6.500	%	7/1/39	2,000,000	2,012,340	
Senior Living Revenue	6.400	%	11/15/14	550,000	551,402	
Senior Living Revenue	7.500	%	11/15/15	1,500,000	1,536,795	
Senior Living Revenue, 15 Craigside Project	8.750	%	11/15/29	200,000	224,648	
Total Hawaii					***4,325,185***	

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

April 30, 2011

Western Asset Municipal High Income Fund Inc.

Security	Rate		Maturity Date	Face Amount	Value	
Illinois 2.4%						
Cook County, IL, Revenue, Navistar International Corp.	6.500	%	10/15/40	$2,000,000	$ 2,018,140	
Illinois Finance Authority Revenue:						
Park Place of Elmhurst	8.125	%	5/15/40	1,000,000	950,530	
Refunding, Chicago Charter School Project	5.000	%	12/1/26	1,000,000	866,760	
Total Illinois					***3,835,430***	
Indiana 0.5%						
County of St. Joseph, IN, EDR:						
Holy Cross Village Notre Dame Project	6.000	%	5/15/26	285,000	258,751	
Holy Cross Village Notre Dame Project	6.000	%	5/15/38	550,000	465,575	
Total Indiana					***724,326***	
Kansas 0.7%						
Salina, KS, Hospital Revenue, Refunding & Improvement Salina Regional Health	5.000	%	10/1/22	1,150,000	***1,184,718***	
Kentucky 1.3%						
Owen County, KY, Waterworks System Revenue, Kentucky American Water Co. Project	6.250	%	6/1/39	2,000,000	***2,050,800***	
Louisiana 0.6%						
Epps, LA, COP	8.000	%	6/1/18	930,000	***924,476***	
Maryland 1.9%						
Maryland State Health & Higher EFA Revenue, Mercy Medical Center	6.250	%	7/1/31	3,000,000	***3,001,920***	
Massachusetts 1.2%						
Boston, MA, Industrial Development Financing Authority Revenue, Roundhouse Hospitality LLC Project	7.875	%	3/1/25	785,000	646,604	(a)
Massachusetts State DFA Revenue, Tufts Medical Center Inc.	6.875	%	1/1/41	1,000,000	997,990	
Massachusetts State Port Authority Revenue	13.000	%	7/1/13	210,000	240,828	(c)
Total Massachusetts					***1,885,422***	
Michigan 5.2%						
Allen Academy, COP	7.500	%	6/1/23	2,130,000	2,124,803	
Cesar Chavez Academy, COP	6.500	%	2/1/33	1,000,000	977,140	
Cesar Chavez Academy, COP	8.000	%	2/1/33	1,000,000	1,038,710	
Gaudior Academy, COP	7.250	%	4/1/34	1,000,000	881,940	
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital	8.250	%	9/1/39	2,000,000	2,273,480	

Star International Academy, COP	7.000	%	3/1/33	940,000	895,557	
Total Michigan					***8,191,630***	

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value	
Missouri 0.8%					
Missouri State HEFA Revenue, Refunding, St. Lukes Episcopal	5.000%	12/1/21	$1,300,000	$ ***1,325,909***	
Montana 1.3%					
Montana State Board of Investment, Resource Recovery Revenue, Yellowstone Energy LP Project	7.000%	12/31/19	2,205,000	***2,075,611***	(a)
New Jersey 3.6%					
Casino Reinvestment Development Authority Revenue, NATL	5.250%	6/1/20	1,500,000	1,501,575	
New Jersey State EDA Revenue, Refunding	6.875%	1/1/37	5,000,000	4,252,000	(a)
Total New Jersey				***5,753,575***	
New Mexico 0.6%					
Otero County, NM, Jail Project Revenue	7.500%	12/1/24	1,000,000	***962,950***	
New York 5.1%					
Brooklyn Arena, NY, Local Development Corp., Barclays Center Project	6.250%	7/15/40	2,000,000	1,960,340	
New York City, NY, IDA, Civic Facilities Revenue, Special Needs Facilities Pooled Program	8.125%	7/1/19	385,000	393,655	
New York Liberty Development Corp., Liberty Revenue, Refunding, Second Priority, Bank of America	6.375%	7/15/49	5,000,000	5,001,050	
Suffolk County, NY, IDA, Civic Facilities Revenue, Eastern Long Island Hospital Association	7.750%	1/1/22	755,000	791,444	(b)
Total New York				***8,146,489***	
Ohio 2.7%					
Cuyahoga County, OH, Hospital Facilities Revenue, Canton Inc. Project	7.500%	1/1/30	1,465,000	1,468,633	
Miami County, OH, Hospital Facilities Revenue, Refunding and Improvement Upper Valley Medical Center	5.250%	5/15/21	1,500,000	1,518,465	
Riversouth Authority, OH, Revenue, Riversouth Area Redevelopment	5.000%	12/1/25	1,260,000	1,305,234	
Total Ohio				***4,292,332***	
Oklahoma 1.5%					
Tulsa County, OK, Industrial Authority, Senior Living Community Revenue:					
Montereau Inc. Project	6.875%	11/1/23	1,300,000	1,310,101	
Montereau Inc. Project	7.125%	11/1/30	1,000,000	1,001,630	
Total Oklahoma				***2,311,731***	

