

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

Form N-Q

September 22, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

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  
(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: 1-888-777-0102

Date of fiscal year end: October 31

Date of reporting period: July 31, 2011

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ITEM 1. SCHEDULE OF INVESTMENTS

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**WESTERN ASSET  
MUNICIPAL HIGH INCOME FUND INC.**

FORM N-Q

JULY 31, 2011

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Schedule of investments (unaudited)

July 31, 2011

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
MUNICIPAL BONDS 96.7%				
<b>Arizona 1.8%</b>				
Pima County, AZ, IDA Revenue, Tucson Electric Power Co.	5.750%	9/1/29	\$ 1,000,000	\$ 1,015,830
Salt Verde, AZ, Financial Corp. Gas Revenue	5.000%	12/1/37	1,500,000	1,353,870
University Medical Center Corp., AZ, Hospital Revenue	6.250%	7/1/29	500,000	514,080
<i>Total Arizona</i>				2,883,780
<b>Arkansas 0.4%</b>				
Arkansas State Development Financing Authority, Industrial Facilities Revenue, Potlatch Corp. Projects	7.750%	8/1/25	600,000	614,310(a)
<b>California 4.5%</b>				
Golden State Tobacco Securitization Corp., California Tobacco Settlement Revenue, Asset Backed	7.800%	6/1/42	2,000,000	2,267,260(b)
M-S-R Energy Authority, CA, Gas Revenue	7.000%	11/1/34	2,000,000	2,315,280
M-S-R Energy Authority, CA, Gas Revenue	6.500%	11/1/39	2,000,000	2,214,040
Redding, CA, Redevelopment Agency, Tax Allocation, Shastec Redevelopment Project	5.000%	9/1/29	600,000	533,100
<i>Total California</i>				7,329,680
<b>Colorado 5.1%</b>				
Colorado Educational & Cultural Facilities Authority Revenue:				
Charter School Peak to Peak Project	7.500%	8/15/21	665,000	666,583(b)
Cheyenne Mountain Charter Academy	5.250%	6/15/25	680,000	655,941
Cheyenne Mountain Charter Academy	5.125%	6/15/32	510,000	461,749
Elbert County Charter	7.375%	3/1/35	785,000	733,245
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.125%	11/15/23	4,000,000	4,298,520
Reata South Metropolitan District, CO, GO	7.250%	6/1/37	1,000,000	820,270
Southlands, CO, Metropolitan District No. 1, GO	7.125%	12/1/34	500,000	605,665(b)
<i>Total Colorado</i>				8,241,973
<b>Delaware 4.1%</b>				
Delaware State EDA Revenue, Indian River Power LLC	5.375%	10/1/45	4,000,000	3,627,600
Sussex County, DE, Recovery Zone Facility Revenue, NRG Energy Inc., Indian River Power LLC	6.000%	10/1/40	3,000,000	2,991,510
<i>Total Delaware</i>				6,619,110
<b>District of Columbia 1.2%</b>				
District of Columbia COP, District Public Safety & Emergency, AMBAC	5.500%	1/1/20	1,895,000	1,978,721
<b>Florida 6.2%</b>				
	6.900%	5/1/35	815,000	816,002

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Beacon Lakes, FL, Community Development District, Special Assessment				
Bonnet Creek Resort Community Development District, Special Assessment	7.500%	5/1/34	1,500,000	1,412,775
Century Parc Community Development District, Special Assessment	7.000%	11/1/31	885,000	873,566
Highlands County, FL, Health Facilities Authority Revenue, Adventist Health Systems	6.000%	11/15/25	1,000,000	1,069,590(b)
Martin County, FL, IDA Revenue, Indiantown Cogeneration Project	7.875%	12/15/25	2,000,000	2,008,100(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	979,960

