BLACKROCK MUNI INTERMEDIATE DURATION FUND INC
Form N-CSR
July 02, 2009

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 811-21348

Name of Fund: BlackRock Muni Intermediate Duration Fund, Inc. (MUI)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Donald C. Burke, Chief Executive Officer, BlackRock Muni Intermediate Duration Fund, Inc., 800 Scudders Mill Road, Plainsboro, NJ, 08536. Mailing address: P.O. Box 9011, Princeton, NJ, 08543-9011

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 04/30/2009

Date of reporting period: 04/30/2009

Item 1 – Report to Stockholders

EQUITIES FIXED INCOME REAL ESTATE LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

Annual Report

APRIL 30, 2009

BlackRock Apex Municipal Fund, Inc. (APX)

BlackRock MuniAssets Fund, Inc. (MUA)

BlackRock MuniEnhanced Fund, Inc. (MEN)

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BlackRock MuniHoldings Fund II, Inc. (MUH)

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Dear Shareholder

The past 12 months reveal a tale of two markets one of investor pessimism and decided weakness, and another of optimism and some early signs of recovery. The majority of the past year was characterized by the former as the global financial crisis erupted into the worst recession in decades. Economic data were uniformly poor and daily headlines recounted the downfalls of storied financial firms, volatile swings in global financial markets, and monumental government actions that included widespread (and globally coordinated) monetary and quantitative easing by central banks and large-scale fiscal stimuli. Sentiment improved noticeably in March 2009, however, on the back of new program announcements by the Treasury and Federal Reserve Board, as well as signs of improved economic performance, such as in retail sales, consumer confidence and select areas of the housing market.

Against this backdrop, US equities contended with unprecedented levels of volatility, posting steep declines early, and then pared some of those losses in March and April. The experience in international markets was similar to that in the United States, though there was a marked divergence in regional performance. Notably, emerging economies, which lagged most developed regions through the downturn, were among the market leaders during the late-period rally.

In fixed income markets, while risk aversion remained a dominant theme overall, relatively attractive yields and distressed valuations, alongside a more favorable macro environment, eventually captured investor attention, leading to a modest recovery in non-Treasury assets. A notable example from the opposite end of the credit spectrum was the high yield sector, which generally outperformed in the first four months of 2009 after extraordinary challenges and severe underperformance last year. At the same time, the new year ushered in a return to normalcy for the tax-exempt market, which had registered one of its worst years on record in 2008.

All told, the major benchmark indexes posted mixed results for the current reporting period, reflective of a bifurcated market.

Total Returns as of April 30, 2009	**6-month**	**12-month**
US equities (S&P 500 Index)	(8.53)%	(35.31)%
Small cap US equities (Russell 2000 Index)	(8.40)	(30.74)
International equities (MSCI Europe, Australasia, Far East Index)	(2.64)	(42.76)
US Treasury securities (Merrill Lynch 10-Year US Treasury Index)	8.98	9.30
Taxable fixed income (Barclays Capital US Aggregate Bond Index)	7.74	3.84
Tax-exempt fixed income (Barclays Capital Municipal Bond Index)	8.20	3.11
High yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	16.39	(12.55)

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only. You cannot invest directly in an index.

On June 16, 2009, BlackRock, Inc. announced that it received written notice from Barclays PLC (Barclays) in which Barclays Board of Directors had accepted BlackRock s offer to acquire Barclays Global Investors (BGI). Barclays also notified BlackRock that its Board will recommend the transaction to Barclays shareholders for approval at a special meeting to be held in early August 2009. The combination of BlackRock and BGI will bring together market leaders in active and index strategies to create the preeminent asset management firm. The transaction is expected to close in the fourth quarter 2009 following approval by Barclays shareholders, the receipt of client consents and regulatory approvals, and satisfaction of customary closing conditions.

Through periods of market turbulence, as ever, BlackRock s full resources are dedicated to the management of our clients assets. We thank you for entrusting BlackRock with your investments and look forward to continuing to serve you in the months and years ahead.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

Fund Summary as of April 30, 2009 **BlackRock Apex Municipal Fund, Inc.**

Investment Objective

BlackRock Apex Municipal Fund, Inc. (APX) (the Fund) seeks to provide shareholders with high current income exempt from federal income taxes by investing primarily in a portfolio of medium- to lower-grade or unrated municipal obligations, the interest on which is exempt from federal income taxes in the opinion of bond counsel to the issuer. No assurance can be given that the Fund s investment objective will be achieved.

The Fund s year end was changed to April 30.

Performance

For the 10 months ended April 30, 2009, the Fund returned (11.58)% based on market price and (10.81)% based on net asset value (NAV). For the same period, the closed-end Lipper High Yield Municipal Debt Funds category posted an average return of (17.67)% on a market price basis and (16.21)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s premium to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. Factors that contributed to the Fund s outperformance included an up-in-quality bias and a below-market duration stance, offset somewhat by a moderately below-average distribution yield. Recent efforts to lengthen duration and increase credit risk exposure have proven to be beneficial, given the sharp recovery in credit spreads and overall improved market tone.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	APX
Initial Offering Date	July 25, 1989
Yield on Closing Market Price as of April 30, 2009 ($7.72)[1]	7.23%
Tax Equivalent Yield[2]	11.12%
Current Monthly Distribution per Common Share[3]	$0.0465
Current Annualized Distribution per Common Share[3]	$0.5580
Leverage as of April 30, 2009[4]	5%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution is not constant and is subject to change.

4 Represents tender option bond trusts (TOBs) as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized

by the Fund, please see The Benefits and Risks of Leveraging on page 12.
The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	6/30/08	Change	High	Low
Market Price	$ 7.72	$ 9.28	(16.81)%	$ 9.70	$ 5.55
Net Asset Value	$ 7.67	$ 9.14	(16.08)%	$ 9.21	$ 6.91

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	6/30/08
Corporate	24%	21%
Health	22	26
County/City/Special District/School District	20	23
Transportation	11	9
Education	6	5
Housing	6	7
Utilities	6	4
Tobacco	3	2
State	2	3

Credit Quality Allocations[5]

	4/30/09	6/30/08
AAA/Aaa	7%	7%
AA/Aa	5	7
A/A	12	4
BBB/Baa	23	18
BB/Ba	10	11
B/B	5	5
CCC/Caa	3	4
CC/Ca		1
Not Rated[6]	35	43

5 Using the higher of Standard & Poor s (S&P s) or Moody s Investors Service (Moody s) ratings.

6 The investment advisor has deemed certain of these securities to be of investment grade quality. As of April 30, 2009 and June 30, 2008, the market value of these securities was $8,923,111 representing 6% and $8,940,500, representing 5%, respectively, of the Fund s long-term investments.

Fund Summary as of April 30, 2009 **BlackRock MuniAssets Fund, Inc.**

Investment Objective

BlackRock MuniAssets Fund, Inc. (MUA) (the Fund) seeks to provide shareholders with current income exempt from federal income taxes by investing primarily in a portfolio of medium- to lower-grade or unrated municipal obligations, the interest on which, in the opinion of bond counsel to the issuer, is exempt from federal income taxes. No assurance can be given that the Fund s investment objective will be achieved.

The Fund s year end was changed to April 30.

Performance

For the 11 months ended April 30, 2009, the Fund returned (12.45)% based on market price and (11.29)% based on NAV. For the same period, the closed-end Lipper High Yield Municipal Debt Funds category posted an average return of (18.93)% on a market price basis and (17.73)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s premium to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. Factors contributing to the Fund s outperformance include an up-in-quality bias and a below-market duration stance, offset somewhat by a moderately below-average distribution yield. Recent efforts to lengthen duration and increase credit risk exposure have proven to be beneficial, given the sharp recovery in credit spreads and overall improved market tone.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	MUA
Initial Offering Date	June 25, 1993
Yield on Closing Market Price as of April 30, 2009 ($10.91)[1]	7.42%
Tax Equivalent Yield[2]	11.42%
Current Monthly Distribution per Common Share[3]	$0.0675
Current Annualized Distribution per Common Share[3]	$0.8100
Leverage as of April 30, 2009[4]	5%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution is not constant and is subject to change.

4 Represents TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques used by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	5/31/08	Change	High	Low
Market Price	$ 10.91	$ 13.35	(18.28)%	$ 13.55	$ 7.28
Net Asset Value	$ 10.59	$ 12.79	(17.20)%	$ 12.84	$ 9.54

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	5/31/08
Corporate	26%	27%
Health	25	26
County/City/Special District/School District	18	19
Transportation	12	6
Utilities	7	7
Education	4	9
Housing	4	1
State	2	3
Tobacco	2	2

Credit Quality Allocations[5]

	4/30/09	5/31/08
AAA/Aaa	9%	12%
AA/Aa	3	4
A/A	19	7
BBB/Baa	19	15
BB/Ba	9	10
B/B	5	5
CCC/Caa	3	4
CC/Ca	1	
Not Rated[6]	32	43

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these securities to be of investment grade quality. As of April 30, 2009 and May 31, 2008 the market value of these securities was $12,884,659 representing 6% and $12,388,252 representing 5%, respectively, of the Fund s long-term investments.

Fund Summary as of April 30, 2009 **BlackRock MuniEnhanced Fund, Inc.**

Investment Objective

BlackRock MuniEnhanced Fund, Inc. (MEN) (the Fund) seeks to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies by investing primarily in a portfolio of long-term, investment grade municipal obligations, the interest on which is exempt from federal income taxes in the opinion of the bond counsel to the issuer. No assurance can be given that the Fund s investment objective will be achieved.

The Fund s year end was changed to April 30.

Performance

For the three months ended April 30, 2009, the Fund returned 8.48% based on market price and 8.40% based on NAV. For the same period, the closed-end Lipper Insured Municipal Debt Funds (Leveraged) category posted an average return of 6.96% on a market price basis and 5.92% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. During the period, the Fund benefited from its above-average yield. Performance also was aided by our constructive market positioning during a period of declining yields, a higher-than-average exposure to the longer end of the yield curve (as it flattened) and, finally, the stabilization of credit spreads, which began to tighten toward the end of the period. The Fund is more sensitive to credit spreads, in general, since the downgrades of the monoline insurers and, in particular, because of greater-than-average exposure to weaker underlying insured bonds. The municipal market generally returned to more typical functioning after an extended period of volatility, which allowed us to continue upgrading the Fund s overall credit quality.

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Fund Information

Symbol on New York Stock Exchange	MEN
Initial Offering Date	March 2, 1989
Yield on Closing Market Price as of April 30, 2009 ($8.88)[1]	5.81%
Tax Equivalent Yield[2]	8.94%
Current Monthly Distribution per Common Share[3]	$0.043
Current Annualized Distribution per Common Share[3]	$0.516
Leverage as of April 30, 2009[4]	42%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The Monthly Distribution per Share, declared on June 1, 2009, was increased to $0.0505. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

4 Represents Auction Market Preferred Shares (Preferred Shares) and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques used by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	1/31/09	Change	High	Low
Market Price	$ 8.88	$ 8.31	6.86%	$ 8.99	$ 7.59
Net Asset Value	$ 9.77	$ 9.15	6.78%	$ 9.94	$ 9.14

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	1/31/09
County/City/Special District/School District	29%	26%
Transportation	23	24
State	21	22
Utilities	12	14
Corporate	4	4
Health	4	5
Housing	4	3
Education	2	1
Tobacco	1	1

Credit Quality Allocations[5]

	4/30/09	1/31/09
AAA/Aaa	45%	47%
AA/Aa	33	30
A/A	19	20
BBB/Baa	3	3

5 Using the higher of S&P s or Moody s ratings.

Fund Summary as of April 30, 2009 **BlackRock MuniHoldings Fund, Inc.**

Investment Objective

BlackRock MuniHoldings Fund, Inc. (MHD) (the Fund) seeks to provide shareholders with current income exempt from federal income taxes by investing primarily in a portfolio of long-term, investment grade municipal obligations the interest on which, in the opinion of bond counsel to the issuers, is exempt from federal income taxes. No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the 12 months ended April 30, 2009, the Fund returned (12.97)%, based on market price and (6.24)% based on NAV. For the same period, the closed-end Lipper General Municipal Debt Funds (Leveraged) category posted an average return of (9.85)% on a market price basis and (9.02)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. Portfolio positioning, with respect to duration, was generally neutral, while a bias toward limiting exposure to longer-dated bonds proved to be beneficial, given a steepening yield curve environment. In general, the Fund s credit profile consistently reflected a high level of exposure to the lower end of the ratings spectrum. While this strategy generates an above-average dividend yield, it also subjects the Fund to additional volatility during periods when credit spreads are fluctuating. Consequently, performance tended to suffer late in 2008 when spreads widened, but more recently, the strong rebound in lower-rated bonds allowed the Fund to generate a strong competitive return, while maintaining the historically attractive dividend.

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Fund Information

Symbol on New York Stock Exchange	MHD
Initial Offering Date	May 2, 1997
Yield on Closing Market Price as of April 30, 2009 ($11.97)[1]	7.12%
Tax Equivalent Yield[2]	10.95%
Current Monthly Distribution per Common Share[3]	$0.071
Current Annualized Distribution per Common Share[3]	$0.852
Leverage as of April 30, 2009[4]	40%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The Monthly Distribution per Share, declared on June 1, 2009, was increased to $0.0835. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

4 Represents Preferred Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques

used by the Fund, please see The Benefits and Risks of Leveraging on page 12.
The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	4/30/08	Change	High	Low
Market Price	$ 11.97	$ 14.77	(18.96)%	$ 15.20	$ 7.53
Net Asset Value	$ 13.27	$ 15.20	(12.70)%	$ 15.36	$ 11.11

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	4/30/08
Health	19%	19%
Corporate	15	20
County/City/Special District/School District	13	25
Transportation	11	7
State	10	8
Utilities	10	7
Education	9	4
Housing	9	5
Tobacco	4	5

Credit Quality Allocations[5]

	4/30/09	4/30/08
AAA/Aaa	29%	40%
AA/Aa	21	12
A/A	24	18
BBB/Baa	10	8
BB/Ba	2	1
B/B	1	2
CCC/Caa	2	2
Not Rated[6]	11	17

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these securities to be of investment grade quality. As of April 30, 2009 and 2008, the market value of these securities was $6,532,075 representing 2% and $10,735,995 representing 3%, respectively, of the Fund s long-term investments.

Fund Summary as of April 30, 2009 **BlackRock MuniHoldings Fund II, Inc.**

Investment Objective

BlackRock MuniHoldings Fund II, Inc. (MUH) (the Fund) seeks to provide shareholders with current income exempt from federal income taxes by investing primarily in a portfolio of long-term, investment grade municipal obligations the interest on which, in the opinion of bond counsel to the issuer, is exempt from federal income taxes. No assurance can be given that the Fund s investment objective will be achieved.

The Fund s year end was changed to April 30.

Performance

For the nine months ended April 30, 2009, the Fund returned (7.99)% based on market price and (3.55)% based on NAV. For the same period, the closed-end Lipper General Municipal Debt Funds (Leveraged) category posted an average return of (6.02)% on a market price basis and (7.10)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. Portfolio positioning, with respect to duration, was generally neutral, while a bias toward limiting exposure to longer-dated bonds proved to be beneficial, given a steepening yield curve environment. In general, the Fund s credit profile consistently reflected a high level of exposure to the lower end of the ratings spectrum. While this strategy generates an above-average dividend yield, it also subjects the Fund to additional volatility during periods when credit spreads are fluctuating. Consequently, performance tended to suffer late in 2008 when spreads widened, but more recently, the strong rebound in lower-rated bonds allowed the Fund to generate a strong competitive return, while maintaining the historically attractive dividend.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	MUH
Initial Offering Date	February 27, 1998
Yield on Closing Market Price as of April 30, 2009 ($11.33)[1]	6.67%
Tax Equivalent Yield[2]	10.26%
Current Monthly Distribution per Common Share[3]	$0.063
Current Annualized Distribution per Common Share[3]	$0.756
Leverage as of April 30, 2009[4]	38%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The Monthly Distribution per Share, declared on June 1, 2009, was increased to $0.0755. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

4 Represents Preferred Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques used by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	7/31/08	Change	High	Low
Market Price	$ 11.33	$ 13.01	(12.91)%	$ 13.15	$ 7.08
Net Asset Value	$ 12.47	$ 13.66	(8.71)%	$ 13.95	$ 10.46

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	7/31/08
Health	18%	20%
County/City/Special District/School District	16	25
Transportation	13	9
Corporate	11	14
Education	11	5
State	10	7
Utilities	9	9
Housing	8	7
Tobacco	4	4

Credit Quality Allocations[5]

	4/30/09	7/31/08
AAA/Aaa	26%	37%
AA/Aa	26	20
A/A	25	18
BBB/Baa	10	8
BB/Ba	1	1
B/B	2	1
CCC/Caa	1	2
Not Rated[6]	9	13

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these securities to be of investment grade quality. As of April 30, 2009 and July 31, 2008, the market value of these securities was $4,974,331 representing 2% and $4,249,701 representing 2%, respectively, of

the Fund s long-term investments.

Fund Summary as of April 30, 2009

BlackRock MuniHoldings Insured Fund, Inc.