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

April 30, 2011

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value	
Pennsylvania 4.3%					
Cumberland County, PA, Municipal Authority Retirement Community Revenue, Wesley Affiliate Services Inc. Project	7.250%	1/1/35	$1,000,000	$ 1,117,500	(b)
Lebanon County, PA, Health Facilities Authority Revenue, Good Samaritan Hospital Project	6.000%	11/15/35	1,000,000	867,840	
Monroe County, PA, Hospital Authority Revenue, Pocono Medical Center	5.000%	1/1/27	1,000,000	923,290	
Northumberland County, PA, IDA Facilities Revenue, NHS Youth Services Inc. Project	7.500%	2/15/29	900,000	761,589	
Pennsylvania Economic Development Financing Authority, Health Systems Revenue, Albert Einstein Healthcare	6.250%	10/15/23	2,000,000	2,063,400	
Philadelphia, PA, Authority for IDR, Host Marriot LP Project, Remarketed 10/31/95	7.750%	12/1/17	1,000,000	1,001,520	(a)
Total Pennsylvania				***6,735,139***	
Puerto Rico 0.6%					
Puerto Rico Electric Power Authority, Power Revenue	5.250%	7/1/40	1,000,000	***876,120***	
Tennessee 1.3%					
Shelby County, TN, Health Educational & Housing Facilities Board Revenue, Trezevant Manor Project	5.750%	9/1/37	2,500,000	***2,054,275***	
Texas 22.7%					
Brazos River, TX, Harbor Industrial Development Corp., Environmental Facilities Revenue, Dow Chemical Co.	5.900%	5/1/28	1,500,000	1,476,300	(a)(d)
Burnet County, TX, Public Facility Project Revenue	7.500%	8/1/24	1,440,000	1,390,680	
Garza County, TX, Public Facility Corp.	5.500%	10/1/18	1,000,000	982,670	
Garza County, TX, Public Facility Corp., Project Revenue	5.750%	10/1/25	2,000,000	2,012,240	
Gulf Coast of Texas, IDA, Solid Waste Disposal Revenue, CITGO Petroleum Corp. Project	7.500%	10/1/12	2,000,000	2,027,400	(a)(d)
Harris County, TX, Cultural Education Facilities Finance Corp., Medical Facilities Revenue, Baylor College of Medicine	5.625%	11/15/32	2,000,000	1,864,280	
Houston, TX, Airport Systems Revenue, Special Facilities, Continental Airlines Inc. Project	6.125%	7/15/27	2,750,000	2,513,720	(a)
Laredo, TX, ISD Public Facility Corp., Lease Revenue, AMBAC	5.000%	8/1/29	1,000,000	1,000,520	
Love Field Airport Modernization Corp, TX, Special Facilities Revenue, Southwest Airlines Co. Project	5.250%	11/1/40	6,000,000	5,254,380	

Midlothian, TX, Development Authority, Tax Increment Contract Revenue	6.200	%	11/15/29	1,000,000	1,000,200	

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value	
Texas continued					
North Texas Tollway Authority Revenue	5.750%	1/1/40	$2,500,000	$ 2,431,400	
Texas Midwest Public Facility Corp. Revenue, Secure Treatment Facility Project	9.000%	10/1/30	2,000,000	1,625,300	
Texas Private Activity Bond Surface Transportation Corp., Senior Lien	6.875%	12/31/39	2,000,000	2,035,600	
Texas Private Activity Bond Surface Transportation Corp. Revenue, LBJ Infrastructure Group LLC	7.000%	6/30/40	4,000,000	4,099,880	
Texas State Public Finance Authority:					
Charter School Finance Corp. Revenue, Cosmos Foundation Inc.	6.200%	2/15/40	1,000,000	947,390	
Uplift Education	5.750%	12/1/27	1,500,000	1,333,830	
West Texas Detention Facility Corp. Revenue	8.000%	2/1/25	1,865,000	1,653,640	
Willacy County, TX, Local Government Corp. Revenue	6.875%	9/1/28	1,000,000	856,270	
Willacy County, TX, PFC Project Revenue	8.250%	12/1/23	1,000,000	1,042,270	
Willacy County, TX, PFC Project Revenue, County Jail	7.500%	11/1/25	550,000	475,178	
Total Texas				***36,023,148***	
U.S. Virgin Islands 1.6%					
Virgin Islands Public Finance Authority Revenue, Matching Fund Loan	6.750%	10/1/37	2,500,000	***2,574,025***	
Virginia 2.3%					
Alexandria, VA, Redevelopment & Housing Authority, MFH Revenue, Parkwood Court Apartments Project	8.125%	4/1/30	295,000	268,491	
Broad Street CDA Revenue	7.500%	6/1/33	748,000	863,260	(b)
Chesterfield County, VA, EDA, Solid Waste and Sewer Disposal Revenue, Virginia Electric Power Co. Project	5.600%	11/1/31	2,500,000	2,484,925	(a)
Total Virginia				***3,616,676***	
West Virginia 1.4%					
Pleasants County, WV, PCR, Refunding, County Commission Allegheny	5.250%	10/15/37	2,500,000	***2,265,100***	
Wisconsin 0.6%					
Wisconsin State HEFA Revenue, Aurora Health Care	6.400%	4/15/33	1,000,000	***1,011,220***	
Total Investments before Short-Term Investments (Cost $157,031,008)				**153,601,126**	
Short-Term Investments 1.0%					
Colorado 0.1%					
	0.250%	12/1/29	100,000	***100,000***	(e)(f)

