WESTERN ASSET INTERMEDIATE MUNI FUND INC.
Form N-CSRS
September 02, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-06506

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

55 Water Street, New York, NY	10041
(Address of principal executive offices)	(Zip code)

Robert I. Frenkel, Esq.
Legg Mason & Co., LLC
300 First Stamford Place, 4th Floor
Stamford, CT 06902
(Name and address of agent for service)

Registrant s telephone number, including area code: (800) 451-2010

Date of fiscal year end: December 31

Date of reporting period: June 30, 2008

ITEM 1. REPORT TO STOCKHOLDERS.

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

SEMI-ANNUAL REPORT / JUNE 30, 2008

Western Asset

Intermediate Muni

Fund Inc.

(SBI)

Managed by **WESTERN ASSET**

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

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, and state and local taxes will apply. Capital gains, if any, are fully taxable. Please consult your personal tax adviser.

What s inside

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

Letter from the chairman

Dear Shareholder,

The U.S. economy was lackluster during the six-month reporting period ended June 30, 2008. Looking back, third quarter 2007 U.S. gross domestic product (GDP)i growth was 4.8%, its strongest showing in four years. However, continued weakness in the housing market, an ongoing credit crunch and soaring oil and food prices then took their toll on the economy. During the fourth quarter of 2007, GDP growth was -0.2%. First quarter 2008 GDP growth was a modest 0.9%. The advance estimate for second quarter 2008 GDP growth was 1.9%.

The debate continues as to whether or not the U.S. will fall into a recession. However, it is a moot point for many people, as the job market continues to weaken and soaring energy and food prices are tempering consumer spending. In terms of the employment picture, the U.S. Department of Labor reported that payroll employment declined in each of the first six months of 2008, and the unemployment rate rose to 5.5% in May, its highest level since October 2004. Oil prices surpassed $140 a barrel in June 2008, with the average price for a gallon of gas exceeding $4 for the first time ever.ii These factors, coupled with a sputtering housing market, contributed to the Consumer Confidence Index falling for the sixth consecutive month in June 2008, reaching its lowest level since 1992.iii

Ongoing issues related to the housing and subprime mortgage markets and seizing credit markets prompted the Federal Reserve Board (Fed)iv to take aggressive and, in some cases, unprecedented actions. Beginning in September 2007, the Fed reduced the federal funds ratev from 5.25% to 4.75%. This marked the first such reduction since June 2003. The Fed then reduced the federal funds rate on six additional occasions through April 2008, bringing the federal funds rate to 2.00%. However, the Fed then shifted gears in the face of mounting inflationary prices and a weakening U.S. dollar. At its meeting in June, the Fed held rates steady and stated: Recent information indicates that overall economic activity continues to expand, partly reflecting some firming in household spending. However, labor markets have softened further and financial markets remain under considerable stress. Tight credit conditions, the ongoing housing

Letter from the chairman *continued*

contraction, and the rise in energy prices are likely to weigh on economic growth over the next few quarters.

In addition to the interest rate cuts, the Fed took several actions to improve liquidity in the credit markets. In March 2008, the Fed established a new lending program allowing certain brokerage firms, known as primary dealers, to also borrow from its discount window. The Fed also increased the maximum term for discount window loans from 30 to 90 days. Then, in mid-March, the Fed played a major role in facilitating the purchase of Bear Stearns by JPMorgan Chase.

During the six-month reporting period ended June 30, 2008, both short- and long-term Treasury yields experienced periods of volatility. Investors were initially focused on the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This turmoil triggered a flight to quality during the first quarter of 2008, causing Treasury yields to move lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). Treasury yields then moved higher in April, May and early June, as oil prices hit record levels. However, an additional credit crunch in mid-June resulted in another flight to quality, with Treasury yields again moving lower. Overall, during the six months ended June 30, 2008, two-year Treasury yields fell from 3.05% to 2.63%. Over the same time frame, 10-year Treasury yields moved from 4.04% to 3.99%.

The municipal bond market underperformed its taxable bond counterpart over the six months ended June 30, 2008. Over that period, the Lehman Brothers Municipal Bond Index[vi] and the Lehman Brothers U.S. Aggregate Index [vii] returned 0.02% and 1.13%, respectively. Earlier in the reporting period, the municipal market was adversely affected by increased investor risk aversion and fears that an economic recession would negatively impact municipalities, as they would generate less tax revenues. In addition, several large bond insurers experienced rating downgrades due to concerns that they no longer had enough capital to guarantee billions of dollars in debt due to the fallout from the subprime mortgage crisis. The municipal market then rallied in April and May as investors were drawn to their attractive yields. However, municipal bond prices fell again in June as investors flocked to the relative safety of Treasuries.

