

Western Asset Municipal Defined Opportunity Trust Inc.

Form N-CSR

January 25, 2017

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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 811-22265

Western Asset Municipal Defined Opportunity Trust Inc.

(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018

(Address of principal executive offices) (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, 2016

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ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

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Annual Report

November 30, 2016

WESTERN ASSET

MUNICIPAL DEFINED OPPORTUNITY TRUST
INC. (MTT)

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

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Fund objectives

The Fund's primary investment objective is to provide high current income exempt from federal income tax* and then to liquidate on or about April 30, 2021 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance the Fund's investment objectives will be achieved.

As a fundamental policy, the Fund seeks to achieve its primary investment objective by investing, under normal market conditions, at least 80% of its net assets in investment grade municipal securities, the interest on which is exempt from federal income tax.

* 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 annual report of Western Asset Municipal Defined Opportunity Trust Inc. for the twelve-month reporting period ended November 30, 2016. 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.

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. 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,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

December 30, 2016

Western Asset Municipal Defined Opportunity Trust Inc.

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Investment commentary

Economic review

The pace of U.S. economic activity fluctuated during the twelve months ended November 30, 2016 (the reporting period). Looking back, the U.S. Department of Commerce reported that fourth quarter 2015 U.S. gross domestic product (GDP) growth was 0.9%. First and second quarter 2016 GDP growth was 0.8% and 1.4%, respectively. The U.S. Department of Commerce's final reading for third quarter 2016 GDP growth released after the reporting period ended was 3.5%. The improvement in GDP growth in the third quarter 2016 reflected an increase in private inventory investment, an acceleration in exports, smaller decreases in state and local government spending and an upturn in federal government spending.

While there was a pocket of weakness in May 2016, job growth in the U.S. was solid overall and a tailwind for the economy during the reporting period. When the reporting period ended on November 30, 2016, the unemployment rate was 4.6%, as reported by the U.S. Department of Labor. This represented the lowest level since August 2007. The percentage of longer-term unemployed also declined over the period. In November 2016, 24.8% of Americans looking for a job had been out of work for more than six months, versus 26.3% when the period began.

After an extended period of maintaining the federal funds rateⁱⁱⁱ at a historically low range between zero and 0.25%, the Federal Reserve Board (the Fedⁱⁱ) increased the rate at its meeting on December 16, 2015. This marked the first rate hike since 2006. In particular, the U.S. central bank raised the federal funds rate to a range between 0.25% and 0.50%. The Fed then kept rates on hold at every meeting prior to its meeting in mid-December 2016. On December 14, 2016, after the reporting period ended, the Fed raised rates to a range between 0.50% and 0.75%. In the Fed's statement after the December meeting it said, "The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data."

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

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

December 30, 2016

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 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.

ⁱⁱⁱ The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

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Fund overview

Q. What is the Fund's investment strategy?

A. The Fund's primary investment objective is to provide high current income exempt from federal income tax and then to liquidate on or about April 30, 2021 and distribute all of the Fund's net assets to shareholders. As a secondary investment objective, the Fund will seek total return. There can be no assurance the Fund's investment objectives will be achieved.

As a fundamental policy, the Fund seeks to achieve its primary investment objective by investing, under normal market conditions, at least 80% of its net assets in investment grade municipal securities, the interest on which is exempt from federal income tax. The Fund may invest up to 20% of its net assets in municipal securities rated below investment grade (commonly known as "high yield" or "junk" bonds) at the time of purchase by at least one nationally recognized statistical rating organization or which, if unrated, we deemed to be of comparable quality. The Fund may also invest up to 20% of its net assets in investments that generate income that is subject to federal income tax and in municipal securities, the interest on which is subject to the federal alternative minimum tax ("AMT"), and as a result, a portion of the Fund's distributions may be taxable to holders of common shares. The Fund may use a variety of derivative instruments as part of its investment strategies or for hedging and/or risk management purposes.

