

MUNICIPAL HIGH INCOME FUND INC  
 Form N-30D  
 July 03, 2002

[CLIP ART]

Municipal  
 High Income  
 Fund Inc.

[GRAPHIC OMITTED]

Semi-Annual  
 Report

[CLIP ART]

April 30,  
 2002

===== [CLIP ART] =====

Municipal High Income Fund Inc.

Dear Shareholder:

We are pleased to provide the semi-annual report for the Municipal High Income Fund Inc. ("Fund") for the period ended April 30, 2002. In this report, we summarize what we believe to be the period's prevailing economic and market conditions and outline our investment strategy. A detailed summary of the Fund's performance can be found in the appropriate sections that follow. We hope you find this report useful and informative.

Performance Update

During the past six months, the Fund distributed income dividends to shareholders totaling \$0.29 per share. The table below details the annualized distribution rate and the six-month total return for the Fund based on its April 30, 2002 net asset value ("NAV") per share and the New York Stock Exchange ("NYSE") closing price.(1)

Price Per Share	Annualized Distribution Rate(2)	Six-Month Total Return(2)
-----	-----	-----
\$8.38 (NAV)	6.95%	0.12%
\$8.12 (NYSE)	7.17%	(2.41)%

- 
- (1) The NAV is calculated by subtracting total liabilities from the closing value of all securities held by the Fund (plus all other assets) and dividing the results (total net assets) by the total number of shares outstanding. The NAV fluctuates with changes in the value of the securities in which the Fund has invested. However, the price at which the investor may buy or sell shares of the Fund is at their market (NYSE) price as determined by supply and demand for the Fund's shares.
  - (2) Total returns are based on changes in NAV or the market value, respectively. Total returns assume the reinvestment of all dividends and/or capital-gains distributions in additional shares. Annualized distribution rate is the Fund's current monthly income dividend rate, annualized and then divided by the NAV or the market value noted in this

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

report. The annualized distribution rate assumes a current monthly income dividend rate of \$0.0485 for 12 months. This rate is as of May 31, 2002 and is subject to change. The important difference between a total return and an annualized distribution rate is that the total return takes into consideration a number of factors including the fluctuation of the NAV or the market value during the period reported. The NAV fluctuation includes the effects of unrealized appreciation or depreciation in the Fund. Accordingly, since an annualized distribution rate only reflects the current monthly income dividend rate annualized, it should not be used as the sole indicator to judge the return you receive from your Fund investment. Past performance is not indicative of future results.

1

=====  
===== [CLIP ART] =====

During the period the Fund generated a total return based on NAV of 0.12%. In comparison, the Fund's Lipper Inc. ("Lipper") peer group of closed-end high-yield municipal debt funds returned 1.22% based on NAV for the same period.(3)

### Investment Strategy

The Fund's investment objective is high current income exempt from federal income tax.(4) The Fund generally invests in intermediate- and long-term municipal obligations. The Fund's municipal obligations may have all types of interest rate payment and reset terms, including fixed rate, adjustable rate, zero coupon, payment-in-kind and auction rate features.

### Market Review

Although the economy may struggle for another quarter or so, we believe that it is on the road to recovery and should gain momentum by late 2002. Inflation remained subdued during this reporting period. Therefore, we believe the Federal Open Market Committee ("FOMC") (5) will probably not raise the federal funds rate ("fed funds rate") (6) until later this summer, when signs of a sustainable recovery - such as stronger growth in corporate profits, an increase in capital spending and rising employment levels - may appear.

One obstacle to this recovery could be lingering skepticism among some investors about truthfulness in corporate accounting practices, along with some possible delays in corporate earnings releases for the first two or three quarters of 2002 as executives check and double-check their financial reports before releasing them. We also believe that corporate profits could improve enough by late 2002 and early 2003 to exceed investor expectations. In our opinion, the fiscal stimulus package that Congress passed in 2002 should help the economy because it was aimed at corporations, which we believe led the economy into recession.

- 
- (3) Source: Lipper Inc. Past performance is not indicative of future results. Average annual total returns are based on a 12-month period as of April 30, 2002, calculated among 12 funds in the closed-end high-yield municipal debt fund category, as defined by Lipper Inc., with reinvestment of dividends and capital gains, excluding sales charges.
  - (4) Certain investors may be subject to the Federal Alternative Minimum Tax (AMT), and state and local taxes may apply. Capital gains, if any, are fully taxable.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

- (5) The FOMC is a policy-making body of the Federal Reserve System responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- (6) The fed funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans. The fed funds rate often points to the direction of U.S. interest rates.

=====

===== [CLIP ART] =====

Municipal Bond Market Outlook

In general, we believe the municipal bond market should continue to perform well as an alternative to low money market rates and a jittery equity market in the near-term. Still, while we remain constructive in our outlook for the municipal market, conditions in the high yield segment remain challenging. Default risks and credit quality spreads (the difference in yields between higher and lower quality bonds) are considerably lower than the historically high levels exhibited on corporate debt, but have nevertheless increased in a weak economic environment. These factors have caused many high yield municipal securities to underperform the general municipal market. In this environment, we are placing additional emphasis on managing credit risk.

Looking ahead, we believe the high yield market should improve along with a recovering economy, but may have to endure some additional difficulties along the way.

Thank you for investing in the Municipal High Income Fund Inc.

Sincerely,

/s/ Heath B. McLendon

/s/ Peter M. Coffey

Heath B. McLendon  
Chairman

Peter M. Coffey  
Vice President and  
Investment Officer

May 22, 2002

The information provided in this letter represents the opinion of the manager and is not intended to be a forecast of future events, a guarantee of future results nor investment advice. Further, there is no assurance that certain securities will remain in or out of the Fund. Please refer to pages 5 through 13 for a list and percentage breakdown of the Fund's holdings. Also, please note any discussion of the Fund's holdings is as of April 30, 2002 and is subject to change.

=====

===== [CLIP ART] =====

-----

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Take Advantage of the Fund's Dividend Reinvestment Plan!

Did you know that Fund investors may reinvest their dividends in an effort to take advantage of what can be one of the most effective wealth-building tools available today? When the Fund achieves its objectives, systematic investments by shareholders put time to work for them through the strength of compounding.

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ("Plan"), a convenient, simple and efficient way to reinvest your dividends and capital gains, if any, in additional shares of the Fund. A more complete description of the Plan begins on page 26. Below is a short summary of how the Plan works.

Plan Summary

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

The number of common stock shares in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or higher than 98% of the net asset value ("NAV") per share on the date of valuation, you will be issued shares for the equivalent of either 98% of the most recently determined NAV per share or 95% of the market price, whichever is greater.