Denver, CO, City & County, COP, SPA-JPMorgan Chase					
Illinois 0.6%					
Chicago, IL, Sales Tax Revenue, SPA-JPMorgan Chase	0.270	%	1/1/34	1,000,000	***1,000,000*** (e)(f)

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

April 30, 2011

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Indiana 0.1%				
Indiana State Finance Authority Revenue, Lease Appropriation, SPA-JPMorgan Chase	0.240%	2/1/35	$ 100,000	$ ***100,000***(e)(f)
New Jersey 0.1%				
Rutgers State University, NJ, SPA-Landesbank Hessen-Thuringen	0.230%	5/1/18	330,000	***330,000***(e)(f)
Texas 0.1%				
Harris County, TX, Health Facilities Development Corp. Revenue, Methodist Hospital System	0.230%	12/1/41	100,000	***100,000***(e)(f)
Total Short-Term Investments (Cost $1,630,000)				**1,630,000**
Total Investments 98.0% (Cost $158,661,008#)				**155,231,126**
Other Assets in Excess of Liabilities 2.0%				3,189,950
Total Net Assets 100.0%				**$158,421,076**

(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) 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.
(d) Maturity date shown represents the mandatory tender date.
(e) 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.
(f) Maturity date shown is the final maturity date. The security may be sold back to the issuer before final maturity.
\# Aggregate cost for federal income tax purposes is substantially the same.

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc.

Abbreviations used in this schedule:

AGM	Assured Guaranty Municipal Corporation Insured Bonds
AMBAC	American Municipal Bond Assurance Corporation Insured Bonds
CDA	Communities Development Authority
COP	Certificates of Participation
DFA	Development Finance Agency
EDA	Economic Development Authority
EDR	Economic Development Revenue
EFA	Educational Facilities Authority
FGIC	Financial Guaranty Insurance Company Insured Bonds
GO	General Obligation
HEFA	Health & Educational Facilities Authority
IDA	Industrial Development Authority
IDR	Industrial Development Revenue
ISD	Independent School District
MFH	Multi-Family Housing
NATL	National Public Finance Guarantee Corporation Insured Bonds
PCR	Pollution Control Revenue
PFC	Public Facilities Corporation
SPA	Standby Bond Purchase Agreement Insured Bonds

Summary of Investments by Industry*

Industrial revenue	31.7%
Health care	18.1
Leasing	11.8
Transportation	7.1
Pre-refunded/escrowed to maturity	6.8
Education	5.9
Special tax obligation	5.9
Power	5.2
Other	2.9
Solid waste/resource recovery	1.6
Water & sewer	1.3
Local general obligation	0.5
Housing	0.2
Short-term investments	1.0
	100.0%

* As a percentage of total investments. Please note that Fund holdings are as of April 30, 2011 and are subject to change.

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

April 30, 2011

Western Asset Municipal High Income Fund Inc.

Ratings Table

S&P/Moody s/Fitch	
AAA/Aaa	3.9%
AA/Aa	2.1
A	22.2
BBB/Baa	37.7
BB/Ba	4.0
B	1.3
CCC/Caa	1.6
CC	1.0
C	0.3
A-1/VMIG1	1.0
NR	24.9
	100.0%

As a percentage of total investments.

The ratings shown are based on each portfolio security s rating as determined by S&P, Moody s or Fitch, each a Nationally Recognized Statistical Ratings Organization (NRSRO). These ratings are the opinions of the NRSRO and are not measures of quality or guarantees of performance. Securities may be rated by other NRSROs, and these ratings may be higher or lower. In the event that a security is rated by multiple 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 13 through 16 for definitions of ratings.

See Notes to Financial Statements.

Bond ratings

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

Long-term security ratings (unaudited)

Standard & Poor s Ratings Service (Standard & Poor s) Long-term Issue Credit Ratings 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	An obligation rated AAA has the highest rating assigned by Standard & Poor s. The obligor s capacity to meet its financial commitment on the obligation is extremely strong.
AA	An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor s capacity to meet its financial commitment on the obligation is very strong.
A	An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor s capacity to meet its financial commitment on the obligation is still strong.
BBB	An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
BB	An obligation rated BB is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor s inadequate capacity to meet its financial commitment on the obligation.
B	An obligation rated B is more vulnerable to nonpayment than obligations rated BB , but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor s capacity or willingness to meet its financial commitment on the obligation.
CCC	An obligation rated CCC is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.
CC	An obligation rated CC is currently highly vulnerable to nonpayment.
C	The C rating may be used to cover a situation where a bankruptcy petition has been filed or similar action has been taken, but payments on this obligation are being continued.
D	An obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due, even if the applicable grace period has not expired, unless Standard & Poor s believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments of an obligation are jeopardized.

Long-term security ratings (unaudited) (cont d)

Moody s Investors Service (Moody s) Long-term Obligation Ratings 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	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery for principal and interest.
C	Obligations rated C are the lowest rated class and are typically in default, with little prospect of recovery for principal and interest.

