

WESTERN ASSET INTERMEDIATE MUNI FUND INC.  
Form N-CSRS  
July 25, 2012

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 811-6506

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: May 31, 2012

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ITEM 1. REPORT TO STOCKHOLDERS.

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

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May 31, 2012

**Semi-Annual Report**

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

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.

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**Letter from the chairman**

**Dear Shareholder,**

We are pleased to provide the semi-annual report of Western Asset Intermediate Muni Fund Inc. for the six-month reporting period ended May 31, 2012. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

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

June 29, 2012



## Investment commentary

### Economic review

The U.S. economy continued to grow over the six months ended May 31, 2012, albeit at an uneven pace. Looking back, U.S. gross domestic product ( GDP )<sup>i</sup> growth, as reported by the U.S. Department of Commerce, was 1.8% in the third quarter of 2011. The economy then gathered some momentum late in 2011, as the Commerce Department reported that fourth quarter GDP growth was 3.0% the fastest pace since the second quarter of 2010. However, economic growth in the U.S. then moderated somewhat, as the Commerce Department reported that first quarter 2012 GDP growth was 1.9%.

Two factors constraining economic growth were the weak job market and continued troubles in the housing market. 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 8.7%. Unemployment then generally declined over the next five months and was 8.1% in April 2012, the lowest rate since January 2009. However, the unemployment rate then moved up to 8.2% in May 2012. The housing market showed some positive signs, although it still appears to be searching for a bottom. According to the National Association of Realtors ( NAR ), existing-home sales fluctuated throughout the period. Existing-home sales fell 1.5% on a seasonally adjusted basis in May 2012 versus the previous month. However, the NAR reported that the median existing-home price for all housing types was \$182,600 in May 2012, up 7.9% from May 2011. In addition, the inventory of unsold homes fell 0.4% in May versus the previous month.

The manufacturing sector overcame a soft patch in the summer of 2011 and continued to expand during the reporting period. Based on the Institute for Supply Management's PMI ( PMI )<sup>ii</sup>, in August 2011, it had a reading of 50.6, its lowest reading in two years (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). The manufacturing sector gathered momentum and ended January 2012 at 54.1, its highest reading since June 2011. After falling to 52.4 in February, the PMI rose to 53.4 in March and 54.8 in April. The PMI then dipped to 53.5 in May 2012.

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**Investment commentary (cont d)**

**Market review**

**Q. Did Treasury yields trend higher or lower during the six months ended May 31, 2012?**

A. Both short- and long-term Treasury yields fluctuated during the reporting period. When the period began, two- and ten-year Treasury yields were 0.25% and 2.08%, respectively. With the economy initially gathering some momentum, Treasury yields moved higher during the first half of the period. Two-year Treasury yields rose as high as 0.41% on March 20, 2012 and ten-year Treasuries peaked at 2.39% around the same time. Yields then fell in late March, as well as in April and May given renewed fears over the European sovereign debt crisis. When the reporting period ended on May 31, 2012, two-year Treasury yields were 0.27% and ten-year Treasury yields were 1.59%, the latter being a historic low.

**Q. How did the Federal Reserve Board ( Fed )iii respond to the economic environment?**

A. The Fed 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 rateiv at a historically low range between zero and 0.25%. In August 2011, the Fed declared its intention to keep the federal funds rate steady until mid-2013. Then, in September 2011, the Fed announced its intention to purchase \$400 billion of 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, saying economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. In June, after the reporting period ended, the Fed announced that it would extend Operation Twist until the end of 2012 and that it was prepared to take further action as appropriate to promote a stronger economic recovery and sustained improvement in labor market conditions in a context of price stability.

**Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?**

A. The spread sectors experienced periods of volatility during the period. Risk appetite was often robust over the first three months of the period, due to some better-than-expected economic data and signs of progress in the European sovereign debt crisis. However, fears related to the situation in Europe caused a number of spread sectors to weaken in April. While the spread sectors posted positive absolute returns in April, they generally lagged equal-durationv Treasuries. Several of the riskiest spread sectors then performed poorly in May given a flight to quality that was triggered by escalating fears of contagion from Europe and some disappointing economic data in the U.S.