In purchasing securities and other investments for the Fund, we may take full advantage of the entire range of maturities and durationsⁱ offered by municipal securities and may adjust the average maturity or duration of the Fund's portfolio from time to time, depending on our assessment of the relative yields available on securities of different maturities and durations and our expectations of future changes in interest rates.

As a fundamental policy, the Fund will not leverage its capital structure by issuing senior securities such as preferred shares or debt instruments. However, the Fund may lend portfolio securities, invest in certain instruments, including inverse floating rate securities, participate in the creation of tender option bonds and enter into transactions such as short sales, that have the economic effect of financial leverage ("effective leverage"), provided that the Fund will not make such investments if, upon completion of the investment, the effective leverage of the Fund would be greater than 10% of the Fund's total assets.

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. Effective August 1, 2016, the individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are S. Kenneth Leech, Robert E. Amodeo and David T. Fare.

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Fund overview (continued)

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

A. Most spread sectors (non-Treasuries) posted positive returns, but generated mixed results versus equal-duration Treasuries over the twelve-month reporting period ended November 30, 2016. The fixed income market was volatile at times given signs of generally modest economic growth, uncertainties regarding future Federal Reserve Board (the Fed's) monetary policy, implications of the U.K.'s referendum to leave the European Union (Brexit), the November elections in the U.S. and a number of geopolitical issues.

Both short- and long-term Treasury yields moved higher during the twelve months ended November 30, 2016. Two-year Treasury yields began the reporting period at 0.94% and ended the period at 1.11%. Their peak of 1.12% occurred on both November 23 and November 25, 2016, and they were as low as 0.56% on July 5, 2016. Ten-year Treasury yields were 2.21% at the beginning of the period and ended the period at their peak of 2.37%. Their low of 1.37% occurred on both July 5 and July 8, 2016.

The municipal bond market underperformed its taxable bond counterpart during the twelve-month reporting period. Over that time, the Bloomberg Barclays Municipal Bond Indexⁱⁱⁱ and the Bloomberg Barclays U.S. Aggregate Index^{iv} returned -0.22% and 2.17%, respectively. After generating positive absolute returns during the first nine months of the period, the municipal market declined over the last three months of the period. This turnaround was triggered by a number of factors, including an increase in municipal supply and sharply rising yields. In addition, it was felt that potential reductions in tax rates could make municipal securities relatively less attractive.

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

A. We lengthened the Fund's duration into market weakness, as we felt the sell-off in the municipal market was overdone. The Fund employed the use of U.S. Treasury futures during the reporting period to manage duration. This strategy detracted from the Fund's performance.

Performance review

For the twelve months ended November 30, 2016, Western Asset Municipal Defined Opportunity Trust Inc. returned -0.16% based on its net asset value (NAV) and -3.10% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Bloomberg Barclays Municipal Bond Index, returned -0.22% for the same period. The Lipper General and Insured Municipal Debt (Unleveraged) Closed-End Funds Category Average^{vi} returned 0.65% 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 shareholders totaling \$1.05 per share.* The performance table

*For the tax character of distributions paid during the fiscal year ended November 30, 2016, please refer to page 25 of this report.

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shows the Fund's twelve-month total return based on its NAV and market price as of November 30, 2016. **Past performance is no guarantee of future results.**

Performance Snapshot as of November 30, 2016

Price Per Share	12-Month Total Return**
\$21.53 (NAV)	-0.16%
\$22.08 (Market Price)	-3.10%

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. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

Total return assumes the reinvestment of all distributions at NAV.

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 contributor to the Fund's relative performance during the reporting period was its positioning in a number of sectors. Overall, an overweight to revenue bonds and underweights in the State and Local General Obligations bond sectors were beneficial given the outperformance by the former.

In the revenue bond space, an overweight to the Industrial Revenue sector added the most value. Security selection in the Health Care, Water & Sewer, Power and Special Tax Obligation sectors was also additive for performance.

