

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

MUNICIPAL HIGH INCOME FUND INC  
Form DEF 14A  
March 31, 2004

SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  |  
Filed by a Party other than the Registrant  |

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

MUNICIPAL HIGH INCOME FUND INC.

-----  
(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:  
-----

(2) Aggregate number of securities to which transaction applies:  
-----

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
-----

(4) Proposed maximum aggregate value of transaction:  
-----

(5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

paid previously. Identify the previous filing by the registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

-----

(2) Form, Schedule or Registration Statement No.:

-----

(3) Filing Party:

-----

(4) Date Filed:

-----

MUNICIPAL HIGH INCOME FUND INC.  
125 Broad Street  
New York, New York 10004

-----

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 26, 2004

-----

To the Stockholders of Municipal High Income Fund Inc.:

Notice is hereby given that the Annual Meeting of Shareholders of Municipal High Income Fund Inc. (the "Fund ") will be held at Citigroup Center, 153 E. 53rd Street, 14th Floor Conference Center, New York, New York at 2:00 p.m. on April 26, 2004 for the following purposes:

1. To elect two (2) Class II Directors of the Fund (PROPOSAL 1);
2. To consider and vote upon such other matters as may come before said meeting or any adjournment thereof.

The close of business on February 27, 2004 has been fixed as the record date (the "Record Date") for the determination of shareholders entitled to notice of and to vote at the meeting and any adjournment thereof.

By Order of the Board of Directors,

Robert I. Frenkel  
Secretary

March 26, 2004

=====

YOUR VOTE IS IMPORTANT REGARDLESS OF THE SIZE OF YOUR HOLDINGS IN THE FUND. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE ASK THAT YOU PLEASE COMPLETE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHICH NEEDS NO POSTAGE IF MAILED IN THE CONTINENTAL UNITED STATES.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

INSTRUCTIONS FOR THE PROPER EXECUTION OF PROXIES ARE SET FORTH ON THE INSIDE COVER.

=====

INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and may avoid the time and expense to the Fund involved in validating your vote if you fail to sign your proxy card properly.

- 1. Individual Accounts: Sign your name exactly as it appears in the registration on the proxy card.
2. Joint Accounts: Either party may sign, but the name of the party signing should conform exactly to the name shown in the registration on the proxy card.
3. All Other Accounts: The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Table with 2 columns: Registration and Valid Signature. Rows include Corporate Accounts (ABC Corp., John Doe, Treasurer), Trust Accounts (Jane B. Doe, Trustee), and Custodian or Estate Accounts (John B. Smith, Cust., John B. Smith, Jr. UGMA).

MUNICIPAL HIGH INCOME FUND INC.
125 Broad Street
New York, New York 10004
1-800-331-1710

ANNUAL MEETING OF STOCKHOLDERS
APRIL 26, 2004

PROXY STATEMENT

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Municipal High Income Fund Inc. (the "Fund") for use at the Annual Meeting of Shareholders (the "Meeting") of the Fund to be held at 2:00 p.m. on April 26, 2004 at Citigroup Center, 153 East 53rd Street, 14th Floor Conference Center, New York, New York and at any adjournments thereof. A Notice of Meeting of Shareholders (the "Notice") and a proxy card accompany this Proxy Statement.

The cost of soliciting proxies and the expenses incurred in preparing this proxy statement will be borne by the Fund. Solicitation costs are expected to be approximately \$18,000. In addition, the Fund will reimburse brokerage firms or other record holders for their expenses in forwarding solicitation materials to beneficial owners of shares of the Fund. Proxy solicitations will be made primarily by mail, but proxy solicitations also may be made by telephone or personal interview conducted by officers of the Fund and officers and regular employees of Smith Barney Fund Management LLC ("SBFM" or the "Manager"), the Fund's investment adviser and administrator, Citigroup Global Markets Inc. ("CGM") and PFPC Inc., the Fund's transfer agent. The cost of solicitations and the expense incurred in connection with preparing the Proxy Statement and its enclosures will be paid by the Fund. The Fund will also reimburse brokerage firms and others for their expenses in forwarding solicitation materials to the beneficial owners of shares.

The Annual Report of the Fund, including audited financial statements for the fiscal year ended October 31, 2003, has previously been furnished to all shareholders. This Proxy Statement is first being mailed to shareholders on or about March 26, 2004. The Fund will provide additional copies of the annual report to any shareholder upon request by calling the Fund at 1-800-331-1710.

