

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.  
Form N-CSRS  
June 25, 2012

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, 49th Floor, New York, NY  
(Address of principal executive offices)

10018  
(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, 2012

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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April 30, 2012

**Semi-Annual Report**

**Western Asset Municipal High Income Fund Inc.**

**(MHF)**

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

Western Asset Municipal High Income Fund Inc.

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**Fund objective**

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

**What's inside**

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**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, 2012. 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.lmcef.com](http://www.lmcef.com). 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 31, 2012

## Investment commentary

### Economic review

The U.S. economy continued to grow over the six months ended April 30, 2012, albeit at an uneven pace. Looking back, U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was 1.8% in the third quarter of 2011. The economy then gathered further momentum late in 2011, as the Commerce Department reported that fourth quarter GDP growth was 3.0% – the fastest pace since the second quarter of 2010. However, economic growth in the U.S. then moderated somewhat, as the Commerce Department's second estimate for first quarter 2012 GDP growth was 1.9%.

Two factors constraining economic growth were the weak job market and continued troubles in the housing market. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 8.9%. Unemployment then generally declined over the next six months and was 8.1% in April 2012, the lowest rate since January 2009. The housing market showed some positive signs, although it still appears to be searching for a bottom. According to the National Association of Realtors (NAR), existing-home sales fluctuated throughout the period. However, existing-home sales rose 3.4% on a seasonally adjusted basis in April 2012 versus the previous month. In addition, the NAR reported that the median existing-home price for all housing types was \$177,400 in April 2012, up 10.1% from April 2011. Despite these positives, the inventory of unsold homes rose 9.5% in April versus the previous month.

After experiencing a soft patch in the summer of 2011, the manufacturing sector expanded at a stronger pace during much of the reporting period. Based on the Institute for Supply Management's PMI (PMI)ii, in August 2011, it had a reading of 50.6, its lowest reading in two years (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). The manufacturing sector gathered momentum and ended January 2012 at 54.1, its highest reading since June 2011. After falling to 52.4 in February, the PMI rose to 53.4 in March and 54.8 in April. In addition, sixteen of the eighteen industries tracked by the Institute for Supply Management expanded in April. By comparison, fifteen and eleven industries expanded in March and February, respectively.

Western Asset Municipal High Income Fund Inc.

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**Investment commentary (cont d)**

**Market review**

**Q. Did Treasury yields trend higher or lower during the six months ended April 30, 2012?**

A. Both short- and long-term Treasury yields fluctuated during the reporting period. When the period began, two- and ten-year Treasury yields were 0.25% and 2.17%, respectively. Two-year Treasuries hit their low for the reporting period of 0.21% in mid-January 2012, and ten-year Treasuries reached their reporting period trough of 1.30% in late January 2012. With the economy gathering some momentum, Treasury yields moved higher toward the end of the period. Two-year Treasury yields rose as high as 0.41% on March 20, 2012 and ten-year Treasuries peaked at 2.39% around the same time. Yields then fell in late March and April given renewed fears over the European sovereign debt crisis. When the reporting period ended on April 30, 2012, two-year Treasury yields were 0.27% and ten-year Treasury yields were 1.95%.

**Q. How did the Federal Reserve Board ( Fed ) respond to the economic environment?**

A. The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rate at a historically low range between zero and 0.25%. Looking back, in August 2011, the Fed declared its intention to keep the federal funds rate steady until mid-2013. Then, in September 2011, the Fed announced its intention to purchase \$400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as Operation Twist ). In January 2012, the Fed extended the period it expects to keep rates on hold, saying economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. The Fed repeated this point at its meeting in April, saying To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy.

**Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?**

A. The spread sectors experienced periods of volatility during the period. A flight to quality occurred in November given fears regarding the European sovereign debt crisis. Risk appetite returned over the next three months of the period, due to some better-than-expected economic data in the U.S. and signs of progress in the European situation. However, concerns related to Europe triggered another bout of risk aversion in March and for much of April. For the six months ended April 30, 2012, the Barclays Capital U.S. Aggregate Index returned 2.44%.

