

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

Form N-Q

September 26, 2007

**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)

125 Broad Street, New York, NY  
(Address of principal executive offices)

10004  
(Zip code)

Robert I. Frenkel, Esq.  
Legg Mason & Co., LLC  
300 First Stamford Place  
Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code:

1-800-451-2010

Date of fiscal year end: October 31

Date of reporting period: July 31, 2007

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

**FORM N-Q**

JULY 31, 2007

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ITEM 1. SCHEDULE OF INVESTMENTS

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## Western Asset Municipal High Income Fund Inc.

Schedule of Investments (unaudited)

July 31, 2007

| Face Amount                  |           | Security   | Value        |
|------------------------------|-----------|--|--------------|
| <b>MUNICIPAL BONDS 97.7%</b> |           |  |              |
| <b>Alaska 1.7%</b>           |           |  |              |
| \$                           | 1,055,000 | Alaska Industrial Development & Export Authority Revenue, Williams Lynxs Alaska Cargoport, 8.125% due 5/1/31 (a)                               | \$ 1,146,595 |
|                              | 1,650,000 | Alaska State Housing Financial Corp., General Housing, Series B, MBIA-Insured, 5.250% due 12/1/30  | 1,736,345    |
|                              |           | <b>Total Alaska</b>  | 2,882,940    |
| <b>Arizona 2.7%</b>          |           |  |              |
|                              | 1,500,000 | Casa Grande, AZ, IDA, Hospital Revenue, Casa Grande Regional Medical Center, Series A, 7.625% due 12/1/29                                      | 1,639,380    |
|                              | 1,760,000 | Phoenix, AZ, IDA, MFH Revenue, Ventana Palms Apartments Project, Series B, 8.000% due 10/1/34  | 1,945,064    |
|                              | 1,000,000 | Yuma & La Paz Counties, Arizona Community College District, Arizona Western College, FSA-Insured, 5.000% due 7/1/24                            | 1,041,720    |
|                              |           | <b>Total Arizona</b>   | 4,626,164    |
| <b>Arkansas 1.0%</b>         |           |  |              |
|                              | 1,000,000 | Arkansas State Development Financing Authority: Hospital Revenue, Washington Regional Medical Center, Call 2/1/10 @ 100, 7.375% due 2/1/29 (b) | 1,083,320    |
|                              | 600,000   | Industrial Facilities Revenue, Potlatch Corp. Projects, Series A, 7.750% due 8/1/25 (a)  | 670,242      |
|                              |           | <b>Total Arkansas</b>  | 1,753,562    |
| <b>California 11.1%</b>      |           |  |              |
|                              | 1,500,000 | Barona, CA, Band of Mission Indians, GO, 8.250% due 1/1/20   | 1,542,465    |
|                              | 2,000,000 | California Health Facilities Financing Authority Revenue, Refunding, Cedars-Sinai Medical Center, 5.000% due 11/15/27                          | 2,028,300    |
|                              | 5,000,000 | California State Department of Water Resources & Power Supply Revenue, Series A, MBIA-IBC-Insured, Call 5/1/12 @ 101, 5.375% due 5/1/21 (b)    | 5,391,750    |
|                              | 2,500,000 | California State, GO, Various Purpose, 5.000% due 9/1/35   | 2,561,875    |
|                              | 1,500,000 | California Statewide CDA Revenue, East Valley Tourist Project, Series A, 9.250% due 10/1/20  | 1,620,630    |
|                              |           | Golden State Tobacco Securitization Corp., California Tobacco Settlement Revenue:  |              |
|                              | 2,000,000 | Asset Backed, Series A-4, Call 6/1/13 @ 100, 7.800% due 6/1/42 (b)   | 2,401,800    |
|                              | 1,000,000 | Enhanced Asset Backed, Series B, Call 6/1/13 @ 100, 5.625% due 6/1/38 (b)  | 1,088,550    |
|                              | 600,000   | Redding, CA, Redevelopment Agency, Tax Allocation, Shastec Redevelopment Project, 5.000% due 9/1/29  | 605,670      |
|                              | 1,865,000 | Vallejo, CA, COP, Touro University, 7.375% due 6/1/29  | 1,938,071    |
|                              |           | <b>Total California</b>  | 19,179,111   |
| <b>Colorado 3.2%</b>         |           |  |              |
|                              | 500,000   | Beacon Point Metropolitan District, GO, Series A, 6.250% due 12/1/35   | 524,060      |
|                              |           | Colorado Educational & Cultural Facilities Authority Revenue:  |              |

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|           |   |                  |
|-----------|---|------------------|
|           | Charter School:   |                  |
| 1,230,000 | Bromley School Project, Refunding, XLCA-Insured, 5.125% due 9/15/25                         | 1,298,855        |
| 805,000   | Peak to Peak Project, Call 8/15/11 @ 100, 7.500% due 8/15/21 (b)                            | 892,149          |
| 785,000   | Elbert County Charter, 7.375% due 3/1/35  | 834,589          |
| 810,000   | Unrefunded, University of Denver Project, Series B, FGIC-Insured, 5.250% due 3/1/23         | 876,768          |
| 500,000   | High Plains, CO, Metropolitan District, GO, Series A, 6.250% due 12/1/35                    | 527,470          |
| 500,000   | Southlands, CO, Metropolitan District No. 1, GO, Call 12/1/14 @ 100, 7.125% due 12/1/34 (b) | 541,270          |
|           | <b>Total Colorado</b>   | <b>5,495,161</b> |

