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BLACKROCK MUNI ENHANCED FUND INC  
Form N-CSR  
April 10, 2007

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 811-05739

Name of Fund: BlackRock MuniEnhanced Fund, Inc.

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

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive  
Officer, BlackRock 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: 01/31/07

Date of reporting period: 02/01/06 - 01/31/07

Item 1 - Report to Stockholders

|              |                     |             |
|--------------|---------------------|-------------|
| ALTERNATIVES | BLACKROCK SOLUTIONS | EQUITIES    |
| FIXED INCOME | LIQUIDITY           | REAL ESTATE |

BlackRock MuniEnhanced  
Fund, Inc.

BLACKROCK

ANNUAL REPORT | JANUARY 31, 2007

NOT FDIC INSURED  
MAY LOSE VALUE  
NO BANK GUARANTEE

BlackRock MuniEnhanced Fund, Inc.

Announcement of Annual Stockholders Meeting

The Fund has determined that its annual stockholders meeting originally scheduled to be held in April 2007 will be postponed and will be held in September 2007. Proposals of stockholders intended to be presented at the meeting must be received by the Fund by May 15, 2007 for inclusion in the Fund's proxy statement and form of proxy for that meeting. The persons named as proxies in the proxy materials for the Fund's 2007 annual meeting of stockholders may exercise discretionary authority with respect to any stockholder proposal presented at such meeting if written notice of such proposal has not been received by the Fund by July 1, 2007. Written proposals and notices should be

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sent to the Secretary of the Fund, 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

Portfolio Information as of January 31, 2007

| Quality Ratings by<br>S&P/Moody's | Percent of<br>Total<br>Investments |
|-----------------------------------|------------------------------------|
| -----                             | -----                              |
| AAA/Aaa .....                     | 86.9%                              |
| AA/Aa .....                       | 4.7                                |
| A/A .....                         | 7.1                                |
| BBB/Baa .....                     | 0.3                                |
| Other .....                       | 1.0                                |
| -----                             | -----                              |

### Proxy Results

During the six-month period ended January 31, 2007, BlackRock MuniEnhanced Fund, Inc.'s shareholders voted on the following proposals, which were approved at a special shareholders' meeting on August 15, 2006. A description of the proposals and number of shares voted are as follows:

|  | Shares Voted<br>For | Shares Voted<br>Against | Shares Voted<br>Abstain |
|--|---------------------|-------------------------|-------------------------|
| -----  | -----               | -----                   | -----                   |
| To approve a new investment advisory agreement with BlackRock Advisors, Inc. | 15,690,204          | 517,630                 | 853,985                 |
| -----  | -----               | -----                   | -----                   |
| To approve a contingent sub-advisory agreement with BlackRock Advisors, Inc. | 15,644,873          | 543,882                 | 873,064                 |
| -----  | -----               | -----                   | -----                   |

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### A Letter to Shareholders

Dear Shareholder

The new year began on a positive note for most financial markets, continuing the momentum from the fourth quarter of 2006. Returns for the annual and semi-annual periods ended January 31, 2007 were as follows:

| Total Returns as of January 31, 2007                              | 6-month |
|---|---------|
| =====   | =====   |
| U.S. equities (Standard & Poor's 500 Index)                       | +13.75% |
| -----   | -----   |
| Small cap U.S. equities (Russell 2000 Index)                      | +14.95  |
| -----   | -----   |
| International equities (MSCI Europe, Australasia, Far East Index) | +14.33  |
| -----   | -----   |
| Fixed income (Lehman Brothers Aggregate Bond Index)               | + 3.65  |

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|  |        |
|--|--------|
| Tax-exempt fixed income (Lehman Brothers Municipal Bond Index) | + 3.06 |
| High yield bonds (Credit Suisse High Yield Index)              | + 8.45 |

After raising the target short-term interest rate 17 times between June 2004 and June 2006, the Federal Reserve Board (the Fed) finally opted to pause on August 8, 2006. This left the target rate at 5.25%, where it remained through period-end. In interrupting its interest rate-hiking campaign, the Fed initially acknowledged that economic growth was slowing, but maintained a cautionary view on inflation. Most recently, the central bankers have pointed to a firming in economic data and moderation in inflation, causing many to believe the Fed will likely remain on hold for the time being.

Overall, 2006 was a good year for U.S. equities, despite a mid-year correction that was largely triggered by rising interest rates, inflation fears, elevated oil prices and geopolitical uncertainties. Nevertheless, strong corporate earnings, abundant liquidity and record merger-and-acquisition activity provided a solid backdrop for stocks. Many international markets (with the notable exception of Japan) performed even better, outpacing U.S. stocks for the fifth consecutive year. European equities and select emerging markets fared particularly well. This broad equity strength carried into January.

For much of 2006, bond yields moved higher as their prices declined. Prices began to improve (yields fell) in the summer as the economy showed signs of weakening and the Fed paused. Notably, the Treasury curve remained inverted for much of 2006 and into 2007. The 30-year Treasury yield stood at 4.93% at January 31, 2007, while the six-month Treasury offered the highest yield on the curve at 5.16% -- both still below the federal funds rate.

As 2007 began, investors were left with a few key questions: Will the U.S. economy achieve a soft landing, will the Fed reverse its prior policy and cut interest rates, and how might these outcomes impact the investment climate. As you navigate these and other uncertainties inherent in the financial markets, we encourage you to review your investment goals with your financial professional and to make portfolio changes, as needed. For more reflection on 2006 and our 10 predictions for 2007, please ask your financial professional for a copy of "What's Ahead in 2007: An Investment Perspective," or view it online at [www.blackrock.com/funds](http://www.blackrock.com/funds). We thank you for trusting BlackRock with your investment assets, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

/s/ Robert C. Doll, Jr.

Robert C. Doll, Jr.  
Fund President and Director

BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

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### A Discussion With Your Fund's Portfolio Manager

The Fund's return outpaced its comparable Lipper category average for the fiscal year, as we remained essentially fully invested in high-quality municipal bonds.

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Describe the recent market environment relative to municipal bonds.

The tax-exempt bond market outperformed the U.S. Treasury market during most of the 12-month period ended January 31, 2007. Over the course of the period, long-term U.S. Treasury yields rose moderately (and their prices fell) while long-term municipal bond yields declined (and their prices rose). U.S. Treasury yields rose sharply in the first half of the reporting period as commodity prices, especially oil and gasoline prices, and domestic economic activity surged. By late June, 30-year Treasury bond yields had increased 60 basis points (.60%) to 5.28%.

Yields began to fall, and bond prices improve, later in the summer as economic growth softened and the Federal Reserve Board (the Fed), at its August 8, 2006 meeting, refrained from raising its target interest rate. This came after 17 consecutive increases since June 2004. Bond prices found additional support from moderating oil prices, and by the end of November, 30-year Treasury bond yields had declined to 4.56%. However, stronger-than-expected economic releases and year-end profit taking again pushed yields higher for the remainder of the reporting period. Ultimately, 30-year U.S. Treasury bond yields rose 25 basis points over the course of the 12-month period to 4.93%, while 10-year Treasury note yields rose 30 basis points to 4.83%.

The tax-exempt bond market outperformed comparable U.S. Treasury issues during the year as investor demand for municipal product outstripped a resurgent new-issue calendar. As reported by Municipal Market Data, yields on 30-year, AAA-rated municipal issues declined 30 basis points to 4.17%, while yields on 10-year, AAA-rated issues increased 8 basis points to 3.86%.

Investor demand for municipal product remained strong throughout the reporting period. Statistics from the Investment Company Institute indicate that, in 2006, long-term municipal bond funds had net new cash flows of over \$15 billion, a 200% increase compared to 2005. Meanwhile, new-issue volume in recent months has surged as municipalities rushed to take advantage of low market yields and solid investor demand. In the three months ended January 31, 2007 more than \$117 billion in new long-term municipal bonds was issued, an increase of over 30% versus the same period a year ago. Issuance in January, which totaled \$29 billion, was the highest January volume on record. For all of 2006, new bond underwritings totaled \$385 billion, just 6% off of 2005's record issuance and close to initial estimates. The recent increase in issuance has made the municipal market's outperformance even more impressive.

Looking ahead, the tax-exempt bond market's technical position is expected to remain supportive of continued strong performance. Attractive yield ratios, combined with a relatively steep municipal yield curve and manageable new issuance, should help to sustain investor demand for municipal product.

How did the Fund perform during the fiscal year?

For the 12-month period ended January 31, 2007, the Common Stock of BlackRock MuniEnhanced Fund, Inc. (formerly MuniEnhanced Fund, Inc.) had net annualized yields of 4.88% and 5.24%, based on a year-end per share net asset value of \$11.55 and a per share market price of \$10.77, respectively, and \$.564 per share income dividends. Over the same period, the total investment return on the Fund's Common Stock was +5.66%, based on a change in per share net asset value from \$11.52 to \$11.55, and assuming reinvestment of all distributions.

The Fund's total return, based on net asset value, exceeded the +5.00% average return of the Lipper Insured Municipal Debt Funds (Leveraged) category for the 12-month period. (Funds in this Lipper category invest primarily in municipal debt issues insured as to timely payment. These funds can be leveraged via use of debt, preferred equity and/or reverse repurchase agreements.) The Fund also

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provided an above-average yield relative to its Lipper peers.

Fund performance was driven primarily by our yield curve strategies and the advance refunding of a number of positions. Our previous strategy of focusing on the long end of the municipal yield curve benefited performance as the curve flattened and longer-dated issues outperformed during the past year. Likewise, the advance refunding of several Fund holdings was additive to total return performance, as the refundings generally cause the bonds to move up in price. Fund performance also benefited from our essentially fully invested stance, a posture we assumed in an effort to produce as much tax-exempt income as possible. Our relatively neutral duration posture also provided some benefit relative to our peers.

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BLACKROCK MUNI ENHANCED FUND, INC.

JANUARY 31, 2007

For the six-month period ended January 31, 2007, the total investment return on the Fund's Common Stock was +4.41%, based on a change in per share net asset value from \$11.34 to \$11.55, and assuming reinvestment of all distributions.

For a description of the Fund's total investment return based on a change in the per share market value of the Fund's Common Stock (as measured by the trading price of the Fund's shares on the New York Stock Exchange), and assuming reinvestment of distributions, please refer to the Financial Highlights section of this report. As a closed-end fund, the Fund's shares may trade in the secondary market at a premium or discount to the Fund's net asset value. As a result, total investment returns based on changes in the market value of the Fund's Common Stock can vary significantly from total investment returns based on changes in the Fund's net asset value.

What changes were made to the portfolio during the period?

Portfolio activity was fairly limited during the year. For the most part, the low absolute level of interest rates did not make for many appealing investment opportunities. Most of the yields in the portfolio are booked at higher levels than those currently available in the market, and we wanted to avoid compromising the Fund's advantageous yield when making transactions.

In general, we only sold bonds with book yields that were not significantly higher than current market yields, allowing us to take proceeds from our sales and invest in bonds with relatively high current yields -- thereby trying to replicate those kinds of trades again. As such, we were focusing on issues that could be advance refunded, primarily premium-coupon, high-quality bonds in the 15-year to 20-year maturity range. We were not sufficiently compensated for extending much further out on the curve.

New issuance in the municipal market increased sharply in late 2006 and early 2007. However, the new supply was readily absorbed by the market, thereby limiting potential reinvestment opportunities. One notable new opportunity in which we did participate involved bonds issued by the state of South Carolina as it prepared to implement an innovative new school district structure. The state had to bring the bonds to market by December 31, and this created an opportunity to invest at relatively inexpensive levels given the unusually heavy new issuance.

Finally, the Fund has the ability to invest in bonds that are not insured, and we made use of that uninsured basket in an effort to enhance yield in the portfolio. Of course, "uninsured" does not necessarily mean substantially lower quality. In many cases, uninsured bonds are AAA-rated due to other types of enhancements. As such, our use of the uninsured basket did not translate into a meaningful drop in the Fund's credit quality.

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For the six-month period ended January 31, 2007, the Fund's Auction Market Preferred Stock had average yields as follows: Series A, 3.47%; Series B, 3.47%; Series C, 3.44%; and Series D, 3.46%. The Fund's borrowing costs began to stabilize once the Fed halted its interest rate-hiking campaign in the summer. Notably, the tax-exempt yield curve has maintained a positive slope, particularly relative to the taxable curve, allowing us to borrow at a lower rate than where we invest. This continued to generate an income benefit to the holders of Common Stock from the leveraging of Preferred Stock. However, should the spread between short-term and long-term interest rates narrow, the benefits of leveraging will decline and, as a result, reduce the yield on the Fund's Common Stock. For a more complete explanation of the benefits and risks of leveraging, see page 6 of this report to shareholders.

