

WESTERN ASSET INTERMEDIATE MUNI FUND INC.  
Form N-CSR  
January 28, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-06506

Western Asset Intermediate Muni Fund Inc.  
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY  
(Address of principal executive offices)

10018  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (888) 777-0102

Date of fiscal year end: November 30

Date of reporting period: November 30, 2012

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ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual Report** to Stockholders is filed herewith.

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November 30, 2012

**Annual Report**

**Western Asset Intermediate Muni Fund Inc.  
(SBI)**

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|--|
| INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE |
|--|

II Western Asset Intermediate Muni Fund Inc.

### **Fund objective**

The Fund's investment objective is to provide common shareholders a high level of current income exempt from regular federal income taxes\* consistent with prudent investing.

\* Certain investors may be subject to the federal alternative minimum tax ( AMT ), and state and local taxes will apply. Capital gains, if any, are fully taxable. Please consult your personal tax or legal adviser.

### **What's inside**

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**Letter from the chairman**

**Dear Shareholder,**

We are pleased to provide the annual report of Western Asset Intermediate Muni Fund Inc. for the twelve-month reporting period ended November 30, 2012. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

Recent regulations adopted by the Commodity Futures Trading Commission (the CFTC) require operators of registered investment companies, including closed-end funds, to register as commodity pool operators unless the fund limits its investments in commodity interests. Effective December 31, 2012, your Fund's manager has claimed the exclusion from the definition of commodity pool operator. More information about the CFTC rules and their effect on the Fund is included later in this report on page 30.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, [www.lmcef.com](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

December 28, 2012

## Investment commentary

### Economic review

While the U.S. economy continued to grow over the twelve months ended November 30, 2012, it did so at an uneven pace. U.S. gross domestic product (GDP)<sup>i</sup> growth, as reported by the U.S. Department of Commerce, was 4.1% in the fourth quarter of 2011. Economic growth in the U.S. then decelerated, as first quarter 2012 GDP growth was 2.0%. This was primarily due to less robust private inventory and non-residential fixed investments. The economy slowed further in the second quarter, as GDP growth was a tepid 1.3%. GDP growth then moved to 3.1% in the third quarter. The increase was partially due to increased private inventory and investment, higher federal government spending and a deceleration in imports.

The U.S. job market remained weak. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 8.5%. Unemployment then generally declined and was 8.1% in April 2012, the lowest rate since January 2009, but still high by historical standards. The unemployment rate then rose to 8.3% in July, before falling to 7.8% in September and ending the reporting period at 7.7% in November. However, the number of longer-term unemployed remained high, as roughly 40% of the 12 million people without a job have been out of work for more than six months.

Meanwhile, the housing market brightened, as sales have started to improve of late and home prices continued to rebound. According to the National Association of Realtors (NAR), existing-home sales rose 5.9% on a seasonally adjusted basis in November 2012 versus the previous month and they were 14.5% higher than in November 2011. In addition, the NAR reported that the median existing-home price for all housing types was \$180,600 in November 2012, up 10.1% from November 2011. This marked the ninth consecutive month that home prices rose compared to the same period a year earlier. Furthermore, the inventory of homes available for sale fell 3.8% in November, which represents a 4.8 month supply at the current sales pace. This represents the lowest inventory since September 2005.

The manufacturing sector appeared to overcome a soft patch that occurred in the summer of 2012 as it improved toward the end of the reporting period, only to experience another setback in November 2012. Based on the Institute for Supply Management's PMI (PMI)<sup>ii</sup>, after expanding 34 consecutive months, the PMI fell to 49.7 in June 2012, which represented the first contraction in the manufacturing sector since July 2009 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). Manufacturing continued to contract in July and August before ticking up to 51.5 in September and 51.7 in October. However, the PMI fell back to contraction territory with a reading of 49.5 in November, its lowest level since July 2009.

The Federal Reserve Board (Fed)<sup>iii</sup> took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rate<sup>iv</sup> at a historically low range between zero and 0.25%. In September 2011, prior to the beginning of the reporting period, the Fed announced its intention to purchase \$400 billion of

IV Western Asset Intermediate Muni Fund Inc.

**Investment commentary (cont d)**

longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as Operation Twist ). In January 2012, the Fed extended the period it expects to keep rates on hold until at least through late 2014. Operation Twist was then extended in June 2012 until the end of the year. In September the Fed announced a third round of quantitative easing, which involves purchasing \$40 billion each month of agency mortgage-backed securities ( MBS ) on an open-end basis. In addition, the Fed said that Operation Twist would continue and that it will keep the federal funds rate on hold until at least mid-2015. Finally, at its meeting in December, after the reporting period ended, the Fed announced that it would continue purchasing \$40 billion per month of agency MBS, as well as initially purchasing \$45 billion a month of longer-term Treasuries. The Fed also said that it would keep the federal funds rate on hold ...as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee s 2.0% longer-run goal, and longer-term inflation expectations continue to be well anchored.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

December 28, 2012

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

- i Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Institute for Supply Management s PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iii The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to



day.

**Fund overview****Q. What is the Fund's investment strategy?**

A. The Fund's investment objective is to provide common shareholders a high level of current income exempt from regular federal income taxes consistent with prudent investing. Under normal market conditions, the Fund invests at least 80% of its total assets in municipal obligations. The Fund also maintains a dollar-weighted average effective maturity of between three and ten years. Under normal market conditions, the Fund will invest at least 80% of its total assets in debt securities that are, at the time of investment, rated investment grade by a nationally recognized statistical rating organization (NRSRO) or, if unrated, of equivalent quality as determined by the investment manager. In addition, up to 20% of the Fund's total assets may be invested in debt securities that are, at the time of investment, rated below investment grade by an NRSRO or, if unrated, of equivalent quality as determined by the investment manager.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, Robert E. Amodeo, David T. Fare and Dennis J. McNamara.

**Q. What were the overall market conditions during the Fund's reporting period?**

A. The spread sectors (non-Treasuries) experienced periods of volatility during the reporting period, but ultimately posted positive results. Demand for the spread sectors was generally robust during the first three months of the reporting period. This was due to several factors, including signs that the U.S. economy was gathering momentum and some progress in the European sovereign debt crisis. However, fears that the economy may be experiencing a soft patch and contagion fears from Europe led to periods of heightened risk aversion during portions of March, April and May 2012. The spread sectors then largely rallied from June through November as investor sentiment improved.

Short-term Treasury yields were unchanged, whereas long-term Treasury yields declined during the reporting period. When the period began, two-year Treasury yields were 0.25%. They moved as low as 0.21% on January 17, 2012 and as high as 0.41% on March 20, 2012. Ten-year Treasury yields were 2.08% at the beginning of the period and peaked at 2.39% on March 19, 2012. On July 25, 2012, ten-year Treasuries closed at an all-time low of 1.43%. Yields then edged higher due to some positive developments in Europe and hopes for additional Federal Reserve Board (Fed) actions to stimulate the economy. When the reporting period ended on November 30, 2012, two-year Treasury yields were 0.25% and ten-year Treasury yields were 1.62%.

**Fund overview (cont d)**

Aside from some temporary setbacks, the municipal bond market generated strong results during the reporting period. Demand was generally robust and the municipal market posted positive returns during ten of the twelve months covered by this report. Supporting the municipal market were increasing tax revenues, relatively low new issuance and extremely low defaults. In addition, while certain challenges remain, a number of states took actions to reduce spending and get their financial houses in order. All told, the Barclays Municipal Bond Index<sup>ii</sup> returned 10.17% for the twelve months ended November 30, 2012. Over the same period, the overall taxable bond market, as measured by the Barclays U.S. Aggregate Index<sup>iii</sup>, returned 5.51%.

**Q. How did we respond to these changing market conditions?**

A. There were only minor changes to the Fund during the reporting period, as we were generally comfortable with its sector and yield curve<sup>iv</sup> positioning. During the reporting period, we utilized leverage in the Fund. This was a significant contributor to results given the municipal market's solid results. We ended the period with leverage from preferred shares as a percentage of gross assets of roughly 25%. The Fund opportunistically employed the use of short U.S. Treasury futures on several occasions during the reporting period to manage duration<sup>v</sup>. This strategy modestly detracted from the Fund's performance during the period.

**Performance review**

For the twelve months ended November 30, 2012, Western Asset Intermediate Muni Fund Inc. returned 13.02% based on its net asset value (NAV)<sup>vi</sup> and 19.09% based on its New York Stock Exchange Amex (NYSE Amex<sup>vii</sup>) market price per share. The Fund's unmanaged benchmark, the Barclays 1-15 Year Municipal Bond Index<sup>viii</sup>, returned 7.55% for the same period. The Lipper Intermediate Municipal Debt Closed-End Funds Category Average<sup>ix</sup> returned 14.77% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

Certain investors may be subject to the federal alternative minimum tax, and state and local taxes will apply. Capital gains, if any, are fully taxable. Please consult your personal tax or legal adviser.

During the twelve-month period, the Fund made distributions to common stock shareholders totaling \$0.48 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of November 30, 2012. **Past performance is no guarantee of future results.**

**Performance Snapshot as of November 30, 2012**

| <b>Price Per Share</b> | <b>12-Month<br/>Total Return*</b> |
|------------------------|-----------------------------------|
| \$10.68 (NAV)          | 13.02%                            |
| \$10.99 (Market Price) | 19.09%                            |

**All figures represent past performance and are not a guarantee of future results.**

\* **Total returns are based on changes in NAV or market price, respectively.**

**Total return assumes the reinvestment of all distributions at NAV. Prior to January 1, 2012, total return assumed the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

**Total return assumes the reinvestment of all distributions in additional shares in**

accordance with the Fund's Dividend Reinvestment Plan.

**Q. What were the leading contributors to performance?**

A. The largest contributors to the Fund's relative performance during the reporting period were its duration and overall yield curve positioning. The Fund's duration was longer than that of the benchmark, which was beneficial as rates moved lower during the reporting period. From a yield curve perspective, the Fund maintained an overweight to the 10 to 20 year portion of the municipal yield curve. This positively impacted performance as longer-term securities outperformed shorter-term securities.

Also benefiting the Fund's performance were its overweight exposure to lower rated investment grade municipal bonds and its underweight to AA-rated and AAA-rated municipal bonds. We felt that high-quality securities were richly valued and the underweight position was rewarded given that they lagged their lower-rated counterparts during the period.

Sector positioning, overall, enhanced the Fund's results during the reporting period. In particular, overweights to the strong performing Health Care and Industrial Revenue sectors were positive for performance. In addition, having underweights to State General Obligation bonds (GOs) and Pre-refunded securities were rewarded as they lagged the benchmark.

**Q. What were the leading detractors from performance?**

A. The largest detractor from relative performance during the reporting period was the Fund's overweight to securities with maturities of one year. An underweight allocation to Local GOs, as well as underweights to the Leasing and Transportations sectors were not rewarded, as they outperformed the benchmark. Elsewhere, the Fund's underweights to California and Illinois intermediate municipal bonds were not rewarded as they outperformed the overall tax-exempt market. Finally, the Fund's short U.S. Treasury futures position was a modest detractor as Treasury yields declined during the period given several flights to quality.

**Looking for additional information?**

The Fund is traded under the symbol SBI and its closing market price is available in most newspapers under the NYSE Amex listings. The daily NAV is available on-line under the symbol XSBIX on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as [www.lmcef.com](http://www.lmcef.com).