*See Notes to Schedule of Investments.*

## Western Asset Municipal High Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount                      |  | Security   | Value             |
|----------------------------------|--|--|-------------------|
| <b>District of Columbia 1.2%</b> |  |  |                   |
| \$ 1,895,000                     |  | District of Columbia COP, District Public Safety & Emergency, AMBAC-Insured, 5.500% due 1/1/20   | \$ 2,025,547      |
| <b>Florida 10.0%</b>             |  |  |                   |
| 955,000                          |  | Beacon Lakes, FL, Community Development District, Special Assessment, Series A, 6.900% due 5/1/35  | 1,028,248         |
| 1,500,000                        |  | Bonnet Creek Resort Community Development District, Special Assessment, 7.500% due 5/1/34  | 1,621,515         |
| 2,000,000                        |  | Capital Projects Finance Authority, FL, Continuing Care Retirement Glenridge on Palmer Ranch, Series A, Call 6/1/12 @ 102, 8.000% due 6/1/32 (b)                         | 2,351,460         |
| 2,000,000                        |  | Capital Projects Finance Authority, FL, Student Housing Revenue, Capital Projects Loan Program, Florida University, Series A, Call 8/15/10 @ 103, 7.850% due 8/15/31 (b) | 2,281,000         |
| 950,000                          |  | Century Parc Community Development District, Special Assessment, 7.000% due 11/1/31  | 996,417           |
| 1,000,000                        |  | Highlands County, FL, Health Facilities Authority Revenue, Adventist Health Systems, Series D, Call 11/15/12 @ 100, 6.000% due 11/15/25 (b)                              | 1,095,830         |
| 2,000,000                        |  | Martin County, FL, IDA Revenue, Indiantown Cogeneration Project, Series A, 7.875% due 12/15/25 (a)   | 2,006,460         |
| 1,000,000                        |  | Orange County, FL, Health Facilities Authority Revenue, First Mortgage, GF, Orlando Inc. Project, 9.000% due 7/1/31  | 1,114,910         |
| 400,000                          |  | Palm Beach County, FL, Health Facilities Authority Revenue, John F. Kennedy Memorial Hospital Inc. Project, 9.500% due 8/1/13 (c)  | 464,396           |
| 2,000,000                        |  | Reunion East Community Development District, Special Assessment, Series A, 7.375% due 5/1/33   | 2,224,760         |
| 1,000,000                        |  | Santa Rosa, FL, Bay Bridge Authority Revenue, 6.250% due 7/1/28  | 1,008,280         |
| 1,000,000                        |  | University of Central Florida, COP, Series A, FGIC-Insured, 5.000% due 10/1/25   | 1,035,850         |
|                                  |  | <b>Total Florida</b>   | <b>17,229,126</b> |
| <b>Georgia 4.0%</b>              |  |  |                   |
|                                  |  | Atlanta, GA, Airport Revenue:  |                   |
| 1,000,000                        |  | Series B, FGIC-Insured, 5.625% due 1/1/30 (a)  | 1,035,070         |
| 1,000,000                        |  | Series G, FSA-Insured, 5.000% due 1/1/26   | 1,034,360         |
| 2,500,000                        |  | Atlanta, GA, Tax Allocation, Atlantic Station Project, 7.900% due 12/1/24  | 2,735,675         |
| 1,000,000                        |  | Gainesville & Hall County, GA, Development Authority Revenue, Senior Living Facilities, Lanier Village Estates, Series C, 7.250% due 11/15/29                            | 1,070,230         |
| 1,005,000                        |  | Walton County, GA, IDA Revenue, Walton Manufacturing Co. Project, 8.500% due 9/1/07  | 1,005,824         |
|                                  |  | <b>Total Georgia</b>   | <b>6,881,159</b>  |
| <b>Illinois 1.8%</b>             |  |  |                   |

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|                     |           |  |           |
|---------------------|-----------|--|-----------|
|                     | 2,000,000 | Chicago, IL, GO, Neighborhoods Alive 21 Program,<br>FGIC-Insured, Call 1/1/11 @ 100, 5.500% due 1/1/31 (b) | 2,105,780 |
|                     | 1,000,000 | Illinois Finance Authority Revenue, Refunding, Chicago Charter<br>School Project, 5.000% due 12/1/26       | 992,590   |
|                     |           | <b>Total Illinois</b>  | 3,098,370 |
| <b>Indiana 0.5%</b> |           |  |           |
|                     |           | County of St Joseph, IN, EDR, Holy Cross Village Notre Dame<br>Project, Series A:                          |           |
|                     | 285,000   | 6.000% due 5/15/26   | 298,606   |
|                     | 550,000   | 6.000% due 5/15/38   |           |