How would you characterize the Fund's position at the close of the period?

The Fund was fully invested at period-end and positioned neutrally with respect to interest rate risk. We believe this is the appropriate posture with the Fed on hold and given the historical flatness of the yield curve. We will look for a steepening of the yield curve to provide attractive investment opportunities for the portfolio. In particular, we believe the 15-year to 20-year area of the curve could offer strong relative performance in the future. Overall, we maintain our focus on providing shareholders with a competitive yield and preservation of net asset value within the context of a high-quality portfolio.

Michael Kalinoski, CFA  
Vice President and Portfolio Manager

February 8, 2007

BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

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### The Benefits and Risks of Leveraging

BlackRock MuniEnhanced Fund, Inc. utilizes leveraging to seek to enhance the yield and net asset value of its Common Stock. However, these objectives cannot be achieved in all interest rate environments. To leverage, the Fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments, net of dividends to Preferred Stock, is paid to Common Stock shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the Fund's Common Stock. However, in order to benefit Common Stock shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Stock shareholders. If either of these conditions change, then the risks of leveraging will begin to outweigh the benefits.

To illustrate these concepts, assume a fund's Common Stock capitalization of \$100 million and the issuance of Preferred Stock 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 approximately 3% and long-term interest rates are approximately 6%, the yield curve has a strongly positive slope. The fund pays dividends on the \$50 million of Preferred Stock 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. Of course, increases in short-term interest rates would reduce (and even eliminate) the dividends on the Common Stock.

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In this case, the dividends paid to Preferred Stock shareholders are significantly lower than the income earned on the fund's long-term investments, and therefore the Common Stock shareholders are the beneficiaries of the incremental yield. However, if short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental yield pickup on the Common Stock will be reduced or eliminated completely. At the same time, the market value on the fund's Common Stock (that is, its price as listed on the New York Stock Exchange), may, as a result, decline. Furthermore, if long-term interest rates rise, the Common Stock's net asset value will reflect the full decline in the price of the portfolio's investments, since the value of the fund's Preferred Stock does not fluctuate. In addition to the decline in net asset value, the market value of the fund's Common Stock may also decline.

As of January 31, 2007, the Fund's leverage amount, due to Auction Market Preferred Stock, was 35.54%, before the deduction of Preferred Stock.

As a part of its investment strategy, the Fund may invest in certain securities whose potential income return is inversely related to changes in a floating interest rate ("inverse floaters"). In general, income on inverse floaters will decrease when short-term interest rates increase and increase when short-term interest rates decrease. Investments in inverse floaters may be characterized as derivative securities and may subject the Fund to the risks of reduced or eliminated interest payments and losses on invested principal. In addition, inverse floaters have the effect of providing investment leverage and, as a result, the market value of such securities will generally be more volatile than that of fixed rate, tax-exempt securities. To the extent the Fund invests in inverse floaters, the market value of the Fund's portfolio and the net asset value of the Fund's shares may also be more volatile than if the Fund did not invest in these securities.

### Swap Agreements

The Fund may invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds, or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market without owning or taking physical custody of securities. Swap agreements involve the risk that the party with whom the Fund has entered into the swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

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Schedule of Investments as of January 31, 2007                      (in Thousands)

|                 | Face<br>Amount | Municipal Bonds   | Value    |
|-----------------|----------------|---|----------|
| -----           |                |   |          |
| Alabama -- 1.5% |                | Jefferson County, Alabama, Limited Obligation School<br>Warrants, Series A: |          |
|                 | \$ 2,750       | 5.50% due 1/01/2022   | \$ 2,978 |
|                 | 2,200          | 4.75% due 1/01/2025   | 2,231    |
| -----           |                |   |          |

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California -- 29.2%

|        |   |       |
|--------|---|-------|
|        | Alameda Corridor Transportation Authority, California,<br>Capital Appreciation Revenue Refunding Bonds,<br>Subordinate Lien, Series A (a) (m):            |       |
| 10,000 | 5.464% due 10/01/2024   | 8,121 |
| 6,000  | 5.495% due 10/01/2025   | 4,873 |
| 950    | Anaheim, California, Public Financing Authority, Electric<br>System Distribution Facilities Revenue Bonds, Series A,<br>5% due 10/01/2031 (d)             | 990   |
| 5,000  | Anaheim, California, Public Financing Authority, Lease<br>Revenue Bonds (Public Improvements Project), Senior<br>Series A, 6% due 9/01/2024 (d)           | 6,024 |
|        | California State, GO, Refunding:  |       |
| 2,350  | 5.25% due 9/01/2010 (g)   | 2,476 |
| 1,700  | 5.125% due 6/01/2027  | 1,760 |
| 5,000  | 5.125% due 6/01/2031  | 5,171 |
| 1,900  | California State Public Works Board, Lease Revenue<br>Bonds (Department of Corrections), Series C, 5%<br>due 6/01/2025                                    | 1,976 |
| 2,600  | California State University, Systemwide Revenue Bonds,<br>Series A, 5% due 11/01/2035 (b)   | 2,713 |
| 8,490  | California State, Various Purpose, GO, 5.50%<br>due 11/01/2033  | 9,221 |
| 2,750  | Chabot-Las Positas, California, Community College<br>District, GO (Election of 2004), Series B, 4.812%<br>due 8/01/2025 (a) (m)                           | 1,145 |
| 850    | Chino Valley, California, Unified School District, GO<br>(Election of 2002), Series C, 5.25% due 8/01/2030 (f)  | 918   |
| 1,600  | East Side Union High School District, California, Santa<br>Clara County, GO (Election of 2002), Series D, 5%<br>due 8/01/2026 (c)                         | 1,686 |
|        | Golden State Tobacco Securitization Corporation of<br>California, Tobacco Settlement Revenue Bonds,<br>Series B (g):                                      |       |
| 2,835  | 5.50% due 6/01/2013 (c)   | 3,109 |
| 3,000  | 5.625% due 6/01/2013 (k)  | 3,302 |
| 5,300  | Los Angeles, California, Department of Water and<br>Power, Waterworks Revenue Bonds, Series C, 5%<br>due 7/01/2029 (f)                                    | 5,571 |
| 5,150  | Los Angeles, California, Unified School District, GO,<br>Series A, 5% due 7/01/2013 (f) (g)   | 5,520 |
|        | Metropolitan Water District of Southern California,<br>Waterworks Revenue Bonds, Series B-1 (b):  |       |
| 2,965  | 5% due 10/01/2029   | 3,105 |
| 1,655  | 5% due 10/01/2036   | 1,731 |
| 5,000  | Norco, California, Redevelopment Agency, Tax<br>Allocation Refunding Bonds (Norco Redevelopment<br>Project -- Area Number 1), 5.125%<br>due 3/01/2030 (f) | 5,235 |
| 7,455  | Orange County, California, Sanitation District, COP, 5%<br>due 2/01/2033 (b)  | 7,761 |
| 1,750  | Poway, California, Redevelopment Agency, Tax Allocation<br>Refunding Bonds (Paguay Redevelopment Project),<br>5.125% due 6/15/2033 (a)                    | 1,830 |
| 3,850  | Sacramento, California, Unified School District, GO<br>(Election of 2002), 5% due 7/01/2030 (f)   | 4,066 |
| 6,145  | Stockton, California, Public Financing Authority, Lease<br>Revenue Bonds (Parking & Capital Projects), 5.125%<br>due 9/01/2030 (b)                        | 6,478 |
| 1,600  | Tamalpais, California, Union High School District, GO<br>(Election of 2001), 5% due 8/01/2028 (d)   | 1,672 |
| 2,325  | Ventura County, California, Community College District,   |       |



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|                              |   |       |
|------------------------------|---|-------|
|                              | GO (Election of 2002), Series B, 5% due 8/01/2030 (f)   | 2,455 |
| -----                        |   |       |
| Colorado -- 8.2%             |   |       |
| 2,135                        | Boulder County, Colorado, Hospital Development Revenue Bonds (Longmont United Hospital Project), 5.75% due 12/01/2010 (g) (i)                         | 2,279 |
| 80                           | Colorado HFA, Revenue Bonds (S/F Program), AMT, Senior Series A-1, 7.40% due 11/01/2027   | 80    |
| 650                          | Colorado HFA, Revenue Refunding Bonds (S/F Program), AMT, Senior Series A-2, 7.50% due 4/01/2031  | 660   |
|                              | Colorado Health Facilities Authority Revenue Bonds Series A:  |       |
| 1,200                        | (Catholic Health Initiatives), 5.50% due 3/01/2032 (h)  | 1,285 |
| 1,200                        | (Covenant Retirement Communities Inc.), 5.50% due 12/01/2027 (i)  | 1,277 |
| 675                          | (Covenant Retirement Communities Inc.), 5.50% due 12/01/2033 (i)  | 716   |
| 3,875                        | Colorado Water Resources and Power Development Authority, Clean Water Revenue Bonds, Series A, 6.25% due 9/01/2010 (g)                                | 4,195 |
| 2,000                        | Denver, Colorado, City and County Airport Revenue Refunding Bonds, AMT, Series A, 6% due 11/15/2018 (a)   | 2,130 |
| 5,450                        | El Paso County, Colorado, School District Number 49, Falcon, GO, Series A, 6% due 12/01/2009 (d) (g)  | 6,025 |
| 7,900                        | Northwest Parkway, Colorado, Public Highway Authority, Capital Appreciation Revenue Bonds, Senior Convertible, Series C, 5.345% due 6/15/2025 (d) (m) | 7,132 |
| 1,900                        | Northwest Parkway, Colorado, Public Highway Authority Revenue Bonds, Series A, 5.50% due 6/15/2021 (a)  | 2,046 |
| -----                        |   |       |
| District of Columbia -- 0.8% |   |       |
| 2,700                        | District of Columbia, COP, 5% due 1/01/2025 (b)   | 2,841 |
| -----                        |   |       |

Portfolio Abbreviations

To simplify the listings of BlackRock 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 at right.

|     |                                      |
|-----|--------------------------------------|
| AMT | Alternative Minimum Tax (subject to) |
| COP | Certificates of Participation        |
| 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 |
| S/F | Single-Family                        |

BLACKROCK MUNIENHANCED FUND, INC.

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Schedule of Investments (continued)

(in Thousands)

Face

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| Amount            | Municipal Bonds   | Value    |
|-------------------|---|----------|
| -----             |   |          |
| Florida -- 2.4%   |   |          |
| \$ 1,400          | Highlands County, Florida, Health Facilities Authority, Hospital Revenue Bonds (Adventist Health System), Series C, 5.25% due 11/15/2036  | \$ 1,479 |
| 2,000             | Highlands County, Florida, Health Facilities Authority, Hospital Revenue Refunding Bonds (Adventist Health System), Series G, 5.125% due 11/15/2032                                 | 2,082    |
| 4,200             | Orange County, Florida, Sales Tax Revenue Refunding Bonds, Series B, 5.125% due 1/01/2032 (b)   | 4,404    |
| -----             |   |          |
| Georgia -- 12.5%  |   |          |
| 17,355            | Atlanta, Georgia, Airport General Revenue Refunding Bonds, Series B, 5.25% due 1/01/2033 (d)  | 18,517   |
| 2,900             | Atlanta, Georgia, Water and Wastewater Revenue Bonds: 5% due 11/01/2034 (d)   | 3,036    |
| 1,000             | Series A, 5% due 11/01/2033 (f)   | 1,037    |
| 4,250             | Series A, 5% due 11/01/2039 (f)   | 4,406    |
| 2,300             | Augusta, Georgia, Water and Sewer Revenue Bonds, 5.25% due 10/01/2039 (d)   | 2,465    |
| 2,500             | Fulton County, Georgia, Water and Sewer Revenue Bonds, 5.25% due 1/01/2035 (b)  | 2,668    |
| 7,725             | Georgia Municipal Electric Authority, Power Revenue Refunding Bonds, Series EE, 7% due 1/01/2025 (a)  | 10,394   |
| -----             |   |          |
| Illinois -- 14.6% |   |          |
| 5,670             | Chicago, Illinois, O'Hare International Airport Revenue Bonds, Third Lien, AMT, Series B-2: 5.75% due 1/01/2023 (d)   | 6,193    |
| 2,500             | 6% due 1/01/2029 (c)  | 2,785    |
| 2,460             | Cook County, Illinois, Capital Improvement, GO, Series C, 5.50% due 11/15/2012 (a)(g)   | 2,677    |
| 20,120            | Illinois Sports Facilities Authority, State Tax Supported Revenue Bonds (a): 5.341% due 6/15/2030 (m)   | 18,561   |
| 4,500             | 5% due 6/15/2032  | 4,676    |
| 2,000             | Metropolitan Pier and Exposition Authority, Illinois, Dedicated State Tax Revenue Refunding Bonds (McCormick Place Expansion Project), Series B, 5.75% due 6/15/2023 (f)            | 2,181    |
| 10,115            | Regional Transportation Authority, Illinois, Revenue Bonds, Series A, 7.20% due 11/01/2020 (a)  | 12,460   |
| -----             |   |          |
| Indiana -- 4.4%   |   |          |
| 4,080             | Hammond, Indiana, Multi-School Building Corporation, First Mortgage Revenue Refunding Bonds, 6.125% due 7/15/2019 (f)   | 4,162    |
| 2,150             | Indiana Transportation Finance Authority, Highway Revenue Bonds, Series A: 5% due 6/01/2028 (d)   | 2,245    |
| 4,250             | 5.25% due 6/01/2028 (b)   | 4,548    |
| 3,750             | 5.25% due 6/01/2029 (b)   | 4,013    |
| -----             |   |          |
| Louisiana -- 8.5% |   |          |
| 4,500             | Lafayette, Louisiana, Utilities Revenue Bonds, 5% due 11/01/2028 (f)  | 4,721    |
| 6,000             | Louisiana Local Government, Environmental Facilities, Community Development Authority Revenue Bonds (Capital Projects and Equipment Acquisition), Series A, 6.30% due 7/01/2030 (a) | 7,126    |