If the enclosed Proxy is properly executed and returned in time to be voted at the Meeting, the shares of capital stock of the Fund ("Shares") represented thereby will be voted in accordance with the instructions marked thereon. Unless instructions to the contrary are marked thereon, a proxy will be voted FOR the matter listed in the accompanying Notice of Annual Meeting of Shareholders. For purposes of determining the presence of a quorum for transacting business at the Meeting, abstentions and

broker "non-votes" (that is, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares on a particular matter with respect to which the brokers or nominees do not have discretionary power) will be treated as shares that are present but which have not been voted. Approval of Proposal 1 requires the affirmative vote of a plurality of the votes cast at the Meeting with a quorum present. Because the Proposal requires a proportion of votes cast for its approval, abstentions and broker non-votes may influence whether a quorum is present, but will have no impact on the requisite approval of such Proposal. Any shareholder who has given a proxy has the right to revoke it at any time prior to its exercise either by attending the Meeting and voting his or her shares in person or by submitting a letter of revocation or a later-dated proxy to the Fund at the above address prior to the date of the Meeting.

In the event that a quorum is not present at the Meeting, or in the event that a quorum is present but sufficient votes to approve the proposal are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitations of proxies. In determining whether to adjourn the Meeting, the following factors may be considered: the nature of the proposal that is the subject of the Meeting; the percentage of votes actually cast; the percentage of negative votes actually cast; the nature of any further solicitation; and the information to be provided to shareholders with respect to the reasons for the solicitation. Any adjournment will require the

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

affirmative vote of a majority of the Shares represented at the Meeting in person or by proxy. A shareholder vote may be taken on the proposal in this Proxy Statement prior to such adjournment if sufficient votes have been received and it is otherwise appropriate. Under the Fund's By-laws, a quorum is constituted by the presence in person or by proxy of the holders of a majority of the outstanding Shares entitled to vote at the Meeting.

The close of business on February 27, 2004 has been fixed as the record date (the "Record Date") for the determination of shareholders entitled to notice of and to vote at the Meeting and all adjournments thereof.

The Fund has one class of common stock which has a par value of \$.001 per Share. As of the Record Date, there were 20,979,997.942 Shares outstanding. Each shareholder is entitled to one vote for each Share held and a proportionate fraction of a vote for any fractional Share held.

As of the Record Date, to the knowledge of the Fund and the Board, no single shareholder or "group" (as that term is used in Section 13(d) of the Securities and Exchange Act of 1934 (the "Exchange Act")) beneficially owned more than 5% of the outstanding Shares of the Fund. As of the Record Date, Cede & Co., as nominee of The Depository Trust Company, was the record holder of 19,198,017 Shares, or 91.5% of the Fund's outstanding Shares. As of the Record Date, the officers and Board Members of the Fund as a group beneficially owned less than 1% of the outstanding Shares of the Fund.

2

In order that a shareholder's Shares may be represented at the Meeting, shareholders are required to allow sufficient time for their proxies to be received on or before 2:00 p.m. on April 26, 2004.

As of the Record Date, to the knowledge of the Fund, no shares of securities issued by CGM's ultimate parent corporation, Citigroup Inc. ("Citigroup"), were held by Directors who are not "interested persons" of the Fund as that term is used in the Investment Company Act of 1940, as amended (the "1940 Act").

The Fund's investment advisor and administrator is Smith Barney Fund Management LLC, located at 399 Park Avenue, New York, NY 10022.

### PROPOSAL 1: TO ELECT TWO (2) CLASS II DIRECTORS OF THE FUND

The Board of Directors of the Fund is divided into three classes. The Directors serving in Class II have terms expiring at the Meeting; each Class II Director currently serving on the Board has been nominated by the Board of Directors for reelection at the Meeting to serve for a term of three years (until the annual meeting in 2007) or until their successors have been duly elected and qualified. Class III directors and Class I directors will continue to serve until the 2005 annual meeting and 2006 annual meeting, respectively.

Each nominee has consented to serve as a Director if elected at the Meeting. If a designated nominee declines or otherwise becomes unavailable for election, however, the proxy confers discretionary power on the persons named therein to vote in favor of a substitute nominee or nominees.

Certain information concerning the nominees is set forth below. For any nominee or Director indicated as owning shares of the Fund, such ownership constituted less than 1% of the outstanding shares of the Fund as of the Record Date. All of the nominees are currently Directors of the Fund. Except as

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

indicated, each nominee or Director has held the office shown or other offices in the same company for the last five years.

### Persons Nominated for Election as Directors

Name, Address and Age	Position Held with Fund	Length of Time Served	Principal Occupations During Past Five Years
 CLASS II DIRECTORS			
Non-Interested Directors:			
Robert A. Frankel+ 1961 Deergress Way Carlsbad, CA 92009 Age 76	Director	Since 1998	Managing Partner of Robert A. Frankel Management Consultants.
Paolo M. Cucchi+ Drew University 108 Brothers College Madison, NJ07940 Age 62	Director	Since 2001	Vice President and Dean of College of Liberal Arts at Drew University.