Fitch Ratings Service (Fitch) Structured, Project & Public Finance Obligations 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	Obligations rated AAA by Fitch denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Obligations rated AA denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	Obligations rated A denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Obligations rated BBB indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
BB	Obligations rated BB indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.
B	Obligations rated B indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Default is a real possibility.

Long-term security ratings (unaudited) (cont d)

CC	Default of some kind appears probable.
C	Default is imminent or inevitable, or the issuer is in standstill.
NR	Indicates that the obligation is not rated by Standard & Poor s, Moody s or Fitch.

Short-term security ratings (unaudited)

Standard & Poor s Municipal Short-Term Notes Ratings

SP-1	A short-term obligation rated SP-1 is rated in the highest category by Standard & Poor s. Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.
SP-2	A short-term obligation rated SP-2 is a Standard & Poor s rating indicating satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.
SP-3	A short-term obligation rated SP-3 is a Standard & Poor s rating indicating speculative capacity to pay principal and interest.

Standard & Poor s Short-Term Issues Credit Ratings

A-1	A short-term obligation rated A-1 is rated in the highest category by Standard & Poor s. The obligor s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor s capacity to meet its financial commitment on these obligations is extremely strong.
A-2	A short-term obligation rated A-2 by Standard & Poor s is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor s capacity to meet its financial commitment on the obligation is satisfactory.
A-3	A short-term obligation rated A-3 by Standard & Poor s exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
B	A short-term obligation rated B by Standard & Poor s is regarded as having significant speculative characteristics. Ratings of B-1 , B-2 and B-3 may be assigned to indicate finer distinctions within the B category. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor s inadequate capacity to meet its financial commitment on the obligation.

Moody s Variable Rate Demand Obligations (VRDO) Ratings

VMIG 1	Moody s highest rating for issues having a variable rate demand feature VRDO. This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price on demand.

VMIG 2	This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price on demand.

Short-term security ratings (unaudited) (cont d)

VMIG 3	This designation denotes acceptable credit quality. Adequate protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price on demand.

Moody s Short-Term Municipal Obligations Ratings

MIG 1	Moody s highest rating for short-term municipal obligations. This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.
MIG 2	This designation denotes strong credit quality. Margins of protection are ample, although not as large as the preceding group.
MIG 3	This designation denotes acceptable credit quality. Liquidity and cash flow protection may be narrow, and market access for refinancing is likely to be less well-established.
SG	This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Moody s Short-Term Obligations Ratings

P-1	Moody s highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating. Have a superior ability to repay short-term debt obligations.
P-2	Have a strong ability to repay short-term debt obligations.
P-3	Have an acceptable ability to repay short-term debt obligations.
NP	Issuers do not fall within any of the Prime rating categories.

Fitch s Short-Term Issuer or Obligations Ratings

F1	Fitch s highest rating indicating the strongest intrinsic capacity for timely payment of financial commitments; may have an added + to denote any exceptionally strong credit feature.
F2	Fitch rating indicating good intrinsic capacity for timely payment of financial commitments.
F3	Fitch rating indicating intrinsic capacity for timely payment of financial commitments is adequate.
NR	Indicates that the obligation is not rated by Standard & Poor s, Moody s or Fitch.

Statement of assets and liabilities (unaudited)

April 30, 2011

Assets:	
Investments, at value (Cost $158,661,008)	$155,231,126
Interest receivable	3,268,191
Receivable for securities sold	1,143,097
Prepaid expenses	20,774
Total Assets	***159,663,188***
Liabilities:	
Due to custodian	1,097,741
Investment management fee payable	71,225
Directors fees payable	5,658
Accrued expenses	67,488
Total Liabilities	***1,242,112***
Total Net Assets	**$158,421,076**
Net Assets:	
Par value ($0.01 par value; 21,436,984 shares issued and outstanding; 500,000,000 shares authorized)	$ 214,370
Paid-in capital in excess of par value	193,312,562
Undistributed net investment income	284,688
Accumulated net realized loss on investments	(31,960,662)
Net unrealized depreciation on investments	(3,429,882)
Total Net Assets	**$158,421,076**
Shares Outstanding	21,436,984
Net Asset Value	$7.39

See Notes to Financial Statements.

Statement of operations (unaudited)

For the Six Months Ended April 30, 2011

Investment Income:	
Interest	**$*5,092,679***
Expenses:	
Investment management fee (Note 2)	435,064
Transfer agent fees	23,691
Audit and tax	22,819
Legal fees	20,285
Directors fees	16,887
Shareholder reports	16,746
Stock exchange listing fees	10,849
Fund accounting fees	5,864
Insurance	2,529
Custody fees	564
Miscellaneous expenses	2,790
Total Expenses	***558,088***
Net Investment Income	**4,534,591**
Realized and Unrealized Loss on Investments (Notes 1 and 3):	
Net Realized Loss From Investment Transactions	***(188,465)***
Change in Net Unrealized Appreciation (Depreciation) From Investments	***(9,328,485)***
Net Loss on Investments	**(9,516,950)**
Decrease in Net Assets From Operations	**$(4,982,359)**

See Notes to Financial Statements.