Investment Objective

BlackRock MuniHoldings Insured Fund, Inc. (MUS) (the Fund) seeks to provide shareholders with current income exempt from federal income taxes by investing primarily in a portfolio of long-term, investment grade municipal obligations the interest on which, in the opinion of bond counsel to the issuers, is exempt from federal income taxes. Under normal circumstances, the Fund invests at least 80% of its total assets in municipal bonds that are covered by insurance. No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the 12 months ended April 30, 2009, the Fund returned (3.97)%, based on market price and (2.52)% based on NAV. For the same period, the closed-end Lipper Insured Municipal Debt Funds (Leveraged) category posted an average return of (2.77)% on a market price basis and (3.22)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. Sector allocation continued to play a significant role in determining how the Fund performed during the past year. The Fund was significantly overweight in pre-refunded securities within the one- to five-year maturity range, which benefited comparative performance. Notably, according to the S&P/Investor Tools Main Municipal Bond Index, the pre-refunded sector was the best-performing sector for the past twelve months. Conversely, exposure to healthcare and housing issues detracted from results for the period. At period end, the Fund s cash position remains elevated and will be deployed opportunistically.

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Fund Information

Symbol on New York Stock Exchange	MUS
Initial Offering Date	May 1, 1998
Yield on Closing Market Price as of April 30, 2009 ($10.87)[1]	5.35%
Tax Equivalent Yield[2]	8.23%
Current Monthly Distribution per Common Share[3]	$0.0485
Current Annualized Distribution per Common Share[3]	$0.5820
Leverage as of April 30, 2009[4]	43%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The Monthly Distribution per Share, declared on June 1, 2009, was increased to $0.066. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

4 Represents Preferred Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques used by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	4/30/08	Change	High	Low
Market Price	$ 10.87	$ 11.97	(9.19)%	$ 12.23	$ 6.84
Net Asset Value	$ 12.27	$ 13.31	(7.81)%	$ 13.51	$ 9.70

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	4/30/08
County/City/Special District/School District	42%	39%
Transportation	17	17
Utilities	14	9
State	12	17
Health	7	6
Housing	6	9
Corporate	2	2
Education		1

Credit Quality Allocations[5]

	4/30/09	4/30/08
AAA/Aaa	50%	83%
AA/Aa	39	8
A/A	6	8
BBB/Baa	4	1
Not Rated	1[6]	

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these securities to be of investment grade quality. As of April 30, 2009, the market value of these securities was $3,333,138 representing 1% of the Fund s long-term investments.

Fund Summary as of April 30, 2009 **BlackRock Muni Intermediate Duration Fund, Inc.**

Investment Objective

BlackRock Muni Intermediate Duration Fund, Inc. (MUI) (the Fund) seeks to provide shareholders with high current income exempt from federal income taxes by investing primarily in a portfolio of municipal obligations, the interest on which, in the opinion of bond counsel to the issuer, is exempt from federal income taxes. No assurance can be given that the Fund s investment objective will be achieved.

The Fund s year end was changed to April 30.

Performance

For the 11 months ended April 30, 2009, the Fund returned (9.21)% based on market price and (4.56)% based on NAV. For the same period, the closed-end Lipper Intermediate Municipal Debt Funds category posted an average return of (2.86)% on a market price basis and (3.27)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. Negatively affecting the Fund s performance were its lower-rated holdings, which underperformed the market as credit spreads widened and liquidity became scarcer. The Fund s underweight in tax-backed and utility credits, which were some of the better-performing sectors, also hindered results. Adding to returns were the Fund s overweight in pre-refunded bonds, a greater-than-average distribution rate and its largely neutral duration positioning during a period of extreme volatility and historical municipal underperformance versus Treasuries. Many of the trends in place at the close of the calendar year showed signs of reversing as liquidity returned to the municipal market and credit spreads began to narrow. We seek to capitalize on opportunities in the new-issue market as anxious issuers, prohibited from issuing debt due to recent market forces, have provided many attractive values in their rush to tap the loosening credit markets. The Fund maintains a neutral to slightly long duration bias.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	MUI
Initial Offering Date	August 1, 2003
Yield on Closing Market Price as of April 30, 2009 ($11.77)[1]	5.91%
Tax Equivalent Yield[2]	9.09%
Current Monthly Distribution per Common Share[3]	$0.058
Current Annualized Distribution per Common Share[3]	$0.696
Leverage as of April 30, 2009[4]	41%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The Monthly Distribution per Share, declared on June 1, 2009, was increased to $0.0655. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new

distribution rate. The new distribution rate is not constant and is subject to further change in the future.

4 Represents Preferred Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques used by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	5/31/08	Change	High	Low
Market Price	$ 11.77	$ 13.70	(14.09)%	$ 13.78	$ 7.82
Net Asset Value	$ 13.05	$ 14.45	(9.69)%	$ 14.51	$ 11.49

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	5/31/08
City/County/Special/District/School District	25%	21%
Industrial & Pollution Control	23	22
Transportation	13	11
Corporate	11	13
Health	10	14
Utilities	7	7
Tobacco	6	6
Housing	3	3
Education	2	3

Credit Quality Allocations[5]

	4/30/09	5/31/08
AAA/Aaa	36%	47%
AA/Aa	30	11
A/A	11	11
BBB/Baa	12	14
BB/Ba		1
B/B	1	1
CCC/Caa	1	3
Not Rated[6]	9	12

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these securities to be of investment grade quality. As of April 30, 2009 and May 31, 2008, the market value of these securities was $16,548,864 representing 2% and $20,190,323 representing 2%, respectively, of the

Fund s long-term investments.

Fund Summary as of April 30, 2009 **BlackRock MuniVest Fund II, Inc.**

Investment Objective

BlackRock MuniVest Fund II, Inc. (MVT) (the Fund) seeks to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management by investing primarily in a portfolio of long-term, investment grade municipal obligations, the interest on which, in the opinion of bond counsel to the issuers, is exempt from federal income taxes. No assurance can be given that the Fund s investment objective will be achieved.

The Fund s year end was changed to April 30.

Performance

For the six months ended April 30, 2009, the Fund returned 24.49%, based on market price and 13.71% based on NAV. For the same period, the closed-end Lipper General Municipal Debt Funds (Leveraged) category posted an average return of 16.50% on a market price basis and 9.58% on a NAV basis. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance, based on price and performance based on NAV. Portfolio positioning, with respect to duration and yield curve, was generally neutral relative to the Fund s peer group. In general, the Fund s credit profile consistently reflected a high level of exposure to the lower end of the ratings spectrum. While this strategy generates an above-average dividend yield, it also subjects the Fund to additional volatility during periods when credit spreads are fluctuating. Consequently, performance tended to suffer late in 2008 when spreads widened, but more recently, the strong rebound in lower-rated bonds has allowed the Fund to generate a strong competitive return, while maintaining the historically attractive dividend.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	MVT
Initial Offering Date	March 29, 1993
Yield on Closing Market Price as of April 30, 2009 ($11.65)[1]	7.31%
Tax Equivalent Yield[2]	11.25%
Current Monthly Distribution per Common Share[3]	$0.071
Current Annualized Distribution per Common Share[3]	$0.852
Leverage as of April 30, 2009[4]	45%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The Monthly Distribution per Share, declared on June 1, 2009, was increased to $0.0835. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

4 Represents Preferred Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques used by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/09	10/31/08	Change	High	Low
Market Price	$ 11.65	$ 9.75	19.49%	$ 12.00	$ 7.51
Net Asset Value	$ 11.95	$ 10.95	9.13%	$ 11.95	$ 9.76

The following unaudited charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	4/30/09	10/31/08
Health	18%	18%
Corporate	16	19
State	14	14
County/City/Special District/School District	13	14
Transportation	13	11
Utilities	11	11
Education	6	4
Housing	5	4
Tobacco	4	5

Credit Quality Allocations[5]

	4/30/09	10/31/08
AAA/Aaa	26%	29%
AA/Aa	28	22
A/A	18	16
BBB/Baa	12	14
BB/Ba	1	2
B/B	2	1
Not Rated[6]	13	16

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these securities to be of investment grade quality. As of April 30, 2009 and October 31, 2008, the market value of these securities was $10,825,769 representing 3% and $9,997,993 representing 2%, respectively, of the Fund s long-term investments.

The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and NAV of their Common Shares. However, these objectives cannot be achieved in all interest rate environments.

To leverage all of the Funds, except BlackRock Apex Municipal Fund, Inc. and BlackRock MuniAssets Fund, Inc., issue Preferred Shares, which pay dividends at prevailing short-term interest rates, and invest the proceeds in long-term municipal bonds. In general, the concept of leveraging is based on the premise that the cost of assets to be obtained from leverage will be based on short-term interest rates, which normally will be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund s Common Shareholders will benefit from the incremental yield.

To illustrate these concepts, assume a Fund s Common Shares capitalization is $100 million and it issues Preferred Shares for an additional $50 million, creating a total value of $150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays dividends on the $50 million of Preferred Shares based on the lower short-term interest rates. At the same time, the Fund s total portfolio of $150 million earns the income based on long-term interest rates. In this case, the dividends paid to Preferred Shareholders are significantly lower than the income earned on the Fund s long-term investments, and therefore the Common Shareholders are the beneficiaries of the incremental yield.

Conversely, if prevailing short-term interest rates rise above long-term interest rates of 6%, the yield curve has a negative slope. In this case, the Fund pays dividends on the higher short-term interest rates whereas the Fund s total portfolio earns income based on lower long-term interest rates. If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental yield pickup on the Common Shares will be reduced or eliminated completely.

Furthermore, the value of the Fund s portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Fund s Preferred Shares does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Fund s NAV positively or negatively in addition to the impact on Fund performance from leverage from Preferred Shares discussed above.

The Funds may also, from time to time, leverage their assets through the use of tender option bond (TOB) programs, as described in Note 1 of the Notes to Financial Statements. TOB investments generally will provide the Funds with economic benefits in periods of declining short-term interest rates, but expose the Funds to risks during periods of rising short-term interest rates similar to those associated with Preferred Shares issued by the Funds, as described above. Additionally, fluctuations in the market value of municipal bonds deposited into the TOB trust may adversely affect each Fund s NAV per share.

The use of leverage may enhance opportunities for increased returns to the Funds and Common Shareholders, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Funds NAV, market price and dividend rate than a comparable portfolio without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Funds net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, the Funds net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced. The Funds may be required to sell portfolio securities at inopportune times or below fair market values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Funds to incur losses. The use of leverage may limit the Funds ability to invest in certain types of securities or use certain types of hedging strategies, such as in the case of certain restrictions imposed by ratings agencies that rate preferred shares issued by a Fund. The Funds will incur expenses in connection with the use of leverage, all of which are borne by the holders of the Common Shares and may reduce returns on the Common Shares.

Under the Investment Company Act of 1940, the Funds are permitted to issue Preferred Shares in an amount up to 50% of their total managed assets at the time of issuance. Under normal circumstances, each Fund anticipates that the total economic leverage from Preferred Shares and/or TOBs will not exceed 50% of its total managed assets at the time such leverage is incurred. As of April 30, 2009, the Funds had economic leverage from Preferred Shares and TOBs as a percentage of their total managed assets as follows:

	Percent of Leverage

BlackRock Apex Municipal Fund, Inc.	5%
BlackRock MuniAssets Fund, Inc.	5%
BlackRock MuniEnhanced Fund, Inc.	42%
BlackRock MuniHoldings Fund, Inc.	40%
BlackRock MuniHoldings Fund II, Inc.	38%
BlackRock MuniHoldings Insured Fund, Inc.	43%
BlackRock Muni Intermediate Duration Fund, Inc.	41%
BlackRock MuniVest Fund II, Inc.	45%

Derivative Instruments

The Funds may invest in various derivative instruments, including swap agreements and futures, and other instruments specified in the Notes to Financial Statements, which constitute forms of economic leverage. Such instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market and/or interest rate risks. Such derivative instruments involve risks, including the imperfect correlation between the value of a derivative instrument and the underlying asset, possible default of the other party to the transaction and illiquidity of the derivative instrument. The Funds ability to successfully use a derivative instrument depends on the Advisor s ability to accurately predict pertinent market movements, which cannot be assured. The use of derivative instruments may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation a Fund can realize on an investment or may cause a Fund to hold a security that it might otherwise sell. The Funds investments in these instruments are discussed in detail in the Notes to Financial Statements.

Schedule of Investments April 30, 2009

BlackRock Apex Municipal Fund, Inc. (APX)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
Alabama 0.6%		
Jefferson County, Alabama, Limited Obligation School Warrants, Series A, 5%, 1/01/10	$ 475	$ 435,618
Tuscaloosa, Alabama, Special Care Facilities Financing Authority, Residential Care Facility Revenue Bonds (Capstone Village, Inc. Project), Series A, 5.875%, 8/01/36 (a)(b)	1,255	535,119
		970,737
Alaska 1.1%		
Alaska Industrial Development and Expert Authority Revenue Bonds (Williams Lynxs Alaska Cargoport), AMT, 8%, 5/01/23	2,000	1,650,040
Arizona 3.9%		
Maricopa County, Arizona, IDA, Education Revenue Bonds (Arizona Charter Schools Project 1), Series A, 6.625%, 7/01/20	1,100	826,221
Maricopa County, Arizona, IDA, M/F Housing Revenue Bonds (Sun King Apartments Project), Series A:		
6%, 11/01/10	15	14,750
6.75%, 5/01/31	1,020	717,335
Phoenix, Arizona, IDA, Airport Facility, Revenue Refunding Bonds (America West Airlines Inc. Project), AMT, 6.30%, 4/01/23	2,950	1,814,221
Pima County, Arizona, IDA, Education Revenue Bonds (Arizona Charter Schools Project), Series E, 7.25%, 7/01/31	960	714,403
Salt Verde Financial Corp., Arizona, Senior Gas Revenue Bonds:		
5%, 12/01/32	1,950	1,354,061
5%, 12/01/37	230	154,960
Yavapai County, Arizona, IDA, Hospital Facility Revenue Bonds (Yavapai Regional Medical Center), Series A, 6%, 8/01/33	500	394,465
		5,990,416
California 2.6%		
Fontana, California, Special Tax, Refunding (Community Facilities District Number 22 Sierra), 6%, 9/01/34	1,000	748,840
San Jose, California, Airport Revenue Refunding Bonds, AMT, Series A, 5.50%, 3/01/32 (c)	2,220	2,028,791
Southern California Public Power Authority, Natural Gas Project Number 1 Revenue Bonds, Series A, 5%, 11/01/29	1,435	1,147,526
		3,925,157

Municipal Bonds		Par (000)		Value
Colorado 4.1%				
Colorado Health Facilities Authority, Revenue Refunding Bonds (Christian Living Communities Project), Series A, 5.75%, 1/01/26	$	450	$	346,657
Elk Valley, Colorado, Public Improvement Revenue Bonds (Public Improvement Fee), Series A, 7.30%, 9/01/22		2,800		2,457,308
North Range Metropolitan District Number 1, Colorado, GO, 7.25%, 12/15/11 (d)		1,235		1,403,429
Plaza Metropolitan District Number 1, Colorado, Tax Allocation Revenue Bonds (Public Improvement Fees):				
8%, 12/01/25		2,000		1,696,020
8.125%, 12/01/25		500		384,250
				6,287,664
Connecticut 0.9%				
Connecticut State Development Authority, Airport Facility Revenue Bonds (Learjet Inc. Project), AMT, 7.95%, 4/01/26		490		433,106
Mashantucket Western Pequot Tribe, Connecticut, Revenue Refunding Bonds, Sub-Series A, 5.50%, 9/01/36		615		292,746
Mohegan Tribe Indians Gaming Authority, Connecticut, Public Improvement Revenue Refunding Bonds (Priority Distribution), 5.25%, 1/01/33		1,500		712,530
				1,438,382
Florida 10.2%				
Capital Region Community Development District, Florida, Special Assessment Revenue Bonds, Series A, 7%, 5/01/39		645		455,086
Halifax Hospital Medical Center, Florida, Hospital Revenue Refunding Bonds, Series A, 5%, 6/01/38		840		599,659
Hillsborough County, Florida, IDA, Exempt Facilities Revenue Bonds (National Gypsum Company), AMT:				
Series A, 7.125%, 4/01/30		2,500		1,284,175
Series B, 7.125%, 4/01/30		1,060		544,490
Jacksonville, Florida, Economic Development Commission, Health Care Facilities, Revenue Refunding Bonds (Florida Proton Therapy Institute), Series A, 6%, 9/01/17		915		784,127
Jacksonville, Florida, Economic Development Commission, IDR (Gerdau Ameristeel US, Inc.), AMT, 5.30%, 5/01/37		900		459,603
Lakewood Ranch, Florida, Community Development District Number 5, Special Assessment Revenue Refunding Bonds, Series A, 6.70%, 5/01/11 (d)		725		796,702
Lee County, Florida, IDA, IDR (Lee Charter Foundation), Series A, 5.375%, 6/15/37		1,810		1,024,351
Midtown Miami, Florida, Community Development District, Special Assessment Revenue Bonds, Series A:				
6%, 5/01/24		1,430		1,019,762
6.25%, 5/01/37		1,350		862,839

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedules of Investments, the names and descriptions of many of the securities have been abbreviated according to the list on the right.