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In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset Intermediate Muni Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

December 18, 2012

**Fund overview (cont d)**

**RISKS:** *The Fund's investments are subject to interest rate and credit risks. As interest rates rise, bond prices fall, reducing the value of the fixed-income securities held by the Fund. Lower-rated, higher-yielding bonds, known as junk bond, are subject to greater credit risk, including the risk of default, than higher rated obligations. Municipal securities purchased by the Fund may be adversely affected by changes in the financial condition of municipal issuers and insurers, regulatory and political developments, uncertainties and public perceptions, and other factors. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. Portfolio holdings are subject to change at any time and may not be representative of the portfolio managers' current or future investments. The Fund's portfolio composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

- i The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ii The Barclays Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
- iii The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- iv The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- v Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vi Net asset value ( NAV ) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total investments) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- vii The Barclays 1-15 Year Municipal Bond Index is a market value weighted index of investment grade (Baa3/BBB- or higher) fixed-rate municipal bonds with maturities of one to fifteen years.
- viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended November 30, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 funds in the Fund's Lipper category.

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A pre-refunded bond is a bond in which the original security has been replaced by an escrow, usually consisting of treasuries or agencies, which has been structured to pay principal and interest and any call premium, either to a call date (in the case of a pre-refunded bond), or to maturity (in the case of an escrowed to maturity bond).



**Fund at a glance (unaudited)**

**Investment breakdown (%) as a percent of total investments**

The bar graph above represents the composition of the Fund's investments as of November 30, 2012 and November 30, 2011 and does not include derivatives such as futures contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

**Spread duration (unaudited)**

**Economic Exposure November 30, 2012**

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

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SBI Western Asset Intermediate Muni Fund Inc.

Benchmark Barclays 1-15 Year Municipal Bond Index

**Effective duration (unaudited)**

**Interest Rate Exposure November 30, 2012**

Total Effective Duration

SBI 4.91 years

Benchmark 4.68 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

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SBI Western Asset Intermediate Muni Fund Inc.

Benchmark Barclays 1-15 Year Municipal Bond Index

8 Western Asset Intermediate Muni Fund Inc. 2012 Annual Report

**Schedule of investments**

November 30, 2012

**Western Asset Intermediate Muni Fund Inc.**

| Security  | Rate   | Maturity Date | Face Amount | Value                    |
|---|--------|---------------|-------------|--------------------------|
| <b>Municipal Bonds 129.6%</b>   |        |               |             |                          |
| <b>Alaska 0.4%</b>  |        |               |             |                          |
| Anchorage, AK, GO, Refunding, FGIC  | 6.000% | 10/1/14       | \$ 500,000  | \$ 546,360               |
| <b>Arizona 3.1%</b>   |        |               |             |                          |
| Pinal County, AZ, Electric District No. 3   | 4.000% | 7/1/23        | 1,000,000   | 1,076,640                |
| Pinal County, AZ, Electric District No. 3   | 5.000% | 7/1/24        | 1,760,000   | 2,041,600                |
| Pinal County, AZ, Electric District No. 3   | 5.000% | 7/1/25        | 1,280,000   | 1,479,539                |
| <b>Total Arizona</b>  |        |               |             | <b>4,597,779</b>         |
| <b>California 13.6%</b>   |        |               |             |                          |
| California Statewide CDA Revenue:   |        |               |             |                          |
| Lodi Memorial Hospital, CMI   | 5.000% | 12/1/22       | 2,000,000   | 2,194,740                |
| Proposition 1A Receivables Program  | 5.000% | 6/15/13       | 2,000,000   | 2,049,860                |
| Long Beach, CA, Bond Finance Authority Lease Revenue                              | 5.000% | 8/1/31        | 1,855,000   | 2,174,116 <sup>(a)</sup> |
| Los Angeles County, CA, Public Works Financing Authority, Lease Revenue:          |        |               |             |                          |
| Multiple Capital Project II   | 5.000% | 8/1/21        | 1,000,000   | 1,221,320                |
| Multiple Capital Project II   | 5.000% | 8/1/22        | 1,000,000   | 1,225,760                |
| Los Angeles, CA, COP, Hollywood Presbyterian Medical Center, INDLC                | 9.625% | 7/1/13        | 185,000     | 194,799 <sup>(b)</sup>   |
| M-S-R Energy Authority, CA, Gas Revenue   | 6.125% | 11/1/29       | 3,000,000   | 3,921,510                |
| Modesto, CA, Irrigation District Electric Revenue                                 | 5.000% | 7/1/24        | 4,130,000   | 4,996,557                |
| Modesto, CA, Irrigation District Electric Revenue                                 | 5.000% | 7/1/25        | 2,000,000   | 2,405,840                |
| San Francisco, CA, Airport Improvement Corp., Lease Revenue, United Airlines Inc. | 8.000% | 7/1/13        | 60,000      | 62,639 <sup>(b)</sup>    |
| <b>Total California</b>   |        |               |             | <b>20,447,141</b>        |
| <b>Colorado 5.4%</b>  |        |               |             |                          |
| Colorado Educational & Cultural Facilities Authority Revenue Charter School:      |        |               |             |                          |
| Bromley School Project, SCA   | 5.125% | 9/15/20       | 1,155,000   | 1,216,111                |
| Refunding & Improvement, University Lab School, SCA                               | 5.250% | 6/1/24        | 1,350,000   | 1,381,023                |
| E-470 Public Highway Authority Revenue, CO  | 5.250% | 9/1/25        | 2,000,000   | 2,236,820                |
| Public Authority for Colorado Energy, Natural Gas Purchase Revenue                | 6.125% | 11/15/23      | 2,000,000   | 2,521,740                |
| SBC Metropolitan District, CO, GO, ACA  | 5.000% | 12/1/25       | 750,000     | 769,230                  |
| <b>Total Colorado</b>   |        |               |             | <b>8,124,924</b>         |

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|  |  |        |        |           |                  |
|--|--|--------|--------|-----------|------------------|
| <b>Connecticut 3.1%</b>  |  |        |        |           |                  |
| Connecticut State HEFA Revenue, Bristol Hospital                                       |  | 5.500% | 7/1/21 | 1,845,000 | 1,865,424        |
| Connecticut State, Development Authority PCR,<br>Connecticut Light & Power Co. Project |  | 4.375% | 9/1/28 | 2,500,000 | 2,780,725        |
| <b>Total Connecticut</b>   |  |        |        |           | <b>4,646,149</b> |

See Notes to Financial Statements.

## Western Asset Intermediate Muni Fund Inc.

| Security  | Rate   | Maturity Date | Face Amount  | Value             |
|---|--------|---------------|--------------|-------------------|
| <b>Florida 7.0%</b>   |        |               |              |                   |
| Citizens Property Insurance Corp., FL   | 5.000% | 6/1/16        | \$ 5,000,000 | \$ 5,616,250      |
| Jacksonville, FL, Sales Tax Revenue, Better Jacksonville  | 5.000% | 10/1/30       | 1,500,000    | 1,791,570         |
| Miami-Dade County, FL, School Board, COP  | 5.000% | 2/1/24        | 2,000,000    | 2,310,720         |
| Old Palm Community Development District, FL, Palm Beach Gardens   | 5.375% | 5/1/14        | 855,000      | 849,408           |
| <b>Total Florida</b>  |        |               |              | <b>10,567,948</b> |
| <b>Georgia 7.3%</b>   |        |               |              |                   |
| Athens, GA, Housing Authority Student Housing Lease Revenue, University of Georgia East Campus, AMBAC   | 5.250% | 12/1/23       | 970,000      | 970,000 (c)       |
| Atlanta, GA, Water & Wastewater Revenue   | 6.000% | 11/1/23       | 2,000,000    | 2,586,740         |
| DeKalb Private Hospital Authority Revenue, GA, Anticipation CTFS, Children s Health Care of Atlanta Inc | 5.000% | 11/15/29      | 2,000,000    | 2,255,720         |
| DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project | 6.000% | 7/1/29        | 1,000,000    | 1,183,610         |
| Georgia Municipal Electric Authority, Power Revenue, Refunding, AGM                                     | 5.000% | 1/1/18        | 3,000,000    | 3,010,470 (c)     |
| Griffin, GA, Combined Public Utilities Revenue, Refunding & Improvement, AMBAC                          | 5.000% | 1/1/21        | 1,000,000    | 1,023,490         |
| <b>Total Georgia</b>  |        |               |              | <b>11,030,030</b> |
| <b>Illinois 2.7%</b>  |        |               |              |                   |
| Chicago, IL, O Hare International Airport Revenue, Refunding Bonds, Lien A-2, AGM                       | 5.750% | 1/1/19        | 1,500,000    | 1,578,435 (d)     |
| Glendale Heights, IL, Hospital Revenue, Refunding Glendale Heights Project                              | 7.100% | 12/1/15       | 440,000      | 484,810 (b)       |
| Illinois Development Finance Authority, Chicago Charter School Foundation Project A                     | 5.250% | 12/1/12       | 80,000       | 80,000 (b)        |
| Illinois Finance Authority Revenue, Memorial Health System  | 5.250% | 4/1/29        | 1,670,000    | 1,869,548         |
| <b>Total Illinois</b>   |        |               |              | <b>4,012,793</b>  |
| <b>Indiana 3.8%</b>   |        |               |              |                   |
| Indiana State Finance Authority, Environmental Revenue, U.S. Steel Corp.                                | 6.000% | 12/1/19       | 1,000,000    | 1,087,220         |
| Indianapolis, IN, Thermal Energy System, Multi-Mode   | 5.000% | 10/1/23       | 4,000,000    | 4,554,840 (e)     |
| <b>Total Indiana</b>  |        |               |              | <b>5,642,060</b>  |
| <b>Iowa 0.1%</b>  |        |               |              |                   |
| Muscatine, IA, Electric Revenue   | 9.700% | 1/1/13        | 165,000      | 166,125 (b)       |

See Notes to Financial Statements.





