

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30B-2

Periodic and interim reports mailed to investment company shareholders (other than annual and semi-annual reports mailed to shareholders pursuant to Rule 30e-1)

Filing Date: **1994-12-27** | Period of Report: **1994-10-31**  
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### FILER

#### **MUNICIPAL HIGH INCOME FUND INC**

CIK: **830487** | State of Incorporation: **MD** | Fiscal Year End: **1031**  
Type: **N-30B-2** | Act: **40** | File No.: **811-05497** | Film No.: **94566291**

Mailing Address	Business Address
<i>TWO WORLD TRADE CENTER NEW YORK NY 10048</i>	<i>2 WORLD TRADE CENTER NEW YORK NY 10048 6175731240</i>

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MUNICIPAL  
HIGH INCOME  
FUND INC.

ANNUAL  
REPORT

Small circle centered on top front cover with fund name in it. Entire front cover is an American Flag with two stars at top right and left corner.

OCTOBER  
31, 1994

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MUNICIPAL HIGH INCOME FUND INC.

Dear Shareholder:

We are pleased to provide the Annual Report for Municipal High Income Fund Inc. for the fiscal year ended October 31, 1994. Over the past twelve months, the Fund paid dividends totaling \$0.648 per share, equivalent to an annualized distribution rate of 7.22% based on the October 31, 1994 net asset value of \$8.98 per share and 7.85% based on the New York Stock Exchange, Inc. closing price on that date of \$8.25 per share.

PORTFOLIO UPDATE

1994 has produced a difficult investment climate for the fixed income investor as fear of an economic expansion and, by implication, the threat of inflation have gripped both the global and domestic bond markets. In an effort to combat inflation, the Federal Reserve has raised interest rates six times this year, and additional increases may be possible before year end. This has led to a bond market characterized by pessimism and selling pressures and, consequently, lower prices for most fixed-income securities. From our perspective, however, trends currently aligning themselves in the bond markets should provide positive developments for the debt markets in general, and tax-exempt securities in particular.

When the markets become convinced that the Federal Reserve will do what is necessary to slow economic growth, volatility should lessen and bond prices should stabilize. This outcome becomes more likely as the Federal Reserve raises short-term rates. Furthermore, as the Federal Reserve increases interest rates, the U.S. dollar should strengthen, which will heighten the appeal of U.S. debt instruments to foreign investors and thereby provide additional support to U.S. markets. Now that the fall election cycle is complete, the markets will benefit from a clearer knowledge of the political makeup and fiscal direction of our government.

The tax-exempt market should continue to benefit from higher Federal tax rates and a lack of new debt issuance, both of which heighten the value and appeal of quality tax-exempt income. Moreover, municipals are at increasingly attractive valuation levels as a percentage of Treasuries and should outperform them on a relative basis going forward. The fact that our Fund is composed of older, high-coupon bonds of good credit quality and is not leveraged means that we are well positioned to meet our investment objective of high tax-exempt current income at below average volatility and risk.

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The Fund continues to earn a 4-star rating for both its short-term and long-term performance from Morningstar Inc., a nationally-recognized mutual fund review service. We are pleased with this recognition and will continue to endeavor to maintain our standings. We appreciate your continued confidence and support during this difficult investment environment.

Sincerely,

<TABLE>

<S>  
 Heath B. McLendon  
 CHAIRMAN OF THE BOARD

<C>  
 Lawrence T. McDermott  
 VICE PRESIDENT AND INVESTMENT OFFICER

November 30, 1994  
 </TABLE>

2

[LOGO]  
 UNAUDITED FINANCIAL DATA  
 PER SHARE OF COMMON STOCK

<TABLE>  
 <CAPTION>

RECORD DATE	PAY DATE	NYSE CLOSING PRICE*	NET ASSET VALUE*	DIVIDEND PAID	CAPITAL GAINS DIVIDEND PAID	DIVIDEND REINVESTMENT PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
11/22/93	11/30/93	\$9.375	\$9.60	\$.0540	--	\$9.55
12/23/93	12/31/93	9.375	9.65	.0540	\$.0210	9.47
1/24/94	1/31/94	9.625	9.66	.0540	--	9.47
2/18/94	2/28/94	9.500	9.60	.0540	--	9.41
3/24/94	3/31/94	9.125	9.42	.0540	--	8.96
4/22/94	4/30/94	8.875	9.21	.0540	--	9.01
5/23/94	5/31/94	9.000	9.18	.0540	--	9.00
6/23/94	6/30/94	9.000	9.23	.0540	--	8.98
7/22/94	7/31/94	9.125	9.20	.0540	--	9.02
8/24/94	8/31/94	8.750	9.22	.0540	--	8.87
9/23/94	9/30/94	8.500	9.13	.0540	--	8.66
10/24/94	10/31/94	8.375	9.03	.0540	--	8.17

</TABLE>

DIVIDEND DATA\*\*

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PER SHARE DIVIDEND DISTRIBUTIONS	ANNUALIZED DISTRIBUTION RATE	EQUIVALENT TAXABLE DISTRIBUTION RATE			
		ASSUMING 28% FEDERAL TAX BRACKET	ASSUMING 31% FEDERAL TAX BRACKET	ASSUMING 36% FEDERAL TAX BRACKET	ASSUMING 39.6% FEDERAL TAX BRACKET
<S>	<C>	<C>	<C>	<C>	<C>
\$0.648	7.22%	10.03%	10.46%	11.28%	11.95%

</TABLE>

\* As of Record Date.

\*\* Based on October 31, 1994 net asset value of \$8.98 per share. Does not include capital gains dividends of \$.021 per share.

Generally, each registered shareholder is considered a participant in the Fund's Dividend Reinvestment Plan, unless the shareholder elects to receive all dividends and distributions in cash, or unless the shareholder's shares are registered in the name of a broker, bank or nominee (other than Smith Barney Inc.) which does not provide the service. Questions and correspondence concerning the Dividend Reinvestment Plan should be directed to The Shareholder Services Group, Inc. ("TSSG"), P.O. Box 1376, Boston, Massachusetts 02104. If interested in joining or for more information concerning the Dividend Reinvestment Plan, please call TSSG at 1-800-331-1710.

