

WESTERN ASSET MUNICIPAL PARTNERS FUND 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 811-07362

Western Asset Municipal Partners Fund 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 PARTNERS
FUND INC. (MNP)

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 seek a high level of current income which is exempt from regular federal income taxes,* consistent with the preservation of capital. As a secondary investment objective, the Fund intends to enhance portfolio value by purchasing tax-exempt securities that, in the opinion of the investment manager, may appreciate in value relative to other similar obligations in the marketplace.

Under normal market conditions, the Fund invests substantially all of its assets in a diversified portfolio of tax-exempt securities that are rated investment grade at the time of purchase by at least one rating agency and that the investment manager believes do not involve undue risk to income or principal.

*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 Partners Fund 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 Partners Fund 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 rateⁱⁱ 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.

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- 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.

Western Asset Municipal Partners Fund Inc. V

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Fund overview

Q. What is the Fund's investment strategy?

A. The Fund's primary investment objective is to seek a high level of current income which is exempt from regular federal income taxes, consistent with the preservation of capital. As a secondary investment objective, the Fund intends to enhance portfolio value by purchasing tax-exempt securities that, in the opinion of the Fund's investment manager, may appreciate in value relative to other similar obligations in the marketplace. Under normal market conditions, the Fund invests substantially all of its assets in a diversified portfolio of tax-exempt securities. The Fund invests primarily in tax exempt securities that are rated investment grade at the time of purchase by at least one rating agency and that the investment manager believes do not involve undue risk to income or principal. The Fund may invest up to 20% of its net assets in securities rated below investment grade (commonly known as "high yield" or "junk" bonds) at the time of purchase. The Fund may use a variety of derivative instruments as part of its investment strategy, or for hedging or risk management purposes.

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.

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-durationⁱ 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") 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

Table of Contents**Fund overview (cont d)**

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.

During the reporting period, we utilized leverage in the Fund. This contributed to performance over the Fund's fiscal year. We ended the period with leverage from preferred shares as a percentage of gross assets of roughly 35%.

Performance review

For the twelve months ended November 30, 2016, Western Asset Municipal Partners Fund Inc. returned -0.36% based on its net asset value (NAV) and 0.57% 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 & Insured Municipal Debt (Leveraged) Closed-End Funds Category Average^{vi} returned 0.43%

over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

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

During the twelve-month period, the Fund made distributions to common stock shareholders totaling \$0.87 per share.* The performance table 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

	12-Month
Price Per Share	Total Return**
\$15.90 (NAV)	-0.36%
\$14.80 (Market Price)	0.57%

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.

*For the tax character of distributions paid during the fiscal year ended November 30, 2016, please refer to page 33 of this report.

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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, overweights to the Industrial Revenue, Health Care and Water & Sewer sectors added the most value. Security selection in the Water & Sewer, Transportation, Education and Leasing sectors was also additive for performance.

Elsewhere, tactically adjusting the Fund's duration contributed to results during the reporting period.

Q. What were the leading detractors from performance?

A. The largest detractor from the Fund's relative performance for the period was security selection in the Local General Obligation bond 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 MNP and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XMNPX 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 Partners Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

December 20, 2016

***RISKS:** The Fund is a 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. Diversification does not assure against market loss. As interest rates rise, bond prices fall, reducing the value of the Fund's fixed-income securities. The Fund may invest in lower-rated high yield bonds or junk bonds, which are subject to greater liquidity and 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*

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Fund overview (cont d)

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. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision.

Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. Portfolio holdings are subject to change at any time and may not be representative of the portfolio managers' current or future investments. The Fund's portfolio composition is subject to change at any time.

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

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

- ⁱ 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 62 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 any time.

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Spread duration (unaudited)

Economic exposure November 30, 2016

Total Spread Duration

MNP 6.06 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 sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark Bloomberg Barclays Municipal Bond Index

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Effective duration (unaudited)

Interest rate exposure November 30, 2016

Total Effective Duration

MNP 6.38 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

MNP Western Asset Municipal Partners Fund Inc.

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November 30, 2016

Western Asset Municipal Partners Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Municipal Bonds 151.9%				
<i>Alabama 1.5%</i>				
Jefferson County, AL, Sewer Revenue:				
Subordinated Lien Warrants	6.000%	10/1/42	\$ 740,000	\$ 829,962
Subordinated Lien Warrants	6.500%	10/1/53	1,300,000	1,504,217
<i>Total Alabama</i>				<i>2,334,179</i>
<i>Alaska 1.5%</i>				
Valdez, AK, Marine Terminal Revenue, BP Pipelines Inc. Project	5.000%	1/1/21	2,150,000	2,369,107
<i>Arizona 3.5%</i>				
Glendale, AZ, Transportation Excise Tax Revenue, NATL	5.000%	7/1/28	2,855,000	2,920,808 ^(a)
Navajo Nation, AZ, Revenue	5.500%	12/1/30	275,000	293,469 ^(b)
Salt Verde, AZ, Financial Corp. Senior Gas Revenue	5.000%	12/1/32	2,000,000	2,212,060
<i>Total Arizona</i>				<i>5,426,337</i>
<i>California 19.9%</i>				
Bay Area Toll Authority, CA, Toll Bridge Revenue, San Francisco Bay Area	1.650%	4/1/24	2,500,000	2,536,075 ^{(c)(d)}
California State PCFA, Water Furnishing Revenue	5.000%	11/21/45	2,500,000	2,500,050 ^(b)
California State PCFA, Water Furnishing Revenue	5.000%	11/21/45	1,000,000	1,044,900 ^{(b)(e)}
California State, GO, Various Purpose	5.000%	4/1/43	4,000,000	4,363,520 ^(f)
California Statewide CDA Revenue, Insured Health Facility L.A., Jewish Home, CA, Mortgage Insurance, CMI	5.000%	11/15/28	1,500,000	1,576,050
Los Angeles County, CA, Public Works Financing Authority, Lease Revenue, Multiple Capital Project II	5.000%	8/1/30	2,500,000	2,816,400
Lower Tule River, CA, Irrigation District Revenue, COP	5.000%	8/1/40	1,000,000	1,081,690
M-S-R Energy Authority, CA, Gas Revenue	7.000%	11/1/34	2,490,000	3,267,876
M-S-R Energy Authority, CA, Gas Revenue	6.500%	11/1/39	2,500,000	3,214,275
Rancho Cucamonga, CA, RDA, Successor Agency Tax Allocation, Rancho Redevelopment Project Area, AGM	5.000%	9/1/30	750,000	825,653
River Islands, CA, Public Financing Authority Special Tax, Community Facilities District No. 2003-1	5.500%	9/1/45	500,000	524,670
Riverside County, CA, Transportation Commission Sales Tax Revenue, Limited Tax	5.250%	6/1/39	250,000	277,035
Riverside County, CA, Transportation Commission Toll Revenue:				
Senior Lien	5.750%	6/1/44	100,000	108,546
Senior Lien	5.750%	6/1/48	200,000	216,504
Tulare, CA, Sewer Revenue, AGM	5.000%	11/15/41	2,000,000	2,212,460
Turlock, CA, Irrigation District Revenue	5.000%	1/1/35	2,500,000	2,753,025 ^(a)
Turlock, CA, Public Financing Authority, Tax Allocation Revenue, AGM	5.000%	9/1/30	1,500,000	1,501,935
<i>Total California</i>				<i>30,820,664</i>

See Notes to Financial Statements.

