

Western Asset Municipal Defined Opportunity Trust Inc.  
Form N-CSR  
January 23, 2015

**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, 49<sup>th</sup> 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, 2014**

ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

Annual Report

November 30, 2014

WESTERN ASSET

MUNICIPAL DEFINED OPPORTUNITY TRUST  
INC. (MTT)

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

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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.

\* 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.

## 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, 2014. 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](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,

Kenneth D. Fuller

Chairman, President and Chief Executive Officer

December 26, 2014

II Western Asset Municipal Defined Opportunity Trust Inc.

## Investment commentary

### Economic review

Despite weakness in early 2014, the U.S. economy expanded at a strong pace during the twelve months ended November 30, 2014 (the reporting period). The U.S. Department of Commerce reported that in the fourth quarter of 2013, U.S. gross domestic product (GDP) growth was 3.5%. Severe winter weather then played a key role in a sharp reversal in the economy, a 2.1% contraction during the first quarter of 2014; this was the first negative GDP report in three years. Negative contributions were widespread: private inventory investment, exports, state and local government spending and nonresidential and residential fixed investment. Thankfully, this setback was very brief, as second quarter GDP growth was 4.6%. The rebound in GDP growth was driven by several factors, including an acceleration in personal consumption expenditures (PCE), increased private inventory investment and exports, as well as an upturn in state and local government spending. After the reporting period ended, the Department of Commerce reported that third quarter GDP growth was 5.0%, driven by contributions from PCE, exports, nonresidential fixed investment and government spending and the strongest reading for GDP growth since the third quarter of 2003.

The U.S. manufacturing sector was another tailwind for the economy. Based on figures for the Institute for Supply Management's Purchasing Managers Index (PMI), U.S. manufacturing expanded during all twelve months of the reporting period (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). After a reading of 56.5 in December 2013, the PMI fell to 51.3 in January 2014, but generally rose over the next several months, reaching a high of 59.0 in August, its best reading since March 2011. While PMI dipped to 56.6 in September, it rose back to 59.0 in October and was 58.7 in November.

The improving U.S. job market was one of the factors supporting the overall economy during the reporting period. When the period began, unemployment, as reported by the U.S. Department of Labor, was 6.7%. Unemployment generally declined throughout the reporting period and reached a low of 5.8% in October and November 2014, the lowest level since July 2008.

The Federal Reserve Board (Fed) took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As it has since December 2008, the Fed kept the federal funds rate<sup>iv</sup> at a historically low range between zero and 0.25%. The Fed also ended its asset purchase program that was announced in December 2012. At that time, the Fed said it would continue purchasing \$40 billion per month of agency mortgage-backed securities (MBS), as well as \$45 billion per month of longer-term Treasuries. Following the meeting that concluded on December 18, 2013, the Fed announced that it would begin reducing its monthly asset purchases, saying "Beginning in January 2014, the Committee will add to its holdings of agency MBS at a pace of \$35 billion per month rather than \$40 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$40 billion per month rather than \$45 billion per month. At each of the Fed's next six meetings (January, March, April, June, July and September 2014), it announced further \$10 billion tapering of its asset purchases. At its meeting that ended on October 29, 2014, the Fed announced that its asset

## Investment commentary (cont d)

purchase program had concluded. Finally, on December 17, 2014, after the reporting period ended, the Fed said that "Based on its current assessment, the Committee judges that it can be patient... to maintain the 0 to 1/4 percent target range for the federal funds rate for a considerable time..."

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

Sincerely,

Kenneth D. Fuller

Chairman, President and

Chief Executive Officer

December 26, 2014

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

<sup>i</sup> Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.

<sup>ii</sup> 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 U.S. manufacturing sector.

<sup>iii</sup> 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.

<sup>iv</sup> 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.

IV Western Asset Municipal Defined Opportunity Trust Inc.

## 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 at the time of purchase by at least one nationally recognized statistical rating organization or which, if unrated, are 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 common shareholders. 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 durations<sup>1</sup> 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. 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, David T. Fare, and Dennis J. McNamara. Effective on March 31, 2014, Mr. Leech joined the Fund's portfolio management team. Mr. Leech has been employed by Western Asset as an investment professional for more than 20 years.

