

# 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: **1994-01-04** | Period of Report: **1993-10-30**  
SEC Accession No. **0000053798-94-000012**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### 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.: **94500306**

Business Address  
2 WORLD TRADE CENTER  
NEW YORK NY 10048  
6175731240

Dear Shareholder:

We are pleased to provide our fifth annual report for Municipal High Income Fund Inc. During the past five years the Fund has achieved its mandate of delivering a higher dividend return than available from a portfolio composed entirely of investment grade tax-exempt bonds. We will continue to approach the management of the Fund with this as our goal.

1993 set yet another record for new issue volume. It reached approximately \$300 billion as states, cities, and towns refinanced their higher interest rate debt that was issued in the 1980s. While this is beneficial for taxpayers, it comes at the expense of fixed income investors who are forced to reinvest at today's prevailing lower interest rates. The municipal market has been able to digest the record volume at a relaxed pace. We expect that the retirement (whether by call or maturity) of higher interest rate municipal securities will continue over the next few years, and that new issue volume should slow to one-half that of 1993. Tax-exempt investments should remain in great demand, however, fueled by the impact of higher Federal taxes.

Many economists are expressing concern that the recent strength in consumer spending (which accounts for two-thirds of economic activity) will result in an increase in inflationary pressures. Inflation is the arch enemy of the fixed income investor because it reduces real income. Our feeling, however, is that although renewed economic strength could be inflationary, it will be offset by the constraints caused by higher consumer debt, and higher Federal taxes and benefit costs.

Our strategy through the past year has been to hold onto high-coupon bonds despite their generally attractive price levels since we would have had to reinvest the proceeds in much lower yielding securities. We remained fully invested in "cushion bonds" that carry coupons above current market rates and therefore sell at a premium to the market. This strategy allows us to offer investors a higher level of income yet also moderates fluctuations in the Fund's net asset value per share because the higher coupons "cushion" the bonds against dramatic changes in price as interest rates fluctuate.

Although the economy appears to be stronger, we still remain cautious. Consequently, we have invested 57% of the Fund in securities rated as investment grade (Baa/BBB or higher) by Moody's Investors Service, Inc. or Standard & Poor's Corporation. The Fund's investments continue to be diversified by geographic location, issuer, and industry. Hospital (21%), industrial development revenue

(18%), and pollution control revenue (16%) bonds form the core of the Fund's holdings. As of October 31, 1993, the average maturity of the Fund's portfolio was approximately 20 years.

<TABLE>

As we have since the Fund's commencement of operations in 1988, we will continue in our efforts to provide you with a high level of current income exempt from Federal income taxes. If you have any questions about your investment in the Fund, please do not hesitate to contact The Shareholder Services Group, Inc. at (800) 331-1710. We appreciate your continued confidence and support.

Sincerely,

<S>  
Heath B. McLendon  
Chairman of the Board  
</TABLE>

<C>  
Lawrence T. McDermott  
Vice President and Investment Officer

December 13, 1993

<TABLE>

UNAUDITED FINANCIAL DATA  
PER SHARE OF COMMON STOCK

<CAPTION>

	NYSE CLOSING PRICE	NET ASSET VALUE	DIVIDEND PAID	DIVIDEND REINVESTMENT PRICE
<S>	<C>	<C>	<C>	<C>
November 30, 1992.....	\$ 9.25	\$ 9.57	\$.0560	\$9.28
December 31, 1992.....	9.50	9.60	.0560	9.39
January 31, 1993.....	9.75	9.65	.0560	9.42
February 28, 1993.....	10.00	9.76	.0560	9.50
March 31, 1993.....	10.00	9.65	.0560	9.50
April 30, 1993.....	9.78	9.66	.0560	9.50
May 28, 1993.....	9.75	9.68	.0560	9.46
June 30, 1993.....	9.78	9.66	.0560	9.43
July 31, 1993.....	9.75	9.63	.0560	9.44
August 31, 1993.....	9.63	9.70	.0540	9.49
September 30, 1993.....	9.75	9.75	.0540	9.54
October 31, 1993.....	9.88	9.72	.0540	9.56

</TABLE>

<TABLE>

DIVIDEND DATA\*

<CAPTION>

PER SHARE DIVIDEND DISTRIBUTIONS	ANNUALIZED DISTRIBUTION RATE	EQUIVALENT TAXABLE DISTRIBUTION RATE	
		ASSUMING 28% FEDERAL TAX BRACKET	ASSUMING 31% FEDERAL TAX BRACKET
<S>	<C>	<C>	<C>
\$0.6660	6.85%	9.51%	9.93%

\* Based on October 31, 1993 net asset value of \$9.72 per share.