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	Rate	Maturity Date	Face Amount	Value
<i>Security</i>				
<i>Colorado 5.9%</i>				
Colorado State Health Facilities Authority Revenue, Sisters of Charity Leavenworth Health System Inc.	5.250%	1/1/25	\$ 3,500,000	\$ 3,820,845
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	5.750%	11/15/18	160,000	167,219
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.500%	11/15/38	4,000,000	5,121,280
<i>Total Colorado</i>				<i>9,109,344</i>
<i>Florida 6.0%</i>				
Florida State Development Finance Corp., Educational Facilities Revenue, Renaissance Charter School Inc. Project	6.125%	6/15/46	160,000	158,379 ^(b)
Florida State Development Finance Corp., Senior Living Revenue, Tuscan Isle Champions Gate Project	6.375%	6/1/46	200,000	191,934 ^(b)
Florida State Mid-Bay Bridge Authority Revenue	5.000%	10/1/40	740,000	773,233
Miami-Dade County, FL, Aviation Revenue	5.000%	10/1/41	1,000,000	1,079,670
Miami-Dade County, FL, Expressway Authority Toll System Revenue	5.000%	7/1/24	1,250,000	1,452,175
Miami-Dade County, FL, GO, Seaport	5.000%	10/1/23	2,315,000	2,629,261
Orange County, FL, Health Facilities Authority Revenue, Presbyterian Retirement Communities	5.000%	8/1/47	250,000	259,073 ^(g)
Orlando & Orange County, FL, Expressway Authority Revenue	5.000%	7/1/30	2,000,000	2,220,440 ^(a)
Seminole Tribe Florida Special Obligation Revenue	5.250%	10/1/27	500,000	509,705 ^(b)
<i>Total Florida</i>				<i>9,273,870</i>
<i>Illinois 11.0%</i>				
Chicago, IL, GO	5.500%	1/1/34	950,000	931,418
Chicago, IL, GO	5.500%	1/1/37	60,000	58,016
Chicago, IL, Metropolitan Water Reclamation District Greater Chicago, GO, Green Bond	5.000%	12/1/44	1,000,000	1,099,360
Chicago, IL, O Hare International Airport Revenue	5.000%	1/1/35	2,200,000	2,316,292 ^(e)
Chicago, IL, O Hare International Airport Revenue, General, Senior Lien	5.000%	1/1/41	250,000	264,178 ^(g)
Chicago, IL, Public Building Commission, Building Revenue, Chicago School Reform, NATL	5.250%	12/1/18	1,000,000	1,033,920
Chicago, IL, Waterworks Revenue:				
Second Lien Project	5.000%	11/1/34	800,000	859,344
Second Lien Project	5.000%	11/1/39	500,000	531,495
Illinois State Health Facilities Authority Revenue, South Suburban Hospital Project	7.000%	2/15/18	170,000	176,373 ^(h)
Illinois State Municipal Electric Agency Power Supply Revenue, NATL	5.250%	2/1/28	4,145,000	4,173,103 ^(a)
Illinois State Toll Highway Authority Revenue	5.000%	12/1/31	1,500,000	1,688,460
Illinois State, GO	5.000%	2/1/28	1,200,000	1,227,756

See Notes to Financial Statements.

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November 30, 2016

Western Asset Municipal Partners Fund Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Illinois continued</i>				
Illinois State, GO	5.000%	2/1/29	\$ 500,000	\$ 507,530
Illinois State, GO	5.000%	5/1/39	1,000,000	968,520
Metropolitan Pier & Exposition Authority, IL, Revenue, CAB-McCormick Place Expansion Project	0.000%	12/15/52	900,000	115,128
University of Illinois, COP	5.000%	3/15/24	1,000,000	1,134,740
<i>Total Illinois</i>				<i>17,085,633</i>
<i>Indiana 2.1%</i>				
Indiana Finance Authority Midwestern Disaster Relief Revenue, Ohio Valley Electric Corp. Project	5.000%	6/1/39	1,000,000	980,150
Indianapolis, IN, Local Public Improvement Bond Bank Revenue	5.000%	6/1/27	2,000,000	2,211,960
<i>Total Indiana</i>				<i>3,192,110</i>
<i>Louisiana 1.5%</i>				
Shreveport, LA, Water & Sewer Revenue, AGM	5.000%	12/1/34	2,080,000	2,268,552
<i>Maryland 0.7%</i>				
Maryland State EDC, EDR, Transportation Facilities Project	5.750%	6/1/35	1,000,000	1,077,380
<i>Massachusetts 3.0%</i>				
Massachusetts State DFA Revenue:				
International Charter School	5.000%	4/15/40	1,875,000	1,940,944
Partners Healthcare System	5.000%	7/1/47	1,000,000	1,096,360
Umass Boston Student Housing Project	5.000%	10/1/48	200,000	205,338
Massachusetts State Water Pollution Abatement Trust Revenue, MWRA Program, Unrefunded Balance	5.750%	8/1/29	355,000	356,218
Massachusetts State Water Resources Authority Revenue:				
General, NATL	5.000%	8/1/34	940,000	962,992
General, NATL	5.000%	8/1/34	60,000	61,580 ^(a)
<i>Total Massachusetts</i>				<i>4,623,432</i>
<i>Michigan 6.9%</i>				
Detroit, MI, GO, District State Aid	5.250%	11/1/24	3,500,000	3,641,155 ^(a)
Detroit, MI, Water & Sewerage Department, Disposal System Revenue, Senior Lien	5.250%	7/1/39	405,000	440,802
Great Lakes, MI, Water Authority Water Supply System Revenue:				
Senior Lien	5.000%	7/1/35	150,000	160,840
Senior Lien	5.000%	7/1/46	1,300,000	1,385,462
Michigan State Building Authority Revenue, Facilities Program	5.250%	10/15/47	250,000	279,865
Michigan State Finance Authority Limited Obligation Revenue, Higher Education, Thomas M Cooley Law School Project	6.750%	7/1/44	610,000	617,149 ^(b)
Michigan State Finance Authority Revenue:				
Senior Lien Detroit Water & Sewer	5.000%	7/1/33	370,000	400,233
Senior Lien Detroit Water & Sewer	5.000%	7/1/44	380,000	402,500

See Notes to Financial Statements.