3

MUNICIPAL HIGH INCOME FUND INC.  
 Portfolio of Investments

October 31, 1994

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KEY TO INSURANCE ABBREVIATIONS

MBIA -- MUNICIPAL BOND INVESTORS ASSURANCE

<TABLE>  
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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES--97.7%				
	ALABAMA--0.5%			
\$ 740,000	Alabama Housing Finance Authority, Single Family Mortgage Revenue, 10.500% due 12/01/02.....	A1	AA-	\$ 778,850
	ARIZONA--2.1%			
3,300,000	Gila County, Arizona, Industrial Development Authority, Pollution Control Revenue, (ASARCO), Series 1985, 8.900% due 07/01/06.....	Baa2	BBB	3,610,500
	ARKANSAS--1.7%			
2,750,000	Pope County, Arkansas, Pollution Control Revenue, (Arkansas Power & Light Company Project), 11.000% due 12/01/15.....	Baa2	BBB	2,956,250
	CALIFORNIA--1.2%			
2,000,000	Los Angeles County, California, Regional Airport Authority, (Continental Airlines, Inc.), 9.000% due 08/01/17.....	NR	NR	2,152,500
	COLORADO--1.6%			
1,250,000	Colorado Health Facilities, Authority Revenue Project, (Beth Israel at Shalom Park Project), 8.000% due 12/15/22.....	NR	NR	1,268,750
1,600,000	Denver, Colorado, City & County Airport Revenue, Series A, 8.000% due 11/15/25.....	Baa	BB	1,558,000
	CONNECTICUT--0.8%			
1,500,000	Connecticut State, Development Authority, Health Care Revenue, Series B, 8.000% due 07/01/17.....	NR	NR	1,464,375

</TABLE>

See Notes to Financial Statements.

4

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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<TABLE>  
<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
	FLORIDA--6.7%			
\$1,500,000	Broward County, Florida, Educational Facilities, (NOVA Project), 8.500% due 04/01/10.....	NR	BBB	\$ 1,702,500
1,000,000	Hillsborough County, Florida, Industrial Development Revenue, (Seaboard Tampa Terminals Venture Project), 8.600% due 01/15/22.....	B2	B-	900,000
1,000,000	Homestead, Florida, Industrial Development Revenue, Project A, 7.950% due 11/01/18.....	NR	NR	916,250

2,090,000	Jacksonville, Florida, Health Facilities Authority, Health Facilities Revenue, 9.125% due 10/15/19.....	NR	NR	2,121,350
1,000,000	Lady Lake, Florida, Industrial Development Project Revenue, (Sunbelt Utilities Inc. Project), 9.500% due 07/01/10.....	NR	NR	1,206,250
1,500,000	Ocean Highway & Port Authority, Florida, Pollution Control Revenue, Solid Waste, 9.375% due 11/01/04.....	NR	B+	1,494,375
	Palm Beach County, Florida, Health Facilities Authority, Insured Hospital Revenue, (JFK Medical Center):			
1,155,000	8.875% due 12/01/18.....	NR	BBB	1,251,731
1,320,000	8.875% due 12/01/18 (prerefunded).....	NR	NR	1,513,050
650,000	Tampa, Florida, (Aquarium Inc. Revenue Project), 7.750% due 05/01/27.....	NR	NR	682,500
	GEORGIA--0.6%			
1,000,000	Walton County, Georgia, Industrial Development Authority, (Walton Project), 8.500% due 09/01/07.....	NR	NR	1,008,750
	ILLINOIS--6.9%			
2,987,000	Chicago, Illinois, O'Hare International Airport, Special Facilities Revenue Bonds, Series B, 8.950% due 05/01/18.....	Baa2	BB	3,229,694
1,700,000	Chicago, Illinois, Skyway Toll Bridge, 6.750% due 01/01/17.....	Baa	BBB-	1,589,500

</TABLE>

See Notes to Financial Statements.

5

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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<TABLE>  
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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
MUNICIPAL BONDS AND NOTES (CONTINUED)				
<C>	<S>	<C>	<C>	<C>
	ILLINOIS (CONTINUED)			
\$2,000,000	East Chicago, Illinois, Industrial Pollution Control Revenue, (Inland Steel Company), Project 10, 6.800% due 06/01/13.....	Ba3	BB-	\$ 1,890,000
1,960,000	Hanover Park, Illinois, First Mortgage, (Windsor Project), 9.250% due 12/01/07.....	NR	NR	1,996,750
1,750,000	Hennepin, Illinois, Industrial Development Revenue, 10.250% due 01/01/05 (in default).....	NR	NR	157,500
1,500,000	Illinois Housing Development Authority, Series 5, 6.650% due 09/01/14.....	A1	A+	1,498,125
795,000	Loves Park, Illinois, First Mortgage Revenue, (Hoosier Care Project), Series A, 9.750% due 08/01/19.....	NR	NR	807,919
1,000,000	Sterling, Illinois, First Mortgage Revenue (Hoosier Care Project), Series A, 9.750% due 08/01/19.....	NR	NR	1,043,750
	INDIANA--0.8%			
1,500,000	Sullivan, Indiana, Pollution Control Revenue Refunding, (Indiana Michigan Power Company), 5.950% due 05/01/09.....	Baa2	BBB	1,340,625
	IOWA--0.7%			
1,240,000	Marion, Iowa, Multi-family Housing Revenue, 9.500% due 07/01/18.....	NR	NR	1,243,100

1,410,000	KENTUCKY--2.7% Jefferson County, Kentucky, Health Facilities Authority, 10.125% due 05/01/08.....	A1	NR	1,566,862
1,000,000	Kenton County, Kentucky, Airport Board: (Delta Airlines), 6.750% due 02/01/02.....	Bal	BB	957,500
1,500,000	(Greater Cincinnati Airport Revenue), Project A, 7.500% due 02/01/20.....	Bal	BB	1,406,250
1,000,000	Pendleton County, Kentucky, Multi-Lease Revenue, Series A, 6.500% due 03/01/19.....	NR	A	917,500

</TABLE>

See Notes to Financial Statements.

