

Edgar Filing: MUNIENHANCED FUND INC - Form N-Q

MUNIENHANCED FUND INC  
 Form N-Q  
 December 28, 2004

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
 MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-5739

Name of Fund: MuniEnhanced Fund, Inc.

Fund Address: P.O. Box 9011  
 Princeton, NJ 08543-9011

Name and address of agent for service: Terry K. Glenn, President, MuniEnhanced  
 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: (609) 282-2800

Date of fiscal year end: 01/31/04

Date of reporting period: 08/01/04 - 10/31/04

Item 1 - Schedule of Investments

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
Arkansas - 0.3%	NR*	Aaa	\$ 1,000	University of Arkansas, University Construct (UAMS Campus), Series B, 5% due 11/01/2034 (
California - 27.2%	AAA	Aaa	9,000	Alameda Corridor Transportation Authority, C Appreciation Revenue Refunding Bonds, Subord 5.62%** due 10/01/2012(a)
	AAA	Aaa	6,000	Alameda Corridor Transportation Authority, C Refunding Bonds, Subordinated Lien, Series A due 10/01/2012(a)
	AAA	Aaa	5,000	Anaheim, California, Public Financing Author Bonds (Public Improvements Project), Senior- due 9/01/2024(d) California State Department of Water Resourc Revenue Bonds, Series A:
	BBB+	A2	1,240	5.375% due 5/01/2022
	AAA	Aaa	1,800	5.375% due 5/01/2022(f)
	A	A3	3,000	California State, GO, Refunding: 5.25% due 9/01/2026

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AAA	Aaa	6,000	5.25% due 2/01/2030(f)
A	A3	5,000	5.125% due 6/01/2031
AAA	NR*	2,200	California State, GO, Refunding, ROLS, Series B: due 2/01/2033(h)(j)
A	A3	8,490	California State, Various Purpose, GO, 5.50% Golden State Tobacco Securitization Corporation Tobacco Settlement Revenue Bonds, Series B: due 2/01/2033(h)(j)
A-	Baa1	3,805	5.60% due 6/01/2028
AAA	Aaa	2,200	5.50% due 6/01/2033(c)
AAA	Aaa	1,400	5.625% due 6/01/2033(c)
AAA	Aaa	5,000	5% due 6/01/2038(a)
AAA	Aaa	6,800	5.625% due 6/01/2038(k)
AAA	Aaa	10,000	5.50% due 6/01/2043(b)
AAA	Aaa	2,835	5.50% due 6/01/2043(c)

Portfolio Abbreviations

To simplify the listings of MuniEnhanced Fund, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list below.

AMT	Alternative Minimum Tax (subject to)
COP	Certificates of Participation
DRIVERS	Derivative Inverse Tax-Exempt Receipts
EDA	Economic Development Authority
GO	General Obligation Bonds
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDR	Industrial Development Revenue Bonds
RIB	Residual Interest Bonds
RITR	Residual Interest Trust Receipts
ROLS	Reset Option Longs
S/F	Single-Family

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
California (concluded)	AAA	Aaa	\$ 5,000	Norco, California, Redevelopment Agency, Tax Bonds (Norco Redevelopment Project-Area Number 1), 5.25% due 3/01/2030(f)
	AAA	Aaa	1,750	Poway, California, Redevelopment Agency, Tax Bonds (Paguay Redevelopment Project), 5.125% due 6/01/2030
	AAA	Aaa	6,145	Stockton, California, Public Financing Authority, Tax Bonds (Parking & Capital Projects), 5.125% due 6/01/2030
Colorado - 10.3%				Boulder County, Colorado, Hospital Development (Longmont United Hospital Project)(j):
	AA	Baa2	2,705	5.60% due 12/01/2015
	AA	Baa2	2,135	5.75% due 12/01/2020
				Colorado HFA, Revenue Bonds, AMT:

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	NR*	Aa2	2,375	DRIVERS, Series 251, 11.514% due 4/01/20
	NR*	Aa2	235	(S/F Program), Senior Series A-1, 7.40%
	NR*	Aa2	1,085	Colorado HFA, Revenue Refunding Bonds (S/F P
				Series A-2, 7.50% due 4/01/2031
	AA	Aa2	1,200	Colorado Health Facilities Authority Revenue
	AA	NR*	1,200	(Catholic Health Initiatives), 5.50% due
	AA	NR*	675	(Catholic Retirement Communities Inc.),
	AAA	Aaa	4,280	(Catholic Retirement Communities Inc.),
				Colorado Water Resource Power Development Au
	AAA	Aaa	2,000	Revenue Bonds, Series A, 6.25% due 9/01/2016
				Denver, Colorado, City and County Airport Re
	AAA	Aaa	5,450	AMT, Series A, 6% due 11/15/2018(a)
				El Paso County, Colorado, School District Nu
				Series A, 6% due 12/01/2018(d)
				Northwest Parkway, Colorado, Public Highway
				Bonds:
	AAA	Aaa	9,450	Capital Appreciation Revenue Bonds, Seni
				Series C, 5.33%** due 6/15/2011(d)
	AAA	Aaa	1,900	Series A, 5.50% due 6/15/2021(a)
Florida - 0.8%	NR*	Aaa	2,500	Escambia County, Florida, Health Facilities
				Facility Revenue Bonds (Florida Health Care
				due 7/01/2020(a)
Georgia - 9.8%	AAA	Aaa	18,655	Atlanta, Georgia, Airport General Revenue Re
				Series B, 5.25% due 1/01/2033(d)
	AAA	Aaa	3,500	Fulton County, Georgia, Water and Sewer Reve
				due 1/01/2035(b)
	AAA	Aaa	7,725	Georgia Municipal Electric Authority, Power
				Bonds, Series EE, 7% due 1/01/2025(a)
Illinois - 20.8%	NR*	Aaa	5,125	Chicago, Illinois, Board of Education, GO, R
				due 12/01/2027(a) (h)
	AAA	Aaa	3,750	Chicago, Illinois, Gas Supply Revenue Refund
				Gas Light & Coke), Series A, 6.10% due 6/01/
				Chicago, Illinois, O'Hare International Airp
				3rd Lien, AMT, Series B-2:
	AAA	Aaa	5,670	5.75% due 1/01/2023(d)
	AAA	Aaa	2,500	6% due 1/01/2029(c)

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
Illinois (concluded)	AAA	NR*	\$ 4,550	Chicago, Illinois, O'Hare International Airp
	AAA	Aaa	3,000	Bonds, DRIVERS, AMT, Series 250, 9.409% due
	AAA	Aaa	2,240	Cook County, Illinois, Capital Improvement,
	AAA	Aaa	3,000	due 11/15/2026(a)
				Cook County, Illinois, Community College Dis
				COP, Refunding, 8.75% due 1/01/2007(b)
				Illinois Health Facilities Authority, Revenu
				(Servantcor Project), Series A, 6.375% due 8
				Illinois Sports Facilities Authority, State

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				Bonds (a):
	AAA	Aaa	21,120	5.399%** due 6/15/2010
	AAA	Aaa	4,500	5% due 6/15/2032
	AAA	Aaa	3,000	Metropolitan Pier and Exposition Authority, State Tax Revenue Refunding Bonds (McCormick Series B, 5.75% due 6/15/2023(f))
	AAA	Aaa	10,115	Regional Transportation Authority, Illinois, Series A, 7.20% due 11/01/2020(a)
-----				
Indiana - 5.1%	AAA	Aaa	2,500	Brownsburg, Indiana, School Building Corporation Revenue Bonds (Brownsburg Community School),
	AAA	Aaa	4,080	Hammond, Indiana, Multi-School Building Corporation Mortgage Revenue Refunding Bonds, 6.125% due
				Indiana Transportation Finance Authority, Highway Series A(b):
	AAA	Aaa	4,250	5.25% due 6/01/2028
	AAA	Aaa	3,750	5.25% due 6/01/2029
	AAA	Aaa	1,500	Indianapolis, Indiana, Local Public Improvement Bonds (Waterworks Project), Series A, 5.25%
-----				
Kansas - 1.1%				Sedgwick and Shawnee Counties, Kansas, S/F Revenue (Mortgage-Backed Securities Program), AMT(e)
	NR*	Aaa	1,050	Series A-1, 6.875% due 12/01/2026
	AAA	Aaa	1,755	Series A-1, 6.875% due 12/01/2026(f)
	NR*	Aaa	765	Series A-2, 7.60% due 12/01/2031
-----				
Louisiana - 4.0%	AAA	Aaa	6,000	Louisiana Local Government, Environmental Fund Development Authority Revenue Bonds (Capital Equipment Acquisition), Series A, 6.30% due
	AAA	Aaa	5,150	New Orleans, Louisiana, Ernest N. Morial Exhibition Special Tax, Sub-Series A, 5.25% due 7/15/20
	AAA	Aaa	1,400	Terrebonne Parish, Louisiana, Hospital Service Hospital Revenue Bonds (Terrebonne General Medical 5.50% due 4/01/2033(a))
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Massachusetts - 5.2%	AAA	NR*	4,985	Massachusetts State Port Authority, Special Bonds, DRIVERS, AMT, Series 501, 8.895% due
				Massachusetts State Special Obligation Dedicated Bonds (b):
	AAA	Aaa	1,800	5.25% due 1/01/2028
	AAA	Aaa	10,000	5.25% due 1/01/2029
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Michigan - 5.4%	AAA	Aaa	6,200	Detroit, Michigan, Water Supply System Revenue 5.25% due 7/01/2032(f)
	AAA	Aaa	2,200	Michigan Higher Education Student Loan Authority Revenue Refunding Bonds, AMT, Series XVII-G,