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Security	Rate	Maturity Date	Face Amount	Value
<i>Michigan continued</i>				
Michigan State Hospital Finance Authority Revenue, McLaren Health Care Corp.	5.750%	5/15/38	\$ 2,000,000	\$ 2,129,900 ^(a)
Wayne County, MI, Airport Authority Revenue, Detroit Metropolitan Airport	5.000%	12/1/18	1,170,000	1,234,818 ^(e)
<i>Total Michigan</i>				<i>10,692,724</i>
<i>Missouri 1.6%</i>				
Boone County, MO, Hospital Revenue, Boone Hospital Center	5.375%	8/1/38	2,000,000	2,131,660 ^(a)
Kansas City, MO, IDA, Senior Living Facilities Revenue, Kansas City United Methodist Retirement Home Inc.	6.000%	11/15/51	300,000	280,548 ^(b)
<i>Total Missouri</i>				<i>2,412,208</i>
<i>New Jersey 10.1%</i>				
Casino Reinvestment Development Authority, NJ, Luxury Tax Revenue, AGM	5.000%	11/1/27	240,000	253,786
New Jersey State EDA Revenue	5.000%	6/15/29	500,000	521,800
New Jersey State EDA Revenue:				
Continental Airlines Inc. Project	5.250%	9/15/29	2,000,000	2,120,720 ^(e)
Private Activity-The Goethals Bridge Replacement Project	5.375%	1/1/43	1,000,000	1,066,180 ^(e)
Provident Group Rowan Properties LLC, Rowan University Housing Project	5.000%	1/1/48	500,000	503,280
School Facilities Construction, SIFMA	2.150%	3/1/28	2,500,000	2,300,175 ^(c)
New Jersey State Health Care Facilities Financing Authority Revenue, RWJ Barnabas Health Obligation Group	5.000%	7/1/43	300,000	317,535
New Jersey State Transportation Trust Fund Authority Revenue, Transportation Program, State Appropriations	5.000%	6/15/38	6,000,000	6,037,320
New Jersey State Turnpike Authority Revenue	1.230%	1/1/18	2,500,000	2,503,175 ^{(c)(d)}
<i>Total New Jersey</i>				<i>15,623,971</i>
<i>New York 26.8%</i>				
Brooklyn Arena, NY, Local Development Corp. Revenue, Barclays Center Project	6.250%	7/15/40	1,000,000	1,136,310 ^(a)
MTA Hudson Rail Yards Trust Obligations Revenue	5.000%	11/15/56	1,000,000	1,081,500
MTA, NY, Revenue	5.250%	11/15/40	1,000,000	1,115,820
MTA, NY, Revenue, Transportation	5.000%	11/15/25	1,000,000	1,135,010
Nassau County, NY, Industrial Development Agency, Continuing Care Retirement Community Revenue, Amsterdam At Harborside	2.000%	1/1/49	67,436	11,464
New York City, NY, Municipal Water Finance Authority, Water & Sewer System Revenue, Second General Resolution Fiscal 2011	5.000%	6/15/31	4,850,000	5,322,341
New York State Dormitory Authority Revenue:				
Court Facilities Lease, NYC Issue, Non-State Supported Debt, AMBAC	5.500%	5/15/30	3,365,000	4,110,146

See Notes to Financial Statements.

Table of Contents**Schedule of investments (cont d)**

November 30, 2016

Western Asset Municipal Partners Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>New York continued</i>				
Non State Supported Debt, New School	5.000%	7/1/35	\$ 2,000,000	\$ 2,190,980
Non-State Supported Debt, Columbia University	5.000%	7/1/38	2,000,000	2,116,700
New York State Liberty Development Corp., Liberty Revenue:				
3 World Trade Center LLC Project	5.000%	11/15/44	490,000	496,395 (b)
4 World Trade Center LLC Project	5.750%	11/15/51	2,000,000	2,247,040
Second Priority, Bank of America Tower	5.125%	1/15/44	2,500,000	2,711,600
New York State Thruway Authority, Second General Highway & Bridge Trust Fund Revenue, AMBAC				
	5.000%	4/1/26	4,700,000	4,762,275 (a)
New York State Transportation Development Corp., Special Facilities Revenue:				
Laguardia Airport Terminal B Redevelopment Project	5.000%	7/1/41	2,250,000	2,292,502 (e)
Laguardia Airport Terminal B Redevelopment Project	5.000%	7/1/46	400,000	405,904 (e)
New York State Urban Development Corp. Revenue:				
State Personal Income Tax	5.000%	3/15/26	4,570,000	4,622,418 (a)
State Personal Income Tax	5.000%	3/15/26	430,000	434,932
Port Authority of New York & New Jersey Revenue	5.000%	1/15/41	4,750,000	5,158,785
<i>Total New York</i>				<i>41,352,122</i>
<i>North Carolina 3.6%</i>				
Charlotte-Mecklenburg Hospital Authority, NC, Health Care System Revenue, Carolinas Healthcare System				
	5.000%	1/15/31	5,000,000	5,530,350
<i>Ohio 2.9%</i>				
Northeast, OH, Regional Sewer District Revenue, Waste Water Revenue Improvement				
	5.000%	11/15/43	4,040,000	4,425,860
<i>Oklahoma 1.5%</i>				
Grand River Dam Authority, OK, Revenue				
	5.250%	6/1/40	2,000,000	2,201,660
Payne County, OK, EDA Revenue, Epworth Living at The Ranch				
	6.875%	11/1/46	175,000	173,124
<i>Total Oklahoma</i>				<i>2,374,784</i>
<i>Oregon 1.1%</i>				
Multnomah County, OR, School District # 7 Reynolds, GO, Deferred Interest, School Board Guaranty				
	0.000%	6/15/31	1,000,000	561,350
Oregon State Facilities Authority Revenue, Legacy Health Project				
	5.000%	6/1/46	600,000	639,666
Yamhill County, OR, Hospital Authority Revenue, Friendsview Retirement Community				
	5.000%	11/15/46	475,000	486,205
<i>Total Oregon</i>				<i>1,687,221</i>
<i>Pennsylvania 9.1%</i>				
Central Bradford, PA, Progress Authority Revenue, Guthrie Healthcare Systems				
	5.000%	12/1/26	5,130,000	5,697,481
Cumberland County, PA, Municipal Authority Revenue, Diakon Lutheran Social Ministries Project				
	5.000%	1/1/29	750,000	797,557

See Notes to Financial Statements.