If 98% of the NAV per share at the time of valuation is greater than the market price of the common stock, or if the Fund declares a dividend or capital gains distribution payable only in cash, the Fund will buy common stock for your account in the open market or on the New York Stock Exchange.

If the Fund begins to purchase additional shares in the open market and the market price of the shares subsequently rises above 98% of the NAV before the purchases are completed, the Fund will attempt to cancel any remaining orders and issue the remaining dividend or distribution in shares at 98% of the Fund's NAV per share. In that case, the number of Fund shares you receive 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 find out more detailed information about the Plan and about how you can participate, please call PFPC Global Fund Services at (800) 331-1710.

[CLIP ART]

Municipal High Income Fund Inc.  
Schedule of Investments (unaudited)  
April 30, 2002

FACE  
AMOUNT      RATING (a)      SECURITY

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Alabama -- 4.2%				
\$	5,000	Aaa*	Alabama HFA, Single-Family Housing Revenue, 10.500% due 12/1/02.....	\$
	4,000,000	BBB-	Butler, AL IDB, Solid Waste Disposal Revenue, (James River Corp. Project), 8.000% due 9/1/28 (b).....	4,
	615,000	NR	Capstone Improvement District of Brookwood, AL, Series A, 7.700% due 8/15/23.....	
	1,000,000	CCC	Mobile, AL IDB, Solid Waste Disposal Revenue, (Mobile Energy Services Co. Project), 6.950% due 1/1/20 (c).....	
	1,000,000	NR	Rainbow City, AL Special Health Care Facility Financing Authority, Series A, 8.250% due 1/1/31.....	1,
	1,000,000	AAA	West Jefferson, AL Amusement & Public Park Authority Revenue, (Visionland Project), (Pre-Refunded -- Escrowed with U.S. government securities to 12/1/06 Call @ 102), 8.000% due 12/1/26.....	1,
				----- 7,
Alaska -- 0.6%				
	1,055,000	NR	Alaska Industrial Development & Export Authority Revenue, Williams Lynxs Alaska Cargoport, 8.125% due 5/1/31 (b).....	1,
				-----
Arizona -- 3.2%				
	1,500,000	NR	Casa Grande, AZ IDA Hospital Revenue, Casa Grande Regional Medical Center, Series A, 7.625% due 12/1/29.....	1,
	1,750,000	CCC	Gila County, AZ IDA Revenue, ASARCO Inc., 5.550% due 1/1/27.....	
	490,000	NR	Maricopa, AZ IDA, MFH Revenue: Avalon Apartments Project, Series C, 10.000% due 4/1/30.....	
	1,000,000	NR	Gran Victoria Housing LLC Project, Series B, 10.000% due 5/1/31.....	1,
	1,830,000	NR	Phoenix, AZ IDA, MFH Revenue, (Ventana Palms Apartments Project), Series B, 8.000% due 10/1/34.....	1,
				----- 5,
California -- 2.1%				
	1,500,000	NR	Barona, CA Band of Mission Indians, GO, 8.250% due 1/1/20.....	1,
	1,865,000	Ba3*	Vallejo, CA COP, Touro University, 7.375% due 6/1/29.....	1,
				----- 3,
Colorado -- 0.6%				
	1,000,000	NR	Highline Business Improvement District, Littleton CO, GO, Series B, 8.750% due 12/15/19.....	1,
				-----

See Notes to Financial Statements.

**Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D**

AMOUNT	RATING (a)	SECURITY	V
Connecticut -- 1.9%			
\$ 1,735,000	NR	Connecticut State Development Authority: Aquarium Project Revenue, (Mystic Marinelife Aquarium Project), Series A, 7.000% due 12/1/27.....	\$ 1,
1,475,000	NR	Health Care Revenue, (Independent Living Project), (Pre-Refunded -- Escrowed with state & local government securities to 7/1/03 Call @ 102), Series B, 8.000% due 7/1/17.....	1, ----- 3, -----
Delaware -- 0.5%			
1,000,000	NR	Sussex County, DE Assisted Living Facilities Revenue, (Heritage at Milford Project), 7.250% due 7/1/29.....	-----
District of Columbia -- 0.6%			
1,000,000	A1*	District of Columbia, Tobacco Settlement Financing Corp., Asset-Backed Bonds, 6.750% due 5/15/40.....	1, -----
Florida -- 6.5%			
2,000,000	NR	Capital Projects Finance Authority, FL Student Housing Revenue, Florida University, Series A, 7.850% due 8/15/31.....	2,
1,000,000	NR	Century Parc Community Development District, FL Special Assessment, 7.000% due 11/1/31.....	1,
2,750,000	NR	Hillsborough County, FL IDA Revenue, (Lakeshore Villas Project), Series A, 6.750% due 7/1/29.....	2,
875,000	NR	Homestead, FL IDR, Community Rehabilitation Providers Program, Series A, 7.950% due 11/1/18.....	-----
2,000,000	BBB-	Martin County, FL IDA, IDR, (Indiantown Cogeneration Project), Series A, 7.875% due 12/15/25 (b).....	2,
1,000,000	NR	Orange County, FL Health Facilities Authority Revenue, First Mortgage, (GF/Orlando Inc. Project), 9.000% due 7/1/31.....	1,
1,650,000	NR	Orlando, FL Urban Community Development District, Capital Improvement, Series A, 6.950% due 5/1/33.....	1, ----- 11, -----
Georgia -- 5.4%			
775,000	AA-	Albany Dougherty, GA Payroll Development Authority, Solid Waste Disposal Revenue, Procter & Gamble Paper Products, 5.200% due 5/15/28 (b).....	-----
1,000,000	AAA	Atlanta, GA: Airport Revenue, Series B, 5.625% due 1/1/30 (b).....	1,
2,500,000	NR	Tax Allocation, (Atlantic Station Project), 7.900% due 12/1/24.....	2,
1,000,000	NR	Urban Residential Finance Authority, MFH Revenue, Park Place Apartments, Series A, 6.750% due 3/1/31.....	-----

See Notes to Financial Statements.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