6

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
MUNICIPAL BONDS AND NOTES (CONTINUED)				
<C>	<S>	<C>	<C>	<C>
	LOUISIANA--4.1%			
\$1,200,000	Lake Charles, Louisiana, (Harbor & Terminal Project), 7.750% due 08/15/22.....	Baa3	NR	\$ 1,245,000
	Port New Orleans, Louisiana, Industrial Development Revenue:			
2,000,000	8.250% due 06/01/04.....	NR	NR	2,000,000
3,000,000	8.500% due 06/01/14.....	NR	NR	2,992,500
1,000,000	(Continental Grain Company Project), 7.500% due 07/01/13.....	NR	BB-	952,500
	MAINE--1.7%			
	Maine State Housing Authority: Mortgage Purchases,			
500,000	Series C-2, 7.000% due 11/15/32.....	A1	AA-	470,625
2,500,000	Series D-1, 8.300% due 11/15/28.....	A1	AA-	2,540,625
	MARYLAND--2.0%			
3,000,000	Maryland State Health & Higher Education Facilities Authority, (Doctors Community Hospital Project), 8.750% due 07/01/22 (prerefunded 07/01/00)..	Aaa	NR	3,506,250
	MASSACHUSETTS--5.9%			
1,980,000	Commonwealth of Massachusetts Health & Educational Facilities Authority Revenue, (North Adams State College), 9.625% due 07/01/18.....	NR	NR	2,009,700
	Commonwealth of Massachusetts Industrial Finance Agency:			
1,700,000	Series A, (S.E. Mass Project), 9.000% due 07/01/15.....	NR	NR	1,859,375
5,940,000	Series B, (S.E. Mass Project), 9.250% due 07/01/15.....	NR	NR	6,526,575
	MICHIGAN--2.4%			
1,855,000	Greater Detroit, Michigan, Recreation Authority, Series C, 9.250% due 12/13/08.....	NR	BBB-	1,954,706

</TABLE>

See Notes to Financial Statements.

7

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
MUNICIPAL BONDS AND NOTES (CONTINUED)				
<C>	<S>	<C>	<C>	<C>
	MICHIGAN (CONTINUED)			
\$ 755,000	Greater Detroit, Michigan, Resource Recovery Authority Revenue, Series B, 9.250% due 12/13/08.....	NR	BBB-	\$ 795,581
1,500,000	Western Townships, Michigan, Utility Revenue, Sewage System, 8.300% due 01/01/19.....	NR	BBB+	1,550,625
	MINNESOTA--1.1%			
2,000,000	Minnesota Housing Finance Authority, Single Family Mortgage, Series H, 6.700% due 01/01/18.....	Aa	AA+	1,932,500
	MISSISSIPPI--3.5%			
3,300,000	Claiborne County, Mississippi, Pollution Control Revenue, Series C, 9.875% due 12/01/14.....	NR	NR	3,766,125
2,000,000	Mississippi Hospital Equipment & Facilities Authority, (Methodist Hospital), 9.375% due 05/01/12.....	NR	NR	2,307,500
	NEW HAMPSHIRE--2.2%			
	New Hampshire State Industrial Development Authority, (United Illuminating Company): Series A, 9.375% due 07/01/12.....	Baa3	BBB-	1,083,750
2,500,000	Series B, 10.750% due 10/01/12.....	Bal	BBB-	2,850,000
	NEW JERSEY--3.2%			
1,300,000	New Jersey Educational Facilities, Series C, 6.625% due 07/01/23.....	NR	NR	1,165,125
	New Jersey Health Care Facilities, Finance Authority Revenue: 7.250% due 07/01/27.....	NR	NR	907,500
1,730,000	7.600% due 07/01/21.....	Ba	NR	1,684,588
1,500,000	(Zurbrugg Memorial Hospital), Series C, 8.500% due 07/01/12.....	Baa	BBB-	1,560,000

</TABLE>

See Notes to Financial Statements.

8

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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<TABLE>  
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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
MUNICIPAL BONDS AND NOTES (CONTINUED)				
<C>	<S>	<C>	<C>	<C>
	NEW JERSEY (CONTINUED)			
\$ 310,000	New Jersey Housing and Mortgage Finance Agency, Home Buyer Revenue, Series E, (MBIA Insured),			

	7.650% due 10/01/16.....	Aaa	AAA	\$	324,725
	NEW MEXICO--1.0%				
1,705,000	New Mexico Mortgage Finance Authority, Single Family Mortgage Program, Series B, 8.300% due 03/01/20.....	NR	AA		1,781,725
	NEW YORK--5.4%				
1,680,000	Babylon, New York, Industrial Development Agency, (Recycling Project), Series A, 8.875% due 03/01/11 (in default).....	NR	NR		672,000
2,055,000	New York City Industrial Development Agency, Civic Facility Revenues, (International Center for Integrated Studies -- Door Project), 9.000% due 03/01/09 (in default).....	NR	NR		411,000
1,400,000	New York City, New York, Battery Park Authority Revenue, 5.800% due 11/01/22.....	A	A		1,184,750
	New York City, New York, Certificates of Participation:				
875,000	Series C, 7.750% due 09/01/05.....	Baa1	A-		910,000
2,000,000	Series E, 6.000% due 05/15/15.....	Baa1	A-		1,737,500
1,000,000	Series H, 7.000% due 02/01/21.....	Baa1	A-		980,000
2,000,000	Sub-Series H-1, 6.125% due 08/01/10.....	Baa1	A-		1,810,000
1,950,000	New York State, Energy, Research & Development Authority, Electric Facility Revenue, 7.150% due 12/01/20.....	Bal	BB+		1,833,000
	NORTH CAROLINA--2.3%				
1,750,000	Martin County, North Carolina, Industrial Facilities Pollution Control, 6.800% due 05/01/24.....	A2	A		1,662,500

</TABLE>

See Notes to Financial Statements.