Statements of changes in net assets

For the Six Months Ended April 30, 2011 (unaudited) and the Year Ended October 31, 2010	**2011**	**2010**
Operations:		
Net investment income	$ 4,534,591	$ 9,243,979
Net realized gain (loss)	(188,465)	888,484
Change in net unrealized appreciation (depreciation)	(9,328,485)	7,865,478
Increase (Decrease) in Net Assets From Operations	***(4,982,359)***	***17,997,941***
Distributions to Shareholders From (Note 1):		
Net investment income	(4,757,398)	(9,475,409)
Decrease in Net Assets From Distributions to Shareholders	***(4,757,398)***	***(9,475,409)***
Fund Share Transactions:		
Reinvestment of distributions (17,399 and 146,507 shares issued, respectively)	127,717	1,090,265
Increase in Net Assets From Fund Share Transactions	***127,717***	***1,090,265***
Increase (Decrease) in Net Assets	***(9,612,040)***	***9,612,797***
Net Assets:		
Beginning of period	168,033,116	158,420,319
End of period*	**$158,421,076**	**$168,033,116**
*Includes undistributed net investment income of:	$284,688	$507,495

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout each year ended October 31, unless otherwise noted:

	2011[1]	**2010**	**2009**	**2008**	**2007**	**2006**
Net asset value, beginning of period	$7.84	$7.45	$7.08	$8.23	$8.22	$7.95
Income (loss) from operations:						
Net investment income	0.21	0.43	0.43	0.44	0.42	0.42
Net realized and unrealized gain (loss)	(0.44)	0.40	0.38	(1.17)		0.26
Total income (loss) from operations	***(0.23)***	***0.83***	***0.81***	***(0.73)***	***0.42***	***0.68***
Less distributions from:						
Net investment income	(0.22)	(0.44)	(0.44)	(0.42)	(0.41)	(0.41)
Total distributions	***(0.22)***	***(0.44)***	***(0.44)***	***(0.42)***	***(0.41)***	***(0.41)***
Net asset value, end of period	$7.39	$7.84	$7.45	$7.08	$8.23	$8.22
Market price, end of period	$7.25	$7.93	$7.25	$6.53	$7.75	$7.84
Total return, based on NAV[2,3]	***(2.69)%***	***11.69%***	***12.30%***	***(9.02)%***	***5.40%***	***9.24%***
Total return, based on Market Price[3]	***(5.62)%***	***16.09%***	***18.49%***	***(10.89)%***	***4.06%***	***16.66%***
Net assets, end of period (millions)	$158	$168	$158	$149	$173	$173
Ratios to average net assets:						
Gross expenses	0.71%[4]	0.70%	0.71%	0.71%	0.84%[5]	0.79%
Net expenses	0.71[4]	0.70	0.71	0.71	0.79[5,6]	0.79[6]
Net investment income	5.73[4]	5.70	6.17	5.59	5.14	5.27
Portfolio turnover rate	8%	17%	17%	17%	16%	18%

1 For the six months ended April 30, 2011 (unaudited).
2 Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, 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 Annualized.
5 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%.
6 Reflects fee waivers and/or expense reimbursements.

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. Subsequent events have been evaluated through the date the financial statements were issued.

(a) Investment valuation. Securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service, which are based on transactions in municipal obligations, quotations from municipal bond dealers, market transactions in comparable securities and various other relationships between securities. When reliable prices are not readily available, the Fund values these securities as determined in accordance with procedures approved by the Fund s Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (ASC Topic 820). ASC Topic 820 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.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving

Notes to financial statements (unaudited) (cont d)

identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

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

ASSETS

Description	**Quoted Prices (Level 1)**	**Other Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Municipal bonds		$153,601,126		$153,601,126
Short-term investments		1,630,000		1,630,000
Total investments		**$155,231,126**		**$155,231,126**

See Schedule of Investments for additional detailed categorizations.

(b) 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.

(c) 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. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

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

(e) Federal and other taxes. It is the Funds policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the Code), as amended, applicable to regulated investment companies. Accordingly, the Funds intend to distribute their taxable income and net realized gains, if any, to shareholders in accordance with timing requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Funds financial statements.

Management has analyzed the Funds tax positions taken on income tax returns for all open tax years and has concluded that as of April 30, 2011, no provision for income tax would be required in the Fund s financial statements. The Funds 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 Internal Revenue Service and state departments of revenue.

(f) Reclassification. GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset value 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 Western Asset 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.

All 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, 2011, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) were as follows:

Purchases	$13,018,530
Sales	13,054,294

At April 30, 2011, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	$ 3,325,070
Gross unrealized depreciation	(6,754,952)
Net unrealized depreciation	**$(3,429,882)**

Notes to financial statements (unaudited) (cont d)

4. Derivative instruments and hedging activities

Financial Accounting Standards Board Codification Topic 815 requires enhanced disclosure about an entity s derivative and hedging activities.

During the six months ended April 30, 2011, the Fund did not invest in any derivative instruments.

5. Distributions subsequent to April 30, 2011

On February 14, 2011, the Board of Directors (the Board) declared a dividend in the amount of $0.037 per share payable on May 27, 2011 to shareholders of record on May 20, 2011. On May 16, 2011, the Board of the Fund declared three dividends, each in the amount of $0.037 per share, payable on June 24, 2011, July 29, 2011 and August 26, 2011 to shareholders of record on June 17, 2011, July 22, 2011 and August 19, 2011, respectively.