FACE AMOUNT	RATING (a)	SECURITY	
Georgia -- 5.4% (continued)			
\$ 2,000,000	NR	Clayton County, GA Development Authority Revenue, First Mortgage, Senior Care Group Inc., (Bayberry Project), Series A, 6.750% due 7/1/29 (c).....	\$
500,000	NR	Fulton County, GA Residential Care Facilities, Senior Lien, RHA Assisted Living, Series A, 7.000% due 7/1/29.....	
1,000,000	NR	Gainesville & Hall County, GA Development Authority Revenue, Senior Living Facility, Lanier Village Estates, Series C, 7.250% due 11/15/29.....	1,
1,435,000	NR	Savannah, GA EDA Revenue, Marshview Inn, Series A, 7.125% due 7/1/29.....	1,
1,000,000	NR	Walton County, GA IDA, IDR, (Walton Manufacturing Co. Project), 8.500% due 9/1/07.....	1,
			9,
Illinois -- 2.1%			
2,000,000	AAA	Chicago, IL GO, Neighborhoods Alive 21 Program, FGIC-Insured, 5.500% due 1/1/31.....	2,
2,500,000	AAA	Illinois Sports Facilities Authority, 5.500% due 6/15/30.....	1,
			3,
Indiana -- 1.1%			
2,500,000	CCC+	East Chicago, IN PCR, (Inland Steel Co. Project No. 10), 6.800% due 6/1/13.....	
1,000,000	Ca*	Indiana State Development Finance Authority, PCR, (Inland Steel Co. Project No. 13), 7.250% due 11/1/11 (b).....	
975,000	NR	Indianapolis, IN MFH Revenue, (Lake Nora Fox Club Project), Series B, 7.500% due 10/1/29.....	1,
Kentucky -- 0.9%			
1,500,000	BB+	Kenton County, KY Airport Board Revenue, (Delta Airlines Project), Series A, 7.500% due 2/1/20 (b).....	1,
Louisiana -- 6.8%			
1,200,000	A3*	Lake Charles, LA Harbor & Terminal District, Port Facilities Revenue, (Trunkline LNG Co. Project), 7.750% due 8/15/22.....	1,
2,000,000	NR	Louisiana Local Government Environmental Facilities, Community Development Authority Revenue, St. James Place, Series A, 8.000% due 11/1/25.....	2,
3,000,000	NR	Louisiana Public Facilities Authority Hospital Revenue, (Lake Charles Memorial Hospital Project), 8.625% due 12/1/30.....	3,

See Notes to Financial Statements.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

April 30, 2002

FACE AMOUNT	RATING (a)	SECURITY	
Louisiana -- 6.8% (continued)			
		Port of New Orleans, LA IDR:	
		Avondale Industries, Inc. Project:	
\$ 925,000	NR	8.250% due 6/1/04.....	\$ 3,
2,900,000	NR	8.500% due 6/1/14.....	1,
1,000,000	BB-	Continental Grain Co. Project, 7.500% due 7/1/13.....	11,
Maine -- 0.0%			
15,000	AA+	Maine State Housing Authority, Mortgage Purchase Revenue, Series C-2, 7.000% due 11/15/32 (b).....	
Maryland -- 1.7%			
3,000,000	NR	Maryland State Economic Development Corp. Revenue, Chesapeake Bay, Series A, 7.730% due 12/1/27.....	2,
Massachusetts -- 8.3%			
970,000	NR	Boston, MA IDA Financing Revenue, (Roundhouse Hospitality LLC Project), 7.875% due 3/1/25 (b).....	
		Massachusetts State Development Finance Agency Revenue:	
1,000,000	NR	Alliance Health Care Facility, Series A, 7.100% due 7/1/32.....	
1,000,000	NR	Briarwood, Series B, 8.250% due 12/1/30.....	1,
		Massachusetts State Health & Education Facilities Authority Revenue:	
1,000,000	AAA	Beth Israel Deaconess Medical Center, Series G-4, AMBAC-Insured, Variable Rate INFLOS, 10.149% due 7/1/25 (d).....	1,
1,000,000	BBB	Caritas Christi Obligation, Series B, 6.750% due 7/1/16.....	1,
1,060,000	Ba2*	Saint Memorial Medical Center, Series A, 6.000% due 10/1/23.....	
1,395,000	AA	Massachusetts State HFA, Single-Family Housing Revenue, Series 38, 7.200% due 12/1/26 (b).....	1,
2,000,000	NR	Massachusetts State Industrial Finance Agency Revenue, Assisted Living Facility, (Marina Bay LLC Project), 7.500% due 12/1/27 (b).....	2,
4,000,000	AA-	Massachusetts State, GO, Variable Rate INFLOS, 9.185% due 11/1/17 (d).....	4,
Michigan -- 2.1%			
		Garden City, MI Hospital Finance Authority, Hospital Revenue, Garden City Hospital Obligation Group, Series A:	
2,000,000	B1*	5.625% due 9/1/10.....	1,
1,000,000	B1*	5.750% due 9/1/17.....	

See Notes to Financial Statements.



Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

[CLIP ART] Municipal High Income Fund Inc.  
Schedule of Investments (unaudited) (continued)  
April 30, 2002

FACE AMOUNT	RATING (a)	SECURITY	V
Michigan -- 2.1% (continued)			
\$ 2,000,000	NR	Michigan State Strategic Fund, Resource Recovery Ltd. Obligation Revenue, Central Wayne Energy Recovery L.P., Series A, 6.900% due 7/1/19 (b) (c).....	\$ 1, ----- 3, -----
Minnesota -- 2.6%			
1,000,000	NR	Minneapolis & St. Paul, MN Metropolitan Airports Community Special Facility Revenue, (Northwest Airlines Project), Series A, 7.000% due 4/1/25 (b).....	
2,000,000	NR	Sartell, MN Health Care & Housing Facilities Revenue, (Foundation for Healthcare Project), Series A, 6.500% due 9/1/16.....	1, -----
1,935,000	BB-	St. Paul, MN Housing & Redevelopment Authority Hospital Revenue, (Healtheast Project), Series A, 6.625% due 11/1/17.....	1, ----- 4, -----
Montana -- 2.4%			
4,530,000	NR	Montana State Board of Investment Resource Recovery Revenue, (Yellowstone Energy L.P. Project), 7.000% due 12/31/19 (b).....	4, -----
New Jersey -- 6.2%			
3,000,000	B1*	Camden County, NJ Improvement Authority Revenue, (Health Care Redevelopment Project -- Cooper Health System), 5.875% due 2/15/15.....	2, -----
850,000	NR	New Jersey EDA, Series A: First Mortgage, The Presbyterian Home, 6.375% due 11/1/31.....	
1,000,000	NR	Healthcare Facility Revenue, (Sayreville Senior Living Project), 6.375% due 4/1/29.....	
1,000,000	NR	Retirement Community Revenue, 8.250% due 11/15/30.....	1, -----
735,000	Baa3*	New Jersey Health Care Facilities Financing Authority Revenue: Palisades Medical Center of NY, Un-Refunded, 7.600% due 7/1/21.....	
2,000,000	NR	Raritan Bay Medical Center, 7.250% due 7/1/27.....	2, -----
3,000,000	BBB-	Trinitas Hospital Obligation Group, 7.500% due 7/1/30.....	3, ----- 10, -----
New Mexico -- 0.2%			
300,000	AAA	New Mexico Mortgage Finance Authority, Single-Family Mortgage Program, Series B, FHA-Insured, 8.300% due 3/1/20 (b).....	