AMT	Alternative Minimum Tax (subject to)
CABS	Capital Appreciation Bonds
COP	Certificates of Participation
EDA	Economic Development Authority
EDR	Economic Development Revenue Bonds
GO	General Obligation Bonds
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Bonds
IDR	Industrial Development Revenue Bonds
M/F	Multi-Family
PCR	Pollution Control Revenue Bonds
S/F	Single-Family
VRDN	Variable Rate Demand Notes

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Apex Municipal Fund, Inc. (APX)
(Percentages shown are based on Net Assets)

Municipal Bonds	**Par (000)**	**Value**
Florida (concluded)		
Orlando, Florida, Urban Community Development District, Capital Improvement Special Assessment Bonds, Series A, 6.95%, 5/01/11 (d)	$ 1,405	$ 1,551,120
Santa Rosa Bay Bridge Authority, Florida, Revenue Bonds, 6.25%, 7/01/28	2,140	1,223,973
Sarasota County, Florida, Health Facilities Authority, Retirement Facility Revenue Refunding Bonds (Village on the Isle Project):		
5.50%, 1/01/27	590	406,528
5.50%, 1/01/32	550	353,447
Sumter Landing Community Development District, Florida, Recreational Revenue Bonds, Sub-Series B, 5.70%, 10/01/38	1,645	1,021,068
Tampa Palms, Florida, Open Space and Transportation Community Development District Revenue Bonds, Capital Improvement (Richmond Place Project), 7.50%, 5/01/18	2,075	1,954,920
Tolomato Community Development District, Florida, Special Assessment Bonds, 6.65%, 5/01/40	1,850	1,244,144
		15,585,994
Georgia 2.0%		
Atlanta, Georgia, Tax Allocation Bonds (Princeton Lakes Project), 5.50%, 1/01/31	395	263,311
Clayton County, Georgia, Tax Allocation Bonds (Ellenwood Project), 7.50%, 7/01/33	1,640	1,386,292
Main Street Natural Gas, Inc., Georgia, Gas Project Revenue Bonds, Series A, 6.375%, 7/15/38 (a)(b)	650	242,131
Rockdale County, Georgia, Development Authority Revenue Bonds (Visy Paper Project), AMT, Series A, 6.125%, 1/01/34	1,680	1,115,335
		3,007,069
Illinois 5.1%		
Chicago, Illinois, O Hare International Airport, Special Facility Revenue Refunding Bonds (American Airlines Inc. Project), 5.50%, 12/01/30	2,860	1,086,800
Illinois State Finance Authority Revenue Bonds:		
(Clare At Water Tower Project), Series A, 6.125%, 5/15/38	2,050	1,019,998
(Landing At Plymouth Place Project), Series A, 6%, 5/15/37	430	273,243
(Monarch Landing, Inc. Project), Series A, 7%, 12/01/37	575	348,341
(Primary Health Care Centers Program), 6.60%, 7/01/24	490	367,206
	2,000	2,105,100

(Rush University Medical Center Obligated Group Project), Series A, 7.25%, 11/01/30		
Lincolnshire, Illinois, Special Service Area Number 1, Special Tax Bonds (Sedgebrook Project), 6.25%, 3/01/34	755	481,109
Lombard, Illinois, Public Facilities Corporation, First Tier Revenue Bonds (Conference Center and Hotel), Series A-1, 7.125%, 1/01/36	2,400	1,597,728
Village of Wheeling, Illinois, Revenue Bonds (North Milwaukee/Lake-Cook Tax Increment Financing Redevelopment Project), 6%, 1/01/25	760	583,460
		7,862,985

Municipal Bonds	Par (000)	Value
Indiana 1.7%		
Indiana Health and Educational Facilities Financing Authority, Hospital Revenue Bonds (Community Foundation of Northwest Indiana), 5.50%, 3/01/37	$ 1,770	$ 1,372,069
Vanderburgh County, Indiana, Redevelopment Commission, Redevelopment District Tax Allocation Bonds, 5.25%, 2/01/31	820	656,927
Vigo County, Indiana, Hospital Authority Revenue Bonds (Union Hospital, Inc.):		
5.70%, 9/01/37	440	289,379
5.75%, 9/01/42	545	353,449
		2,671,824
Louisiana 2.7%		
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Westlake Chemical Corporation), 6.75%, 11/01/32	2,000	1,392,100
Louisiana Public Facilities Authority, Hospital Revenue Bonds (Franciscan Missionaries of Our Lady Health System, Inc.), Series A, 5.25%, 8/15/36	1,300	1,106,651
Saint John Baptist Parish, Louisiana, Revenue Bonds (Marathon Oil Corporation), Series A, 5.125%, 6/01/37	2,050	1,568,045
		4,066,796
Maryland 1.0%		
Baltimore, Maryland, Convention Center Hotel Revenue Bonds, Sub-Series B, 5.875%, 9/01/39	385	230,992
Maryland State Energy Financing Administration, Limited Obligation Revenue Bonds (Cogeneration AES Warrior Run), AMT, 7.40%, 9/01/19	1,500	1,138,815
Maryland State Health and Higher Educational Facilities Authority Revenue Bonds (Washington Christian Academy), 5.50%, 7/01/38	410	209,957
		1,579,764
Massachusetts 2.8%		

Massachusetts State Development Finance Agency, First Mortgage Revenue Bonds (Overlook Communities Inc.), Series A, 6.25%, 7/01/34	1,845	1,231,556
Massachusetts State Development Finance Agency, Revenue Refunding Bonds (Eastern Nazarene College), 5.625%, 4/01/19	1,245	1,030,860
Massachusetts State Health and Educational Facilities Authority Revenue Bonds (Jordan Hospital), Series E, 6.75%, 10/01/33	850	616,981
Massachusetts State Health and Educational Facilities Authority, Revenue Refunding Bonds:		
(Bay Cove Human Services Issue), Series A, 5.90%, 4/01/28	820	578,535
(Milton Hospital), Series, 5.50%, 7/01/16	500	369,775
Massachusetts State Industrial Finance Agency Revenue Bonds, Sewer Facility (Resource Control Composting), AMT, 9.25%, 6/01/10	500	501,250
		4,328,957
Michigan 2.6%		
Advanced Technology Academy, Michigan, Revenue Bonds, 6%, 11/01/37	625	438,369
Monroe County, Michigan, Hospital Financing Authority, Hospital Revenue Refunding Bonds (Mercy Memorial Hospital Corporation), 5.50%, 6/01/35	1,260	734,366
Royal Oak, Michigan, Hospital Finance Authority, Hospital Revenue Refunding Bonds (William Beaumont Hospital), 8.25%, 9/01/39	2,575	2,865,357
		4,038,092

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Apex Municipal Fund, Inc. (APX)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
Missouri 0.5%		
Kansas City, Missouri, IDA, First Mortgage Health Facilities Revenue Bonds (Bishop Spencer Place), Series A, 6.50%, 1/01/35	$ 1,000	$ 694,750
Nevada 0.7%		
Clark County, Nevada, IDR (Nevada Power Company Project), AMT, Series A, 5.60%, 10/01/30	955	729,782
Clark County, Nevada, Improvement District Number 142, Special Assessment Bonds, 6.375%, 8/01/23	400	291,852
		1,021,634
New Hampshire 0.4%		
New Hampshire Health and Education Facilities Authority, Hospital Revenue Bonds (Catholic Medical Center), 5%, 7/01/36	835	574,756
New Jersey 10.4%		
Camden County, New Jersey, Pollution Control Financing Authority, Solid Waste Resource Recovery, Revenue Refunding Bonds, AMT, Series A, 7.50%, 12/01/10	6,000	5,973,000
New Jersey EDA, Cigarette Tax Revenue Bonds, 5.50%, 6/15/24	2,170	1,690,734
New Jersey EDA, IDR, Refunding (Newark Airport Marriott Hotel), 7%, 10/01/14	1,500	1,350,240
New Jersey EDA, Special Facility Revenue Bonds (Continental Airlines Inc. Project), AMT:		
6.625%, 9/15/12	3,050	2,661,155
6.25%, 9/15/29	1,000	639,500
New Jersey Health Care Facilities Financing Authority Revenue Bonds (Pascack Valley Hospital Association), 6.625%, 7/01/36 (a)(b)	1,870	48,433
New Jersey Health Care Facilities Financing Authority, Revenue Refunding Bonds (Saint Joseph s Healthcare System), 6.625%, 7/01/38	1,680	1,302,437
New Jersey State Transportation Trust Fund Authority, Transportation System Revenue Bonds, CABS, Series C, 5.05%, 12/15/35 (c)(e)	2,760	529,258
New Jersey State Educational Facilities Authority, Revenue Refunding Bonds (University of Medicine and Dentistry), Series B:		
7.125%, 12/01/23	670	696,056
7.50%, 12/01/32	1,065	1,085,246
		15,976,059
New Mexico 3.3%		
	5,000	5,001,050

Farmington, New Mexico, PCR, Refunding (Tucson Electric Power Company San Juan Project), Series A, 6.95%, 10/01/20				
New York 4.9%				
Dutchess County, New York, IDA, Civic Facility Revenue Bonds (Saint Francis Hospital), Series B, 7.50%, 3/01/29		1,000		896,860
Metropolitan Transportation Authority, New York, Revenue Bonds, Series C, 6.50%, 11/15/28		2,000		2,207,020
New York City, New York, City IDA, Civic Facility Revenue Bonds:				
Series C, 6.80%, 6/01/28		350		343,381
(Special Needs Facility Pooled Program), Series C-1, 6.50%, 7/01/24		830		652,778
New York City, New York, City IDA, Special Facility Revenue Bonds:				
(American Airlines, Inc. JFK International Airport), AMT, 8%, 8/01/28		720		560,160
(British Airways Plc Project), AMT, 7.625%, 12/01/32		1,730		1,163,494

Municipal Bonds		Par (000)		Value
New York (concluded)				
New York Liberty Development Corporation Revenue Bonds (National Sports Museum Project), Series A, 6.125%, 2/15/19 (a)(b)	$	630	$	630
New York State Dormitory Authority, Non-State Supported Debt, Revenue Refunding Bonds (New York University Hospital Center), Series A, 5%, 7/01/20		2,040		1,734,286
				7,558,609
North Carolina 1.7%				
North Carolina Medical Care Commission, Health Care Facilities, First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Project), Series A, 6.125%, 11/01/38		3,230		2,596,500
Ohio 3.2%				
Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Bonds, Series A-2:				
5.125%, 6/01/24		4,025		3,159,786
6.50%, 6/01/47		2,685		1,658,524
				4,818,310
Pennsylvania 7.9%				
Bucks County, Pennsylvania, IDA, Retirement Community Revenue Bonds (Ann s Choice Inc.), Series A, 6.125%, 1/01/25		1,160		846,208
Chester County, Pennsylvania, Health and Education Facilities Authority, Senior Living Revenue Refunding Bonds (Jenners Pond Inc. Project), 7.625%, 7/01/12 (d)		1,750		2,107,490
Harrisburg, Pennsylvania, Authority, University Revenue Bonds (Harrisburg University of Science), Series B, 6%, 9/01/36		600		445,566

Lancaster County, Pennsylvania, Hospital Authority Revenue Bonds (Brethren Village Project), Series A:		
6.25%, 7/01/26	475	402,748
6.50%, 7/01/40	410	323,966
Montgomery County, Pennsylvania, IDA, Revenue Bonds (Whitemarsh Continuing Care Project), 6.25%, 2/01/35	1,700	1,039,924
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue Bonds (Reliant Energy), AMT, Series B, 6.75%, 12/01/36	1,940	1,784,742
Philadelphia, Pennsylvania, Authority for IDR:		
(Air Cargo), AMT, Series A, 7.50%, 1/01/25	1,600	1,333,024
Commercial Development, 7.75%, 12/01/17	4,460	3,805,540
		12,089,208
Rhode Island 0.8%		
Central Falls, Rhode Island, Detention Facility Corporation, Revenue Refunding Bonds, 7.25%, 7/15/35	1,750	1,198,785
South Carolina 2.8%		
Connector 2000 Association, Inc., South Carolina, Toll Road and Capital Appreciation Revenue Bonds, Senior-Series B, 8.755%, 1/01/14 (e)	1,075	587,681
South Carolina Housing Finance and Development Authority, Mortgage Revenue Refunding Bonds, AMT, Series A-2, 5.15%, 7/01/37 (c)	4,000	3,661,600
		4,249,281
Tennessee 1.0%		
Shelby County, Tennessee, Health, Educational and Housing Facilities Board Revenue Bonds (Germantown Village):		
6.25%, 12/01/34	245	160,032
Series A, 7.25%, 12/01/34	1,800	1,341,018
		1,501,050

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Apex Municipal Fund, Inc. (APX)
(Percentages shown are based on Net Assets)

Municipal Bonds	**Par (000)**	**Value**
Texas 5.7%		
Brazos River Authority, Texas, PCR, Refunding (TXU Energy Company LLC Project), AMT:		
Series A, 7.70%, 4/01/33	$ 2,530	$ 1,037,730
Series C, 5.75%, 5/01/36 (m)	1,475	870,250
Danbury, Texas, Higher Education Authority Revenue Bonds (A.W. Brown-Fellowship Charter School), Series A, 5.125%, 8/15/36 (f)	1,000	698,570
Harris County, Texas, Health Facilities Development Corporation, Hospital Revenue Refunding Bonds (Memorial Hermann Healthcare System), Series B, 7.25%, 12/01/35	1,110	1,176,744
Houston, Texas, Airport System, Special Facilities Revenue Bonds (Continental Airlines), AMT, Series E, 6.75%, 7/01/21	1,865	1,379,988
North Texas Tollway Authority, System Revenue Refunding Bonds, Second Tier, Series F, 6.125%, 1/01/31	2,250	2,255,243
Texas State Public Financing Authority, Charter School Financing Corporation, Revenue Refunding Bonds (KIPP, Inc.), Series A, 5%, 2/15/28 (f)	2,250	1,377,045
		8,795,570
Utah 1.5%		
Carbon County, Utah, Solid Waste Disposal, Revenue Refunding Bonds (Laidlaw Environmental), AMT, Series A, 7.45%, 7/01/17	2,240	2,241,232
Virginia 1.9%		
Dulles Town Center, Virginia, Community Development Authority, Special Assessment Tax (Dulles Town Center Project), 6.25%, 3/01/26	2,385	1,716,222
King George County, Virginia, IDA, Solid Waste Disposal Facility Revenue Bonds (Waste Management, Inc.), AMT, Series A, 6%, 6/01/23	500	500,000
Tobacco Settlement Financing Corporation of Virginia, Revenue Refunding Bonds, Senior Series B-1, 5%, 6/01/47	1,250	667,775
		2,883,997
West Virginia 0.5%		
Princeton, West Virginia, Hospital Revenue Refunding Bonds (Community Hospital Association Inc. Project), 6.20%, 5/01/13	795	740,105
Wisconsin 0.7%		
Wisconsin State Health and Educational Facilities Authority Revenue Bonds (New Castle Place Project),	1,320	995,676

Series A, 7%, 12/01/31				
Wyoming 1.8%				
Sweetwater County, Wyoming, Solid Waste Disposal, Revenue Refunding Bonds (FMC Corporation Project), AMT, 5.60%, 12/01/35		2,500		1,849,900
Wyoming Municipal Power Agency, Power Supply Revenue Bonds, Series A, 5.375%, 1/01/42		1,000		957,690
				2,807,590
Guam 0.8%				
Guam Government Waterworks Authority, Water and Wastewater System, Revenue Refunding Bonds, 5.875%, 7/01/35		1,600		1,268,000
U.S. Virgin Islands 1.1%				
Virgin Islands Government Refinery Facilities, Revenue Refunding Bonds (Hovensa Coker Project), AMT, 6.50%, 7/01/21		2,100		1,647,009
Total Municipal Bonds 92.9%				142,063,048

Municipal Bonds Transferred to Tender Option Bond Trusts (g)		**Par (000)**		**Value**
District of Columbia 1.9%				
District of Columbia, Water and Sewer Authority, Public Utility Revenue Refunding Bonds, 6%, 10/01/35	$	2,730	$	2,946,171
Florida 3.7%				
Miami-Dade County, Florida, Aviation Revenue Refunding Bonds (Miami International Airport), AMT, Series A, 5.25%, 10/01/33 (h)		6,130		5,617,593
Virginia 3.7%				
Virginia State, HDA, Commonwealth Mortgage Revenue Bonds, Series H, Sub-Series H-1, 5.375%, 7/01/36 (i)		5,710		5,725,189
Total Municipal Bonds Transferred to Tender Option Bond Trusts 9.3%				14,288,953
Total Long-Term Investments (Cost $189,876,429) 102.2%				156,352,001

Short-Term Securities		
Mississippi 0.7%		
Mississippi Business Finance Corporation, Solid Waste Disposal Revenue Bonds (Waste Management, Inc. Project), VRDN, AMT, 6.875%, 3/01/10 (j)	1,000	1,004,980

	Shares	
Money Market Fund 0.0%		
FFI Institutional Tax-Exempt Fund, 0.72% (k)(l)	100,006	100,006
Total Short-Term Securities (Cost $1,100,006) 0.7%		1,104,986
Total Investments (Cost $190,976,435*) 102.9%		157,456,987
Other Assets Less Liabilities 1.8%		2,797,170
Liability for Trust Certificates, Including Interest Expense and Fees Payable (4.7)%		(7,293,611)
Net Assets 100.0%		$ 152,960,546

* The cost and unrealized appreciation (depreciation) of investments as of April 30, 2009, as computed for federal income tax purposes, were as follows:

Aggregate cost	$ 183,184,165
Gross unrealized appreciation	$ 2,951,969
Gross unrealized depreciation	(35,964,593)
Net unrealized depreciation	$ (33,012,624)

(a) Non-income producing security.