Performance review

For the six months ended June 30, 2008, Western Asset Intermediate Muni Fund Inc. returned 0.33% based on its net asset value (NAV)viii and 0.80% based on its American Stock Exchange (AMEX) market price per share. The Fund s unmanaged benchmark, the Lehman Brothers 1-15 Year Municipal Bond Indexix, and its former unmanaged benchmark, the Lehman Brothers Municipal Bond Index, returned 0.85% and 0.02%, respectively, over the same time frame. The Lipper Intermediate Municipal Debt Closed-End Funds Category Averagex returned -1.06% for the same period. Please note that Lipper performance returns are based on each fund s NAV.

During this six-month period, the Fund made distributions to shareholders totaling $0.204 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 June 30, 2008. **Past performance is no guarantee of future results.**

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.

PERFORMANCE SNAPSHOT as of June 30, 2008 (unaudited)

PRICE PER SHARE	6-MONTH TOTAL RETURN* (not annualized)
$9.49 (NAV)	0.33%
$8.53 (Market Price)	0.80%

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

*** Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund s Dividend Reinvestment Plan.**

Special shareholder notice

On April 28, 2008, stockholders of the Fund approved a proposal, which was previously approved by the Fund s Board of Directors, to amend one of the Fund s fundamental investment policies, eliminating the requirement that the Fund invest in municipal obligations with remaining effective maturities of less than 15 years. Effective April 29, 2008, the Fund s amended fundamental investment policy permits it to invest, under normal market conditions, at least 80% of its total assets in municipal obligations. Previously, the policy required that the Fund, under normal market conditions, invest at least 80% of its total assets in municipal obligations with remaining effective maturities of less than 15 years. The Fund continues to retain the non-fundamental investment policy requiring it to maintain a dollar-weighted average effective maturity of between 3 and 10 years. The intent of this policy change is to provide the investment manager with greater flexibility to invest in municipal securities of all maturities, while also maintaining the intermediate character of the Fund.

Letter from the chairman *continued*

Information about your fund

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to financial statements included in this report.

Looking for additional information?

The Fund is traded under the symbol SBI and its closing market price is available in most newspapers under the 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.leggmason.com/cef.

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 6:00 p.m. Eastern Time, for the Fund s current NAV, market price and other information.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

July 31, 2008

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.

RISKS: Keep in mind, 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 bonds , are subject to greater credit risk, including the risk of default, than higher-rated obligations. 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. 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.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

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 Source: Bloomberg, 7/08.
iii Source: The Conference Board, 7/08.
iv 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.
v 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.
vi The Lehman Brothers Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
vii The Lehman Brothers 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 at the Fund s market price as determined by supply of and demand for the Fund s shares.
ix The Lehman Brothers 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 1-15 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 June 30, 2008, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 funds in the Fund s Lipper category.

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Fund at a glance (unaudited)

INVESTMENT BREAKDOWN (%) As a percent of total investments June 30, 2008

* A refunded bond is a bond in which the original security has been replaced by an escrow, usually consisting of treasurys or agencies, which has been structured to pay principal, interest and any call premium, either to a call date (in the case of a pre-refunded bond), or to maturity (in the case of an escrowed to maturity bond). This is accomplished with the proceeds of a refunding issue. Once refunded, a bond takes on the credit quality of the securities held in the escrow. Bonds are commonly refunded to achieve savings when interest rates decline, though sometimes issuers refund a bond to relieve themselves of legal covenants in the refunded issue which they feel have become too restrictive.

Schedule of investments (unaudited)