Q. What were the leading detractors from performance?

A. The largest detractor from the Fund's relative performance for the period was an overweight to the Pre-Refunded sector. Security selection in the Industrial Revenue sector was also a modest drag on results.

Looking for additional information?

The Fund is traded under the symbol **MTT** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XMTTX** 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 (click on the name of the Fund).

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 Municipal Defined Opportunity Trust 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 20, 2016

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Fund overview (cont d)

***RISKS:** The Fund is a non-diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objective. The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. Because the Fund is non-diversified, it may be more susceptible to economic, political or regulatory events than a diversified fund. The Fund's investments are subject to credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the fixed-income securities held by the Fund. The Fund may invest in lower-rated high-yield bonds, known as junk bonds, which are subject to greater credit risk (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 Fund may invest up to 10% of its assets in securities that have the economic effects of leverage which can increase the risk and volatility of the Fund.*

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.

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- i 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.

- ii The Federal Reserve Board (the Fed) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

- iii The Bloomberg Barclays Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.

- iv The Bloomberg 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.

- v Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (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.

- vi 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, 2016, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 6 funds in the Fund's Lipper category.

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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, 2016 and November 30, 2015 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 anytime.

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Spread duration (unaudited)

Economic exposure November 30, 2016

Total Spread Duration

MTT 4.24 years

Benchmark 6.15 years

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 portfolio and the exposure relative to the selected benchmark as of the end of the reporting period.

Benchmark Bloomberg Barclays Municipal Bond Index

MTT Western Asset Municipal Defined Opportunity Trust Inc.

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Effective duration (unaudited)

Interest rate exposure November 30, 2016

Total Effective Duration

MTT 4.65 years

Benchmark 6.30 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.

Benchmark Bloomberg Barclays Municipal Bond Index

MTT Western Asset Municipal Defined Opportunity Trust Inc.

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November 30, 2016

Western Asset Municipal Defined Opportunity Trust Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Municipal Bonds 98.3%				
<i>Alabama 2.7%</i>				
Jefferson County, AL, Sewer Revenue, Convertible CAB, Subordinated Lien	0.000%	10/1/50	\$ 9,470,000	\$ 6,940,658 ^(a)
<i>Arizona 3.2%</i>				
Navajo Nation, AZ, Revenue	5.000%	12/1/25	350,000	369,173 ^{(b)(c)}
Salt Verde, AZ, Financial Corp. Senior Gas Revenue	5.000%	12/1/32	7,110,000	7,890,394
<i>Total Arizona</i>				<i>8,259,567</i>
<i>California 3.7%</i>				
California State PCFA, Water Furnishing Revenue	5.000%	11/21/45	3,500,000	3,662,505 ^{(b)(d)}
California Statewide CDA, Student Housing Revenue, Provident Group-Pomona Properties LLC	5.600%	1/15/36	795,000	864,666
Lower Tule River, CA, Irrigation District Revenue, COP	5.000%	8/1/40	1,000,000	1,082,050
M-S-R Energy Authority, CA, Gas Revenue	6.125%	11/1/29	2,000,000	2,395,980
River Islands, CA, Public Financing Authority Special Tax, Community Facilities District No. 2003-1	5.000%	9/1/27	740,000	764,220
University of California, CA, Revenue	4.000%	5/15/46	1,000,000	981,290
<i>Total California</i>				<i>9,750,711</i>
<i>Colorado 4.0%</i>				
Colorado State Health Facilities Authority Revenue, Adventist Health System/Sunbelt Obligated Group	5.000%	11/15/23	3,000,000	3,444,450 ^{(a)(e)}
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.125%	11/15/23	6,000,000	6,887,700
<i>Total Colorado</i>				<i>10,332,150</i>
<i>Florida 3.8%</i>				
Citizens Property Insurance Corp., FL, Revenue, Senior Secured, High Act	6.000%	6/1/17	6,900,000	7,067,808
Florida State Development Finance Corp., Senior Living Revenue:				
Tuscan Isle Champions Gate Project	5.625%	6/1/26	275,000	268,007 ^(b)
Tuscan Isle Champions Gate Project	6.000%	6/1/30	150,000	144,894 ^(b)
Tuscan Isle Obligated Group	7.000%	6/1/35	250,000	256,255 ^(b)
Florida State Mid-Bay Bridge Authority Revenue	5.000%	10/1/28	600,000	652,572
Florida State Municipal Power Agency Revenue, All Requirements Power	6.250%	10/1/31	1,000,000	1,129,270 ^(f)
Orange County, FL, Health Facilities Authority Revenue, Presbyterian Retirement Communities	5.000%	8/1/47	250,000	259,667 ^(c)
Orange County, FL, IDA Revenue, Vitag Florida LLC Project	8.000%	7/1/36	250,000	254,363 ^{(b)(d)}
<i>Total Florida</i>				<i>10,032,836</i>