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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<TABLE>  
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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
	MUNICIPAL BONDS AND NOTES (CONTINUED)			
<C>	<S>	<C>	<C>	<C>
	NORTH CAROLINA (CONTINUED)			
\$2,300,000	North Carolina, Eastern Municipal Power Agency, Power Systems Revenue, 7.000% due 01/01/08.....	A	A-	\$ 2,383,375
	OHIO--2.8%			
1,000,000	Cleveland, Ohio, Airport Special Revenue, (Continental Airlines Inc.), 9.000% due 12/01/19.....	NR	NR	1,026,250
1,000,000	Cuyahoga County, Ohio, Health Care Facilities, Judson Retirement Community, 8.875% due 11/15/19.....	NR	NR	1,070,000
1,500,000	Montgomery County, Ohio, Health Systems Revenue, Series B, 8.100% due 07/01/18.....	Baa	BBB-	1,580,625
115,000	Ohio Housing Finance Agency, Single Family Mortgage Revenue, 11.375% due 08/01/14.....	Aa	A	118,881
1,000,000	Ohio Water Development Authority, Pollution Control Revenue, Series A, 8.100% due 10/01/13.....	Baa3	BB+	1,046,250
100,000	Toledo Lucas County, Ohio, Industrial Development Revenue Authority,			



	3.400% due 03/01/04.....	NR	NR	100,000
PENNSYLVANIA--13.3%				
2,200,000	Allegheny County, Pennsylvania, Industrial Development Authority, Special Facilities Revenue, Series B, (U.S. Air Project), 8.500% due 03/01/21.....	B3	B-	1,991,000
1,500,000	Delaware County Pennsylvania, Industrial Development Authority, First Mortgage, (White Horse), 9.700% due 07/01/09.....	NR	NR	1,513,125
3,000,000	Lebanon County, Pennsylvania, (Samaritan Hospital), Series B, 8.250% due 11/01/18.....	NR	BBB+	3,412,500
2,500,000	Luzerne County, Pennsylvania, Industrial Development Authority, 7.125% due 12/01/22.....	Baa3	BBB-	2,384,375

See Notes to Financial Statements.  
10

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
MUNICIPAL BONDS AND NOTES (CONTINUED)				
<C>	<S>	<C>	<C>	<C>
PENNSYLVANIA (CONTINUED)				
\$2,000,000	Montgomery County, Pennsylvania, Higher Education & Health Authority, 8.375% due 11/01/11.....	Ba1	NR	\$ 2,062,500
4,440,000	Montgomery County, Pennsylvania, Industrial Development Authority, Pollution Control Revenue, (Philadelphia Electric Company), Series A, 10.500% due 05/15/15.....	Baa1	BBB	4,711,950
625,000	Northumberland County, Pennsylvania, Industrial Development Authority Revenue, 6.875% due 02/01/03.....	NR	NR	600,781
1,500,000	Pennsylvania Housing Finance Authority, Single Family Mortgage, Series C, 6.900% due 04/01/25.....	Aa	AA	1,438,125
2,000,000	Philadelphia, Pennsylvania, Gas Revenue, Series B, 6.400% due 11/15/16.....	Ba	BB	1,790,000
1,000,000	Schuylkill County, Pennsylvania, Industrial Development Revenue, 6.500% due 01/01/10.....	NR	NR	908,750
1,500,000	Scranton-Lackawanna, Pennsylvania, Health & Welfare Authority, (Mercy Health Systems), Series B, 8.500% due 07/01/20.....	NR	BB+	1,569,375
1,250,000	Sharon, Pennsylvania, Regional Health Systems, (Project B), 6.875% due 12/01/22.....	NR	BBB+	1,157,812
SOUTH CAROLINA--0.5%				
940,000	McCormick County, South Carolina, Certificates of Participation, 9.750% due 07/01/09.....	NR	NR	957,625
SOUTH DAKOTA--2.3%				
Oglala Sioux Tribe, South Dakota, Pine Ridge County, Revenue Bonds:				
315,000	7.000% due 07/01/99.....	NR	NR	310,669
1,865,000	7.500% due 07/01/13.....	NR	NR	1,802,057
1,890,000	10.000% due 07/01/13.....	Aaa	NR	2,017,462

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
MUNICIPAL BONDS AND NOTES (CONTINUED)				
<C>	<S>	<C>	<C>	<C>
	TEXAS--12.6%			
\$ 600,000	Angelina County, Texas, Jail Facilities Financing Corporation, (Criminal Detention Center), Mortgage Revenue Bonds, 9.750% due 08/01/09 (in default).....	NR	NR	\$ 6,000
1,000,000	Bell County, Texas, Health Facilities Development Corporation, (Living Tech, Inc. Project), Series A, 10.500% due 06/15/18.....	NR	NR	920,000
	Brazos River, Texas, Pollution Control Revenue, (Collateral-Tax, Project A):			
1,000,000	9.875% due 10/01/17.....	Baa2	BBB	1,111,250
2,000,000	8.250% due 01/01/19.....	Baa2	BBB	2,170,000
1,500,000	Dallas-Fort Worth, Texas, International Airport Facilities, 7.500% due 11/01/25.....	Baa2	BB+	1,417,500
1,495,000	El Paso, Texas, Housing Finance Corporation, Single Family Mortgage Revenue, Series A, 8.750% due 10/01/11.....	A	NR	1,614,600
2,000,000	El Paso, Texas, International Airport Revenue Bonds, 7.750% due 03/01/12.....	B2	B	1,972,500
1,215,612	Harris County, Texas, Industrial Development Corporation, 7.950% due 07/01/19.....	NR	NR	1,132,040
840,000	La Salle County, Texas, Jail Facilities Financing Corporation, (Criminal Detention Center), Revenue Mortgage Bonds, 9.750% due 08/01/09 (in default).....	NR	NR	8,400
1,400,000	Matagorda County, Texas, Navigation District No. 1, Pollution Control Revenue, (Houston Lighting & Power Company Project), Series A, 7.875% due 02/01/19.....	A3	A	1,480,500
1,400,000	North Central, Texas, Health Facilities Development Project, (Hospital-Baylor Health Care Systems, Project A), 8.980% due 05/15/08.....	Aa	AA	1,379,000

</TABLE>

See Notes to Financial Statements.