Table of Contents**Western Asset Municipal Partners Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<i>Pennsylvania continued</i>				
East Hempfield Township, PA, IDA Revenue, Student Services Inc.-Student Housing Project-Millersville University	5.000%	7/1/47	\$ 250,000	\$ 251,203
Pennsylvania Economic Development Financing Authority, Sewer Sludge Disposal Revenue, Philadelphia Biosolids Facility	6.250%	1/1/32	500,000	532,055
Philadelphia, PA, Airport Revenue	5.000%	6/15/35	2,000,000	2,165,820 ^(e)
Philadelphia, PA, Gas Works Revenue, 7th General Ordinance, AMBAC	5.000%	10/1/17	2,685,000	2,761,012
Philadelphia, PA, School District, GO	5.000%	9/1/32	1,000,000	1,057,950
State Public School Building Authority Palease Revenue:				
Philadelphia School District Project, AGM	5.000%	6/1/31	200,000	215,652
Philadelphia School District Project, AGM	5.000%	6/1/33	500,000	534,040
<i>Total Pennsylvania</i>				<i>14,012,770</i>
<i>Tennessee 5.3%</i>				
Clarksville, TN, Natural Gas Acquisition Corp., Gas Revenue	5.000%	12/15/20	2,030,000	2,233,934
Tennessee Energy Acquisition Corp., Gas Revenue	5.000%	2/1/20	3,555,000	3,845,443
Tennessee Energy Acquisition Corp., Gas Revenue	5.000%	2/1/21	2,000,000	2,195,300
<i>Total Tennessee</i>				<i>8,274,677</i>
<i>Texas 16.3%</i>				
Austin, TX, Water & Wastewater System Revenue	5.000%	11/15/26	2,500,000	2,742,750
Austin, TX, Water & Wastewater System Revenue	5.125%	11/15/28	1,980,000	2,173,347
Austin, TX, Water & Wastewater System Revenue	5.125%	11/15/28	230,000	253,156 ^(a)
Beaumont, TX, ISD, GO, School Building, PSF-GTD	5.000%	2/15/33	1,100,000	1,108,899 ^(a)
Corpus Christi, TX, Utility System Revenue, Junior Lien	5.000%	7/15/31	2,905,000	3,277,101
Grand Parkway Transportation Corp., TX, System Toll Revenue, Convertible CAB, Step Bond	0.000%	10/1/36	2,000,000	1,660,240 ^(c)
Harris County, TX, Metropolitan Transit Authority Sales & Use Tax Revenue	5.000%	11/1/36	3,125,000	3,495,750
Houston, TX, Airport Systems Revenue, United Airlines Inc.	5.000%	7/15/30	1,000,000	1,058,000 ^(e)
Kemp, TX, ISD, GO, School Building, PSF-GTD	5.250%	2/15/33	3,450,000	3,479,077 ^(a)
Mission, TX, Economic Development Corp. Revenue, Senior Lien, Natgasoline Project	5.750%	10/1/31	100,000	104,616 ^{(b)(e)}
New Hope Cultural Education Facilities Finance Corp., TX, Student Housing Revenue, Collegiate Housing-Tarleton State University Project	5.000%	4/1/35	800,000	837,560
North Texas Tollway Authority Revenue	5.000%	1/1/39	250,000	274,848
North Texas Tollway Authority Revenue	5.000%	1/1/40	600,000	659,856
North Texas Tollway Authority Revenue	5.000%	1/1/45	600,000	653,550

See Notes to Financial Statements.

Table of Contents**Schedule of investments (cont d)**

November 30, 2016

Western Asset Municipal Partners Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Texas continued</i>				
North Texas Tollway Authority Revenue:				
System-First Tier	5.750%	1/1/40	\$ 2,195,000	\$ 2,301,824 ^(a)
System-First Tier	5.750%	1/1/40	305,000	319,000
Texas State Private Activity Bond Surface Transportation Corp. Revenue, Senior Lien, Blueidge Transportation Group LLC				
	5.000%	12/31/40	460,000	471,104 ^(e)
Woodloch Health Facilities Development Corp., TX, Senior Housing Revenue:				
Inspired Living Lewisville Project	6.750%	12/1/51	300,000	272,994 ^(b)
Inspired Living Lewisville Project	10.000%	12/1/51	50,000	44,369
<i>Total Texas</i>				<i>25,188,041</i>
<i>U.S. Virgin Islands 0.7%</i>				
Virgin Islands Public Finance Authority Revenue:				
Matching Fund Loan	6.750%	10/1/37	670,000	679,581
Matching Fund Loan	6.000%	10/1/39	420,000	404,657
<i>Total U.S. Virgin Islands</i>				<i>1,084,238</i>
<i>Virginia 0.5%</i>				
Virginia State Port Authority Port Facility Revenue	5.000%	7/1/41	300,000	322,173 ^(e)
Virginia State Port Authority Port Facility Revenue	5.000%	7/1/45	500,000	535,315 ^(e)
<i>Total Virginia</i>				<i>857,488</i>
<i>Washington 4.0%</i>				
Port of Seattle, WA, Revenue	5.000%	8/1/25	2,395,000	2,723,762
Washington State Health Care Facilities Authority Revenue, PeaceHealth	5.000%	11/1/28	3,000,000	3,198,600
Washington State HFC Revenue:				
Heron's Key	6.500%	7/1/30	100,000	100,580 ^(b)
Heron's Key	6.750%	7/1/35	100,000	100,898 ^(b)
<i>Total Washington</i>				<i>6,123,840</i>
<i>Wisconsin 4.9%</i>				
Public Finance Authority, WI, Airport Facilities Revenue, Transportation Infrastructure Properties LLC	5.000%	7/1/42	4,000,000	4,063,960 ^(e)
Public Finance Authority, WI, Education Revenue, North Carolina Charter Educational Foundation Project	5.000%	6/15/46	150,000	126,459 ^(b)
Wisconsin State HEFA Revenue, SSM Health Care Corp.	5.000%	6/1/25	3,110,000	3,377,989
<i>Total Wisconsin</i>				<i>7,568,408</i>
Total Investments before Short-Term Investments (Cost \$224,521,010)				234,789,310

See Notes to Financial Statements.

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Western Asset Municipal Partners Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Short-Term Investments 1.1%				
Municipal Bonds 1.1%				
<i>California</i> 0.4%				
California State Health Facilities Financing Authority Revenue:				
Health Facility, Dignity Health, LOC-Bank of Montreal	0.520%	3/1/47	\$ 200,000	\$ 200,000 ^{(i)(j)}
Scripps Health, LOC-JPMorgan Chase	0.550%	10/1/23	100,000	100,000 ^{(i)(j)}
California State PCFA, Solid Waste Disposal Revenue, Zerep Management Corp. Project, LOC-Comerica Bank	0.710%	10/1/36	200,000	200,000 ^{(e)(i)(j)}
<i>Total California</i>				<i>500,000</i>
<i>New York</i> 0.7%				
New York City, NY, Municipal Water Finance Authority, Water & Sewer System Revenue, Second General Resolution, SPA-Dexia Credit Local	0.900%	6/15/32	1,100,000	<i>1,100,000</i> ^{(i)(j)}
Total Municipal Bonds (Cost \$1,600,000)				1,600,000
			Shares	
Money Market Funds 0.0%				
State Street Institutional U.S. Government Money Market Fund, Premier Class (Cost \$34,565)	0.284%		34,565	34,565
Total Short-Term Investments (Cost \$1,634,565)				1,634,565
Total Investments 153.0% (Cost \$226,155,575#)				236,423,875
Auction Rate Cumulative Preferred Stock, at Liquidation Value (12.0)%				(18,500,000)
Variable Rate Demand Preferred Stock, at Liquidation Value (43.0)%				(66,500,000)
Other Assets in Excess of Liabilities 2.0%				3,121,666
Total Net Assets Applicable to Common Shareholders 100.0%				\$ 154,545,541

^(a) 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.