**Q. How did the municipal bond market perform versus the taxable bond market over the reporting period?**

A. The municipal bond market outperformed its taxable bond counterpart during the six months ended April 30, 2012. Over that period, the Barclays Capital Municipal Bond Index<sup>vi</sup> and the



**Investment commentary (cont d)**

Barclays Capital U.S. Aggregate Index returned 5.50% and 2.44%, respectively. The municipal bond market outperformed the taxable bond market during five of the six months of the period given solid demand, a sharp decline in new issuance, improving tax revenues and low default rates. Additionally, investor sentiment improved as a number of states made progress toward shoring up their financial situation by raising taxes and cutting expenses.

**Performance review**

For the six months ended April 30, 2012, Western Asset Municipal High Income Fund Inc. returned 7.85% based on its net asset value ( NAV )vii and 12.61% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmark, the Barclays Capital Municipal Bond Index, returned 5.50% for the same period. The Lipper High Yield Municipal Debt Closed-End Funds Category Averageviii returned 10.70% 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 \$0.21 per share, which may have included a return of capital. The performance table shows the Fund's six-month total return based on its NAV and market price as of April 30, 2012. **Past performance is no guarantee of future results.**

**Performance Snapshot**

as of April 30, 2012 (unaudited)

	<b>6-Month Total Return*</b>
<b>Price Per Share</b>	
\$8.01 (NAV)	7.85%
\$8.24 (Market Price)	12.61%

**All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

\* Total returns are based on changes in NAV or market price, respectively.

**Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV. Prior to January 1, 2012, total return assumed the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

**Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

**Looking for additional information?**

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free),

Western Asset Municipal High Income Fund Inc.

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**Investment commentary (continued)**

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 31, 2012

**RISKS:** *The Fund's investments are subject to credit risk, inflation risk and interest rate risk. 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. Municipal securities purchased by the Fund may be adversely affected by changes in the financial condition of municipal issuers and insurers, regulatory and political developments, uncertainties and public perceptions, and other factors. 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 Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iii The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- v The Barclays Capital U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- vi The Barclays Capital Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
- 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, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 14 funds in the Fund's Lipper category.

**Fund at a glance (unaudited)**

**Investment breakdown (%) as a percent of total investments**

The bar graph above represents the composition of the Fund's investments as of April 30, 2012 and October 31, 2011 and does not include derivatives such as futures contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Western Asset Municipal High Income Fund Inc. 2012 Semi-Annual Report

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**Spread duration (unaudited)**

**Economic Exposure April 30, 2012**

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.

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

**Effective duration (unaudited)**

**Interest Rate Exposure April 30, 2012**

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.

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

Western Asset Municipal High Income Fund Inc. 2012 Semi-Annual Report

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**Schedule of investments (unaudited)**