3

### Directors Continuing in Office

#### CLASS I DIRECTORS

Non-Interested Directors:

Allan J. Bloostein+ 27 West 67th Street New York, NY 10023 Age 74	Director	Since 1998	President, Allan J. Bloostein Associates, a consulting firm.
George M. Pavia+ 600 Madison Avenue New York, NY 10022 Age 76	Director	Since 2001	Senior Partner, Pavia & Harcourt Attorneys.

Interested Director:

R. Jay Gerken* 399 Park Avenue New York, NY 10022 Age 52	Chairman, President and Chief Executive Officer	Since 2002	Managing Director of CGM; Chairman, President and Chief Executive Officer of Smith Barney Fund Management LLC ("SBFM"), Travelers Investment Advisor, Inc. ("TIA") and Citi Fund
---	---	---------------	--

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

Management Inc. ("CFM");  
 President and Chief Executive  
 Officer of certain mutual funds  
 associated with Citigroup;  
 formerly portfolio manager,  
 Smith Barney Growth and Income  
 Fund (1994-2000) and Smith  
 Barney Allocation Series  
 Inc. (1996-2001).

CLASS III DIRECTORS

Non-Interested Directors:

Dwight B. Crane+ Harvard Business School Soldiers Field Road Morgan Hall #375 Boston, MA 02163 Age 66	Director	Since 1998	Professor, Harvard Business School.
Paul Hardin+ 12083 Morehead Chapel Hill, NC 27514-8426 Age 72	Director	Since 2001	Chancellor Emeritus and Professor of Law at the University of North Carolina at Chapel Hill.
William R. Hutchinson+ 535 N. Michigan Suite 1012 Chicago, IL 60611 Age 61	Director	Since 1998	President, WR Hutchinson & Associates, Inc. (oil industry consulting); formerly Group Vice President, Mergers & Acquisitions BP Amoco p.l.c.

- 
- + Director, trustee and/or general partner of other investment companies registered under the 1940 Act with which CGM is associated.
  - \* An "interested person" of the Fund, as defined in the 1940 Act.

The following table provides information concerning the dollar range of equity securities owned beneficially by each Director and nominee for election as Director as of December 31, 2003:

Name of Director/Nominee -----	Dollar Range of Equity Securities in the Fund -----	Aggre Secur -----
Non-Interested Directors/Nominees		
Allan J. Bloostein	\$1-\$10,000	
Dwight B. Crane	\$10,000-\$50,000	
Paolo M. Cucchi	None	
Robert A. Frankel	\$10,000-\$50,000	

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

Dr. Paul Hardin	\$1-\$10,000
William R. Hutchinson	\$1-\$10,000
George Pavia	None

Interested Directors/Nominees

R. Jay Gerken*	\$1-\$10,000
----------------	--------------

-----  
 \* Mr. Gerken is an "interested person" as defined in the 1940 Act.

During the Fund's fiscal year ended October 31, 2003, four regular and two special meetings of the Board were held. In the last fiscal year, each Director attended at least 75% of the regular and special meetings of the Board and each of the audit and nominating committee meetings held. The Fund does not have a formal policy regarding attendance by Directors at annual meetings but may consider a policy in the future. At the 2003 Annual Meeting one Board member attended.

5

COMPENSATION

Only the Independent Directors receive remuneration from the Fund for acting as a Director. Aggregate expenses (including reimbursement for travel and out-of-pocket expenses) of \$13,860 were paid to such Directors by the Fund during the calendar year ended December 31, 2003. Fees for the Independent Directors are currently set at \$5,000 per annum plus \$500 per in-person Board meeting and \$100 per telephone conference call. Officers of the Fund are compensated by CGM.

The following table shows the compensation paid by the Fund to each person who was a Director during the Fund's last fiscal year:

Name of Person	Aggregate Compensation from Fund for the fiscal year ended 10/31/03	Pension or Retirement Benefits Accrued as part of Fund Expenses	Total Compensation from Fund and Fund Complete for the year ended 12/31/03
Allan J. Bloostein	\$7,200	0	\$122,250
Dwight B. Crane	7,100	0	152,200
Paolo M. Cucchi	7,200	0	44,400
Robert A. Frankel	7,500	0	73,450
Paul Hardin	7,200	0	132,300
William R. Hutchinson	7,200	0	46,750
George M. Pavia	7,100	0	57,800
Interested Director			
R. Jay Gerken*	0	0	

-----  
 \* Designates a Director who is an "interested person" of the Fund as defined



## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

under the 1940 Act.

At the end of the calendar year in which they attain age 80, Fund Directors are required to change to emeritus status. Directors Emeritus are entitled to serve in emeritus status for a maximum of 10 years during which time they are paid 50% of the annual retainer fee and meeting fees otherwise applicable to Fund Directors, together with reasonable out-of-pocket expenses for each meeting attended. During the Fund's last fiscal year, compensation paid by the Fund to Directors Emeritus totalled \$22,447.