See Notes to Financial Statements.

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November 30, 2016

Western Asset Municipal Defined Opportunity Trust Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Georgia 7.4%</i>				
Atlanta, GA, Water & Wastewater Revenue	6.000%	11/1/23	\$ 5,000,000	\$ 5,628,150 ^(f)
Atlanta, GA, Water & Wastewater Revenue	6.250%	11/1/34	3,260,000	3,692,602 ^(f)
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.125%	7/1/40	9,000,000	9,942,840
<i>Total Georgia</i>				<i>19,263,592</i>
<i>Illinois 3.1%</i>				
Chicago, IL, GO	5.500%	1/1/30	1,685,000	1,691,454
Chicago, IL, Motor Fuel Tax Revenue	5.000%	1/1/26	1,000,000	1,026,310
Chicago, IL, O Hare International Airport Revenue	5.000%	1/1/46	2,000,000	2,125,400
Chicago, IL, O Hare International Airport Revenue, General, Senior Lien	5.000%	1/1/35	250,000	266,895 ^(e)
Illinois State, GO	5.000%	2/1/26	1,000,000	1,029,550
Illinois State, GO	5.000%	2/1/27	250,000	256,392
Illinois State, GO	5.000%	2/1/28	600,000	614,364
Metropolitan Pier & Exposition Authority, IL, Dedicated State Tax Revenue, McCormick Project, State Appropriations	5.250%	6/15/50	1,000,000	1,027,150
Metropolitan Pier & Exposition Authority, IL, Revenue, CAB-McCormick Place Expansion Project	0.000%	12/15/52	1,000,000	128,360
<i>Total Illinois</i>				<i>8,165,875</i>
<i>Indiana 7.0%</i>				
Indiana Finance Authority, IN, Wastewater Utility Revenue, Green Bonds, CWA Authority Project, NATL	5.000%	10/1/46	675,000	735,068
Indiana Municipal Power Agency, Power Supply System Revenue	6.000%	1/1/39	8,000,000	8,742,080 ^(f)
Richmond, IN, Hospital Authority Revenue, Reid Hospital & Health Care Services Inc. Project	6.500%	1/1/29	8,000,000	8,797,440 ^(f)
<i>Total Indiana</i>				<i>18,274,588</i>
<i>Louisiana 4.1%</i>				
Louisiana State Citizens Property Insurance Corp., Assessment Revenue, AGC	6.125%	6/1/25	10,000,000	10,713,800 ^(f)
<i>Maryland 4.2%</i>				
Howard County, MD, Housing Commission Revenue, Columbia Commons Apartments	5.000%	6/1/44	1,350,000	1,425,883
Maryland State Health & Higher EFA Revenue, Washington County Hospital Issue	5.750%	1/1/38	9,000,000	9,435,870 ^(f)
<i>Total Maryland</i>				<i>10,861,753</i>
<i>Massachusetts 0.1%</i>				
Massachusetts State DFA Revenue, Umass Boston Student Housing Project	5.000%	10/1/41	250,000	258,415