## Fund overview (cont'd)

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

A. The spread sectors (non-Treasuries) generated positive results and largely outperformed equal-duration Treasuries over the twelve months ended November 30, 2014. Risk aversion was prevalent at times given mixed economic data, questions surrounding the outlook for global growth, changing monetary policy by the Federal Reserve Board ( Fed ), and numerous geopolitical issues. However, these factors were largely overshadowed by solid demand from investors looking to generate incremental yield in the low interest rate environment.

Short-term Treasury yields moved higher, whereas longer-term Treasury yields declined during the twelve months ended November 30, 2014. Two-year Treasury yields rose from 0.28% at the beginning of the period to 0.47% at the end of the period. Their peak of 0.59% occurred in mid-September 2014. Ten-year Treasury yields were 2.75% at the beginning of the period and reached a low of 2.15% on October 15, 2014. Their peak of 3.04% occurred on December 31, 2013 and they ended the reporting period at 2.18%.

The municipal bond market significantly outperformed its taxable bond counterpart during the twelve month reporting period. Over that time, the Barclays Municipal Bond Index<sup>iii</sup> and the Barclays U.S. Aggregate Index<sup>iv</sup> returned 8.23% and 5.26%, respectively. The municipal bond market generated negative results during the first month covered by this report. In addition to rising interest rates, investor sentiment weakened given questions regarding the future tax favored status for municipal bonds, as well as credit issues in Puerto Rico and the fallout from the city of Detroit's bankruptcy filing. However, the municipal bond market then rallied sharply and posted positive returns over the last eleven months of the reporting period. This turnaround was triggered by a number of factors, including improving municipal fundamentals, attractive valuations and generally robust demand.

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

A. There were several changes to the Fund during the reporting period. We reduced the Fund's overall risk exposure by selling certain strong performers and maintained a cash position in the event of a market selloff. The Fund employed the use of short 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, 2014, Western Asset Municipal Defined Opportunity Trust Inc. returned 9.96% based on its net asset value ( NAV ) and 15.72% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmark, the Barclays Municipal Bond Index, returned 8.23% for the same period. The Lipper General and Insured Municipal Debt (Unleveraged) Closed-End Funds Category Average<sup>vi</sup> returned 11.22% 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 \$1.01 per share.\* The performance table shows the Fund's twelve-month total return based on its NAV and market price as of November 30, 2014. **Past performance is no guarantee of future results.**

**Performance Snapshot** as of November 30, 2014

Price Per Share	12-month total return**
\$22.90 (NAV)	9.96%
\$23.07 (Market Price)	15.72%

**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 sector positioning. In particular, overweights and security selection in the Industrial Revenue and Health Care sectors were additive for results. Security selection in the Water & Sewer sector also enhanced the Fund's performance.

Elsewhere, the Fund's quality biases contributed to results. In particular, having an overweight to municipal securities rated A and below, along with underweights to securities rated AA and AAA, benefited results as lower rated municipal bonds outperformed their higher rated counterparts over the twelve month period.

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

**A.** The Fund outperformed its benchmark during the reporting period. In addition to the Fund's Treasury futures position, its underweight to the Transportation sector slightly detracted from performance.

**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](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 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

\* For the tax character of distributions paid during the fiscal year ended November 30, 2014, please refer to page 22 of this report.

## Fund overview (cont'd)

chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

December 16, 2014

***RISKS:** 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 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. Shares of closed-end exchange-traded funds may trade at a discount or premium to their original offering price and often trade at a discount to their NAV.*

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.

<sup>i</sup> 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.

<sup>ii</sup> 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.

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

<sup>iv</sup> The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

<sup>v</sup> 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.

## Edgar Filing: Western Asset Municipal Defined Opportunity Trust Inc. - Form N-CSR

<sup>vi</sup> 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, 2014, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 6 funds in the Funds 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, 2014 and November 30, 2013 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.

## Spread duration (unaudited)

**Economic exposure** November 30, 2014

### Total Spread Duration

MTT 5.58 years

Benchmark 5.70 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 Barclays Municipal Bond Index

MTT Western Asset Municipal Defined Opportunity Trust Inc.