### Beneficial Ownership Reporting Compliance

Section 30(h) of the 1940 Act requires the Fund's officers and Directors, investment adviser and certain affiliated persons thereof, and any persons who beneficially own more than ten percent of the Fund's outstanding shares, to file reports of ownership with the Securities and Exchange Commission (the "SEC"), the New York Stock Exchange, Inc. (the "NYSE") and the Fund. Based solely upon its review of the copies of such forms received by it and representations from certain such persons, the Fund believes that during its fiscal year ended October 31, 2003, all filing requirements applicable to such persons were met.

6

The names of the principal officers of the Fund are listed in the table below together with certain additional information. Each of the officers of the Fund will hold such office until a successor is voted upon by the Board of Directors.

Name -----	Position (Year First Elected) -----	Principal Occupations and Other Affiliations for the Past Five Years and Age -----
R. Jay Gerken Citigroup Asset Management ("CAM") 399 Park Avenue New York, NY 10022	Chief Executive Officer (2002), Chairman of the Board (2002) and President (2002)	(See table of Directors)
Andrew B. Shoup CAM 125 Broad Street New York, NY 10005	Senior Vice President (2003) and Chief Administrative Officer (2003)	Director of CAM; Senior Vice President and Chief Administrative Officer of mutual funds associated with Citigroup; Treasurer of certain mutual funds associated with Citigroup; Head of International Funds Administration of CAM (from 2001 to 2003); Director of Global Funds Administration of CAM (from 2000 to 2001); Head of U.S. Citibank Funds Administration of CAM (from 1998 to 2000); 47
Richard Peteka CAM 125 Broad Street New York, NY 10005	Treasurer and Chief Financial Officer (2002)	Director of CGM; Chief Financial Officer and Treasurer of certain mutual funds associated with Citigroup; Director and Head

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

of Internal Control for Citigroup Asset Management U.S. Mutual Fund Administration from 1999-2002; Vice President and Head of Mutual Fund Administration at Oppenheimer Capital from 1996-1999; 42

Kaprel Ozsolak                      Controller (2002)  
CAM  
125 Broad Street  
New York, NY 10005

Vice President of CGM; Controller of certain funds associated with Citigroup; 38.

7

Name -----	Position (Year First Elected) -----	Principal Occupations and Other Affiliations for the Past Five Years and Age -----
Peter Coffey	Vice President and Investment Officer (2002)	Managing Director of CGM and investment officer of certain other investment companies affiliated with Citigroup; 59
Robert I. Frenkel	Secretary (2003)	Managing Director and General Counsel of Global Mutual Funds for CAM and its predecessor (since 1994); Secretary of CFM; Secretary and Chief Legal Officer of mutual funds associated with Citigroup; 48

The election of each Director will require a plurality of the votes cast with a quorum present.

THE BOARD OF DIRECTORS, INCLUDING ALL THE INDEPENDENT DIRECTORS, RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF ALL NOMINEES TO THE BOARD.

The Fund has a separately designated standing Audit Committee. The Fund's Audit Committee is composed of all Directors who are not "interested persons" of the Fund, SBFM or their affiliates within the meaning of the 1940 Act, and who are "independent" as defined in the NYSE listing standards, namely Messrs. Bloostein, Crane, Frankel, Hardin, Hutchinson and Pavia. The principal functions of the Audit Committee are to (a) assist Board oversight of (i) the integrity of the Fund's financial statements, (ii) the Fund's compliance with legal and regulatory requirements, (iii) the qualifications and independence of the Fund's independent auditors, and (iv) the performance of the Fund's internal audit functions and independent auditors; (b) approve, and recommend to the Independent Board Members (as such term is defined in the Audit Committee Charter) for their ratification, the selection, appointment, retention or termination of the Fund's independent auditors, as well as approving the compensation thereof; (c) approve all audit and permissible non-audit services provided to the Fund and certain other persons by such independent auditors; and (d) prepare the report required to be prepared by the Audit Committee pursuant to SEC rules for inclusion in the Annual Proxy Statement. This Committee met twice during the fiscal year ended October 31, 2003. The Fund adopted an Amended

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

and Restated Audit Committee Charter at a meeting held on February 11, 2004, a copy of which is attached to this Proxy Statement as Annex A.

The Fund has a separately designated standing Nominating Committee. The Nominating Committee, the principal function of which is to select and nominate candidates for election or appointment by the Board as Directors of the Fund, is currently composed of Messrs. Bloostein, Crane, Cucchi, Frankel, Hardin, Hutchinson and Pavia. Only Directors who are not "interested persons" of the Fund as defined

8

in the 1940 Act and who are "independent" as defined in the NYSE listing standards are members of the Nominating Committee. The Nominating Committee may consider nominees recommended by a shareholder as it deems appropriate. Shareholders who wish to recommend a nominee should send recommendations to the Fund's Secretary that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Directors. A recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected by the shareholders. The Nominating Committee met once during the Fund's fiscal year ended October 31, 2003. The Fund adopted a Nominating Committee Charter at a meeting held on February 11, 2004, a copy of which is attached to this Proxy Statement as Annex B.