June 30, 2008

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
MUNICIPAL BONDS 100.0%			
	Alabama 3.0%		
$3,000,000	Alabama State Public School & College Authority, FSA, 5.125% due 11/1/15(a)	$	3,062,100
1,225,000	Baldwin County, AL, Board of Education, Capital Outlay School Warrants, AMBAC, 5.000% due 6/1/20		1,259,631
94,127	Birmingham, AL, Medical Clinic Board Revenue, Baptist Medical Center, 8.300% due 7/1/08(a)(b)		94,127
1,000,000	Saraland, AL, GO, MBIA, 5.250% due 1/1/15		1,046,710
	Total Alabama		*5,462,568*
	Alaska 1.6%		
1,000,000	Alaska Industrial Development & Export Authority Revenue, Williams Lynxs Alaska Cargo Port LLC, 8.000% due 5/1/23(c)		1,054,820
500,000	Anchorage, AK, GO, Refunding, FGIC, 6.000% due 10/1/14		560,605
1,250,000	North Slope Boro, AK, Refunding, MBIA, 5.000% due 6/30/15		1,341,337
	Total Alaska		*2,956,762*
	Arizona 0.2%		
308,000	Maricopa County, AZ, Hospital Revenue, St. Lukes Medical Center, 8.750% due 2/1/10(b)		*327,099*
	Arkansas 1.5%		
1,500,000	Arkansas State Development Finance Authority Hospital Revenue, Washington Regional Medical Center, 7.000% due 2/1/15(d)		1,597,005
1,000,000	Warren County, AR, Solid Waste Disposal Revenue, Potlatch Corp. Project, 7.000% due 4/1/12(c)		1,036,010
	Total Arkansas		*2,633,015*
	California 4.4%		
1,500,000	Barona, CA, Band of Mission Indians, GO, 8.250% due 1/1/20		1,512,885
3,000,000	California State Economic Recovery, GO, 5.000% due 7/1/17(a)		3,113,040
2,000,000	California Statewide CDA Revenue, Lodi Memorial Hospital, 5.000% due 12/1/22		2,010,360
5,000	Loma Linda, CA, Community Hospital Corp. Revenue, First Mortgage, 8.000% due 12/1/08(b)		5,127
785,000	Los Angeles, CA, COP, Hollywood Presbyterian Medical Center, INDLC, 9.625% due 7/1/13(a)(b)		903,590
250,000	San Francisco, CA, Airport Improvement Corp. Lease Revenue, United Airlines Inc., 8.000% due 7/1/13(a)(b)		277,783
70,000	San Leandro, CA, Hospital Revenue, Vesper Memorial Hospital, 11.500% due 5/1/11(b)		80,706
	Total California		*7,903,491*
	Colorado 6.3%		
1,860,000	Broomfield, CO, COP, Open Space Park & Recreation Facilities, AMBAC, 5.500% due 12/1/20		1,900,269

See Notes to Financial Statements.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
	Colorado 6.3% ***continued***		
	Colorado Educational & Cultural Facilities Authority Revenue Charter School:		
$1,000,000	Bromley East Project, 7.000% due 9/15/20(d)	$	1,113,360
1,155,000	Bromley School Project, XLCA, 5.125% due 9/15/20		1,184,614
1,350,000	Refunding & Improvement, University Lab School, XLCA, 5.250% due 6/1/24		1,334,165
500,000	University Lab School Project, 6.125% due 6/1/21(d)		539,750
710,000	Denver, CO, Health & Hospital Authority, 6.250% due 12/1/16(d)		778,465
2,000,000	Public Authority for Colorado Energy, Natural Gas Purchase Revenue, 6.125% due 11/15/23		1,954,140
1,765,000	Pueblo, CO, Bridge Waterworks Water Revenue, Improvement, FSA, 6.000% due 11/1/14(d)		1,896,298
750,000	SBC Metropolitan District, CO, GO, ACA, 5.000% due 12/1/25		701,910
	Total Colorado		*11,402,971*
	Connecticut 2.2%		
2,000,000	Connecticut State HEFA Revenue, Bristol Hospital, 5.500% due 7/1/21		2,025,420
1,855,000	Connecticut State Special Obligation Parking Revenue, Bradley International Airport, ACA, 6.375% due 7/1/12(c)		1,884,624
	Total Connecticut		*3,910,044*
	Florida 1.9%		
105,000	Lee County, FL, Southwest Florida Regional Airport Revenue, MBIA, 8.625% due 10/1/09(b)		109,796
1,155,000	Old Palm Community Development District, FL, Palm Beach Gardens, 5.375% due 5/1/14		1,029,660
	Orange County, FL, Health Facilities Authority Revenue:		
395,000	First Mortgage Healthcare Facilities, 8.750% due 7/1/11(a)		406,775
1,500,000	Hospital Adventist Health Systems, 6.250% due 11/15/24(d)		1,668,825
250,000	Southern Adventist Hospital, Adventist Health Systems, 8.750% due 10/1/09(b)		261,655
	Total Florida		*3,476,711*
	Georgia 8.3%		
970,000	Athens, GA, Housing Authority Student Housing Lease Revenue, University of Georgia East Campus, AMBAC, 5.250% due 12/1/23		1,006,239
650,000	Chatham County, GA, Hospital Authority Revenue, Hospital Memorial Health Medical Center, 6.000% due 1/1/17		653,887
1,000,000	Gainesville, GA, Water & Sewer Revenue, FSA, 5.375% due 11/15/20(d)		1,072,490
	Georgia Municipal Electric Authority:		
3,000,000	Power Revenue, Refunding, FSA, 5.000% due 1/1/18		3,124,800
410,000	Power System Revenue, 6.500% due 1/1/12		436,790
1,000,000	Griffin, GA, Combined Public Utilities Revenue, Refunding & Improvement, AMBAC, 5.000% due 1/1/21		1,022,230

See Notes to Financial Statements.