## Effective duration (unaudited)

**Interest rate exposure** November 30, 2014

Total Effective Duration  
MTT 5.23 years  
Benchmark 5.86 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 Barclays Municipal Bond Index  
MTT Western Asset Municipal Defined Opportunity Trust Inc.

## Schedule of investments

November 30, 2014

### Western Asset Municipal Defined Opportunity Trust Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Municipal Bonds 97.2%</b>				
<i>Alabama 2.1%</i>				
Jefferson County, AL, Sewer Revenue, Convertible CAB	0.000%	10/1/50	\$ 9,910,000	\$ 5,885,747 <sup>(a)</sup>
<i>Arizona 2.9%</i>				
Salt Verde, AZ, Financial Corp. Gas Revenue	5.000%	12/1/32	7,110,000	8,074,898
<i>California 3.0%</i>				
California State PCFA, Water Furnishing Revenue	5.000%	11/21/45	3,500,000	3,731,455 <sup>(b)(c)</sup>
California Statewide CDA, Student Housing Revenue, Provident Group-Pomona Properties LLC	5.600%	1/15/36	800,000	811,928
Lower Tule River, CA, Irrigation District Revenue, COP	5.000%	8/1/40	1,000,000	1,057,430
M-S-R Energy Authority, CA, Gas Revenue	6.125%	11/1/29	2,000,000	2,565,260
<i>Total California</i>				<i>8,166,073</i>
<i>Colorado 2.7%</i>				
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.125%	11/15/23	6,000,000	7,382,580
<i>Florida 3.6%</i>				
Citizens Property Insurance Corp., FL, Senior Secured High Act	6.000%	6/1/17	6,900,000	7,769,745
Florida State Municipal Power Agency Revenue, All Requirements Power	6.250%	10/1/31	1,000,000	1,188,030
Orange County, FL, IDA Revenue, Vitag Florida LLC Project	8.000%	7/1/36	500,000	504,935 <sup>(b)(c)</sup>
Palm Beach County, FL, Health Facilities Authority Revenue, Sinai Residences Boca Raton Project	6.250%	6/1/23	500,000	554,870
<i>Total Florida</i>				<i>10,017,580</i>
<i>Georgia 7.3%</i>				
Atlanta, GA, Water & Wastewater Revenue	6.000%	11/1/23	5,000,000	6,114,450
Atlanta, GA, Water & Wastewater Revenue	6.250%	11/1/34	3,260,000	3,894,820
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.125%	7/1/40	9,000,000	10,248,120
<i>Total Georgia</i>				<i>20,257,390</i>
<i>Illinois 0.8%</i>				
Chicago, IL, Motor Fuel Tax Revenue	5.000%	1/1/26	1,000,000	1,119,900
Metropolitan Pier & Exposition Authority, IL, Dedicated State Tax Revenue, McCormick Project	5.250%	6/15/50	1,000,000	1,060,460
<i>Total Illinois</i>				<i>2,180,360</i>
<i>Indiana 7.1%</i>				
Indiana Municipal Power Agency, Power Supply System Revenue	6.000%	1/1/39	8,000,000	9,209,680
Indiana State Finance Authority Revenue, I-69 Development Partners LLC	5.000%	9/1/46	1,000,000	1,056,000 <sup>(b)</sup>
Richmond, IN, Hospital Authority Revenue, Reid Hospital & Health Care Services Inc. Project	6.500%	1/1/29	8,000,000	9,413,120
<i>Total Indiana</i>				<i>19,678,800</i>

See Notes to Financial Statements.