The Nominating Committee identifies potential nominees through its network of contacts, and may also engage, if it deems appropriate, a professional search firm. The Committee meets to discuss and consider such candidates' qualifications and then chooses a candidate by majority vote. The Nominating Committee does not have specific, minimum qualifications for nominees and has not established specific qualities or skills that it regards as necessary for one or more of the Fund's Directors to possess (other than any qualities or skills that may be required by applicable law, regulation or listing standard). However, as set forth in the Nominating Committee Charter, in evaluating a person as a potential nominee to serve as a Director of the Fund, the Committee may consider the following factors, among any others it may deem relevant:

- o whether or not the person is an "interested person" as defined in the 1940 Act and whether the person is otherwise qualified under applicable laws and regulations to serve as a Director of the Fund;
- o whether or not the person has any relationships that might impair his or her independence, such as any business, financial or family relationships with Fund management, the investment manager of the Fund, Fund service providers or their affiliates;
- o whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes;
- o whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Director of the Fund;
- o the contribution which the person can make to the Board and the Fund (or, if the person has previously served as a Director of the Fund, the contribution which the person made to the Board during his or her previous term of service), with consideration being given to the person's business and professional experience, education and such other factors as the Committee may consider relevant;

- o the character and integrity of the person; and
- o whether or not the selection and nomination of the person would be consistent with the requirements of the Fund's retirement policies.

Report of the Audit Committee

At a meeting of the Audit Committee on December 17, 2003, the Audit Committee reported that it: (i) reviewed and discussed the Fund's audited financial statements with management; (ii) discussed with KPMG LLP ("KMPG"), the Fund's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61; and (iii) received written confirmation from KPMG that it is independent and disclosures regarding such independence, as required by Independence Standards Board Standard No. 1, and discussed with the auditors the auditors' independence. Based on the review and discussions referred to in items (i) through (iii) above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Fund's annual report for the Fund's fiscal year ended October 31, 2003.

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

Audit Fees. Fees for the annual audit of the Fund's financial statements by KPMG for the fiscal year ended October 31, 2003 were \$33,250.

Financial Information Systems Design and Implementation Fees. Neither the Fund nor SBFM or other entities controlling, controlled by, or under common control with SBFM that provides services to the Fund engaged KPMG to provide advice to the Fund, SBFM and entities controlled by or under common control with SBFM regarding financial information system design and implementation during the fiscal year ended October 31, 2003.

All Other Fees. The aggregate fees billed for all other non-audit services, including fees for tax related services, rendered by KPMG to the Fund, SBFM and entities controlled by or affiliated with SBFM that provide services to the Fund for the fiscal year ended October 31, 2003 were \$2,300. The audit committee of the Fund has determined that provision of these non-audit services is compatible with maintaining the independence of KPMG.

SHAREHOLDER PROPOSALS AND  
OTHER SHAREHOLDER COMMUNICATIONS

Shareholder proposals intended to be presented at the 2005 Annual Meeting of Shareholders of the Fund must be received by November 28, 2004 to be included in the proxy statement and the form of proxy relating to that meeting, as the Fund expects that the 2005 Annual Meeting will be held in April of 2005. The submission by a shareholder of a proposal for inclusion in the proxy statement

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

does not guarantee that it will be included. Shareholder proposals are subject to certain regulations under the federal securities laws.

The persons named as proxies for the 2005 Annual Meeting of Shareholders will have discretionary authority to vote on any matter presented by a shareholder for action at that meeting unless the Fund receives notice of the matter by February 25, 2005, in which case these persons will not have discretionary voting authority except as provided in the Securities and Exchange Commission's rules governing shareholder proposals.

The Fund's Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, "Accounting Matters"). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Citigroup Chief Compliance Officer ("CCO"). Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to the Fund's Audit Committee Chair (together with the CCO, "Complaint Officers"). Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:

Citigroup Asset Management  
Compliance Department  
399 Park Avenue, 4th Floor  
New York, NY 10022

Complaints may also be submitted by telephone at 800-742-5274. Complaints submitted through this number will be received by the CCO.

The Fund's Audit Committee Chair may be contacted at:

Municipal High Income Fund Inc.  
Audit Committee Chair  
Robert A. Frankel  
1961 Deergrass Way  
Carlsbad, CA 92009

11

A shareholder who wishes to send any other communications to the Board should also deliver such communications to the Secretary of the Fund, Robert I. Frenkel, 300 First Stamford Place, 4th Floor, Stamford, CT 06902. The Secretary is responsible for determining, in consultation with other officers of the Fund, counsel, and other advisers as appropriate, which shareholder communications will be relayed to the Board.