**Q. How did the municipal bond market perform versus the taxable bond market over the reporting period?**



A. The municipal bond market outperformed its taxable bond counterpart during the six months ended May 31, 2012. Over that period, the Barclays Capital Municipal Bond Index<sup>vi</sup> and the Barclays Capital U.S. Aggregate Index<sup>vii</sup> returned 5.75% and 3.46%, respectively. The municipal bond market outperformed the taxable bond market during four of the six months of the period

given solid demand, a sharp decline in new issuance, improving tax revenues and low default rates. Additionally, investor sentiment improved as a number of states made progress toward shoring up their financial situation by raising taxes and cutting expenses.

### Performance review

For the six months ended May 31, 2012, Western Asset Intermediate Muni Fund Inc. returned 7.03% based on its net asset value ( NAV )<sup>viii</sup> and 9.19% based on its New York Stock Exchange Amex ( NYSE Amex ) market price per share. The Fund's unmanaged benchmark, the Barclays Capital 1-15 Year Municipal Bond Index<sup>ix</sup>, returned 4.26% for the same period. The Lipper Intermediate Municipal Debt Closed-End Funds Category Averagex returned 7.99% 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 this six-month period, the Fund made distributions to shareholders totaling \$0.24 per share, which may have included a return of capital. The performance table shows the Fund's six-month total return based on its NAV and market price as of May 31, 2012. **Past performance is no guarantee of future results.**

### Performance Snapshot as of May 31, 2012 (unaudited)

Price Per Share	6-Month Total Return*
\$10.35 (NAV)	7.03%
\$10.31 (Market Price)	9.19%

**All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

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

Total return assumes the reinvestment of all distributions, including returns of capital, if any, 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, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

**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).

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

VI Western Asset Intermediate Muni Fund Inc.

**Investment commentary (cont d)**

Fund's current NAV, market price and other information.

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

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

June 29, 2012

**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.*

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 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.
- 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 The Barclays Capital Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
- vii The Barclays Capital 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.
- viii 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 net assets) 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.
- ix The Barclays Capital 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.
- x Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended May 31, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 funds in the Fund's Lipper category.

**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 May 31, 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.

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**Spread duration (unaudited)**

**Economic Exposure May 31, 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.  
BC 1-15 Year Muni Bond Barclays Capital 1-15 Year Municipal Bond Index

**Effective duration (unaudited)**

**Interest Rate Exposure May 31, 2012**

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.
BC 1-15 Year Muni Bond	Barclays Capital 1-15 Year Municipal Bond Index



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Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

**Schedule of investments (unaudited)**

May 31, 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>Municipal Bonds 134.4%</b>				
<i>Alaska 0.4%</i>				
Anchorage, AK, GO, Refunding, FGIC	6.000%	10/1/14	\$ 500,000	\$ 558,095
<i>Arizona 3.0%</i>				
Pinal County, AZ, Electric District No. 3	4.000%	7/1/23	1,000,000	1,039,350
Pinal County, AZ, Electric District No. 3	5.000%	7/1/24	1,760,000	1,952,104
Pinal County, AZ, Electric District No. 3	5.000%	7/1/25	1,280,000	1,407,219
<b>Total Arizona</b>				<b>4,398,673</b>
<i>California 10.6%</i>				
California Statewide CDA Revenue:				
Lodi Memorial Hospital, CMI	5.000%	12/1/22	2,000,000	2,175,700
Proposition 1A Receivables Program	5.000%	6/15/13	2,000,000	2,094,900
Los Angeles, CA, COP, Hollywood Presbyterian Medical Center, INDLC	9.625%	7/1/13	350,000	367,997 <sup>(a)</sup>
M-S-R Energy Authority, CA, Gas Revenue	6.125%	11/1/29	3,000,000	3,547,740
Modesto, CA, Irrigation District Electric Revenue	5.000%	7/1/24	4,130,000	4,835,363
Modesto, CA, Irrigation District Electric Revenue	5.000%	7/1/25	2,000,000	2,317,320
San Francisco, CA, Airport Improvement Corp., Lease Revenue, United Airlines Inc.	8.000%	7/1/13	60,000	62,499 <sup>(a)</sup>
<b>Total California</b>				<b>15,401,519</b>
<i>Colorado 5.4%</i>				
Colorado Educational & Cultural Facilities Authority Revenue Charter School:				
Bromley School Project, XLCA	5.125%	9/15/20	1,155,000	1,210,024
Refunding & Improvement, University Lab School, XLCA	5.250%	6/1/24	1,350,000	1,378,323
E-470 Public Highway Authority Revenue, CO	5.250%	9/1/25	2,000,000	2,169,500
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.125%	11/15/23	2,000,000	2,327,140
SBC Metropolitan District, CO, GO, ACA	5.000%	12/1/25	750,000	760,290
<b>Total Colorado</b>				<b>7,845,277</b>
<i>Connecticut 3.8%</i>				
Connecticut State HEFA Revenue, Bristol Hospital	5.500%	7/1/21	1,845,000	1,864,704
Connecticut State Special Obligation Parking Revenue, Bradley International Airport, ACA	6.375%	7/1/12	960,000	961,642 <sup>(b)</sup>
Connecticut State, Development Authority PCR, Connecticut Light & Power Co. Project	4.375%	9/1/28	2,500,000	2,657,075
<b>Total Connecticut</b>				<b>5,483,421</b>
<i>Florida 8.2%</i>				
Citizens Property Insurance Corp., FL	5.000%	6/1/16	5,000,000	5,602,950
Jacksonville, FL, Sales Tax Revenue, Better Jacksonville	5.000%	10/1/30	1,500,000	1,661,895