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|                       |   |        |
|-----------------------|---|--------|
| 2,035                 | Louisiana State Citizens Property Insurance Corporation, Assessment Revenue Bonds, Series B, 5% due 6/01/2023 (a)   | 2,153  |
| 3,250                 | Louisiana State, Gas and Fuels Tax Revenue Bonds, Series A, 4.75% due 5/01/2039 (d)   | 3,313  |
| 3,735                 | Louisiana State Transportation Authority, Senior Lien Toll Revenue Capital Appreciation Bonds, Series B, 5.31% due 12/01/2027 (a) (m)                           | 1,283  |
| 4,650                 | New Orleans, Louisiana, Ernest N. Morial Exhibit Hall Authority, Special Tax, Sub-Series A, 5.25% due 7/15/2028 (a)   | 4,934  |
| 3,650                 | Rapides Financing Authority, Louisiana, Revenue Bonds (Cleco Power LLC Project), AMT, 4.70% due 11/01/2036 (a)  | 3,640  |
| 1,400                 | Terrebonne Parish, Louisiana, Hospital Service District Number 1, Hospital Revenue Bonds (Terrebonne General Medical Center Project), 5.50% due 4/01/2033 (a)   | 1,508  |
| -----                 |   |        |
| Massachusetts -- 6.6% |   |        |
| 8,800                 | Massachusetts State School Building Authority, Dedicated Sales Tax Revenue Bonds, Series A, 5% due 8/15/2030 (d)  | 9,281  |
| 11,300                | Massachusetts State Special Obligation Dedicated Tax Revenue Bonds, 5.25% due 1/01/2014 (b) (g)   | 12,253 |
| 950                   | Massachusetts State Water Resource Authority, General Revenue Refunding Bonds, Series B, 5.125% due 8/01/2027 (f)   | 995    |
| -----                 |   |        |
| Michigan -- 3.6%      |   |        |
| 1,900                 | Detroit, Michigan, Sewage Disposal System, Second Lien Revenue Bonds, Series B, 5% due 7/01/2036 (b)  | 1,997  |
| 1,700                 | Michigan Higher Education Student Loan Authority, Student Loan Revenue Refunding Bonds, AMT, Series XVII-G, 5.20% due 9/01/2020 (a)                             | 1,773  |
|                       | Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Detroit Edison Company Pollution Control Project), AMT (c):                          |        |
| 1,300                 | Series A, 5.50% due 6/01/2030   | 1,394  |
| 2,500                 | Series C, 5.65% due 9/01/2029   | 2,648  |
| 4,300                 | Series C, 5.45% due 12/15/2032  | 4,554  |
| -----                 |   |        |
| Minnesota -- 0.5%     |   |        |
| 1,550                 | Dakota County, Minnesota, Community Development Agency, S/F Mortgage Revenue Bonds (Mortgage-Backed Securities Program), Series B, 5.15% due 12/01/2038 (n) (p) | 1,611  |
| -----                 |   |        |
| Mississippi -- 0.8%   |   |        |
| 2,400                 | Walnut Grove, Mississippi, Correctional Authority, COP, 6% due 11/01/2009 (a) (g)   | 2,584  |
| -----                 |   |        |
| Nebraska -- 0.5%      |   |        |
| 1,700                 | Washington County, Nebraska, Wastewater Facilities Revenue Bonds (Cargill Inc. Project), AMT, 5.90% due 11/01/2027  | 1,851  |
| -----                 |   |        |
| Nevada -- 3.9%        |   |        |
| 3,100                 | Carson City, Nevada, Hospital Revenue Bonds (Carson-Tahoe Hospital Project), Series A, 5.50% due 9/01/2033 (i)  | 3,311  |
|                       | Clark County, Nevada, Airport System Subordinate Lien   |        |

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|       |   |       |
|-------|---|-------|
|       | Revenue Bonds, Series A-2 (b):  |       |
| 1,500 | 5% due 7/01/2030  | 1,563 |
| 3,200 | 5% due 7/01/2036  | 3,326 |
| 5,060 | Clark County, Nevada, IDR (Southwest Gas Corp. Project), AMT, Series A, 4.75% due 9/01/2036 (b) | 5,052 |

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8 BLACKROCK MUNIENHANCED FUND, INC. JANUARY 31, 2007

Schedule of Investments (continued) (in Thousands)

| Face Amount           | Municipal Bonds   | Value    |
|-----------------------|---|----------|
| <hr/>                 |   |          |
| New Hampshire -- 2.3% |   |          |
| \$ 7,390              | New Hampshire Health and Education Facilities Authority Revenue Bonds (Dartmouth-Hitchcock Obligation Group), 5.50% due 8/01/2027 (d)                   | \$ 7,902 |
| <hr/>                 |   |          |
| New Jersey -- 7.5%    |   |          |
|                       | New Jersey EDA, Cigarette Tax Revenue Bonds:  |          |
| 700                   | 5.50% due 6/15/2031   | 737      |
| 1,165                 | 5.75% due 6/15/2034   | 1,244    |
|                       | New Jersey EDA, Motor Vehicle Surcharge Revenue Bonds, Series A (f):  |          |
| 2,600                 | 5% due 7/01/2029  | 2,725    |
| 9,325                 | 5.25% due 7/01/2031   | 9,961    |
| 5,200                 | 5.25% due 7/01/2033   | 5,555    |
| 4,960                 | New Jersey EDA, School Facilities Construction Revenue Bonds, Series O, 5.125% due 3/01/2028  | 5,244    |
| <hr/>                 |   |          |
| New York -- 1.5%      |   |          |
| 2,250                 | Metropolitan Transportation Authority, New York, Transportation Revenue Bonds, Series A, 5% due 11/15/2032 (b)  | 2,362    |
| 2,400                 | Tobacco Settlement Financing Corporation of New York Revenue Bonds, Series A-1, 5.25% due 6/01/2022 (a)   | 2,557    |
| <hr/>                 |   |          |
| Ohio -- 0.8%          |   |          |
| 2,550                 | Ohio State Air Quality, Development Authority Revenue Bonds (Dayton Power and Light Company Project), 4.80% due 9/01/2036 (b)                           | 2,570    |
| <hr/>                 |   |          |
| Pennsylvania -- 4.5%  |   |          |
| 7,750                 | Pennsylvania State Public School Building Authority, School Lease Revenue Bonds (The School District of Philadelphia Project), 5% due 6/01/2013 (d) (g) | 8,278    |
| 6,500                 | Philadelphia, Pennsylvania, Authority for Industrial Development, Lease Revenue Bonds, Series B, 5.50% due 10/01/2020 (d)                               | 6,985    |
| <hr/>                 |   |          |
| Rhode Island -- 2.5%  |   |          |
| 4,345                 | Providence, Rhode Island, Public Building Authority, General Revenue Bonds, Series A, 6.25% due 12/15/2020 (d)  | 4,751    |
| 3,355                 | Rhode Island State Economic Development   |          |

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|                        |  |  |        |
|------------------------|--|--|--------|
|                        |  | Corporation, Airport Revenue Bonds, Series B, 6.50%<br>due 7/01/2010 (b) (g)   | 3,673  |
| -----                  |  |  |        |
| South Carolina -- 3.0% |  |  |        |
| 3,800                  |  | Berkeley County, South Carolina, School District,<br>Installment Lease Revenue Bonds (Securing Assets<br>for Education Project), 5.125% due 12/01/2030                               | 4,005  |
| 2,365                  |  | Kershaw County, South Carolina, Public Schools<br>Foundation, Installment Power Revenue Refunding<br>Bonds, 5% due 12/01/2029 (k)  | 2,481  |
| 3,500                  |  | Scago Educational Facilities Corporation for Pickens<br>County School District, South Carolina, Revenue<br>Bonds, 5% due 12/01/2031 (d)  | 3,666  |
| -----                  |  |  |        |
| South Dakota -- 2.1%   |  |  |        |
| 6,825                  |  | South Dakota State Health and Educational Facilities<br>Authority Revenue Refunding Bonds, Series A,<br>7.625% due 1/01/2008 (f) (g)   | 7,043  |
| -----                  |  |  |        |
| Tennessee -- 1.1%      |  |  |        |
| 6,500                  |  | Knox County, Tennessee, Health, Educational and<br>Housing Facilities Board, Hospital Facilities Revenue<br>Refunding Bonds (Covenant Health), Series A,<br>5.039% due 1/01/2038 (m) | 1,354  |
| 2,280                  |  | Tennessee HDA, Revenue Refunding Bonds<br>(Homeownership Program), AMT, Series 1, 5.95%<br>due 7/01/2012 (f)   | 2,315  |
| -----                  |  |  |        |
| Texas -- 6.8%          |  |  |        |
| 1,615                  |  | Bexar, Texas, Metropolitan Water District, Waterworks<br>System Revenue Refunding Bonds, 6.35%<br>due 5/01/2025 (f)  | 1,624  |
|                        |  | Leander, Texas, Independent School District, Capital<br>Appreciation, GO, Refunding (School Building) (m):   |        |
| 9,345                  |  | 5.49% due 8/15/2029 (b)  | 2,935  |
| 10,000                 |  | 5.58% due 8/15/2035  | 2,207  |
| 4,475                  |  | Lewisville, Texas, Independent School District, Capital<br>Appreciation and School Building, GO, Refunding,<br>4.67% due 8/15/2024 (b) (m)   | 1,959  |
| 5,820                  |  | North Harris County, Texas, Regional Water Authority,<br>Senior Lien Revenue Bonds, 5.125% due 12/15/2035 (f)  | 6,108  |
| 1,600                  |  | Texas State Affordable Housing Corporation,<br>S/F Mortgage Revenue Bonds (Professional<br>Educators Program), AMT, Series A-1, 5.50%<br>due 12/01/2039 (n) (p)                      | 1,703  |
| 6,250                  |  | Texas State Turnpike Authority, Central Texas Turnpike<br>System Revenue Bonds, First Tier, Series A, 5.50%<br>due 8/15/2039 (a)   | 6,686  |
| -----                  |  |  |        |
| Virginia -- 6.2%       |  |  |        |
| 10,000                 |  | Fairfax County, Virginia, EDA, Resource Recovery Revenue<br>Refunding Bonds, AMT, Series A, 6.10%<br>due 2/01/2010 (a)   | 10,595 |
| 2,300                  |  | Halifax County, Virginia, IDA, Exempt Facility Revenue<br>Refunding Bonds (Old Dominion Electric Cooperative<br>Project), AMT, 5.625% due 6/01/2028 (a)                              | 2,503  |
| 2,400                  |  | James City County, Virginia, EDA, Revenue Bonds<br>(Pub Facility Projects), 5% due 6/15/2026 (d)   | 2,554  |
| 5,000                  |  | Stafford County, Virginia, EDA, Hospital Facilities Revenue<br>Bonds (MediCorp Health System), 5.25% due 6/15/2037   | 5,292  |
| -----                  |  |  |        |
| Washington -- 0.6%     |  |  |        |