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
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Michigan (concluded) Michigan State Strategic Fund, Limited Obligation Refunding Bonds (Detroit Edison Company Project)

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	AAA	Aaa	\$ 1,150	5.45% due 9/01/2029
	AAA	Aaa	1,300	AMT, Series A, 5.50% due 6/01/2030
	AAA	Aaa	2,500	AMT, Series C, 5.65% due 9/01/2029
	AAA	Aaa	4,300	AMT, Series C, 5.45% due 12/15/2032
Mississippi - 0.8%	AAA	Aaa	2,400	Walnut Grove, Mississippi, Correctional Authority, AMT, 5.45% due 11/01/2009(a) (g)
Nebraska - 0.5%	A+	NR*	1,700	Washington County, Nebraska, Wastewater Facility Revenue Bonds (Cargill Inc. Project), AMT, 5.90% due 11/01/2034
Nevada - 8.2%	AA	NR*	3,100	Carson City, Nevada, Hospital Revenue Bonds, Hospital Project), Series A, 5.50% due 9/01/2030 Clark County, Nevada, Airport System Subordinated Revenue Bonds (b): Series A-2, 5% due 7/01/2030 Series A-2, 5% due 7/01/2036 Series B, 5.25% due 7/01/2034 Director of the State of Nevada, Department of Transportation, Industry Revenue Bonds (Las Vegas Monorail Construction), AMT, 5.45% due 12/15/2032 Tier(a): 5.625% due 1/01/2032 5.375% due 1/01/2040 Washoe County, Nevada, Gas and Water Facility Revenue Bonds (Sierra Pacific Power Company), 6.30% due 12/15/2032 Washoe County, Nevada, Water Facility Revenue Bonds (Sierra Pacific Power Company), AMT, 6.65% due 6/01/2034
New Hampshire - 2.3%	AAA	Aaa	7,390	New Hampshire Health and Education Facilities Revenue Bonds (Dartmouth-Hitchcock Obligation Group), AMT, 5.45% due 12/15/2032
New Jersey - 10.6%	BBB	Baa2	3,250	New Jersey EDA, Cigarette Tax Revenue Bonds, Series A, 5.50% due 6/15/2024
	AAA	Aa2	2,000	5.50% due 6/15/2024
	BBB	Baa2	700	5.50% due 6/15/2031
	BBB	Baa2	1,165	5.75% due 6/15/2034
	AAA	Aaa	2,600	New Jersey EDA, Motor Vehicle Surcharge Revenue Bonds, Series A, 5% due 7/01/2029
	AAA	Aaa	7,250	5.25% due 7/01/2031
	AAA	Aaa	5,200	5.25% due 7/01/2033
	AAA	NR*	5,000	New Jersey EDA, Revenue Bonds, ROLS (h): Series II-R-309-1, 9.136% due 6/15/2024
	AAA	NR*	2,500	Series II-R-309-2, 9.136% due 6/15/2031
	A-1+	VMIG-1 +	4,800	New Jersey State Turnpike Authority, Turnpike Revenue Bonds, Series C-3, 1.75% due 1/01/2024 (d) (1)