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

^(d) Maturity date shown represents the mandatory tender date.

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

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

^(g) Security is purchased on a when-issued basis.

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- (h) 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.

- (i) 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 \$226,100,481.

[See Notes to Financial Statements.](#)

Table of Contents**Schedule of investments (cont d)**

November 30, 2016

Western Asset Municipal Partners Fund Inc.**Abbreviations used in this schedule:**

AGM	Assured Guaranty Municipal Corporation Insured Bonds
AMBAC	American Municipal Bond Assurance Corporation Insured Bonds
CAB	Capital Appreciation Bonds
CDA	Communities Development Authority
CMI	California Mortgage Insurance Program Insured Bonds
COP	Certificates of Participation
DFA	Development Finance Agency
EDA	Economic Development Authority
EDC	Economic Development Corporation
EDR	Economic Development Revenue
GO	General Obligation
GTD	Guaranteed
HEFA	Health & Educational Facilities Authority
HFC	Housing Finance Commission
IDA	Industrial Development Authority
ISD	Independent School District
LOC	Letter of Credit
MTA	Metropolitan Transportation Authority
MWRA	Massachusetts Water Resources Authority
NATL	National Public Finance Guarantee Corporation Insured Bonds
PCFA	Pollution Control Financing Authority
PSF	Permanent School Fund
RDA	Redevelopment Agency
SIFMA	Securities Industry and Financial Markets Association
SPA	Standby Bond Purchase Agreement Insured Bonds

Ratings table* (unaudited)

Standard & Poor s/Moody s/Fitch**

AAA/Aaa	2.5%
AA/Aa	45.3
A	31.8
BBB/Baa	12.5
BB/Ba	1.9
B/B	0.2
A-1/VMIG 1	0.7
NR***	5.1
	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

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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.](#)

Table of Contents**Statement of assets and liabilities**

November 30, 2016

Assets:	
Investments, at value (Cost \$226,155,575)	\$ 236,423,875
Interest receivable	3,106,479
Receivable for securities sold	215,424
Prepaid expenses	36,556
Total Assets	239,782,334
Liabilities:	
Variable Rate Demand Preferred Stock (\$50,000 liquidation value per share; 1,330 shares issued and outstanding) (net of deferred offering costs of \$839,945) (Note 5)	65,660,055
Payable for securities purchased	775,773
Investment management fee payable	111,082
Payable to broker - variation margin on open futures contracts	57,000
Directors' fees payable	3,054
Distributions payable to Variable Rate Demand Preferred Stockholders	1,814
Distributions payable to Auction Rate Cumulative Preferred Stockholders	1,097
Accrued expenses	126,918
Total Liabilities	66,736,793
Auction Rate Cumulative Preferred Stock (370 shares authorized and issued at \$50,000 per share) (Note 6)	18,500,000
Total Net Assets Applicable to Common Shareholders	\$ 154,545,541
Net Assets Applicable to Common Shareholders:	
Common stock par value (\$0.001 par value, 9,719,063 shares issued and outstanding; 100,000,000 common shares authorized)	\$ 9,719
Paid-in capital in excess of par value	142,165,931
Undistributed net investment income	2,857,235
Accumulated net realized loss on investments and futures contracts	(725,969)
Net unrealized appreciation on investments and futures contracts	10,238,625
Total Net Assets Applicable to Common Shareholders	\$ 154,545,541
Common Shares Outstanding	9,719,063
Net Asset Value Per Common Share	\$15.90

See Notes to Financial Statements.

Table of Contents**Statement of operations**

For the Year Ended November 30, 2016

Investment Income:	
<i>Interest</i>	\$ 10,105,798
Expenses:	
Investment management fee (Note 2)	1,384,062
Liquidity fees (Note 5)	516,444
Distributions to Variable Rate Demand Preferred Stockholders (Notes 1 and 5)	308,143
Audit and tax fees	89,450
Remarketing fees (Note 5)	67,608
Rating agency fees	48,722
Directors' fees	41,477
Transfer agent fees	37,314
Amortization of Variable Rate Demand Preferred Stock offering costs (Note 5)	29,767
Shareholder reports	25,535
Auction participation fees (Note 6)	23,544
Stock exchange listing fees	21,294
Legal fees	21,260
Auction agent fees	18,688
Fund accounting fees	16,647
Custody fees	13,767
Insurance	3,349
Miscellaneous expenses	20,814
<i>Total Expenses</i>	2,687,885
Net Investment Income	7,417,913
Realized and Unrealized Gain (Loss) on Investments and Futures Contracts (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	1,676,640
Futures contracts	(278,413)
<i>Net Realized Gain</i>	1,398,227
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(8,894,733)
Futures contracts	(22,079)
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	(8,916,812)
Net Loss on Investments and Futures Contracts	(7,518,585)
Distributions Paid to Auction Rate Cumulative Preferred Stockholders	
From Net Investment Income (Notes 1 and 6)	(128,462)
Decrease in Net Assets Applicable to Common Shareholders From Operations	\$ (229,134)

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	\$ 7,417,913	\$ 7,825,008
Net realized gain (loss)	1,398,227	(503,200)
Change in net unrealized appreciation (depreciation)	(8,916,812)	(1,346,165)
Distributions paid to Auction Rate Cumulative Preferred Stockholders		
from net investment income	(128,462)	(45,224)
<i>Increase (Decrease) in Net Assets Applicable to Common Shareholders From Operations</i>	<i>(229,134)</i>	<i>5,930,419</i>
Distributions to Common Shareholders From (Note 1):		
Net investment income	(8,455,586)	(8,455,585)
<i>Decrease in Net Assets From Distributions to Common Shareholders</i>	<i>(8,455,586)</i>	<i>(8,455,585)</i>
Fund Share Transactions:		
Net increase from tender and repurchase of		
Auction Rate Cumulative Preferred Shares (Note 6)		6,650,000
<i>Increase in Net Assets From Fund Share Transactions</i>		<i>6,650,000</i>
<i>Increase (Decrease) in Net Assets Applicable to Common Shareholders</i>	<i>(8,684,720)</i>	<i>4,124,834</i>
Net Assets Applicable to Common Shareholders:		
Beginning of year	163,230,261	159,105,427
End of year*	\$ 154,545,541	\$ 163,230,261
*Includes undistributed net investment income of:	\$2,857,235	\$3,941,436

See Notes to Financial Statements.