See Notes to Financial Statements.

## Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

**Western Asset Intermediate Muni Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Florida continued</b>				
Miami-Dade County, FL, School Board, COP	5.000%	2/1/24	\$2,000,000	\$ 2,242,200
Old Palm Community Development District, FL, Palm Beach Gardens	5.375%	5/1/14	910,000	894,694
Orange County, FL, Health Facilities Authority Revenue, Hospital Adventist Health Systems	6.250%	11/15/24	1,500,000	1,539,810(c)
<b>Total Florida</b>				<b>11,941,549</b>
<b>Georgia 7.9%</b>				
Athens, GA, Housing Authority Student Housing Lease Revenue, University of Georgia East Campus, AMBAC	5.250%	12/1/23	970,000	993,823(c)
Atlanta, GA, Water & Wastewater Revenue	6.000%	11/1/23	2,000,000	2,440,260
Chatham County, GA, Hospital Authority Revenue, Hospital Memorial Health Medical Center	6.000%	1/1/17	650,000	652,815
DeKalb Private Hospital Authority Revenue, GA, Anticipation CTFS, Children's Health Care of Atlanta Inc.	5.000%	11/15/29	2,000,000	2,190,960
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.000%	7/1/29	1,000,000	1,147,970
Georgia Municipal Electric Authority, Power Revenue, Refunding, AGM	5.000%	1/1/18	3,000,000	3,080,190
Griffin, GA, Combined Public Utilities Revenue, Refunding & Improvement, AMBAC	5.000%	1/1/21	1,000,000	1,032,590
<b>Total Georgia</b>				<b>11,538,608</b>
<b>Illinois 2.8%</b>				
Chicago, IL, O'Hare International Airport Revenue, Refunding Bonds, Lien A-2, AGM	5.750%	1/1/19	1,500,000	1,594,320(b)
Glendale Heights, IL, Hospital Revenue, Refunding Glendale Heights Project	7.100%	12/1/15	555,000	628,110(a)
Illinois Development Finance Authority, Chicago Charter School Foundation Project A	5.250%	12/1/12	80,000	81,965(a)
Illinois Finance Authority Revenue, Memorial Health System	5.250%	4/1/29	1,670,000	1,821,569
<b>Total Illinois</b>				<b>4,125,964</b>
<b>Indiana 3.9%</b>				
Indiana State Finance Authority, Environmental Revenue, U.S. Steel Corp.	6.000%	12/1/19	1,000,000	1,087,180
Indianapolis, IN, Thermal Energy System, Multi-Mode	5.000%	10/1/23	4,000,000	4,504,040(d)
<b>Total Indiana</b>				<b>5,591,220</b>
<b>Iowa 0.1%</b>				
Muscatine, IA, Electric Revenue	9.700%	1/1/13	165,000	173,890(a)

See Notes to Financial Statements.

Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

**Schedule of investments (unaudited) (cont d)**

May 31, 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 1.8%</b>				
Burlington, KS, Environmental Improvement Revenue, Kansas City Power & Light	5.250%	4/1/13	\$2,500,000	\$ 2,569,800(e)
<b>Maryland 0.3%</b>				
Maryland State Health & Higher EFA Revenue, Refunding Mercy Medical Center, AGM	6.500%	7/1/13	380,000	381,733
<b>Massachusetts 1.3%</b>				
Massachusetts State DFA Revenue, Curry College, ACA	6.000%	3/1/20	395,000	395,679
Massachusetts State HEFA Revenue:				
Caritas Christi Obligation	6.500%	7/1/12	535,000	537,424(a)
Milford-Whitinsville Regional Hospital	6.500%	7/15/23	1,000,000	1,016,910(c)
<b>Total Massachusetts</b>				<b>1,950,013</b>
<b>Michigan 12.1%</b>				
Detroit, MI, Water Supply System Revenue, Senior Lien	5.250%	7/1/26	5,000,000	5,365,200
Michigan State Housing Development Authority Rental Housing Revenue	5.250%	10/1/24	2,640,000	2,792,513
Michigan State, Hospital Finance Authority Revenue:				
Oakwood Obligated Group	5.500%	11/1/18	1,000,000	1,073,470(c)
Refunding, Hospital Sparrow Obligated	5.000%	11/15/12	500,000	508,730
Refunding, Hospital Sparrow Obligated	5.000%	11/15/14	1,190,000	1,282,736
Walled Lake, MI, Consolidated School District, NATL	5.000%	5/1/22	1,000,000	1,069,330
Wayne County, MI, Airport Authority Revenue, Detroit Metropolitan Airport	5.000%	12/1/16	5,000,000	5,523,150(b)
<b>Total Michigan</b>				<b>17,615,129</b>
<b>Missouri 1.8%</b>				
Missouri State Environmental Improvement & Energy Resources Authority, KC Power & Light Co. Project	4.900%	7/1/13	2,500,000	2,575,675(b)(e)
<b>Nevada 3.0%</b>				
Humboldt County, NV, PCR, Idaho Power Co. Project	5.150%	12/1/24	4,000,000	4,393,000
<b>New Hampshire 4.7%</b>				
New Hampshire HEFA Revenue:				
Covenant Health, Unrefunded Balance	6.500%	7/1/17	75,000	76,052
Healthcare Systems Covenant Health	5.000%	7/1/28	6,400,000	6,759,488
<b>Total New Hampshire</b>				<b>6,835,540</b>
<b>New Jersey 9.4%</b>				
New Jersey State EFA Revenue, University of Medicine & Dentistry	7.125%	12/1/23	2,000,000	2,526,740
New Jersey State Higher Education Assistance Authority, Student Loan Revenue	5.375%	6/1/24	4,000,000	4,532,920

See Notes to Financial Statements.

## Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

**Western Asset Intermediate Muni Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b><i>New Jersey continued</i></b>				
New Jersey State Higher Education Assistance Authority, Student Loan Revenue, AGC	5.875%	6/1/21	\$1,515,000	\$ 1,721,010(b)
New Jersey State Transportation Trust Fund Authority Revenue	5.250%	6/15/23	4,000,000	4,844,440
Ringwood Borough, NJ, Sewer Authority Special Obligation	9.875%	7/1/13	50,000	52,750(a)
<b><i>Total New Jersey</i></b>				<b>13,677,860</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	1,354,617
New Mexico Finance Authority Revenue, Subordinated Lien, Public Project Revolving Fund, NATL	5.000%	6/15/19	1,415,000	1,619,199
<b><i>Total New Mexico</i></b>				<b>2,973,816</b>
<b><i>New York 8.0%</i></b>				
New York State Dormitory Authority, New York & Presbyterian Hospital, AGM	5.250%	2/15/24	3,025,000	3,229,551
New York State Thruway Authority Highway & Bridge Trust Fund Revenue, AMBAC	5.000%	4/1/21	2,000,000	2,230,820
New York, NY, GO	5.000%	8/1/21	5,000,000	6,164,400(f)
<b><i>Total New York</i></b>				<b>11,624,771</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	1,957,323
<b><i>Ohio 6.5%</i></b>				
American Municipal Power-Ohio Inc., Electricity Purchase Revenue	5.000%	2/1/13	2,000,000	2,049,040
Kettering, OH, City School District, School Improvement, AGM	5.000%	12/1/19	1,000,000	1,075,260
Ohio State Air Quality Development Authority Revenue, FirstEnergy Generation Corp.	5.625%	6/1/18	1,000,000	1,153,570
Ohio State Water Development Authority, Pollution Control Facilities Revenue, FirstEnergy Nuclear Generation Corp.	3.375%	7/1/15	5,000,000	5,167,500(e)
<b><i>Total Ohio</i></b>				<b>9,445,370</b>
<b><i>Oklahoma 2.0%</i></b>				
Grand River Dam Authority, OK, Revenue	5.000%	6/1/30	2,500,000	2,839,525
<b><i>Pennsylvania 8.1%</i></b>				
Montgomery County, PA, IDA Revenue, New Regional Medical Center Project, FHA	5.000%	8/1/24	2,000,000	2,303,020
Northampton County, PA, IDA Revenue, Mortgage Moravian Hall Square Project, Radian	5.500%	7/1/19	1,365,000	1,382,090