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

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<TABLE>  
<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	

MUNICIPAL BONDS AND NOTES (CONTINUED)

<C>	<S>	<C>	<C>	<C>
	TEXAS (CONTINUED)			
	Northgate Crossing, Texas, Municipal Utilities District:			
\$1,000,000	Series 1, 8.875% due 12/01/13.....	NR	NR	\$ 988,750
1,000,000	Series 2, 8.875% due 12/01/13.....	NR	NR	988,750
570,000	Pecos County, Texas, Jail Facilities Financing Corporation, (Criminal Detention Center), Mortgage Revenue Bonds, 9.750% due 08/01/09 (in default).....	NR	NR	5,700
	Port Corpus Christi, Texas, Industrial Development Corporation Revenue, (Valero Refinancing and Marketing Company):			
2,500,000	Series A, 10.250% due 06/01/17.....	Baa3	BBB-	2,765,625
2,000,000	Series B, 10.625% due 06/01/08.....	Baa3	BBB-	2,230,000
2,000,000	San Saba County, Texas, Certificates of Obligation, 8.625% due 02/15/19.....	NR	NR	2,065,000
	UTAH--1.1%			
1,780,000	Hurricane, Utah, Health Services Project, 10.500% due 07/01/20.....	NR	NR	1,871,225
	VERMONT--1.4%			
2,365,000	Vermont Housing Finance Agency, Home Mortgage, Series B, 8.100% due 06/01/22.....	A1	NR	2,421,170
	VIRGINIA--1.2%			
2,100,000	Hopwell, Virginia, Industrial Development Resource Authority, 8.250% due 06/01/16.....	NR	NR	2,152,500
	WEST VIRGINIA--1.3%			
2,500,000	Marion County, West Virginia, County Commission, 7.750% due 12/01/11.....	NR	NR	2,275,000

</TABLE>

See Notes to Financial Statements.

13

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)

October 31, 1994

[LOGO]

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<TABLE>  
<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
	MUNICIPAL BONDS AND NOTES (CONTINUED)			
<C>	<S>	<C>	<C>	<C>
\$ 200,000	PUERTO RICO--0.1% Commonwealth of Puerto Rico, General Obligation Bonds, 8.000% due 07/01/08.....	Baa1	A	\$ 219,250

</TABLE>

<TABLE>			
<S>		<C>	<C>
TOTAL INVESTMENTS (Cost \$177,055,935*).....		97.7%	172,347,653
OTHER ASSETS AND LIABILITIES (Net).....		2.3	4,031,302
NET ASSETS.....		100.0%	\$176,378,955

<FN>

\* Aggregate cost for Federal tax purposes.

</TABLE>

<TABLE>  
<CAPTION>

SUMMARY OF MUNICIPAL BONDS  
BY COMBINED RATINGS  
OCTOBER 31, 1994 (UNAUDITED)

MOODY'S	OR	STANDARD & POOR'S	PERCENT OF VALUE
<S>	<C>	<C>	<C>
Aaa		AAA	3.4%
Aa		AA	6.1
A		A	11.8
Baa		BBB	30.3
Ba		BB	8.2
B		B	3.7
NR		NR	36.5
			--
			100%
			--
			--

</TABLE>

See Notes to Financial Statements.

14

MUNICIPAL HIGH INCOME FUND INC.  
Statement of Assets and Liabilities

October 31, 1994

[LOGO]

<TABLE>

<S>	<C>	<C>
ASSETS:		
Investments, at value (Cost \$177,055,935) (Note 1) See accompanying schedule.....		\$172,347,653
Interest receivable.....		5,040,959
Total Assets.....		177,388,612
LIABILITIES:		
Dividends payable.....	\$403,704	
Due to custodian.....	376,513	
Investment advisory fee payable (Note 2).....	60,493	
Administration fee payable (Note 2).....	30,247	
Transfer agent fees payable (Note 2).....	10,083	
Custodian fees payable (Note 2).....	7,200	
Accrued Directors' fees and expenses (Note 2).....	6,017	
Accrued expenses and other payables.....	115,400	
Total Liabilities.....		1,009,657
NET ASSETS.....		\$176,378,955
NET ASSETS consist of:		
Undistributed net investment income.....		\$ 280,503
Accumulated net realized loss on investments sold.....		(2,666,650)
Unrealized depreciation of investments.....		(4,708,282)
Par value.....		196,427
Paid-in capital in excess of par value.....		183,276,957
Total Net Assets.....		\$176,378,955
NET ASSET VALUE, per share (\$176,378,955 DIVIDED BY 19,642,695 shares of common stock outstanding).....		\$8.98

</TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Statement of Operations

For the Year Ended October 31, 1994

[LOGO]

- - - - -

&lt;TABLE&gt;

<S>	<C>	<C>
INVESTMENT INCOME:		
Interest.....		\$ 14,308,419
EXPENSES:		
Investment advisory fee (Note 2).....	\$731,864	
Administration fee (Note 2).....	365,932	
Legal and audit fees.....	129,594	
Shareholders reports expense.....	100,390	
Transfer agent fees (Note 2).....	74,177	
Custodian fees (Note 2).....	45,845	
Directors' fees and expenses (Note 2).....	32,113	
Amortization of organization costs (Note 5)....	10,425	
Other.....	41,044	
	-----	
Total Expenses.....		1,531,384
		-----
NET INVESTMENT INCOME.....		12,777,035
		-----
REALIZED AND UNREALIZED LOSS ON INVESTMENTS (NOTES 1 AND 3):		
Net realized loss on investments sold during the year.....		(2,666,650)
Net unrealized depreciation of investments during the year.....		(11,469,648)
		-----
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS.....		(14,136,298)
		-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS.....		\$ (1,359,263)
		-----
		-----

&lt;/TABLE&gt;

See Notes to Financial Statements.