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|  |  |                     |
|--|--|---------------------|
| 4,200  | New York City, New York, GO, Series J, 5.50%<br>due 6/01/2021 (c)  | 4,573               |
| -----  |  |                     |
| South Carolina -- 2.2%   |  |                     |
| 3,120  | Charleston Educational Excellence Financing<br>Corporation, South Carolina, Revenue Bonds<br>(Charleston County School District), 5.25%<br>due 12/01/2028 (e)        | 3,355               |
| 2,765  | Charleston Educational Excellence Financing<br>Corporation, South Carolina, Revenue Bonds<br>(Charleston County School District), 5.25%<br>due 12/01/2029 (e)        | 2,973               |
| 1,010  | Charleston Educational Excellence Financing<br>Corporation, South Carolina, Revenue Bonds<br>(Charleston County School District), 5.25%<br>due 12/01/2030 (e)        | 1,085               |
| -----  |  |                     |
| Texas -- 9.1%  |  |                     |
| 14,500   | Dallas-Fort Worth, Texas, International Airport Revenue<br>Bonds, AMT, Series A, 5.50% due 11/01/2033 (f)  | 15,527              |
| 4,000  | Dallas-Fort Worth, Texas, International Airport Revenue<br>Bonds, AMT, Series A, 6% due 11/01/2028 (b)   | 4,197               |
| 10,400   | Travis County, Texas, Health Facilities Development<br>Corporation, Revenue Refunding Bonds (Ascension<br>Health Credit), Series A, 5.875%<br>due 11/15/2009 (a) (g) | 11,076              |
| -----  |  |                     |
|  | Total Municipal Bonds Held in Trust<br>(Cost -- \$102,911) -- 31.2%  | 105,904             |
| -----  |  |                     |
| Shares<br>Held   | Short-Term Securities  |                     |
| -----  |  |                     |
| 5,318  | Merrill Lynch Institutional Tax-Exempt Fund,<br>3.46% (1) (o)  | 5,318               |
| -----  |  |                     |
|  | Total Short-Term Securities<br>(Cost -- \$5,318) -- 1.6%   | 5,318               |
| -----  |  |                     |
| Total Investments (Cost -- \$550,223*) -- 170.2%                                   |  | 577,321             |
| Liabilities in Excess of Other Assets -- (0.3%)                                    |  | (892)               |
| Liability for Trust Certificates, Including<br>Interest Expense Payable -- (14.7%) |  | (50,043)            |
| Preferred Stock, at Redemption Value -- (55.2%)                                    |  | (187,149)           |
| Net Assets Applicable to Common Stock -- 100.0%                                    |  | \$ 339,237<br>===== |

\* The cost and unrealized appreciation (depreciation) of investments as of January 31, 2007, as computed for federal income tax purposes, were as follows:

Aggregate cost ..... \$501,011  
=====

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|                                     |           |
|-------------------------------------|-----------|
| Gross unrealized appreciation ..... | \$ 26,804 |
| Gross unrealized depreciation ..... | (277)     |
|                                     | -----     |
| Net unrealized appreciation .....   | \$ 26,527 |
|                                     | =====     |

- (a) AMBAC Insured.
- (b) FGIC Insured.
- (c) XL Capital Insured.
- (d) FSA Insured.
- (e) Assured Guaranty Insured.
- (f) MBIA Insured.
- (g) Prerefunded.
- (h) Escrowed to maturity.
- (i) Radian Insured.
- (j) Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund may have acquired the residual interest certificates. These securities serve as collateral in a financing transaction. See Note 1(c) to Financial Statements for details of Municipal Bonds Held in Trust.
- (k) CIFG Insured.
- (l) 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<br>Activity | Dividend<br>Income |
|--|-----------------|--------------------|
| -----  |                 |                    |
| Merrill Lynch Institutional<br>Tax-Exempt Fund | 3,113           | \$160              |
| -----  |                 |                    |

- (m) Represents a zero coupon or a step bond; the interest rate shown reflects the effective yield at the time of purchase.
- (n) FNMA/GNMA Collateralized.
- (o) Represents the current yield as of January 31, 2007.
- (p) FHLMC Collateralized.

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Schedule of Investments (concluded) (in Thousands)

- o Forward interest rate swaps outstanding as of January 31, 2007 were as follows:

|  | Notional<br>Amount | Unrealized<br>Appreciation |
|--|--------------------|----------------------------|
| -----  |                    |                            |
| Pay a fixed rate of 3.728% and receive<br>a floating rate based on a 1-week Bond<br>Market Association rate<br>Broker, JPMorgan Chase<br>Expires February 2017 | \$25,000           | \$103                      |
| Pay a fixed rate of 3.777% and receive<br>a floating rate based on a 1-week Bond   |                    |                            |



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|  |          |       |
|--|----------|-------|
| Market Association rate                |          |       |
| Broker, Citibank N.A.                  |          |       |
| Expires April 2017                     | \$ 8,000 | 9     |
|  |          |       |
| Pay a fixed rate of 3.872% and receive |          |       |
| a floating rate based on a 1-week Bond |          |       |
| Market Association rate                |          |       |
| Broker, JPMorgan Chase                 |          |       |
| Expires February 2022                  | \$ 7,500 | 24    |
|  |          |       |
| Pay a fixed rate of 3.676% and receive |          |       |
| a floating rate based on a 1-week Bond |          |       |
| Market Association rate                |          |       |
| Broker, JPMorgan Chase                 |          |       |
| Expires March 2022                     | \$12,500 | 297   |
| -----                                  |          |       |
| Total                                  |          | \$433 |
|  |          | ====  |

See Notes to Financial Statements.

BLACKROCK MUNI ENHANCED FUND, INC.                      JANUARY 31, 2007                      11

Statement of Net Assets

As of January 31, 2007

Assets

|   |  |
|---|--|
| Investments in unaffiliated securities, at value (identified cost -- \$544,904,998) |  |
| Investments in affiliated securities, at value (identified cost -- \$5,317,567) ... |  |
| Unrealized appreciation on forward interest rate swaps .....                        |  |
| Cash .....  |  |
| Interest receivable .....   |  |
| Prepaid expenses .....  |  |
| <br>Total assets .....  |  |

Liabilities

|  |  |
|--|--|
| Trust certificates .....                     |  |
| Payables:                                    |  |
| Securities purchased .....                   |  |
| Dividends to Common Stock shareholders ..... |  |
| Interest expense .....                       |  |
| Investment adviser .....                     |  |
| Other affiliates .....                       |  |
| <br>Accrued expenses .....                   |  |
| <br>Total liabilities .....                  |  |

Preferred Stock

Preferred Stock, at redemption value, par value \$.025 (2,000 Series A Shares,

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2,000 Series B Shares, 2,000 Series C Shares) and \$.10 per share (1,480 Series D Shares) of AMPS\* authorized, issued and outstanding at \$25,000 per share liquidation preference .....

=====  
 Net Assets Applicable to Common Stock  
 -----

Net assets applicable to Common Stock .....

=====  
 Analysis of Net Assets Applicable to Common Stock  
 -----

Common Stock, par value \$.10 per share (29,369,874 shares issued and outstanding)  
 Paid-in capital in excess of par .....

Undistributed investment income -- net .....

Accumulated realized capital losses -- net .....

Unrealized appreciation -- net .....

Total accumulated earnings -- net .....

Total -- Equivalent to \$11.55 net asset value per share of Common Stock  
 (market price -- \$10.77) .....

\* Auction Market Preferred Stock.  
 See Notes to Financial Statements.

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Statement of Operations

For the Year Ended January 31, 2007

=====  
 Investment Income  
 -----

Interest and amortization of premium and discount earned .....

Dividends from affiliates .....

Total income .....

=====  
 Expenses  
 -----

Investment advisory fees .....

Interest expense and fees .....

Commission fees .....

Accounting services .....

Transfer agent fees .....

Professional fees .....

Printing and shareholder reports .....

Custodian fees .....

Directors' fees and expenses .....

Pricing fees .....

Listing fees .....

Other .....

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Total expenses before reimbursement .....  
 Reimbursement of expenses .....  
 Total expenses after reimbursement .....  
 Investment income -- net .....

=====  
 Realized & Unrealized Gain (Loss) -- Net  
 -----

Realized gain (loss) on:  
 Investments -- net .....  
 Forward interest rate swaps -- net .....  
 Change in unrealized appreciation/depreciation on:  
 Investments -- net .....  
 Forward interest rate swaps -- net .....  
 Total realized and unrealized gain-- net .....

=====  
 Dividends to Preferred Stock Shareholders  
 -----

Investment income -- net .....  
 Net Increase in Net Assets Resulting from Operations .....

See Notes to Financial Statements.

BLACKROCK MUNI ENHANCED FUND, INC.

JANUARY 31, 2007

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Statements of Changes in Net Assets (As Restated for the Year Ended 2006. See Note 6)

Increase (Decrease) in Net Assets:  
 =====

Operations  
 -----

Investment income -- net .....  
 Realized gain -- net .....  
 Change in unrealized appreciation/depreciation -- net .....  
 Dividends to Preferred Stock shareholders .....  
 Net increase in net assets resulting from operations .....

=====  
 Dividends to Common Stock Shareholders  
 -----

Investment income -- net .....  
 Net decrease in net assets resulting from dividends to Common Stock shareholders .

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=====  
 Net Assets Applicable to Common Stock  
 -----

Total increase (decrease) in net assets applicable to Common Stock .....  
 Beginning of year .....  
 End of year\* .....  
 \* Undistributed investment income -- net .....

See Notes to Financial Statements.

14 BLACKROCK MUNI ENHANCED FUND, INC. JANUARY 31, 2007

Financial Highlights (As Restated for the Years Ended 2006, 2005, 2004 and 2003.  
 See Note 6 )

The following per share data and ratios have been derived from information provided in the financial statements. ----- For the Year -----  
2007 2006  
 =====

Per Share Operating Performance  
 -----

|  |          |          |    |
|--|----------|----------|----|
| Net asset value, beginning of year .....   | \$ 11.52 | \$ 11.85 | \$ |
| Investment income -- net*** .....  | .76      | .77      |    |
| Realized and unrealized gain (loss) -- net .....                                     | .06      | (.22)    |    |
| Less dividends to Preferred Stock shareholders from investment income -- net .....   | (.22)    | (.16)    |    |
| Total from investment operations .....   | .60      | .39      |    |
| Less dividends to Common Stock shareholders from investment income -- net .....      | (.57)    | (.72)    |    |
| Offering and underwriting costs resulting from the issuance of Preferred Stock ..... | --       | --       |    |
| Net asset value, end of year .....   | \$ 11.55 | \$ 11.52 | \$ |
| Market price per share, end of year .....  | \$ 10.77 | \$ 11.03 | \$ |

=====  
 Total Investment Return\*  
 -----

|  |       |       |
|--|-------|-------|
| Based on net asset value per share ..... | 5.66% | 3.63% |
| Based on market price per share .....    | 2.90% | 7.58% |

=====  
 Ratios Based on Average Net Assets Applicable to Common Stock  
 -----

|  |       |       |
|--|-------|-------|
| Total expenses, net of reimbursement and excluding interest expense and fees** ..... | 1.08% | 1.07% |
| Total expenses, net of reimbursement** .....   | 1.69% | 1.51% |

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|  |           |           |     |
|--|-----------|-----------|-----|
| Total expenses**   | 1.69%     | 1.51%     |     |
| Total investment income -- net**   | 6.57%     | 6.63%     |     |
| Amount of dividends to Preferred Stock shareholders                                  | 1.88%     | 1.34%     |     |
| Investment income -- net, to Common Stock shareholders                               | 4.69%     | 5.29%     |     |
| Ratios Based on Average Net Assets Applicable to Preferred Stock                     |           |           |     |
| Dividends to Preferred Stock shareholders  | 3.39%     | 2.46%     |     |
| Supplemental Data  |           |           |     |
| Net assets applicable to Common Stock, end of year<br>(in thousands)                 | \$339,237 | \$338,450 | \$3 |
| Preferred Stock outstanding at liquidation<br>preference, end of year (in thousands) | \$187,000 | \$187,000 | \$1 |
| Portfolio turnover   | 31%       | 22%       |     |
| Leverage   |           |           |     |
| Asset coverage per \$1,000   | \$ 2,814  | \$ 2,810  | \$  |
| Dividends Per Share on Preferred Stock Outstanding                                   |           |           |     |
| Series A -- Investment income -- net   | \$ 841    | \$ 603    | \$  |
| Series B -- Investment income -- net   | \$ 854    | \$ 629    | \$  |
| Series C -- Investment income -- net   | \$ 845    | \$ 610    | \$  |
| Series D -- Investment income -- net   | \$ 848    | \$ 614    | \$  |

\* Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.

\*\* Do not reflect the effect of dividends to Preferred Stock shareholders.

\*\*\* Based on average shares outstanding.

See Notes to Financial Statements.

BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

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Notes to Financial Statements

1. Significant Accounting Policies:

On September 29, 2006, MuniEnhanced Fund, Inc. was renamed BlackRock MuniEnhanced Fund, Inc. (the "Fund"). The Fund is registered under the

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Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock shares are listed on the New York Stock Exchange under the symbol MEN. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments -- Municipal bonds are traded primarily in the over-the-counter ("OTC") markets and are valued at the last available bid price in the OTC market or on the basis of values as obtained by a pricing service. Pricing services use valuation matrixes that incorporate both dealer-supplied valuations and valuation models. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general direction of the Board of Directors. Such valuations and procedures are reviewed periodically by the Board of Directors of the Fund. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options written or purchased are valued at the last sale price in the case of exchange-traded options. In the case of options traded in the OTC market, valuation is the last asked price (options written) or the last bid price (options purchased). Swap agreements are valued by quoted fair valuations received daily by the Fund's pricing service. Short-term investments with a remaining maturity of 60 days or less are valued at amortized cost, which approximates market value, under which method the investment is valued at cost and any premium or discount is amortized on a straight line basis to maturity. Investments in open-end investment companies are valued at their net asset value each business day. Securities and other assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund. Such valuations and procedures will be reviewed periodically by the Board of Directors of the Fund.

(b) Derivative financial instruments -- The Fund may engage in various portfolio investment strategies both to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise due to changes in the value of the contract due to an unfavorable change in the price of the underlying security or index, or if the counterparty does not perform under the contract. The counterparty for certain instruments may pledge cash or securities as collateral.

- o Financial futures contracts -- The Fund may purchase or sell financial futures contracts and options on such financial futures contracts. Financial futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.
- o Options -- The Fund may write covered call options and purchase call and put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market reflecting the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the

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security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

- o Forward interest rate swaps -- The Fund may enter into forward interest rate swaps. In a forward interest rate swap, the Fund and the counterparty agree to make periodic net payments on a specified notional contract amount, commencing on a specified future effective date, unless terminated earlier. When the agreement is closed, the Fund records a realized gain or loss in an amount equal to the value of the agreement.

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BLACKROCK MUNI ENHANCED FUND, INC.

JANUARY 31, 2007

### Notes to Financial Statements (continued)

- o Swaps -- The Fund may enter into swap agreements, which are OTC contracts in which the Fund and a counterparty agree to make periodic net payments on a specified notional amount. The net payments can be made for a set period of time or may be triggered by a predetermined credit event. The net periodic payments may be based on a fixed or variable interest rate; the change in market value of a specified security, basket of securities, or index; or the return generated by a security. These periodic payments received or made by the Fund are recorded in the accompanying Statement of Operations as realized gains or losses, respectively. Gains or losses are also realized upon termination of the swap agreements. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). Risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms and the possible lack of liquidity with respect to the swap agreements.

(c) Municipal bonds held in trust -- The Fund invests in leveraged residual certificates ("TOB Residuals") issued by tender option bond trusts ("TOBs"). A TOB is established by a third party sponsor forming a special purpose entity, into which the Fund, or an agent on behalf of the Fund, transfers municipal securities. A TOB typically issues two classes of beneficial interests: short-term floating rate certificates, which are sold to third party investors, and residual certificates, which are generally issued to the Fund which made the transfer or to affiliates of the Fund. The transfer of the municipal securities to a TOB does not qualify for sale treatment under Statement of Financial Accounting Standards No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," therefore the municipal securities deposited into a TOB are presented in the Fund's schedule of investments and the proceeds from the transaction are reported as a liability for trust certificates of the Fund. Similarly, proceeds from residual certificates issued to affiliates, if any, from the transaction are included in the liability for trust certificates. Interest income from the underlying security is recorded by the Fund on an accrual basis. Interest expense incurred on the secured borrowing and other expenses related to remarketing, administration and trustee services to a TOB are reported as expenses of the Fund. The floating rate certificates have interest rates that generally reset weekly and their holders have the option to tender certificates to the TOB for redemption at par at each reset date. The residual interests held by the Fund include the right of the Fund (1) to cause the holders of a proportional share of the floating rate certificates to tender their certificates at par, and (2) to transfer a corresponding share of the municipal securities from the TOB to

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the Fund. At January 31, 2007, the aggregate value of the underlying municipal securities transferred to TOBs was \$105,904,412, the related liability for trust certificates was \$49,782,500 and the range of interest rates on the liability for trust certificates was 3.55% to 3.68%.

Financial transactions executed through TOBs generally will underperform the market for fixed rate municipal bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Should short-term interest rates rise, the Fund's investments in TOB Residuals likely will adversely affect the Fund's investment income -- net and distributions to shareholders. Fluctuations in the market value of municipal securities deposited into the TOB may adversely affect the Fund's net asset value per share.

While the Fund's investment policies and restrictions expressly permit investments in inverse floating rate securities such as TOB Residuals, they generally do not allow the Fund to borrow money for purposes of making investments. The Fund's management believes that the Fund's restrictions on borrowings do not apply to the secured borrowings deemed to have occurred for accounting purposes.

(d) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

(e) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis. The Fund amortizes all premiums and discounts on debt securities.

(f) Dividends and distributions -- Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

(g) Reclassifications -- U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. There were no significant reclassifications in the current year. These reclassifications have no effect on net assets or net asset values per share.

BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

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### Notes to Financial Statements (continued)

(h) Recent accounting pronouncements -- In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109." FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity including mutual funds before being measured and recognized in the financial statements. Adoption of FIN 48 is required for the last net asset value calculation in the first required financial statement reporting period for fiscal years beginning after December 15, 2006. The impact on the Fund's financial statements, if any, is currently being assessed.

In addition, in September 2006, Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"), was issued and is effective for



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fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the implications of FAS 157. At this time, its impact on the Fund's financial statements has not been determined.

### 2. Investment Advisory Agreement and Transactions with Affiliates:

On September 29, 2006, BlackRock, Inc. and Merrill Lynch & Co., Inc. ("Merrill Lynch") combined Merrill Lynch's investment management business, Merrill Lynch Investment Managers, L.P. ("MLIM"), and its affiliates including Fund Asset Management, L.P. ("FAM"), with BlackRock, Inc. to create a new independent company. Merrill Lynch has a 49.8% economic interest and a 45% voting interest in the combined company and The PNC Financial Services Group, Inc. ("PNC"), has approximately a 34% economic and voting interest. The new company operates under the BlackRock name and is governed by a board of directors with a majority of independent members.

On August 15, 2006, shareholders of the Fund approved a new Investment Advisory Agreement with BlackRock Advisors, Inc. (the "Manager"), an indirect, wholly owned subsidiary of BlackRock, Inc. BlackRock Advisors, Inc. was recently reorganized into a limited liability company and renamed BlackRock Advisors, LLC. The new Investment Advisory Agreement between the Fund and the Manager became effective on September 29, 2006. Prior to September 29, 2006, FAM was the Fund's Manager. The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect, wholly owned subsidiary of Merrill Lynch, which is the limited partner.

The Manager is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of .50% of the average daily value of the Fund's net assets, including assets acquired from the issuance of Preferred Stock. The Manager (and formerly FAM) has agreed to reimburse its management fee by the amount of management fees the Fund pays to the Manager (and formerly FAM) indirectly through its investment in Merrill Lynch Institutional Tax-Exempt Fund. For the period February 1, 2006 to September 29, 2006, FAM reimbursed the Fund \$4,455. For the period September 30, 2006 to January 31, 2007, the Manager reimbursed the Fund \$5,060.

In addition, the Manager has entered into a sub-advisory agreement with BlackRock Investment Management, LLC, an affiliate of the Manager, under which the Manager pays the Sub-Adviser for services it provides a monthly fee that is a percentage of the management fee paid by the Fund to the Manager.

For the year ended January 31, 2007, the Fund reimbursed FAM and the Manager \$7,870 and \$3,372, respectively, for certain accounting services.

Prior to September 29, 2006, certain officers and/or directors of the Fund were officers and/or directors of FAM, MLIM, PSI and/or Merrill Lynch.

Commencing September 29, 2006, certain officers and/or directors of the Fund are officers and/or directors of BlackRock, Inc. or its affiliates.

### 3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended January 31, 2007 were \$179,004,196 and \$177,588,443, respectively.

### 4. Stock Transactions:

The Fund is authorized to issue 200,000,000 shares of stock, par value \$.10 per

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share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of stock without the approval of the holders of Common Stock.

### Preferred Stock

Auction Market Preferred Stock are redeemable shares of Preferred Stock of the Fund, with a liquidation preference of \$25,000 per share plus accrued and unpaid dividends that entitle their holders to receive cash dividends at an annual rate

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### Notes to Financial Statements (continued)

that may vary for the successive dividend periods. The yields in effect at January 31, 2007 were as follows: Series A, 3.46%; Series B, 3.45%; Series C, 3.56%; and Series D, 3.52%.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from .25% to .50%, calculated on the proceeds of each auction. For the year ended January 31, 2007, Merrill Lynch, Pierce, Fenner & Smith Incorporated, a wholly owned subsidiary of Merrill Lynch, received \$223,647 in commissions.

#### 5. Distributions to Shareholders:

The Fund paid a tax-exempt income dividend to holders of Common Stock in the amount of \$.043000 on March 1, 2007 to shareholders of record on February 15, 2007.

The tax character of distributions paid during the fiscal years ended January 31, 2007 and January 31, 2006 was as follows:

|                           | 1/31/2007    | 1/31/2006    |
|---------------------------|--------------|--------------|
| Distributions paid from:  |              |              |
| Tax-exempt income .....   | \$23,135,436 | \$25,796,836 |
| Total distributions ..... | \$23,135,436 | \$25,796,836 |
|                           |              |              |

As of January 31, 2007, the components of accumulated earnings on a tax basis were as follows:

|  |               |
|--|---------------|
| Undistributed tax-exempt income -- net .....       | \$ 1,462,845  |
| Undistributed long-term capital gains -- net ..... | --            |
| Total undistributed earnings -- net .....          | 1,462,845     |
| Capital loss carryforward .....                    | (12,865,504)* |
| Unrealized gains -- net .....                      | 25,115,168**  |
| Total accumulated earnings -- net .....            | \$ 13,712,509 |

\* On January 31, 2007, the Fund had a net capital loss carryforward of \$12,865,504, of which \$1,939,484 expires in 2008, \$8,632,426 expires in 2009, \$1,940,146 expires in 2011 and \$353,448 expires in 2013. This amount will be available to offset like amounts of any future taxable gains.

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\*\* The difference between book-basis and tax-basis net unrealized gains (losses) is attributable primarily to the tax deferral of losses on straddles, the difference between book and tax amortization methods for premiums and discounts on fixed income securities and the difference between the book and tax treatment of residual interests in tender option bond trusts.

### 6. Restatement Information:

During the year ended January 31, 2007, the Fund determined that the criteria for sale accounting in Statement of Financial Accounting Standards No. 140 had not been met for certain transfers of municipal bonds and that these transfers should have been accounted for as secured borrowings rather than as sales. Accordingly, the Fund has restated the Statements of Changes in Net Assets for the year ended January 31, 2006 and certain financial highlights for the years ended January 31, 2006, 2005, 2004, and 2003. The effects of the restatement were to record the transfers of the municipal bonds as secured borrowings, to give effect to offsetting changes in realized gain -- net and in the change in unrealized appreciation/depreciation -- net on the transferred municipal securities and to give effect to interest on the bonds as interest income and interest on the secured borrowings as interest expense.

-----  
 Statements of Changes in Net Assets for the  
 Year Ended January 31, 2006  
 -----

|  | Previously<br>Reported | Restated       |
|--|------------------------|----------------|
| Realized gain -- net .....   | \$ 2,424,315           | \$ 2,335,036   |
| Change in unrealized<br>appreciation/<br>depreciation -- net ..... | \$ (8,920,714)         | \$ (8,831,435) |

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BLACKROCK MUNIENHANCED FUND, INC.                      JANUARY 31, 2007                      19

### Notes to Financial Statements (concluded)

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 Financial Highlights  
 For the Years Ended January 31, 2006, 2005, 2004 and 2003  
 -----

|  | 2006                   |          | 2005                   |          |        |
|--|------------------------|----------|------------------------|----------|--------|
|  | Previously<br>Reported | Restated | Previously<br>Reported | Restated |        |
| Total expenses, net of reimbursement** ..... | 1.07%                  | 1.51%    | 1.01%                  | 1.32%    | .97%   |
| Total expenses** .....                       | 1.07%                  | 1.51%    | 1.01%                  | 1.32%    | .97%   |
| Portfolio turnover .....                     | 27.72%                 | 22%      | 40.17%                 | 33%      | 50.47% |

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\*\* Do not reflect the effect of dividends to Preferred Stock shareholders.