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.  
 Schedule of Investments (unaudited) (continued)  
 April 30, 2002

FACE AMOUNT	RATING (a)	SECURITY	
New York -- 4.6%			
\$ 700,000	NR	Brookhaven, NY IDA, Civic Facility Revenue, Memorial Hospital Medical Center, Series A, 8.250% due 11/15/30.....	\$
Monroe County, NY IDA:			
1,000,000	NR	Civic Facility Revenue, Woodland Village Project, 8.550% due 11/15/32.....	1,
1,900,000	NR	Empire Sports Project, IDR, Series A, 6.250% due 3/1/28.....	1,
New York City, NY IDA, Civic Facility Revenue:			
1,400,000	NR	Community Resources for the Developmentally Disabled, 7.500% due 8/1/26.....	1,
1,400,000	NR	Special Needs Facility Pooled Program, Series A-1, 8.125% due 7/1/19.....	1,
Suffolk County, NY IDA Civic Facility Revenue, Southampton Hospital Association:			
1,000,000	NR	Series A, 7.250% due 1/1/20.....	
1,000,000	NR	Series B, 7.625% due 1/1/30.....	1,
-----			
North Carolina -- 1.5%			
1,000,000	NR	Charlotte, NC Special Facilities Revenue, Charlotte/Douglas International Airport, 5.600% due 7/1/27 (b).....	
North Carolina Medical Care Commission,			
Health Care Facilities Revenue, First Mortgage,			
(De Paul Community Facilities Project):			
1,240,000	NR	6.125% due 1/1/28.....	1,
1,000,000	NR	7.625% due 11/1/29.....	1,
-----			
Ohio -- 2.0%			
1,500,000	BBB	Cuyahoga County, OH Hospital Facilities Revenue, (Canton Inc. Project), 7.500% due 1/1/30.....	1,
Montgomery County, OH Health Systems Revenue, Series B-1,			
(Escrowed with state & local government securities to 7/1/06 Call @ 102):			
1,035,000	AAA	Pre-Refunded, 8.100% due 7/1/18.....	1,
465,000	AAA	Un-Refunded, 8.100% due 7/1/18.....	
1,250,000	NR	Ohio State Solid Waste Revenue, Republic Engineered Steels Inc., 9.000% due 6/1/21 (b)(c).....	
-----			
Oklahoma -- 0.9%			
2,000,000	B-	Oklahoma Development Finance Authority Revenue,	

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Hillcrest Healthcare System, Series A, 5.625% due 8/15/29.....

1,

See Notes to Financial Statements.

10

[CLIP ART] Municipal High Income Fund Inc.  
Schedule of Investments (unaudited) (continued)  
April 30, 2002

FACE AMOUNT	RATING (a)	SECURITY	V
-----			
Pennsylvania -- 12.8%			
\$ 2,200,000	CCC+	Allegheny County, PA IDA, Airport Special Facilities Revenue, (USAir Inc. Project), Series B, 8.500% due 3/1/21 (b).....	\$ 1,
		Beaver County, PA IDA, PCR:	
1,500,000	BBB	Cleveland Electric Illuminating Co. Project, 7.625% due 5/1/25.....	1,
2,000,000	BBB	Toledo Edison Co. Project, 7.625% due 5/1/20.....	2,
3,000,000	NR	Dauphin County, PA General Authority Revenue, Hotel & Conference Center-Hyatt Regency, 6.200% due 1/1/29.....	2,
2,500,000	A3*	Luzerne County, PA IDA, Exempt Facilities Revenue, (Pennsylvania Gas & Water Co. Project), Series B, 7.125% due 12/1/22 (b).....	2,
2,640,000	NR	Montgomery County, PA Higher Education & Health Authority Revenue, Temple Continuing Care Center, 6.625% due 7/1/19.....	2,
135,000	NR	Northumberland County, PA IDA, IDR, (Beverly Enterprises Inc. Project), 6.875% due 2/1/03.....	
1,000,000	NR	Philadelphia, PA Authority for IDR, (Host Marriott L.P. Project), Remarketed 10/31/95, 7.750% due 12/1/17 (b).....	1,
		Scranton-Lackawanna, PA Health & Welfare Authority Revenue:	
500,000	BB+++	Allied Services Rehab Hospitals Project, Series A, 7.600% due 7/15/20.....	
		Moses Taylor Hospital Project:	
1,270,000	BBB-	6.150% due 7/1/14.....	1,
3,050,000	BBB-	6.250% due 7/1/20.....	2,
1,500,000	NR	Waterlefe Community Development District, FL Golf Course Revenue, 8.125% due 10/1/25.....	1,
2,000,000	NR	Westmoreland County, PA IDA, Healthcare Facilities, Redstone Highlands Health, Series B, 8.125% due 11/15/30.....	2,
			-----
			21,
			-----
South Carolina -- 3.6%			
		Connector 2000 Association Inc., SC Toll Road Revenue:	
		Capital Appreciation, Series B:	
3,100,000	BBB-	Zero coupon bond to yield 7.956% due 1/1/27.....	
7,750,000	BBB-	Zero coupon bond to yield 8.150% due 1/1/34.....	
2,000,000	BBB-	Southern Connector Project, Series A, 5.375% due 1/1/38.....	1,
600,000	NR	Florence County, SC IDR, Stone Container Corp., 7.375% due 2/1/07.....	
655,000	NR	McCormick County, SC COP, 9.750% due 7/1/09.....	
2,650,000	AA-	Tobacco Settlement Revenue Management Authority, SC,	

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Variable Rate INFLOS, 10.316% due 5/15/28 (d).....