</TABLE>

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 Shearson Inc.) which does not provide the service. Questions and correspondence concerning the Dividend Reinvestment Plan should be directed to The Shareholder Services Group, Inc., P.O. Box 1376, Boston, Massachusetts 02104.

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments  
October 31, 1993

<TABLE>

KEY TO INSURANCE ABBREVIATIONS

MBIA -- MUNICIPAL BOND INVESTORS ASSURANCE

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
\$1,115,000	MUNICIPAL BONDS AND NOTES--97.4% ALABAMA--0.6% Alabama Housing Finance Authority, Single Family Mortgage Revenue, 10.500% due 12/01/02.....	A1	AA-	\$ 1,206,988

ARIZONA--2.0%					
3,300,000	Gila County, Arizona, Industrial Development Authority, Pollution Control Revenue, (ASARCO), Series 1985, 8.900% due 07/01/06.....	Baa2	BBB-		3,814,875
ARKANSAS--1.7%					
2,750,000	Pope County, Arkansas, Pollution Control Revenue, (Arkansas Power & Light Company Project), 11.000% due 12/01/15.....	Baa3	BBB-		3,190,000
CALIFORNIA--1.2%					
2,000,000	Los Angeles County, California, Regional Airport Authority, (Continental Airlines, Inc.), 9.000% due 08/01/17.....	NR	NR		2,255,000
COLORADO--0.7%					
1,250,000	Colorado Health Facilities, Authority Revenue Project, (Beth Israel at Shalom Park Project), 8.000% due 12/15/22.....	NR	NR		1,321,875
CONNECTICUT--0.8%					
1,500,000	Connecticut State, Development Authority, Health Care Revenue, Series B, 8.000% due 07/01/17.....	NR	NR		1,537,500
DISTRICT OF COLUMBIA--0.7%					
1,255,000	District of Columbia, Housing Finance Agency, Multifamily Housing Revenue, 11.375% due 07/01/08.....	A3	AA-		1,316,181

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<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--6.6%				
\$1,500,000	Broward County, Florida, Educational Facility, 8.500% due 04/01/10.....	NR	BBB	\$ 1,734,375
1,000,000	Hillsborough County, Florida, Industrial Development Revenue, (Seaboard Tampa Terminals Venture Project), 8.600% due 01/15/22.....	Ba2	BB	1,141,250
1,000,000	Homestead, Florida, Industrial Development Revenue, Project A, 7.950% due 11/01/18.....	NR	NR	998,750
2,110,000	Jacksonville, Florida, Health Facilities Authority, Health Facilities Revenue, 9.125% due 10/15/19.....	NR	NR	2,236,600
1,000,000	Lady Lake, Florida, Industrial Development Project Revenue, (Sunbelt Utilities Inc. Project), 9.500% due 07/01/10.....	NR	NR	1,076,250
1,500,000	Ocean Highway & Port Authority, Florida, Pollution Control Revenue, 9.375% due 11/01/04.....	NR	BB	1,548,750
2,500,000	Palm Beach County, Florida, Health Facilities Authority, Insured Hospital Revenue, (JFK Medical Center), 8.875% due 12/01/18.....	NR	BBB	2,996,400

650,000	Tampa, Florida, (Aquarium Inc. Revenue Project), 7.750% due 05/01/27.....	NR	NR	732,875
GEORGIA--2.1%				
2,510,000	Georgia Municipal Electric Authority, General Power Revenue, Series 85-K, 9.875% due 01/01/16.....	A2	AA-	2,739,037
1,000,000	Walton County, Georgia, Industrial Development Authority, (Walton Project), 8.500% due 09/01/07.....	NR	NR	1,000,000
2,550,000	Warren County, Georgia, Industrial Development Authority Revenue, (Foundry East Project), 10.000% due 07/01/19 (in default).....	NR	NR	255,000