10 Western Asset Intermediate Muni Fund Inc. 2012 Annual Report

**Schedule of investments (cont d)**

November 30, 2012

**Western Asset Intermediate Muni Fund Inc.**

| <b>Security</b>   | <b>Rate</b> | <b>Maturity Date</b> | <b>Face Amount</b> | <b>Value</b>      |
|---|-------------|----------------------|--------------------|-------------------|
| <b>Kansas 1.7%</b>  |             |                      |                    |                   |
| Burlington, KS, Environmental Improvement Revenue, Kansas City Power & Light                        | 5.250%      | 4/1/13               | \$ 2,500,000       | \$ 2,527,825 (f)  |
| <b>Maryland 0.1%</b>  |             |                      |                    |                   |
| Maryland State Health & Higher EFA Revenue, Refunding Mercy Medical Center, AGM                     | 6.500%      | 7/1/13               | 195,000            | 200,532           |
| <b>Massachusetts 0.3%</b>   |             |                      |                    |                   |
| Massachusetts State DFA Revenue, Curry College, ACA   | 6.000%      | 3/1/20               | 395,000            | 395,842           |
| <b>Michigan 11.7%</b>   |             |                      |                    |                   |
| Detroit, MI, Water Supply System Revenue, Senior Lien   | 5.250%      | 7/1/26               | 5,000,000          | 5,647,000         |
| Michigan State Housing Development Authority Rental Housing Revenue                                 | 5.250%      | 10/1/24              | 2,640,000          | 2,835,413         |
| Michigan State, Hospital Finance Authority Revenue:   |             |                      |                    |                   |
| Oakwood Obligated Group   | 5.500%      | 11/1/18              | 1,000,000          | 1,047,640 (c)     |
| Refunding, Hospital Sparrow Obligated   | 5.000%      | 11/15/14             | 1,190,000          | 1,283,593         |
| Walled Lake, MI, Consolidated School District, NATL   | 5.000%      | 5/1/22               | 1,000,000          | 1,090,580         |
| Wayne County, MI, Airport Authority Revenue, Detroit Metropolitan Airport                           | 5.000%      | 12/1/16              | 5,000,000          | 5,706,400 (d)     |
| <b>Total Michigan</b>   |             |                      |                    | <b>17,610,626</b> |
| <b>Missouri 1.7%</b>  |             |                      |                    |                   |
| Missouri State Environmental Improvement & Energy Resources Authority, KC Power & Light Co. Project | 4.900%      | 7/1/13               | 2,500,000          | 2,544,900 (d)(f)  |
| <b>Nevada 3.0%</b>  |             |                      |                    |                   |
| Humboldt County, NV, PCR, Idaho Power Co. Project   | 5.150%      | 12/1/24              | 4,000,000          | 4,493,040         |
| <b>New Hampshire 4.6%</b>   |             |                      |                    |                   |
| New Hampshire HEFA Revenue, Healthcare Systems Covenant Health                                      | 5.000%      | 7/1/28               | 6,400,000          | 6,980,096         |
| <b>New Jersey 10.4%</b>   |             |                      |                    |                   |
| New Jersey State EDA Revenue, Continental Airlines Inc. Project                                     | 4.875%      | 9/15/19              | 2,000,000          | 2,063,300 (d)     |
| New Jersey State EFA Revenue, University of Medicine & Dentistry                                    | 7.125%      | 12/1/23              | 2,000,000          | 2,601,040         |
| New Jersey State Higher Education Assistance Authority, Student Loan Revenue                        | 5.375%      | 6/1/24               | 4,000,000          | 4,571,560         |
| New Jersey State Higher Education Assistance Authority, Student Loan Revenue, AGC                   | 5.875%      | 6/1/21               | 1,220,000          | 1,399,608 (d)     |

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|   |        |         |           |           |
|---|--------|---------|-----------|-----------|
| New Jersey State Transportation Trust Fund Authority<br>Revenue | 5.250% | 6/15/23 | 4,000,000 | 5,018,120 |
|---|--------|---------|-----------|-----------|

See Notes to Financial Statements.

## Western Asset Intermediate Muni Fund Inc.

| Security   | Rate   | Maturity Date | Face Amount | Value             |
|--|--------|---------------|-------------|-------------------|
| <b><i>New Jersey continued</i></b>   |        |               |             |                   |
| Ringwood Borough, NJ, Sewer Authority Special Obligation   | 9.875% | 7/1/13        | \$ 25,000   | \$ 26,371 (b)     |
| <b><i>Total New Jersey</i></b>   |        |               |             | <b>15,679,999</b> |
| <b><i>New Mexico 2.0%</i></b>  |        |               |             |                   |
| Bernalillo County, NM, Gross Receipts Tax Revenue, AMBAC   | 5.250% | 10/1/18       | 1,100,000   | 1,357,455         |
| New Mexico Finance Authority Revenue, Subordinated Lien, Public Project Revolving Fund, NATL                       | 5.000% | 6/15/19       | 1,415,000   | 1,611,232         |
| <b><i>Total New Mexico</i></b>   |        |               |             | <b>2,968,687</b>  |
| <b><i>New York 7.8%</i></b>  |        |               |             |                   |
| New York State Dormitory Authority, New York & Presbyterian Hospital, AGM  | 5.250% | 2/15/24       | 2,975,000   | 3,149,038         |
| New York State Thruway Authority Highway & Bridge Trust Fund Revenue, AMBAC  | 5.000% | 4/1/21        | 2,000,000   | 2,244,080         |
| New York, NY, GO   | 5.000% | 8/1/21        | 5,000,000   | 6,382,800         |
| <b><i>Total New York</i></b>   |        |               |             | <b>11,775,918</b> |
| <b><i>North Carolina 1.4%</i></b>  |        |               |             |                   |
| North Carolina Eastern Municipal Power Agency, Power Systems Revenue   | 5.000% | 1/1/26        | 1,750,000   | 2,035,723         |
| <b><i>Ohio 6.3%</i></b>  |        |               |             |                   |
| American Municipal Power-Ohio Inc., Electricity Purchase Revenue   | 5.000% | 2/1/13        | 2,000,000   | 2,013,700         |
| Kettering, OH, City School District, School Improvement, AGM   | 5.000% | 12/1/19       | 1,000,000   | 1,091,870 (c)     |
| Ohio State Air Quality Development Authority Revenue, FirstEnergy Generation Corp.                                 | 5.625% | 6/1/18        | 1,000,000   | 1,167,160         |
| Ohio State Water Development Authority, Pollution Control Facilities Revenue, FirstEnergy Nuclear Generation Corp. | 3.375% | 7/1/15        | 5,000,000   | 5,174,050 (f)     |
| <b><i>Total Ohio</i></b>   |        |               |             | <b>9,446,780</b>  |
| <b><i>Oklahoma 2.0%</i></b>  |        |               |             |                   |
| Grand River Dam Authority, OK, Revenue   | 5.000% | 6/1/30        | 2,500,000   | 2,946,850         |
| <b><i>Oregon 0.4%</i></b>  |        |               |             |                   |
| Portland, OR, River District Urban Renewal & Redevelopment   | 5.000% | 6/15/28       | 570,000     | 671,095           |
| <b><i>Pennsylvania 5.9%</i></b>  |        |               |             |                   |
| Montgomery County, PA, IDA Revenue, New Regional Medical Center Project, FHA                                       | 5.000% | 8/1/24        | 2,000,000   | 2,347,880         |
| Northampton County, PA, IDA Revenue, Mortgage Moravian Hall Square Project, Radian                                 | 5.500% | 7/1/19        | 1,365,000   | 1,373,572         |

See Notes to Financial Statements.

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12 Western Asset Intermediate Muni Fund Inc. 2012 Annual Report

Schedule of investments (cont d)

November 30, 2012

Western Asset Intermediate Muni Fund Inc.

| Security   | Rate    | Maturity Date | Face Amount  | Value            |
|--|---------|---------------|--------------|------------------|
| <b>Pennsylvania continued</b>  |         |               |              |                  |
| Pennsylvania State Public School Building Authority Lease Revenue, Philadelphia School District Project, AGM | 5.000%  | 6/1/27        | \$ 2,000,000 | \$ 2,440,820     |
| Philadelphia, PA, Gas Works Revenue, 7th General Ordinance, AMBAC  | 5.000%  | 10/1/17       | 1,000,000    | 1,154,150        |
| Pittsburgh, PA, School District GO, AGM  | 5.375%  | 9/1/16        | 1,350,000    | 1,553,837        |
| <b>Total Pennsylvania</b>  |         |               |              | <b>8,870,259</b> |
| <b>Puerto Rico 3.2%</b>  |         |               |              |                  |
| Puerto Rico Commonwealth Government Development Bank, NATL   | 4.750%  | 12/1/15       | 2,000,000    | 2,056,680        |
| Puerto Rico Commonwealth, GO, Public Improvement   | 5.500%  | 7/1/26        | 2,500,000    | 2,714,900        |
| <b>Total Puerto Rico</b>   |         |               |              | <b>4,771,580</b> |
| <b>Rhode Island 0.7%</b>   |         |               |              |                  |
| Central Falls, RI, GO, Radian  | 5.875%  | 5/15/15       | 1,000,000    | 1,001,650        |
| <b>South Carolina 0.7%</b>   |         |               |              |                  |
| Greenville County, SC, School District Installment Purchase, Revenue, Refunding, Building Equity             | 6.000%  | 12/1/21       | 1,100,000    | 1,111,000 (c)    |
| <b>Tennessee 5.5%</b>  |         |               |              |                  |
| Tennessee Energy Acquisition Corp., Gas Revenue  | 5.250%  | 9/1/20        | 2,030,000    | 2,406,382        |
| Tennessee Energy Acquisition Corp., Gas Revenue  | 5.250%  | 9/1/23        | 4,940,000    | 5,898,657        |
| <b>Total Tennessee</b>   |         |               |              | <b>8,305,039</b> |
| <b>Texas 6.5%</b>  |         |               |              |                  |
| Dallas-Fort Worth, TX, International Airport Revenue, Refunding, AGM   | 5.500%  | 11/1/20       | 1,000,000    | 1,085,310 (d)    |
| El Paso County, TX, Housing Finance Corp., La Plaza Apartments, Subordinated                                 | 8.000%  | 7/1/30        | 235,000      | 235,252          |
| El Paso County, TX, Housing Finance Corp., MFH Revenue, American Village Communities                         | 6.250%  | 12/1/24       | 360,000      | 360,320          |
| North Texas Tollway Authority Revenue, NATL  | 5.125%  | 1/1/28        | 2,000,000    | 2,269,000        |
| Sabine River Authority, Texas PCR, Southwestern Electric Power Co., NATL                                     | 4.950%  | 3/1/18        | 3,000,000    | 3,401,250        |
| Texas State Department Housing Community Affairs Home Mortgage Revenue, RIBS, GNMA/FNMA/FHLMC-Collateralized | 11.670% | 7/2/24        | 125,000      | 137,890 (d)(e)   |
| Texas State Municipal Gas Acquisition & Supply Corp. III, Gas Supply Revenue                                 | 5.000%  | 12/15/22      | 2,000,000    | 2,332,860 (a)    |

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|                             |        |        |           |           |                  |
|-----------------------------|--------|--------|-----------|-----------|------------------|
| <b>Total Texas</b>          |        |        |           |           | <b>9,821,882</b> |
| <b>Virginia 4.8%</b>        |        |        |           |           |                  |
| Pittsylvania County, VA, GO | 5.500% | 2/1/22 | 540,000   | 658,373   |                  |
| Pittsylvania County, VA, GO | 5.500% | 2/1/23 | 1,030,000 | 1,248,422 |                  |
| Pittsylvania County, VA, GO | 5.600% | 2/1/24 | 2,490,000 | 3,024,354 |                  |

See Notes to Financial Statements.

## Western Asset Intermediate Muni Fund Inc.

| Security   | Rate   | Maturity Date | Face Amount  | Value                              |
|--|--------|---------------|--------------|------------------------------------|
| <b>Virginia continued</b>  |        |               |              |                                    |
| Virginia State Small Business Financing Authority Revenue, Elizabeth River Crossings OpCo LLC Project                                  | 5.000% | 1/1/27        | \$ 2,000,000 | \$ 2,250,840 <sup>(d)</sup>        |
| <b>Total Virginia</b>  |        |               |              | <b>7,181,989</b>                   |
| <b>Washington 0.8%</b>   |        |               |              |                                    |
| Washington State Health Care Facilities Authority Revenue, Multicare Health System   | 5.750% | 8/15/29       | 1,000,000    | <b>1,197,790</b>                   |
| <b>Wisconsin 1.6%</b>  |        |               |              |                                    |
| La Crosse, WI, Resource Recovery Revenue, Refunding Bonds, Northern States Power Co. Project   | 6.000% | 11/1/21       | 2,000,000    | <b>2,469,320</b> <sup>(d)</sup>    |
| <b>Total Investments before Short-Term Investments (Cost \$175,654,063)</b>  |        |               |              | <b>194,789,731</b>                 |
| <b>Short-Term Investments 4.6%</b>   |        |               |              |                                    |
| <b>California 1.1%</b>   |        |               |              |                                    |
| Eastern Municipal Water District, Water & Sewer Revenue, COP, SPA-Wells Fargo Bank N.A.  | 0.140% | 7/1/35        | 1,700,000    | <b>1,700,000</b> <sup>(g)(h)</sup> |
| <b>Florida 2.0%</b>  |        |               |              |                                    |
| Gainesville, FL, Utilities System Revenue, SPA-JPMorgan Chase  | 0.180% | 10/1/42       | 3,000,000    | <b>3,000,000</b> <sup>(g)(h)</sup> |
| <b>Indiana 1.5%</b>  |        |               |              |                                    |
| Indiana Health Facilities Financing Authority, Hospital Revenue, Community Hospitals Project of Indiana Inc., LOC-Bank of America N.A. | 0.180% | 7/1/28        | 2,300,000    | <b>2,300,000</b> <sup>(g)(h)</sup> |
| <b>Total Short-Term Investments (Cost \$7,000,000)</b>   |        |               |              | <b>7,000,000</b>                   |
| <b>Total Investments 134.2% (Cost \$182,654,063#)</b>  |        |               |              | <b>201,789,731</b>                 |
| <b>Auction Rate Cumulative Preferred Stock, at Liquidation Value (33.3)%</b>   |        |               |              | <b>(50,000,000)</b>                |
| <b>Liabilities in Excess of Other Assets (0.9)%</b>  |        |               |              | <b>(1,478,629)</b>                 |
| <b>Total Net Assets 100.0%</b>   |        |               |              | <b>\$ 150,311,102</b>              |

- (a) Security is purchased on a when-issued basis.
- (b) Bonds are escrowed to maturity by government securities and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.
- (c) Pre-Refunded bonds are escrowed with U.S. government obligations and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.
- (d) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax ( AMT ).