(b) Issuer filed for bankruptcy and/or is in default of interest payments.

(c) AMBAC Insured.

(d) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.

(e) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(f) ACA Insured.

(g) Securities represent bonds transferred to a tender option bond trust in exchange for which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to tender option bond trusts.

(h) Assured Guaranty Insured.

(i) NPFGC Insured.

See Notes to Financial Statements.

Schedule of Investments (concluded) **BlackRock Apex Municipal Fund, Inc. (APX)**

(j) Security may have a maturity of more than one year at time of issuance but has variable rate and demand features that qualify it as a short-term security. Rate shown is as of report date and maturity shown is the date the principal owed can be recovered through demand.

(k) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	**Net Activity**	**Income**
FFI Institutional Tax-Exempt Fund	$ (4,405,068)	$ 31,470

(l) Represents the current yield as of report date.

(m) Variable rate security. Rate shown is as of report date.

Effective July 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:

Level 1 price quotations in active markets/exchanges for identical securities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the Fund s own assumptions used in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund s policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the inputs used as of April 30, 2009 in determining the fair valuation of the Fund s investments:

Valuation Inputs	**Investments in Securities**
	Assets
Level 1	$ 100,006
Level 2	157,356,981
Level 3	
Total	$ 157,456,987

See Notes to Financial Statements.

Schedule of Investments April 30, 2009

BlackRock MuniAssets Fund, Inc. (MUA)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
Alabama 0.6%		
Jefferson County, Alabama, Limited Obligation School Warrants, Series A, 5%, 1/01/10	$ 685	$ 628,207
Tuscaloosa, Alabama, Special Care Facilities Financing Authority, Residential Care Facility Revenue Bonds (Capstone Village, Inc. Project), Series A, 5.875%, 8/01/36 (a)(b)	1,820	776,030
		1,404,237
Alaska 0.3%		
Alaska Industrial Development and Export Authority Revenue Bonds (Williams Lynxs Alaska Cargoport), AMT, 7.80%, 5/01/14	590	555,225
Arizona 7.5%		
Coconino County, Arizona, Pollution Control Corporation Revenue Refunding Bonds (Tucson Electric Power Navajo):		
AMT, Series A, 7.125%, 10/01/32	3,000	2,780,340
Series B, 7%, 10/01/32	2,500	2,343,275
Maricopa County, Arizona, IDA, Education Revenue Bonds (Arizona Charter Schools Project 1), Series A, 6.625%, 7/01/20	1,625	1,220,554
Maricopa County, Arizona, IDA, M/F Housing Revenue Bonds (Sun King Apartments Project), Series A, 6.75%, 5/01/31	1,615	1,135,781
Phoenix, Arizona, IDA, Airport Facility, Revenue Refunding Bonds (America West Airlines Inc. Project), AMT, 6.30%, 4/01/23	4,800	2,951,952
Pima County, Arizona, IDA, Education Revenue Bonds (Arizona Charter Schools Project), Series E, 7.25%, 7/01/31	1,375	1,023,234
Pima County, Arizona, IDA, Education Revenue Refunding Bonds (Arizona Charter Schools Project II):		
Series A, 6.75%, 7/01/11 (c)	415	463,787
Series A, 6.75%, 7/01/31	675	474,167
Series O, 5.25%, 7/01/31	500	284,580
Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds:		
5%, 12/01/32	2,840	1,972,068
5%, 12/01/37	1,850	1,246,419
Show Low, Arizona, Improvement District Number 5, Special Assessment Bonds, 6.375%, 1/01/15	865	814,155
		16,710,312
California 3.8%		
California State, Various Purpose, GO, 5.25%, 11/01/25	1,900	1,906,194

Fontana, California, Special Tax, Refunding (Community Facilities District Number 22 Sierra), 6%, 9/01/34	1,320	988,469
San Jose, California, Airport Revenue Refunding Bonds, AMT, Series A, 5.50%, 3/01/32 (d)	4,290	3,920,502
Southern California Public Power Authority, Natural Gas Project Number 1 Revenue Bonds, Series A, 5%, 11/01/29	2,085	1,667,312
		8,482,477
Colorado 4.7%		
Colorado Health Facilities Authority, Revenue Refunding Bonds (Christian Living Communities Project), Series A, 5.75%, 1/01/26	650	500,728
Denver, Colorado, City and County Airport Revenue Bonds, AMT, Series D, 7.75%, 11/15/13 (d)	1,540	1,657,302

Municipal Bonds	Par (000)	Value
Colorado (concluded)		
Elk Valley, Colorado, Public Improvement Revenue Bonds (Public Improvement Fee):		
Series A, 7.10%, 9/01/14	$ 1,410	$ 1,389,851
Series A, 7.30%, 9/01/22	2,095	1,838,593
Series B, 7.45%, 9/01/31	260	208,832
North Range Metropolitan District Number 1, Colorado, GO, 7.25%, 12/15/11 (c)	1,760	2,000,029
Plaza Metropolitan District Number 1, Colorado, Tax Allocation Revenue Bonds (Public Improvement Fees):		
8%, 12/01/25	2,850	2,416,829
8.125%, 12/01/25	525	403,463
		10,415,627
Connecticut 1.8%		
Connecticut State Development Authority, Airport Facility Revenue Bonds (Learjet Inc. Project), AMT, 7.95%, 4/01/26	680	601,045
Connecticut State Development Authority, IDR (AFCO Cargo BDL-LLC Project), AMT, 8%, 4/01/30	3,490	3,010,579
Mashantucket Western Pequot Tribe, Connecticut, Revenue Refunding Bonds, Sub-Series A, 5.50%, 9/01/36	885	421,269
		4,032,893
Florida 10.0%		
Capital Region Community Development District, Florida, Special Assessment Revenue Bonds, Series A, 7%, 5/01/39	945	666,754
Greater Orlando Aviation Authority, Florida, Airport Facilities Revenue Bonds (JetBlue Airways Corp.), AMT, 6.375%, 11/15/26	1,180	743,553
Halifax Hospital Medical Center, Florida, Hospital Revenue Refunding Bonds, Series A, 5%, 6/01/38	1,160	828,101
Harbor Bay, Florida, Community Development District, Capital Improvement Special Assessment Revenue Bonds, Series A, 7%, 5/01/33	455	419,451

Hillsborough County, Florida, IDA, Exempt Facilities Revenue Bonds (National Gypsum Company), AMT:		
Series A, 7.125%, 4/01/30	2,000	1,027,340
Series B, 7.125%, 4/01/30	1,540	791,052
Hillsborough County, Florida, IDA, Hospital Revenue Bonds (Tampa General Hospital Project), 5%, 10/01/36	4,170	3,078,794
Jacksonville, Florida, Economic Development Commission, Health Care Facilities, Revenue Refunding Bonds (Florida Proton Therapy Institute), Series A, 6%, 9/01/17	920	788,412
Jacksonville, Florida, Economic Development Commission, IDR (Gerdau Ameristeel US, Inc.), AMT, 5.30%, 5/01/37	1,300	663,871
Lee County, Florida, IDA, IDR (Lee Charter Foundation), Series A, 5.375%, 6/15/37	2,620	1,482,763
Midtown Miami, Florida, Community Development District, Special Assessment Revenue Bonds, Series A, 6.25%, 5/01/37	3,255	2,080,401
Orlando, Florida, Urban Community Development District, Capital Improvement Special Assessment Bonds, Series A, 6.95%, 5/01/11 (c)	2,245	2,478,480
Santa Rosa Bay Bridge Authority, Florida, Revenue Bonds, 6.25%, 7/01/28	3,040	1,738,728
Sarasota County, Florida, Health Facilities Authority, Retirement Facility Revenue Refunding Bonds (Village on the Isle Project):		
5.50%, 1/01/27	860	592,566
5.50%, 1/01/32	795	510,891

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniAssets Fund, Inc. (MUA)
(Percentages shown are based on Net Assets)

Municipal Bonds	**Par (000)**	**Value**
Florida (concluded)		
Sumter Landing Community Development District, Florida, Recreational Revenue Bonds, Sub-Series B, 5.70%, 10/01/38	$ 2,405	$ 1,492,808
Tolomato Community Development District, Florida, Special Assessment Bonds, 6.65%, 5/01/40	2,680	1,802,327
Waterchase, Florida, Community Development District, Capital Improvement Revenue Bonds, Series A, 6.70%, 5/01/11 (c)	870	956,156
		22,142,448
Georgia 2.0%		
Atlanta, Georgia, Tax Allocation Bonds (Princeton Lakes Project), 5.50%, 1/01/31	640	426,630
Clayton County, Georgia, Tax Allocation Bonds (Ellenwood Project), 7.50%, 7/01/33	2,375	2,007,588
Main Street Natural Gas, Inc., Georgia, Gas Project Revenue Bonds, Series A, 6.375%, 7/15/38 (a)(b)	940	350,159
Rockdale County, Georgia, Development Authority Revenue Bonds (Visy Paper Project), AMT, Series A, 6.125%, 1/01/34	2,435	1,616,572
		4,400,949
Guam 0.8%		
Guam Government Waterworks Authority, Water and Wastewater System, Revenue Refunding Bonds, 5.875%, 7/01/35	2,305	1,826,712
Illinois 3.9%		
Chicago, Illinois, O Hare International Airport, Special Facility Revenue Refunding Bonds (American Airlines Inc. Project), 5.50%, 12/01/30	4,140	1,573,200
Illinois State Finance Authority Revenue Bonds:		
(Clare At Water Tower Project), Series A, 6.125%, 5/15/38	2,950	1,467,802
(Landing At Plymouth Place Project), Series A, 6%, 5/15/37	600	381,270
(Monarch Landing, Inc. Project), Series A, 7%, 12/01/37	820	496,764
(Primary Health Care Centers Program), 6.60%, 7/01/24	685	513,339
(Rush University Medical Center Obligated Group Project), Series B, 7.25%, 11/01/30	1,170	1,231,483
Lincolnshire, Illinois, Special Service Area Number 1, Special Tax Bonds (Sedgebrook Project), 6.25%, 3/01/34	1,070	681,836
	2,600	1,730,872

Lombard, Illinois, Public Facilities Corporation, First Tier Revenue Bonds (Conference Center and Hotel), Series A-1, 7.125%, 1/01/36				
Village of Wheeling, Illinois, Revenue Bonds (North Milwaukee/Lake-Cook Tax Increment Financing Redevelopment Project), 6%, 1/01/25		825		633,361
				8,709,927
Indiana 0.8%				
Vanderburgh County, Indiana, Redevelopment Commission, Redevelopment District Tax Allocation Bonds, 5.25%, 2/01/31		1,200		961,356
Vigo County, Indiana, Hospital Authority Revenue Bonds (Union Hospital, Inc.):				
5.70%, 9/01/37		615		404,473
5.75%, 9/01/42		765		496,125
				1,861,954
Iowa 1.1%				
Iowa Finance Authority, Health Care Facilities, Revenue Refunding Bonds (Care Initiatives Project), 9.25%, 7/01/11 (c)		2,165		2,544,914

Municipal Bonds		**Par (000)**		**Value**
Louisiana 2.7%				
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Westlake Chemical Corporation), 6.75%, 11/01/32	$	3,000	$	2,088,150
Louisiana Public Facilities Authority, Hospital Revenue Bonds (Franciscan Missionaries of Our Lady Health System, Inc.), Series A, 5.25%, 8/15/36		1,870		1,591,875
Saint John Baptist Parish, Louisiana, Revenue Bonds (Marathon Oil Corporation), Series A, 5.125%, 6/01/37		2,950		2,256,455
				5,936,480
Maryland 1.4%				
Maryland State Economic Development Corporation Revenue Refunding Bonds (Baltimore Association for Retarded Citizens Health and Mental Hygiene Program), Series A, 7.75%, 3/01/25		1,765		1,646,286
Maryland State Energy Financing Administration, Limited Obligation Revenue Bonds (Cogeneration AES Warrior Run), AMT, 7.40%, 9/01/19		1,500		1,138,815
Maryland State Health and Higher Educational Facilities Authority Revenue Bonds (Washington Christian Academy), 5.50%, 7/01/38		590		302,133
				3,087,234
Massachusetts 1.7%				

Massachusetts State Health and Educational Facilities Authority Revenue Bonds (Jordan Hospital), Series E, 6.75%, 10/01/33	1,150	834,739
Massachusetts State Health and Educational Facilities Authority, Revenue Refunding Bonds (Bay Cove Human Services Issue), Series A, 5.90%, 4/01/28	1,930	1,361,673
Massachusetts State Port Authority, Special Facilities Revenue Bonds (Delta Air Lines Inc. Project), AMT, Series A, 5.50%, 1/01/19 (d)	2,400	1,510,632
		3,707,044
Michigan 2.6%		
Advanced Technology Academy, Michigan, Revenue Bonds, 6%, 11/01/37	900	631,251
Monroe County, Michigan, Hospital Financing Authority, Hospital Revenue Refunding Bonds (Mercy Memorial Hospital Corporation), 5.50%, 6/01/35	1,740	1,014,124
Royal Oak, Michigan, Hospital Finance Authority, Hospital Revenue Refunding Bonds (William Beaumont Hospital), 8.25%, 9/01/39	3,735	4,156,159
		5,801,534
Minnesota 0.8%		
Minneapolis, Minnesota, Health Care System Revenue Refunding Bonds (Fairview Health Services), Series A, 6.75%, 11/15/32	1,785	1,857,453
Missouri 0.3%		
Kansas City, Missouri, IDA, First Mortgage Health Facilities Revenue Bonds (Bishop Spencer Place), Series A, 6.50%, 1/01/35	1,000	694,750
Nevada 0.7%		
Clark County, Nevada, IDR (Nevada Power Company Project), AMT, Series A, 5.60%, 10/01/30	1,380	1,054,555
Clark County, Nevada, Improvement District Number 142, Special Assessment Bonds, 6.375%, 8/01/23	630	459,667
		1,514,222

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniAssets Fund, Inc. (MUA)
(Percentages shown are based on Net Assets)

Municipal Bonds		**Par (000)**		**Value**
New Hampshire 0.4%				
New Hampshire Health and Education Facilities Authority, Hospital Revenue Bonds (Catholic Medical Center), 5%, 7/01/36	$	1,165	$	801,904
New Jersey 11.4%				
Camden County, New Jersey, Pollution Control Financing Authority, Solid Waste Resource Recovery, Revenue Refunding Bonds, AMT:				
Series A, 7.50%, 12/01/10		9,000		8,959,500
Series B, 7.50%, 12/01/09		125		125,255
New Jersey EDA, Cigarette Tax Revenue Bonds, 5.50%, 6/15/24		3,065		2,388,064
New Jersey EDA, IDR, Refunding (Newark Airport Marriott Hotel), 7%, 10/01/14		2,500		2,250,400
New Jersey EDA, Retirement Community Revenue Bonds (Cedar Crest Village Inc. Facility), Series A, 7.25%, 11/15/11 (c)		1,665		1,891,024
New Jersey EDA, Special Facility Revenue Bonds (Continental Airlines Inc. Project), AMT:				
6.25%, 9/15/19		2,000		1,460,020
6.25%, 9/15/29		3,330		2,129,535
9%, 6/01/33		1,250		1,057,987
New Jersey Health Care Facilities Financing Authority Revenue Bonds (Pascack Valley Hospital Association), 6.625%, 7/01/36 (a)(b)		2,000		51,800
New Jersey Health Care Facilities Financing Authority, Revenue Refunding Bonds (Saint Joseph s Healthcare System), 6.625%, 7/01/38		2,410		1,868,377
New Jersey State Educational Facilities Authority, Revenue Refunding Bonds (University of Medicine and Dentistry), Series B, 7.50%, 12/01/32		2,510		2,557,715
New Jersey State Transportation Trust Fund Authority, Transportation System Revenue Bonds, CABS, Series C, 5.05%, 12/15/35 (d)(e)		3,450		661,572
				25,401,249
New Mexico 1.1%				
Farmington, New Mexico, PCR, Refunding (Tucson Electric Power Company San Juan Project), Series A, 6.95%, 10/01/20		2,500		2,500,525
New York 6.1%				
Dutchess County, New York, IDA, Civic Facility Revenue Refunding Bonds (Saint Francis Hospital), Series A, 7.50%, 3/01/29		1,400		1,255,604
Metropolitan Transportation Authority, New York, Revenue Bonds, Series C, 6.50%, 11/15/28		3,685		4,066,434