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

July 31, 2011

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Florida continued</b>				
Palm Beach County, FL, Health Facilities Authority Revenue, John F. Kennedy Memorial Hospital Inc. Project	9.500%	8/1/13	\$ 155,000	\$ 168,400(c)
Reunion East Community Development District, Special Assessment	7.375%	5/1/33	2,000,000	1,431,060
Santa Rosa, FL, Bay Bridge Authority Revenue	6.250%	7/1/28	1,000,000	350,000(d)
University of Central Florida, COP, FGIC	5.000%	10/1/25	1,000,000	957,820
<i>Total Florida</i>				<i>10,067,273</i>
<b>Georgia 6.7%</b>				
Atlanta, GA, Airport Revenue:				
AGM	5.000%	1/1/26	1,000,000	1,021,950
FGIC	5.625%	1/1/30	1,000,000	1,006,690(a)
Atlanta, GA, Development Authority Educational Facilities Revenue, Science Park LLC Project	5.000%	7/1/32	2,000,000	2,012,220
Atlanta, GA, Tax Allocation, Atlantic Station Project	7.900%	12/1/24	2,500,000	2,588,450(b)
Atlanta, GA, Water & Wastewater Revenue	6.250%	11/1/39	2,000,000	2,136,400
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.125%	7/1/40	1,000,000	1,080,170
Gainesville & Hall County, GA, Development Authority Revenue, Senior Living Facilities, Lanier Village Estates	7.250%	11/15/29	1,000,000	1,001,600
<i>Total Georgia</i>				<i>10,847,480</i>
<b>Hawaii 2.7%</b>				
Hawaii State Department of Budget & Finance Special Purpose Revenue:				
Craigside Retirement Residence	6.400%	11/15/14	550,000	551,188
Craigside Retirement Residence	7.500%	11/15/15	1,500,000	1,529,220
Craigside Retirement Residence	8.750%	11/15/29	200,000	228,854
Hawaiian Electric Co.	6.500%	7/1/39	2,000,000	2,107,120
<i>Total Hawaii</i>				<i>4,416,382</i>
<b>Illinois 2.4%</b>				
Cook County, IL, Revenue, Navistar International Corp.	6.500%	10/15/40	2,000,000	2,059,720
Illinois Finance Authority Revenue:				
Park Place of Elmhurst	8.125%	5/15/40	1,000,000	987,210
Refunding, Chicago Charter School Project	5.000%	12/1/26	1,000,000	892,290
<i>Total Illinois</i>				<i>3,939,220</i>
<b>Indiana 0.5%</b>				
County of St. Joseph, IN, EDR:				
Holy Cross Village Notre Dame Project	6.000%	5/15/26	285,000	267,700
Holy Cross Village Notre Dame Project	6.000%	5/15/38	550,000	486,211
<i>Total Indiana</i>				<i>753,911</i>

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**Kansas 0.7%**

Salina, KS, Hospital Revenue, Refunding & Improvement Salina Regional Health	5.000%	10/1/22	1,150,000	1,193,941
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**Kentucky 1.3%**

Owen County, KY, Waterworks System Revenue, Kentucky American Water Co. Project	6.250%	6/1/39	2,000,000	2,092,900
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**Louisiana 0.5%**

Epps, LA, COP	8.000%	6/1/18	855,000	858,463
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**Maryland 1.9%**

Maryland State Health & Higher EFA Revenue, Mercy Medical Center	6.250%	7/1/31	3,000,000	3,167,610
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Schedule of investments (unaudited) (cont d)

July 31, 2011

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Massachusetts 1.2%</b>				
Boston, MA, Industrial Development Financing Authority Revenue, Roundhouse Hospitality LLC Project	7.875%	3/1/25	\$ 785,000	\$ 657,854(a)
Massachusetts State DFA Revenue, Tufts Medical Center Inc.	6.875%	1/1/41	1,000,000	1,060,680
Massachusetts State Port Authority Revenue	13.000%	7/1/13	150,000	175,887(c)
<i>Total Massachusetts</i>				<i>1,894,421</i>
<b>Michigan 5.1%</b>				
Allen Academy, COP	7.500%	6/1/23	2,130,000	2,146,507
Cesar Chavez Academy, COP	6.500%	2/1/33	1,000,000	1,002,150
Cesar Chavez Academy, COP	8.000%	2/1/33	1,000,000	1,040,220
Gaudior Academy, COP	7.250%	4/1/34	1,000,000	907,480
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital	8.250%	9/1/39	2,000,000	2,306,080
Star International Academy, COP	7.000%	3/1/33	940,000	922,507
<i>Total Michigan</i>				<i>8,324,944</i>
<b>Missouri 0.8%</b>				
Missouri State HEFA Revenue, Refunding, St. Lukes Episcopal	5.000%	12/1/21	1,300,000	1,339,104
<b>Montana 1.3%</b>				
Montana State Board of Investment, Resource Recovery Revenue, Yellowstone Energy LP Project	7.000%	12/31/19	2,145,000	2,048,239(a)
<b>New Jersey 3.6%</b>				
Casino Reinvestment Development Authority Revenue, NATL	5.250%	6/1/20	1,500,000	1,526,385
New Jersey State EDA Revenue, Refunding	6.875%	1/1/37	5,000,000	4,367,900(a)
<i>Total New Jersey</i>				<i>5,894,285</i>
<b>New Mexico 0.6%</b>				
Otero County, NM, COP, Jail Project Revenue	7.500%	12/1/24	1,000,000	982,540
<b>New York 5.1%</b>				
Brooklyn Arena, NY, Local Development Corp., Barclays Center Project	6.250%	7/15/40	2,000,000	2,036,660
New York City, NY, IDA, Civic Facilities Revenue, Special Needs Facilities Pooled Program	8.125%	7/1/19	340,000	344,335
New York Liberty Development Corp., Liberty Revenue, Refunding, Second Priority, Bank of America	6.375%	7/15/49	5,000,000	5,139,350
Suffolk County, NY, IDA, Civic Facilities Revenue, Eastern Long Island Hospital Association	7.750%	1/1/22	755,000	779,319(b)
<i>Total New York</i>				<i>8,299,664</i>
<b>Ohio 2.7%</b>				
Cuyahoga County, OH, Hospital Facilities Revenue, Canton Inc. Project	7.500%	1/1/30	1,465,000	1,467,271