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued)

(in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
New York - 9.8%	AAA	NR*	\$ 1,500	New York City, New York, GO, DRIVERS (h): Series 194, 9.461% due 2/01/2015 (d)

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	AAA	NR*	6,960	Series 356, 8.942% due 6/01/2011(c) New York City, New York, GO, Refunding:
	AAA	A2	3,890	Series A, 6.375% due 5/15/2010(b)
	AAA	A2	2,745	Series A, 6.375% due 5/15/2013(b)
	AAA	A2	1,620	Series A, 6.375% due 5/15/2014(b)
	AAA	A2	1,675	Series A, 6.375% due 5/15/2015(b)
	AAA	Aaa	2,000	Series L, 5.75% due 8/01/2013(c)
	AAA	Aaa	3,290	New York City, New York, GO, Series E, 5.75%
	AAA	Aaa	5,400	Tobacco Settlement Financing Corporation of Bonds, Series A-1, 5.25% due 6/01/2022(a)
Ohio - 0.8%	AAA	Aaa	2,500	North Canton, Ohio, City School District GO, due 12/01/2004(a) (g)
Pennsylvania - 5.9%	AAA	Aaa	600	Allegheny County, Pennsylvania, Sanitation A Revenue Bonds, 5.50% due 12/01/2030(f)
	AAA	Aaa	5,500	Pennsylvania State Public School Building Au Revenue Bonds (The School District of Philad due 6/01/2033(d)
	AAA	Aaa	6,500	Philadelphia, Pennsylvania, Authority for In Lease Revenue Bonds, Series B, 5.50% due 10/ Philadelphia, Pennsylvania, School District, due 8/01/2020(b)
	AAA	Aaa	4,500	Philadelphia, Pennsylvania, School District, due 8/01/2020(b)
	AAA	Aaa	1,750	Washington County, Pennsylvania, Capital Fun Bonds (Capital Projects and Equipment Progra due 12/01/2029(a)
Rhode Island - 2.6%	AAA	Aaa	4,345	Providence, Rhode Island, Public Building Au Revenue Bonds, Series A, 6.25% due 12/15/202
	AAA	Aaa	3,355	Rhode Island State Economic Development Corp Revenue Bonds, Series B, 6.50% due 7/01/2015
South Carolina - 0.8%	AA	Aa3	1,590	South Carolina Educational Facilities Author Nonprofit Institutions Revenue Bonds (The Be 5.625% due 7/01/2031(j)
	NR*	Aaa	890	South Carolina Housing Finance and Developme Revenue Refunding Bonds, AMT, Series A-2, 5.
South Dakota - 2.3%	AAA	Aaa	7,000	South Dakota State Health and Educational Fa Revenue Refunding Bonds, Series A, 7.625% du
Tennessee - 0.7%	AAA	Aaa	2,280	Tennessee HDA, Revenue Refunding Bonds (Home AMT, Series 1, 5.95% due 7/01/2012(f)
Texas - 8.1%	AAA	Aaa	1,615	Bexar, Texas, Metropolitan Water District, W Revenue Refunding Bonds, 6.35% due 5/01/2025 Dallas-Fort Worth, Texas, International Airp DRIVERS, AMT(h) :
	AAA	NR*	2,000	Series 202, 9.911% due 11/01/2028(b)
	AAA	NR*	7,250	Series 353, 8.895% due 5/01/2011(f)
	AAA	Aaa	900	Houston, Texas, Airport System, Revenue Refu Series B, 5.50% due 7/01/2030(d)

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued)

(in Thousands)