2,  
-----  
6,  
-----

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.  
Schedule of Investments (unaudited) (continued)  
April 30, 2002

FACE AMOUNT	RATING (a)	SECURITY	V
=====			
South Dakota -- 1.0%			
\$ 1,640,000	NR	Oglala Sioux Tribe, SD Pine Ridge County, Revenue Bonds, 7.500% due 7/1/13.....	\$ 1,-----
Tennessee -- 1.1%			
1,915,000	NR	Shelby County, TN Health, Educational & Housing Facilities Board Revenue, MFH, (Hedgerow Apartments Project), 6.875% due 7/1/36.....	1,-----
Texas -- 7.6%			
1,000,000	NR	Bexar County, TX Housing Financial Corp., MFH Revenue: Continental Lady Ester, Series A, 6.875% due 6/1/29.....	
1,195,000	Baa3*	Nob Hill Apartments, Series B, 8.500% due 6/1/31.....	1,-----
250,000	Baa3*	Waters at Northern Hills, Series C, 7.750% due 8/1/36.....	
2,000,000	Ba2*	El Paso, TX International Airport Revenue, Special Facilities, (Marriott Corp. Project), 7.750% due 3/1/12.....	2,-----
2,750,000	BB-	Houston, TX Airport Systems Revenue, Special Facilities, Continental Airlines Inc., Series C, 6.125% due 7/15/27.....	2,-----
		Houston, TX Hotel Occupancy, Tax & Special Revenue, Capital Appreciation, Series B, AMBAC-Insured:	
3,000,000	AAA	Zero coupon due 9/1/32.....	
1,000,000	AAA	Zero coupon due 9/1/33.....	
2,710,000	AAA	Houston, TX Water and Sewer System Revenue, Capital Appreciation, Jr. Lien, Series A, zero coupon due 12/1/23.....	
1,000,000	CCC++	Northgate Crossing, TX, Municipal Utility, District No. 1, GO, 8.875% due 12/1/13.....	1,-----
1,405,000	BBB-	Sam Rayburn, TX Municipal Power Agency, Series A, 6.750% due 10/1/14.....	1,-----
995,000	Baa3*	Texas State Affordable Housing Corp. MFH Revenue, Sub-HIC Arborstone/Baybrook, Series C, 7.250% due 11/1/31.....	
1,405,000	A3*	Travis County, TX Housing Finance Authority, MFH Revenue, (Lakeview Apartments Project), Series A, 6.375% due 1/1/34.....	1,-----
-----			
Utah -- 1.8%			
1,645,000	NR	Hurricane, UT Health Facilities Development Revenue, (Mission Health Services Project), 10.500% due 7/1/20.....	1,-----
2,000,000	NR	Utah State HFA Revenue, (RHA Community Services	

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

of Utah Inc. Project), Series A, 6.875% due 7/1/27.....

1,  
-----  
3,  
-----

See Notes to Financial Statements.

12

[CLIP ART] Municipal High Income Fund Inc.  
Schedule of Investments (unaudited) (continued)  
April 30, 2002

FACE AMOUNT	RATING (a)	SECURITY	V
Virginia -- 1.8%			
\$ 590,000	NR	Alexandria, VA Redevelopment & Housing Authority, MFH Revenue, (Parkwood Court Apartments Project), Series C, 8.125% due 4/1/30.....	\$
1,000,000	NR	Fairfax County, VA EDA Revenue, Retirement Community, Greenspring Village Inc., Series A, 7.500% due 10/1/29.....	1,
23,400,000	BBB-	Pocahontas Parkway Association, VA Toll Road Revenue, Capital Appreciation, Series B, zero coupon bond to yield 7.438% due 8/15/34.....	1, ----- 3, -----
West Virginia -- 0.6%			
1,000,000	NR	West Virginia EDA, Commercial Development Revenue, (Stonewall Jackson Project), Series B, 8.000% due 4/1/30.....	-----
Wisconsin -- 0.7%			
1,770,000	NR	Wisconsin State Health & Educational Facilities Authority Revenue, (Benchmark Healthcare of Green Bay Inc. Project), Series A, 7.750% due 5/1/27 (c).....	1, -----
TOTAL INVESTMENTS -- 100%			
(Cost -- \$184,474,102**)			\$170, =====

- (a) All ratings are by Standard & Poor's Ratings Service, except those which are identified by an asterisk (\*) are rated by Moody's Investors Service, Inc., or those which are identified by a double dagger (++) are rated by Fitch IBCA, Duff & Phelps.
  - (b) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax.
  - (c) Security is currently in default.
  - (d) Inverse floating rate security-coupon varies inversely with level of short-term tax exempt interest rates.
- \*\* Aggregate cost for Federal income tax purposes is substantially the same.

See pages 15 through 17 for definitions of ratings and certain security

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

descriptions.

See Notes to Financial Statements.

13

[CLIP ART] Municipal High Income Fund Inc.  
Summary of Municipal Bonds by Combined Ratings  
April 30, 2002 (unaudited)

Moody's	and/or	Standard & Poor's	Percent of Total Investments
Aaa		AAA	6.1%
Aa		AA	5.6
A		A	3.7
Baa		BBB	16.3
Ba		BB	7.0*
B		B	3.6
Caa		CCC	2.2**
Ca		CC	0.1
NR		NR	55.4
			-----
			100.0%
			=====

\* 0.3% was rated by Fitch IBCA, Duff & Phelps.

\*\* 0.6% was rated by Fitch IBCA, Duff & Phelps.

14

[CLIP ART] Municipal High Income Fund Inc.  
Bond Ratings (unaudited)

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

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

- AAA -- Bonds rated "AAA" have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.
- AA -- Bonds rated "AA" have a very strong capacity to pay interest and repay principal and differ from the highest rated issue only in a small degree.
- A -- Bonds rated "A" have a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
- BBB -- Bonds rated "BBB" are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

category than in higher rated categories.

BB, B, CCC and CC -- Bonds rated "BB", "B", "CCC" and "CC" are regarded, on balance, as predominantly speculative and with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" represents a lower degree of speculation than "B", and "CC" the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

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

Aaa -- Bonds rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa -- Bonds rated "Aa" are judged to be of high quality by all standards. Together with the "Aaa" group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large in "Aaa" securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in "Aaa" securities.

A -- Bonds rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.

15

[CLIP ART] Municipal High Income Fund Inc.  
Bond Ratings (unaudited) (continued)

=====

Baa -- Bonds rated "Baa" are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba -- Bonds rated "Ba" are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B -- Bonds rated "B" generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over many long period of time may be small.