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- (e) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (f) Maturity date shown represents the mandatory tender date.
- (g) Variable rate demand obligations have a demand feature under which the Fund can tender them back to the issuer or liquidity provider on no more than 7 days notice.
- (h) Maturity date shown is the final maturity date. The security may be sold back to the issuer before final maturity.
- # Aggregate cost for federal income tax purposes is \$182,575,129.

See Notes to Financial Statements.



**Schedule of investments (cont d)**

November 30, 2012

**Western Asset Intermediate Muni Fund Inc.**

**Abbreviations used in this schedule:**

|        |   |               |
|--------|---|---------------|
| ACA    | American Capital Assurance                    | Insured Bonds |
| AGC    | Assured Guaranty Corporation                  | Insured Bonds |
| AGM    | Assured Guaranty Municipal Corporation        | Insured Bonds |
| AMBAC  | American Municipal Bond Assurance Corporation | Insured Bonds |
| CDA    | Communities Development Authority             |               |
| CMI    | California Mortgage Insurance Program         | Insured Bonds |
| COP    | Certificates of Participation                 |               |
| CTFS   | Certificates                                  |               |
| DFA    | Development Finance Agency                    |               |
| EDA    | Economic Development Authority                |               |
| EFA    | Educational Facilities Authority              |               |
| FGIC   | Financial Guaranty Insurance Company          | Insured Bonds |
| FHA    | Federal Housing Administration                |               |
| FHLMC  | Federal Home Loan Mortgage Corporation        |               |
| FNMA   | Federal National Mortgage Association         |               |
| GNMA   | Government National Mortgage Association      |               |
| GO     | General Obligation                            |               |
| HEFA   | Health & Educational Facilities Authority     |               |
| IDA    | Industrial Development Authority              |               |
| INDLC  | Industrial Indemnity Company                  | Insured Bonds |
| LOC    | Letter of Credit                              |               |
| MFH    | Multi-Family Housing                          |               |
| NATL   | National Public Finance Guarantee Corporation | Insured Bonds |
| PCR    | Pollution Control Revenue                     |               |
| Radian | Radian Asset Assurance                        | Insured Bonds |
| RIBS   | Residual Interest Bonds                       |               |
| SCA    | Syncora Capital Assurance Inc.                | Insured Bonds |
| SPA    | Standby Bond Purchase Agreement               | Insured Bonds |

See Notes to Financial Statements.

**Western Asset Intermediate Muni Fund Inc.****Summary of Investments by Industry (unaudited)**

|                                   |               |
|-----------------------------------|---------------|
| Industrial revenue                | 18.5%         |
| Power                             | 16.2          |
| Health care                       | 12.2          |
| Transportation                    | 10.0          |
| Local general obligation          | 8.4           |
| Special tax obligation            | 5.1           |
| Education                         | 5.0           |
| Leasing                           | 4.7           |
| Pre-refunded/escrowed to maturity | 4.1           |
| Water & sewer                     | 4.1           |
| Other                             | 3.8           |
| Housing                           | 1.8           |
| State general obligation          | 1.3           |
| Solid waste/resource recovery     | 1.3           |
| Short-term investments            | 3.5           |
|                                   | <b>100.0%</b> |

As a percentage of total investments. Please note that Fund holdings are as of November 30, 2012 and are subject to change.

**Ratings Table\* (unaudited)**

|                                   |               |
|-----------------------------------|---------------|
| Standard & Poor's/Moody's/Fitch** |               |
| AAA/Aaa                           | 1.0%          |
| AA/Aa                             | 30.9          |
| A                                 | 47.3          |
| BBB/Baa                           | 13.1          |
| BB/Ba                             | 1.0           |
| B                                 | 1.0           |
| A-1/VMIG 1                        | 3.5           |
| NR                                | 2.2           |
|                                   | <b>100.0%</b> |

\* As a percentage of total investments.

\*\* The ratings shown are based on each portfolio security's rating as determined by Standard & Poor's, Moody's or Fitch, each a Nationally Recognized Statistical Rating Organization (NRSRO). These ratings are the opinions of the NRSRO and are not measures of quality or guarantees of performance. Securities may be rated by other NRSROs, and these ratings may be higher or lower. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from a NRSRO.

See Notes to Financial Statements.

Western Asset Intermediate Muni Fund Inc. 2012 Annual Report

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**Statement of assets and liabilities**

November 30, 2012

**Assets:**

|  |                    |
|--|--------------------|
| Investments, at value (Cost \$182,654,063) | \$201,789,731      |
| Cash                                       | 4,878              |
| Interest receivable                        | 2,999,460          |
| Receivable for securities sold             | 115,000            |
| Prepaid expenses                           | 19,343             |
| <b>Total Assets</b>                        | <b>204,928,412</b> |

**Liabilities:**

|   |                  |
|---|------------------|
| Payable for securities purchased  | 4,440,110        |
| Investment management fee payable                                       | 89,744           |
| Payable to broker - variation margin on open futures contracts          | 11,625           |
| Distributions payable to auction rate cumulative preferred stockholders | 2,006            |
| Directors' fees payable   | 48               |
| Accrued expenses  | 73,777           |
| <b>Total Liabilities</b>  | <b>4,617,310</b> |

|   |                      |
|---|----------------------|
| <b>Series M Municipal Auction Rate Cumulative Preferred Stock (2,000 shares authorized and issued at \$25,000 per share (Note 5))</b> | <b>50,000,000</b>    |
| <b>Total Net Assets</b>   | <b>\$150,311,102</b> |

**Net Assets:**

|  |                      |
|--|----------------------|
| Par value (\$0.001 par value; 14,069,812 shares issued and outstanding, 100,000,000 shares authorized) | \$ 14,070            |
| Paid-in capital in excess of par value   | 135,248,239          |
| Undistributed net investment income  | 3,458,322            |
| Accumulated net realized loss on investments and futures contracts                                     | (7,451,652)          |
| Net unrealized appreciation on investments and futures contracts                                       | 19,042,123           |
| <b>Total Net Assets</b>  | <b>\$150,311,102</b> |

|                           |            |
|---------------------------|------------|
| <b>Shares Outstanding</b> | 14,069,812 |
|---------------------------|------------|

|                        |         |
|------------------------|---------|
| <b>Net Asset Value</b> | \$10.68 |
|------------------------|---------|

See Notes to Financial Statements.

**Statement of operations**

For the Year Ended November 30, 2012

**Investment Income:***Interest* **\$ 8,591,281****Expenses:**

|                                    |                  |
|------------------------------------|------------------|
| Investment management fee (Note 2) | 1,073,521        |
| Audit and tax                      | 42,850           |
| Transfer agent fees                | 31,870           |
| Shareholder reports                | 28,380           |
| Stock exchange listing fees        | 25,006           |
| Auction participation fee (Note 5) | 25,000           |
| Directors' fees                    | 21,915           |
| Legal fees                         | 21,043           |
| Rating agency fees                 | 15,012           |
| Fund accounting fees               | 14,379           |
| Auction agent fees                 | 10,043           |
| Custody fees                       | 7,489            |
| Insurance                          | 4,208            |
| Miscellaneous expenses             | 10,269           |
| <b>Total Expenses</b>              | <b>1,330,985</b> |
| <b>Net Investment Income</b>       | <b>7,260,296</b> |

**Realized and Unrealized Gain (Loss) on Investments and Futures Contracts (Notes 1, 3 and 4):**

|  |                     |
|--|---------------------|
| Net Realized Gain (Loss) From:   |                     |
| Investment transactions  | 240,096             |
| Futures contracts  | (315,574)           |
| <b>Net Realized Loss</b>   | <b>(75,478)</b>     |
| Change in Net Unrealized Appreciation (Depreciation) From:   |                     |
| Investments  | 10,921,629          |
| Futures contracts  | (249,024)           |
| <b>Change in Net Unrealized Appreciation (Depreciation)</b>  | <b>10,672,605</b>   |
| <b>Net Gain on Investments and Futures Contracts</b>   | <b>10,597,127</b>   |
| <b>Distributions Paid to Auction Rate Cumulative Preferred Stockholders from Net Investment Income (Notes 1 and 5)</b> | <b>(128,595)</b>    |
| <b>Increase in Net Assets from Operations</b>  | <b>\$17,728,828</b> |

See Notes to Financial Statements.

Western Asset Intermediate Muni Fund Inc. 2012 Annual Report

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## Statements of changes in net assets

| For the years ended November 30,  | 2012                      | 2011                      |
|---|---------------------------|---------------------------|
| <b>Operations:</b>  |                           |                           |
| Net investment income   | \$ 7,260,296              | \$ 7,452,341              |
| Net realized gain (loss)  | (75,478)                  | 476,932                   |
| Change in net unrealized appreciation (depreciation)  | 10,672,605                | 1,596,874                 |
| Distributions paid to auction rate cumulative preferred stockholders from net investment income | (128,595)                 | (154,040)                 |
| <b><i>Increase in Net Assets From Operations</i></b>  | <b><i>17,728,828</i></b>  | <b><i>9,372,107</i></b>   |
| <b>Distributions to Shareholders From (Note 1):</b>   |                           |                           |
| Net investment income   | (6,744,387)               | (6,741,368)               |
| <b><i>Decrease in Net Assets From Distributions to Common Stock Shareholders</i></b>            | <b><i>(6,744,387)</i></b> | <b><i>(6,741,368)</i></b> |
| <b>Fund Share Transactions:</b>   |                           |                           |
| Reinvestment of distributions (25,296 and 0 shares issued, respectively)                        | 264,017                   |                           |
| <b><i>Increase in Net Assets From Fund Share Transactions</i></b>                               | <b><i>264,017</i></b>     |                           |
| <b><i>Increase in Net Assets</i></b>  | <b><i>11,248,458</i></b>  | <b><i>2,630,739</i></b>   |
| <b>Net Assets:</b>  |                           |                           |
| Beginning of year   | 139,062,644               | 136,431,905               |
| <b>End of year*</b>   | <b>\$150,311,102</b>      | <b>\$139,062,644</b>      |
| * Includes undistributed net investment income of:  | \$3,458,322               | \$3,093,314               |

See Notes to Financial Statements.