Schedule of investments (unaudited) *continued*

June 30, 2008

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
	Georgia 8.3% ***continued***		
$6,000,000	Main Street Natural Gas Inc., GA, Gas Project Revenue, 5.500% due 9/15/24(a)	$	5,503,620
2,015,000	Metropolitan Atlanta Rapid Transit Georgia Sales Tax Revenue, 7.000% due 7/1/11(a)(b)		2,184,159
	Total Georgia		*15,004,215*
	Illinois 3.1%		
535,000	Bourbonnais, IL, Industrial Development Revenue, Refunding Kmart Corp. Project, 6.600% due 10/1/06(e)		10,700
1,500,000	Chicago, IL, O Hare International Airport, Revenue, Refunding Bonds, Lien A-2, FSA, 5.750% due 1/1/19(c)		1,536,825
1,000,000	Cicero, IL, Tax Increment, XLCA, 5.250% due 1/1/21		1,028,780
905,000	Glendale Heights, IL, Hospital Revenue, Refunding Glendale Heights Project, 7.100% due 12/1/15(b)		1,030,533
365,000	Illinois Development Finance Authority, Chicago Charter School Foundation Project A, 5.250% due 12/1/12(b)		379,082
265,000	Illinois Health Facilities Authority Revenue, Methodist Medical Center of Illinois Project, 9.000% due 10/1/10(b)		284,318
1,310,000	Kane County, IL, GO, FGIC, 5.500% due 1/1/14(d)		1,397,364
	Total Illinois		*5,667,602*
	Indiana 2.8%		
800,000	Ball State University, Indiana University Revenue, Student Fee, FGIC, 5.750% due 7/1/20(d)		864,192
4,000,000	Indianapolis, IN, Thermal Energy System, Multi-Mode, 5.000% due 10/1/23(a)(f)		4,031,600
130,000	Madison County, IN, Hospital Authority Facilities Revenue, Community Hospital of Anderson Project, 9.250% due 1/1/10(b)		138,169
	Total Indiana		*5,033,961*
	Iowa 1.0%		
1,000,000	Iowa Finance Authority, Health Care Facilities Revenue, Genesis Medical Center, 6.250% due 7/1/20		1,032,450
720,000	Muscatine, IA, Electric Revenue, 9.700% due 1/1/13(b)		832,486
	Total Iowa		*1,864,936*
	Louisiana 1.1%		
200,000	Louisiana Public Facilities Authority Hospital Revenue, Southern Baptist Hospital Inc. Project, Aetna, 8.000% due 5/15/12(b)		222,492
1,690,000	Monroe, LA, Sales & Use Tax Revenue, FGIC, 5.625% due 7/1/25(d)		1,855,552
	Total Louisiana		*2,078,044*
	Maryland 1.7%		
860,000	Maryland State Health & Higher EFA Revenue, Refunding Mercy Medical Center, FSA, 6.500% due 7/1/13(a)		923,984
2,000,000	Montgomery County, MD, GO, 5.250% due 10/1/14		2,128,040
	Total Maryland		*3,052,024*

See Notes to Financial Statements.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
	Massachusetts 4.7%		
$ 255,000	Boston, MA, Water & Sewer Commission Revenue, 10.875% due 1/1/09(b)	$	266,314
1,130,000	Lancaster, MA, GO, AMBAC, 5.375% due 4/15/17		1,205,608
	Massachusetts State DFA Revenue:		
500,000	Curry College, ACA, 6.000% due 3/1/20		507,490
370,000	VOA Concord, GNMA-Collateralized, 6.700% due 10/20/21(d)		428,908
	Massachusetts State HEFA Revenue:		
	Caritas Christi Obligation:		
2,000,000	6.500% due 7/1/12		2,087,860
835,000	6.750% due 7/1/16		891,989
1,000,000	Milford-Whitinsville Regional Hospital, 6.500% due 7/15/23(d)		1,122,620
960,000	Winchester Hospital, 6.750% due 7/1/30(a)(d)		1,033,449
920,000	Massachusetts State Industrial Finance Agency Assisted Living Facility Revenue, Arbors at Amherst Project, GNMA-Collateralized, 5.750% due 6/20/17(c)		935,438
	Total Massachusetts		*8,479,676*
	Michigan 2.7%		
1,000,000	Jenison, MI, Public Schools GO, Building and Site, FGIC, 5.500% due 5/1/20		1,045,820
	Michigan State, Hospital Finance Authority Revenue:		
1,000,000	Oakwood Obligated Group, 5.500% due 11/1/18		1,017,910
	Refunding, Hospital Sparrow Obligated:		
500,000	5.000% due 11/15/12		521,660
1,190,000	5.000% due 11/15/14		1,246,025
1,000,000	Walled Lake, MI, Consolidated School District, MBIA, 5.000% due 5/1/22		1,026,680
	Total Michigan		*4,858,095*
	Missouri 2.9%		
1,000,000	Hazelwood, MO, School District, Missouri Direct Deposit Program, FGIC, 5.000% due 3/1/23		1,008,950
405,000	Lees Summit, MO, IDA Health Facilities Revenue, John Knox Village, 5.750% due 8/15/11(b)		435,513
	Missouri State Environmental Improvement & Energy Resource Authority:		
2,500,000	KC Power & Light Co. Project, 4.900% due 5/1/38(c)		2,479,275
1,000,000	Water Pollution Control, State Revolving Funds Program, 5.250% due 7/1/18		1,107,360
10,000	Missouri State Housing Development Community Mortgage Revenue, GNMA/FNMA-Collateralized, 7.450% due 9/1/27(c)		10,054
225,000	Nevada, MO, Waterworks Systems Revenue, AMBAC, 10.000% due 10/1/10(b)		247,212
	Total Missouri		*5,288,364*