April 30, 2012

**Western Asset Municipal High Income Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Municipal Bonds 97.0%</b>				
<b>Arizona 1.8%</b>				
Pima County, AZ, IDA Revenue, Tucson Electric Power Co.	5.750%	9/1/29	\$1,000,000	\$1,060,960
Salt Verde, AZ, Financial Corp. Gas Revenue	5.000%	12/1/37	1,500,000	1,528,290
University Medical Center Corp., AZ, Hospital Revenue	6.250%	7/1/29	500,000	572,095
<b>Total Arizona</b>				<b>3,161,345</b>
<b>Arkansas 0.4%</b>				
Arkansas State Development Financing Authority, Industrial Facilities Revenue, Potlatch Corp. Projects	7.750%	8/1/25	600,000	<b>616,704</b> (a)
<b>California 5.4%</b>				
California State Public Works Board, Lease Revenue, Various Capital Projects	5.125%	10/1/31	1,500,000	1,618,995
Golden State Tobacco Securitization Corp., California Tobacco Settlement Revenue, Asset Backed	7.800%	6/1/42	2,000,000	2,161,040(b)
M-S-R Energy Authority, CA, Gas Revenue	7.000%	11/1/34	2,000,000	2,549,340
M-S-R Energy Authority, CA, Gas Revenue	6.500%	11/1/39	2,000,000	2,459,520
Redding, CA, Redevelopment Agency, Tax Allocation, Shastec Redevelopment Project	5.000%	9/1/29	600,000	603,096
<b>Total California</b>				<b>9,391,991</b>
<b>Colorado 4.7%</b>				
Colorado Educational & Cultural Facilities Authority Revenue:				
Cheyenne Mountain Charter Academy	5.250%	6/15/25	680,000	698,979
Cheyenne Mountain Charter Academy	5.125%	6/15/32	510,000	514,192
Elbert County Charter	7.375%	3/1/35	785,000	787,449
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.125%	11/15/23	4,000,000	4,610,960
Reata South Metropolitan District, CO, GO	7.250%	6/1/37	1,000,000	888,240
Southlands, CO, Metropolitan District No. 1, GO	7.125%	12/1/34	500,000	585,580(b)
<b>Total Colorado</b>				<b>8,085,400</b>
<b>Delaware 4.3%</b>				
Delaware State EDA Revenue, Indian River Power LLC	5.375%	10/1/45	4,000,000	4,132,280
Sussex County, DE, Recovery Zone Facility Revenue, NRG Energy Inc., Indian River Power LLC	6.000%	10/1/40	3,000,000	3,262,140
<b>Total Delaware</b>				<b>7,394,420</b>
<b>District of Columbia 1.2%</b>				
District of Columbia COP, District Public Safety & Emergency, AMBAC	5.500%	1/1/20	1,895,000	<b>1,997,027</b>

See Notes to Financial Statements.



**Western Asset Municipal High Income Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Florida 6.0%</b>				
Beacon Lakes, FL, Community Development District, Special Assessment	6.900%	5/1/35	\$ 805,000	\$ 816,560
Bonnet Creek Resort Community Development District, Special Assessment	7.500%	5/1/34	1,500,000	1,451,490
Century Parc Community Development District, Special Assessment	7.000%	11/1/31	865,000	880,051(b)
Highlands County, FL, Health Facilities Authority Revenue, Adventist Health Systems	6.000%	11/15/25	1,000,000	1,029,150(b)
Martin County, FL, IDA Revenue, Indiantown Cogeneration Project	7.875%	12/15/25	2,000,000	2,009,940(a)
Orange County, FL, Health Facilities Authority Revenue, First Mortgage Healthcare Facilities Revenue Bonds, GF/Orlando Inc. Project	9.000%	7/1/31	1,000,000	1,000,430
Palm Beach County, FL, Health Facilities Authority Revenue, John F. Kennedy Memorial Hospital Inc. Project	9.500%	8/1/13	155,000	158,870(c)
Reunion, FL, East Community Development District, Special Assessment	7.375%	5/1/33	2,000,000	1,652,426
Santa Rosa, FL, Bay Bridge Authority Revenue	6.250%	7/1/28	1,000,000	397,000(d)
University of Central Florida, COP, FGIC	5.000%	10/1/25	1,000,000	1,017,190
<b>Total Florida</b>				<b>10,413,107</b>
<b>Georgia 4.5%</b>				
Atlanta, GA, Airport Revenue, AGM	5.000%	1/1/26	1,000,000	1,069,810
Atlanta, GA, Development Authority Educational Facilities Revenue, Science Park LLC Project	5.000%	7/1/32	2,000,000	2,128,780
Atlanta, GA, Water & Wastewater Revenue	6.250%	11/1/39	2,000,000	2,336,840
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.125%	7/1/40	1,000,000	1,138,460
Gainesville & Hall County, GA, Development Authority Revenue, Senior Living Facilities, Lanier Village Estates	7.250%	11/15/29	1,000,000	1,005,450
<b>Total Georgia</b>				<b>7,679,340</b>
<b>Hawaii 2.4%</b>				
Hawaii State Department of Budget & Finance Special Purpose Revenue: Craigside Retirement Residence	6.400%	11/15/14	150,000	151,545
Craigside Retirement Residence	7.500%	11/15/15	1,500,000	1,529,070
Craigside Retirement Residence	8.750%	11/15/29	200,000	235,458
Hawaiian Electric Co.	6.500%	7/1/39	2,000,000	2,292,460
<b>Total Hawaii</b>				<b>4,208,533</b>

See Notes to Financial Statements.