**Financial highlights**

For a share of capital stock outstanding throughout each year ended November 30, unless otherwise noted:

|   | 2012          | 2011          | 2010          | 2009 <sup>1</sup> | 2008 <sup>2</sup> | 2007 <sup>2</sup> |
|---|---------------|---------------|---------------|-------------------|-------------------|-------------------|
| <b>Net asset value, beginning of year</b>   | \$9.90        | \$9.71        | \$9.57        | \$8.52            | \$9.68            | \$9.76            |
| <b>Income (loss) from operations:</b>   |               |               |               |                   |                   |                   |
| Net investment income   | 0.51          | 0.52          | 0.54          | 0.50              | 0.55              | 0.55              |
| Net realized and unrealized gain (loss)   | 0.76          | 0.16          | 0.08          | 0.95              | (1.18)            | (0.07)            |
| Distributions paid to auction rate cumulative preferred stockholders from net investment income | (0.01)        | (0.01)        | (0.01)        | (0.02)            | (0.12)            | (0.14)            |
| <b>Total income (loss) from operations</b>  | <b>1.26</b>   | <b>0.67</b>   | <b>0.61</b>   | <b>1.43</b>       | <b>(0.75)</b>     | <b>0.34</b>       |
| <b>Less distributions from:</b>   |               |               |               |                   |                   |                   |
| Net investment income   | (0.48)        | (0.48)        | (0.47)        | (0.38)            | (0.41)            | (0.42)            |
| <b>Total distributions</b>  | <b>(0.48)</b> | <b>(0.48)</b> | <b>(0.47)</b> | <b>(0.38)</b>     | <b>(0.41)</b>     | <b>(0.42)</b>     |
| <b>Net asset value, end of year</b>   | \$10.68       | \$9.90        | \$9.71        | \$9.57            | \$8.52            | \$9.68            |
| <b>Market price, end of year</b>  | \$10.99       | \$9.67        | \$9.45        | \$9.07            | \$7.55            | \$8.66            |
| <b>Total return, based on NAV<sup>3,4</sup></b>   | <b>13.02%</b> | <b>7.26%</b>  | <b>6.58%</b>  | <b>17.50%</b>     | <b>(7.56)%</b>    | <b>3.89%</b>      |
| <b>Total return, based on Market Price<sup>5</sup></b>  | <b>19.09%</b> | <b>7.65%</b>  | <b>9.44%</b>  | <b>25.66%</b>     | <b>(8.44)%</b>    | <b>0.79%</b>      |
| <b>Net assets, end of year (millions)</b>   | \$150         | \$139         | \$136         | \$134             | \$120             | \$136             |
| <b>Ratios to average net assets:<sup>6</sup></b>  |               |               |               |                   |                   |                   |
| Gross expenses  | 0.92          | 0.91          | 0.98          | 1.09 <sup>7</sup> | 1.12              | 1.02              |
| Net expenses  | 0.92          | 0.91          | 0.98          | 1.09 <sup>7</sup> | 1.12              | 1.02              |
| Net investment income   | 5.00          | 5.48          | 5.64          | 5.97 <sup>7</sup> | 5.89              | 5.67              |
| <b>Portfolio turnover rate</b>  | 14%           | 16%           | 15%           | 16%               | 19%               | 26%               |
| <b>Auction Rate Cumulative Preferred Stock:<sup>8</sup></b>                                     |               |               |               |                   |                   |                   |
| Total Amount Outstanding (000s)   | \$50,000      | \$50,000      | \$50,000      | \$50,000          | \$50,000          | \$50,000          |
| Asset Coverage Per Share  | 100,156       | 94,531        | 93,216        | 92,145            | 84,794            | 92,912            |
| Involuntary Liquidating Preference Per Share <sup>9</sup>                                       | 25,000        | 25,000        | 25,000        | 25,000            | 25,000            | 25,000            |

1 For the period January 1, 2009 through November 30, 2009.

2 For the year ended December 31.

3 Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

4 The total return calculation assumes that distributions are reinvested at NAV. Prior to January 1, 2012, the total return calculation assumed the reinvestment of all distributions in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

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5 The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

6 Calculated on the basis of average net assets of common stock shareholders. Ratios do not reflect the effect of dividend payments to preferred stockholders.

7 Annualized.

8 On January 28, 2002, the Fund issued 2,000 shares of Series M Municipal Auction Rate Cumulative Preferred Stock at \$25,000 per share.

9 Excludes accumulated and unpaid distributions.

See Notes to Financial Statements.



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## Notes to financial statements

### 1. Organization and significant accounting policies

Western Asset Intermediate Muni Fund Inc. (the Fund) was incorporated in Maryland on December 19, 1991 and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. The Fund's investment objective is to provide common shareholders a high level of current income exempt from regular federal income taxes consistent with prudent investing.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

**(a) Investment valuation.** The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

- Level 1 quoted prices in active markets for identical investments
  
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

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**Notes to financial statements (cont d)**

- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities carried at fair value:

| <b>ASSETS</b>            |                                    |  |  |                      |
|--------------------------|------------------------------------|--|--|----------------------|
| <b>Description</b>       | <b>Quoted Prices<br/>(Level 1)</b> | <b>Other Significant<br/>Observable Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>         |
| Municipal bonds          |                                    | \$194,789,731  |  | \$194,789,731        |
| Short-term investments   |                                    | 7,000,000  |  | 7,000,000            |
| <b>Total investments</b> |                                    | <b>\$201,789,731</b>   |  | <b>\$201,789,731</b> |

| <b>LIABILITIES</b>           |                                    |  |  |              |
|------------------------------|------------------------------------|--|--|--------------|
| <b>Description</b>           | <b>Quoted Prices<br/>(Level 1)</b> | <b>Other Significant<br/>Observable Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b> |
| Other financial instruments: |                                    |  |  |              |
| Futures contracts            | \$ 93,545                          |  |  | \$ 93,545    |

See Schedule of Investments for additional detailed categorizations.

**(b) Futures contracts.** The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

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Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

**(c) Net asset value.** The net asset value ( NAV ) of the Fund's Common Stock is determined no less frequently than the close of business on the Fund's last business day of each week (generally Friday) and on the last business day of the month. It is determined by dividing the value of the net assets

available to common stock by the total number of shares of common stock outstanding. For the purpose of determining the NAV per share of the Common Stock, the value of the Fund's net assets shall be deemed to equal the value of the Fund's assets less (1) the Fund's liabilities, and (2) the aggregate liquidation value (i.e., \$25,000 per outstanding share) of the Municipal Auction Rate Cumulative Preferred Stock ( Preferred Stock ).

**(d) Securities traded on a when-issued basis.** The Fund may trade securities on a when-issued basis. In a when-issued transaction, the securities are purchased or sold by the Fund with payment and delivery taking place in the future in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction.

Purchasing such securities involves risk of loss if the value of the securities declines prior to settlement. These securities are subject to market fluctuations and their current value is determined in the same manner as for other securities.

**(e) Security transactions and investment income.** Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

**(f) Distributions to shareholders.** Distributions from net investment income of the Fund, if any, are declared quarterly and paid on a monthly basis. The Fund intends to satisfy conditions that will enable interest from municipal securities, which is exempt from federal and certain state income taxes, to retain such tax-exempt status when distributed to the shareholders of the Fund. Distributions of net realized gains, if any, are taxable and are declared at least annually. Distributions to shareholders of the Fund are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

In addition, the holders of the Preferred Stock shall be entitled to receive dividends in accordance with an auction that will normally be held weekly and out of the funds legally available to shareholders.

**(g) Federal and other taxes.** It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the Code ), as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute its taxable income and net realized gains, if any, to shareholders in accordance with timing requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Fund's financial statements.

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**Notes to financial statements (cont d)**

Management has analyzed the Fund's tax positions taken on income tax returns for all open tax years and has concluded that as of November 30, 2012, no provision for income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by Internal Revenue Service and state departments of revenue.

**(h) Reclassification.** GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. During the current year, the following reclassifications have been made:

|     | <b>Undistributed Net<br/>Investment Income</b> | <b>Accumulated Net<br/>Realized Loss</b> | <b>Paid-in Capital</b> |
|-----|--|--|------------------------|
| (a) |  | \$3,468,358                              | \$(3,468,358)          |
| (b) | \$(22,306)                                     | 22,306                                   |                        |

(a) Reclassifications are primarily due to the expiration of a capital loss carryforward.

(b) Reclassifications are primarily due to differences between book and tax accretion of market discount on fixed income securities.

**2. Investment management agreement and other transactions with affiliates**

Legg Mason Partners Fund Advisor, LLC ( LMPFA ) is the Fund's investment manager and Western Asset Management Company ( Western Asset ) is the Fund's subadvisor. LMPFA and Western Asset are wholly-owned subsidiaries of Legg Mason, Inc. ( Legg Mason ).

LMPFA provides administrative and certain oversight services to the Fund. The Fund pays LMPFA an investment management fee, calculated daily and paid monthly, at an annual rate of 0.55% of the Fund's average daily net assets. For the purposes of calculating the investment management fee, the aggregate liquidation value of the Preferred Stock is not deducted in determining the Fund's average daily net assets.

LMPFA has delegated to Western Asset the day-to-day portfolio management of the Fund. For its services, LMPFA pays Western Asset 70% of the net management fee it receives from the Fund.

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The Fund had adopted an unfunded, non-qualified deferred compensation plan (the Plan ) which allowed non-interested directors ( Independent Directors ) to defer the receipt of all or a portion of their fees earned until a later date specified by the Independent Directors. The deferred balances are reported in the Statement of Assets and Liabilities under Directors fees payable and are considered a general obligation of the Fund and any payments made pursuant to the Plan will be made from the Fund s general assets. The Plan was terminated effective January 1, 2007. This change had

no effect on fees previously deferred. As of November 30, 2012, the Fund had accrued \$938 as deferred compensation payable.

All officers and one Director of the Fund are employees of Legg Mason or its affiliates and do not receive compensation from the Fund.

### 3. Investments

During the year ended November 30, 2012, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) were as follows:

|           |              |
|-----------|--------------|
| Purchases | \$29,795,527 |
| Sales     | 26,807,975   |

At November 30, 2012, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

|                                    |                     |
|------------------------------------|---------------------|
| Gross unrealized appreciation      | \$19,219,793        |
| Gross unrealized depreciation      | (5,191)             |
| <b>Net unrealized appreciation</b> | <b>\$19,214,602</b> |

At November 30, 2012, the Fund had the following open futures contracts:

|  | Number of<br>Contracts | Expiration<br>Date | Basis<br>Value | Market<br>Value | Unrealized<br>Loss |
|--|------------------------|--------------------|----------------|-----------------|--------------------|
| <b>Contracts to Sell:</b>                            |                        |                    |                |                 |                    |
| U.S. Treasury 30-Year Bonds                          | 53                     | 12/12              | \$7,939,047    | \$8,024,531     | \$(85,484)         |
| U.S. Treasury Ultra Long-Term Bonds                  | 9                      | 12/12              | 1,498,033      | 1,506,094       | (8,061)            |
| <b>Net unrealized loss on open futures contracts</b> |                        |                    |                |                 | <b>\$(93,545)</b>  |

### 4. Derivative instruments and hedging activities

GAAP requires enhanced disclosure about an entity's derivative and hedging activities.



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Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at November 30, 2012.

| <b>LIABILITY DERIVATIVES<sup>1</sup></b> |  |                           |  |
|--|--|---------------------------|--|
|  |  | <b>Interest Rate Risk</b> |  |
| Futures contracts <sup>2</sup>           |  | \$93,545                  |  |

1 Generally, the balance sheet location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

2 Includes cumulative appreciation (depreciation) of futures contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables of the Statement of Assets and Liabilities.