See Notes to Financial Statements.

Schedule of investments (unaudited) ***continued***

June 30, 2008

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
	Nebraska 1.1%		
	NebHELP Inc. Nebraska Revenue, MBIA:		
$1,000,000	6.200% due 6/1/13(c)	$	1,004,710
1,000,000	6.450% due 6/1/18(c)		1,005,380
	Total Nebraska		*2,010,090*
	Nevada 0.2%		
275,000	Henderson, NV, Health Care Facilities Revenue, Unrefunded Balance, Catholic West, 6.200% due 7/1/09(a)(b)		*280,008*
	New Hampshire 3.8%		
	New Hampshire HEFA Revenue:		
	Covenant Health:		
445,000	6.500% due 7/1/17(d)		494,048
265,000	6.500% due 7/1/17(a)		282,371
6,680,000	Healthcare Systems Covenant Health, 5.000% due 7/1/28(a)		6,164,103
	Total New Hampshire		*6,940,522*
	New Jersey 1.7%		
3,000,000	New Jersey EDA Revenue, Cigarette Tax, 5.625% due 6/15/17		3,001,740
110,000	Ringwood Borough, NJ, Sewer Authority Special Obligation, 9.875% due 7/1/13(a)(b)		126,140
	Total New Jersey		*3,127,880*
	New Mexico 1.5%		
1,100,000	Bernalillo County, NM, Gross Receipts Tax Revenue, AMBAC, 5.250% due 10/1/18		1,197,196
1,415,000	New Mexico Finance Authority Revenue, Subordinated Lien, Public Project Revolving Fund, MBIA, 5.000% due 6/15/19		1,480,104
	Total New Mexico		*2,677,300*
	New York 3.2%		
585,000	New York City, NY, IDA, Civic Facilities Revenue, Community Hospital Brooklyn, 6.875% due 11/1/10		590,347
3,025,000	New York State Dormitory Authority, New York & Presbyterian Hospital, FSA, 5.250% due 2/15/24		3,146,635
2,000,000	New York State Thruway Authority, Highway & Bridge, Trust Fund Revenue, AMBAC, 5.000% due 4/1/21		2,088,760
	Total New York		*5,825,742*
	North Carolina 1.0%		
1,000,000	North Carolina Eastern Municipal Power Agency, Power System Revenue, 6.450% due 1/1/14		1,039,300
645,000	North Carolina Municipal Power Agency No. 1, Catawba Electricity Revenue, 10.500% due 1/1/10(b)		693,549
	Total North Carolina		*1,732,849*
	Ohio 5.3%		
2,000,000	American Municipal Power-Ohio Inc., Electricity Purchase Revenue, 5.000% due 2/1/13		2,008,040