Western Asset Municipal Defined Opportunity Trust Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Iowa 1.6%</i>				
Iowa State Finance Authority Midwestern Disaster Area Revenue:				
Iowa Fertilizer Co. Project	5.000%	12/1/19	\$ 800,000	\$ 843,296
Iowa Fertilizer Co. Project	5.250%	12/1/25	3,350,000	3,546,880
<i>Total Iowa</i>				<i>4,390,176</i>
<i>Louisiana 4.2%</i>				
Louisiana State Citizens Property Insurance Corp., Assessment Revenue, AGC	6.125%	6/1/25	10,000,000	11,568,800
<i>Maryland 4.0%</i>				
Howard County, MD, Housing Commission Revenue, Columbia Commons Apartments	5.000%	6/1/44	1,350,000	1,472,485
Maryland State Health & Higher EFA Revenue Bonds, Washington County Hospital Issue	5.750%	1/1/38	9,000,000	9,445,410
<i>Total Maryland</i>				<i>10,917,895</i>
<i>Michigan 12.5%</i>				
Detroit, MI, Water Supply System Revenue, AGM	6.250%	7/1/36	3,000,000	3,265,050
Michigan State Finance Authority Limited Obligation Revenue, Higher Education, Thomas M Cooley Law School Project	6.000%	7/1/24	1,500,000	1,543,935 <sup>(c)</sup>
Michigan State Finance Authority Revenue:				
Detroit School District	5.500%	6/1/21	6,000,000	6,897,600
Senior Lien Detroit Water & Sewer	5.000%	7/1/33	410,000	442,345
Michigan State Hospital Finance Authority Revenue, McLaren Health Care Corp.	5.750%	5/15/38	9,000,000	10,049,400 <sup>(d)</sup>
Royal Oak, MI, Hospital Finance Authority Revenue:				
William Beaumont Hospital	5.000%	9/1/39	2,000,000	2,200,560
William Beaumont Hospital	8.250%	9/1/39	8,000,000	10,180,480 <sup>(e)</sup>
<i>Total Michigan</i>				<i>34,579,370</i>
<i>New Jersey 5.5%</i>				
Gloucester County, NJ, PCFA Revenue, Keystone Urban Renewal, Logan Generating	5.000%	12/1/24	750,000	842,843 <sup>(b)</sup>
New Jersey State EDA Revenue, Continental Airlines Inc. Project	4.875%	9/15/19	1,515,000	1,603,885 <sup>(b)</sup>
New Jersey State EFA Revenue, University of Medicine and Dentistry	7.500%	12/1/32	10,000,000	12,763,600 <sup>(e)</sup>
<i>Total New Jersey</i>				<i>15,210,328</i>
<i>New York 4.9%</i>				
Liberty, NY, Development Corporation Revenue, Goldman Sachs Headquarters	5.250%	10/1/35	2,500,000	2,998,125
New York State Liberty Development Corp., Liberty Revenue:				
3 World Trade Center LLC Project	5.375%	11/15/40	270,000	282,161 <sup>(c)</sup>

See Notes to Financial Statements.