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
ILLINOIS--6.2%				
\$3,032,000	Chicago, Illinois, O'Hare International Airport, Special Facilities Revenue Bonds, Series B, 8.950% due 05/01/18.....	Baa3	BBB-	\$ 3,524,700
Crestwood, Illinois, Cook County Tax Increment Bonds:				
450,000	10.000% due 12/01/96.....	NR	NR	460,125
550,000	10.000% due 12/01/97.....	NR	NR	565,812
650,000	10.000% due 12/01/98.....	NR	NR	671,125
2,000,000	East Chicago, Illinois, Industrial Pollution Control Revenue, (Inland Steel Company), Project 10, 6.800% due 06/01/13.....	Ba3	BB-	2,065,000
2,000,000	Hanover Park, Illinois, First Mortgage, (Windsor Project), 9.250% due 12/01/07.....	NR	NR	2,130,000
1,750,000	Hennepin, Illinois, Industrial Development Revenue, 10.250% due 01/01/05 (in default).....	NR	NR	218,750
795,000	Loves Park, Illinois, First Mortgage Revenue, (Hoosier Care Project), Series A, 9.750% due 08/01/19.....	NR	NR	836,738
1,000,000	Sterling, Illinois, First Mortgage Revenue, (Hoosier Care Project), Series A, 9.750% due 08/01/19.....	NR	NR	1,071,250
INDIANA--1.0%				
1,520,000	LaPorte County, Indiana, Hospital Authority, Hospital Association Revenue, (LaPorte Hospital, Inc.), 8.750% due 03/01/12.....	Aaa	BBB-	1,776,500
IOWA--0.7%				
1,240,000	Marion, Iowa, Multi-family Housing Revenue, 9.500% due 07/01/18.....	NR	NR	1,280,300
KENTUCKY--2.9%				
1,440,000	Jefferson County, Kentucky, Health Facilities Authority,			

</TABLE>

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
KENTUCKY (CONTINUED)				
	Kenton County, Kentucky, Airport Board:			
\$1,000,000	(Delta Airlines),			
	6.750% due 02/01/02.....	Baa3	BBB-	\$ 1,048,750
1,500,000	(Greater Cincinnati Airport Revenue),			
	Project A,			
	7.500% due 02/01/20.....	Baa2	BBB+	1,608,750
1,000,000	Pendleton County, Kentucky, Multi-Lease			
	Revenue, Series A,			
	6.500% due 03/01/19.....	NR	A	1,048,750
LOUISIANA--1.4%				
1,200,000	Lake Charles, Louisiana,			
	(Harbor & Terminal Project),			
	7.750% due 08/15/22.....	Ba1	NR	1,387,500
195,000	Louisiana Housing Finance Agency, Single			
	Family Mortgage Revenue,			
	13.625% due 09/01/02.....	A1	AA-	206,213
1,000,000	Port New Orleans, Louisiana, Industrial			
	Development Revenue, (Continental			
	Grain Company Project),			
	7.500% due 07/01/13.....	NR	BB-	1,057,500
MAINE--1.4%				
2,500,000	Maine State Housing Authority, Mortgage			
	Purchases, Series D-1,			
	8.300% due 11/15/28.....	A1	A+	2,603,125
MARYLAND--2.0%				
3,000,000	Maryland State Health & Higher Education			
	Facilities Authority, (Doctors			
	Community Hospital Project),			
	8.750% due 07/01/22.....	Baa1	BBB-	3,828,750
MASSACHUSETTS--8.2%				
2,000,000	Commonwealth of Massachusetts Health &			
	Educational Facilities Authority			
	Revenue, (North Adams State College),			
	9.625% due 07/01/18.....	NR	NR	2,200,000

</TABLE>

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

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

<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
MASSACHUSETTS (CONTINUED)				
Commonwealth of Massachusetts Housing Finance Agency, Residential Development:				
\$1,675,000	(Section 8), Series B, 8.100% due 08/01/23.....	NR	A+	\$ 1,783,875
1,055,000	(Single Family Mortgage), 13.375% due 12/01/09.....	Aa	A+	1,081,375
Commonwealth of Massachusetts Industrial Finance Agency:				
1,500,000	(American Health), 10.125% due 03/01/19.....	NR	NR	1,530,000
1,700,000	Series A, (S.E. Mass Project), 9.000% due 07/01/15.....	NR	NR	1,942,250
5,940,000	Series B, (S.E. Mass Project), 9.250% due 07/01/15.....	NR	NR	6,801,300
MICHIGAN--2.4%				
755,000	Greater Detroit, Michigan, Resource Recovery Authority Revenue, Series B, 9.250% due 12/13/08.....	NR	BBB-	829,556
1,855,000	Greater Detroit Recreation Authority, Series C, 9.250% due 12/13/08.....	NR	BBB-	2,038,181
1,500,000	Western Townships, Michigan, Utility Sewage System, 8.300% due 01/01/19.....	NR	BBB+	1,638,750
MISSISSIPPI--3.5%				
3,300,000	Claiborne County, Mississippi, Pollution Control Revenue, Series C, 9.875% due 12/01/14.....	NR	NR	4,108,500
2,000,000	Mississippi Hospital Equipment & Facilities Authority, (Methodist Hospital), 9.375% due 05/01/12.....	NR	NR	2,487,500
MONTANA--1.1%				
2,000,000	Montana State Board Investment Resource, Recovery Revenue, Yellowstone Energy LP Project, 7.000% due 12/31/19.....	NR	NR	2,047,500

</TABLE>

See Notes to Financial Statements.