The following tables provide information about the effect of derivatives and hedging activities on the Fund's Statement of Operations for the year ended

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**Notes to financial statements (cont d)**

November 30, 2012. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

| <b>AMOUNT OF REALIZED LOSS ON DERIVATIVES RECOGNIZED</b> |  |                           |  |
|--|--|---------------------------|--|
|  |  | <b>Interest Rate Risk</b> |  |
| Futures contracts  |  | \$(315,574)               |  |

| <b>CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED</b> |  |                           |  |
|---|--|---------------------------|--|
|   |  | <b>Interest Rate Risk</b> |  |
| Futures contracts   |  | \$(249,024)               |  |

During the year ended November 30, 2012, the volume of derivative activity for the Fund was as follows:

|                             | <b>Average Market Value</b> |
|-----------------------------|-----------------------------|
| Futures contracts (to sell) | \$5,020,130                 |

**5. Municipal auction rate cumulative preferred stock**

On January 28, 2002, the Fund issued 2,000 shares of Series M Municipal Auction Rate Cumulative Preferred Stock ( ARCPS ). The ARCPS dividends are cumulative at a rate determined at an auction and the dividend period is typically 7 days. The dividend rate cannot exceed a certain maximum rate, including in the event of a failed auction, unless the Board of Directors of the Fund authorizes an increased maximum rate. To the extent capital gains and other taxable income are allocated to holders of Preferred Shares for tax purposes, the Fund will likely have to pay higher dividends to holders of Preferred Shares to compensate them for the increased tax liability to them resulting from such allocation. Due to failed auctions experienced by the Fund's ARCPS starting on February 14, 2008, the Fund pays the applicable maximum rate, which was calculated as 110% of the prevailing, 30-day AA Financial Composite Commercial Paper Rate. The Fund may pay higher maximum rates if the Fund's ARCPS were to be lowered by the rating agencies. The dividend rates ranged from 0.107% to 0.381% during the year ended November 30, 2012. At November 30, 2012, the dividend rate was 0.274%.

The ARCPS are redeemable under certain conditions by the Fund, or subject to mandatory redemption (if the Fund is in default of certain coverage requirements) at a redemption price equal to the liquidation preference, which is the sum of \$25,000 per share plus accumulated and unpaid dividends.

The Fund is required to maintain certain asset coverages with respect to the ARCPS. If the Fund fails to maintain these coverages and does not cure any such failure within the required time period, the Fund is required to redeem

a requisite number of the ARCPS in order to meet the applicable requirement. Additionally, failure to meet the foregoing asset coverage requirements would restrict the Fund's ability to pay dividends to common shareholders.

Citigroup Global Markets Inc. (CGM) an indirect wholly-owned subsidiary of Citigroup, also currently acts as a broker/dealer in connection with the auction of ARCPS. For all previous periods since the ARCPS have been outstanding, the participation fee has been paid at the annual rate of 0.25% of the purchase price of the ARPCS that the broker/dealer places at the auction however, on August 3, 2009, CGM reduced its participation fee to an annual rate of 0.05% of the purchase price of the ARCPS, in the case of a failed auction. For the year ended November 30, 2012, CGM earned \$25,000 as a participating broker/dealer.

#### 6. Distributions subsequent to November 30, 2012

On November 8, 2012, the Fund's Board of Directors declared three distributions, in the amount of \$0.04 per share, payable on December 21, 2012, January 25, 2013 and February 22, 2013 to shareholders of record on December 14, 2012, January 18, 2013 and February 15, 2013, respectively.

#### 7. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal years ended November 30, was as follows:

|   | 2012               | 2011               |
|---|--------------------|--------------------|
| <b>Distributions Paid From:</b>                                     |                    |                    |
| Tax-exempt income to common shareholders                            | \$6,744,387        | \$6,741,368        |
| Tax-exempt income to auction rate cumulative preferred stockholders | 128,595            | 154,040            |
| <b>Total distributions paid</b>                                     | <b>\$6,872,982</b> | <b>\$6,895,408</b> |

Western Asset Intermediate Muni Fund Inc. 2012 Annual Report

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**Notes to financial statements (cont d)**

As of November 30, 2012, the components of accumulated earnings on a tax basis were as follows:

|  |                     |
|--|---------------------|
| Undistributed tax-exempt income net            | \$ 3,520,329        |
| Capital loss carryforward*                     | (7,624,131)         |
| Other book/tax temporary differences(a)        | 31,538              |
| Unrealized appreciation (depreciation)(b)      | 19,121,057          |
| <b>Total accumulated earnings (losses) net</b> | <b>\$15,048,793</b> |

\* As of November 30, 2012, the Fund had the following net capital loss carryforwards remaining:

| <b>Year of Expiration</b> | <b>Amount</b>  |
|---------------------------|----------------|
| No Expiration             | \$ (324,501)** |
| 11/30/2013                | (2,162,105)    |
| 11/30/2017                | (4,622,724)    |
| 11/30/2018                | (514,801)      |
|                           | \$(7,624,131)  |

These amounts will be available to offset any future taxable capital gains.

\*\* Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward these capital losses for an unlimited period. However, these losses will be required to be utilized prior to the Fund's other capital losses with the expiration dates listed above. Additionally, these capital losses retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

(a) Other book/tax temporary differences are attributable primarily to the realization for tax purposes of unrealized losses on certain futures contracts and book/tax differences in the timing of the deductibility of various expenses.

(b) The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the difference between book & tax accretion methods for market discount on fixed income securities.

**Report of independent registered public accounting firm**

**The Board of Directors and Shareholders  
Western Asset Intermediate Muni Fund Inc.:**

We have audited the accompanying statement of assets and liabilities of Western Asset Intermediate Muni Fund Inc., including the schedule of investments, as of November 30, 2012, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the three-year period then ended, the period from January 1, 2009 to November 30, 2009, and each of the years in the two-year period ended December 31, 2008. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of November 30, 2012, by correspondence with the custodian and brokers or by other appropriate auditing procedures. 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 Western Asset Intermediate Muni Fund Inc. as of November 30, 2012, and the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the three-year period then ended, the period from January 1, 2009 to November 30, 2009, and each of the years in the two-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

New York, New York  
January 18, 2013

Western Asset Intermediate Muni Fund Inc.

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**Commodity exchange act regulation exclusion (unaudited)**

The Fund is operated by persons who have claimed an exclusion, granted to operators of registered investment companies like the Fund, from registration as a commodity pool operator with respect to the Fund under the Commodity Exchange Act (the CEA), and, therefore, are not subject to registration or regulation with respect to the Fund under the CEA. As a result, effective December 31, 2012, the Fund is limited in its ability to use commodity futures (which include futures on broad-based securities indexes and interest rate futures) (collectively, commodity interests) or options on commodity futures, engage in certain swaps transactions or make certain other investments (whether directly or indirectly through investments in other investment vehicles) for purposes other than bona fide hedging, as defined in the rules of the Commodity Futures Trading Commission. With respect to transactions other than for bona fide hedging purposes, either: (1) the aggregate initial margin and premiums required to establish the Fund's positions in such investments may not exceed 5% of the liquidation value of the Fund's portfolio (after accounting for unrealized profits and unrealized losses on any such investments); or (2) the aggregate net notional value of such instruments, determined at the time the most recent position was established, may not exceed 100% of the liquidation value of the Fund's portfolio (after accounting for unrealized profits and unrealized losses on any such positions). In addition to meeting one of the foregoing trading limitations, the Fund may not market itself as a commodity pool or otherwise as a vehicle for trading in the futures, options or swaps markets.

**Board approval of management and subadvisory agreements (unaudited)****Background**

The Investment Company Act of 1940, as amended (the 1940 Act), requires that the Board of Directors (the Board) of Western Asset Intermediate Muni Fund Inc. (the Fund), including a majority of its members that are not considered to be interested persons under the 1940 Act (the Independent Directors) voting separately, approve on an annual basis the continuation of the investment management contract (the Management Agreement) with the Fund's manager, Legg Mason Partners Fund Advisor, LLC (the Manager), and the sub-advisory agreement (the Sub-Advisory Agreement) with the Manager's affiliate, Western Asset Management Company (the Sub-Adviser). At a meeting (the Contract Renewal Meeting) held in-person on November 7 and 8, 2012, the Board, including the Independent Directors, considered and approved the continuation of each of the Management Agreement and the Sub-Advisory Agreement for an additional one-year term. To assist in its consideration of the renewals of the Management Agreement and the Sub-Advisory Agreement, the Board received and considered a variety of information (together with the information provided at the Contract Renewal Meeting, the Contract Renewal Information) about the Manager and the Sub-Adviser, as well as the management and sub-advisory arrangements for the Fund and the other closed-end funds in the same complex under the Board's supervision (collectively, the Legg Mason Closed-end Funds), certain portions of which are discussed below. A presentation made by the Manager and the Sub-Adviser to the Board at the Contract Renewal Meeting in connection with its evaluations of the Management Agreement and the Sub-Advisory Agreement encompassed the Fund and other Legg Mason Closed-end Funds. In addition to the Contract Renewal Information, the Board received performance and other information throughout the year related to the respective services rendered by the Manager and the Sub-Adviser to the Fund. The Board's evaluation took into account the information received throughout the year and also reflected the knowledge and familiarity gained as members of the Board of the Fund and other Legg Mason Closed-end Funds with respect to the services provided to the Fund by the Manager and the Sub-Adviser.

The Manager provides the Fund with investment advisory and administrative services pursuant to the Management Agreement and the Sub-Adviser provides the Fund with certain investment sub-advisory services pursuant to the Sub-Advisory Agreement. The discussion below covers both the advisory and administrative functions being rendered by the Manager, each such function being encompassed by the Management Agreement, and the investment sub-advisory functions being rendered by the Sub-Adviser.



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**Board approval of management and subadvisory agreements (unaudited) (cont d)**

**Board approval of management agreement and sub-advisory agreement**

In its deliberations regarding renewal of the Management Agreement and the Sub-Advisory Agreement, the Board, including the Independent Directors, considered the factors below.

**Nature, extent and quality of the services under the management agreement and sub-advisory agreement**

The Board received and considered Contract Renewal Information regarding the nature, extent and quality of services provided to the Fund by the Manager and the Sub-Adviser under the Management Agreement and the Sub-Advisory Agreement, respectively, during the past year. The Board also reviewed Contract Renewal Information regarding the Fund's compliance policies and procedures established pursuant to the 1940 Act.

The Board reviewed the qualifications, backgrounds and responsibilities of the Fund's senior personnel and the portfolio management team primarily responsible for the day-to-day portfolio management of the Fund. The Board also considered, based on its knowledge of the Manager and its affiliates, the Contract Renewal Information and the Board's discussions with the Manager and the Sub-Adviser at the Contract Renewal Meeting, the general reputation and investment performance records of the Manager and the Sub-Adviser and their affiliates and the financial resources available to the corporate parent of the Manager and the Sub-Adviser, Legg Mason, Inc. (Legg Mason), to support their activities in respect of the Fund and the other Legg Mason Closed-end Funds.

The Board considered the responsibilities of the Manager and the Sub-Adviser under the Management Agreement and the Sub-Advisory Agreement, respectively, including the Manager's coordination and oversight of the services provided to the Fund by the Sub-Adviser and others. The Management Agreement permits the Manager to delegate certain of its responsibilities, including its investment advisory duties thereunder, provided that the Manager, in each case, will supervise the activities of the delegee. Pursuant to this provision of the Management Agreement, the Manager does not provide day-to-day portfolio management services to the Fund. Rather, portfolio management services for the Fund are provided by the Sub-Adviser pursuant to the Sub-Advisory Agreement.