### OTHER MATTERS TO COME BEFORE THE MEETING

The Board does not intend to present any other business at the Meeting, nor is the Fund aware of any shareholder proposals. If, however, any other matters are properly brought before the Meeting, the persons named as proxies in the accompanying form of proxy will vote thereon in accordance with their judgment, to the extent permissible under applicable law.

March 26, 2004

It is important that proxies be returned promptly. Shareholders who do not expect to attend the meeting are therefore urged to complete and sign, date and return the proxy card as soon as possible in the enclosed postage-paid envelope.

AUDIT COMMITTEE CHARTER  
AMENDED AND RESTATED AS OF FEBRUARY 11, 2004

ESTABLISHMENT AND PURPOSE

This document serves as the Charter for the Audit Committee (the "Committee") of the Board of each registered investment company (the "Fund") advised by Smith Barney Fund Management or Salomon Brothers Asset Management or one of their affiliates (each, an "Adviser") listed on Appendix A hereto (each such Charter being a separate Charter). The primary purposes of the Committee are to (a) assist Board oversight of (i) the integrity of the Fund's financial statements, (ii) the Fund's compliance with legal and regulatory requirements, (iii) the qualifications and independence of the Fund's independent auditors and (iv) the performance of the Fund's internal audit function and independent auditors; (b) approve, and recommend to the Independent Board Members (as such term is defined below) for their ratification, the selection, appointment, retention or termination of the Fund's independent auditors, as well as approving the compensation thereof; (c) approve all audit and permissible non-audit services provided to the Fund and certain other persons by the Fund's independent auditors; and (d) for each closed-end Fund, prepare the report required to be prepared by the Committee pursuant to the rules of the Securities and Exchange Commission for inclusion in the Fund's annual Proxy Statement.

DUTIES AND RESPONSIBILITIES

The Fund's independent auditors are accountable to the Committee.

The Committee shall:

1. Bear direct responsibility for the appointment, compensation, retention and oversight of the Fund's independent auditors, or of any other public accounting firm engaged for the purpose of performing other audit, review or attest services for the Fund.
2. Confirm with any independent auditor retained to provide audit services that the independent auditor has ensured the appropriate rotation of the lead audit partner pursuant to applicable regulations.
3. Approve (a) all audit and permissible non-audit services(1) to be provided to the Fund and (b) all permissible non-audit services to be provided by the Fund's independent auditors to the Adviser and any Covered Service

-----  
(1) The Committee shall not approve non-audit services that the Committee believes may impair the independence of the auditors. As of the date of the approval of this Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent auditors, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund.

Providers if the engagement relates directly to the operations and financial reporting of the Fund. The Committee may implement policies and procedures by which such services are approved other than by the full Committee.

4. Discuss with the independent auditors any disclosed relationships or services that may diminish the objectivity and independence of the independent auditors and, if so determined by the Committee, recommend that the Board take appropriate action to ensure the independence of the independent auditors.
5. Review, in consultation with the independent auditors, the proposed scope of the Fund's audit each year, including the audit procedures to be utilized in the review of the Fund's financial statements.
6. Inquire of the Adviser and the independent auditors as to significant tax and accounting policies elected by the Fund (including matters affecting qualification under Subchapter M of the Internal Revenue Code).
7. Review with the independent auditors any problems or difficulties the auditors may have encountered during the conduct of the audit and management's response, including a discussion with the independent auditors of the matters required to be discussed by Statement on Auditing Standards No. 61, 89, 90 or any subsequent Statement, relating to the conduct of the audit.
8. Review, in consultation, as appropriate, with the independent auditors and significant Fund service providers, matters relating to internal controls over financial reporting and disclosure controls and procedures of the Fund and of the Fund's significant service providers.
9. Request, receive and/or review from the independent auditors such other materials as deemed necessary or advisable by the Committee in the exer-

---

Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Adviser and any service providers controlling, controlled by or under common control with the Adviser that provide ongoing services to the Fund ("Covered Service Providers") constitutes not more than 5% of the total amount of revenues paid to the independent auditors during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) the

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

Adviser and (c) any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Fund during the fiscal year in which the services are provided that would have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

A-2

cise of its duties under this Charter; such materials may include, without limitation, any other material written communications bearing on the Fund's financial statements, or internal or disclosure controls, between the independent auditors and the Fund, the Adviser or other Fund service providers, such as any management letter or schedule of unadjusted differences, and any comment or "deficiency" letter (to the extent such letters relate to financial reporting) received from a regulatory or self-regulatory organization addressed to the Fund or the Adviser that relates to services rendered to the Fund.