8

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
NEW HAMPSHIRE--2.3%				
New Hampshire State Industrial Development Authority:				
\$1,000,000	Series A, 9.375% due 07/01/12.....	Baa3	BBB-	\$ 1,176,250
2,500,000	Series B, (UTD Illuminating), 10.750% due 10/01/12.....	Baa3	BBB-	3,084,375
NEW JERSEY--1.3%				
1,500,000	New Jersey Health Care Facilities, Finance Authority Revenue, (Zurbrugg Memorial Hospital), Series C, 8.500% due 07/01/12.....	Baa1	BBB+	1,610,625
310,000	New Jersey Housing and Mortgage Finance Agency, Home Buyer Revenue, Series E,			

	(MBIA Insured), 7.650% due 10/01/16.....	Aaa	AAA	334,800
500,000	New Jersey Municipal Utilities, Authorized Revenue, Series A, (MBIA Insured), 8.125% due 12/15/17.....	Aaa	AAA	542,500
1,975,000	NEW MEXICO--1.2% New Mexico Mortgage Finance Authority, Single Family Mortgage Program, Series B, 8.300% due 03/01/20.....	NR	AA-	2,165,093
1,725,000	NEW YORK--5.5% Babylon, New York, Industrial Development Agency, (Recycling Project), Series A, 8.875% due 03/01/11.....	NR	NR	1,929,843
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	1,027,500

</TABLE>

See Notes to Financial Statements.

9

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
NEW YORK (CONTINUED)				
New York City, New York, Certificates of Participation:				
\$ 875,000	Series C, 7.750% due 09/01/05.....	Baa1	A-	\$ 973,438
2,000,000	Series E, 6.000% due 05/15/15.....	Baa1	A-	2,032,500
1,000,000	Series H, 7.000% due 02/01/21.....	Baa1	A-	1,103,750
1,000,000	New York City, New York, Health & Hospital Corporation, Series A, 6.300% due 02/15/20.....	Baa	BBB	1,040,000
1,950,000	New York State, Energy, Research & Development, Authority, Electric Facility Revenue, 7.150% due 12/01/20.....	A	A-	2,145,000
NORTH CAROLINA--1.4%				
2,300,000	North Carolina, Eastern Municipal Power Agency, Power Systems Revenue, 7.000% due 01/01/08.....	A	A-	2,662,250
OHIO--2.8%				
1,000,000	Cleveland, Ohio, Airport Special Revenue, (Continental Airlines Inc.), 9.000% due 12/01/19.....	NR	NR	1,112,500
1,000,000	Cuyahoga County, Ohio, Health Care Facilities, Judson Retirement Community, 8.875% due 11/15/19.....	NR	NR	1,126,250
1,500,000	Montgomery County, Ohio, Health Systems Revenue, Series B, 8.100% due 07/01/18.....	Baa1	BBB-	1,747,500
190,000	Ohio Housing Finance Agency, Single Family Mortgage Revenue, 11.375% due 08/01/14.....	A	A	198,550



1,000,000	Ohio Water Development Authority, Pollution Control Revenue, Series A, 8.100% due 10/01/13.....	Baa3	BBB-	1,153,750
-----------	---	------	------	-----------

</TABLE>

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

		RATINGS (UNAUDITED)		MARKET
FACE		MOODY'S	STANDARD & POOR'S	VALUE
VALUE				(NOTE 1)
-----		-----	-----	-----
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
	OKLAHOMA--0.5%			
\$ 950,000	Oklahoma Housing Finance Agency, Single Family Housing, 10.750% due 03/01/07.....	Aa1	A+	\$ 974,938
	PENNSYLVANIA--12.4%			
2,200,000	Allegheny County, Pennsylvania, Industrial Development Authority, Special Facilities Revenue, Series B, (U.S. Air Project), 8.500% due 03/01/21.....	Ba3	BB-	2,477,750
	Delaware County Pennsylvania, Industrial Development Authority, First Mortgage:			
240,000	8.250% due 07/01/94.....	NR	NR	239,100
1,500,000	(White Horse), 9.700% due 07/01/09.....	NR	NR	1,586,250
3,000,000	Lebanon County, Pennsylvania, (Samaritan Hospital), Series B, 8.250% due 11/01/18.....	NR	BBB	3,382,500
2,500,000	Luzerne County, Pennsylvania, Industrial Development Authority, 7.125% due 12/01/22.....	Baa3	BBB-	2,737,500
2,000,000	Montgomery County, Pennsylvania, Higher Education & Health Authority, 8.375% due 11/01/11.....	Ba1	NR	2,187,500
4,440,000	Montgomery County, Pennsylvania, Industrial Development Authority, Pollution Control Revenue, (Philadelphia Electric Company), Series A, 10.500% due 05/15/15.....	Baa3	BBB	5,006,100
625,000	Northumberland County, Pennsylvania, Industrial Development Authority, 6.875% due 02/01/03.....	Baa3	BBB	636,719
2,000,000	Philadelphia, Pennsylvania, Gas Revenue, Series B, 6.400% due 11/15/16.....	Ba1	B	2,050,000
1,500,000	Scranton-Lackawanna, Pennsylvania, Health & Welfare Authority, (Mercy Health Systems), Series B, 8.500% due 07/01/20.....	NR	BBB	1,738,125