## Schedule of investments (cont d)

November 30, 2014

### Western Asset Municipal Defined Opportunity Trust Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>New York continued</i>				
3 World Trade Center LLC Project	5.000%	11/15/44	\$ 990,000	\$ 1,007,849 <sup>(c)</sup>
Port Authority of New York & New Jersey, Special Obligation Revenue, JFK International Air Terminal LLC	5.500%	12/1/31	7,925,000	9,264,959
<i>Total New York</i>				<i>13,553,094</i>
<i>Ohio 4.9%</i>				
Ohio State Air Quality Development Authority Revenue:				
FirstEnergy Generation Corp.	5.700%	8/1/20	2,500,000	2,862,925
FirstEnergy Nuclear Generation Corp.	5.750%	6/1/16	10,000,000	10,648,800 <sup>(a)(f)</sup>
<i>Total Ohio</i>				<i>13,511,725</i>
<i>Pennsylvania 4.2%</i>				
Pennsylvania Economic Development Financing Authority, Water Facility Revenue, American Water Co. Project	6.200%	4/1/39	10,000,000	11,481,800
<i>Puerto Rico 0.3%</i>				
Puerto Rico Commonwealth, GO, Public Improvement	5.000%	7/1/41	1,300,000	901,966
<i>Rhode Island 4.2%</i>				
Rhode Island State Health & Educational Building Corp., Revenue, Hospital Financing	7.000%	5/15/39	10,000,000	11,681,700
<i>Tennessee 3.1%</i>				
Tennessee Energy Acquisition Corp., Gas Revenue	5.000%	9/1/16	8,000,000	8,557,680
<i>Texas 11.2%</i>				
Brazos River, TX, Harbor Navigation District, Brazoria County Environmental, Dow Chemical Co. Project	5.950%	5/15/33	10,000,000	11,214,100 <sup>(b)</sup>
Love Field Airport Modernization Corp., TX, Special Facilities Revenue, Southwest Airlines Co. Project	5.250%	11/1/40	3,000,000	3,198,810
North Texas Tollway Authority Revenue	5.750%	1/1/33	10,200,000	11,294,154
Texas Municipal Gas Acquisition & Supply Corp. I, Gas Supply Revenue	5.250%	12/15/18	3,325,000	3,766,560
Texas Municipal Gas Acquisition & Supply Corp. I, Gas Supply Revenue	6.250%	12/15/26	1,310,000	1,621,937
<i>Total Texas</i>				<i>31,095,561</i>
<i>U.S. Virgin Islands 2.1%</i>				
Virgin Islands Public Finance Authority Revenue, Matching Fund Loan	6.625%	10/1/29	5,000,000	5,762,550
<i>Virginia 0.7%</i>				
Virginia State Small Business Financing Authority Revenue, Elizabeth River Crossings OpCo LLC Project	5.000%	7/1/23	1,775,000	1,990,982 <sup>(b)</sup>
<i>Wisconsin 4.3%</i>				
Wisconsin State HEFA Revenue, Prohealth Care Inc. Obligation Group	6.625%	2/15/39	10,000,000	11,778,700
<b>Total Investments before Short-Term Investments (Cost \$223,042,376)</b>				<b>268,625,755</b>

See Notes to Financial Statements.

# Edgar Filing: Western Asset Municipal Defined Opportunity Trust Inc. - Form N-CSR

## Western Asset Municipal Defined Opportunity Trust Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<b>Short-Term Investments</b> 1.3%				
<i>California</i> 0.3%				
Los Angeles, CA, Department of Water & Power Revenue, Royal Bank of Canada	0.030%	7/1/35	\$ 700,000	\$ 700,000 (g)(h)
<i>Missouri</i> 0.0%				
Missouri State HEFA, Educational Facilities Revenue, St. Louis University, LOC-Bank of America N.A.	0.040%	10/1/35	100,000	100,000 (g)(h)
<i>Nevada</i> 0.5%				
Las Vegas Valley, NV, Water District, GO, Water Improvement, SPA-Dexia Credit Local	0.200%	6/1/36	1,300,000	1,300,000 (g)(h)
<i>New York</i> 0.5%				
New York City, NY, GO, AGM, SPA-Dexia Credit Local	0.180%	11/1/26	100,000	100,000 (g)(h)
New York City, NY, Municipal Water Finance Authority, Water & Sewer System Revenue:				
Second General Resolution, SPA-Dexia Credit Local	0.150%	6/15/32	900,000	900,000 (g)(h)
SPA-Dexia Credit Local	0.180%	6/15/32	500,000	500,000 (g)(h)
<i>Total New York</i>				1,500,000
<i>Texas</i> 0.0%				
Rockwall, TX, ISD, GO, School Building, PSFG, SPA-Dexia Credit Local	0.040%	8/1/37	100,000	100,000 (g)(h)
<b>Total Short-Term Investments (Cost \$3,700,000)</b>				<b>3,700,000</b>
<b>Total Investments 98.5% (Cost \$226,742,376#)</b>				<b>272,325,755</b>
Other Assets in Excess of Liabilities 1.5%				4,165,150
<b>Total Net Assets 100.0%</b>				<b>\$ 276,490,905</b>

(a) Variable rate security. Interest rate disclosed is as of the most recent information available.

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

(c) 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.

(d) All or a portion of this security is held at the broker as collateral for open futures contracts.

(e) 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.

(f) Maturity date shown represents the mandatory tender date.

(g) Variable rate demand obligations have a demand feature under which the Fund can tender them back to the issuer or liquidity provider on no more than 7 days notice.