Table of Contents**Statement of cash flows**

For the Year Ended November 30, 2016

Increase (Decrease) in Cash:**Cash Provided (Used) by Operating Activities:**

Net decrease in net assets applicable to common shareholders resulting from operations	\$ (100,672)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(31,589,860)
Sales of portfolio securities	29,765,339
Net purchases, sales and maturities of short-term investments	1,815,474
Net amortization of premium (accretion of discount)	853,633
Increase in receivable for securities sold	(215,424)
Increase in interest receivable	(98,178)
Decrease in prepaid expenses	8,170
Increase in payable for securities purchased	775,773
Decrease in investment management fee payable	(791)
Increase in Directors' fees payable	593
Increase in accrued expenses	3,368
Increase in distributions payable to Variable Rate Demand Preferred Stockholders	824
Increase in payable to broker - variation margin on open futures contracts	54,656
Net realized gain on investments	(1,676,640)
Change in net unrealized appreciation(depreciation) of investments	8,894,733
<i>Net Cash Provided by Operating Activities</i>	<i>8,490,998</i>
Cash Flows From Financing Activities:	
Distributions paid on common stock	(8,455,586)
Distributions paid on Auction Rate Cumulative Preferred Stock	(128,365)
Deferred preferred stock offering costs	29,767
<i>Net Cash Used in Financing Activities</i>	<i>(8,554,184)</i>
Net Decrease in Cash	(63,186)
Cash at Beginning of Year	63,186
Cash at End of Year	

See Notes to Financial Statements.

Table of Contents**Financial highlights****For a common 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	\$16.79	\$16.37	\$15.03	\$17.30	\$15.24
Income (loss) from operations:					
Net investment income	0.76	0.81	0.86	0.87	0.91
Net realized and unrealized gain (loss)	(0.77)	(0.20)	1.35	(2.20)	2.02
Distributions paid to Auction Rate Cumulative Preferred Stockholders from:					
Net investment income	(0.01)	(0.00) ²	(0.01)	(0.02)	(0.02)
Net realized gains				(0.00) ²	(0.00) ²
<i>Total income (loss) from operations</i>	<i>(0.02)</i>	<i>0.61</i>	<i>2.20</i>	<i>(1.35)</i>	<i>2.91</i>
Less distributions to common shareholders from:					
Net investment income	(0.87)	(0.87)	(0.86)	(0.84)	(0.84)
Net realized gains				(0.08)	(0.01)
<i>Total distributions to common shareholders</i>	<i>(0.87)</i>	<i>(0.87)</i>	<i>(0.86)</i>	<i>(0.92)</i>	<i>(0.85)</i>
Net increase from tender and repurchase of Auction Rate Cumulative Preferred Shares		0.68			
Net asset value, end of year	\$15.90	\$16.79	\$16.37	\$15.03	\$17.30
Market price, end of year	\$14.80	\$15.51	\$14.64	\$13.37	\$18.20
<i>Total return, based on NAV^{3,4}</i>	<i>(0.36)%</i>	<i>8.04%⁵</i>	<i>14.95%</i>	<i>(7.97)%</i>	<i>19.54%</i>
<i>Total return, based on Market Price⁶</i>	<i>0.57%</i>	<i>12.11%</i>	<i>16.04%</i>	<i>(22.01)%</i>	<i>29.08%</i>
Net assets applicable to common shareholders, end of year (000s)	\$154,546	\$163,230	\$159,105	\$146,060	\$168,113
Ratios to average net assets:⁷					
Gross expenses	1.61%	1.46%	1.20%	1.17%	1.14%
Net expenses	1.61	1.46	1.20	1.17	1.14
Net investment income	4.45	4.82	5.44	5.44	5.55
Portfolio turnover rate	12%	13%	10%	17%	17%
Supplemental data:					
Auction Rate Cumulative Preferred Stock at Liquidation Value, End of Year (000s)	\$18,500	\$18,500	\$85,000	\$85,000	\$85,000
Variable Rate Demand Preferred Stock at Liquidation Value, End of Year (000s)	\$66,500	\$66,500			
Asset Coverage Ratio for Auction Rate Cumulative Preferred Stock and Variable Rate Demand Preferred Stock ⁸	282%	292%	287% ⁹	272% ⁹	298% ⁹
Asset Coverage, per \$50,000 Liquidation Value per Share of Auction Rate Cumulative Preferred Stock and Variable Rate Demand Preferred Stock ⁸	\$140,909	\$146,018	\$143,591	\$135,918	\$148,890

See Notes to Financial Statements.

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Financial highlights (cont d)

¹ Per share amounts have been calculated using the average shares method.

² Amount represents less than \$0.005 per share.

³ Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

⁴ The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.

⁵ The total return based on NAV reflects the impact of the tender and repurchase by the Fund of a portion of its Auction Rate Cumulative Preferred Shares at 90% of the per share liquidation preference. Absent this transaction, the total return based on NAV would have been 3.67%.

⁶ The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.

⁷ Calculated on the basis of average net assets of common stock shareholders. Ratios do not reflect the effect of dividend payments to auction rate cumulative preferred stockholders.

⁸ Represents value of net assets plus the auction rate cumulative preferred stock and variable rate demand preferred stock, if any, at the end of the period divided by the auction rate cumulative preferred stock and variable rate demand preferred stock, if any, outstanding at the end of the period.

⁹ Added to conform to current period presentation.

[See Notes to Financial Statements.](#)

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Notes to financial statements

1. Organization and significant accounting policies

Western Asset Municipal Partners Fund Inc. (the Fund) was incorporated in Maryland on November 24, 1992 and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. The Fund's primary investment objective is to seek a high level of current income which is exempt from federal income taxes, consistent with the preservation of capital. As a secondary investment objective, the Fund intends to enhance portfolio value by purchasing tax exempt securities that, in the opinion of the investment manager, may appreciate in value relative to other similar obligations in the marketplace.

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

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

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North Atlantic Fund Valuation

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Notes to financial statements (cont d)

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

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

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

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

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

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

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

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

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

ASSETS				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Municipal bonds		\$ 234,789,310		\$ 234,789,310
Short-term investments :				
Municipal bonds		1,600,000		1,600,000
Money market funds	\$ 34,565			34,565
Total short-term investments	34,565	1,600,000		1,634,565
Total investments	\$ 34,565	\$ 236,389,310		\$ 236,423,875
LIABILITIES				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Futures contracts	\$ 29,675			\$ 29,675

See Schedule of Investments for additional detailed categorizations.

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

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

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

(c) Securities traded on a when-issued basis. The Fund may trade securities on a when-issued basis. In a when-issued transaction, the securities are purchased or sold by

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Notes to financial statements (cont d)

the Fund with payment and delivery taking place in the future in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction.

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

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

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

Distributions to holders of Auction Rate Cumulative Preferred Stock (ARCPS) are accrued daily and paid on a weekly basis and are determined as described in Note 6. Distributions to holders of Variable Rate Demand Preferred Stock (VRDPS) are accrued on a daily basis and paid monthly as described in Note 5 and are treated as an operating expense as required by GAAP. For tax purposes, the payments made to the holders of the Fund's VRDPS are treated as dividends or distributions.