In reaching its determinations regarding continuation of the Management Agreement and the Sub-Advisory Agreements, the Board took into account that Fund shareholders, in pursuing their investment goals and objectives, likely purchased their shares based upon the reputation and the investment style, philosophy and strategy of the Manager and the Sub-Adviser, as well as the resources available to the Manager and the Sub-Adviser.

In evaluating the nature, extent and quality of the investment advisory and other services provided, and which are expected to be provided, to the Fund pursuant to the Management Agreement and the Sub-Advisory Agreement, the Board inquired as to any impact on the Fund's operations of significant changes in the senior management of the Manager and Legg Mason and other personnel providing services to the Fund during the past two years to the date of the Contract Renewal Meeting, including the resignation of Legg Mason's Chief Executive Officer (CEO). At the Contract Renewal Meeting, the interim CEO and other senior representatives of Legg Mason and the Manager discussed these changes with the Board and assured the Board that such changes have not resulted, and are not expected in the future to result, in any diminution in the nature, extent or quality of services provided to the Fund and that the Board of Directors of Legg Mason had undertaken a search for a permanent CEO. In addition, the Board inquired as to published reports speculating that control of Legg Mason, the Manager or certain affiliates of Legg Mason, including the Sub-Adviser, might change. The senior representatives of Legg Mason discussed these published reports with the Board, confirming Legg Mason's continuing commitment to its current business model and its affiliations with the Manager and the Sub-Adviser.

The Board concluded that, overall, the nature, extent and quality of the management and other services provided to the Fund under the Management Agreement and the Sub-Advisory Agreement have been satisfactory under the circumstances.

#### **Fund performance**

The Board received and considered performance information and analyses (the Lipper Performance Information) for the Fund, as well as for a group of funds (the Performance Universe) selected by Lipper, Inc. (Lipper), an independent provider of investment company data. The Board was provided with a description of the methodology Lipper used to determine the similarity of the Fund with the funds included in the Performance Universe. The Performance Universe included the Fund and all leveraged intermediate municipal debt closed-end funds, as classified by Lipper, regardless of asset size. The Performance Universe consisted of seven funds, including the Fund, for the 1-, 3- and 5-year periods ended June 30, 2012. The Performance Universe for the 10-year period ended June 30, 2012 did not include any funds other than the Fund. The Board noted that it had received and discussed with the Manager and the Subadviser information throughout the year at periodic intervals comparing the Fund's performance against its benchmarks and its peer funds as selected by Lipper.

The Lipper Performance Information comparing the Fund's performance to that of the Performance Universe based on net asset value per share showed, among other things, that the Fund's performance for each of the 1- and 3-year periods ended June 30, 2012 was ranked sixth among the seven

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**Board approval of management and subadvisory agreements (unaudited) (cont d)**

funds in the Performance Universe for that period and was worse than the Performance Universe median and that the Fund's performance for the 5-year period ended June 30, 2012 was ranked fifth among the seven funds in the Performance Universe for that period and was worse than the Performance Universe median. The Board considered the Manager's explanation of the Fund's underperformance relative to the Performance Universe for the 1-, 3- and 5-year periods ended June 30, 2012. The Manager noted that the small number of funds in the Performance Universe, some of which are state-specific, made meaningful performance comparisons difficult. The Manager further explained that the Fund's performance for the 1-, 3- and 5-year periods was adversely impacted by not having any portfolio allocation to the tobacco-backed sector. An unsuccessful derivatives strategy detracted from Fund performance for the 1- and 3-year periods and an underweight to local general obligations, particularly California, detracted from performance for the 3-year period as well. The Board also considered the Fund's performance relative to its benchmarks and in absolute terms.

Based on its review of the Fund's performance, the Board concluded that, under the circumstances, continuation of the Management Agreement and the Sub-Advisory Agreement for an additional period not to exceed one year would be in the interests of the Fund and its shareholders.

**Management fees and expense ratios**

The Board reviewed and considered the management fee (the Management Fee) payable by the Fund to the Manager under the Management Agreement and the sub-advisory fee (the Sub-Advisory Fee) payable to the Sub-Adviser under the Sub-Advisory Agreement in light of the nature, extent and overall quality of the management, investment advisory and other services provided by the Manager and the Sub-Adviser. The Board noted that the Sub-Advisory Fee is paid by the Manager, not the Fund, and, accordingly, that the retention of the Sub-Adviser does not increase the fees or expenses otherwise incurred by the Fund's shareholders.

Additionally, the Board received and considered information and analyses prepared by Lipper (the Lipper Expense Information) comparing the Management Fee and the Fund's overall expenses with those of funds in an expense group (the Expense Universe) selected and provided by Lipper. The comparison was based upon the constituent funds' latest fiscal years. The Expense Universe consisted of the Fund and five other leveraged intermediate municipal debt closed-end funds, as classified by Lipper. The Expense Universe funds had average net common share assets ranging from \$59.7 million to \$587.3 million. Two of the other funds in the Expense Universe were larger than the Fund and three were smaller.

The Lipper Expense Information, comparing the contractual Management Fee as well as the Fund's actual total expenses to the Fund's Expense

Universe, showed, among other things, that the Fund's contractual Management Fee was ranked first (lowest) among the funds in the Expense Universe. The Fund's actual Management Fee (i.e., giving effect to any voluntary fee waivers implemented by the Manager with respect to the Fund and by the managers of the other Expense Universe funds) measured on the basis of common share assets only was ranked second among the seven funds in the Expense Universe and was better than the Expense Universe median for that component. On the basis of both common share and leveraged assets, the Fund's actual Management Fee was ranked sixth among the six funds in the Expense Universe and was worse than the Expense Universe median for the expense component. The Fund's actual total expenses on the basis of common share assets only were ranked first among the funds in the Expense Universe and the Fund's actual total expenses on the basis of common share and leveraged assets were ranked second among the funds in the Expense Universe and were better than the Expense Universe median. The Board noted that the small number of funds in the Expense Universe made meaningful expense comparisons difficult.

The Board also reviewed Contract Renewal Information regarding fees charged by the Manager to other U.S. clients investing primarily in an asset class similar to that of the Fund, including, where applicable, institutional and separate accounts. The Board was advised that the fees paid by such institutional, separate account and other clients generally are lower, and may be significantly lower, than the Management Fee. The Contract Renewal Information discussed the significant differences in scope of services provided to the Fund and to these other clients, noting that the Fund is provided with administrative services, office facilities, Fund officers (including the Fund's chief executive, chief financial and chief compliance officers), and that the Manager coordinates and oversees the provision of services to the Fund by other fund service providers. The Contract Renewal Information included information regarding management fees paid by open-end mutual funds in the same complex (the Legg Mason Open-end Funds ) and that such information indicated that the management fees paid by the Legg Mason Closed-end Funds generally were higher than those paid by the Legg Mason Open-end Funds. The Manager, in response to an inquiry by the Board as to the reasons for the fee differential, provided information as to differences between the services provided to the Fund and the other Legg Mason Closed-end Funds and services provided to the Legg Mason Open-end Funds. The Board considered the fee comparisons in light of the different services provided in managing these other types of clients and funds.

Taking all of the above into consideration, the Board determined that the Management Fee and the Sub-Advisory Fee were reasonable in light of the nature, extent and overall quality of the management, investment advisory and other services provided to the Fund under the Management Agreement and the Sub-Advisory Agreement

Western Asset Intermediate Muni Fund Inc.

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**Board approval of management and subadvisory agreements (unaudited) (cont d)**

**Manager profitability**

The Board, as part of the Contract Renewal Information, received an analysis of the profitability to the Manager and its affiliates in providing services to the Fund for the Manager's fiscal years ended March 31, 2012 and March 31, 2011. The Board also received profitability information with respect to the Legg Mason fund complex as a whole. In addition, the Board received Contract Renewal Information with respect to the Manager's revenue and cost allocation methodologies used in preparing such profitability data. The Board received a report from an outside consultant that had reviewed the Manager's revenue and cost allocation methodologies. The profitability to the Sub-Adviser was not considered to be a material factor in the Board's considerations since the Sub-Advisory Fee is paid by the Manager. The profitability analysis presented to the Board as part of the Contract Renewal Information indicated that profitability to the Manager in providing services to the Fund increased by 2% during the period covered by the analysis but remained at a level which the Board believed to be reasonable in light of the nature, extent and overall quality of the investment advisory and other services provided to the Fund.

**Economies of scale**

The Board received and discussed Contract Renewal Information concerning whether the Manager realizes economies of scale if the Fund's assets grow. The Board noted that because the Fund is a closed-end fund with no current plans to seek additional assets beyond maintaining its dividend reinvestment plan, any significant growth in its assets generally will occur through appreciation in the value of the Fund's investment portfolio, rather than sales of additional shares in the Fund. The Board determined that the Management Fee structure, which incorporates no breakpoints reducing the Management Fee at specified increased asset levels, was appropriate under present circumstances.

**Other benefits to the manager and the sub-adviser**

The Board considered other benefits received by the Manager, the Sub-Adviser and their affiliates as a result of their relationship with the Fund and did not regard such benefits as excessive.

\* \* \* \* \*

In light of all of the foregoing and other relevant factors, the Board determined that, under the circumstances, continuation of the Management Agreement and the Sub-Advisory Agreement would be consistent with the interests of the Fund and its shareholders and unanimously voted to continue each Agreement for a period of one additional year.

No single factor reviewed by the Board was identified by the Board as the principal factor in determining whether to approve continuation of the

Management Agreement and the Sub-Advisory Agreement, and each Board member attributed different weights to the various factors. The Independent Directors were advised by separate independent legal counsel throughout the process. Prior to the Contract Renewal Meeting, the Board received a memorandum prepared by the Manager discussing its responsibilities in connection with the proposed continuation of the Management Agreement and the Sub-Advisory Agreement as part of the Contract Renewal Information and the Independent Directors separately received a memorandum discussing such responsibilities from their independent counsel. Prior to voting, the Independent Directors also discussed the proposed continuation of the Management Agreement and the Sub-Advisory Agreement in private sessions with their independent legal counsel at which no representatives of the Manager were present.

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**Additional information (unaudited)****Information about Directors and Officers**

The business and affairs of Western Asset Intermediate Muni Fund Inc. (the Fund) are conducted by management under the supervision and subject to the direction of its Board of Directors. The business address of each Director is c/o R. Jay Gerken, 620 Eighth Avenue, 49th Floor, New York, New York 10018. Information pertaining to the Directors and officers of the Fund is set forth below.