See Notes to Financial Statements.

## Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

## Schedule of investments (unaudited) (cont d)

May 31, 2012

## Western Asset Intermediate Muni Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Pennsylvania continued</b>				
Pennsylvania State IDA Revenue, Economic Development, AMBAC	5.500%	7/1/21	\$1,000,000	\$ 1,013,840
Pennsylvania State Public School Building Authority Lease Revenue, Philadelphia School District Project, AGM	5.000%	6/1/27	2,000,000	2,292,100
Philadelphia, PA, Gas Works Revenue, 7th General Ordinance, AMBAC	5.000%	10/1/17	1,000,000	1,152,360
Philadelphia, PA, Water & Wastewater, FGIC	5.250%	11/1/14	2,000,000	2,035,200
Pittsburgh, PA, School District GO, AGM	5.375%	9/1/16	1,350,000	1,580,404
<b>Total Pennsylvania</b>				<b>11,759,014</b>
<b>Puerto Rico 5.2%</b>				
Puerto Rico Commonwealth Government Development Bank, NATL	4.750%	12/1/15	2,000,000	2,047,620
Puerto Rico Commonwealth, GO, Public Improvement	5.500%	7/1/26	5,000,000	5,477,550
<b>Total Puerto Rico</b>				<b>7,525,170</b>
<b>Rhode Island 0.6%</b>				
Central Falls, RI, GO, Radian	5.875%	5/15/15	1,000,000	<b>897,990</b>
<b>South Carolina 0.8%</b>				
Greenville County, SC, School District Installment Purchase, Revenue, Refunding, Building Equity	6.000%	12/1/21	1,100,000	<b>1,142,317(c)</b>
<b>Tennessee 5.3%</b>				
Jackson, TN, Water & Sewer Revenue	7.200%	7/1/12	15,000	15,077(a)
Tennessee Energy Acquisition Corp., Gas Revenue	5.250%	9/1/20	2,030,000	2,276,076
Tennessee Energy Acquisition Corp., Gas Revenue	5.250%	9/1/23	4,940,000	5,461,269
<b>Total Tennessee</b>				<b>7,752,422</b>
<b>Texas 5.8%</b>				
Dallas-Fort Worth, TX, International Airport Revenue, Refunding, AGM	5.500%	11/1/20	1,000,000	1,085,470(b)
El Paso County, TX, Housing Finance Corp., La Plaza Apartments, Subordinated	8.000%	7/1/30	240,000	239,969
El Paso County, TX, Housing Finance Corp., MFH Revenue, American Village Communities	6.250%	12/1/24	360,000	361,692
North Texas Tollway Authority Revenue, NATL	5.125%	1/1/28	2,000,000	2,176,920
Sabine River Authority, Texas PCR, Southwestern Electric Power Co., NATL	4.950%	3/1/18	3,000,000	3,371,790
Southwest Higher Education Authority Inc., Southern Methodist University Project, AMBAC	5.500%	10/1/19	1,000,000	1,017,160(c)
Texas State Department Housing Community Affairs Home Mortgage Revenue, RIBS, GNMA/FNMA/FHLMC-Collateralized	10.251%	7/2/24	125,000	139,985(b)(d)

*Total Texas*

*8,392,986*

See Notes to Financial Statements.



## Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

**Western Asset Intermediate Muni Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Utah 1.0%</b>				
Spanish Fork City, UT, Water Revenue:				
AGM	5.500%	6/1/16	\$ 350,000	\$ 350,000(c)
AGM, Unrefunded Balance	5.500%	6/1/16	1,135,000	1,135,000(c)
<b>Total Utah</b>				<b>1,485,000</b>
<b>Virginia 4.7%</b>				
Pittsylvania County, VA, GO	5.500%	2/1/22	540,000	645,689
Pittsylvania County, VA, GO	5.500%	2/1/23	1,030,000	1,223,207
Pittsylvania County, VA, GO	5.600%	2/1/24	2,490,000	2,945,396
Virginia State Small Business Financing Authority Revenue, Elizabeth River Crossings OpCo LLC Project	5.000%	1/1/27	2,000,000	2,076,920(b)
<b>Total Virginia</b>				<b>6,891,212</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>1,145,370</b>
<b>Wisconsin 1.7%</b>				
La Crosse, WI, Resource Recovery Revenue, Refunding Bonds, Northern States Power Co. Project	6.000%	11/1/21	2,000,000	<b>2,424,500(b)</b>
<b>Total Investments before Short-Term Investments (Cost</b>	<b>\$180,770,643)</b>			<b>195,313,752</b>
<b>Short-Term Investments 2.1%</b>				
<b>Colorado 0.5%</b>				
Denver, CO, City & County, COP, SPA-JPMorgan Chase	0.200%	12/1/29	700,000	<b>700,000(g)(h)</b>
<b>New York 1.4%</b>				
New York City, NY, Municipal Water Finance Authority, SPA-Dexia Credit Local	0.350%	6/15/32	2,000,000	<b>2,000,000(g)(h)</b>
<b>Pennsylvania 0.2%</b>				
Geisinger Authority, PA, Health System Revenue, Geisinger Health System, SPA-PNC Bank N.A.	0.140%	8/1/28	400,000	<b>400,000(g)(h)(i)</b>
<b>Total Short-Term Investments (Cost</b>	<b>\$3,100,000)</b>			<b>3,100,000</b>
<b>Total Investments 136.5% (Cost</b>	<b>\$183,870,643#)</b>			<b>198,413,752</b>
<b>Auction Rate Cumulative Preferred Stock, at Liquidation Value (34.4)%</b>				<b>(50,000,000)</b>
<b>Liabilities in Excess of Other Assets (2.1)%</b>				<b>(3,026,765)</b>
<b>Total Net Assets 100.0%</b>				<b>\$145,386,987</b>

(a) 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.

(b) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax ( AMT ).

See Notes to Financial Statements.

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Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

**Schedule of investments (unaudited) (cont d)**

May 31, 2012

**Western Asset Intermediate Muni Fund Inc.**

- (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) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (e) Maturity date shown represents the mandatory tender date.
- (f) Security is purchased on a when-issued basis.
- (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.
- (i) All or a portion of this security is held at the broker as collateral for open futures contracts.
- # Aggregate cost for federal income tax purposes is substantially the same.

**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
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
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
SPA	Standby Bond Purchase Agreement Insured Bonds

XLCA XL Capital Assurance Inc. Insured Bonds

See Notes to Financial Statements.

## Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

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

Industrial revenue	17.7%
Power	17.5
Health care	13.0
Transportation	10.4
Local general obligation	8.5
Education	5.2
Special tax obligation	5.2
Pre-refunded/escrowed to maturity	5.1
Water & sewer	5.0
Leasing	3.6
State general obligation	2.7
Housing	1.8
Other	1.5
Solid waste/resource recovery	1.3
Short-term investments	1.5
	<b>100.0%</b>

As a percentage of total investments. Please note that Fund holdings are as of May 31, 2012 and are subject to change.

**Ratings Table\***

Standard & Poor's/Moody's/Fitch**	
AAA/Aaa	1.1%
AA/Aa	29.3
A	49.3
BBB/Baa	13.9
BB/Ba	1.0
CCC/Caa	0.4
A-1/VMIG 1	1.6
NR	3.4
	<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

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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 pages 12 through 15 for definitions of ratings.

See Notes to Financial Statements.