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
<i>Michigan 12.5%</i>				
Detroit, MI, Water Supply System Revenue, AGM	6.250%	7/1/36	\$ 3,000,000	\$ 3,322,050
Michigan State Finance Authority Limited Obligation Revenue, Higher Education, Thomas M Cooley Law School Project	6.000%	7/1/24	1,500,000	1,540,515 ^(b)
Michigan State Finance Authority Revenue:				
Detroit School District	5.500%	6/1/21	6,000,000	6,311,100 ^(f)
Local Government Loan Program, Detroit Water & Sewer Department	5.000%	7/1/33	350,000	374,129
Senior Lien Detroit Water & Sewer	5.000%	7/1/33	410,000	443,784
Michigan State Hospital Finance Authority Revenue, McLaren Health Care Corp.	5.750%	5/15/38	9,000,000	9,584,550 ^(f)
Royal Oak, MI, Hospital Finance Authority Revenue:				
William Beaumont Hospital	5.000%	9/1/39	2,000,000	2,153,160
William Beaumont Hospital	8.250%	9/1/39	8,000,000	8,951,200 ^(f)
<i>Total Michigan</i>				<i>32,680,488</i>
<i>New Jersey 6.1%</i>				
Gloucester County, NJ, PCFA Revenue, Keystone Urban Renewal, Logan Generating	5.000%	12/1/24	750,000	808,830 ^(d)
New Jersey State EDA Revenue, Continental Airlines Inc. Project	4.875%	9/15/19	965,000	1,013,163 ^(d)
New Jersey State EFA Revenue, University of Medicine & Dentistry	7.500%	12/1/32	10,000,000	11,418,100 ^(f)
New Jersey State Transportation Trust Fund Authority Revenue, Capital Appreciation Transportation System, NATL	0.000%	12/15/31	5,750,000	2,831,473
<i>Total New Jersey</i>				<i>16,071,566</i>
<i>New York 7.2%</i>				
Liberty, NY, Development Corp. Revenue, Goldman Sachs Headquarters	5.250%	10/1/35	2,500,000	2,921,300
MTA Hudson Rail Yards Trust Obligations Revenue	5.000%	11/15/51	1,250,000	1,333,262
New York State Convention Center Development Corp. Revenue, CAB, Subordinated Lien, Hotel Unit Fee Secured	0.000%	11/15/32	2,000,000	1,047,420
New York State Liberty Development Corp., Liberty Revenue, 3 World Trade Center LLC Project	5.000%	11/15/44	575,000	583,642 ^(b)
New York State Thruway Authority General Revenue, Junior Indebtedness Obligations, Junior Lien	5.000%	1/1/51	1,000,000	1,070,710 ^(g)
New York State Transportation Development Corp., Special Facilities Revenue, Laguardia Airport Terminal B Redevelopment Project	5.000%	7/1/46	3,000,000	3,049,980 ^(d)
Port Authority of New York & New Jersey, Special Obligation Revenue, JFK International Air Terminal LLC	5.500%	12/1/31	7,925,000	8,870,215
<i>Total New York</i>				<i>18,876,529</i>

See Notes to Financial Statements.