(h) Maturity date shown is the final maturity date. The security may be sold back to the issuer before final maturity.

# Aggregate cost for federal income tax purposes is \$224,262,369.

[See Notes to Financial Statements.](#)

## Schedule of investments (cont d)

November 30, 2014

### Western Asset Municipal Defined Opportunity Trust Inc.

#### 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	
EDA	Economic Development Authority	
EFA	Educational Facilities Authority	
GO	General Obligation	
HEFA	Health & Educational Facilities Authority	
IDA	Industrial Development Authority	
ISD	Independent School District	
LOC	Letter of Credit	
PCFA	Pollution Control Financing Authority	
PSFG	Permanent School Fund Guaranty	
SPA	Standby Bond Purchase Agreement	Insured Bonds

#### Ratings table\* (unaudited)

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

AAA/Aaa	4.1%
AA/Aa	13.2
A	43.7
BBB/Baa	28.7
BB/Ba	2.5
B/B	0.6
A-1/VMIG 1	1.4
NR	5.8
	<b>100.0%</b>

\* As a percentage of total investments.

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

See Notes to Financial Statements.

## Statement of assets and liabilities

November 30, 2014

<b>Assets:</b>	
Investments, at value (Cost \$226,742,376)	\$ 272,325,755
Cash	63,627
Interest receivable	4,367,324
Prepaid expenses	9,417
<b>Total Assets</b>	<b>276,766,123</b>
<b>Liabilities:</b>	
Investment management fee payable	136,381
Payable to broker variation margin on open futures contracts	58,125
Directors fees payable	2,299
Accrued expenses	78,413
<b>Total Liabilities</b>	<b>275,218</b>
<b>Total Net Assets</b>	<b>\$ 276,490,905</b>
<b>Net Assets:</b>	
Par value (\$0.001 par value; 12,074,701 shares issued and outstanding; 100,000,000 shares authorized)	\$ 12,075
Paid-in capital in excess of par value	230,598,267
Undistributed net investment income	1,499,580
Accumulated net realized loss on investments and futures contracts	(740,000)
Net unrealized appreciation on investments and futures contracts	45,120,983
<b>Total Net Assets</b>	<b>\$ 276,490,905</b>
<b>Shares Outstanding</b>	<b>12,074,701</b>
<b>Net Asset Value</b>	<b>\$22.90</b>

See Notes to Financial Statements.

## Statement of operations

For the Year Ended November 30, 2014

<b>Investment Income:</b>	
<i>Interest</i>	<i>\$ 14,888,584</i>
<b>Expenses:</b>	
Investment management fee (Note 2)	1,627,185
Directors' fees	49,937
Audit and tax fees	48,030
Transfer agent fees	38,075
Legal fees	30,278
Fund accounting fees	27,036
Stock exchange listing fees	24,898
Shareholder reports	22,622
Insurance	6,182
Custody fees	1,921
Miscellaneous expenses	9,910
<i>Total Expenses</i>	<i>1,886,074</i>
<b>Net Investment Income</b>	<b>13,002,510</b>
<b>Realized and Unrealized Gain (Loss) on Investments and Futures Contracts (Notes 1, 3 and 4):</b>	
Net Realized Gain (Loss) From:	
Investment transactions	1,467,386
Futures contracts	(1,042,212)
<i>Net Realized Gain</i>	<i>425,174</i>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	12,768,704
Futures contracts	(485,090)
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	<i>12,283,614</i>
<b>Net Gain on Investments and Futures Contracts</b>	<b>12,708,788</b>
<b>Increase in Net Assets from Operations</b>	<b>\$ 25,711,298</b>

See Notes to Financial Statements.

## Statements of changes in net assets

For the Years Ended November 30,	2014	2013
<b>Operations:</b>		
Net investment income	\$ 13,002,510	\$ 13,027,024
Net realized gain	425,174	1,123,549
Change in net unrealized appreciation (depreciation)	12,283,614	(22,635,285)
<i>Increase (Decrease) in Net Assets From Operations</i>	<i>25,711,298</i>	<i>(8,484,712)</i>
<b>Distributions to Shareholders From (Note 1):</b>		
Net investment income		