(f) Compensating balance arrangements. The Fund has an arrangement with its custodian bank whereby a portion of the custodian's fees is paid indirectly by credits earned on the Fund's cash on deposit with the bank.

(g) Cash flow information. The Fund invests in securities and distributes dividends from net investment income and net realized gains, which are paid in cash and may be reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments are presented in the Statement of Cash Flows.

(h) Net asset value. The net asset value (NAV) of the Fund's common stock is determined no less frequently than the close of business on the Fund's last business day of each week (generally Friday) and on the last business day of the month. It is determined by dividing the value of the net assets available to common stock by the total number of

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shares of common stock outstanding. For the purpose of determining the NAV per share of the common stock, the value of the Fund's net assets shall be deemed to equal the value of the Fund's assets less (1) the Fund's liabilities including the aggregate liquidation value (i.e., \$50,000 per outstanding share) of the VRDPS, and (2) the aggregate liquidation value (i.e., \$50,000 per outstanding share) of the ARCPS.

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

Management has analyzed the Fund's tax positions taken on income tax returns for all open tax years and has concluded that as of November 30, 2016, no provision for income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

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

	Undistributed Net Investment Income	Accumulated Net Realized Loss	Paid-in Capital
(a)	\$ 29,767		\$ (29,767)
(b)	52,167	\$ (52,167)	

(a) Reclassifications are due to a non-deductible offering cost for tax purposes.

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

2. Investment management agreement and other transactions with affiliates

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

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

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

Table of Contents**Notes to financial statements (cont d)**

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

The Fund is permitted to purchase or sell securities, typically short-term variable rate demand obligations, from or to certain other affiliated funds or portfolios under specified conditions outlined in procedures adopted by the Board of Directors. The procedures have been designed to provide assurance that any purchase or sale of securities by the Fund from or to another fund or portfolio that is, or could be considered, an affiliate by virtue of having a common investment manager or subadviser (or affiliated investment manager or subadviser), common Directors and/or common officers complies with Rule 17a-7 under the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. For the year ended November 30, 2016, such purchase and sale transactions (excluding accrued interest) were \$24,550,000 and \$28,600,000, respectively.

3. Investments

During the year ended November 30, 2016, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) were as follows:

Purchases	\$ 31,589,860
Sales	29,765,339

At November 30, 2016, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	\$ 12,215,825
Gross unrealized depreciation	(1,892,431)
Net unrealized appreciation	\$ 10,323,394

At November 30, 2016, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Depreciation
Contracts to Buy:					
U.S. Treasury Long-Term Bonds	38	3/17	\$ 5,778,363	\$ 5,748,688	\$ (29,675)

4. Derivative instruments and hedging activities

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at November 30, 2016.

LIABILITY DERIVATIVES¹

Futures contracts ²	Interest Rate Risk \$ 29,675
--------------------------------	------------------------------------

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

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

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The following tables provide information about the effect of derivatives and hedging activities on the Fund's Statement of Operations for the year ended November 30, 2016. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

Futures contracts	Interest Rate Risk \$ (278,413)
-------------------	---------------------------------------

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED

Futures contracts	Interest Rate Risk \$ (22,079)
-------------------	--------------------------------------

During the year ended November 30, 2016, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Futures contracts (to buy)	\$ 442,207
Futures contracts (to sell)	3,074,221

At November 30, 2016, there were no open positions held in this derivative.

The following table presents by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at November 30, 2016:

	Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities ¹	Collateral Pledged ^{2,3,4}	Net Amount
Futures contracts ⁵	\$ 57,000	\$ (57,000)	

¹ Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

² Gross amounts are not offset in the Statement of Assets and Liabilities.

³ In some instances, the actual collateral received and/or pledged may be more than the amount shown here due to overcollateralization.

⁴ See the Schedule of Investments for securities pledged as collateral.

⁵ Amount represents the current day's variation margin as reported in the Statement of Assets and Liabilities. It differs from the cumulative appreciation (depreciation) presented in the previous table.

5. Variable rate demand preferred stock

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On March 11, 2015, the Fund completed a private offering of 1,330 shares of Series 1 Variable Rate Demand Preferred Stock (VRDPS). Net proceeds from the offering were used by the Fund to repurchase outstanding shares of Series M Auction Rate Cumulative Preferred Stock (ARCPS) that had been accepted for payment pursuant to the tender offer (see Note 6). Offering costs incurred by the Fund in connection with the VRDPS issuance are being amortized to expense over the life of the VRDPS.

Table of Contents**Notes to financial statements (cont d)**

The table below summarizes the key terms of Series 1 of the VRDPS at November 30, 2016.

Series	Mandatory Redemption Date	Shares	Liquidation Preference Per Share	Aggregate Liquidation Value
Series 1	3/11/2045	1,330	\$ 50,000	\$ 66,500,000

The VRDPS shares are not listed on any securities exchange or automated quotation system. For financial reporting purposes, the VRDPS shares are considered debt of the Fund; therefore, the liquidation value, which approximates fair value of the VRDPS shares, is recorded as a liability on the Statement of Assets and Liabilities.

Holders of VRDPS have the right to tender their VRDPS shares for remarketing at a price equal to the liquidation preference amount plus all accumulated but unpaid dividends and at a date which is no earlier than the seventh day following delivery of the notice to the tender and paying agent. The VRDPS shares include a liquidity feature that allows VRDPS holders to have their shares purchased by the liquidity provider with whom the Fund has contracted in the event of a failed remarketing where purchase orders are not sufficient in number to be matched with the sale orders. The Fund is required to redeem the VRDPS shares owned by the liquidity provider after six months of continuous, unsuccessful remarketing. The Fund pays a monthly remarketing fee at the annual rate of 0.10% of the liquidation value of each VRDPS share outstanding on the first calendar day of the preceding calendar month. These fees are shown as remarketing fees on the Statement of Operations.

Holders of VRDPS are entitled to receive monthly cumulative cash dividends, payable on the first business day of each calendar month, at a variable rate set weekly by the remarketing agent. The dividend rate is generally based upon a spread over a base rate and cannot exceed a maximum rate. In the event of a failed remarketing, the dividend rate will reset to the maximum rate. The maximum rate is determined, in part, based upon the long-term rating assigned to the VRDPS. In the event the Fund fails to make a scheduled dividend payment, all outstanding shares of the VRDPS are subject to mandatory tender.

Subject to certain conditions, the VRDPS shares may be redeemed, in whole or in part, at any time at the option of the Fund. The redemption price per share is equal to the liquidation value per share plus any accumulated but unpaid dividends. The Fund is required to redeem its VRDPS on the mandatory redemption date, March 11, 2045. In addition, the Fund is required to redeem certain of the VRDPS shares if the Fund fails to maintain certain asset coverage and rating agency guidelines.