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November 30, 2016

Western Asset Municipal Defined Opportunity Trust Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oklahoma 0.1%</i>				
Payne County, OK, EDA Revenue, Epworth Living at The Ranch	6.250%	11/1/31	\$ 200,000	\$ 193,224
<i>Oregon 0.3%</i>				
Oregon State Facilities Authority Revenue, Legacy Health Project	5.000%	6/1/46	650,000	693,492
<i>Pennsylvania 4.9%</i>				
Cumberland County, PA, Municipal Authority Revenue, Diakon Lutheran Social Ministries Project	5.000%	1/1/27	1,000,000	1,078,390
Pennsylvania Economic Development Financing Authority, Water Facility Revenue, American Water Co. Project	6.200%	4/1/39	10,000,000	10,957,600
State Public School Building Authority Palease Revenue:				
Philadelphia School District Project, AGM	5.000%	6/1/31	200,000	215,822
Philadelphia School District Project, AGM	5.000%	6/1/33	550,000	587,911
<i>Total Pennsylvania</i>				<i>12,839,723</i>
<i>Rhode Island 4.3%</i>				
Rhode Island State Health & Educational Building Corp. Revenue, Hospital Financing	7.000%	5/15/39	10,000,000	11,302,200 ^(f)
<i>Texas 11.8%</i>				
Alamo, TX, Regional Mobility Authority Revenue, Senior Lien	5.000%	6/15/41	500,000	554,880
Brazos River, TX, Harbor Navigation District Revenue, Brazoria County Environmental, Dow Chemical Co. Project	5.950%	5/15/33	10,000,000	10,674,800 ^(d)
Clifton, TX, Higher Education Finance Corp., Education Revenue, IDEA Public Schools, PSF-GTD	5.000%	8/15/35	2,400,000	2,699,976
Love Field Airport Modernization Corp., TX, Special Facilities Revenue, Southwest Airlines Co. Project	5.250%	11/1/40	3,000,000	3,296,280
Mission, TX, Economic Development Corp. Revenue, Senior Lien, Natgasoline Project	5.750%	10/1/31	100,000	104,670 ^{(b)(d)}
North Texas Tollway Authority Revenue	5.000%	1/1/33	400,000	448,264
North Texas Tollway Authority Revenue	5.750%	1/1/33	10,200,000	10,705,206 ^(f)
Texas State Municipal Gas Acquisition & Supply Corp. I, Gas Supply Revenue	6.250%	12/15/26	1,310,000	1,525,587
Texas State Private Activity Bond Surface Transportation Corp. Revenue, Senior Lien, Blueridge Transportation Group LLC	5.000%	12/31/40	500,000	513,190 ^(d)
Woodloch Health Facilities Development Corp., TX, Senior Housing Revenue:				
Inspired Living Lewsville Project	6.750%	12/1/51	300,000	274,023 ^(b)
Inspired Living Lewsville Project	10.000%	12/1/51	50,000	44,485
<i>Total Texas</i>				<i>30,841,361</i>

See Notes to Financial Statements.

Table of Contents**Western Asset Municipal Defined Opportunity Trust Inc.**

	Rate	Maturity Date	Face Amount	Value
Security				
<i>U.S. Virgin Islands 1.9%</i>				
Virgin Islands Public Finance Authority Revenue, Matching Fund Loan	6.625%	10/1/29	\$ 5,000,000	\$ 5,076,250
<i>Virginia 1.1%</i>				
Virginia State Port Authority Port Facility Revenue	5.000%	7/1/41	400,000	429,892 (d)
Virginia State Port Authority Port Facility Revenue	5.000%	7/1/45	500,000	535,725 (d)
Virginia State Small Business Financing Authority Revenue, Elizabeth River Crossings OpCo LLC Project	5.000%	7/1/23	1,775,000	1,927,401 (d)
<i>Total Virginia</i>				<i>2,893,018</i>
<i>Washington 0.5%</i>				
Washington State HFC Revenue:				
Heron s Key	5.500%	1/1/24	500,000	502,245 (b)
Heron s Key	6.000%	7/1/25	675,000	676,310 (b)
<i>Total Washington</i>				<i>1,178,555</i>
<i>Wisconsin 4.3%</i>				
Public Finance Authority, WI, Education Revenue, North Carolina Charter Educational Foundation Project	5.000%	6/15/46	150,000	126,996 (b)
Wisconsin State HEFA Revenue, Prohealth Care Inc. Obligation Group	6.625%	2/15/39	10,000,000	11,090,500 (f)
<i>Total Wisconsin</i>				<i>11,217,496</i>
Total Investments before Short-Term Investments (Cost \$228,963,173)				256,717,847
<i>Short-Term Investments 0.5%</i>				
<i>Municipal Bonds 0.4%</i>				
<i>California 0.1%</i>				
California Statewide CDA Revenue, Painted Turtle Gang Camp Foundation, LOC-Wells Fargo Bank N.A.	0.520%	4/1/33	300,000	300,000 (h)(i)
<i>Florida 0.3%</i>				
North Broward, FL, Hospital District Revenue, NATL, LOC-Wells Fargo Bank N.A.	0.550%	1/15/27	900,000	900,000 (h)(i)
Total Municipal Bonds (Cost \$1,200,000)				1,200,000
			Shares	
<i>Money Market Funds 0.1%</i>				
State Street Institutional U.S. Government Money Market Fund, Premier Class (Cost \$157,351)	0.284%		157,351	157,351
Total Short-Term Investments (Cost \$1,357,351)				1,357,351
Total Investments 98.8% (Cost \$230,320,524#)				258,075,198
Other Assets in Excess of Liabilities 1.2%				3,241,696
Total Net Assets 100.0%				\$ 261,316,894