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While the Statements of Net Assets as of January 31, 2006, 2005, 2004 and 2003, not presented herein, have not been reissued to give effect to the restatement, the principal effects of the restatement would be to increase investments and liability for trust certificates by corresponding amounts at each year, with no effect on previously reported net assets. The Statements of Operations for the years ended January 31, 2006, 2005, 2004, and 2003, not presented herein, have not been reissued to give effect to the restatement. However, the principal effects of the restatement would be to increase interest income and interest expense and fees by corresponding amounts each year, and, where applicable, to revise realized gain (loss) on investments -- net, and the change in unrealized appreciation/depreciation on investments -- net, by corresponding and offsetting amounts. The Statements of Changes in Net Assets for the years ended January 31, 2005, 2004 and 2003, not presented herein, have not been reissued to give effect to the restatement, but the principal effects of a restatement, where applicable, would be to revise previously reported realized gain (loss) -- net, and change in unrealized appreciation/depreciation -- net, by corresponding and offsetting amounts.

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BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

### Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
BlackRock MuniEnhanced Fund, Inc.:

We have audited the accompanying statement of net assets, including the schedule of investments, of BlackRock MuniEnhanced Fund, Inc. (formerly MuniEnhanced Fund, Inc.), as of January 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of January 31, 2007, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BlackRock MuniEnhanced Fund, Inc. as of January 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with accounting

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principles generally accepted in the United States of America.

As discussed in Note 6, the statement of changes in net assets for the year ended January 31, 2006, and certain financial highlights for the years ended January 31, 2006, 2005, 2004 and 2003 have been restated.

Deloitte & Touche LLP  
Princeton, New Jersey  
March 26, 2007

### Fund Certification (unaudited)

In May 2006, the Fund filed its Chief Executive Officer Certification for the prior year with the New York Stock Exchange pursuant to Section 303A.12(a) of the New York Stock Exchange Corporate Governance Listing Standards.

The Fund's Chief Executive Officer and Chief Financial Officer Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Fund's Form N-CSR and are available on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

### Important Tax Information (unaudited)

All of the net investment income distributions paid by BlackRock MuniEnhanced Fund, Inc. during the taxable year ended January 31, 2007 qualify as tax-exempt interest dividends for federal income tax purposes.

BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

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### Automatic Dividend Reinvestment Plan

How the Plan Works -- The Fund offers a Dividend Reinvestment Plan (the "Plan") under which income and capital gains dividends paid by the Fund are automatically reinvested in additional shares of Common Stock of the Fund. The Plan is administered on behalf of the shareholders by Computershare Trust Company, N.A. (the "Plan Agent"). Under the Plan, whenever the Fund declares a dividend, participants in the Plan will receive the equivalent in shares of Common Stock of the Fund. The Plan Agent will acquire the shares for the participant's account either (i) through receipt of additional unissued but authorized shares of the Fund ("newly issued shares") or (ii) by purchase of outstanding shares of Common Stock on the open market on the New York Stock Exchange or elsewhere. If, on the dividend payment date, the Fund's net asset value per share is equal to or less than the market price per share plus estimated brokerage commissions (a condition often referred to as a "market premium"), the Plan Agent will invest the dividend amount in newly issued shares. If the Fund's net asset value per share is greater than the market price per share (a condition often referred to as a "market discount"), the Plan Agent will invest the dividend amount by purchasing on the open market additional shares. If the Plan Agent is unable to invest the full dividend amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any uninvested portion in newly issued shares. The shares acquired are credited to each shareholder's account. The amount credited is determined by dividing the dollar amount of the dividend by either (i) when the shares are newly issued, the net asset value per share on the date the shares are issued or (ii) when shares are purchased in the open market, the average purchase price per share.

Participation in the Plan -- Participation in the Plan is automatic, that is, a shareholder is automatically enrolled in the Plan when he or she purchases shares of Common Stock of the Fund unless the shareholder specifically elects

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not to participate in the Plan. Shareholders who elect not to participate will receive all dividend distributions in cash. Shareholders who do not wish to participate in the Plan must advise the Plan Agent in writing (at the address set forth below) that they elect not to participate in the Plan. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by writing to the Plan Agent.

Benefits of the Plan -- The Plan provides an easy, convenient way for shareholders to make additional, regular investments in the Fund. The Plan promotes a long-term strategy of investing at a lower cost. All shares acquired pursuant to the Plan receive voting rights. In addition, if the market price plus commissions of the Fund's shares is above the net asset value, participants in the Plan will receive shares of the Fund for less than they could otherwise purchase them and with a cash value greater than the value of any cash distribution they would have received. However, there may not be enough shares available in the market to make distributions in shares at prices below the net asset value. Also, since the Fund does not redeem shares, the price on resale may be more or less than the net asset value.

Plan Fees -- There are no enrollment fees or brokerage fees for participating in the Plan. The Plan Agent's service fees for handling the reinvestment of distributions are paid for by the Fund. However, brokerage commissions may be incurred when the Fund purchases shares on the open market and shareholders will pay a pro rata share of any such commissions.

Tax Implications -- The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Therefore, income and capital gains may still be realized even though shareholders do not receive cash. The value of shares acquired pursuant to the Plan will generally be excluded from gross income to the extent that the cash amount reinvested would be excluded from gross income. If, when the Fund's shares are trading at a market premium, the Fund issues shares pursuant to the Plan that have a greater fair market value than the amount of cash reinvested, it is possible that all or a portion of the discount from the market value (which may not exceed 5% of the fair market value of the Fund's shares) could be viewed as a taxable distribution. If the discount is viewed as a taxable distribution, it is also possible that the taxable character of this discount would be allocable to all the shareholders, including shareholders who do not participate in the Plan. Thus, shareholders who do not participate in the Plan might be required to report as ordinary income a portion of their distributions equal to their allocable share of the discount.

Contact Information -- All correspondence concerning the Plan, including any questions about the Plan, should be directed to the Plan Agent at Computershare Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010, Telephone: 800-426-5523.

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BLACKROCK MUNI ENHANCED FUND, INC.

JANUARY 31, 2007

### Disclosure of Investment Advisory Agreement

BlackRock Investment Advisory Agreement -- Matters Considered by the Board

The following disclosure appeared in the July 31, 2006 Semi-Annual Report of the Fund and is the discussion referred to in "New BlackRock Sub-Advisory Agreement -- Matters Considered by the Board" below. The term "Investment Adviser" as used herein refers to Fund Asset Management, L.P.

In connection with the Transaction between Merrill Lynch and BlackRock, the

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Fund's Board of Directors considered a new investment advisory agreement (the "New Investment Advisory Agreement") between the Fund and BlackRock Advisors, Inc. or its successor ("BlackRock Advisors"). The New Investment Advisory Agreement has been approved by the Fund's shareholders and is expected to become effective upon the closing of the Transaction in the third quarter of 2006.

The Board discussed the New Investment Advisory Agreement at telephonic and in-person meetings held during April and May 2006. The Board, including the independent directors, approved the New Investment Advisory Agreement at a meeting held on May 9, 2006.

To assist the Board in its consideration of the New Investment Advisory Agreement, BlackRock provided materials and information about BlackRock, including its financial condition and asset management capabilities and organization, and Merrill Lynch provided materials and information about the Transaction. The independent directors, through their independent legal counsel, also requested and received additional information from Merrill Lynch and BlackRock in connection with their consideration of the New Investment Advisory Agreement. The additional information was provided in advance of the May 9, 2006 meeting. In addition, the independent directors consulted with their counsel and Fund counsel on numerous occasions, discussing, among other things, the legal standards and certain other considerations relevant to the directors' deliberations.

At the Board meetings, the directors discussed with Merrill Lynch management and certain BlackRock representatives the Transaction, its strategic rationale and BlackRock's general plans and intentions regarding the Fund. At these Board meetings, representatives of Merrill Lynch and BlackRock made presentations to and responded to questions from the Board. The directors also inquired about the plans for and anticipated roles and responsibilities of certain employees and officers of the Investment Adviser and certain affiliates being transferred to BlackRock in connection with the Transaction. The independent directors of the Board also conferred separately and with their counsel about the Transaction and other matters related to the Transaction on a number of occasions, including in connection with the April and May 2006 meetings. After the presentations and after reviewing the written materials provided, the independent directors met in executive sessions with their counsel to consider the New Investment Advisory Agreement.

In connection with the Board's review of the New Investment Advisory Agreement, Merrill Lynch and/or BlackRock advised the directors about a variety of matters. The advice included the following, among other matters:

- o that there is not expected to be any diminution in the nature, quality and extent of services provided to the Fund and its shareholders by BlackRock Advisors, including compliance services;
- o that operation of New BlackRock as an independent investment management firm will enhance its ability to attract and retain talented professionals;
- o that the Fund should benefit from having access to BlackRock's state of the art technology and risk management analytic tools, including investment tools, provided under the BlackRock Solutions(R) brand name;
- o that BlackRock has no present intention to alter any applicable expense waivers or reimbursements currently in effect and, while it reserves the right to do so in the future, it would seek the approval of the Board before making any changes;
- o that in connection with the Transaction, Merrill Lynch and BlackRock have agreed to conduct, and use reasonable best efforts to cause their

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respective affiliates to conduct, their respective businesses in compliance with the conditions of Section 15(f) of the Investment Company Act of 1940 (the "1940 Act") in relation to any public funds advised by BlackRock or the Investment Adviser (or its affiliates), respectively; and

- o that Merrill Lynch and BlackRock would derive benefits from the Transaction and that, as a result, they have a different financial interest in the matters that were being considered than do Fund shareholders.

The directors considered the information provided by Merrill Lynch and BlackRock above, and, among other factors, the following:

BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

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Disclosure of Investment Advisory Agreement (continued)

- o the potential benefits to Fund shareholders from being part of a combined fund family with BlackRock-sponsored funds, including possible economies of scale and access to investment opportunities;
- o the reputation, financial strength and resources of BlackRock and its investment advisory subsidiaries and the anticipated financial strength and resources of New BlackRock;
- o the compliance policies and procedures of BlackRock Advisors;
- o the terms and conditions of the New Investment Advisory Agreement, including the fact that the schedule of the Fund's total advisory fees will not increase by virtue of the New Investment Advisory Agreement, but will remain the same;
- o that in August 2005, the Board performed a full annual review of the investment advisory agreement currently in effect for the Fund (the "Current Investment Advisory Agreement") as required by the 1940 Act and has determined that the Investment Adviser has the capabilities, resources and personnel necessary to provide the advisory and administrative services currently provided to the Fund; and that the advisory and/or management fees paid by the Fund, taking into account any applicable agreed-upon fee waivers and breakpoints, represent reasonable compensation to the Investment Adviser in light of the services provided, the costs to the Investment Adviser of providing those services, economies of scale, the fees and other expenses paid by similar funds (including information provided by Lipper Inc. ["Lipper"]), and such other matters as the directors have considered relevant in the exercise of their reasonable judgment; and
- o that Merrill Lynch agreed to pay all expenses of the Fund in connection with the Board's consideration of the New Investment Advisory Agreement and related agreements and all costs of shareholder approval of the New Investment Advisory Agreement and as a result the Fund would bear no costs in obtaining shareholder approval of the New Investment Advisory Agreement.

Certain of these considerations are discussed in more detail below.

In its review of the New Investment Advisory Agreement, the Board assessed the nature, scope and quality of the services to be provided to the Fund by the personnel of BlackRock Advisors and its affiliates, including administrative services, shareholder services, oversight of fund accounting and assistance in



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meeting legal and regulatory requirements. In its review of the New Investment Advisory Agreement, the Board also considered a range of information in connection with its oversight of the services to be provided by BlackRock Advisors and its affiliates. Among the matters considered were: (a) fees (in addition to management fees) to be paid to BlackRock Advisors and its affiliates by the Fund; (b) Fund operating expenses paid to third parties; (c) the resources devoted to and compliance reports relating to the Fund's investment objective, policies and restrictions, and its compliance with its Code of Ethics and BlackRock Advisors' compliance policies and procedures; and (d) the nature, cost and character of non-investment management services to be provided by BlackRock Advisors and its affiliates.

In the period prior to the Board meetings to consider renewal of the Current Investment Advisory Agreement, the Board had requested and received materials specifically relating to the Current Investment Advisory Agreement. These materials included (a) information compiled by Lipper on the fees and expenses and the investment performance of the Fund as compared to a comparable group of funds as classified by Lipper; (b) information comparing the Fund's market price with its net asset value per share; (c) a discussion by the Fund's portfolio management team on investment strategies used by the Fund during its most recent fiscal year; (d) information on the profitability to the Investment Adviser of the Current Investment Advisory Agreement and other payments received by the Investment Adviser and its affiliates from the Fund; and (e) information provided by the Investment Adviser concerning services related to the valuation and pricing of Fund portfolio holdings, the Fund's portfolio turnover statistics, and direct and indirect benefits to the Investment Adviser and its affiliates from their relationship with the Fund.