Caa -- Bonds that are rated "Caa" are of poor standing. These issues may be in default, or there may be present elements of danger with respect to principal or interest.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

- Ca -- Bonds rated "Ca" represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
- Fitch IBCA, Duff & Phelps ("Fitch") -- Ratings from "BBB" to "C" may be modified by the addition of a plus (+) sign or minus (-) to show relative standings with the major ratings categories.
- BBB -- Bonds rated "BBB" by Fitch currently have a low expectation of credit risk. The capacity for timely payment of financial commitments is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to impair this capacity. This is the lowest investment grade category assigned by Fitch.
- BB -- Bonds rated BB by Fitch carry the possibility of credit risk developing, particularly as the result of adverse economic change over time. Business or financial alternatives may, however, be available to allow financial commitments to be met. Securities rated in this category are not considered by Fitch to be investment grade.
- CCC, CC and C -- Default on bonds rated "CCC", "CC" and "C" by Fitch is a real possibility. The capacity to meet financial commitments depends solely on a sustained, favorable business and economic environment. Default of some kind on bonds rated "CC" appears probable, a "C" rating indicates imminent default.
- NR -- Indicates that the bond is not rated by Standard & Poor's, Moody's or Fitch.

Short-Term Bond Ratings (unaudited)

- =====  
A-1 -- Standard & Poor's highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
- VMIG 1 -- Moody's highest rating for issues having a demand feature -- VRDO.

[CLIP ART]

Municipal High Income Fund Inc.  
Security Descriptions (unaudited)

- =====  
ABAG -- Association of Bay Area Governments  
AIG -- American International Guaranty  
AMBAC -- American Municipal Bond Assurance Corporation  
BAN -- Bond Anticipation Notes  
BIG -- Bond Investors Guaranty  
CGIC -- Capital Guaranty Insurance Company  
CHFCLI -- California Health Facility Construction Loan Insurance  
CONNIE -- College Construction Loan Insurance Association  
LEE  
COP -- Certificate of Participation



Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

EDA -- Economic Development Authority  
 ETM -- Escrowed to Maturity  
 FGIC -- Financial Guaranty Insurance Company  
 FHA -- Federal Housing Administration  
 FHLMC -- Federal Home Loan Mortgage Corporation  
 FLAIRS -- Floating Adjustable Interest Rate Securities  
 FNMA -- Federal National Mortgage Association  
 FRTC -- Floating Rate Trust Certificates  
 FSA -- Financing Security Assurance  
 GIC -- Guaranteed Investment Contract  
 GNMA -- Government National Mortgage Association  
 GO -- General Obligation  
 HDC -- Housing Development Corporation  
 HFA -- Housing Finance Authority  
 IDA -- Industrial Development Authority/Agency  
 IDB -- Industrial Development Board  
 IDR -- Industrial Development Revenue  
 INFLOS -- Inverse Floaters  
 ISD -- Independent School District  
 LOC -- Letter of Credit  
 MBIA -- Municipal Bond Investors Assurance Corporation  
 MFH -- Multi-Family Housing  
 MVRICS -- Municipal Variable Rate Inverse Coupon Security  
 PCR -- Pollution Control Revenue  
 PSFG -- Permanent School Fund Guaranty  
 RAN -- Revenue Anticipation Notes  
 RIBS -- Residual Interest Bonds  
 RITES -- Residual Interest Tax-Exempt Securities  
 SYCC -- Structured Yield Curve Certificate  
 TAN -- Tax Anticipation Notes  
 TECP -- Tax-Exempt Commercial Paper  
 TOB -- Tender Option Bonds  
 TRAN -- Tax and Revenue Anticipation Notes  
 VA -- Veterans Administration  
 VRWE -- Variable Rate Wednesday Demand

[CLIP ART] Municipal High Income Fund Inc.  
Statement of Assets and Liabilities (unaudited)  
April 30, 2002

=====

ASSETS:

Investments, at value (Cost -- \$184,474,102) .....	\$ 170,304,773
Cash .....	78,839
Interest receivable .....	4,273,389
Receivable for securities sold .....	5,000
	-----

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Total Assets .....	174,662,001
-----	
LIABILITIES:	
Investment advisory fee payable .....	64,349
Administration fee payable .....	31,914
Accrued expenses .....	263,104
-----	
Total Liabilities .....	359,367
-----	
Total Net Assets .....	\$ 174,302,634
=====	
NET ASSETS:	
Par value of capital shares .....	\$ 208,022
Capital paid in excess of par value .....	192,917,924
Undistributed net investment income .....	145,729
Accumulated net realized loss from security transactions ..	(4,799,712)
Net unrealized depreciation of investments .....	(14,169,329)
-----	
Total Net Assets .....	\$ 174,302,634
=====	
Shares Outstanding .....	20,802,173
-----	
Net Asset Value .....	\$ 8.38
-----	

See Notes to Financial Statements.

18

[CLIP ART] Municipal High Income Fund Inc.  
Statement of Operations (unaudited)  
For the Six Months Ended April 30, 2002

=====	
INVESTMENT INCOME:	
Interest .....	\$ 6,475,260
-----	
EXPENSES:	
Investment advisory fee (Note 3) .....	348,241
Administration fee (Note 3) .....	174,121
Shareholder communications .....	90,681
Shareholder and system servicing fees .....	27,290
Audit and legal .....	25,159
Directors' fees .....	17,738
Pricing service fees .....	8,145
Custody .....	4,344
Other .....	5,177
-----	
Total Expenses .....	700,896
-----	
Net Investment Income .....	5,774,364
-----	

REALIZED AND UNREALIZED LOSS ON  
INVESTMENTS (NOTE 4):  
Realized Loss From Security Transactions  
(excluding short-term securities):

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Proceeds from sales .....	40,157,246
Cost of securities sold .....	40,617,321
	-----
Net Realized Loss .....	(460,075)
	-----
Increase in Net Unrealized Depreciation (Note 1) .....	(5,318,282)
	-----
Net Loss on Investments .....	(5,778,357)
	-----
Decrease in Net Assets From Operations .....	\$ (3,993)
	=====

See Notes to Financial Statements.

19

Municipal High Income Fund Inc.  
Statement of Changes in Net Assets  
[CLIP ART] For the Six Months Ended April 30, 2002 (unaudited)  
and the Year Ended October 31, 2001

	2002	2001
	----	----
Operations:		
Net investment income .....	\$ 5,774,364	\$ 12,153,225
Net realized loss .....	(460,075)	(733,106)
Increase in net unrealized depreciation .....	(5,318,282)	(3,386,185)
	-----	-----
Increase (Decrease) in Net Assets		
From Operations .....	(3,993)	8,033,934
	-----	-----
DISTRIBUTIONS TO SHAREHOLDERS		
FROM (NOTE 2):		
Net investment income .....	(6,041,700)	(11,958,713)
	-----	-----
Decrease in Net Assets From		
Distributions to Shareholders .....	(6,041,700)	(11,958,713)
	-----	-----
FUND SHARE TRANSACTIONS (NOTE 6):		
Net asset value of shares issued for		
reinvestment of dividends .....	780,779	2,166,492
	-----	-----
Increase in Net Assets From		
Fund Share Transactions .....	780,779	2,166,492
	-----	-----
Decrease in Net Assets .....	(5,264,914)	(1,758,287)
NET ASSETS:		
Beginning of period .....	179,567,548	181,325,835
	-----	-----
End of period* .....	\$ 174,302,634	\$ 179,567,548
	=====	=====

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

\* Includes undistributed net investment income of \$ 145,729 \$ 298,182  
=====

See Notes to Financial Statements.