New York City, New York, City IDA, Civic Facility Revenue Bonds:				
Series C, 6.80%, 6/01/28		510		500,356
(Special Needs Facilities Pooled Program), Series C-1, 6.625%, 7/01/29		1,515		1,166,611
New York City, New York, City IDA, Special Facility Revenue Bonds (American Airlines, Inc. JFK International Airport), AMT, 8%, 8/01/28		1,045		813,010
New York City, New York, City IDA, Special Facility Revenue Bonds (British Airways Plc Project), AMT, 7.625%, 12/01/32		2,400		1,614,096
New York Liberty Development Corp. Revenue Bonds (National Sports Museum Project), Series A, 6.125%, 2/15/19 (a)(b)		870		870

Municipal Bonds		**Par (000)**		**Value**
New York (concluded)				
New York State Dormitory Authority, Non-State Supported Debt, Revenue Refunding Bonds:				
(Mount Sinai-NYU Medical Center Health System), Series C, 5.50%, 7/01/26	$	1,470	$	1,400,836
(New York University Hospital Center), Series A, 5%, 7/01/20		2,960		2,516,414
Westchester County, New York, IDA, Continuing Care Retirement, Mortgage Revenue Bonds (Kendal on Hudson Project), Series A, 6.50%, 1/01/13 (c)		100		116,575
				13,450,806
North Carolina 1.5%				
North Carolina Medical Care Commission, Health Care Facilities, First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Project), Series A, 6.125%, 11/01/38		2,335		1,877,036
North Carolina Medical Care Commission, Retirement Facilities, First Mortgage Revenue Bonds (Givens Estates Project), Series A, 6.50%, 7/01/13 (c)		1,250		1,499,887
				3,376,923
Ohio 2.0%				
Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Bonds, Series A-2:				
5.125%, 6/01/24		2,390		1,876,246
6.50%, 6/01/47		3,935		2,430,649
				4,306,895
Pennsylvania 8.9%				
Allegheny County, Pennsylvania, Hospital Development Authority, Revenue Refunding Bonds (WestPenn Allegheny Health System), Series A, 5.375%, 11/15/40		3,015		1,596,654
Bucks County, Pennsylvania, IDA, Retirement Community Revenue Bonds (Ann s Choice Inc.), Series A:				
6.125%, 1/01/25		200		145,898
6.25%, 1/01/35		1,550		1,046,916

Harrisburg, Pennsylvania, Authority, University Revenue Bonds (Harrisburg University of Science), Series B, 6%, 9/01/36	900	668,349
Lancaster County, Pennsylvania, Hospital Authority Revenue Bonds (Brethren Village Project), Series A:		
6.25%, 7/01/26	685	580,805
6.50%, 7/01/40	590	466,194
Montgomery County, Pennsylvania, IDA, Revenue Bonds (Whitemarsh Continuing Care Project), 6.125%, 2/01/28	2,330	1,527,338
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue Bonds:		
(National Gypsum Company), AMT, Series A, 6.25%, 11/01/27	3,250	1,686,945
(Reliant Energy), AMT, Series B, 6.75%, 12/01/36	2,810	2,585,116
Pennsylvania State Higher Educational Facilities Authority, Health Services Revenue Refunding (Allegheny Delaware Valley), Series A, 5.875%, 11/15/16	2,410	1,998,107
Philadelphia, Pennsylvania, Authority for IDR (Air Cargo), AMT, Series A, 7.50%, 1/01/25	2,270	1,891,228
Philadelphia, Pennsylvania, Authority for IDR, Commercial Development, 7.75%, 12/01/17	6,440	5,494,994
		19,688,544

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniAssets Fund, Inc. (MUA)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
Rhode Island 0.8%		
Central Falls, Rhode Island, Detention Facility Corporation, Revenue Refunding Bonds, 7.25%, 7/15/35	$ 2,495	$ 1,709,125
South Carolina 0.4%		
Connector 2000 Association, Inc., South Carolina, Toll Road and Capital Appreciation Revenue Bonds, Senior-Series B, 8.755%, 1/01/14 (e)	1,485	811,820
Tennessee 1.3%		
Knox County, Tennessee, Health, Educational and Housing Facilities Board, Hospital Facilities Revenue Refunding Bonds (Covenant Health), Series A, 5.06%, 1/01/40 (e)	6,785	693,563
Shelby County, Tennessee, Health, Educational and Housing Facilities Board Revenue Bonds (Germantown Village):		
6.25%, 12/01/34	355	231,882
Series A, 7.25%, 12/01/34	2,500	1,862,525
		2,787,970
Texas 4.5%		
Brazos River Authority, Texas, PCR, Refunding:		
(TXU Energy Company LLC Project), AMT, Series A, 7.70%, 4/01/33	2,550	1,045,933
(TXU Energy Company Project), AMT, Series C, 5.75%, 5/01/36 (k)	2,885	1,702,150
Harris County, Texas, Health Facilities Development Corporation, Hospital Revenue Refunding Bonds (Memorial Hermann Healthcare System), Series B, 7.125%, 12/01/31	1,500	1,586,820
Houston, Texas, Airport System, Special Facilities Revenue Bonds (Continental Airlines), AMT, Series E, 6.75%, 7/01/21	2,685	1,986,739
North Texas Tollway Authority, System Revenue Refunding Bonds, Second Tier, Series F, 6.125%, 1/01/31	3,675	3,683,563
		10,005,205
U.S. Virgin Islands 1.1%		
Virgin Islands Government Refinery Facilities, Revenue Refunding Bonds (Hovensa Coker Project), AMT, 6.50%, 7/01/21	3,000	2,352,870
Utah 0.7%		
	1,660	1,660,913

Carbon County, Utah, Solid Waste Disposal, Revenue Refunding Bonds (Laidlaw Environmental), AMT, Series A, 7.45%, 7/01/17				
Virginia 1.3%				
Dulles Town Center, Virginia, Community Development Authority, Special Assessment Tax (Dulles Town Center Project), 6.25%, 3/01/26		1,435		1,032,612
Fairfax County, Virginia, EDA, Residential Care Facilities, Mortgage Revenue Refunding Bonds (Goodwin House, Inc.):				
5.125%, 10/01/37		750		523,253
5.125%, 10/01/42		450		305,676
Lexington, Virginia, IDA, Residential Care Facility, Mortgage Revenue Refunding Bonds (Kendal at Lexington), Series A, 5.375%, 1/01/28		540		366,557
Tobacco Settlement Financing Corporation of Virginia, Revenue Refunding Bonds, Senior Series B-1, 5%, 6/01/47		1,320		705,170
				2,933,268

Municipal Bonds		**Par (000)**		**Value**
Washington 0.5%				
Washington State Housing Financing Commission, Nonprofit Revenue Bonds (Skyline at First Hill Project), Series A, 5.625%, 1/01/38	$	1,750	$	1,005,358
Wisconsin 0.6%				
Wisconsin State Health and Educational Facilities Authority Revenue Bonds (New Castle Place Project), Series A, 7%, 12/01/31		1,855		1,399,227
Wyoming 2.5%				
Sweetwater County, Wyoming, Solid Waste Disposal, Revenue Refunding Bonds (FMC Corporation Project), AMT, 5.60%, 12/01/35		3,600		2,663,856
Wyoming Municipal Power Agency, Power Supply Revenue Bonds, Series A, 5.375%, 1/01/42		3,030		2,901,801
				5,565,657
Total Municipal Bonds 92.6%				205,444,651

Municipal Bonds Transferred to Tender Option Bond Trusts (f)		
District of Columbia 1.9%		
District of Columbia, Water and Sewer Authority, Public Utility Revenue Refunding Bonds, 6%, 10/01/35	3,951	4,262,775

Florida 3.7%		
Miami-Dade County, Florida, Aviation Revenue Refunding Bonds (Miami International Airport), AMT, Series A, 5.25%, 10/01/33 (g)	8,870	8,128,557
Virginia 3.9%		
Virginia State, HDA, Commonwealth Mortgage Revenue Bonds, Series H, Sub-Series H-1, 5.375%, 7/01/36 (h)	8,690	8,713,115
Total Municipal Bonds Transferred to Tender Option Bond Trusts 9.5%		21,104,447
Total Long-Term Investments (Cost $275,050,319) 102.1%		226,549,098

Short-Term Securities	Shares	
Money Market Fund 0.9%		
FFI Institutional Tax-Exempt Fund, 0.72% (i)(j)	2,001,534	2,001,534
Total Short-Term Securities (Cost $2,001,534) 0.9%		2,001,534
Total Investments (Cost $277,051,853*) 103.0%		228,550,632
Other Assets Less Liabilities 1.9%		4,118,934
Liability for Trust Certificates, Including Interest Expense and Fees Payable (4.9)%		(10,770,111)
Net Assets 100.0%		$ 221,899,455

See Notes to Financial Statements.

Schedule of Investments (concluded) **BlackRock MuniAssets Fund, Inc. (MUA)**

* The cost and unrealized appreciation (depreciation) of investments as of April 30, 2009, as computed for federal income tax purposes, were as follows:

Aggregate cost	$ 265,956,396
Gross unrealized appreciation	$ 4,346,799
Gross unrealized depreciation	(52,508,209)
Net unrealized depreciation	$ (48,161,410)

(a) Non-income producing security.

(b) Issuer filed for bankruptcy and/or is in default of interest payments.

(c) US government securities, held in escrow, are used to pay interest on this security as well as to retire the bond in full at the date indicated, typically at a premium to par.

(d) AMBAC Insured.

(e) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(f) Securities represent bonds transferred to a tender option bond trust in exchange for which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to tender option bond trusts.

(g) Assured Guaranty Insured.

(h) NPFGC Insured.

(i) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity	Income
FFI Institutional Tax-Exempt Fund	(1,198,907)	$ 106,721

(j) Represents the current yield as of report date.

(k) Variable rate security. Rate shown is as of report date.

Effective June 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:

Level 1 price quotations in active markets/exchanges for identical securities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the Fund s own assumptions used in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund s policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the inputs used as of April 30, 2009 in determining the fair valuation of the Fund s investments:

Valuation Inputs	**Investments in Securities**
	Assets
Level 1	$ 2,001,534
Level 2	226,549,098
Level 3	
Total	$ 228,550,632

See Notes to Financial Statements.

Schedule of Investments April 30, 2009

BlackRock MuniEnhanced Fund, Inc. (MEN)
(Percentages shown are based on Net Assets)

Municipal Bonds		**Par (000)**		**Value**
Alabama 1.1%				
Jefferson County, Alabama, Limited Obligation School Warrants, Series A:				
5.50%, 1/01/22	$	2,750	$	1,707,420
4.75%, 1/01/25		2,200		1,323,740
				3,031,160
Arizona 0.6%				
Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, 5%, 12/01/37		2,640		1,778,674
California 23.9%				
Alameda Corridor Transportation Authority, California, Capital Appreciation Revenue Refunding Bonds, Subordinate Lien, Series A (a)(b):				
5.543%, 10/01/24		10,285		7,643,915
5.496%, 10/01/25		6,000		4,385,100
Anaheim, California, Public Financing Authority, Lease Revenue Bonds (Public Improvements Project), Senior Series A, 6%, 9/01/24 (c)		5,000		5,684,900
Antelope Valley, California, Community College District, GO (Election of 2004), Series B, 5.25%, 8/01/39 (d)		600		596,346
Arcadia, California, Unified School District, GO (Election of 2006), CABS, Series A, 4.961%, 8/01/39 (c)(e)		1,600		224,832
Cabrillo, California, Community College District, GO (Election of 2004), Series B, 5.188%, 8/01/37 (d)(e)		2,400		389,040
California State, GO, Refunding:				
5.125%, 6/01/27		20		19,709
5.125%, 6/01/31		60		56,993
California State University, Systemwide Revenue Bonds, Series A, 5%, 11/01/35 (d)(f)		2,600		2,493,192
Chino Valley, California, Unified School District, GO (Election of 2002), Series C, 5.25%, 8/01/30 (d)		850		845,622
Fresno, California, Unified School District, GO (Election of 2001), Series E, 5%, 8/01/30 (c)		900		891,792
Los Angeles, California, Department of Water and Power, Waterworks Revenue Bonds, Series C, 5%, 7/01/29 (d)		5,160		5,185,284
Metropolitan Water District of Southern California, Waterworks Revenue Bonds, Series B-1 (d)(f):				
5%, 10/01/29		2,965		3,002,359
5%, 10/01/36		1,655		1,658,840
Norco, California, Redevelopment Agency, Tax Allocation Refunding Bonds (Norco Redevelopment Project Area Number 1), 5.125%, 3/01/30 (d)		5,000		4,617,200
Orange County, California, Sanitation District, COP:				
5%, 2/01/30 (c)		1,500		1,507,545
5%, 2/01/31 (c)		900		901,080
5%, 2/01/33 (d)(f)		7,455		7,382,836
		1,750		1,442,228

Poway, California, Redevelopment Agency, Tax Allocation Refunding Bonds (Paguay Redevelopment Project), 5.125%, 6/15/33 (a)				
Redding, California, Electric System, COP, Series A, 5%, 6/01/30 (c)		1,720		1,684,809
Sacramento, California, Unified School District, GO (Election of 2002), 5%, 7/01/30 (d)		4,150		4,096,341
San Diego, California, Community College District, GO (Election of 2002), 5.25%, 8/01/33 (g)		400		403,756
Stockton, California, Public Financing Authority, Lease Revenue Bonds (Parking & Capital Projects), 5.125%, 9/01/30 (d)(f)		6,145		5,475,134
University of California Revenue Bonds, Series O, 5.75%, 5/15/34		850		890,936
Ventura County, California, Community College District, GO (Election of 2002), Series B, 5%, 8/01/30 (d)		2,325		2,303,796
West Basin, California, Municipal Water District, COP, Refunding, Series B, 5%, 8/01/30 (h)		5,035		4,931,329
				68,714,914

Municipal Bonds		Par (000)		Value
Colorado 1.3%				
Colorado HFA, Revenue Refunding Bonds (S/F Program), AMT, Senior Series A-2, 7.50%, 4/01/31	$	420	$	451,336
Colorado Health Facilities Authority Revenue Bonds (Covenant Retirement Communities Inc.), Series A (i):				
5.50%, 12/01/27		1,200		906,516
5.50%, 12/01/33		675		470,617
Denver, Colorado, City and County Airport, Revenue Refunding Bonds, AMT, Series A, 6%, 11/15/18 (a)		2,000		2,019,780
				3,848,249
District of Columbia 2.9%				
District of Columbia, Ballpark Revenue Bonds, Series B-1, 5%, 2/01/31 (d)(f)		9,600		7,373,280
District of Columbia, Income Tax Revenue Bonds, Series A, 5.50%, 12/01/30		1,000		1,059,230
				8,432,510
Florida 7.9%				
Broward County, Florida, School Board, COP, Series A, 5.25%, 7/01/33 (c)		1,600		1,565,584
Broward County, Florida, Water and Sewer Utility Revenue Bonds, Series A, 5.25%, 10/01/34		850		849,371
Duval County, Florida, School Board, COP (Master Lease Program), 5%, 7/01/33 (c)		2,300		2,173,500
Hillsborough County, Florida, Aviation Authority Revenue Bonds, AMT, Series A, 5.375%, 10/01/33 (h)		1,750		1,631,822
Miami, Florida, Special Obligation Revenue Bonds (Street and Sidewalk Improvement Program), 5%, 1/01/37 (d)		820		753,293
Miami-Dade County, Florida, Aviation Revenue Refunding Bonds (Miami International Airport),		9,900		8,536,869

AMT, 5%, 10/01/40 (h)(i)		
Miami-Dade County, Florida, GO (Building Better Communities Program), Series B-1, 5.75%, 7/01/33	1,400	1,423,814
Miami-Dade County, Florida, School Board, COP, Refunding, Series B, 5.25%, 5/01/31 (h)	1,800	1,797,660
Orange County, Florida, Sales Tax Revenue Refunding Bonds, Series B, 5.125%, 1/01/32 (d)(f)	4,200	4,044,390
		22,776,303
Georgia 6.2%		
Atlanta, Georgia, Water and Wastewater Revenue Bonds:		
5%, 11/01/34 (c)	1,800	1,779,534
Series A, 5%, 11/01/33 (d)	1,000	886,510
Series A, 5%, 11/01/39 (d)	4,250	3,690,232
Augusta, Georgia, Water and Sewer Revenue Bonds, 5.25%, 10/01/39 (c)	2,300	2,331,257
Georgia Municipal Electric Authority, Power Revenue Refunding Bonds, Series EE, 7%, 1/01/25 (a)	7,475	9,131,161
		17,818,694
Illinois 18.4%		
Chicago, Illinois, O Hare International Airport, General Airport Revenue Bonds, Third Lien, AMT, Series B-2:		
5.75%, 1/01/23 (c)	5,670	5,752,782
6%, 1/01/29 (j)	2,300	2,253,011
Chicago, Illinois, O Hare International Airport, General Airport Revenue Refunding Bonds, Third Lien, AMT, Series A, 5.75%, 1/01/21 (d)	9,100	9,076,249
Cook County, Illinois, Capital Improvement, GO, Series C, 5.50%, 11/15/12 (a)(k)	2,460	2,808,680
Illinois Sports Facilities Authority, State Tax Supported Revenue Bonds, 5.473%, 6/15/30 (a)(b)	20,120	18,320,266
Illinois State Toll Highway Authority Revenue Bonds, Series B, 5.50%, 1/01/33	1,875	1,942,837
Regional Transportation Authority, Illinois, Revenue Bonds, Series A, 7.20%, 11/01/20 (a)	10,115	12,533,699
		52,687,524