## Western Asset Municipal High Income Fund Inc. 2012 Semi-Annual Report

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## Schedule of investments (unaudited) (cont d)

April 30, 2012

## Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Illinois 2.4%</b>				
Cook County, IL, Revenue, Navistar International Corp.	6.500%	10/15/40	\$2,000,000	\$ 2,168,780
Illinois Finance Authority Revenue: Park Place of Elmhurst	8.125%	5/15/40	1,000,000	1,010,790
Refunding, Chicago Charter School Project	5.000%	12/1/26	1,000,000	1,020,440
<b>Total Illinois</b>				<b>4,200,010</b>
<b>Indiana 0.5%</b>				
County of St. Joseph, IN, EDR: Holy Cross Village Notre Dame Project	6.000%	5/15/26	285,000	289,469
Holy Cross Village Notre Dame Project	6.000%	5/15/38	550,000	552,519
<b>Total Indiana</b>				<b>841,988</b>
<b>Kansas 0.7%</b>				
Salina, KS, Hospital Revenue, Refunding & Improvement Salina Regional Health	5.000%	10/1/22	1,150,000	1,256,467
<b>Kentucky 1.3%</b>				
Owen County, KY, Waterworks System Revenue, Kentucky American Water Co. Project	6.250%	6/1/39	2,000,000	2,189,760
<b>Louisiana 0.5%</b>				
Epps, LA, COP	8.000%	6/1/18	775,000	792,631
<b>Maryland 2.0%</b>				
Maryland State Health & Higher EFA Revenue, Mercy Medical Center	6.250%	7/1/31	3,000,000	3,468,420
<b>Massachusetts 1.2%</b>				
Boston, MA, Industrial Development Financing Authority Revenue, Roundhouse Hospitality LLC Project	7.875%	3/1/25	770,000	685,469 <sup>(a)</sup>
Massachusetts State DFA Revenue, Tufts Medical Center Inc.	6.875%	1/1/41	1,000,000	1,137,190
Massachusetts State Port Authority Revenue	13.000%	7/1/13	150,000	162,554 <sup>(c)</sup>
<b>Total Massachusetts</b>				<b>1,985,213</b>
<b>Michigan 6.3%</b>				
Allen Academy, COP	7.500%	6/1/23	2,130,000	2,188,980
Cesar Chavez Academy, COP	6.500%	2/1/33	1,000,000	1,021,470
Cesar Chavez Academy, COP	8.000%	2/1/33	1,000,000	1,040,060
Detroit, MI, Water Supply System Revenue, Senior Lien	5.250%	7/1/41	2,000,000	2,040,680
Gaudior Academy, COP	7.250%	4/1/34	1,000,000	986,960
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital	8.250%	9/1/39	2,000,000	2,561,060
Star International Academy, COP	7.000%	3/1/33	920,000	934,195
<b>Total Michigan</b>				<b>10,773,405</b>

See Notes to Financial Statements.