20

Municipal High Income Fund Inc.  
[CLIP ART] Notes to Financial Statements (unaudited)  
=====

1. Significant Accounting Policies

Municipal High Income Fund Inc. ("Fund"), a Maryland corporation, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company.

The significant accounting policies consistently followed by the Fund are: (a) security transactions are accounted for on trade date; (b) securities are valued at the mean between the bid and asked prices provided by an independent pricing service. Securities with no readily obtainable market quotations are valued at fair value as determined by an independent pricing service under the supervision of the Fund's Board of Directors; (c) securities maturing within 60 days are valued at cost plus accreted discount, or minus amortized premium, which approximates value; (d) gains or losses on the sale of securities are calculated by using the specific identification method; (e) interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis; (f) dividends and distributions to shareholders are recorded on the ex-dividend date; (g) the Fund intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes; (h) the character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America; and (i) 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.

In November 2000, the American Institute of Certified Public Accountants ("AICPA") issued a revised version of the AICPA Audit and Accounting Guide for Investment Companies ("Guide"). This revised version is effective for financial statements issued for fiscal years beginning after December 15, 2000. The revised Guide requires the Fund to amortize premium and accrete all discounts on all fixed-income securities. The Fund adopted this requirement November 1, 2001. This change does not affect the Fund's net asset value, but does change the classification of certain amounts in the statement of operations. For the six-month period ended April 30, 2002, interest income increased by \$32,990, net realized loss decreased by \$1,235 and the change in net unrealized depreciation of investments increased by \$34,225. In addition, the Fund recorded adjustments to increase the cost of securities and increase accumulated undistributed net investment income by \$114,883 to reflect the cumulative effect of this change up to the date of the adoption.

21

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Municipal High Income Fund Inc.

[CLIP ART] Notes to Financial Statements (unaudited) (continued)

2. Exempt-Interest Dividends and Other Distributions

The Fund intends to satisfy conditions that will enable interest from municipal securities, which is exempt from Federal income tax, to retain such tax-exempt status when distributed to the shareholders of the Fund.

Capital gains distributions, if any, are taxable to shareholders, and are declared and paid at least annually.

3. Investment Advisory Agreement, Administration Agreement and Other Transactions

Smith Barney Fund Management LLC ("SBFM"), a subsidiary of Salomon Smith Barney Holdings Inc. ("SSBH"), which, in turn, is a subsidiary of Citigroup Inc. ("Citigroup"), acts as investment adviser to the Fund. The Fund pays SBFM an advisory fee calculated at an annual rate of 0.40% of the average daily net assets. SBFM also acts as the administrator of the Fund for which it receives a fee calculated at an annual rate of 0.20% of the average daily net assets. These fees are calculated daily and paid monthly.

All officers and one Director of the Fund are employees of Citigroup or its affiliates.

4. Investments

During the six months ended April 30, 2002, the aggregate cost of purchases and proceeds from sales of investments (including maturities, but excluding short-term securities) were as follows:

Purchases .....	\$39,282,512
	=====
Sales .....	\$40,157,246
	=====

At April 30, 2002, the aggregate gross unrealized appreciation and depreciation of investments for Federal income tax purposes were substantially as follows:

Gross unrealized appreciation .....	\$ 4,285,237
Gross unrealized depreciation .....	(18,454,566)
	-----
Net unrealized depreciation .....	\$(14,169,329)
	=====

Municipal High Income Fund Inc.

[CLIP ART] Notes to Financial Statements (unaudited) (continued)

5. Capital Loss Carryforwards

At October 31, 2001, the Fund had, for Federal income tax purposes, approximately \$4,340,000 of capital loss carryforwards available to offset future capital gains. To the extent that these capital loss carryforwards are

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

used to offset capital gains, it is probable that the gains so offset will not be distributed. The amount and expiration of the carryforwards are indicated below. Expiration occurs on October 31 of the year indicated:

	2002	2003	2004	2005	2007	2008	2009
Carryforward amounts ...	\$1,198,000	\$270,000	\$205,000	\$400,000	\$786,000	\$748,000	\$730,000

### 6. Capital Shares

At April 30, 2002, the Fund had 500,000,000 shares of capital stock authorized with a par value of \$0.01 per share.

Capital stock transactions were as follows:

	Six Months Ended April 30, 2002		Year Ended October 31, 2001	
	Shares	Amount	Shares	Amount
Shares issued on reinvestment .....	94,065	\$780,779	235,025	\$2,166,492

23

[CLIP ART]

Municipal High Income Fund Inc.  
Financial Highlights

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

	2002 (1)	2001	2000	1999	1998
Net Asset Value, Beginning of Period .....	\$ 8.67	\$ 8.86	\$ 9.00	\$ 9.77	\$ 9.76
Income (Loss) From Operations:					
Net investment income (2) ..	0.28	0.59	0.60	0.58	0.60
Net realized and unrealized gain (loss) (2) .....	(0.28)	(0.20)	(0.16)	(0.76)	0.03
Total Income (Loss) From Operations .....	--	0.39	0.44	(0.18)	0.63
Less Distributions From:					
Net investment income .....	(0.29)	(0.58)	(0.58)	(0.59)	(0.61)
In excess of net investment income .....	--	--	--	--	(0.01)
Total Distributions .....	(0.29)	(0.58)	(0.58)	(0.59)	(0.62)

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

Net Asset Value,					
End of Period .....	\$ 8.38	\$ 8.67	\$ 8.86	\$ 9.00	\$ 9.77
	=====	=====	=====	=====	=====
Total Return, Based on					
Market Value .....	(2.41)%++	13.85%	9.39%	(15.76)%	9.34%
	=====	=====	=====	=====	=====
Total Return, Based on					
Net Asset Value .....	0.12%++	4.77%	5.97%	(1.79)%	6.75%
	=====	=====	=====	=====	=====
Net Assets,					
End of Period (000s) .....	\$174,303	\$179,568	\$181,326	\$184,085	\$197,944
	=====	=====	=====	=====	=====
Ratios to Average Net Assets:					
Expenses .....	0.81%+	0.82%	0.71%	0.73%	0.74%
Net investment income(2) ..	6.63+	6.74	6.72	6.08	6.07
Portfolio Turnover Rate .....	23%	15%	27%	27%	57%
Market Value,					
End of Period .....	\$ 8.120	\$ 8.640	\$ 8.125	\$ 8.000	\$ 10.125

- (1) For the six months ended April 30, 2002 (unaudited).
- (2) Without the adoption of the change in the accounting method discussed in Note 1, for the six months ended April 30, 2002, the ratio of net investment income to average net assets would have been 6.59%. Per share, ratios and supplemental data for the periods prior to November 1, 2001 have not been restated to reflect this change in presentation. In addition, the impact of this change to net investment income and net realized and unrealized loss per share was less than \$0.01.
- ++ Total return is not annualized, as it may not be representative of the total return for the year.
- + Annualized.