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniEnhanced Fund, Inc. (MEN)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
Indiana 0.1%		
Indiana Municipal Power Agency, Power Supply System Revenue Bonds, Series B, 5.75%, 1/01/34	$ 400	$ 402,076
Louisiana 6.3%		
East Baton Rouge, Louisiana, Sewerage Commission, Revenue Refunding Bonds, Series A, 5.25%, 2/01/39	250	242,908
Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue Bonds (Capital Projects and Equipment Acquisition Program), Series A, 6.30%, 7/01/30 (a)	3,600	3,250,224
Louisiana Public Facilities Authority, Revenue Refunding Bonds (Christus Health), Series B, 6.50%, 7/01/30 (h)	1,500	1,619,355
Louisiana State Gas and Fuels Tax Revenue Bonds, Series A (c):		
4.75%, 5/01/39	4,075	3,899,245
5%, 5/01/36	5,400	5,412,636
Louisiana State Transportation Authority, Senior Lien Toll Revenue Capital Appreciation Bonds, Series B, 5.310%, 12/01/27 (a)(e)	3,735	1,172,902
Rapides Financing Authority, Louisiana, Revenue Bonds (Cleco Power LLC Project), AMT, 4.70%, 11/01/36 (a)	3,650	2,457,837
		18,055,107
Maryland 1.6%		
Maryland State Community Development Administration, Department of Housing and Community Development, Residential Revenue Refunding Bonds, AMT, Series A, 5.75%, 9/01/39	4,645	4,676,679
Massachusetts 4.7%		
Massachusetts State Port Authority, Special Facilities Revenue Bonds (Delta Air Lines Inc. Project), AMT, Series A (a):		
5.50%, 1/01/16	3,100	2,418,558
5.50%, 1/01/18	4,000	2,680,720
5.50%, 1/01/19	2,775	1,746,668
Massachusetts State, HFA, Rental Housing Mortgage Revenue Bonds, AMT, Series F, 5.25%, 1/01/46 (c)	5,600	5,094,488
Massachusetts State, HFA, S/F Housing Revenue Bonds, AMT, Series 128, 4.80%, 12/01/27 (c)	1,600	1,457,024
		13,397,458
Michigan 5.0%		
	3,600	3,010,860

Detroit, Michigan, Sewage Disposal System, Second Lien Revenue Bonds, Series B, 5%, 7/01/36 (d)(f)				
Detroit, Michigan, Sewage Disposal System, Second Lien Revenue Refunding Bonds, Series E, 5.75%, 7/01/31 (f)(l)		2,500		2,562,425
Detroit, Michigan, Water Supply System Revenue Bonds, Second Lien, Series B (c):				
6.25%, 7/01/36		400		417,392
7%, 7/01/36		200		220,974
Michigan Higher Education Student Loan Authority, Student Loan Revenue Refunding Bonds, AMT, Series XVII-G, 5.20%, 9/01/20 (a)		1,500		1,282,545
Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Detroit Edison Company Pollution Control Project), AMT (j):				
Series A, 5.50%, 6/01/30		1,300		1,131,689
Series C, 5.65%, 9/01/29		2,400		2,156,424
Series C, 5.45%, 12/15/32		4,300		3,648,550
				14,430,859

Municipal Bonds		**Par (000)**		**Value**
Minnesota 1.2%				
Dakota County, Minnesota, Community Development Agency, S/F Mortgage Revenue Bonds (Mortgage-Backed Securities Program), Series B, 5.15%, 12/01/38 (m)(n)(o)	$	128	$	127,036
Minneapolis, Minnesota, Health Care System, Revenue Refunding Bonds (Fairview Health Services), Series B, 6.50%, 11/15/38 (h)		2,950		3,198,567
				3,325,603
Nebraska 0.6%				
Washington County, Nebraska, Wastewater Facilities Revenue Bonds (Cargill Inc. Project), AMT, 5.90%, 11/01/27		1,600		1,561,328
Nevada 7.2%				
Carson City, Nevada, Hospital Revenue Bonds (Carson-Tahoe Hospital Project), Series A, 5.50%, 9/01/33 (i)		3,100		2,235,906
Clark County, Nevada, Airport System Subordinate Lien Revenue Bonds, Series A-2 (d)(f):				
5%, 7/01/30		1,500		1,417,515
5%, 7/01/36		3,200		2,950,080
Clark County, Nevada, IDR (Southwest Gas Corporation Project), AMT (f):				
Series A, 4.75%, 9/01/36		75		49,287
Series D, 5.25%, 3/01/38 (d)		1,300		933,036
Clark County, Nevada, Water Reclamation District, GO, Series B:				
5.50%, 7/01/29		4,500		4,702,905
5.75%, 7/01/34		1,825		1,934,427
Las Vegas Valley Water District, Nevada, GO, Refunding, Series A, 5%, 6/01/24 (d)(f)		1,600		1,616,656

Las Vegas, Nevada, Limited Tax, GO (Performing Arts Center):		
6%, 4/01/34	850	874,913
6%, 4/01/39	3,780	3,894,534
		20,609,259
New Jersey 8.3%		
New Jersey EDA, Cigarette Tax Revenue Bonds (i):		
5.50%, 6/15/31	600	419,928
5.75%, 6/15/34	305	217,032
New Jersey EDA, Motor Vehicle Surcharge Revenue Bonds, Series A (d):		
5.25%, 7/01/31	9,325	9,312,132
5.25%, 7/01/33	7,800	7,778,238
New Jersey EDA, School Facilities Construction Revenue Bonds:		
Series O, 5.125%, 3/01/28	3,960	4,016,509
Series Z, 6%, 12/15/34 (h)	2,000	2,206,000
		23,949,839
New York 5.5%		
Erie County, New York, IDA, School Facility Revenue Bonds (City of Buffalo Project), Series A, 5.75%, 5/01/28 (c)	1,500	1,543,560
Metropolitan Transportation Authority, New York, Revenue Bonds, Series C, 6.50%, 11/15/28	4,000	4,414,040
Metropolitan Transportation Authority, New York, Transportation Revenue Bonds, Series A, 5%, 11/15/32 (d)(f)	2,050	1,981,141
New York City, New York, City Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, Series A, 5.75%, 6/15/40	1,250	1,342,088

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniEnhanced Fund, Inc. (MEN)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
New York (concluded)		
New York City, New York, City Transitional Finance Authority, Building Aid Revenue Bonds, Series S-4, 5.50%, 1/15/34	$ 2,750	$ 2,791,085
New York State Dormitory Authority, State Personal Income Tax Revenue Bonds (Education), Series B, 5.75%, 3/15/36	1,200	1,295,604
Tobacco Settlement Financing Corporation of New York Revenue Bonds, Series A-1, 5.25%, 6/01/22 (a)	2,300	2,322,678
		15,690,196
Oregon 0.6%		
Oregon State Housing and Community Services Department, S/F Mortgage Program Revenue Bonds, AMT, Series G, 5.50%, 1/01/38	1,850	1,839,585
Pennsylvania 0.6%		
Pennsylvania HFA, S/F Mortgage Revenue Refunding Bonds, AMT, Series 99A, 5.25%, 10/01/32	1,500	1,411,410
Philadelphia, Pennsylvania, School District, GO, Series E, 6%, 9/01/38	400	422,792
		1,834,202
Rhode Island 2.9%		
Providence, Rhode Island, Public Building Authority, General Revenue Bonds, Series A, 6.25%, 12/15/10 (c)(k)	4,345	4,772,548
Rhode Island State Economic Development Corporation, Airport Revenue Bonds, Series B, 6.50%, 7/01/10 (f)(k)	3,355	3,608,269
		8,380,817
South Carolina 5.7%		
Berkeley County, South Carolina, School District, Installment Lease Revenue Bonds (Securing Assets for Education Project), 5.125%, 12/01/30	3,800	3,734,070
Kershaw County, South Carolina, Public Schools Foundation, Installment Power Revenue Refunding Bonds, 5%, 12/01/29 (p)	2,365	2,308,453
Scago Educational Facilities Corporation for Pickens County School District, South Carolina, Revenue Bonds, 5%, 12/01/31 (c)	9,200	8,885,544
South Carolina State Public Service Authority, Revenue Refunding Bonds, Series A, 5.50%, 1/01/38	1,275	1,338,278

				16,266,345
Tennessee 2.8%				
Knox County, Tennessee, Health, Educational and Housing Facilities Board, Hospital Facilities Revenue Refunding Bonds (Covenant Health), Series A, 5.04%, 1/01/38 (e)		4,100		490,237
Metropolitan Government of Nashville and Davidson County, Tennessee, Health and Educational Facilities Board, Revenue Refunding Bonds (Vanderbilt University), Series B, 5.50%, 10/01/29		5,000		5,356,150
Tennessee Energy Acquisition Corporation, Gas Revenue Bonds, Series A, 5.25%, 9/01/26		2,610		2,108,697
				7,955,084
Texas 15.2%				
Dallas-Fort Worth, Texas, International Airport Revenue Bonds, AMT, Series A, 5.50%, 11/01/33 (d)		13,000		12,330,630
Dallas-Fort Worth, Texas, International Airport, Joint Revenue Bonds, AMT, Series B, 6%, 11/01/23 (d)		600		601,056
Houston, Texas, Combined Utility System, First LienRevenue Refunding Bonds, Series A, 6%, 11/15/35 (h)		2,100		2,235,135

Municipal Bonds		**Par (000)**		**Value**
Texas (concluded)				
Lewisville, Texas, Independent School District, Capital Appreciation and School Building, GO, Refunding, 4.671%, 8/15/24 (d)(e)(f)	$	4,475	$	1,966,226
Mansfield, Texas, Independent School District, GO, 5%, 2/15/33		1,725		1,758,310
Matagorda County, Texas, Navigation District Number 1, PCR, Refunding (Central Power and Light Company Project), AMT, 5.20%, 5/01/30 (d)		2,400		1,877,736
North Harris County, Texas, Regional Water Authority, Senior Lien Revenue Bonds, 5.125%, 12/15/35 (d)		5,720		5,585,637
North Texas Tollway Authority, System Revenue Refunding Bonds, First Tier:				
5.75%, 1/01/40 (d)		1,600		1,605,264
Series A, 6%, 1/01/25		625		656,813
Series K-1, 5.75%, 1/01/38 (h)		3,800		3,971,646
Series K-2, 6%, 1/01/38 (h)		4,015		4,287,819
Texas State Turnpike Authority, Central Texas Turnpike System Revenue Bonds, First Tier, Series A, 5.50%, 8/15/39 (a)		7,150		6,827,321
				43,703,593
Utah 1.8%				
Utah Transit Authority, Sales Tax Revenue Bonds, Series A, 5%, 6/15/36 (c)		5,000		5,080,300
Vermont 0.9%				
Vermont HFA, S/F Housing Revenue Bonds, AMT, Series 27, 4.85%, 11/01/32 (c)		3,000		2,640,630

Virginia 0.1%		
Fairfax County, Virginia, IDA, Health Care Revenue Refunding Bonds (Inova Health System Project), Series A, 5.50%, 5/15/35	350	354,028
Washington 0.2%		
Port of Tacoma, Washington, GO, AMT, Series B, 4.875%, 12/01/38 (h)	515	435,082
Wisconsin 0.7%		
Wisconsin State Health and Educational Facilities Authority Revenue Bonds (Ascension Health), 5%, 11/15/31 (c)	2,125	2,033,583
Total Municipal Bonds 134.3%		385,709,681

Municipal Bonds Transferred to Tender Option Bond Trusts (q)		
California 1.8%		
Anaheim, California, Public Financing Authority, Electric System Distribution Facilities Revenue Bonds, Series A, 5%, 10/01/31 (c)	959	944,206
San Diego County, California, Water Authority, Water Revenue Refunding Bonds, COP, Series A, 5%, 5/01/33 (c)	2,810	2,763,719
Tamalpais, California, Union High School District, GO (Election of 2001), 5%, 8/01/28 (c)	1,605	1,568,197
		5,276,122
District of Columbia 0.7%		
District of Columbia, Water and Sewer Authority, Public Utility Revenue Refunding Bonds, 6%, 10/01/35	1,770	1,910,154

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniEnhanced Fund, Inc. (MEN)
(Percentages shown are based on Net Assets)

Municipal Bonds Transferred to Tender Option Bond Trusts (q)	Par (000)	Value
Florida 4.0%		
Miami-Dade County, Florida, School Board, COP, Refunding, Series B, 5%, 5/01/33 (h)	$ 12,000	$ 11,561,520
Georgia 6.1%		
Atlanta, Georgia, Airport General Revenue Refunding Bonds, Series B, 5.25%, 1/01/33 (c)	17,356	17,471,902
Illinois 0.7%		
Metropolitan Pier and Exposition Authority, Illinois, Dedicated State Tax Revenue Refunding Bonds (McCormick Place Expansion Project), Series B, 5.75%, 6/15/23 (d)	1,999	2,105,227
Massachusetts 3.8%		
Massachusetts State School Building Authority, Dedicated Sales Tax Revenue Bonds, Series A, 5%, 8/15/30 (c)	10,600	10,799,235
New Hampshire 2.6%		
New Hampshire Health and Education Facilities Authority Revenue Bonds (Dartmouth-Hitchcock Obligation Group), 5.5%, 8/01/27 (c)	7,390	7,450,524
New Jersey 5.3%		
New Jersey EDA, Cigarette Tax Revenue Bonds, 5.50%, 6/15/24 (h)	15,250	15,064,103
South Carolina 2.4%		
Charleston Educational Excellence Financing Corporation, South Carolina, Revenue Bonds (Charleston County School District) (h):		
5.25%, 12/01/28	3,120	3,144,024
5.25%, 12/01/29	2,765	2,772,493
5.25%, 12/01/30	1,010	1,006,071
		6,922,588
Texas 0.8%		
Clear Creek Texas Independent School District, Refunding, 5%, 2/15/33	2,200	2,263,723
Virginia 0.8%		
Virginia State, HDA, Commonwealth Mortgage Revenue Bonds, Series H, Sub-Series H-1, 5.35%, 7/01/31 (f)	2,310	2,322,012
Washington 1.4%		
	4,004	4,040,079

Central Puget Sound Regional Transportation Authority,
Washington, Sales and Use Tax Revenue Bonds,
Series A, 5%, 11/01/32 (c)

Total Municipal Bonds Transferred to Tender Option Bond Trusts 30.4%	87,187,189
Total Long-Term Investments (Cost $496,917,541) 164.7%	472,896,870

Short-Term Securities	Par (000)	Value
Pennsylvania 3.5%		
Philadelphia, Pennsylvania, GO, Refunding, Series B, 3.50%, 5/01/09 (c)(r)	$ 10,000	$ 10,000,000
	Shares	
Money Market 1.1%		
FFI Institutional Tax-Exempt Fund, 0.72% (s)(t)	3,302,493	3,302,493
Total Short-Term Securities (Cost $13,302,493) 4.6%		13,302,493
Total Investments (Cost $510,220,034*) 169.3%		486,199,363
Other Assets Less Liabilities 2.0%		5,759,867
Liability for Trust Certificates, Including Interest Expense and Fees Payable (16.0)%		(46,005,743)
Preferred Shares, at Redemption Value (55.3)%		(158,875,005)
Net Assets Applicable to Common Shares 100.0%		$ 287,078,482

* The cost and unrealized appreciation (depreciation) of investments as of April 30, 2009, as computed for federal income tax purposes, were as follows:

Aggregate cost	$ 464,697,651

		0.3	
Repayments of short-term borrowings	(0.3)		(0.3)
Cash dividends paid	(3.0)		(3.0)
Proceeds from exercise of stock options	0.1		0.1
Other	141.3	(141.3)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	137.8	(141.3)	(3.5)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
NET INCREASE IN CASH AND CASH EQUIVALENTS	157.4	8.5	165.9

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12.0	0.6		12.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 169.4	$ 9.1	$	$ 178.5

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2005

	Neenah Paper, Inc	Subsidiary Guarantors	Consolidating Adjustments	Consolidated Amounts
OPERATING ACTIVITIES				
Net income	$ 9.5	$ 11.5	$ (11.5)	$ 9.5
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	5.5	8.7		14.2
Amortization of stock-based compensation	0.5			0.5
Asset impairment loss		0.8		0.8
Deferred income tax provision	7.1	(5.8)		1.3
Loss on other asset dispositions		0.1		0.1
Decrease in working capital	(2.7)	5.4		2.7
Equity in earnings of subsidiaries	(11.5)		11.5	
Pension and other post-employment benefits	2.6	(2.6)		
Other	(0.8)	0.3		(0.5)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10.2	18.4		28.6
INVESTING ACTIVITIES				
Capital expenditures	(7.1)	(3.5)		(10.6)
Other	(2.0)	1.8		(0.2)
NET CASH USED IN INVESTING ACTIVITIES	(9.1)	(1.7)		(10.8)
FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	3.5			3.5
Repayments of long-term debt	(0.6)			(0.6)
Short-term borrowings	2.3			2.3
Repayments of short-term borrowings	(1.4)			(1.4)
Cash dividends paid	(3.0)			(3.0)
Other	12.1	(12.1)		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	12.9	(12.1)		0.8
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(0.2)		(0.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14.0	4.4		18.4
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13.9	5.2		19.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 27.9	$ 9.6	$	$ 37.5

Note 15. Subsequent Event

On August 9, 2006, the Company signed a definitive agreement to purchase the outstanding stock of FiberMark Services GmbH & Co. (FiberMark Germany), a German subsidiary of FiberMark Inc., for $218 million. FiberMark Germany owns FiberMark Gessner GmbH and FiberMark Lahnstein GmbH. The operations of FiberMark Germany and subsidiaries consist of three manufacturing sites, producing a diverse range of products, including auto filter media, tape and abrasive backings and other specialized printing and coating substrates. In 2005, FiberMark Germany had net sales and operating income of $221 million and $29 million, respectively. The Company expects to finance the all cash purchase price through a combination of available cash, including $140 million of proceeds from the sale of timberlands in June, and debt from its existing bank credit facility or other sources. The transaction is subject to customary closing conditions, including competition clearance in certain jurisdictions, and is expected to close in the fourth quarter of 2006.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis presents the factors that had a material effect on our results of operations during the three and six months ended June 30, 2006 and 2005. Also discussed is our financial position as of June 30, 2006. You should read this discussion in conjunction with our consolidated and combined financial statements and the notes to those consolidated and combined financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005. This Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements. Amounts presented in the following tables are in millions, except as noted.