10. For each closed-end Fund, establish procedures regarding the receipt, retention and treatment of complaints that the Fund may receive regarding Fund accounting, internal accounting controls or auditing matters, including procedures for the confidential or anonymous submission by Fund officers, employees, stockholders or service providers of concerns regarding questionable accounting or auditing matters related to the Fund.
11. For each closed-end Fund, obtain and review a report by the Fund's independent auditors describing (i) the auditing firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and (iii) (to assess the auditor's independence) all relationships between the independent auditor and the Fund.
12. For each closed-end Fund, discuss policies with respect to risk assessment and risk management.
13. For each closed-end Fund, review hiring policies for employees or former employees of the Fund's independent auditors.
14. For each closed-end Fund, discuss with management and the Fund's independent auditors the Fund's audit and discuss with management the Fund's unaudited financial statements, including any narrative discussion by management concerning the Fund's financial condition and investment performance and, if appropriate, recommend the publication of the Fund's annual audited financial statements in the Fund's annual report in advance of the printing and publication of the annual report.
15. For each closed-end Fund, discuss the Fund's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
16. For each closed-end Fund, review and evaluate annually the



## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

performance of the Committee and the adequacy of this Charter and recommend any proposed changes to the Charter to the Board for approval.

A-3

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain, as it deems necessary to carry out its duties, special counsel and other experts or consultants at the expense of the Fund. The Fund shall provide appropriate funding, as determined by the Committee, for the Committee to carry out its duties and its responsibilities, including (a) for compensation to be paid to, or services to be provided by, the Fund's independent auditors or other public accounting firm providing audit, review or attest services for the Fund, (b) for payment of compensation to any outside legal, accounting or other advisors, counsel or consultants employed by the Committee and (c) for the ordinary administrative expenses of the Committee. In performing its duties, the Committee shall consult as it deems appropriate with the members of the Board, officers and employees of the Fund, the Adviser, the Fund's sub-adviser(s), if any, the Fund's counsel, counsel to the Independent Board Members and the Fund's other service providers.

### COMPOSITION

The Committee shall be composed of each Board member who has been determined not to be an "interested person," as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended ("1940 Act"), of the Fund (the "Independent Board Members"), or such lesser number as the Board of the Fund may specifically determine and reflect in the Board's minutes, each of whom shall be financially literate and at least one of whom shall have accounting or related financial management expertise as determined by the Fund's Board in its business judgment. Each member of the Committee must also meet the independence and experience requirements as set forth in Section 303.01(B) of the New York Stock Exchange's Listed Company Manual or as set forth in Section 121(a) of the American Stock Exchange's listing standards, as applicable, and the independence requirements applicable to investment companies set forth in Rule 10A-3 under of the Securities Exchange Act of 1934. For those Funds listed on the New York Stock Exchange, no member of the Committee may serve on the audit committees of more than three public companies, including the Funds, unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee effectively. The Committee shall elect a Chairperson, who shall preside over Committee meetings. The Chairperson shall serve for a term of three years, which term may be renewed from time to time.

### MEETINGS

The Committee shall meet on a regular basis, but not less frequently than twice a year. Special meetings may also be held upon reasonable notice to the members of the Committee. An agenda shall be established for each meeting. The Committee may request any officer or employee of the Fund, the Fund's counsel, counsel to the Independent Board Members, the Adviser, the Fund's independent auditors or other interested persons to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee will meet periodically with the Fund's independent auditors outside the presence of the Fund's and the

A-4

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

Adviser's officers and employees. The Committee will also meet periodically with the Fund's management outside the presence of the Fund's independent auditors. Meetings of the Committee may be held in person, by telephone or by other appropriate means.

One-third of the Committee's members, but not fewer than two members, shall constitute a quorum. At any meeting of the Committee, the decision of a majority of the members present and voting shall be determinative as to any matter submitted to a vote.

### REPORTING

The Chairperson shall report regularly to the Board on the result of the Committee's deliberations and make such recommendations as deemed appropriate.

### LIMITS ON ROLE OF COMMITTEE

The function of the Committee is oversight. The Fund's management is responsible for (i) the preparation, presentation and integrity of the Fund's financial statements, (ii) the maintenance of appropriate accounting and financial reporting principles and policies and (iii) the maintenance of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out proper audits and reviews. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not employees of the Fund. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Fund from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee by such persons and organizations absent actual knowledge to the contrary (which shall be promptly reported to the Fund's Board) and (iii) statements made by the officers and employees of the Fund, the Adviser or other third parties as to any information technology, internal audit and other non-audit services provided by the independent auditors to the Fund. The designation of a person as an "audit committee financial expert," within the meaning of the rules adopted and implemented under Section 407 of the Sarbanes-Oxley Act of 2002, shall not impose any greater responsibility or liability on that person than the responsibility and liability imposed on such person as a member of the Committee, nor does it decrease the duties and obligations of other Committee members or the Board.

In carrying out its responsibilities, the Committee's policies and procedures shall be adapted, as appropriate, in order to best react to a changing environment.

### AMENDMENTS

This Charter may be amended by a vote of a majority of the Board members.