**Bond ratings**

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

**Long-term security ratings (unaudited)**

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

- AAA An obligation rated AAA has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- AA An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
- A An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.
- BBB An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
- BB An obligation rated BB is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.
- B An obligation rated B is more vulnerable to nonpayment than obligations rated BB, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.
- CCC An obligation rated CCC is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.
- CC An obligation rated CC is currently highly vulnerable to nonpayment.
- C The C rating may be used to cover a situation where a bankruptcy petition has been filed or similar action has been taken, but payments on this obligation are being continued.
- D An obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due, even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments of an obligation are jeopardized.

## Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

*Moody's Investors Service ( Moody's ) Long-term Obligation Ratings* Numerical modifiers 1, 2 and 3 may be applied to each generic rating from Aa to Caa, where 1 is the highest and 3 the lowest ranking within its generic category.

Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery for principal and interest.
C	Obligations rated C are the lowest rated class and are typically in default, with little prospect of recovery for principal and interest.

*Fitch Ratings Service ( Fitch ) Structured, Project & Public Finance Obligations* Ratings from AA to CCC may be modified by the addition of a plus (+) or minus ( ) sign to show relative standings within the major rating categories.

AAA	Obligations rated AAA by Fitch denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Obligations rated AA denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	Obligations rated A denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Obligations rated BBB indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
BB	Obligations rated BB indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.
B	Obligations rated B indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Default is a real possibility.
CC	Default of some kind appears probable.
C	Default is imminent or inevitable, or the issuer is in standstill.
NR	Indicates that the obligation is not rated by Standard & Poor's, Moody's or Fitch.



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Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

**Short-term security ratings (unaudited)**

*Standard & Poor's Municipal Short-Term Notes Ratings*

- SP-1 A short-term obligation rated SP-1 is rated in the highest category by Standard & Poor's. Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.
- SP-2 A short-term obligation rated SP-2 is a Standard & Poor's rating indicating satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.
- SP-3 A short-term obligation rated SP-3 is a Standard & Poor's rating indicating speculative capacity to pay principal and interest.

*Standard & Poor's Short-Term Issues Credit Ratings*

- A-1 A short-term obligation rated A-1 is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
- A-2 A short-term obligation rated A-2 by Standard & Poor's is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.
- A-3 A short-term obligation rated A-3 by Standard & Poor's exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
- B A short-term obligation rated B by Standard & Poor's is regarded as having significant speculative characteristics. Ratings of B-1, B-2 and B-3 may be assigned to indicate finer distinctions within the B category. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

*Moody's Variable Rate Demand Obligations (VRDO) Ratings*

- VMIG 1 Moody's highest rating for issues having a variable rate demand feature VRDO. This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price on demand.
- VMIG 2 This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price on demand.
- VMIG 3 This designation denotes acceptable credit quality. Adequate protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price on demand.
- SG

This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short term rating or may lack the structural and/or

## Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

legal protections necessary to ensure the timely payment of purchase price upon demand.

*Moody's Short-Term Municipal Obligations Ratings*

MIG 1	Moody's highest rating for short-term municipal obligations. This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.
MIG 2	This designation denotes strong credit quality. Margins of protection are ample, although not as large as the preceding group.
MIG 3	This designation denotes acceptable credit quality. Liquidity and cash flow protection may be narrow, and market access for refinancing is likely to be less well-established.
SG	This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

*Moody's Short-Term Obligations Ratings*

P-1	Moody's highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating. Have a superior ability to repay short-term debt obligations.
P-2	Have a strong ability to repay short-term debt obligations.
P-3	Have an acceptable ability to repay short-term debt obligations.
NP	Issuers do not fall within any of the Prime rating categories.

*Fitch's Short-Term Issuer or Obligations Ratings*

F1	Fitch's highest rating indicating the strongest intrinsic capacity for timely payment of financial commitments; may have an added + to denote any exceptionally strong credit feature.
F2	Fitch rating indicating good intrinsic capacity for timely payment of financial commitments.
F3	Fitch rating indicating intrinsic capacity for timely payment of financial commitments is adequate.
B	Fitch rating indicating minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term changes in financial and economic conditions.
C	Fitch rating indicating default is a real possibility.
NR	Indicates that the obligation is not rated by Standard & Poor's, Moody's or Fitch.