Executive Summary

Results of Discontinued Operations

Manufacturing operations at the Terrace Bay mill have been suspended since February 2006 due to a lack of wood fiber for its operations. The mill s fiber supply was exhausted as a result of a strike by the approximately 250 workers employed by the Longlac woodlands operations that supplies wood fiber to the mill. Most of the approximately 400 hourly and salaried workers employed at the mill were laid off for an indefinite period during the two weeks following the suspension of manufacturing activities. In 2005, the Terrace Bay mill produced approximately 375,000 metric tons of pulp.

Following the suspension of manufacturing operations, we fulfilled our contractual obligation to supply pulp to Kimberly-Clark by shipping from the mill s inventory of finished goods. The mill s inventory of finished goods was exhausted in July. As a result, we notified Kimberly-Clark that due to a Force Majeure Event (as defined) we are unable to fulfill our obligations under the pulp supply agreement. During the continuance of a Force Majeure Event we are generally excused, without penalty, from our obligation to supply and Kimberly-Clark is generally excused, also without penalty, from its obligation to purchase pulp under the pulp supply agreement.

On May 9, 2006, we announced a tentative agreement to transfer the Terrace Bay mill to Buchanan Forest Products Ltd. (Buchanan). In August 2006, we signed a definitive agreement to transfer the mill (excluding certain working capital amounts and post-employment obligations) to Buchanan. The Terrace Bay mill is composed of a single-line pulp facility, which primarily produces softwood pulp, and a woodlands operation. The Terrace Bay mill holds non-exclusive rights under a sustainable forest license to harvest wood off approximately 4.6 million acres of land owned by the Province of Ontario. Pursuant to the terms of the agreement, Buchanan will assume responsibility for substantially all liabilities related to the future operation of the mill in exchange for a payment of approximately $18 million.

For the three months ended June 30, 2006, net sales at the Terrace Bay mill decreased by $47.7 million compared to the prior year due to the suspension of manufacturing operations in February 2006. For the three months ended June 30, 2006, the Terrace Bay mill s operating loss of $11.6 million increased $7.9 million from the prior year period primarily due to required benefit payments of approximately $6.4 million to laid-off workers. In addition, we recognized an estimated pre-tax loss of $6.0 million to record the assets to be transferred to Buchanan at estimated realizable value less the estimated direct costs of the transfer.

At closing, we will retain certain working capital amounts, primarily consisting of trade accounts

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receivable, finished goods inventory and trade accounts payable. In addition, we will retain long-term disability obligations for current and former mill employees and post-employment medical and life insurance liabilities for current retirees.

In conjunction with the transfer of mill employees to Buchanan and as a closing condition of the agreement, we will initiate plans to curtail and settle our Ontario, Canada defined benefit pension plan. We expect to record a loss of approximately $22 million in the third quarter of 2006 related to the settlement of pension obligations for current retirees. We will make a payment to the pension trust of approximately $11 million for the purchase of annuity contracts to settle the liability. In addition, we expect to record a loss of approximately $50 million and make a payment of approximately $7 million related to the settlement of pension obligations for active employees. The timing and amount of the payment and recognition of the loss to settle the liability for active employees is dependent upon, among other things, an actuarial determination of the value of the obligations being settled, the cost of annuity contracts, regulatory approval to settle the plan and employee elections.

Availability under our revolving credit facility fluctuates over time depending on the value of our inventory, receivables and various capital assets. The suspension of manufacturing operations at the Terrace Bay mill resulted in a decrease in the value of the assets securing our credit facility and a reduction in availability under the revolving credit facility. At June 30, 2006, availability under our revolving credit facility (before reductions for outstanding letters of credit) was $135.1 million, a decrease of $14.9 million from the availability at December 31, 2005.

Sale of Woodlands

On June 29, 2006, we completed the sale of approximately 500,000 acres of woodlands in Nova Scotia to Atlantic Star Forestry LTD and Nova Star Forestry LTD (the Purchaser) for $139.1 million. We received the total proceeds from the sale in cash at closing. We also entered into a fiber supply agreement (the FSA) with the Purchaser to secure a source of fiber for our Pictou pulp mill. Following the sale, we have approximately 500,000 acres of owned and 200,000 acres of licensed or managed woodlands in Nova Scotia.

Pursuant to the terms of the FSA, the Purchaser is required to make available to us sufficient woodlands acreage to yield 200,000 metric tons of softwood timber annually. We are required to bear all costs associated with harvesting the timber, and title to the timber transfers to us when the timber is cut. Timber purchases under the FSA are at market-based prices subject to semi-annual adjustment. The FSA expires on December 31, 2010 and can be extended for an additional five years at our discretion. The FSA can be extended for a subsequent five years upon the mutual agreement of us and the Purchaser. The FSA does not give us the option or right to reacquire the woodlands that were sold.

We have determined that the sale qualifies for gain recognition under the full accrual method described in Statement of Financial Accounting Standards No. 66, Accounting for Sales of Real Estate (FAS 66). We have also concluded that a portion of the proceeds should be allocated to the non-market elements of the FSA based on their fair value and amortized over the initial term of the FSA. As a result, we recognized a pre-tax gain on the sale of approximately $122.6 million in the three months ended June 30, 2006 and deferred approximately $9.0 million, which represents the estimated fair value of the non-market elements of the FSA.

However, the FSA may be interpreted under FAS 66 as a form of continuing involvement with real estate which would prohibit immediate recognition of a gain on sale under the full accrual method and would require us to account for the transaction as a financing rather than a sale. If accounted for as a financing, the carrying amount of the woodlands would remain on the balance sheet and continue to be depleted. The proceeds from the transaction would be reflected as a non-current financing obligation. When we determine that our continuing involvement in the real estate no longer exists, the carrying amount of the woodlands and the financing obligation would be removed from the balance sheet and a gain on sale would be recognized. For the three months ended June 30, 2006, recognition of the transaction as a financing rather than a sale would have reduced income from continuing operations before income taxes, income from continuing operations and diluted EPS from continuing operations by $122.6 million, $75.7 million and $5.11 per diluted share, respectively. The timing of gain recognition will have no impact on the cash flows related to the transaction.

To resolve this issue, we have requested guidance on this accounting matter from the Office of the Chief Accountant of the Securities and Exchange Commission (the SEC Staff). However, the evaluation of this matter by the SEC Staff is not complete.

Until this accounting matter is resolved, our independent registered public accountants can not complete their review of our interim financial statements included in this filing as required by Rule 10-01(d) of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act).

Once the requested guidance from the SEC Staff has been obtained and our independent registered public accountants have completed their review, we will amend this Form 10-Q to reflect any changes needed as a result of such guidance.

Since the review required by Rule 10-01(d) has not been completed, this Form 10-Q is considered deficient by the Securities and Exchange Commission. This means that we are not current in our filings under the Exchange Act. We believe that the delay in obtaining the required review of the financial statements contained herein is not likely to have a material effect on our senior credit facility or the indentures governing our debt obligations. In light of the absence of the required review under Rule 10-01(d) for the quarter covered by this Form 10-Q, the Section 906 certifications required by 18 U.S.C. Section 1350 and included as Exhibit 32 to this Form 10-Q have been qualified by reference to the absence of that review.

Recent Developments

On August 9, 2006, we signed a definitive agreement to purchase the outstanding stock of FiberMark Services GmbH & Co. (FiberMark Germany), a German subsidiary of FiberMark Inc., for $218 million. FiberMark Germany owns FiberMark Gessner GmbH and FiberMark Lahnstein GmbH. The operations of FiberMark Germany and subsidiaries consist of three manufacturing sites, producing a diverse range of products, including auto filter media, tape and abrasive backings and other specialized printing and coating substrates. In 2005, FiberMark Germany had net sales and operating income of $221 million and $29 million, respectively. We expect to finance the all cash purchase price through a combination of available cash, including $140 million of proceeds from the sale of timberlands in June, and debt from our existing bank credit facility or other sources. The transaction is subject to customary closing conditions, including competition clearance in certain jurisdictions, and is expected to close in the fourth quarter of 2006.

We do not anticipate any restructuring or integration charges related to the acquisition. The transaction is expected to deliver attractive returns on invested capital and be immediately accretive to earnings.

Results of Continuing Operations

Consolidated operating results for the three months ended June 30, 2006 benefited from the gain on the sale of woodlands (see Sale of Woodlands above). Excluding this gain, operating income for the three months ended June 30, 2006 was $2.2 million unfavorable to the prior year primarily due to higher manufacturing costs and unfavorable currency translation effects related to the strengthening of the Canadian dollar compared to the U.S. dollar. The increase in manufacturing costs was primarily due to higher raw material, energy and employee benefit costs. These unfavorable factors were only partially offset by higher average selling prices in the Fine Paper and Technical Products businesses due to the realization of price increases implemented in January 2006 and, to a lesser extent, in the second half of 2005 and record production volume at our Pictou mill.

Consolidated operating income for the six months ended June 30, 2006 increased $111.5 compared to 2005 due to the gain on the sale of woodlands. Excluding the gain on sale, consolidated operating income was $11.1 million unfavorable to the prior year primarily due to higher manufacturing costs, unfavorable currency translation effects related to the strengthening of the Canadian dollar compared to the U.S. dollar, and increased corporate expenses for stock-based compensation and depreciation related to our enterprise resource planning (ERP) software. These unfavorable effects were partially offset by record production volume in the second quarter of 2006 at our Pictou mill and higher average net prices in the Fine Paper and Technical Products businesses.

On January 1, 2006, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payment* (FAS 123R) using the modified-prospective transition method. Stock-based compensation cost recognized under FAS 123R in the three and six months ended June 30, 2006 was $1.3 million and $2.7 million, respectively, and consisted of (a) compensation cost for all unvested stock-based grants outstanding as of January 1, 2006, based on the grant date fair value estimated in accordance with the pro forma provisions of FAS123, *Accounting for Stock-Based Compensation* (FAS 123) and (b) compensation cost for all stock-based awards granted subsequent to adoption based on the grant date fair value estimated in accordance with the provisions of FAS 123R. The adoption of FAS 123R resulted in additional stock-based compensation expense of $0.9 million and income tax benefits of $0.3 million and reduced diluted earnings per share by $0.04 for the three months ended June 30, 2006. For the six months ended June 30, 2006 additional stock-based compensation and related income tax benefits were $2.1 million and $0.8 million and reduced EPS by $0.09.

Results of Operations and Related Information

In this section, we discuss and analyze our net sales, income before interest and income taxes (which we refer to as operating income) and other information relevant to an understanding of our results of operations for the three and six months ended June 30, 2006 and 2005.

Analysis of Net Sales Three and Six Months Ended June 30, 2006 and 2005

The following table presents net sales by segment, expressed as a percentage of total net sales before intersegment eliminations:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2006	**2005**	**2006**	**2005**
Fine Paper	40 %	44 %	42 %	42 %
Technical Products	24 %	26 %	24 %	26 %
Pulp	36 %	30 %	34 %	32 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

The following table presents our net sales by segment for the periods indicated:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2006	**2005**	**2006**	**2005**
Net sales				
Fine Paper	$ 57.3	$ 56.8	$ 115.4	$ 114.7
Technical Products	33.8	34.4	66.8	70.3
Pulp	52.1	39.1	95.2	86.2
Intersegment sales	(0.4)	(0.2)	(1.7)	(0.2)
Consolidated	$ 142.8	$ 130.1	$ 275.7	$ 271.0

Commentary:

Three Months Ended June 30, 2006 Compared to the Three Months Ended June 30, 2005

	Change in Net Sales Compared to Prior Period		
	Total Change	**Change Due To Volume**	**Average Net Price**
Fine Paper	$ 0.5	$ (0.3)	$ 0.8
Technical Products	(0.6)	(0.8)	0.2
Pulp (a)	13.0	12.3	0.7
Intersegment sales	(0.2)	(0.2)	
Consolidated	$ 12.7	$ 11.0	$ 1.7

(a) Sales of pulp by our Canadian manufacturing facilities are invoiced in U.S. dollars in accordance with industry practice; therefore, no currency effects are presented in our analysis of the change in net sales for our pulp operations.

Consolidated net sales increased 10% in the three months ended June 30, 2006 compared to the prior year period primarily due to record pulp production at our Pictou mill.

- Net sales in our fine paper business increased $0.5 million, or 1%, primarily due to a 1.3% increase in average net selling prices. Higher average net selling prices were due to the realization of price increases on branded products implemented in the first quarter of 2006,

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partially offset by unfavorable product mix. Unit volumes decreased by approximately 0.5% primarily due to lower sales of branded products.

- Net sales in our technical products business decreased $0.6 million, or 2%, primarily due to a 2% decrease in unit volumes. Lower shipments of heat transfer and other specialty grades were only partially offset by increased tape, abrasive and label volume. The increase in average net selling prices was due to the implementation of a surcharge to recover higher raw material costs and a general price increase implemented in January 2006. The benefit of higher selling prices was partially offset by unfavorable product mix due to selling a higher proportion of relatively lower priced products.

- Net sales in our pulp business increased $13.0 million, or 33%, primarily due to a 40% increase in shipments. The increase in shipments reflected record pulp production volume at our Pictou mill and the timing of customer orders in the second quarter of 2005. Average net selling prices were favorable as higher average market prices for softwood pulp and favorable product mix were only partially offset by losses on pulp future contracts. Favorable product mix was primarily due to increased sales of logs to sawmills and veneer manufacturers.

Commentary:

Six Months Ended June 30, 2006 Compared to the Six Months Ended June 30, 2005

	Change in Net Sales Compared to Prior Period		
		Change Due To	
	Total Change	Volume	Average Net Price
Fine Paper	$ 0.7	$ (2.0)	$ 2.7
Technical Products	(3.5)	(4.7)	1.2
Pulp (a)	9.0	10.2	(1.2)
Intersegment sales	(1.5)	(1.5)	
Consolidated	$ 4.7	$ 2.0	$ 2.7

(a) Sales of pulp by our Canadian manufacturing facilities are invoiced in U.S. dollars in accordance with industry practice; therefore, no currency effects are presented in our analysis of the change in net sales for our pulp operations.

Consolidated net sales for the six months ended June 30, 2006 were 2% higher than the prior year period primarily due to increased pulp shipments. The increase in pulp volume was partially offset by lower Technical Products sales.

- Net sales in our fine paper business increased $0.7 million, or 1%, primarily due to higher average net prices. Higher average net selling prices were due to the realization of price increases on branded products implemented in the first quarter of 2006, partially offset by unfavorable product mix. Unit volumes were unfavorable to the prior year primarily due to lower sales of branded products.

- Net sales in our technical products business decreased $3.5 million, or 5%, primarily due to lower sales volume. The decrease in unit volumes was primarily due to lower shipments of heat transfer, premask and other specialty grades. The increase in average net selling prices was primarily due to the implementation of a surcharge to recover higher raw material costs and a general price increase in January 2006, partially offset by unfavorable product mix.

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- Net sales in our pulp business increased $9.0 million, or 10%, primarily due to an increase in shipments. The increase in shipments was primarily due to record pulp production at our Pictou mill in the second quarter of 2006, the timing of customer orders in the second quarter of 2005 and an increase in inventories during the first quarter of 2005 to comply with contractually required safety stock levels as we become a supplier of market pulp. Average net selling prices decreased as higher average market prices for softwood pulp were more than offset by losses on pulp price hedges.