MUNICIPAL HIGH INCOME FUND INC.  
Statement of Changes in Net Assets

[LOGO]

- - - - -

&lt;TABLE&gt;

&lt;CAPTION&gt;

	YEAR ENDED 10/31/94	YEAR ENDED 10/31/93
<S>	<C>	<C>
Net investment income.....	\$ 12,777,035	\$ 12,709,523
Net realized gain/(loss) on investments sold during the year.....	(2,666,650)	722,591
Net unrealized appreciation/(depreciation) during the year.....	(11,469,648)	3,697,189
	-----	-----
Net increase/(decrease) in net assets resulting from operations.....	(1,359,263)	17,129,303
Distributions to shareholders from:		
Net investment income.....	(12,673,016)	(12,707,110)
Net realized gain on investments.....	(389,249)	--
Net increase from Fund share transactions (Note 4).....	2,506,452	4,768,088
	-----	-----
Net increase/(decrease) in net assets.....	(11,915,076)	9,190,281
NET ASSETS:		

Beginning of year.....	188,294,031	179,103,750
End of year (including undistributed net investment income of \$280,503 and \$176,484, respectively).....	\$176,378,955	\$188,294,031

</TABLE>

See Notes to Financial Statements.

17

MUNICIPAL HIGH INCOME FUND INC.  
Financial Highlights

For a Fund share outstanding throughout each year.

[LOGO]

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<TABLE>  
<CAPTION>

	YEAR ENDED 10/31/94	YEAR ENDED 10/31/93	YEAR ENDED 10/31/92	YEAR ENDED 10/31/91	YEAR ENDED 10/31/90	PERIOD ENDED 10/31/89*
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING PERFORMANCE:						
Net asset value, beginning of period.....	\$ 9.72	\$ 9.49	\$ 9.42	\$ 9.28	\$ 9.52	\$ 9.35
Net investment income.....	0.65	0.67	0.70	0.74	0.75	0.66
Net realized and unrealized gain/(loss) on investments.....	(0.72)	0.23	0.06	0.15	(0.23)	0.15
Net increase/(decrease) in net assets resulting from operations.....	(0.07)	0.90	0.76	0.89	0.52	0.81
LESS DISTRIBUTIONS:						
Distributions from net investment income.....	(0.65)	(0.67)	(0.69)	(0.75)	(0.76)	(0.64)
Distributions from net realized gains.....	(0.02)	--	--	--	--	--
Total distributions.....	(0.67)	(0.67)	(0.69)	(0.75)	(0.76)	(0.64)
Net asset value, end of year.....	\$ 8.98	\$ 9.72	\$ 9.49	\$ 9.42	\$ 9.28	\$ 9.52
Market value, end of year.....	\$ 8.250	\$ 9.875	\$ 9.125	\$ 9.500	\$ 9.000	\$ 9.500
Total investment return***.....	(11.79)%	17.07%	2.74%	17.88%	(1.45)%	1.72%
Ratios to average net assets/ supplemental data:						
Net assets, end of year (in 000's).....	\$176,379	\$188,294	\$179,104	\$173,290	\$164,531	\$164,221
Ratio of net investment income to average net assets.....	6.98%	6.89%	7.31%	7.90%	8.00%	7.54%**
Ratio of operating expenses to average net assets.....	0.84%	0.87%	0.87%	0.90%	0.87%	0.86%***
Portfolio turnover rate.....	17%	13%	12%	22%	11%	16%

<FN>

\* The Fund commenced operations on November 28, 1988.

\*\* Annualized.

\*\*\* Based on market value per share.

+ Annualized expense ratio before waiver by investment adviser was 0.88%.

</TABLE>

See Notes to Financial Statements.

18

MUNICIPAL HIGH INCOME FUND INC.  
Notes to Financial Statements

-----

1. SIGNIFICANT ACCOUNTING POLICIES

Municipal High Income Fund Inc. (the "Fund") was organized as a corporation under the laws of the State of Maryland on March 4, 1988 and is registered with the Securities and Exchange Commission as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended. The policies described below are followed consistently by the Fund in the preparation of its financial statements in conformity with generally accepted accounting principles.

**PORTFOLIO VALUATION:** Investments are valued by The Boston Company Advisors, Inc. ("Boston Advisors") after consultation with an independent pricing service (the "Service") approved by the Fund's Board of Directors. When, in the judgment of the Service, quoted bid prices for investments are readily available and are representative of the bid side of the market, these investments are valued at the mean between the quoted bid prices and asked prices. Investments for which, in the judgment of the Service, no readily obtainable market quotations are available, are carried at fair value as determined by the Service or by the Fund's Board of Directors. The Service may use electronic data processing techniques and/ or a matrix system to determine valuations. Short-term investments that mature in fewer than 60 days are valued at amortized cost.

**SECURITIES TRANSACTIONS AND INVESTMENT INCOME:** Securities transactions are recorded as of the trade date. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after trade date. Realized gains and losses on investments sold are recorded on the basis of identified cost. Interest income is recorded on the accrual basis.

**DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS:** It is the policy of the Fund to make monthly distributions of substantially all of its net investment income to shareholders. Net realized capital gains, if any, will be distributed to shareholders at least once a year. In addition, in order to avoid the application of a 4% nondeductible excise tax on certain undistributed amounts of ordinary income and capital gains, the Fund may make an additional distribution shortly before December 31 in each year of any undistributed ordinary income or capital gains and expects to make any other distributions as are necessary to avoid the application of this tax. To the extent that net realized capital gains can be offset by capital losses and loss carryforwards, it is the policy of the Fund not to distribute such gains. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to timing differences and differing characterization of distributions made by the Fund as a whole.