See Notes to Financial Statements.

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Schedule of investments (cont d)

November 30, 2016

Western Asset Municipal Defined Opportunity Trust Inc.

- (a) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (c) Security is purchased on a when-issued basis.
- (d) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).
- (e) Maturity date shown represents the mandatory tender date.
- (f) 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.
- (g) All or a portion of this security is held at the broker as collateral for open futures contracts.
- (h) 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.
- (i) 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 \$228,664,514.

Abbreviations used in this schedule:

AGC	Assured Guaranty Corporation Insured Bonds
AGM	Assured Guaranty Municipal Corporation Insured Bonds
CAB	Capital Appreciation Bonds
CDA	Communities Development Authority
COP	Certificates of Participation
DFA	Development Finance Agency
EDA	Economic Development Authority

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EFA	Educational Facilities Authority
GO	General Obligation
GTD	Guaranteed
HEFA	Health & Educational Facilities Authority
HFC	Housing Finance Commission
IDA	Industrial Development Authority
LOC	Letter of Credit
MTA	Metropolitan Transportation Authority
NATL	National Public Finance Guarantee Corporation Insured Bonds
PCFA	Pollution Control Financing Authority
PSF	Permanent School Fund

[See Notes to Financial Statements.](#)

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Western Asset Municipal Defined Opportunity Trust Inc.

Ratings table* (unaudited)

Standard & Poor's/Moody's/Fitch**

AAA/Aaa	8.9%
AA/Aa	16.7
A	31.6
BBB/Baa	25.8
BB/Ba	3.0
A-1/VMIG 1	0.5
NR***	13.5
	100.0%

* 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.

***The credit quality of unrated investments is evaluated based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments.

See Notes to Financial Statements.

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Statement of assets and liabilities

November 30, 2016

Assets:	
Investments, at value (Cost \$230,320,524)	\$ 258,075,198
Interest receivable	4,085,445
Receivable for securities sold	215,424
Prepaid expenses	8,882
Total Assets	262,384,949
Liabilities:	
Payable for securities purchased	777,465
Investment management fee payable	130,677
Payable to broker - variation margin on open futures contracts	60,000
Directors' fees payable	4,877
Accrued expenses	95,036
Total Liabilities	1,068,055
Total Net Assets	\$ 261,316,894
Net Assets:	
Par value (\$0.001 par value; 12,136,177 shares issued outstanding; 100,000,000 shares authorized)	\$ 12,136
Paid-in capital in excess of par value	231,990,020
Undistributed net investment income	2,952,713
Accumulated net realized loss on investments and futures contracts	(1,361,446)
Net unrealized appreciation on investments and futures contracts	27,723,471
Total Net Assets	\$ 261,316,894
Shares Outstanding	12,136,177
Net Asset Value	\$21.53

See Notes to Financial Statements.