</TABLE>

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
PENNSYLVANIA (CONTINUED)				
\$1,250,000	Sharon, Pennsylvania, Regional Health Systems, (Project B), 7.000% due 12/01/22.....	NR	BBB+	\$ 1,314,063
PUERTO RICO--0.1%				
200,000	Commonwealth of Puerto Rico, General Obligation Bonds, 8.000% due 07/01/08.....	Baa1	A	234,500
SOUTH CAROLINA--0.5%				
965,000	McCormick County, South Carolina, Certificates of Participation, 9.750% due 07/01/09.....	NR	NR	1,019,281
SOUTH DAKOTA--2.4%				
Oglala Sioux Tribe, South Dakota, Pine Ridge County, Revenue Bonds:				
365,000	7.000% due 07/01/99.....	Aaa	NR	374,125
1,865,000	7.500% due 07/01/13.....	NR	NR	1,923,281
1,915,000	10.000% due 07/01/13.....	Aaa	NR	2,168,738
TENNESSEE--1.0%				
1,750,000	State of Tennessee, Certificates of Participation, (Town Project), 8.000% due 08/01/08.....	NR	NR	1,900,938
TEXAS--15.2%				
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

See Notes to Financial Statements.

12

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
TEXAS (CONTINUED)				
\$1,000,000	Bexar County, Texas, Health Facilities Development Corporation, 7.900% due 05/01/18.....	Baa1	BBB	\$ 1,105,000
Brazos River, Texas, Pollution Control Revenue, (Collateral-Tax, Project A):				
1,000,000	9.875% due 10/01/17.....	Baa2	BBB	1,198,750
2,000,000	8.250% due 01/01/19.....	Baa2	BBB	2,305,000
Dallas-Fort Worth, Texas, International Airport Facilities, (Delta Airlines Inc.), 6.250% due 11/01/13.....				
1,795,000	El Paso, Texas, Housing Finance Corporation, Single Family Mortgage Revenue,	Ba1	BB	986,250

2,000,000	8.750% due 10/01/11.....	A	NR	1,974,500
	El Paso, Texas, International Airport Revenue Bonds,			
1,215,612	7.750% due 03/01/12.....	Baa3	BBB	2,115,000
	Harris County, Texas, Industrial Development Corporation,			
840,000	7.950% due 07/01/19.....	NR	NR	1,224,729
	La Salle County, Texas, Jail Facilities Financing Corporation, (Criminal Detention Center), Revenue Mortgage Bonds,			
1,400,000	9.750% due 08/01/09 (in default).....	NR	NR	8,400
	Matagorda County, Texas, Navigation District			
	No. 1, Pollution Control Revenue, (Houston Lighting & Power Company Project), Series A,			
1,400,000	7.875% due 02/01/19.....	A3	A	1,568,000
	North Central, Texas, Health Facilities Development Project, (Hospital-Baylor Health Care Systems, Project A),			
	8.980% due 05/15/08.....	Aa	AA	1,592,500
	Northgate Crossing, Texas, Municipal Utilities District:			
1,000,000	Series 1,			
	8.875% due 12/01/13.....	NR	BBB+	1,036,250
1,000,000	Series 2,			
	8.875% due 12/01/13.....	NR	BBB+	1,036,250

</TABLE>

See Notes to Financial Statements.