In their deliberations, the directors considered information received in connection with their most recent continuation of the Current Investment Advisory Agreement, in addition to information provided by BlackRock and BlackRock Advisors in connection with their evaluation of the terms and conditions of the New Investment Advisory Agreement. The directors did not identify any particular information that was

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all-important or controlling. The directors, including a majority of the independent directors, concluded that the terms of the New Investment Advisory Agreement are appropriate, that the fees to be paid are reasonable in light of the services to be provided to the Fund, and that the New Investment Advisory Agreement should be approved and recommended to Fund shareholders.

Nature, Quality and Extent of Services Provided -- The Board reviewed the nature, extent and quality of services provided by the Investment Adviser, including the investment advisory services and the resulting performance of the Fund, as well as the nature, quality and extent of services expected to be provided by BlackRock Advisors. The Board focused primarily on the Investment Adviser's advisory services and the Fund's investment performance, but also considered certain areas in which both the Investment Adviser and the Fund receive services as part of the Merrill Lynch complex. The Board compared the Fund's performance -- both including and excluding the effects of fees and expenses -- to the performance of a comparable group of funds, and the performance of a relevant index or combination of indexes. While the Board reviews performance data at least quarterly, consistent with the Investment Adviser's investment goals, the Board attaches more importance to performance over relatively long periods of time, typically three to five years.

In evaluating the nature, quality and extent of the services to be provided by BlackRock Advisors under the New Investment Advisory Agreement, the directors

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considered, among other things, the expected impact of the Transaction on the operations, facilities, organization and personnel of New BlackRock and how it would affect the Fund; the ability of BlackRock Advisors to perform its duties after the Transaction; and any anticipated changes to the current investment and other practices of the Fund.

The directors were given information with respect to the potential benefits to the Fund and its shareholders from having access to BlackRock's state of the art technology and risk management analytic tools, including the investment tools provided under the BlackRock Solutions brand name.

The directors were advised that, as a result of Merrill Lynch's equity interest in BlackRock after the Transaction, the Fund will continue to be subject to restrictions concerning certain transactions involving Merrill Lynch affiliates (for example, transactions with a Merrill Lynch broker-dealer acting as principal) absent revised or new regulatory relief. The directors were advised that a revision of existing regulatory relief with respect to these restrictions was being sought from the Securities and Exchange Commission and were advised of the possibility of receipt of such revised regulatory relief. There can be no assurance that such relief will be obtained.

Based on their review of the materials provided and the assurances they had received from the management of Merrill Lynch and of BlackRock, the directors determined that the nature and quality of services to be provided to the Fund under the New Investment Advisory Agreement were expected to be as good as or better than that provided under the Current Investment Advisory Agreement. It was noted, however, that it is expected that there will be changes in personnel following the Transaction and the combination of the operations of the Investment Adviser and its affiliates with those of BlackRock. The directors noted that if current portfolio managers or other personnel cease to be available, the Board would consider all available options, which could include seeking the investment advisory or other services of BlackRock affiliates. Accordingly, the directors concluded that, overall, they were satisfied at the present time with assurances from BlackRock and BlackRock Advisors as to the expected nature, extent and quality of the services to be provided to the Fund under the New Investment Advisory Agreement.

Costs of Services Provided and Profitability -- It was noted that, in conjunction with the recent review of the Current Investment Advisory Agreement, the directors had received, among other things, a report from Lipper comparing the Fund's fees, expenses and performance to those of a peer group selected by Lipper, and information as to the fees charged by the Investment Adviser or its affiliates to other registered investment company clients for investment management services. The Board reviewed the Fund's contractual management fee rate and actual management fee rate as a percentage of total assets at common asset levels -- the actual rate includes advisory fees and the effects of any fee waivers -- compared to the other funds in its Lipper category. They also compared the Fund's total expenses to those of other comparable funds. The information showed that the Fund had fees and expenses within the range of fees and expenses of comparable funds. The Board considered the services to be provided by and the fees to be charged by BlackRock Advisors to other funds with similar investment mandates and noted that the fees charged by BlackRock Advisors in those cases, including fee waivers and expense reimbursements, were generally comparable to those being charged to the Fund. The Board concluded that the Fund's

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management fee and fee rate and overall expense ratio are reasonable compared to those of other comparable funds.

In evaluating the costs of the services to be provided by BlackRock Advisors under the New Investment Advisory Agreement, the directors considered, among other things, whether advisory fees or other expenses would change as a result of the Transaction. Based on their review of the materials provided and the fact that the New Investment Advisory Agreement is substantially similar to the Current Investment Advisory Agreement in all material respects, including the rate of compensation, the directors determined that the Transaction should not increase the total fees payable, including any fee waivers, or after any expense caps or expense reimbursements, for advisory and administrative services. The directors noted that it was not possible to predict how the Transaction would affect BlackRock Advisors' profitability from its relationship with the Fund.

The directors discussed with BlackRock Advisors its general methodology to be used in determining its profitability with respect to its relationship with the Fund and noted that they expect to receive profitability information from BlackRock Advisors on at least an annual basis.

Fees and Economies of Scale -- The Board considered the extent to which economies of scale might be realized as the assets of the Fund increase and whether there should be changes in the management fee rate or structure in order to enable the Fund to participate in these economies of scale. The Board considered economies of scale to the extent applicable to the Fund's closed-end structure and determined that the Fund currently appropriately benefits from any economies of scale and no changes were currently necessary.

In reviewing the Transaction, the directors considered, among other things, whether advisory fees or other expenses would change as a result of the Transaction. Based on the fact that the New Investment Advisory Agreement is substantially similar to the Current Investment Advisory Agreement in all material respects, including the rate of compensation, the directors determined that as a result of the Transaction, the Fund's total advisory fees would be no higher than the fees under its Current Investment Advisory Agreement. The directors concluded that, because the rates for advisory fees for the Fund would be no higher than its current fee rates, the proposed management fee structure, including any fee waivers, was reasonable and that no additional changes were currently necessary.

Fall-Out Benefits -- The directors considered whether the Fund would generate any fall-out benefits to BlackRock Advisors. Fall-out benefits are indirect profits from other activities that accrue to the adviser or its affiliates solely because of the existence of the Fund. In evaluating the fall-out benefits to be received by BlackRock Advisors under the New Investment Advisory Agreement, the directors considered whether the Transaction would have an impact on the fall out benefits received by the Investment Adviser by virtue of the Current Investment Advisory Agreement. Based on their review of the materials provided, including materials received in connection with their most recent approval or continuance of the Current Investment Advisory Agreement, and their discussions with management of the Investment Adviser and BlackRock, the directors determined that those benefits could include increased ability for BlackRock to distribute shares of its funds and other investment products. The directors noted that any such benefits were difficult to quantify with certainty at this time.

Investment Performance -- The directors considered investment performance for the Fund. The directors compared the Fund's performance -- both including and excluding the effects of fees and expenses -- to the performance of a comparable group of funds, and the performance of a relevant index or combination of indexes. The comparative information received from Lipper showed Fund performance at various levels within the range of performance of comparable

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funds over different time periods. The directors believed the Fund's performance was satisfactory. Also, the directors took into account the investment performance of funds currently advised by BlackRock Advisors. The Board considered comparative information from Lipper which showed that the performance of the funds advised by BlackRock Advisors was within the range of performance of comparable funds over different time periods. The Board noted BlackRock's considerable investment management experience and capabilities, but was unable to predict what effect, if any, consummation of the Transaction would have on the future performance of the Fund.

Conclusion -- After the independent directors of the Fund deliberated in executive session, the entire Board, including the independent directors, approved the New Investment Advisory Agreement, concluding that the advisory fee rate was reasonable in relation to the services provided and that the New Investment Advisory Agreement was in the best

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BLACKROCK MUNI ENHANCED FUND, INC.

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interests of the shareholders. In approving the New Investment Advisory Agreement, the Board noted that it anticipated reviewing the continuance of the agreement in advance of the expiration of the initial two-year period.

Contingent BlackRock Sub-Advisory Agreement -- Matters Considered by the Board

At the telephonic and in-person meetings held during April and May 2006 at which the Board of Directors discussed and approved the New Investment Advisory Agreement, the Board, including the independent directors, also discussed and approved a contingent sub-advisory agreement (the "Contingent Sub-Advisory Agreement") between the Investment Adviser and BlackRock Advisors (the "BlackRock Sub-Adviser"). The Contingent Sub-Advisory Agreement is intended to ensure that the Fund operates with efficient portfolio management services until the closing of the Transaction, in the event that the Board deems it necessary and in the best interests of the Fund and its shareholders that the BlackRock Sub-Adviser assist in managing the operations of the Fund during the interim period until the closing of the Transaction. The Contingent Sub-Advisory Agreement would take effect only upon recommendation from the Investment Adviser and upon subsequent approval of the Board in the period up to the closing of the Transaction. The effectiveness of the Contingent Sub-Advisory Agreement, therefore, is contingent on further Board approval. Pursuant to the Contingent Sub-Advisory Agreement, the BlackRock Sub-Adviser would receive a monthly fee from the Investment Adviser equal to 50% of the advisory fee received by the Investment Adviser. The Investment Adviser would pay the BlackRock Sub-Adviser out of its own resources. There would be no increase in Fund expenses as a result of the Contingent Sub-Advisory Agreement.

In making its approval at the May in-person meeting, the Board considered the Contingent Sub-Advisory Agreement in conjunction with the New Investment Advisory Agreement and reviewed the same information and factors discussed above, and came to the same conclusions. The Board also considered in conjunction with the Contingent Sub-Advisory Agreement the necessity of ensuring that the Fund operates with effective management services until the closing of the Transaction. In reviewing the sub-advisory fee rate provided in the Contingent Sub-Advisory Agreement, the Board took note of the fact that both the Investment Adviser and the BlackRock Sub-Adviser would have significant responsibilities under their respective advisory agreements. The Investment Adviser would remain responsible for oversight of the Fund's operations and administration and the BlackRock Sub-Adviser would provide advisory services to the Fund under the Contingent Sub-Advisory Agreement. The Board also took into account the expected short duration of the term of any Contingent Sub-Advisory Agreement and the fact that total advisory fees paid by the Fund would not

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increase as a result of the Contingent Sub-Advisory Agreement. Under all of the circumstances, the Board concluded that it was a reasonable allocation of fees for the BlackRock Sub-Adviser to receive 50% of the advisory fee paid by the Fund to the Investment Adviser.

After the independent directors deliberated in executive session, the entire Board, including the independent directors, approved the Contingent Sub-Advisory Agreement, concluding that the advisory fee was reasonable in relation to the services provided and that the Contingent Sub-Advisory Agreement was in the best interests of shareholders.

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### Disclosure of Sub-Advisory Agreement

#### New BlackRock Sub-Advisory Agreement -- Matters Considered by the Board

At an in-person meeting held on August 22-23, 2006, the Board of Directors, including the independent directors, discussed and approved the sub-advisory agreement with respect to the Fund between BlackRock Advisors, LLC (previously organized as BlackRock Advisors, Inc.) ("BlackRock Advisors") and its affiliate, BlackRock Investment Management, LLC (the "Sub-Adviser") (the "BlackRock Sub-Advisory Agreement"). The BlackRock Sub-Advisory Agreement became effective on September 29, 2006, at the same time the New Investment Advisory Agreement with BlackRock Advisors (which had been approved by the Fund's shareholders) became effective.

Pursuant to the BlackRock Sub-Advisory Agreement, the Sub-Adviser receives a monthly fee from BlackRock Advisors at an annual rate equal to 59% of the advisory fee received by BlackRock Advisors from the Fund. BlackRock Advisors pays the Sub-Adviser out of its own resources, and there is no increase in Fund expenses as a result of the BlackRock Sub-Advisory Agreement.