-----

**FEDERAL INCOME TAXES:** It is the policy of the Fund to qualify as a regulated investment company, if such qualification is in the best interest of its shareholders, by complying with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and by distributing substantially all of its earnings to its shareholders. Therefore, no Federal income tax provision is required.

2. INVESTMENT ADVISORY FEE, ADMINISTRATION FEE AND OTHER TRANSACTIONS

The Fund has entered into an investment advisory agreement (the "Advisory Agreement") with Greenwich Street Advisors, formerly a division of Mutual Management Corp., which has been transferred effective November 7, 1994, to Smith Barney Mutual Funds Management Inc. ("SBMFM"). Mutual Management Corp. and SBMFM are both wholly owned subsidiaries of Smith Barney Holdings Inc. ("Holdings"). Holdings is a wholly owned subsidiary of The Travelers Inc. Under the Advisory Agreement, the Fund pays a monthly fee at the annual rate of 0.40% of the value of its average daily net assets.

Prior to June 1, 1994, the Fund was party to an administration agreement ("Administration Agreement") with Boston Advisors, an indirect wholly owned subsidiary of Mellon Bank Corporation ("Mellon"). Under the Administration Agreement, the Fund paid a monthly fee at the annual rate of 0.20% of the value

of its average monthly net assets. As of the close of business on June 1, 1994, SBMFM (formerly known as "Smith, Barney Advisers, Inc.") succeeded Boston Advisors as the Fund's administrator. The new administration agreement contains substantially the same terms and conditions, including the level of fees, as the predecessor agreement.

As of the close of business on June 1, 1994, the Fund and SBMFM also entered into a sub-administration agreement (the "Sub-Administration Agreement") with Boston Advisors. Under the Sub-Administration Agreement, SBMFM pays Boston Advisors a portion of its administration fee at a rate agreed upon from time to time between SBMFM and Boston Advisors.

No officer, director, or employee of Smith Barney Inc. or any of its affiliates receives any compensation from the Fund for serving as a Director or officer of the Fund. The Fund pays each Director, who is not an officer, director or employee of Smith Barney or any of its affiliates, \$5,000 per annum plus \$500 per meeting attended and reimburses each such Director for travel and out-of-pocket expenses.

Boston Safe Deposit and Trust Company, an indirect wholly owned subsidiary of Mellon, serves as the Fund's custodian. The Shareholder Services Group, Inc., a subsidiary of First Data Corporation, serves as the Fund's transfer agent.

MUNICIPAL HIGH INCOME FUND INC.  
Notes to Financial Statements

(continued)

[LOGO]

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3. SECURITIES TRANSACTIONS

For the year ended October 31, 1994, cost of purchases and proceeds from sales of investment securities, excluding short-term investments, aggregated \$33,625,395 and \$30,242,583, respectively.

At October 31, 1994, aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost amounted to \$5,754,661, and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value amounted to \$10,462,943.

4. FUND SHARES

At October 31, 1994, 500,000,000 shares of common stock, with a par value of \$.01 per share were authorized.

Common stock transactions were as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED 10/31/94		YEAR ENDED 10/31/93	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Issued as reinvestment of dividends.....	270,832	\$2,506,452	503,252	\$4,768,088

</TABLE>

5. ORGANIZATION COSTS

Costs incurred by the Fund in connection with its organization and initial public offering of shares amounted to \$625,578 and were being amortized on a straight-line basis over a five-year period, beginning November 28, 1988, the date of the Fund's commencement of operations. All such costs have been fully amortized as of October 31, 1994.

6. CONCENTRATION OF CREDIT

The Fund invests in securities offering high current income which generally will be in the lower rating categories of recognized rating agencies. These securities generally involve more credit risk than securities in the higher rating categories. In addition, the trading market for high yield securities may be relatively less liquid than the market for higher-rated securities.



7. CAPITAL LOSS CARRYFORWARD

At October 31, 1994, the Fund had available for Federal income tax purposes an unused capital loss carryforward of \$2,666,650 expiring in 2002.

21

MUNICIPAL HIGH INCOME FUND INC.  
Notes to Financial Statements

(continued)

[LOGO]

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

<TABLE>  
<CAPTION>

QUARTER ENDED	INVESTMENT INCOME		NET INVESTMENT INCOME		NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS		NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	
	TOTAL	PER SHARE	TOTAL	PER SHARE	TOTAL	PER SHARE	TOTAL	PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
January 31, 1993.....	\$3,823,950	\$0.20	\$3,413,585	\$0.18	\$ 2,944,261	\$ 0.16	\$ 6,357,846	\$ 0.34
April 30, 1993.....	3,416,422	0.18	3,042,358	0.16	241,324	0.01	3,283,682	0.17
July 31, 1993.....	3,503,367	0.18	3,094,861	0.16	(691,663)	(0.04)	2,403,198	0.12
October 31, 1993.....	3,570,033	0.18	3,158,719	0.17	1,925,858	0.10	5,084,577	0.27
January 31, 1994.....	3,648,178	0.19	3,253,314	0.17	(48,811)	--	3,204,503	0.17
April 30, 1994.....	3,536,568	0.18	3,168,209	0.16	(9,555,061)	(0.50)	(6,386,852)	(0.34)
July 31, 1994.....	3,603,790	0.18	3,191,200	0.16	612,747	0.04	3,803,947	0.20
October 31, 1994.....	3,519,883	0.18	3,164,312	0.16	(5,145,173)	(0.26)	(1,980,861)	(0.10)

</TABLE>

22

MUNICIPAL HIGH INCOME FUND INC.  
Report of Independent Accountants

[LOGO]

To the Shareholders and Board of Directors of  
Municipal High Income Fund Inc.:

We have audited the accompanying statement of assets and liabilities of Municipal High Income Fund Inc., including the schedule of portfolio investments, as of October 31, 1994, the related statements of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period ended October 31, 1994 and for the period from November 28, 1988 (commencement of operations) through October 31, 1989. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1994 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Municipal High Income Fund Inc. as of October 31, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period ended October 31, 1994 and for the period from

November 28, 1988 (commencement of operations) through October 31, 1989, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Boston, Massachusetts  
December 15, 1994

23

MUNICIPAL HIGH INCOME FUND INC.  
Additional Information (unaudited)

[LOGO]

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PORTFOLIO MANAGEMENT

Lawrence T. McDermott, who is a Vice President and Investment Officer of the Fund, is primarily responsible for management of the Fund's assets. Mr. McDermott has served the Fund in these capacities since the commencement of the Fund's operations.