6. Capital loss carryforward

As of October 31, 2010, the Fund had a net capital loss carryforward of approximately $31,842,405, of which $4,778,760 expires in 2011, $10,608,178 expires in 2012, $5,677,661 expires in 2013, $1,928,255 expires in 2015, $2,673,203 expires in 2016 and $6,176,348 expires in 2017. These amounts will be available to offset any future taxable capital gains.

7. Other tax information.

On December 22, 2010, President Obama signed into law the Regulated Investment Company Modernization Act of 2010 (the Act). The Act updates certain tax rules applicable to regulated investment companies (RICs). The various provisions of the Act will generally be effective for RICs with taxable years beginning after December 22, 2010. Additional information regarding the impact of the Act on the Fund, if any, will be contained within the relevant sections of the notes to the financial statements for the fiscal year ending October 31, 2012.

Board approval of management and

subadvisory agreements (unaudited)

Background

The Investment Company Act of 1940, as amended (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 on an annual basis 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 (Western Asset). At a meeting (the Contract Renewal Meeting) held in-person on November 10 and 11, 2010, the Board, including the Independent Directors, considered and approved the continuation of each of the Management Agreement and the Sub-Advisory Agreement for an additional one-year term. To assist in its consideration of the renewals of the Management Agreement and the Sub-Advisory Agreement, the Board received and considered a variety of information (together with the information provided at the Contract Renewal Meeting, the Contract Renewal Information) about the Manager and Western Asset, as well as the management and sub-advisory arrangements for the Fund and the other closed-end funds in the same complex under the Board s supervision (collectively, the Legg Mason Closed-end Funds), certain portions of which are discussed below. A presentation made by the Manager and Western Asset to the Board at the Contract Renewal Meeting in connection with its evaluations of the Management Agreement and the Sub-Advisory Agreement encompassed the Fund and 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 Western Asset 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 members of the Board of the Fund and the other Legg Mason Closed-end Funds with respect to the services provided to the Fund by the Manager and Western Asset.

The Manager provides the Fund with investment advisory and administrative services pursuant to the Management Agreement and Western Asset provides the Fund with certain investment sub-advisory services pursuant to the Sub-Advisory Agreement. The discussion below covers both the advisory and administrative functions being rendered by the Manager, each such function being encompassed by the Management Agreement, and the investment sub-advisory functions being rendered by Western Asset.

Board approval of management and

subadvisory agreements (unaudited) (cont d)

Board approval of management agreement and sub-advisory agreement

In its deliberations regarding renewal of the Management Agreement and the Sub-Advisory Agreement, the 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 Western Asset 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 the 1940 Act.

The Board reviewed the qualifications, backgrounds and responsibilities of the Fund s senior personnel and the portfolio management team primarily responsible for the day-to-day portfolio management of the Fund. The Board also considered, based on its knowledge of the Manager and its affiliates, the Contract Renewal Information and the Board s discussions with the Manager and Western Asset at the Contract Renewal Meeting, the general reputation and investment performance records of the Manager, Western Asset and their affiliates and the financial resources available to the corporate parent of the Manager and Western Asset, Legg Mason, Inc. (Legg Mason), to support their activities in respect of the Fund and the other Legg Mason Closed-end Funds.

The Board considered the responsibilities of the Manager and Western Asset under the Management Agreement and the Sub-Advisory Agreement, respectively, including the Manager s coordination and oversight of the services provided to the Fund by Western Asset and others. The Management Agreement permits the Manager to delegate certain of its responsibilities, including its investment advisory duties thereunder, provided that the Manager, in each case, will supervise the activities of the delegee. Pursuant to this provision of the Management Agreement, the Manager does not provide day-to-day portfolio management services to the Fund. Rather, portfolio management services for the Fund are provided by Western Asset pursuant to the Sub-Advisory Agreement.

In reaching its determinations regarding continuation of the Management Agreement and the Sub-Advisory Agreement, the Board took into account that Fund shareholders, in pursuing their investment goals and objectives, likely purchased their shares based upon the reputation and the investment style, philosophy and strategy of the Manager and Western Asset, as well as the resources available to the Manager and Western Asset.

The Board concluded that, overall, the nature, extent and overall quality of the management, investment advisory and other services 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 funds classified by Lipper as leveraged and non-leveraged high yield municipal debt closed-end funds, regardless of asset size. The Board noted that it had received and discussed with the Manager and Western Asset information throughout the year at periodic intervals comparing the Fund s performance against its benchmarks and its peer funds as selected by Lipper. The Performance Universe ranged from eleven to fifteen funds, including the Fund, for the 1-, 3-, 5- and 10-year periods ended June 30, 2010.