**Western Asset Municipal High Income Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Missouri 1.2%</b>				
Missouri State Health & Educational Facilities Authority, Lutheran Senior Services	6.000%	2/1/41	\$ 500,000	\$ 545,380
Missouri State HEFA Revenue, Refunding, St. Lukes Episcopal	5.000%	12/1/21	1,300,000	1,438,541
<b>Total Missouri</b>				<b>1,983,921</b>
<b>Montana 1.2%</b>				
Montana State Board of Investment, Resource Recovery Revenue, Yellowstone Energy LP Project	7.000%	12/31/19	2,080,000	<b>2,076,069<sup>(a)</sup></b>
<b>Nebraska 1.9%</b>				
Central Plains Energy Project, NE, Gas Project Revenue, Project #3	5.000%	9/1/42	3,340,000	<b>3,355,832</b>
<b>New Jersey 3.8%</b>				
Casino Reinvestment Development Authority Revenue, NATL	5.250%	6/1/20	1,500,000	1,570,560
New Jersey State EDA Revenue, Refunding	6.875%	1/1/37	5,000,000	4,932,200 <sup>(a)</sup>
<b>Total New Jersey</b>				<b>6,502,760</b>
<b>New Mexico 0.6%</b>				
Otero County, NM, COP, Jail Project Revenue	7.500%	12/1/24	1,000,000	<b>994,290</b>
<b>New York 1.5%</b>				
Brooklyn Arena, NY, Local Development Corp., Barclays Center Project	6.250%	7/15/40	2,000,000	2,215,880
New York City, NY, IDA, Civic Facilities Revenue, Special Needs Facilities Pooled Program	8.125%	7/1/19	340,000	342,737
<b>Total New York</b>				<b>2,558,617</b>
<b>Ohio 3.8%</b>				
Cuyahoga County, OH, Hospital Facilities Revenue, Canton Inc. Project	7.500%	1/1/30	1,425,000	1,428,548
Miami County, OH, Hospital Facilities Revenue, Refunding and Improvement Upper Valley Medical Center	5.250%	5/15/21	1,500,000	1,616,055
Ohio State Water Development Authority, Environmental Improvement Revenue, U.S. Steel Corp. Project	6.600%	5/1/29	2,000,000	2,221,960
Riversouth Authority, OH, Revenue, Riversouth Area Redevelopment	5.000%	12/1/25	1,260,000	1,358,179
<b>Total Ohio</b>				<b>6,624,742</b>
<b>Oklahoma 1.4%</b>				
Tulsa County, OK, Industrial Authority, Senior Living Community Revenue:				
Montereau Inc. Project	6.875%	11/1/23	1,300,000	1,379,612
Montereau Inc. Project	7.125%	11/1/30	1,000,000	1,110,110
<b>Total Oklahoma</b>				<b>2,489,722</b>

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc. 2012 Semi-Annual Report

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**Schedule of investments (unaudited) (cont d)**

April 30, 2012

**Western Asset Municipal High Income Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Pennsylvania 3.7%</b>				
Cumberland County, PA, Municipal Authority Retirement Community Revenue, Wesley Affiliate Services Inc. Project	7.250%	1/1/35	\$1,000,000	\$1,056,050(b)
Monroe County, PA, Hospital Authority Revenue, Pocono Medical Center	5.000%	1/1/27	1,000,000	1,027,950
Northumberland County, PA, IDA Facilities Revenue, NHS Youth Services Inc. Project	7.500%	2/15/29	880,000	582,437
Pennsylvania Economic Development Financing Authority, Health Systems Revenue, Albert Einstein Healthcare	6.250%	10/15/23	2,000,000	2,265,380
Philadelphia, PA, Authority for IDR:				
Discovery Charter School Inc. Project	6.250%	4/1/37	500,000	509,950
Host Marriot LP Project, Remarketed 10/31/95	7.750%	12/1/17	1,000,000	1,002,240(a)
<b>Total Pennsylvania</b>				<b>6,444,007</b>
<b>Puerto Rico 2.1%</b>				
Puerto Rico Commonwealth Aqueduct & Sewer Authority Revenue	5.250%	7/1/42	1,500,000	1,501,065
Puerto Rico Electric Power Authority, Power Revenue	5.250%	7/1/40	1,000,000	1,031,390
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue	5.000%	8/1/40	1,000,000	1,070,990(e)
<b>Total Puerto Rico</b>				<b>3,603,445</b>
<b>Tennessee 1.4%</b>				
Shelby County, TN, Health Educational & Housing Facilities Board Revenue, Trezevant Manor Project	5.750%	9/1/37	2,500,000	2,457,225
<b>Texas 21.3%</b>				
Brazos River, TX, Harbor Industrial Development Corp., Environmental Facilities Revenue, Dow Chemical Co.	5.900%	5/1/28	1,500,000	1,627,290(a)(f)
Burnet County, TX, Public Facility Project Revenue	7.500%	8/1/24	1,440,000	1,029,946
Gulf Coast of Texas, IDA, Solid Waste Disposal Revenue, CITGO Petroleum Corp. Project	7.500%	10/1/12	2,000,000	2,014,240(a)(f)
Harris County, TX, Cultural Education Facilities Finance Corp., Medical Facilities Revenue, Baylor College of Medicine	5.625%	11/15/32	2,000,000	2,049,860
Houston, TX, Airport System Revenue:				
Special Facilities, Continental Airlines Inc., Terminal Projects	6.500%	7/15/30	1,000,000	1,073,580(a)
Special Facilities, Continental Airlines Inc., Terminal Projects	6.625%	7/15/38	1,000,000	1,073,550(a)
Houston, TX, Airport Systems Revenue, Special Facilities, Continental Airlines Inc. Project	6.125%	7/15/27	2,750,000	2,749,835(a)