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State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
Texas (concluded)	AAA	Aaa	\$ 6,250	Texas State Turnpike Authority, Central Texas Revenue Bonds, First Tier, Series A, 5.50% due 11/15/2024(a) (h)
	AAA	Aaa	5,200	Travis County, Texas, Health Facilities Development Revenue Refunding Bonds, RITR, Series 4, 9.5% due 11/15/2024(a) (h)
	AAA	Aaa	1,000	University of Houston, Texas, University Revenue Refunding Bonds, Series 4, 6.50% due 2/15/2030(f)
Virginia - 4.0%	AAA	Aaa	10,000	Fairfax County, Virginia, EDA, Resource Recovery Bonds, AMT, Series A, 6.10% due 2/01/2010(a) (g)
	AAA	Aaa	2,300	Halifax County, Virginia, IDA, Exempt Facilities Bonds (Old Dominion Electric Cooperative Production) due 6/01/2028(a)
Washington - 3.6%	AAA	Aaa	2,150	King County, Washington, Sewer Revenue Refunding Bonds, Series A, 5.50% due 1/01/2027(d)
	AAA	Aaa	2,000	Snohomish County, Washington, Public Utility Electric Revenue Refunding Bonds, 5.375% due 1/01/2027(d)
	AAA	Aaa	7,000	Washington State, GO, Series A and AT-6, 6.25% due 1/01/2027(d)
Wisconsin - 0.8%	AA-	Aa3	2,500	Madison, Wisconsin IDR (Madison Gas & Electric Company) AMT, Series A, 5.875% due 10/01/2034
				Total Municipal Bonds (Cost - \$490,794) - 154.3%

	Shares Held	Short-Term Securities
	8,701	Merrill Lynch Institutional Tax-Exempt Fund (MINT) - 100.0%
		Total Short-Term Securities (Cost - \$8,701) - 100.0%
Total Investments (Cost - \$499,495++) - 154.3%		
Liabilities in Excess of Other Assets - 0.0%		
Preferred Stock, at Redemption Value - (54.3%)		
Net Assets Applicable to Common Stock - 100.0%		

- (a) AMBAC Insured.
- (b) FGIC Insured.
- (c) XL Capital Insured.
- (d) FSA Insured.
- (e) GNMA Collateralized.
- (f) MBIA Insured.
- (g) Prerefunded.
- (h) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 2004.
- (i) Investments in companies considered to be an affiliate of the Fund (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) were as follows:

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(in Thousands)

Affiliate	Net Activity	Dividend Income
Merrill Lynch Institutional Tax-Exempt Fund	1,800	\$ 47

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued)

- (j) Radian Insured.
- (k) CIFG Insured.
- (l) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 2004.
- \* Not Rated.
- \*\* Represents a step bond; the interest rate shown reflects the effective yield at the time of purchase by the Fund.
- + Highest short-term rating by Moody's Investors Services, Inc.
- ++ The cost and unrealized appreciation/depreciation of investments as of October 31, 2004, as computed for federal income tax purposes, were as follows:

(in Thousands)

Aggregate cost	\$ 499,495
	=====
Gross unrealized appreciation	\$ 32,948
Gross unrealized depreciation	(742)
	-----
Net unrealized appreciation	\$ 32,206
	=====

Forward interest rate swaps outstanding as of October 31, 2004 were:

(in Thousands)

	Notional Amount	Unrealized Depreciation
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 4.156% interest		
Broker, J.P. Morgan Chase Bank Expires December, 2024	\$ 30,000	\$ (642)
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.599% interest		



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Broker, J.P. Morgan Chase Bank  
Expires December, 2014

\$ 20,000

(254)

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (concluded)

Forward interest rate swaps outstanding as of October 31, 2004 were (concluded):

	(in Thousands)	
	Notional Amount	Unrealized Depreciation
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 4.073% interest		
Broker, Morgan Stanley Capital Services, Inc. Expires March, 2025	\$ 20,000	\$ (35)
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.523% interest		
Broker, J.P. Morgan Chase Bank Expires January, 2015	\$ 15,000	(61)
Total		\$ (992) =====

Item 2 - Controls and Procedures

2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MuniEnhanced Fund, Inc.

By: /s/ Terry K. Glenn

-----  
Terry K. Glenn,  
President  
MuniEnhanced Fund, Inc.

Date: December 20, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Terry K. Glenn

-----  
Terry K. Glenn  
President  
MuniEnhanced Fund, Inc.

Date: December 20, 2004

By: /s/ Donald C. Burke

-----  
Donald C. Burke  
Chief Financial Officer  
MuniEnhanced Fund, Inc.

Date: December 20, 2004