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The following table sets forth line items from our condensed consolidated statements of operations as a percentage of net sales for the periods indicated and is intended to provide a perspective of trends in our historical results:

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of products sold	81.7	76.9	82.0	77.6
Gross profit	18.3	23.1	18.0	22.4
Selling, general and administrative expenses	8.3	9.7	9.8	9.0
Gain on sale of woodlands (Note 3)	(85.9)		(44.5)	
Other (income) expense - net	(1.4)	(0.8)	(1.3)	(0.4)
Operating income	97.3	14.2	54.0	13.8
Interest expense-net	2.9	3.5	3.1	3.4
Income from continuing operations before income taxes	94.4	10.7	50.9	10.4
Provision for income taxes	35.4	3.7	19.1	3.8
Income from continuing operations	59.0 %	7.0 %	31.8 %	6.6 %

Analysis of Operating Income   Three and Six Months Ended June 30, 2006 and 2005

The following table sets forth our operating income by segment for the periods indicated:

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Operating income				
Fine Paper	$ 15.5	$ 16.0	$ 31.1	$ 33.0
Technical Products	2.9	3.1	4.9	7.8
Pulp	123.1	1.1	119.5	
Unallocated corporate costs	(2.6)	(1.7)	(6.6)	(3.4)
Consolidated	$ 138.9	$ 18.5	$ 148.9	$ 37.4

Commentary:

Three Months Ended June 30, 2006 Compared to the Three Months Ended June 30, 2005

	Change in Operating Income (Loss) Compared to Prior Period					
		Change Due To				
	Total Change	Volume	Net Price (a)	Material Costs (b)	Currency	Other (c)
Fine Paper	$ (0.5)	$ (0.1)	$ 0.8	$ (1.0)	$	$ (0.2)
Technical Products	(0.2)	(0.1)	0.8	(0.5)		(0.4)
Pulp (d)	122.0	3.2	(1.2)	(0.7)	(1.2)	121.9
Unallocated corporate costs	(0.9)					(0.9)
Consolidated	$ 120.4	$ 3.0	$ 0.4	$ (2.2)	$ (1.2)	$ 120.4

(a) Includes price changes, net of pulp discounts and changes in product mix.

(b) Includes price changes for raw materials and energy.

(c) Includes gain on woodlands sale, annual maintenance-related downtime spending, other materials, manufacturing labor, distribution and selling, general and administrative expenses. See Note 3 of Notes to Consolidated Financial Statements.

(d) Operating income for our pulp business in 2006 includes a gain of $122.6 million related to the sale of woodlands in Nova Scotia, Canada. See Note 3 of Notes to Consolidated Financial Statements.

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Consolidated operating income for the three months ended June 30, 2006 increased $120.4 compared to 2005 due to the gain on the sale of woodlands. Excluding the gain on sale, consolidated operating income was $2.2 million unfavorable to the prior year primarily due to higher manufacturing costs and unfavorable currency translation effects related to the strengthening of the Canadian dollar compared to the U.S. dollar. The increase in manufacturing costs was primarily due to higher raw material, energy and employee benefit costs. These unfavorable effects were partially offset by increased volume in our pulp business and higher average net prices in our paper businesses.

- Operating income for our fine paper business decreased $0.5 million, or 3%, primarily due to higher energy, chemical and labor costs. The increase in manufacturing costs was partially offset by higher average net selling prices due to the realization of price increases on branded products implemented in the first quarter of 2006.

- Operating income for our technical products business decreased $0.2 million, or 6%, primarily due to higher oil-based raw material (primarily latex) and labor costs. The increase in manufacturing costs was partially offset by higher average net selling prices due to the realization of a general price increase in January 2006 and the implementation of a surcharge to recover the increased latex costs.

- Operating income for our pulp business increased $122.0 million from the prior year due to the gain on the sale of the woodlands ($122.6 million). Excluding the gain on sale of the woodlands, operating income for the pulp business decreased $0.6 million due to unfavorable currency translation effects related to the strengthening of the Canadian dollar compared to the U.S. dollar and lower average net selling prices. Average net selling prices decreased as higher market prices for softwood pulp were more than offset by losses on pulp hedges. These effects were only partially offset by record pulp production at our Pictou mill and improved manufacturing efficiencies.

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Commentary:

Six Months Ended June 30, 2006 Compared to the Six Months Ended June 30, 2005

	Change in Operating Income (Loss) Compared to Prior Period					
		Change Due To				
	Total Change	Volume	Net Price (a)	Material Costs (b)	Currency	Other (c)
Fine Paper	$ (1.9)	$ (0.7)	$ 2.6	$ (2.4)	$	$ (1.4)
Technical Products	(2.9)	(0.9)	1.6	(1.3)		(2.3)
Pulp (d)	119.5	2.8	0.2	(1.0)	(2.4)	119.9
Unallocated corporate costs	(3.2)					(3.2)
Consolidated	$ 111.5	$ 1.2	$ 4.4	$ (4.7)	$ (2.4)	$ 113.0

(a) Includes price changes, net of pulp discounts and changes in product mix.

(b) Includes price changes for raw materials and energy.

(c) Includes gain on woodlands sale, annual maintenance-related downtime spending, other materials, manufacturing labor, distribution and selling, general and administrative expenses. See Note 3 of Notes to Consolidated Financial Statements.

(d) Operating income for our pulp business in 2006 includes a gain of $122.6 million related to the sale of woodlands in Nova Scotia, Canada. See Note 3 of Notes to Consolidated Financial Statements.

Consolidated operating income for the six months ended June 30, 2006 increased $111.5 compared to 2005 due to the gain on the sale of woodlands. Excluding the gain on sale, consolidated operating income was $11.1 million unfavorable to the prior year primarily due to higher manufacturing costs, unfavorable currency translation effects related to the strengthening of the Canadian dollar compared to the U.S. dollar, and increased corporate expenses for stock-based compensation and depreciation related to our ERP software. These unfavorable effects were partially offset by increased volume in our pulp business and higher average net prices in our paper businesses.

- Operating income for our fine paper business decreased $1.9 million, or 6%, primarily due to higher raw material costs, lower branded product volume and higher corporate expenses. The increase in raw material costs and lower volume was partially offset by higher average net selling prices due to the realization of price increases on branded products implemented in the first quarter of 2006.

- Operating income for our technical products business decreased $2.9 million, or 37%, primarily due to higher oil-based raw material (primarily latex) and energy costs, increased corporate expenses and lower volume. The increase in raw material costs was partially offset by higher average net selling prices due to the realization of a general price increase in January 2006 and the implementation of a surcharge to recover the increased latex costs.

- Operating income for our pulp business increased $119.5 million from the prior year due to the gain on the sale of the woodlands ($122.6 million). Excluding the gain on sale of the woodlands, operating income for the pulp business decreased $3.1 million due to unfavorable currency translation effects related to the strengthening of the Canadian dollar compared to the U.S. dollar; unscheduled recovery boiler related maintenance downtime, higher raw material and energy costs and increased corporate expenses. These effects were only partially

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offset by record pulp production at our Pictou mill in the second quarter and improved manufacturing efficiencies.

- Unallocated corporate expenses increased by $3.2 million primarily due to amortization of stock-based compensation and depreciation related to our ERP software. Amortization of stock based compensation increased approximately $2.2 million due to the adoption on January 1, 2006 of FAS 123R.

Additional Statement of Operations Commentary:

- For the three months ended June 30, 2006 and 2005 we incurred $4.1 million and $4.6 million, respectively, of net interest expense (including $0.5 million of amortization of debt issuance costs in both periods) primarily on our $225 million of senior notes. Net interest expense for the six months ended June 30, 2006 and 2005 was $8.6 million and $9.3 million, respectively.

- The effective tax rate was 37.5% for the three and six months ended June 30, 2006 and 35.3% and 36.3% for the three and six months ended June 30, 2005. The increase in the effective tax rate was primarily due to non-taxable items representing a smaller proportion of pretax income in 2006.

Liquidity and Capital Resources

	Six Months Ended June 30, 2006	2005
Net cash flow provided by (used in):		
Operating activities	$ 44.5	$ 28.6
Investing activities	124.9	(10.8)
Financing activities	(3.5)	0.8
Capital expenditures	9.9	10.6

Operating Cash Flow Commentary:

- Cash provided by operations of $44.5 million for the six months ended June 30, 2006 increased $15.9 million from the comparable period of the prior year. This increase was primarily due to a decrease in operating working capital, partially offset by lower net income (excluding the gain on the sale of the woodlands and the non-cash effects of deferred income taxes and depreciation). The decrease in operating working capital was primarily due to the depletion of finished goods inventory and the collection of accounts receivable at the Terrace Bay mill.

Investing Commentary:

- Cash provided by investing activities for the six months ended June 30, 2006 of $124.9 million, increased $135.7 million from the prior year period. The increase was primarily due to net proceeds from the sale of woodlands of $134.8 million. Capital spending for the first six months of 2006 of $9.9 million was $0.7 million lower than the comparable prior year period. The decrease was primarily due to spending for the acquisition and installation of ERP software and leasehold improvements at our new research and development center in the prior year.

• We have aggregate planned capital expenditures for 2006 of approximately $25 million. The timing and amount of actual capital expenditures in 2006 will depend on the outcome of negotiations with regulatory authorities, the results of engineering studies and the remediation methods ultimately selected. These capital expenditures are not expected to have a material adverse effect on our financial condition, results of operations or liquidity.

Financing Commentary:

• Our liquidity requirements are being provided by cash generated from operations, proceeds from asset sales and short- and long-term borrowings. Availability under our revolving credit facility varies over time depending on the value of our inventory, receivables and various capital assets. At June 30, 2006, we had $67 thousand outstanding under our revolving credit facility, outstanding letters of credit of $2.8 million and $132.3 million of borrowing availability under our revolving credit facility.

• We financed the acquisition of our ERP software ($3.6 million) through vendor financing payable over three years. In the six months ended June 30, 2006, payments under the agreements for our ERP software were $0.6 million.

• We paid cash dividends of $0.20 per share or $3.0 million in the first six months of 2006.

Transfer of the Terrace Bay mill:

• Pursuant to the terms of the agreement to transfer our Terrace Bay mill, we will make a payment to Buchanan of approximately $18 million at closing.

• In conjunction with the transfer of mill employees to Buchanan and as a closing condition of the agreement, we will initiate plans to curtail and settle our Ontario, Canada defined benefit pension plan. We expect to record a loss of approximately $22 million in the third quarter of 2006 related to the settlement of pension obligations for current retirees. We will make a payment to the pension trust of approximately $11 million for the purchase of annuity contracts to settle the liability for current retiree in the third quarter of 2006. In addition, we expect to record a loss of approximately $50 million and make a payment of approximately $7 million related to the settlement of pension obligations for active employees. The timing and amount of the payment and recognition of the loss to settle the liability for active employees is dependent upon, among other things, an actuarial determination of the value of the obligations being settled, the cost of annuity contracts, regulatory approval to settle the plan and employee elections.

Acquisition of FiberMark Services:

• On August 9, 2006, we signed a definitive agreement to purchase FiberMark Germany for $218 million in an all cash transaction (See Executive Summary Recent Developments). We expect to finance the all cash purchase price through a combination of available cash, including $140 million of proceeds from the sale of timberlands in June, and debt from our existing bank credit facility or other sources. The transaction is subject to customary closing conditions, including competition clearance in certain jurisdictions, and is expected to close in the fourth quarter of 2006.

Management believes that the ability to generate cash from operations and our borrowing capacity under our revolving credit facility are adequate to fund working capital, capital spending and other cash needs in the foreseeable future. Our ability to generate adequate cash from operations in the future, however, will depend on, among other things, our ability to successfully implement our business strategies and cost cutting initiatives, and to manage the impact of changes in pulp prices and currencies. We can give no assurance that we will be able to successfully implement those strategies and cost cutting initiatives, or successfully manage our pulp pricing and currency exposures.

In addition, our ability to issue additional stock will be constrained because the issuance of additional stock may cause the Spin-Off to be taxable to Kimberly-Clark under Section 355(e) of the Internal Revenue Code, and under the tax sharing agreement, we would be required to indemnify Kimberly-Clark against that tax.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. We believe that the estimates, assumptions and judgments described in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies of our most recent Annual Report on Form 10-K, as amended, have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. The critical accounting policies used in the preparation of the consolidated and combined financial statements are those that are important both to the presentation of financial condition and results of operations and require significant judgments with regard to estimates used. These critical judgments relate to the timing of recognizing sales revenue, the recoverability of deferred income tax assets, pension benefits and future cash flows associated with impairment testing of long-lived assets. Actual results could differ from these estimates, and changes in these estimates are recorded when known. We believe that the consistent application of these policies enables us to provide readers of our financial statements with useful and reliable information about our operating results and financial condition. There has been no significant change in these policies, or the estimates used in the application of the policies, since our 2005 year end, except as described below.

Forward Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements as defined in Section 27A of the Securities Act of 1933 (the Securities Act), Section 21E of the Exchange Act, the Private Securities Litigation Reform Act of 1995 (the PSLRA), or in releases made by the Securities and Exchange Commission (the SEC), all as may be amended from time to time. Statements contained in this quarterly report that are not historical facts may be forward-looking statements within the meaning of the PSLRA. Any such forward-looking statements reflect our beliefs and assumptions and are based on information currently available to us. Forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the safe harbor provisions of such laws. The Company cautions investors that any forward-looking statements we make are not guarantees or indicative of future performance. For additional information regarding factors that may cause our results of operations to differ materially from those presented herein, please see Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and as are detailed from time to time in other reports we file with the SEC.

You can identify forward-looking statements as those that are not historical in nature, particularly those that use terminology such as may, will, should, expect, anticipate, contemplate, estimate, believe, plan, project, predict, potential or continue, or the negative of th In evaluating these forward-looking statements, you should consider the following factors, as well as others contained in our public filings from time to time, which may cause our actual results to differ materially from any forward-looking statement:

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- general economic conditions, particularly in the United States and Canada;
- fluctuations in global equity and fixed-income markets;
- the competitive environment;
- fluctuations in commodity prices, exchange rates (in particular changes in the U.S./Canadian dollar currency exchange rate) and interest rates;
- the cost or availability of wood, other raw materials and energy;
- unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations;
- our ability to control costs and implement measures designed to enhance operating efficiencies;
- the loss of current customers or the inability to obtain new customers;
- the cyclical nature of our pulp business;
- increases in the funding requirements for our pension liabilities;
- changes in asset valuations including write-downs of assets including fixed assets, inventory, accounts receivable or other assets for impairment or other reasons;
- our existing and future indebtedness;
- other risks that are detailed from time to time in reports we file with the SEC.

Any subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth or referred to above, as well as the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2005. Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There are no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2005.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management in a timely manner.

As of June 30, 2006, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2006.

Internal Controls over Financial Reporting

During the three months ended March 31, 2006, we implemented a new ERP system in our corporate and U.S. operating locations resulting in a material change in our processes over financial reporting at those locations. We assessed the design effectiveness of the internal controls over the key processes affected by the system change. As a result of this assessment, management believes that we maintained adequate internal control over financial reporting.

There has been no change in our internal control over financial reporting during the three months ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Except as described above, there have been no other changes in our internal control over financial reporting since December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in certain legal actions and claims arising in the ordinary course of business. While the outcome of these legal actions and claims cannot be predicted with certainty, it is our opinion that the outcome of any claim which is pending or threatened, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2005, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders on May 4, 2006, the following business was transacted:

Election of Class I Directors -

All the Class I nominees for election to the Board of Directors were elected:

	Number of Shares For	Number of Shares Authority Withheld
Mary Ann Leeper	12,734,670	547,029
Stephen M. Wood	12,829,579	452,120

Ratification of Appointment of Independent Registered Public Accounting firm

The appointment of Deloitte & Touche LLP was ratified:

	Number of Shares For	Number of Shares Against	Number of Shares Abstain
Appointment of Deloitte and Touche LLP	13,155,433	109,058	17,208

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Ratification of Amendment to 2004 Omnibus Stock and Incentive Compensation Plan

The performance measures under the 2004 Omnibus Stock and Incentive Compensation Plan were approved:

	Number of Shares For	**Number of Shares Against**	**Number of Shares Abstain**
Amended 2004 Omnibus Stock and Incentive Compensation Plan	12,464,703	675,399	141,597

Item 6. Exhibits

Exhibit **Number**	**Exhibit**
10.1	Second Amendment and Waiver, dated as of May 9, 2006 to the Credit Agreement dated as of November 30, 2004, by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed herewith).
10.2	Timberland Purchase and Sale Agreement, dated as of May 5, 2006, by and between Neenah Paper Company of Canada and Wagner Forest Management, LTD. (filed herewith).
10.3	Stumpage Agreement dated as of June 29, 2006, by and among Neenah Paper Company of Canada, Atlantic Star Forestry LTD. and Nova Star Forestry LTD. (filed herewith). (Portions of this exhibit have been omitted pursuant to a confidential treatment request that we have filed with the Securities and Exchange Commission).
10.4	First Amendment to Purchase and Sale Agreement, dated as of June 29, 2006, by and between Neenah Paper Company of Canada and Wagner Forest Management, LTD. (filed herewith).
10.5	Assignment and Assumption of Timberland Purchase and Sale Agreement, dated as of June 29, 2006, by and among Neenah Paper Company of Canada, Wagner Forest Management, LTD. and Nova Star Forestry LTD. (filed herewith).
10.6	Assignment and Assumption of Timberland Purchase and Sale Agreement, dated as of June 29, 2006, by and among Neenah Paper Company of Canada, Wagner Forest Management, LTD. and Atlantic Star Forestry LTD. (filed herewith).
31.1	Certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEENAH PAPER, INC

By: /s/ Sean T. Erwin
Sean T. Erwin
Chairman of the Board, President and Chief Executive Officer (Principle Executive Oficer)

/s/ Bonnie C. Lind
Bonnie C. Lind
Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

August 9, 2006

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