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Miami County, OH, Hospital Facilities Revenue, Refunding and Improvement Upper Valley Medical Center	5.250%	5/15/21	1,500,000	1,532,280
Riversouth Authority, OH, Revenue, Riversouth Area Redevelopment	5.000%	12/1/25	1,260,000	1,312,605
<i>Total Ohio</i>				<i>4,312,156</i>
<b>Oklahoma 1.5%</b>				
Tulsa County, OK, Industrial Authority, Senior Living Community Revenue:				
Montereau Inc. Project	6.875%	11/1/23	1,300,000	1,348,490
Montereau Inc. Project	7.125%	11/1/30	1,000,000	1,041,730
<i>Total Oklahoma</i>				<i>2,390,220</i>

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Schedule of investments (unaudited) (cont d)

July 31, 2011

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Pennsylvania 4.2%</b>				
Cumberland County, PA, Municipal Authority Retirement Community Revenue, Wesley Affiliate Services Inc. Project	7.250%	1/1/35	\$ 1,000,000	\$ 1,103,970(b)
Lebanon County, PA, Health Facilities Authority Revenue, Good Samaritan Hospital Project	6.000%	11/15/35	1,000,000	907,620
Monroe County, PA, Hospital Authority Revenue, Pocono Medical Center	5.000%	1/1/27	1,000,000	959,470
Northumberland County, PA, IDA Facilities Revenue, NHS Youth Services Inc. Project	7.500%	2/15/29	900,000	784,845
Pennsylvania Economic Development Financing Authority, Health Systems Revenue, Albert Einstein Healthcare	6.250%	10/15/23	2,000,000	2,080,340
Philadelphia, PA, Authority for IDR, Host Marriot LP Project, Remarketed 10/31/95	7.750%	12/1/17	1,000,000	1,001,670(a)
<i>Total Pennsylvania</i>				<i>6,837,915</i>
<b>Puerto Rico 0.6%</b>				
Puerto Rico Electric Power Authority, Power Revenue	5.250%	7/1/40	1,000,000	972,420
<b>Tennessee 1.3%</b>				
Shelby County, TN, Health Educational & Housing Facilities Board Revenue, Trezevant Manor Project	5.750%	9/1/37	2,500,000	2,138,200
<b>Texas 22.8%</b>				
Brazos River, TX, Harbor Industrial Development Corp., Environmental Facilities Revenue, Dow Chemical Co.	5.900%	5/1/28	1,500,000	1,537,530(a)(e)
Burnet County, TX, Public Facility Project Revenue	7.500%	8/1/24	1,375,000	938,506
Garza County, TX, Public Facility Corp.	5.500%	10/1/18	1,000,000	1,010,320
Garza County, TX, Public Facility Corp., Project Revenue	5.750%	10/1/25	2,000,000	2,033,160
Gulf Coast of Texas, IDA, Solid Waste Disposal Revenue, CITGO Petroleum Corp. Project	7.500%	10/1/12	2,000,000	2,027,560(a)(e)
Harris County, TX, Cultural Education Facilities Finance Corp., Medical Facilities Revenue, Baylor College of Medicine	5.625%	11/15/32	2,000,000	1,860,420
Houston, TX, Airport Systems Revenue, Special Facilities, Continental Airlines Inc. Project	6.125%	7/15/27	2,750,000	2,575,925(a)
Laredo, TX, ISD Public Facility Corp., Lease Revenue, AMBAC	5.000%	8/1/29	1,000,000	1,000,380
Love Field Airport Modernization Corp, TX, Special Facilities Revenue, Southwest Airlines Co. Project	5.250%	11/1/40	6,000,000	5,674,320
Midlothian, TX, Development Authority, Tax Increment Contract Revenue	6.200%	11/15/29	1,000,000	1,005,150
North Texas Tollway Authority Revenue	5.750%	1/1/40	2,500,000	2,533,250