See Notes to Financial Statements.

**Western Asset Municipal High Income Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Texas continued</b>				
Laredo, TX, ISD Public Facility Corp., Lease Revenue, AMBAC	5.000%	8/1/29	\$1,000,000	\$ 1,004,860
Love Field Airport Modernization Corp, TX, Special Facilities Revenue, Southwest Airlines Co. Project	5.250%	11/1/40	6,000,000	6,207,660
Midlothian, TX, Development Authority, Tax Increment Contract Revenue	6.200%	11/15/29	1,000,000	1,015,560
North Texas Tollway Authority Revenue	5.750%	1/1/40	2,500,000	2,688,075
Texas Midwest Public Facility Corp. Revenue, Secure Treatment Facility Project	9.000%	10/1/30	2,000,000	1,080,000(d)
Texas Private Activity Bond Surface Transportation Corp., Senior Lien, NTE Mobility Partners LLC	6.875%	12/31/39	2,000,000	2,303,380
Texas Private Activity Bond Surface Transportation Corp. Revenue, LBJ Infrastructure Group LLC	7.000%	6/30/40	4,000,000	4,670,280
Texas State Public Finance Authority:				
Charter School Finance Corp. Revenue, Cosmos Foundation Inc.	6.200%	2/15/40	1,000,000	1,121,670
Uplift Education	5.750%	12/1/27	1,500,000	1,602,960
West Texas Detention Facility Corp. Revenue	8.000%	2/1/25	1,865,000	1,892,136
Willacy County, TX, PFC Project Revenue	8.250%	12/1/23	1,000,000	1,035,440
Willacy County, TX, PFC Project Revenue, County Jail	7.500%	11/1/25	520,000	489,403
<b>Total Texas</b>				<b>36,729,725</b>
<b>U.S. Virgin Islands 1.6%</b>				
Virgin Islands Public Finance Authority Revenue, Matching Fund Loan	6.750%	10/1/37	2,500,000	<b>2,820,800</b>
<b>Virginia 3.8%</b>				
Broad Street CDA Revenue	7.500%	6/1/33	748,000	818,910(b)
Chesterfield County, VA, EDA, Solid Waste and Sewer Disposal Revenue, Virginia Electric Power Co. Project	5.600%	11/1/31	2,500,000	2,650,000(a)
Virginia State Small Business Financing Authority Revenue:				
Elizabeth River Crossings Opco LLC Project	5.250%	1/1/32	1,000,000	1,028,490(a)
Elizabeth River Crossings Opco LLC Project	5.500%	1/1/42	2,000,000	2,059,480(a)