See Notes to Financial Statements.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
	Ohio 5.3% ***continued***		
$1,370,000	Cleveland, OH, Waterworks Revenue, 5.250% due 1/1/21(d)	$	1,459,817
665,000	Cuyahoga County, OH, Hospital Facilities Revenue, Canton Inc. Project, 6.750% due 1/1/10		682,031
1,000,000	Kettering, OH, City School District, School Improvement, FSA, 5.000% due 12/1/19		1,049,680
	Lake County, OH, Hospital Improvement Revenue:		
115,000	Lake County Memorial Hospital Project, 8.625% due 11/1/09(b)		120,436
65,000	Ridgecliff Hospital Project, 8.000% due 10/1/09(b)		67,655
	Ohio State:		
3,010,000	GO, Conservation Project, 5.250% due 9/1/13		3,153,517
	Water Development Authority Revenue:		
860,000	Refunding, Safe Water Service, 9.375% due 12/1/10(b)(g)		916,768
110,000	Safe Water, 9.000% due 12/1/10(b)		112,711
	Total Ohio		*9,570,655*
	Oklahoma 0.5%		
	Tulsa, OK, Municipal Airport Trust Revenue, Refunding American Airlines:		
500,000	5.650% due 12/1/08(c)(f)(h)		493,635
500,000	6.000% due 12/1/08(c)(f)(h)		497,190
	Total Oklahoma		*990,825*
	Oregon 0.7%		
335,000	Klamath Falls, OR, International Community Hospital Authority Revenue, Merle West Medical Center Project, 8.000% due 9/1/08(b)		338,283
855,000	Wasco County, OR, Solid Waste Disposal Revenue, Waste Connections Inc. Project, 7.000% due 3/1/12(c)		866,397
	Total Oregon		*1,204,680*
	Pennsylvania 5.4%		
495,000	Conneaut, PA, School District GO, AMBAC, 9.500% due 5/1/12(b)		552,860
1,000,000	Harrisburg, PA, Parking Authority Parking Revenue, FSA, 5.500% due 5/15/20(d)		1,081,100
1,365,000	Northampton County, PA, IDA Revenue, Mortgage Moravian Hall Square Project, Radian, 5.500% due 7/1/19		1,407,056
1,000,000	Pennsylvania State IDA Revenue, Economic Development, AMBAC, 5.500% due 7/1/21		1,042,920
	Philadelphia, PA:		
1,000,000	Gas Works Revenue, 7th General Ordinance, AMBAC, 5.000% due 10/1/17		1,066,230
30,000	Hospital Authority Revenue, Thomas Jefferson University Hospital, 7.000% due 7/1/08(b)		30,000
1,000,000	School District, FSA, 5.500% due 2/1/23(d)		1,075,390
2,000,000	Water & Wastewater, FGIC, 5.250% due 11/1/14		2,100,760
1,350,000	Pittsburgh, PA, School District GO, FSA, 5.375% due 9/1/16		1,496,934
	Total Pennsylvania		*9,853,250*

See Notes to Financial Statements.

Schedule of investments (unaudited) ***continued***

June 30, 2008

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
	Rhode Island 0.6%		
$1,000,000	Central Falls, RI, GO, Radian, 5.875% due 5/15/15	$	*1,032,130*
	South Carolina 6.1%		
1,445,000	Charleston, SC, Waterworks & Sewer Revenue, 5.250% due 1/1/16		1,511,788
	Greenville County, SC, School District Installment Purchase, Revenue, Refunding:		
	Building Equity:		
1,100,000	6.000% due 12/1/21(d)		1,223,288
900,000	6.000% due 12/1/21(d)		1,002,825
2,000,000	Building Equity Sooner Tomorrow, 5.875% due 12/1/19(a)(d)		2,214,020
5,030,000	South Carolina Transportation Infrastructure Bank Revenue, AMBAC, 5.000% due 10/1/29(a)		5,075,521
	Total South Carolina		*11,027,442*
	South Dakota 1.4%		
2,400,000	Minnehana County, SD, GO, Limited Tax Certificates, 5.625% due 12/1/20(d)		*2,512,320*
	Tennessee 4.2%		
300,000	Jackson, TN, Water & Sewer Revenue, 7.200% due 7/1/12(a)(b)		320,442
160,000	McMinnville, TN, Housing Authority Revenue, Refunding First Mortgage Beersheba Heights, 6.000% due 10/1/09		162,202
	Tennessee Energy Acquisition Corp., Gas Revenue:		
2,500,000	5.250% due 9/1/20		2,438,425
5,000,000	5.250% due 9/1/23(a)		4,761,900
	Total Tennessee		*7,682,969*
	Texas 10.7%		
5,140,000	Austin Texas Electric Utility System Revenue, Refunding, AMBAC, 5.000% due 11/15/19(a)		5,328,124
1,600,000	Brazos River, TX, Harbor Navigation District, BASF Corp. Project, 6.750% due 2/1/10		1,686,912
1,000,000	Dallas-Fort Worth, TX, International Airport Revenue, Refunding, FSA, 5.500% due 11/1/20(c)		1,011,090
	El Paso County, TX, Housing Finance Corp.:		
260,000	La Plaza Apartments, Subordinated, 8.000% due 7/1/30(a)		259,464
360,000	MFH Revenue, American Village Communities, 6.250% due 12/1/24		365,378
	El Paso, TX, Water & Sewer Revenue, Refunding & Improvement, FSA:		
955,000	6.000% due 3/1/15(d)		1,043,185
45,000	6.000% due 3/1/15		48,897
2,000,000	Fort Worth, TX, Water & Sewer Revenue, 5.625% due 2/15/17(d)		2,153,680
1,000,000	Harris County, TX, Hospital District Revenue, MBIA, 6.000% due 2/15/15(d)		1,062,530
2,000,000	North Texas Tollway Authority Revenue, MBIA, 5.125% due 1/1/28		2,021,720
3,000,000	Sabine River Authority, Texas PCR, Southwestern Electric Power Co., MBIA, 4.950% due 3/1/18		3,027,330