The Lipper Performance Information comparing the Fund s performance to that of the Performance Universe based on net asset value per share showed, among other things, that the Fund s performance for the 1-year period ended June 30, 2010 ranked last among the fifteen funds in the Performance Universe for that period and ninth among the eleven funds in the Performance Universe for the 10-year period ended June 30, 2010. However, the Lipper Performance Universe also showed that the Fund s performance for each of the 3- and 5-year periods ended June 30, 2010 was ranked fourth among the fourteen funds in the Performance Universe for that period and in each case was better than the median performance for the Performance Universe in that period. In addressing the Fund s significant underperformance relative to the Performance Universe for the 1- and 10-year periods ended June 30, 2010, the Manager noted that Lipper, in order to create a meaningful size universe for comparison, included both leveraged and non-leveraged funds in the Performance Universe due to the limited number of non-leveraged high-yield municipal debt closed-end funds, such as the Fund. The use of leverage may enhance fund performance in a rising market and may detract from fund performance in a declining market. Because it does not use leverage, according to the Manager, the Fund was at a relative disadvantage to leveraged funds included in the Performance Universe during the 1- and 10-year periods. The Board noted that the small number of funds in the Performance Universe as well as Lipper s inclusion of both leveraged and non-leveraged funds in the Performance Universe made meaningful comparisons difficult. The Board also considered the

Board approval of management and

subadvisory agreements (unaudited) (cont d)

Fund s performance relative to its benchmarks and in absolute terms and the volatile market conditions during 2008 and 2009.

Based on its review of the Fund s performance, 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 the 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 under the Management Agreement and the sub-advisory fee (the Sub-Advisory Fee) payable to Western Asset under the Sub-Advisory Agreement in light of the nature, extent and overall quality of the management, investment advisory and other services provided by the Manager and Western Asset. The Board noted that the Sub-Advisory Fee is paid by the Manager, not the Fund, and, accordingly, that the retention of Western Asset does not increase the fees or expenses otherwise incurred by the Fund s shareholders.

Additionally, the Board received and considered information and analyses prepared by Lipper (the Lipper Expense Information) comparing the Management Fee and the Fund s overall expenses with those of funds in an expense group (the Expense Universe) selected and provided by Lipper. The comparison was based upon the constituent funds latest fiscal years. The Expense Universe consisted of the Fund and fourteen other leveraged and non-leveraged high yield municipal debt closed-end funds, as classified by Lipper, with net common share assets ranging from $64.2 million to $360.8 million. Seven of the other funds in the Expense Universe were larger than the Fund and seven 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, among other things, that the Management Fee, on both a contractual basis and actual basis (i.e., giving effect to any voluntary fee waivers implemented by the Manager with respect to the Fund and by the managers of the other Expense Universe funds) and the Fund s actual total expense each was ranked first (best) among the funds in the Expense Universe. The Board noted that the small number of funds in the Expense Universe and Lipper s inclusion of both leveraged and non-leveraged funds in the Expense Universe made meaningful comparisons difficult.

At the Contract Renewal Meeting, the Board considered and approved a request (the Cost Allocation Request) from the Manager to allocate to the Fund certain fund accounting and financial reporting costs, previously paid by the Manager on a voluntary basis, in line with industry practice and the terms of the Management Agreement. In doing so, the Board reviewed supporting information and analyses provided by the Manager, including information and analyses as to the impact of the Cost Allocation Request on Fund expenses.

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 Contract Renewal Information included an analysis of complex-wide management fees provided by the Manager. At the Contract Renewal Meeting, the Board noted that the Contract Renewal Information included information regarding management fees paid by open-end mutual funds in the same complex (the Legg Mason Open-end Funds) and that such information indicated that the management fees paid by the Legg Mason Closed-end Funds generally were higher than those paid by the Legg Mason Open-end Funds. The Manager, in response, discussed differences between the services provided to the Fund and the other Legg Mason Closed-end Funds and services provided to the Legg Mason Open-end Funds. The Board considered the fee comparisons in light of the different services provided in managing these other types of clients and funds.

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 overall quality of the management, investment advisory and other 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, 2010 and March 31, 2009. 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 was assured by the Manager at the Contract Renewal Meeting that there had been no significant changes in those methodologies since the report was rendered. The profitability to Western Asset was not considered to be a material factor in the Board s considerations since the Sub-Advisory Fee is paid by the Manager.

Board approval of management and

subadvisory agreements (unaudited) (cont d)

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 increased by 6 percent over the period covered by the analysis. The Manager presented information to the Board showing that the Cost Allocation Request would increase profitability slightly. Under the circumstances, however, the Board concluded that the Manager s profitability remained at a reasonable level in light of the nature, extent and overall quality of the investment advisory and other services provided to the Fund.

Economies of scale

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

Other benefits to the manager and Western Asset

The Board considered other benefits received by the Manager, Western Asset and their affiliates as a result of their relationship with the Fund and did not regard such benefits as excessive.

* * *

In light of all of the foregoing and other relevant factors, the Board determined that, under the circumstances, continuation of the Management Agreement and the 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 the 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 prepared by the Manager discussing its responsibilities in connection with the proposed continuation of the Management Agreement and the 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 28, 2011, 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

Nominees	Votes For	Votes Withheld
William R. Hutchinson	19,074,303	453,191
Jeswald W. Salacuse	19,096,528	430,965

At April 30, 2011, in addition to William R. Hutchinson and Jeswald W. Salacuse, the other Directors of the Fund were as follows:

Carol L. Colman
Daniel P. Cronin
Paolo M. Cucchi
Leslie H. Gelb
R. Jay Gerken, CFA
Riordan Roett

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 1-888-888-0151.