Municipal High Income Fund Inc.

[CLIP ART] Financial Data Per Share of Common Stock (unaudited)

Record Date	Payable Date	NYSE Closing Price*	Net Asset Value*	Dividend Paid	Dividend Reinvestment Price
-----	-----	-----	-----	-----	-----
11/22/99	11/26/99	\$ 7.938	\$9.03	\$0.0485	\$7.74
12/27/99	12/30/99	7.313	8.86	0.0485	7.38
1/25/00	1/28/00	7.750	8.70	0.0485	7.84
2/22/00	2/25/00	7.813	8.65	0.0485	7.66
3/28/00	3/31/00	7.438	8.80	0.0485	7.58
4/25/00	4/28/00	7.625	8.76	0.0485	7.62
5/23/00	5/26/00	7.750	8.60	0.0485	7.75
6/27/00	6/30/00	7.563	8.74	0.0485	7.85
7/25/00	7/28/00	8.094	8.78	0.0485	8.28
8/22/00	8/25/00	8.4375	8.84	0.0485	8.51
9/26/00	9/29/00	8.1875	8.83	0.0485	8.36
10/24/00	10/27/00	8.1250	8.86	0.0485	8.10
11/20/00	11/24/00	8.060	8.25	0.0485	7.96
12/26/00	12/29/00	8.0625	8.81	0.0485	8.49

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

1/23/01	1/26/01	8.8125	8.79	0.0485	8.61
2/20/01	2/23/01	8.740	8.77	0.0485	8.60
3/27/01	3/30/01	8.380	8.77	0.0485	8.57
4/24/01	4/27/01	8.680	8.67	0.0485	8.50
5/22/01	5/25/01	8.620	8.69	0.0485	8.52
6/26/01	6/29/01	8.630	8.71	0.0485	8.54
7/24/01	7/27/01	8.570	8.75	0.0485	8.57
8/28/01	8/31/01	8.890	8.83	0.0485	8.65
9/25/01	9/28/01	8.300	8.71	0.0485	8.54
10/23/01	10/26/01	8.630	8.70	0.0485	8.53
11/27/01	11/30/01	8.500	8.59	0.0485	8.42
12/24/01	12/28/01	7.890	8.42	0.0485	8.16
1/22/02	1/25/02	8.300	8.45	0.0485	8.28
2/19/02	2/22/02	8.350	8.40	0.0485	8.23
3/19/02	3/22/02	8.160	8.34	0.0485	8.11
4/23/02	4/26/02	8.070	8.36	0.0485	8.18

-----  
 \* As of record date.

25

Municipal High Income Fund Inc.  
 Dividend Reinvestment Plan (unaudited)

[CLIP ART]

=====

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 common stock. 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 interest 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 the shareholders at least once a year.

Under the Fund's Dividend Reinvestment Plan ("Plan"), a shareholder whose common stock is registered in his or her own name will have all distributions reinvested automatically by PFPC Global Fund Services ("PFPC"), 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 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 common stock 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 PFPC, as dividend-paying agent.

The number of shares of common stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. Whenever the market price of the common stock 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 shares of common stock 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.



Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

If 98% of the NAV per share of the common stock at the time of valuation (which is the close of business on the determination date) exceeds the market price of common stock, or if the Fund declares a dividend or capital gains distribution payable only in cash, PFPC will buy common stock in the open market, on the NYSE or elsewhere, for the participants' accounts. If, following the commencement of the purchases and before PFPC has completed its purchases, the market price exceeds 98% of what the NAV per share of the common stock was at the valuation time, PFPC 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 common stock received by a Plan participant will be based on the

Municipal High Income Fund Inc.  
[CLIP ART] Dividend Reinvestment Plan (unaudited) (continued)  
=====

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 PFPC is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share price paid by PFPC may exceed 98% of the NAV per share of the common stock. PFPC will begin to purchase common stock 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.

PFPC 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. Common stock in the account of each Plan participant will be held by PFPC in an 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. PFPC'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 shares of common stock 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 PFPC or the Fund on at least 30 days' written notice to Plan participants. All correspondence concerning the Plan should be directed by mail to PFPC Global Fund Services, P.O. Box 8030, Boston, Massachusetts 02266-8030 or by telephone at 1-800-331-1710.

-----  
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

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form N-30D

market prices shares of its common stock in the open market. As of April 30, 2002, the Fund has not repurchased any shares.

27

Municipal High Income Fund Inc.  
Management of the Fund

[CLIP ART]

=====  
Directors

Allan J. Bloostein  
Dwight B. Crane  
Paolo M. Cucchi  
Robert A. Frankel  
Paul Hardin  
William R. Hutchinson  
Heath B. McLendon, Chairman  
George M. Pavia

Charles F. Barber, Emeritus

Officers

Heath B. McLendon  
President and  
Chief Executive Officer

Lewis E. Daidone  
Senior Vice President  
and Treasurer

Peter M. Coffey  
Vice President and  
Investment Officer

Michael J. Maher  
Investment Officer

Christina T. Sydor  
Secretary

Investment Adviser and Administrator

Smith Barney Fund Management LLC  
333 West 34th Street  
New York, New York 10001

Transfer Agent

PFPC Global Fund Services  
P.O. Box 8030  
Boston, Massachusetts 02266-8030

Custodian

State Street Bank and Trust Co.  
225 Franklin Street  
Boston, Massachusetts 02110

[GRAPHIC OMITTED]

[CLIP ART]

This report is intended only for shareholders of Municipal High Income Fund Inc. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

Municipal High Income Fund Inc.  
125 Broad Street  
10th Floor, MF-2  
New York, NY10004

FD1139 6/02