13

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE		RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
		MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>	<C>
MUNICIPAL BONDS AND NOTES (CONTINUED)				
TEXAS (CONTINUED)				
\$ 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-	3,003,125
2,000,000	Series B,			
	10.625% due 06/01/08.....	Baa3	BBB-	2,427,500
3,515,000	Sam Rayburn, Texas, Municipal Power Agency, Power Revenue,			
	9.625% due 09/01/04.....	Aaa	BBB	3,976,344
2,000,000	San Saba County, Texas, Certificates of Obligation,			
	8.625% due 02/15/19.....	NR	NR	2,190,000
	UTAH--1.0%			
1,800,000	Hurricane, Utah, Health Services Project,			
	10.500% due 07/01/20.....	NR	NR	1,928,250
	VERMONT--1.3%			
2,365,000	Vermont Housing Finance Agency, Home Mortgage, Series B,			

8.100% due 06/01/22.....	A1	NR	2,486,206
VIRGINIA--1.3%			
2,600,000 Hopwell, Virginia, Industrial Development Resource Authority, 8.250% due 06/01/16.....		NR	2,535,000
TOTAL MUNICIPAL BONDS AND NOTES (Cost \$176,625,001).....			183,386,367

</TABLE>

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Portfolio of Investments (continued)  
October 31, 1993

<CAPTION>

FACE VALUE	RATINGS (UNAUDITED)		MARKET VALUE (NOTE 1)
	MOODY'S	STANDARD & POOR'S	
<C>	<S>	<C>	<C>
SHORT TERM MUNICIPAL BONDS AND NOTES--0.2% (Cost \$300,000) VIRGINIA--0.2%			
\$ 300,000	Peninsula Ports Authority, Virginia, (Shell Oil Company), 2.200% due 12/01/05+.....	Aa2	AAA
			\$ 300,000
TOTAL INVESTMENTS (Cost \$176,925,001*).....			97.6%
OTHER ASSETS AND LIABILITIES (Net).....			2.4%
NET ASSETS.....			100.0%

<FN>

\* Aggregate cost for Federal tax purposes.  
+ Variable rate demand bonds are payable upon not more than seven calendar days' notice.

<TABLE>

SUMMARY OF MUNICIPAL BONDS  
BY COMBINED RATINGS  
OCTOBER 31, 1993 (UNAUDITED)

<CAPTION>

MOODY'S	OR	STANDARD & POOR'S	PERCENT OF VALUE
<S>		<C>	<C>
Aaa		AAA	5%
Aa		AA	6
A		A	12
Baa		BBB	35
Ba		BB	8
NR		NR	34
			100%

</TABLE>

See Notes to Financial Statements.

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Statement of Assets and Liabilities

<S>	<C>	<C>
ASSETS:		
Investments, at value (Cost \$176,925,001) (Note 1)		
See accompanying schedule.....		\$183,686,367
Cash.....		49,678
Interest receivable.....		4,775,753
Unamortized organization costs (Note 5).....		10,425
		-----
Total Assets.....		188,522,223
LIABILITIES:		
Investment advisory fee payable (Note 2).....	\$64,121	
Administration fee payable (Note 2).....	32,061	
Accrued shareholder reports expense.....	30,000	
Audit fee payable.....	30,000	
Legal fee payable.....	20,000	
Transfer agent fees payable (Note 2).....	15,000	
Custodian fees payable (Note 2).....	14,000	
Accrued Directors' fees and expenses (Note 2).....	8,750	
Accrued expenses and other payables.....	14,260	
	-----	
Total Liabilities.....		228,192
		-----
NET ASSETS.....		\$188,294,031
		=====
NET ASSETS consist of:		
Undistributed net investment income.....	\$	176,484
Accumulated net realized gain on investments sold.....		389,249
Unrealized appreciation of investments.....		6,761,366
Par value.....		193,719
Paid-in capital in excess of par value.....		180,773,213
		-----
Total Net Assets.....		\$188,294,031
		=====
NET ASSET VALUE, per share (\$188,294,031/19,371,863 shares of common stock outstanding).....	\$	9.72
		=====

&lt;/TABLE&gt;

See Notes to Financial Statements.

16

&lt;TABLE&gt;

MUNICIPAL HIGH INCOME FUND INC.  
Statement of Operations  
For the Year Ended October 31, 1993

<S>	<C>	<C>
INVESTMENT INCOME:		
Interest.....		\$14,313,772
EXPENSES:		
Investment advisory fee (Note 2).....	\$737,798	
Sub-investment advisory and administration fee (Note 2).....	368,899	
Legal and audit fees.....	126,689	
Amortization of organization costs (Note 5).....	125,116	
Transfer agent fees (Note 2).....	52,486	
Directors' fees and expenses (Note 2).....	43,790	
Custodian fees (Note 2).....	41,784	
Other.....	107,687	
	-----	
Total Expenses.....		1,604,249
		-----
NET INVESTMENT INCOME.....		12,709,523
		-----
REALIZED AND UNREALIZED GAIN ON INVESTMENTS (NOTES 1 AND 3):		
Net realized gain on investments sold during the year....		722,591
Net unrealized appreciation of investments during the year.....		3,697,189
		-----

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS.....	4,419,780
	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	\$17,129,303
	=====

</TABLE>

See Notes to Financial Statements.