Table of Contents**Statement of operations**

For the Year Ended November 30, 2016

Investment Income:	
<i>Interest</i>	\$ 14,492,880
Expenses:	
Investment management fee (Note 2)	1,638,660
Directors' fees	70,354
Audit and tax fees	42,000
Legal fees	41,627
Transfer agent fees	38,835
Fund accounting fees	27,424
Shareholder reports	24,600
Stock exchange listing fees	21,389
Insurance	4,947
Custody fees	1,681
Miscellaneous expenses	12,024
<i>Total Expenses</i>	1,923,541
Net Investment Income	12,569,339
Realized and Unrealized Gain (Loss) on Investments and Futures Contracts (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	351,058
Futures contracts	(283,812)
<i>Net Realized Gain</i>	67,246
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(12,803,294)
Futures contracts	(22,520)
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	(12,825,814)
Net Loss on Investments and Futures Contracts	(12,758,568)
Decrease in Net Assets From Operations	\$ (189,229)

See Notes to Financial Statements.

Table of Contents**Statements of changes in net assets**

For the Years Ended November 30,	2016	2015
Operations:		
Net investment income	\$ 12,569,339	\$ 13,415,322
Net realized gain (loss)	67,246	(356,380)
Change in net unrealized appreciation (depreciation)	(12,825,814)	(4,571,698)
<i>Increase (Decrease) in Net Assets From Operations</i>	<i>(189,229)</i>	<i>8,487,244</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(12,677,708)	(12,186,132)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(12,677,708)</i>	<i>(12,186,132)</i>
Fund Share Transactions:		
Reinvestment of distributions (30,064 and 31,412 shares issued, respectively)	676,163	715,651
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>676,163</i>	<i>715,651</i>
<i>Decrease in Net Assets</i>	<i>(12,190,774)</i>	<i>(2,983,237)</i>
Net Assets:		
Beginning of year	273,507,668	276,490,905
End of year*	\$ 261,316,894	\$ 273,507,668
*Includes undistributed net investment income of:	\$2,952,713	\$2,188,521

See Notes to Financial Statements.

Table of Contents**Financial highlights****For a share of capital stock outstanding throughout each year ended November 30:**

	2016 ¹	2015 ¹	2014 ¹	2013 ¹	2012 ¹
Net asset value, beginning of year	\$22.59	\$22.90	\$21.78	\$23.49	\$21.39
Income (loss) from operations:					
Net investment income	1.04	1.11	1.08	1.08	1.08
Net realized and unrealized gain (loss)	(1.05)	(0.41)	1.05	(1.78)	2.03
<i>Total income (loss) from operations</i>	<i>(0.01)</i>	<i>0.70</i>	<i>2.13</i>	<i>(0.70)</i>	<i>3.11</i>
Less distributions from:					
Net investment income	(1.05)	(1.01)	(1.01)	(1.01)	(1.01)
<i>Total distributions</i>	<i>(1.05)</i>	<i>(1.01)</i>	<i>(1.01)</i>	<i>(1.01)</i>	<i>(1.01)</i>
Net asset value, end of year	\$21.53	\$22.59	\$22.90	\$21.78	\$23.49
Market price, end of year	\$22.08	\$23.87	\$23.07	\$20.86	\$24.75
<i>Total return, based on NAV^{2,3}</i>	<i>(0.16)%</i>	<i>3.11%</i>	<i>9.96%</i>	<i>(3.04)%</i>	<i>14.83%</i>
<i>Total return, based on Market Price⁴</i>	<i>(3.10)%</i>	<i>8.15%</i>	<i>15.72%</i>	<i>(11.77)%</i>	<i>19.69%</i>
Net assets, end of year (000s)	\$261,317	\$273,508	\$276,491	\$262,743	\$283,110
Ratios to average net assets:					
Gross expenses	0.70%	0.70%	0.70%	0.69%	0.68%
Net expenses	0.70	0.70	0.70	0.69	0.68
Net investment income	4.60	4.87	4.79	4.79	