**Independent Directors :****Carol L. Colman**

|  |  |
|--|--|
| Year of birth  | 1946   |
| Position(s) held with Fund1  | Director and Member of the Nominating and Audit Committees, Class II |
| Term of office1 and length of time served                                      | Since 2007   |
| Principal occupation(s) during past five years                                 | President, Colman Consulting Company (consulting)                    |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 28   |
| Other board memberships held by Director                                       | None   |

**Daniel P. Cronin**

|  |   |
|--|---|
| Year of birth  | 1946  |
| Position(s) held with Fund1  | Director and Member of the Nominating and Audit Committees, Class III                   |
| Term of office1 and length of time served                                      | Since 2007  |
| Principal occupation(s) during past five years                                 | Retired; formerly, Associate General Counsel, Pfizer Inc. (prior to and including 2004) |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 28  |
| Other board memberships held by Director                                       | None  |

**Paolo M. Cucchi**

|  |  |
|--|--|
| Year of birth  | 1941   |
| Position(s) held with Fund1  | Director and Member of the Nominating and Audit Committees, Class II   |
| Term of office1 and length of time served                                      | Since 2007   |
| Principal occupation(s) during past five years                                 | Professor of French and Italian at Drew University; formerly, Vice President and Dean of College of Liberal Arts at Drew University (1984 to 2009) |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 28   |
| Other board memberships held by Director                                       | None   |



**Independent Directors cont d****Leslie H. Gelb**

|  |   |
|--|---|
| Year of birth  | 1937  |
| Position(s) held with Fund1  | Director and Member of the Nominating and Audit Committees, Class III   |
| Term of office1 and length of time served                                      | Since 2007  |
| Principal occupation(s) during past five years                                 | President Emeritus and Senior Board Fellow (since 2003), The Council on Foreign Relations; formerly, President, (prior to 2003), the Council on Foreign Relations; formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, The New York Times |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 28  |
| Other board memberships held by Director                                       | Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1994)  |

**William R. Hutchinson**

|  |   |
|--|---|
| Year of birth  | 1942  |
| Position(s) held with Fund1  | Director and Member of the Nominating and Audit Committees, Class III   |
| Term of office1 and length of time served                                      | Since 2007  |
| Principal occupation(s) during past five years                                 | President, W.R. Hutchinson & Associates Inc. (Consulting) (since 2001)  |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 28  |
| Other board memberships held by Director                                       | Director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc Corp. (banking) (since 1994) |

**Riordan Roett**

|  |   |
|--|---|
| Year of birth  | 1938  |
| Position(s) held with Fund1  | Director and Member of the Nominating and Audit Committees, Class I   |
| Term of office1 and length of time served                                      | Since 2007  |
| Principal occupation(s) during past five years                                 | The Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies, Paul H. Nitze School of Advanced International Studies, The John Hopkins University (since 1973) |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 28  |
| Other board memberships held by Director                                       | None  |

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**Additional information (unaudited) (cont d)**

**Information about Directors and Officers**

**Independent Directors cont d**

**Jeswald W. Salacuse**

|  |   |
|--|---|
| Year of birth  | 1938  |
| Position(s) held with Fund <sup>1</sup>  | Director and Member of the Nominating and Audit Committees, Class II  |
| Term of office <sup>1</sup> and length of time served                          | Since 2008  |
| Principal occupation(s) during past five years                                 | Henry J. Braker Professor of Commercial Law, The Fletcher School of Law and Diplomacy, Tufts University (since 1986); President and Member, Arbitration Tribunal, World Bank/ICSID (since 2004) |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 28  |
| Other board memberships held by Director                                       | Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1993)  |

**Interested Director and Officer:**

**R. Jay Gerken<sup>2</sup>**

|  |   |
|--|---|
| Year of birth  | 1951  |
| Position(s) held with Fund <sup>1</sup>  | Director, Chairman, President and Chief Executive Officer, Class I  |
| Term of office <sup>1</sup> and length of time served                          | Since 2002  |
| Principal occupation(s) during past five years                                 | Managing Director of Legg Mason & Co., LLC ( Legg Mason & Co. ) (since 2005); Officer and Trustee/Director of 157 funds associated with Legg Mason Partners Fund Advisor, LLC ( LMPFA ) or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); President and Chief Executive Officer ( CEO ) of LMPFA (since 2006); President and CEO of Smith Barney Fund Management LLC ( SBFM ) (formerly a registered investment adviser) (since 2002) |
| Number of portfolios in fund complex overseen by Director (including the Fund) | 157   |
| Other board memberships held by Director                                       | None  |

**Additional Officers:****Ted P. Becker**

Legg Mason  
 620 Eighth Avenue, New York, NY 10018  
 Year of birth  
 Position(s) held with Fund1  
 Term of office1 and length of time served  
 Principal occupation(s) during past five years

1951  
 Chief Compliance Officer  
 Since 2006  
 Director of Global Compliance at Legg Mason (since 2006); Chief Compliance Officer of LMPFA (since 2006); Managing Director of Compliance of Legg Mason & Co. (since 2005); Chief Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006)

**Vanessa A. Williams**

Legg Mason  
 100 First Stamford Place, Stamford, CT 06902  
 Year of birth  
 Position(s) with Fund1  
 Term of office1 and length of time served  
 Principal occupation(s) during past five years

1979  
 Identity Theft Prevention Officer  
 Since 2011  
 Vice President of Legg Mason & Co. (since 2012); Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Chief Anti-Money Laundering Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); formerly, Senior Compliance Officer of Legg Mason & Co. (2008 to 2011); formerly, Compliance Analyst of Legg Mason & Co. (2006 to 2008) and Legg Mason & Co. predecessors (prior to 2006)

**Robert I. Frenkel**

Legg Mason  
 100 First Stamford Place, Stamford, CT 06902  
 Year of birth  
 Position(s) held with Fund1  
 Term of office1 and length of time served  
 Principal occupation(s) during past five years

1954  
 Secretary and Chief Legal Officer  
 Since 2003  
 Vice President and Deputy General Counsel of Legg Mason (since 2006); Managing Director and General Counsel of Global Mutual Funds for Legg Mason & Co. (since 2006) and Legg Mason & Co. predecessors (since 1994); Secretary and Chief Legal Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006)

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Western Asset Intermediate Muni Fund Inc.

**Additional information (unaudited) (cont d)**

**Information about Directors and Officers**

**Additional Officers cont d**

**Thomas C. Mandia**

Legg Mason  
 100 First Stamford Place, Stamford, CT 06902  
 Year of birth  
 Position(s) held with Fund1  
 Term of office1 and length of time served  
 Principal occupation(s) during past five years

1962  
 Assistant Secretary  
 Since 2006  
 Managing Director and Deputy General Counsel of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005); Secretary of LMPFA (since 2006); Assistant Secretary of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006); Secretary of SBFM (since 2002)

**Richard F. Sennett**

Legg Mason  
 100 International Drive, Baltimore, MD 21202  
 Year of birth  
 Position(s) held with Fund1  
 Term of office1 and length of time served  
 Principal occupation(s) during past five years

1970  
 Principal Financial Officer  
 Since 2011  
 Principal Financial Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co.'s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC's Division of Investment Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC's Division of Investment Management (2002 to 2007)

**Additional Officers cont d****Steven Frank**

Legg Mason

55 Water Street, New York, NY 10041

Year of birth

1967

Position(s) held with Fund<sup>1</sup>

Treasurer

Term of office<sup>1</sup> and length of time served

Since 2010

Principal occupation(s) during past five years

Vice President of Legg Mason & Co. and Legg Mason & Co. predecessors (since 2002); Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2010); formerly, Controller of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010)

**Jeanne M. Kelly**

Legg Mason

620 Eighth Avenue, New York, NY 10018

Year of birth

1951

Position(s) with Fund<sup>1</sup>

Senior Vice President

Term of office<sup>1</sup> and length of time served

Since 2009

Principal occupation(s) during past five years

Senior Vice President of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2007); Senior Vice President of LMPFA (since 2006); Managing Director of Legg Mason & Co. (since 2005) and Legg Mason & Co. predecessors (prior to 2005)

Directors who are not interested persons of the Fund within the meaning of Section 2(a)(19) of the 1940 Act.

- 1 The Fund's Board of Directors is divided into three classes: Class I, Class II and Class III. The terms of office of the Class I, II and III Directors expire at the Annual Meetings of Stockholders in the year 2015, year 2013 and year 2014, respectively, or thereafter in each case when their respective successors are duly elected and qualified. The Fund's executive officers are chosen each year at the first meeting of the Fund's Board of Directors following the Annual Meeting of Stockholders, to hold office until the meeting of the Board following the next Annual Meeting of Stockholders and until their successors are duly elected and qualified.
- 2 Mr. Gerken is an interested person of the Fund as defined in the 1940 Act because Mr. Gerken is an officer of LMPFA and certain of its affiliates.

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**Annual chief executive officer and principal financial officer certifications (unaudited)**

The Fund's Chief Executive Officer ( CEO ) has submitted to the NYSE the required annual certification and the Fund also has included the certifications of the Fund's CEO and Principal Financial Officer required by Section 302 of the Sarbanes-Oxley Act in the Fund's Form N-CSR filed with the SEC for the period of this report.

**Other shareholder communications regarding accounting matters (unaudited)**

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 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:  
Legg Mason & Co., LLC  
Compliance Department  
620 Eighth Avenue, 49th Floor  
New York, New York 10018

Complaints may also be submitted by telephone at 1-800-742-5274. Complaints submitted through this number will be received by the CCO.

Western Asset Intermediate Muni Fund Inc.

**Dividend reinvestment plan (unaudited)**

Under the Fund's Dividend Reinvestment Plan ( Plan ), a shareholder whose shares of common stock are registered in his own name will have all distributions from the Fund reinvested automatically by American Stock Transfer & Trust Company ( AST ), as purchasing agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in street name) will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker-dealer or nominee or the shareholder elects to receive distributions in cash. Investors who own common stock registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to shareholders who do not participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of AST as dividend paying agent.

The number of shares of common stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. When the market price of the common stock is equal to or exceeds the net asset value ( NAV ) per share of the common stock on the determination date (generally, the record date for the distribution), Plan participants will be issued shares of common stock by the Fund at a price equal to the greater of NAV determined or 95% of the market price of the common stock.

If the market price of the common stock is less than the NAV of the common stock at the time of valuation (which is the close of business on the determination date), AST will buy common stock in the open market, on the AMEX or elsewhere, for the participants' accounts. If following the commencement of the purchases and before AST has completed its purchases, the market price exceeds the NAV of the common stock as of the valuation time, AST will attempt to terminate purchases in the open market and cause the Fund to issue the remaining portion of the dividend or distribution in shares at a price equal to the greater of (a) NAV as of the valuation time or (b) 95% of the then current market price. In this case, the number of shares received by a Plan 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. To the extent AST is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share purchase price paid by AST may exceed the NAV of the common stock as of the valuation time, resulting in the acquisition of fewer shares than if the distribution had been paid in common stock issued by the Fund at such NAV. AST will begin to purchase common stock on the open market as soon as practicable after the determination date for distributions, but in no event shall such purchases continue later than 30 days after the payment date for such distribution, or the record date for a succeeding distribution, except when necessary to comply with applicable provisions of the federal securities laws.



AST maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in each account, including information needed by a shareholder for personal and tax records. The automatic reinvestment of distributions will not relieve plan participants of any income tax that may be payable on the distributions. Common stock in the account of each Plan participant will be held by AST in uncertificated form in the name of the Plan participant.

Plan participants are subject to no charge for reinvesting distributions under the Plan. AST's fees for handling the reinvestment of distributions will be paid by the Fund. No brokerage charges apply with respect to shares of common stock issued directly by the Fund under the Plan. Each Plan participant will, however, bear a proportionate share of any brokerage commissions actually incurred with respect to any open market purchases made under the Plan.

Experience under the Plan may indicate that changes to it are desirable. The Fund reserves the right to amend or terminate the Plan as applied to any distribution paid subsequent to written notice of the change sent to participants at least 30 days before the record date for the distribution. The Plan also may be amended or terminated by AST, with the Fund's prior written consent, on at least 30 days' written notice to Plan participants. All correspondence concerning the Plan should be directed by mail to American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10038 or by telephone at 1-888-888-0151.

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**Important tax information (unaudited)**

All of the net investment income distributions paid monthly by the Fund during the taxable year ended November 30, 2012 qualify as tax-exempt interest dividends for Federal income tax purposes.

Please retain this information for your records.

**Western Asset**

**Intermediate Muni Fund Inc.**

**Directors**

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