17

<TABLE>

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

<CAPTION>

	YEAR ENDED 10/31/93	YEAR ENDED 10/31/92
	-----	-----
<S>	<C>	<C>
Net investment income.....	\$ 12,709,523	\$ 12,974,241
Net realized gain/(loss) on investments sold during the year.....	722,591	(88,935)
Net unrealized appreciation of investments during the year.....	3,697,189	1,359,079
	-----	-----
Net increase in net assets resulting from operations....	17,129,303	14,244,385
Distributions to shareholders from net investment income.....	(12,707,110)	(12,842,104)
Net increase in net assets from Fund share transactions (Note 4).....	4,768,088	4,411,155
	-----	-----
Net increase in net assets.....	9,190,281	5,813,436
NET ASSETS:		
Beginning of year.....	179,103,750	173,290,314
	-----	-----
End of year (including undistributed net investment income of \$176,484 and \$174,071, respectively).....	\$188,294,031	\$179,103,750
	=====	=====

</TABLE>

See Notes to Financial Statements.

18

<TABLE>

MUNICIPAL HIGH INCOME FUND INC.  
Financial Highlights

FOR A FUND SHARE OUTSTANDING THROUGHOUT EACH YEAR.

<CAPTION>

	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>
OPERATING PERFORMANCE:					
Net asset value, beginning of year.....	\$ 9.49	\$ 9.42	\$ 9.28	\$ 9.52	\$ 9.35
	-----	-----	-----	-----	-----
Net investment income.....	0.67	0.70	0.74	0.75	0.66
Net realized and unrealized gain/(loss) on investments.....	0.23	0.06	0.15	(0.23)	0.15
	-----	-----	-----	-----	-----
Net increase in net assets resulting from operations.....	0.90	0.76	0.89	0.52	0.81
DISTRIBUTIONS:					
Dividends from net investment income.....	(0.67)	(0.69)	(0.75)	(0.76)	(0.64)

Net asset value, end of year.....	\$ 9.72	\$ 9.49	\$ 9.42	\$ 9.28	\$ 9.52
Market value, end of year.....	\$ 9.875	\$ 9.125	\$ 9.500	\$ 9.000	\$ 9.500
Total investment return***.....	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).....	\$188,294	\$179,104	\$173,290	\$164,531	\$164,221
Ratio of net investment income to average net assets.....	6.89%	7.31%	7.90%	8.00%	7.54%**
Ratio of operating expenses to average net assets.....	0.87%	0.87%	0.90%	0.87%	0.86%***+
Portfolio turnover rate.....	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 fees waived by investment adviser was .88%.  
 </TABLE>

See Notes to Financial Statements.

19

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 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. The differences are

primarily due to timing differences and differing characterization of distributions made by the Fund as a whole.

20

MUNICIPAL HIGH INCOME FUND INC.  
Notes to Financial Statements  
(continued)

---

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 RELATED PARTY TRANSACTIONS

Up to the close of business on July 30, 1993, the Fund entered into an investment advisory agreement with Shearson Lehman Brothers Inc. ("Shearson Lehman Brothers") on behalf of Shearson Lehman Advisors, a member of the Asset Management Group of Shearson Lehman Brothers. Under the Advisory Agreement, the Fund paid a monthly fee at the annual rate of 0.40% of the value of its average monthly net assets.

As of the close of business on July 30, 1993, Primerica Corporation ("Primerica") and Smith Barney, Harris Upham & Co. Incorporated completed the acquisition of the domestic retail brokerage and asset management business of Shearson Lehman Brothers and Smith Barney, Harris Upham & Co. Incorporated was renamed Smith Barney Shearson Inc. ("Smith Barney Shearson").

As of the close of business on July 30, 1993, Greenwich Street Advisors, a division of Mutual Management Corp., which is controlled by Smith Barney Shearson Holdings Inc. ("Holdings"), succeeded Shearson Lehman Advisors as the Fund's investment adviser. Holdings is a wholly owned subsidiary of Primerica. The new investment advisory agreement (the "Advisory Agreement") with Greenwich Street Advisors contains terms and conditions substantially similar to the investment advisory agreement with the predecessor investment adviser and provides for payment of fees at the same rate as was paid to such predecessor investment adviser.

The Fund has also entered into an administration agreement ("Administration Agreement") with The Boston Company Advisors, Inc. ("Boston Advisors"), an indirect wholly owned subsidiary of Mellon Bank Corporation ("Mellon"). Under the Administration Agreement, the Fund pays a monthly fee at the annual rate of 0.20% of the value of its average monthly net assets. Prior to May 21, 1993, Boston Advisors served as sub-investment adviser and administrator to the Fund.