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**Statement of assets and liabilities (unaudited)**

May 31, 2012

**Assets:**

Investments, at value (Cost \$183,870,643)	\$198,413,752
Cash	2,331
Interest receivable	3,022,562
Receivable for securities sold	210,000
Prepaid expenses	41,321
<b>Total Assets</b>	<b>201,689,966</b>

**Liabilities:**

Payable for securities purchased	6,131,150
Investment management fee payable	91,041
Payable to broker - variation margin on open futures contracts	35,000
Directors' fees payable	2,459
Distributions payable to auction rate cumulative preferred stockholders	1,399
Accrued expenses	41,930
<b>Total Liabilities</b>	<b>6,302,979</b>

**Series M Municipal Auction Rate Cumulative Preferred Stock (2,000 shares authorized and issued at \$25,000 per share) (Note 5)**

**50,000,000****Total Net Assets****\$145,386,987****Net Assets:**

Par value (\$0.001 par value; 14,047,637 shares issued and outstanding; 100,000,000 shares authorized)	\$ 14,048
Paid-in capital in excess of par value	138,484,909
Undistributed net investment income	3,371,635
Accumulated net realized loss on investments and futures contracts	(10,436,944)
Net unrealized appreciation on investments and futures contracts	13,953,339
<b>Total Net Assets</b>	<b>\$145,386,987</b>

**Shares Outstanding**

14,047,637

**Net Asset Value**

\$10.35

See Notes to Financial Statements.

**Statement of operations (unaudited)**

For the Six Months Ended May 31, 2012

**Investment Income:**

<i>Interest</i>	<b>\$4,373,487</b>
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**Expenses:**

Investment management fee (Note 2)	532,754
Audit and tax	21,175
Transfer agent fees	16,213
Shareholder reports	16,046
Stock exchange listing fees	13,339
Directors' fees	12,714
Auction participation fee (Note 5)	12,500
Legal fees	9,643
Fund accounting fees	7,013
Rating agency fees	6,989
Auction agent fees	5,631
Custody fees	3,723
Insurance	2,099
Miscellaneous expenses	3,854
<b>Total Expenses</b>	<b>663,693</b>
<b>Net Investment Income</b>	<b>3,709,794</b>

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

Net Realized Gain From:	
Investment transactions	228,742
Futures contracts	201,152
<b>Net Realized Gain</b>	<b>429,894</b>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	6,329,070
Futures contracts	(745,249)
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	<b>5,583,821</b>
<b>Net Gain on Investments and Futures Contracts</b>	<b>6,013,715</b>
<b>Distributions Paid to Auction Rate Cumulative Preferred Stockholders From Net Investment Income (Notes 1 and 5)</b>	<b>(60,789)</b>
<b>Increase in Net Assets From Operations</b>	<b>\$9,662,720</b>

See Notes to Financial Statements.

Western Asset Intermediate Muni Fund Inc. 2012 Semi-Annual Report

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**Statements of changes in net assets****For the Six Months Ended May 31, 2012 (unaudited)  
and the Year Ended November 30, 2011**

	<b>2012</b>	<b>2011</b>
<b>Operations:</b>		
Net investment income	\$ 3,709,794	\$ 7,452,341
Net realized gain	429,894	476,932
Change in net unrealized appreciation	5,583,821	1,596,874
Distributions paid to auction rate cumulative preferred stockholders from net investment income	(60,789)	(154,040)
<b><i>Increase in Net Assets From Operations</i></b>	<b><i>9,662,720</i></b>	<b><i>9,372,107</i></b>
<b>Distributions to Common Stock Shareholders From (Notes 1):</b>		
Net investment income	(3,370,684)	(6,741,368)
<b><i>Decrease in Net Assets From Distributions to Common Stock Shareholders</i></b>	<b><i>(3,370,684)</i></b>	<b><i>(6,741,368)</i></b>
<b>Fund Share Transactions:</b>		
Reinvestment of distributions (3,121 and 0 shares issued, respectively)	32,307	
<b><i>Increase in Net Assets From Fund Share Transactions</i></b>	<b><i>32,307</i></b>	
<b><i>Increase in Net Assets</i></b>	<b><i>6,324,343</i></b>	<b><i>2,630,739</i></b>
<b>Net Assets:</b>		
Beginning of period	139,062,644	136,431,905
<b>End of period*</b>	<b>\$145,386,987</b>	<b>\$139,062,644</b>
* Includes undistributed net investment income of:	\$3,371,635	\$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:**