See Notes to Financial Statements.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

FACE AMOUNT	SECURITY		VALUE
	Texas 10.7% ***continued***		
$1,000,000	Southwest Higher Education Authority Inc., Southern Methodist University Project, AMBAC, 5.500% due 10/1/19(d)	$	1,084,350
180,000	Tarrant County, TX, Hospital Authority Revenue, Adventist Health System-Sunbelt, 10.250% due 10/1/10(b)		196,747
175,000	Texas State Department Housing Community Affairs Home Mortgage Revenue, RIBS, GNMA/FNMA/FHLMC-Collateralized, 10.357% due 7/3/08(c)(f)(i)		180,212
	Total Texas		*19,469,619*
	Utah 0.9%		
	Spanish Fork City, UT, Water Revenue, FSA:		
1,135,000	5.500% due 6/1/16		1,209,570
350,000	5.500% due 6/1/16(d)		378,694
	Total Utah		*1,588,264*
	Washington 1.2%		
2,000,000	Energy Northwest Washington Electric Revenue, Project No. 3, FSA, 5.500% due 7/1/18		*2,112,660*
	West Virginia 0.0%		
45,000	Cabell Putnam & Wayne Counties, WV, Single - Family Residence Mortgage Revenue, FGIC, 7.375% due 4/1/10(b)		*47,110*
	Wisconsin 1.1%		
2,000,000	La Crosse, WI, Resource Recovery Revenue, Refunding Bonds, Northern States Power Co. Project, 6.000% due 11/1/21(c)		*2,060,960*
	TOTAL INVESTMENTS 100.0% (Cost $179,998,684#)		181,146,853

(a) All or a portion of this security is segregated for open futures contracts and extended settlements.
(b) Bonds are escrowed to maturity by government securities and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.
(c) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).
(d) 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.
(e) Security is currently in default.
(f) Variable rate security. Interest rate disclosed is that which is in effect at June 30, 2008.
(g) All or a portion of this security is held at the broker as collateral for open futures contracts.
(h) Maturity date shown represents the mandatory tender date.
(i) Residual interest bonds coupon varies inversely with level of short-term tax-exempt interest rates.
\# Aggregate cost for federal income tax purposes is substantially the same.

See Notes to Financial Statements.

Schedule of investments (unaudited) ***continued***

June 30, 2008

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

Abbreviations used in this schedule:

ACA	American Capital Assurance Insured Bonds
AMBAC	Ambac Assurance Corporation Insured Bonds
CDA	Community Development Authority
COP	Certificate of Participation
DFA	Development Finance Agency
EDA	Economic Development Authority
EFA	Educational Facilities Authority
FGIC	Financial Guaranty Insurance Company Insured Bonds
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FSA	Financial Security Assurance Insured Bonds
GNMA	Government National Mortgage Association
GO	General Obligation
HEFA	Health & Educational Facilities Authority
IDA	Industrial Development Authority
INDLC	Industrial Indemnity Company Insured Bonds
MBIA	Municipal Bond Investors Assurance Corporation Insured Bonds
MFH	Multi-Family Housing
PCR	Pollution Control Revenue
RIBS	Residual Interest Bonds
Radian	Radian Asset Assurance
XLCA	XL Capital Assurance Inc. Insured Bonds

SUMMARY OF INVESTMENTS BY SECTOR**

Pre-refunded/escrowed to maturity	24.3%
Hospitals	14.4
Industrial development	13.0
Electric	11.2
Local general obligation	10.1
Transportation	7.5
Other revenue	3.8
Education	3.8
Water & sewer	3.3
Leasing	3.0
Resource recovery	2.4
State general obligation	1.7
Special tax	1.1
Housing	0.4
	100.0%

**As a percentage of total investments. Please note that Fund holdings are as of June 30, 2008 and are subject to change.

See Notes to Financial Statements.

WESTERN ASSET INTERMEDIATE MUNI FUND INC.

RATINGS TABLE

S&P/Moody s/Fitch	
AAA/Aaa	24.4%
AA/ Aa	36.6
A	20.9
BBB/Baa	11.7
BB/Ba	1.6
B/B	0.6
C/C	0.0
NR	4.2
	100.0%

As a percentage of total investments.

S&P primary rating; Moody s secondary; then Fitch

See pages 12 and 13 for definitions of ratings.

See Notes to Financial Statements.

Bond Ratings (unaudited)

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

Standard & Poor s Ratings Service (Standard & Poor s) 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	Bonds rated AAA have the highest rating assigned by Standard & Poor s. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC, CC and C	Bonds rated BB , B , CCC , CC and C are regarded, on balance, as predominant speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
D	Bonds rated D are in default and payment of interest and/or repayment of principal is in arrears.