No officer, director, or employee of Smith Barney Shearson, Boston Advisors or of any parent or subsidiary of those corporations receives any compensation from the Fund for serving as a Director or officer of the Fund. The Fund pays each Director,

21

MUNICIPAL HIGH INCOME FUND INC.  
Notes to Financial Statements  
(continued)

---

who is not an officer, director or employee of Smith Barney Shearson, Boston Advisors or any of their 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.

3. SECURITIES TRANSACTIONS



For the year ended October 31, 1993, cost of purchases and proceeds from sales of investment securities, excluding short-term investments, aggregated \$32,346,329 and \$24,147,746, respectively.

At October 31, 1993, aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost amounted to \$14,729,261, and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value amounted to \$7,967,895.

<TABLE>

4. FUND SHARES

At October 31, 1993, 500,000,000 shares of common stock, with a par value of \$.01 per share were authorized.

Common stock transactions were as follows:

<CAPTION>

	YEAR ENDED 10/31/93		YEAR ENDED 10/31/92	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Issued as reinvestment of dividends...	503,252	\$4,768,088	474,878	\$4,411,155

</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 are 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.

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.

MUNICIPAL HIGH INCOME FUND INC.  
Notes to Financial Statements  
(continued)

<TABLE>

QUARTERLY RESULTS OF OPERATIONS  
(UNAUDITED)

<CAPTION>

FROM	INVESTMENT		NET INVESTMENT		NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS		NET INCREASE/(DECREASE) IN NET ASSETS RESULTING OPERATIONS	
	TOTAL	PER SHARE	TOTAL	PER SHARE	TOTAL	PER SHARE	TOTAL	PER SHARE
QUARTER ENDED								
TOTAL SHARE								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
January 31, 1992.....	\$ 3,703,283	\$0.20	\$ 3,308,313	\$0.18	\$ 598,707	\$ 0.03	\$ 3,907,020	\$
0.21								
April 30, 1992.....	3,602,971	0.19	3,244,453	0.17	(657,952)	(0.03)	2,586,501	0.14
July 31, 1992.....	3,723,175	0.20	3,295,472	0.18	5,255,933	0.28	8,551,405	0.46
October 31, 1992.....	3,491,667	0.19	3,126,003	0.17	(3,926,544)	(0.22)	(800,541)	

(0.05)								
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								

MUNICIPAL HIGH INCOME FUND INC.  
Report of Independent Accountants

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, 1993, the related statement 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 four years in the period ended October 31, 1993 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 investments and cash held by the custodian as of October 31, 1993. 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, 1993, 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 four years in the period ended October 31, 1993 and for the period from November 28, 1988 (commencement of operations) through October 31, 1989, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND

Boston, Massachusetts  
December 8, 1993

MUNICIPAL HIGH INCOME FUND INC.  
Additional Information (unaudited)

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 Shearson will automatically be reinvested by Smith Barney Shearson 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 payment 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

25

MUNICIPAL HIGH INCOME FUND INC.  
Additional Information (unaudited)  
(continued)

---

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 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 Plan 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, 1993, 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 1-(800) 331-1710.

26

MUNICIPAL HIGH INCOME FUND INC.  
Tax Information

-----  
YEAR ENDED OCTOBER 31, 1993 (UNAUDITED)

Of the dividends paid from net investment income for the year ended October 31, 1993, 100% is tax exempt for regular Federal income tax purposes.

27

MUNICIPAL HIGH INCOME FUND INC.  
Management of the Fund

-----  
DIRECTORS

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

INVESTMENT ADVISER

Greenwich Street Advisors  
Two World Trade Center  
New York, New York 10048

ADMINISTRATOR

OFFICERS

Heath B. McLendon  
CHAIRMAN OF THE BOARD

The Boston Company Advisors, Inc.  
One Boston Place  
Boston, Massachusetts 02108

Stephen J. Treadway  
President

AUDITORS AND COUNSEL

Richard P. Roelofs  
EXECUTIVE VICE PRESIDENT

Coopers & Lybrand  
One Post Office Square  
Boston, Massachusetts 02109

Lawrence T. McDermott  
VICE PRESIDENT AND  
INVESTMENT OFFICER

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

Karen Mahoney-Malcolmson  
Investment Officer

TRANSFER AGENT

Michael J. Maher  
INVESTMENT OFFICER

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

Vincent Nave  
TREASURER

CUSTODIAN

Francis J. McNamara, III  
Secretary

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

28