The Fund has entered into a fee agreement with the liquidity provider that requires monthly payment of an annual liquidity fee. These fees are shown as liquidity fees on the Statement of Operations. The fee agreement between the Fund and the liquidity provider is scheduled to terminate on March 8, 2018. The Fund has the right, which is exercisable 120 to 90 days prior to the scheduled termination date, to request that the liquidity provider extend the term of the agreement for an additional period. The Fund may also terminate the agreement early. In the event the fee agreement is not renewed or is terminated in advance, and the Fund does not enter into a fee agreement with an alternate liquidity provider, the VRDPS

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will be subject to mandatory purchase by the liquidity provider prior to the termination of the fee agreement. The Fund is required to redeem any VRDPS purchased by the liquidity provider six months after the purchase date.

The VRDPS ranks senior to the Fund's outstanding common stock and on parity with any other preferred stock. The Fund may not declare dividends or make other distributions on shares of its common stock unless the Fund has declared and paid full cumulative dividends on the VRDPS, due on or prior to the date of the common stock dividend or distribution, and meets the VRDPS asset coverage and rating agency requirements.

The holders of the VRDPS have one vote per share and vote together with the holders of common stock of the Fund as a single class except on matters affecting only the holders of preferred stock or the holders of common stock. Pursuant to the 1940 Act, holders of the preferred stock have the right to elect two Directors of the Fund, voting separately as a class.

The annualized dividend rate for the VRDPS shares for the year ended November 30, 2016 was 0.927%. VRDPS shares issued and outstanding remained constant during the year ended November 30, 2016.

6. Auction rate cumulative preferred stock

On April 2, 1993, the Fund closed its public offering of 800 Variable rate demand Preferred Stock shares of \$0.001 par value Auction Rate Cumulative Preferred Stock, Series M (Preferred Stock), at an offering price of \$50,000 per share. On July 20, 2007, the Fund acquired the Preferred Stock of Western Asset Municipal Partners Fund II Inc. On October 1, 1993, Western Asset Municipal Partners Fund II Inc. closed its public offering of 900 shares of \$0.001 par value Preferred Stock at an offering price of \$50,000 per share.

On January 22, 2015, the Fund announced that it had commenced an issuer tender offer for up to 100% of its outstanding ARCPS at a price equal to 90% of the liquidation preference of \$50,000 per share (or \$45,000 per share), plus any unpaid dividends accrued through March 6, 2015, the expiration date of the tender offer.

The Fund's tender offer was conditioned upon the Fund closing on the private offering of VRDPS with an aggregate liquidation preference at least equal to the aggregate liquidation preference of ARCPS accepted for tender.

On March 11, 2015, the Fund announced the final results for its issuer tender offer and all shares that were validly tendered and not withdrawn during the offering period were accepted for payment. The Fund accepted for payment 1,330 Series M ARCPS, which represented 78.24% of the outstanding ARCPS. The ARCPS that were not tendered will remain outstanding. The difference between the liquidation preference of the ARCPS and the actual purchase price of the tendered ARCPS was recognized by the Fund in the Statement of Changes in Net Assets as an increase in net assets applicable to common shares resulting from the tender and repurchase of the ARCPS by the Fund.

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Notes to financial statements (cont d)

At November 30, 2016, the Fund had 370 shares of Preferred Stock outstanding with a liquidation preference of \$50,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) and subject to certain restrictions, are redeemable in whole or in part.

Dividend rates generally reset every 7 days and are determined by auction procedures. The dividend rate cannot exceed a certain maximum rate, including in the event of a failed auction. The maximum rate is calculated using the higher of 110% of the taxable equivalent of the short-term municipal bond rate and 110% of the prevailing 30 day AA commercial paper rate. The Fund may pay higher maximum rates if the rating of the Fund's Preferred Stock were to be lowered by the rating agencies. To the extent capital gains and other taxable income are allocated to holders of Preferred Shares for tax purposes, the Fund will likely have to pay higher dividends to holders of Preferred Shares to compensate them for the increased tax liability to them resulting from such allocation. Due to failed auctions experienced by the Fund's Preferred Stock starting on February 15, 2008, the Fund pays the applicable maximum rate. The dividend rates ranged from 0.151% to 1.341% during the year ended November 30, 2016. At November 30, 2016, the dividend rate was 0.864%.

After each auction, the auction agent will pay to each broker/dealer, from monies the Fund provides, a participation fee. For the period of the report and for all previous periods since the ARCPS have been outstanding, the participation fee has been paid at the annual rate of 0.25% of the purchase price of the ARCPS that the broker/dealer places at the auction. However, on August 3, 2009 and December 28, 2009, Citigroup Global Markets Inc. (CGM) and Merrill Lynch, Pierce, Fenner & Smith Inc., respectively, reduced their participation fee to an annual rate of 0.05% of the purchase price of the ARCPS, in the case of a failed auction. Effective June 1, 2010, Wells Fargo Advisors, LLC reduced its participation fee to an annual rate of 0.10% of the purchase price of the ARCPS, in the case of a failed auction. For the year ended November 30, 2016, the Fund paid \$23,544 to participating broker/dealers.

The Fund is subject to certain restrictions relating to the Preferred Stock. The Fund may not declare dividends or make other distributions on shares of common stock or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Preferred Stock would be less than 200%. The Preferred Stock is also subject to mandatory redemption at \$50,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in its Articles Supplementary are not satisfied.

The Preferred Stock Shareholders are entitled to one vote per share and generally vote with the common stock shareholders but vote separately as a class to elect two directors and on certain matters affecting the rights of the Fund's preferred stock. The issuance of Preferred Stock poses certain risks to holders of common stock, including, among others, the possibility of greater market price volatility, and in certain market conditions, the yield to holders of common stock may be adversely affected. The Fund is required to maintain certain asset coverages with respect to the Preferred Stock. If the Fund fails to maintain these coverages

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and does not cure any such failure within the required time period, the Fund is required to redeem a requisite number of the Preferred Stock in order to meet the applicable requirement. The Preferred Stock is otherwise not redeemable by holders of the shares. Additionally, failure to meet the foregoing asset requirements would restrict the Fund's ability to pay dividends to common shareholders.

7. Distributions to common shareholders subsequent to November 30, 2016

The following distributions to common shareholders have been declared by the Fund's Board of Directors and are payable subsequent to the period end of this report:

Record Date	Payable Date	Amount
12/23/2016	12/30/2016	\$ 0.0675
1/20/2017	1/27/2017	\$ 0.0675
2/17/2017	2/24/2017	\$ 0.0675

8. Stock repurchase program

On November 16, 2015, the Fund announced that the Fund's Board of Directors (the Board) had authorized the Fund to repurchase in the open market up to approximately 10% of the Fund's outstanding common stock when the Fund's shares are trading at a discount to net asset value. The Board has directed management of the Fund to repurchase shares of common stock at such times and in such amounts as management reasonably believes may enhance stockholder value. The Fund is under no obligation to purchase shares at any specific discount levels or in any specific amounts. During the year ended November 30, 2016, the Fund did not repurchase any shares.

9. Income tax information and distributions to shareholders

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

	2016	2015
Distributions paid from:		
Tax-exempt income:		
Common shareholders	\$	