Moody s Investors Service (Moody s) 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	Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as gilt edge. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes can be visualized as most unlikely to impair the fundamentally strong position of such issues.
Aa	Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.
A	Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal

	and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
Baa	Bonds rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
Ba	Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and therefore not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B	Bonds rated B generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
Caa	Bonds rated Caa are of poor standing. These may be in default, or present elements of danger may exist with respect to principal or interest.
Ca	Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.
C	Bonds rated C are the lowest class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.
	Fitch Ratings Service (Fitch) 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	Bonds rated AAA have the highest rating assigned by Fitch. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC and CC	Bonds rated BB , B , CCC and CC are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents a lower degree of speculation than B , and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

Short-Term Security Ratings (unaudited)

NR	Indicates that the bond is not rated by Standard & Poor s, Moody s or Fitch.
SP-1	Standard & Poor s highest rating indicating very strong or strong capacity to pay principal and interest; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
A-1	Standard & Poor s highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
VMIG 1	Moody s highest rating for issues having a demand feature VRDO.
MIG1	Moody s highest rating for short-term municipal obligations.
P-1	Moody s highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating.
F1	Fitch s highest rating indicating the strongest capacity for timely payment of financial commitments; those issues determined to possess overwhelming strong credit feature are denoted with a plus (+) sign.

Statement of assets and liabilities (unaudited)

June 30, 2008

ASSETS:	
Investments, at value (Cost $179,998,684)	$181,146,853
Interest receivable	2,971,393
Receivable for securities sold	970,000
Prepaid expenses	37,748
Total Assets	*185,125,994*
LIABILITIES:	
Due to custodian	1,760,803
Investment management fee payable	83,273
Payable to broker variation margin on open futures contracts	32,344
Distributions payable to auction rate cumulative preferred stockholders	26,035
Directors fees payable	15,696
Accrued expenses	86,083
Total Liabilities	*2,004,234*
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	$133,121,760
NET ASSETS:	
Par value ($0.001 par value; 14,032,784 shares issued and outstanding; 100,000,000 shares authorized)	$ 14,033
Paid-in capital in excess of par value	141,521,690
Undistributed net investment income	150,286
Accumulated net realized loss on investments and futures contracts	(9,552,758)
Net unrealized appreciation on investments and futures contracts	988,509
TOTAL NET ASSETS	$133,121,760
Shares Outstanding	14,032,784
Net Asset Value	$9.49

See Notes to Financial Statements.

Statement of operations (unaudited)

For the Six Months Ended June 30, 2008

INVESTMENT INCOME:	
Interest	*$4,555,505*
EXPENSES:	
Investment management fee (Note 3)	507,547
Auction participation fees (Note 5)	61,695
Legal fees	27,959
Shareholder reports	23,352
Audit and tax	21,755
Directors fees	17,901
Stock exchange listing fees	15,589
Transfer agent fees	7,240
Custody fees	4,367
Insurance	2,392
Miscellaneous expenses	5,043
Total Expenses	*694,840*
NET INVESTMENT INCOME	3,860,665
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS (NOTES 1 AND 4):	
Net Realized Gain From:	
Investment transactions	140,124
Futures contracts	566,493
Net Realized Gain	*706,617*
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	(3,404,474)
Futures contracts	(159,660)
Change in Net Unrealized Appreciation/Depreciation	*(3,564,134)*
Net Loss on Investments and Futures Contracts	(2,857,517)
Distributions Paid to Auction Rate Cumulative Preferred Stockholders From Net Investment Income (Notes 1 and 5)	(842,569)
INCREASE IN NET ASSETS FROM OPERATIONS	$ 160,579

See Notes to Financial Statements.

Statements of changes in net assets

FOR THE SIX MONTHS ENDED JUNE 30, 2008 (unaudited)

AND THE YEAR ENDED DECEMBER 31, 2007	2008	2007
OPERATIONS:		
Net investment income	$ 3,860,665	$ 7,702,790
Net realized gain	706,617	869,584
Change in net unrealized appreciation/depreciation	(3,564,134)	(1,896,922)
Distributions paid to auction rate cumulative preferred stockholders from net investment income	(842,569)	(1,898,597)
Increase in Net Assets From Operations	*160,579*	*4,776,855*
DISTRIBUTIONS PAID TO COMMON SHAREHOLDERS FROM (NOTE 1):		
Net investment income	(2,862,688)	(5,879,737)
Decrease in Net Assets From Distributions Paid to Common Stock Shareholders	*(2,862,688)*	*(5,879,737)*
DECREASE IN NET ASSETS	(2,702,109)	(1,102,882)
NET ASSETS:		
Beginning of period	135,823,869	