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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
Ted P. Becker
Chief Compliance Officer
John Chiota
Identity Theft Prevention Officer
Robert I. Frenkel
Secretary and
Chief Legal Officer
Thomas C. Mandia
Assistant Secretary
Steven Frank
Treasurer
Jeanne M. Kelly
Senior Vice President

Western Asset Municipal High Income Fund Inc.
620 Eighth Avenue
49th Floor
New York, NY 10018

Investment manager
Legg Mason Partners Fund Advisor, LLC

Subadviser
Western Asset Management Company

Custodian
State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111

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

Independent registered public accounting firm

KPMG LLP
345 Park Avenue
New York, NY 10154

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

New York Stock Exchange Symbol
MHF

Legg Mason Funds Privacy and Security Notice

Your Privacy and the Security of Your Personal Information is Very Important to the Legg Mason Funds

This Privacy and Security Notice (the Privacy Notice) addresses the Legg Mason Funds privacy and data protection practices with respect to nonpublic personal information the Funds receive. The Legg Mason Funds include any funds sold by the Funds distributor, Legg Mason Investor Services, LLC, as well as Legg Mason-sponsored closed-end funds. The provisions of this Privacy Notice apply to your information both while you are a shareholder and after you are no longer invested with the Funds.

The Type of Nonpublic Personal Information the Funds Collect About You

The Funds collect and maintain nonpublic personal information about you in connection with your shareholder account. Such information may include, but is not limited to:

- Personal information included on applications or other forms;
- Account balances, transactions, and mutual fund holdings and positions;
- Online account access user IDs, passwords, security challenge question responses; and
- Information received from consumer reporting agencies regarding credit history and creditworthiness (such as the amount of an individual s total debt, payment history, etc.).

How the Funds Use Nonpublic Personal Information About You

The Funds do not sell or share your nonpublic personal information with third parties or with affiliates for their marketing purposes, or with other financial institutions or affiliates for joint marketing purposes, unless you have authorized the Funds to do so. The Funds do not disclose any nonpublic personal information about you except as may be required to perform transactions or services you have authorized or as permitted or required by law. The Funds may disclose information about you to:

- Employees, agents, and affiliates on a need to know basis to enable the Funds to conduct ordinary business or comply with obligations to government regulators;
- Service providers, including the Funds affiliates, who assist the Funds as part of the ordinary course of business (such as printing, mailing services, or processing or servicing your account with us) or otherwise perform services on the Funds behalf, including companies that may perform marketing services solely for the Funds;

- The Funds   representatives such as legal counsel, accountants and auditors; and

- Fiduciaries or representatives acting on your behalf, such as an IRA custodian or trustee of a grantor trust.

NOT PART OF THE SEMI-ANNUAL REPORT

Legg Mason Funds Privacy and Security Notice (cont d)

Except as otherwise permitted by applicable law, companies acting on the Funds behalf are contractually obligated to keep nonpublic personal information the Funds provide to them confidential and to use the information the Funds share only to provide the services the Funds ask them to perform.

The Funds may disclose nonpublic personal information about you when necessary to enforce their rights or protect against fraud, or as permitted or required by applicable law, such as in connection with a law enforcement or regulatory request, subpoena, or similar legal process. In the event of a corporate action or in the event a Fund service provider changes, the Funds may be required to disclose your nonpublic personal information to third parties. While it is the Funds practice to obtain protections for disclosed information in these types of transactions, the Funds cannot guarantee their privacy policy will remain unchanged.

Keeping You Informed of the Funds Privacy and Security Practices

The Funds will notify you annually of their privacy policy as required by federal law. While the Funds reserve the right to modify this policy at any time they will notify you promptly if this privacy policy changes.

The Funds Security Practices

The Funds maintain appropriate physical, electronic and procedural safeguards designed to guard your nonpublic personal information. The Funds internal data security policies restrict access to your nonpublic personal information to authorized employees, who may use your nonpublic personal information for Fund business purposes only.

Although the Funds strive to protect your nonpublic personal information, they cannot ensure or warrant the security of any information you provide or transmit to them, and you do so at your own risk. In the event of a breach of the confidentiality or security of your nonpublic personal information, the Funds will attempt to notify you as necessary so you can take appropriate protective steps. If you have consented to the Funds using electronic communications or electronic delivery of statements, they may notify you under such circumstances using the most current email address you have on record with them.

In order for the Funds to provide effective service to you, keeping your account information accurate is very important. If you believe that your account information is incomplete, not accurate or not current, or if you have questions about the Funds privacy practices, write the Funds using the contact information on your account statements, email the Funds by clicking on the Contact Us section of the Funds website at www.leggmason.com, or contact the Fund at 1-888-777-0102.

Revised April 2011

NOT PART OF THE SEMI-ANNUAL REPORT

Western Asset Municipal High Income Fund Inc.

Western Asset Municipal High Income Fund Inc.
620 Eighth Avenue
49th Floor
New York, NY 10018

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, NY 10038

WAS04050 6/11 SR11-1389

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 POLOCIES 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-Oxle 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 of
Western Asset Municipal High Income Fund Inc.

Date: June 23, 2011

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 of
Western Asset Municipal High Income Fund Inc.

Date: June 23, 2011

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

Date: June 23, 2011