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Texas Midwest Public Facility Corp. Revenue, Secure Treatment Facility Project	9.000%	10/1/30	2,000,000	1,643,640
Texas Private Activity Bond Surface Transportation Corp., Senior Lien, NTE Mobility Partners LLC	6.875%	12/31/39	2,000,000	2,115,480
Texas Private Activity Bond Surface Transportation Corp. Revenue, LBJ Infrastructure Group LLC	7.000%	6/30/40	4,000,000	4,261,280
Texas State Public Finance Authority: Charter School Finance Corp. Revenue, Cosmos Foundation Inc.	6.200%	2/15/40	1,000,000	981,610
Uplift Education	5.750%	12/1/27	1,500,000	1,403,400
West Texas Detention Facility Corp. Revenue	8.000%	2/1/25	1,865,000	1,830,423
Willacy County, TX, Local Government Corp. Revenue	6.875%	9/1/28	1,000,000	1,030,000
Willacy County, TX, PFC Project Revenue	8.250%	12/1/23	1,000,000	1,042,480

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Schedule of investments (unaudited) (cont d)

July 31, 2011

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
<b>Texas continued</b>				
Willacy County, TX, PFC Project Revenue, County Jail	7.500%	11/1/25	\$ 550,000	\$ 485,177
<i>Total Texas</i>				36,990,011
<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	2,614,425
<b>Virginia 2.2%</b>				
Alexandria, VA, Redevelopment & Housing Authority, MFH Revenue, Parkwood Court Apartments Project	8.125%	4/1/30	295,000	276,341
Broad Street CDA Revenue	7.500%	6/1/33	748,000	856,019(b)
Chesterfield County, VA, EDA, Solid Waste and Sewer Disposal Revenue, Virginia Electric Power Co. Project	5.600%	11/1/31	2,500,000	2,522,025(a)
<i>Total Virginia</i>				3,654,385
<b>West Virginia 1.5%</b>				
Pleasants County, WV, PCR, Refunding, County Commission, Allegheny Energy Supply Co., LLC	5.250%	10/15/37	2,500,000	2,403,525
<b>Wisconsin 0.6%</b>				
Wisconsin State HEFA Revenue, Aurora Health Care Inc.	6.400%	4/15/33	1,000,000	1,018,370
TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost		\$156,624,912)		157,119,578
SHORT-TERM INVESTMENTS 1.9%				
<b>Maryland 0.7%</b>				
Maryland State Stadium Authority, Sports Facilities Lease Revenue, Football Stadium, SPA-Dexia Credit Local	2.000%	3/1/26	1,100,000	1,100,000(f)(g)
<b>New York 0.4%</b>				
New York City, NY, GO, LOC-Dexia Credit Local	1.400%	1/1/36	700,000	700,000(f)(g)
<b>North Carolina 0.7%</b>				
Charlotte-Mecklenburg Hospital Authority, NC, Health Care System Revenue, AGM, SPA-Dexia Credit Local	0.900%	1/15/43	1,100,000	1,100,000(f)(g)
<b>Virginia 0.1%</b>				
Virginia Small Business Financing Authority, Hospital Revenue, Carilion Clinic Obligation, SPA-Wells Fargo Bank N.A.	0.240%	7/1/42	200,000	200,000(f)(g)
TOTAL SHORT-TERM INVESTMENTS (Cost	\$3,100,000)			3,100,000
TOTAL INVESTMENTS 98.6% (Cost	\$159,724,912#)			160,219,578

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Other Assets in Excess of Liabilities	1.4%	2,299,519
TOTAL NET ASSETS	100.0%	\$ 162,519,097

- (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) The coupon payment on these securities is currently in default as of July 31, 2011.
- (e) Maturity date shown represents the mandatory tender date.
- (f) 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.
- (g) 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.

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

*See Notes to Schedule of Investments.*

Schedule of investments (unaudited) (cont d)

July 31, 2011

**WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.**

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
LOC	- Letter of Credit
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	18.0
Leasing	11.4
Transportation	7.1
Pre-refunded/escrowed to maturity	6.4
Special tax obligation	5.9
Education	5.8
Power	5.3
Other	2.9
Solid waste/resource recovery	1.6
Water & sewer	1.3
Local general obligation	0.5
Housing	0.2
Short-term investments	1.9
	100.0%

\*As a perce