DIVIDEND REINVESTMENT PLAN

Under the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a shareholder whose Common Stock is registered in his own name will have all distributions reinvested automatically by The Shareholder Services Group, Inc. ("TSSG") as 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 Common Stock under the Plan, but only if the service is provided by the broker or nominee, and the broker or nominee makes an election on behalf of the shareholder to participate in the Plan. Distributions with respect to Common Stock registered in the name of Smith Barney will automatically be reinvested by Smith Barney in additional shares under the Plan unless the shareholder elects to receive distributions in cash. A shareholder who holds Common Stock registered in the name of a broker or other nominee may not be able to transfer the Common Stock to another broker or nominee and continue to participate in the Plan. Investors who own Common Stock registered in street name should consult their broker or nominee for details regarding reinvestment.

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 Fund's Common Stock is equal to or exceeds 98% of net asset value per share at the time shares are valued for determining the number of shares equivalent to the cash dividend or capital gains distribution, participants will be issued shares of Common Stock valued at the greater of (i) 98% of net asset value per share or (ii) 95% of the then current market price. If 98% of the net asset value per share of Common Stock at the time of valuation exceeds the market price of the Common Stock, TSSG will buy shares of the Fund's Common Stock on the open market, on the New York Stock Exchange, Inc. or elsewhere, beginning on the record date of the dividend or distribution, until it has expended for such purchases all of the cash that would otherwise be payable to the participants. The number of purchased shares that will then be credited to the participants' accounts will be based on the average per share purchase price of the shares so purchased, including brokerage commissions. If TSSG commences purchases in the open market and the market price of the shares subsequently exceeds 98% of their net asset value before the completion of the purchases, TSSG will attempt to terminate purchases in the open market and cause the Fund to issue the remaining dividend or distribution in shares at 98% of the net asset value per share. In

24

MUNICIPAL HIGH INCOME FUND INC.  
Additional Information (unaudited)

(continued)

[LOGO]

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this case, the number of shares of Common Stock received by the participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

Plan participants are not subject to any charge for reinvesting dividends or capital gains distributions. Each participant will, however, bear a proportionate share of brokerage commissions incurred with respect to TSSG's

open market purchases of shares of Common Stock in connection with the reinvestment of dividends or capital gains distributions. For the year ended October 31, 1994, no such brokerage commissions were incurred.

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. A participant in the Plan will be treated for federal income tax purposes as having received, on the dividend payment date, a dividend or distribution in an amount equal to the cash that the participant could have received instead of shares of Common Stock.

A shareholder may terminate participation in the Plan at any time by notifying TSSG in writing. A termination will be effective immediately if notice is received by TSSG not less than 10 days before any dividend or distribution record date. Otherwise, the termination will be effective, and only with respect to any subsequent dividends or distributions, on the first trading day after the dividend or distribution has been credited to the participant's account in additional shares of Common Stock of the Fund. Upon termination according to a participant's instructions, TSSG will either (a) issue certificates for the whole shares credited to a Plan account and a check representing any fractional shares or (b) sell the shares in the market. There will be a \$5.00 fee assessed for liquidation service, plus brokerage commissions, and TSSG is authorized to sell a sufficient number of a participant's shares to cover such amounts.

The Plan is described in more detail on pages 21-23 of the Fund's Prospectus dated August 23, 1993. Information concerning the Plan may be obtained from TSSG at (800) 331-1710.

25

MUNICIPAL HIGH INCOME FUND INC.  
Tax Information

Fiscal Year Ended October 31, 1994 (unaudited)

[LOGO]

- - - - -

During the fiscal year ended October 31, 1994, the Fund paid \$389,249 of long-term capital gains to its shareholders.

Of the dividends paid from net investment income for the year ended October 31, 1994, 100% is tax exempt for regular Federal income tax purposes.

26

MUNICIPAL HIGH INCOME FUND INC.  
Management of the Fund

[LOGO]

- - - - -

DIRECTORS

Charles F. Barber  
Allan J. Bloostein  
Martin Brody  
Dwight B. Crane  
Robert A. Frankel  
Heath B. McLendon

OFFICERS

Heath B. McLendon  
CHAIRMAN OF THE BOARD

Stephen J. Treadway  
PRESIDENT

Lawrence T. McDermott  
VICE PRESIDENT AND  
INVESTMENT OFFICER

Karen Mahoney-Malcolmson  
INVESTMENT OFFICER

Michael J. Maher  
INVESTMENT OFFICER

Lewis E. Daidone  
SENIOR VICE PRESIDENT  
AND TREASURER

Christina T. Sydor  
SECRETARY

INVESTMENT ADVISER

Greenwich Street Advisors  
388 Greenwich Street  
New York, New York 10013

AUDITORS AND COUNSEL

Coopers & Lybrand  
One Post Office Square  
Boston, Massachusetts 02109

Willkie Farr & Gallagher  
153 East 53rd Street  
New York, New York 10022

TRANSFER AGENT

The Shareholder Services Group, Inc.  
Exchange Place  
Boston, Massachusetts 02109

CUSTODIAN

Boston Safe Deposit and  
Trust Company  
One Boston Place  
Boston, Massachusetts 02108

27

[LOGO]

This report is sent to shareholders of Municipal High Income Fund Inc. for their information. 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.  
388 Greenwich Street  
New York, NY 10013  
(212) 723-9218