A-5

Appendix A

Citigroup Investments Corporate Loan Fund Inc.\*

Managed High Income Portfolio Inc.\*

# Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

Managed Municipals Portfolio Inc.\*

Municipal High Income Fund Inc.\*

Real Estate Income Fund Inc.\*

SB Adjustable Rate Income Fund

Zenix Income Fund Inc.\*

-----

\* Closed-end Fund. The duties and responsibilities of paragraphs 10, 11, 12 and 13 and any other provision applicable exclusively to closed-end funds apply to these funds only.

A-6

ANNEX B

## NOMINATING COMMITTEE CHARTER

### ORGANIZATION

The Nominating Committee of each registered investment company listed on Appendix A hereto (each, a "Fund" and together, the "Funds") shall be composed solely of Directors who are not "interested persons" of the Fund as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act") and, with respect to those Funds listed on the New York Stock Exchange, who are "independent" as defined in the New York Stock Exchange listing standards ("Independent Directors"). The Board of Directors of the Fund (the "Board") shall nominate the members of the Committee and shall designate the Chairperson of the Committee. The Chairperson shall preside at each meeting of the Committee.

### RESPONSIBILITIES

The Committee shall select and nominate persons for election or appointment by the Board as Directors of the Fund.

### EVALUATION OF POTENTIAL NOMINEES

In evaluating a person as a potential nominee to serve as a Director of the Fund, the Committee should consider among other factors it may deem relevant:

- o whether or not the person is an "interested person" as defined in the 1940 Act and whether the person is otherwise qualified under applicable laws and regulations to serve as a Director of the Fund;
- o whether or not the person has any relationships that might impair his or her independence, such as any business, financial or family relationships with Fund management, the investment manager of the Fund, other Fund service providers or their affiliates;
- o whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes;
- o whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Director of the Fund;

## Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

- o the contribution which the person can make to the Board and the Fund (or, if the person has previously served as a Director of the Fund, the contribution which the person made to the Board during his or her previous term of service), with consideration being given to the person's business and professional experience, education and such other factors as the Committee may consider relevant;
- o the character and integrity of the person; and
- o whether or not the selection and nomination of the person would be consistent with the requirements of the Fund's retirement policies.

B-1

While the Committee is solely responsible for the selection and nomination of Directors, the Committee may consider nominees recommended by Fund stockholders as it deems appropriate. Stockholders who wish to recommend a nominee should send nominations to the Secretary of the Fund that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Directors. The recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected by the stockholders.

### QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which there is a quorum shall be the act of the Committee.

### NOMINATION OF DIRECTORS

After a determination by the Committee that a person should be selected and nominated as a Director of the Fund, the Committee shall present its recommendation to the Board for its consideration.

### MEETINGS

The Committee may meet either on its own or in conjunction with meetings of the Board. Meetings of the Committee may be held in person, video conference or by conference telephone. The Committee may take action by unanimous written consent in lieu of a meeting.

Adopted: February 11, 2004

B-2

Appendix A

Citigroup Investments Corporate Loan Fund Inc.

Managed High Income Portfolio Inc.

Managed Municipals Portfolio Inc.

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

Municipal High Income Fund Inc.

Real Estate Income Fund Inc.

SB Adjustable Rate Income Fund

Zenix Income Fund Inc.

B-3

Please mark  
|X| votes as in  
this example.

3200

This proxy, when properly executed, will be voted in the manner directed by the undersigned shareholder. If no direction is made, this proxy will be voted FOR each nominee for director.

The Board of Directors recommends a vote "FOR" the following proposal:

1. ELECTION OF DIRECTORS:

Nominees: (01) Robert A. Frankel  
(02) Paolo M. Cucchi

FOR			WITHHELD
ALL	_	_	FROM ALL
NOMINEES			NOMINEES

|\_ | \_\_\_\_\_  
For all nominees except as noted above

2. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT |\_ |

PLEASE MARK, SIGN, DATE, AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

Please sign exactly as name appears to the left. When shares are held by joint tenants, both should sign, or if one signs, that shareholder's vote binds both shareholders. When signing as attorney, executor, administrator, agent, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by a President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

PROXY

MUNICIPAL HIGH INCOME FUND INC.

125 Broad Street  
New York, New York 10004

This Proxy is Solicited on Behalf of the Board of Directors of the Fund

Edgar Filing: MUNICIPAL HIGH INCOME FUND INC - Form DEF 14A

The undersigned hereby appoints R. JAY GERKEN, ROBERT I. FRENKEL and ROBERT M. NELSON, and each of them acting in absence of the other, as Proxies, each with the power to appoint a substitute, and hereby authorizes them to represent and to vote, as designated herein, all the shares of common stock of Municipal High Income Fund Inc. held of record by the undersigned on February 27, 2004 at a Meeting of Shareholders to be held on April 26, 2004 or any adjournment thereof.

-----  
SEE REVERSE  
SIDE  
-----

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

-----  
SEE REVERSE  
SIDE  
-----