In approving the BlackRock Sub-Advisory Agreement at the August in-person meeting, the Board reviewed its considerations in connection with its approval of the New Investment Advisory Agreement in May 2006. The Board relied on the same information and considered the same factors as those discussed above in connection with the approval of the New Investment Advisory Agreement, and came to the same conclusions. The Board considered all relevant factors and did not identify any particular information that was all-important or controlling. In reviewing the sub-advisory fee rate provided for in the BlackRock Sub-Advisory Agreement, the Board noted the fact that both BlackRock Advisors and the Sub-Adviser have significant responsibilities under their respective advisory agreements. Under the New Investment Advisory Agreement, BlackRock Advisors remains responsible for the overall management of the Fund and for oversight of the Fund's operations and administration. Under the BlackRock Sub-Advisory Agreement, the Sub-Adviser provides advisory services to the Fund and is responsible for the day-to-day management of the Fund's portfolio. The Board also took into account the fact that there is no increase in total advisory fees paid by the Fund as a result of the BlackRock Sub-Advisory Agreement. Based on its considerations, the Board concluded that it was a reasonable allocation of fees for the Sub-Adviser to receive a fee at an annual rate equal to 59% of the advisory fee paid by the Fund to BlackRock Advisors.

After the independent directors deliberated in executive session, the entire Board, including the independent directors, approved the BlackRock Sub-Advisory Agreement, concluding that the sub-advisory fee was reasonable in relation to the services provided and that the BlackRock Sub-Advisory Agreement was in the best interests of the Fund's shareholders.

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Officers and Directors

| Name | Address & Age | Position(s)<br>Held with<br>Fund | Length of<br>Time<br>Served | Principal Occupation(s) During Past 5 Years |
|------|---------------|----------------------------------|-----------------------------|---|
|------|---------------|----------------------------------|-----------------------------|---|

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Interested Director  
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|                      |   |                              |                    |  |
|----------------------|---|------------------------------|--------------------|--|
| Robert C. Doll, Jr.* | P.O. Box 9011<br>Princeton, NJ<br>08543-9011<br>Age: 52 | President<br>and<br>Director | 2005 to<br>present | Vice Chairman and Director of BlackRock, Inc., Global Chief Investment Officer for Equities, Chairman of the BlackRock Retail Operating Committee, and member of the BlackRock Executive Committee since 2006; President of the funds advised by Merrill Lynch Investment Managers, L.P. ("MLIM") and its affiliates ("MLIM/FAM-advised funds") from 2005 to 2006; President and Chief Investment Officer of MLIM and Fund Asset Management, L.P. ("FAM") from 2001 to 2006; Co-Head (Americas Region) thereof from 2000 to 2001 and Senior Vice President from 1999 to 2001; President and Director of Princeton Services, Inc. ("Princeton Services") and President of Princeton Administrators, L.P. ("Princeton Administrators") from 2001 to 2006; Chief Investment Officer of OppenheimerFunds, Inc. in 1999 and Executive Vice President thereof from 1991 to 1999. |
|----------------------|---|------------------------------|--------------------|--|

\* Mr. Doll is a director, trustee or member of an advisory board of certain other BlackRock Advisors, LLC and its affiliates act as investment adviser. Mr. Doll is defined in the Investment Company Act, of the Fund based on his positions with BlackRock Advisors, LLC. Directors serve until their resignation, removal or death, or until December 31 of each year. As Fund President, Mr. Doll serves at the pleasure of the Board of Directors.

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Independent Directors\*  
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|                     |   |          |                    |  |
|---------------------|---|----------|--------------------|--|
| James H. Bodurtha** | P.O. Box 9095<br>Princeton, NJ<br>08543-9095<br>Age: 62 | Director | 1995 to<br>present | Director, The China Business Group, Inc. since 1996 and Executive Vice President thereof from 1996 to 2003; Chairman of the Board, Berkshire Holding Corporation since 1980; Partner, Squire, Sanders & Dempsey from 1980 to 1993. |
| Kenneth A. Froot    | P.O. Box 9095<br>Princeton, NJ<br>08543-9095<br>Age: 49 | Director | 2005 to<br>present | Professor, Harvard University since 1992; Professor, Massachusetts Institute of Technology from 1986 to 1992.  |

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Officers and Directors (continued)

| Name   | Address & Age   | Position(s)<br>Held with<br>Fund | Length of<br>Time<br>Served | Principal Occupation(s) During Past 5 Years   |
|--|---|----------------------------------|-----------------------------|---|
| -----<br>Independent Directors* (continued)<br>----- |   |                                  |                             |   |
| Joe<br>Grills**                                      | P.O. Box 9095<br>Princeton, NJ<br>08543-9095<br>Age: 71 | Director                         | 2002 to<br>present          | Member of the Committee of Investment of Employee Benefit Assets of the Association of Financial Professionals ("CIEBA") since 1986; Member of CIEBA's Executive Committee since 1988 and its Chairman from 1991 to 1992; Assistant Treasurer International Business Machines Corporation ("IBM") and Chief Investment Officer of IBM Retirement Fund from 1986 to 1993; Member of the Investment Advisory Committee of the State of New York Common Retirement Fund from 1989 to 2006; Member of the Investment Advisory Committee of the Howard Hughes Medical Institute from 1997 to 2000; Director, Duke University Management Company from 1992 to 2004, Vice Chairman thereof from 1998 to 2004, and Director Emeritus thereof since 2004; Director, LaSalle Street Fund from 1995 to 2001; Director, Kimco Realty Corporation since 1997; Member of the Investment Advisory Committee of the Virginia Retirement System since 1998, Vice Chairman thereof from 2002 to 2005, and Chairman thereof since 2005; Director, Montpelier Foundation since 1998 and its Vice Chairman from 2000 to 2006, and Chairman thereof since 2006; Member of the Investment Advisory Committee of the Woodberry Forest School since 2000; Member of the Investment Committee of the National Trust for Historic Preservation since 2000. |
| Herbert I.<br>London                                 | P.O. Box 9095<br>Princeton, NJ<br>08543-9095<br>Age: 67 | Director                         | 1989 to<br>present          | Professor Emeritus, New York University since 2005; John M. Olin Professor of Humanities, New York University from 1993 to 2005; and Professor thereof from 1980 to 2005; President, Hudson Institute since 1997 and Trustee thereof since 1980; Dean, Gallatin Division of New York University from 1976 to 1999; Distinguished Fellow, Herman Kahn Chair, Hudson Institute from 1984 to 1985; Chairman of the Board of Directors of Vigilant Research, Inc. since 2000; Member of the Board of Directors for Grantham University since 2006; Director of AIMS since 2006; Director of Reflex Security since 2006; Director of InnoCentive, Inc. since 2006; Director of Cerego LLC since 2005; Director, Damon Corp. from 1991 to 1995; Overseer, Center for Naval Analyses from 1980 to 1993.  |

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Officers and Directors (continued)

| Name  | Address & Age   | Position(s)<br>Held with<br>Fund | Length of<br>Time<br>Served | Principal Occupation(s) During Past 5 Years  |
|---|---|----------------------------------|-----------------------------|--|
| Independent Directors* (concluded)  |   |                                  |                             |  |
| Roberta<br>Cooper<br>Ramo   | P.O. Box 9095<br>Princeton, NJ<br>08543-9095<br>Age: 64 | Director                         | 1999 to<br>present          | Shareholder, Modrall, Sperling, Roehl, Harris & Sisk, P.A. since 1993; President, American Bar Association from 1995 to 1996 and Member of the Board of Governors thereof from 1994 to 1997; Shareholder, Poole, Kelly and Ramo, Attorneys at Law, P.C. from 1977 to 1993; Director of ECMC Gr (service provider to students, schools and lende since 2001; Director, United New Mexico Bank (no Wells Fargo) from 1983 to 1988; Director, First National Bank of New Mexico (now Wells Fargo) fr 1975 to 1976; Vice President, American Law Insti since 2004. |
| Robert S.<br>Salomon,<br>Jr.  | P.O. Box 9095<br>Princeton, NJ<br>08543-9095<br>Age: 70 | Director                         | 2002 to<br>present          | Principal of STI Management (investment adviser) from 1994 to 2005; Chairman and CEO of Salomon Brothers Asset Management Inc. from 1992 to 1995; Chairman of Salomon Brothers Equity Mutual Funds from 1992 to 1995; regular columnist with Forbes Magazine from 1992 to 2002; Director of Stock Research and U.S. Equity Strategist at Salomon Brothers Inc. from 1975 to 1991; Trustee, Common from 1980 to 2001.   |
| * Directors serve until their resignation, removal or death, or until December 31 |   |                                  |                             |  |
| ** Co-Chairman of the Board of Directors and the Audit Committee.                 |   |                                  |                             |  |

BLACKROCK MUNIENHANCED FUND, INC.

JANUARY 31, 2007

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Officers and Directors (concluded)

| Name               | Address & Age   | Position(s)<br>Held with<br>Fund      | Length of<br>Time<br>Served          | Principal Occupation(s) During Past 5 Years   |
|--------------------|---|---------------------------------------|--------------------------------------|---|
| Fund Officers*     |   |                                       |                                      |   |
| Donald C.<br>Burke | P.O. Box 9011<br>Princeton, NJ<br>08543-9011<br>Age: 46 | Vice<br>President<br>and<br>Treasurer | 1993 to<br>present<br>and<br>1999 to | Managing Director of BlackRock, Inc. since 2006; Investment Managers, L.P. ("MLIM") and Fund Asse First Vice President of MLIM and FAM from 1997 t 1999 to 2006; Vice President of MLIM and FAM fro |



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present

|                     |   |                                     |                    |  |
|---------------------|---|-------------------------------------|--------------------|--|
| John M. Loffredo    | P.O. Box 9011<br>Princeton, NJ<br>08543-9011<br>Age: 43 | Senior Vice<br>President            | 2002 to<br>present | Managing Director of BlackRock, Inc. since 2006; Tax-Exempt Fund Management) of MLIM from 2000 to 2000.  |
| Michael Kalinoski   | P.O. Box 9011<br>Princeton, NJ<br>08543-9011<br>Age: 36 | Vice<br>President                   | 2000 to<br>present | Director of BlackRock, Inc. since 2006; Director Management) of MLIM in 2006; Vice President of M  |
| Jeffrey Hiller      | P.O. Box 9011<br>Princeton, NJ<br>08543-9011<br>Age: 55 | Fund Chief<br>Compliance<br>Officer | 2004 to<br>present | Managing Director of BlackRock, Inc. and Fund Ch Chief Compliance Officer of the MLIM/FAM-advised Chief Compliance Officer of MLIM (Americas Regio Compliance Officer of the IQ Funds since 2004; G Morgan Stanley Investment Management from 2002 t Global Director of Compliance at Citigroup Asset Chief Compliance Officer at Soros Fund Managemen at Prudential Financial from 1995 to 2000; Senio Exchange Commission's Division of Enforcement in 1995. |
| Alice A. Pellegrino | P.O. Box 9011<br>Princeton, NJ<br>08543-9011<br>Age: 46 | Secretary                           | 2004 to<br>present | Director of BlackRock, Inc. since 2006; Director to 2006; Vice President of MLIM from 1999 to 200 from 1997 to 2006; Secretary of MLIM, FAM, FAM D Services from 2004 to 2006.   |

\* Officers of the Fund serve at the pleasure of the Board of Directors.

Custodian

State Street Bank and Trust Company  
P.O. Box 351  
Boston, MA 02101

Transfer Agents

Common Stock:

Computershare Trust Company, N.A.  
P.O. Box 43010  
Providence, RI 02940-3010

Preferred Stock:

The Bank of New York  
101 Barclay Street - 7 West  
New York, NY 10286

NYSE Symbol

MEN

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Dividend Policy

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The Fund's dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, the Fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net investment income earned in that month.

As a result, the dividends paid by the Fund for any particular month may be more or less than the amount of net investment income earned by the Fund during such month. The Fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Net Assets, which comprises part of the financial information included in this report.

BLACKROCK MUNIENHANCED FUND, INC.

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### Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's Web site at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

### Electronic Delivery

Electronic copies of most financial reports and prospectuses are available on the Fund's Web site. Shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports and prospectuses by enrolling in the Fund's electronic delivery program.

To enroll:

Shareholders Who Hold Accounts with Investment Advisers, Banks or Brokerages:

Please contact your financial advisor. Please note that not all investment advisers, banks or brokerages may offer this service.

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BLACKROCK MUNIENHANCED FUND, INC.

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### BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal nonpublic information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or

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other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our Web sites.

BlackRock does not sell or disclose to nonaffiliated third parties any nonpublic personal information about its Clients, except as permitted by law or as is necessary to service Client accounts. These nonaffiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to nonpublic personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the nonpublic personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

BLACKROCK MUNIENHANCED FUND, INC.

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BlackRock MuniEnhanced Fund, Inc. 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.

This report, including the financial information herein, is transmitted to shareholders of BlackRock MuniEnhanced Fund, Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Fund has leveraged its Common Stock and intends to remain leveraged by issuing Preferred Stock to provide the Common Stock shareholders with a potentially higher rate of return. Leverage creates risks for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of shares of the Common Stock, and the risk that fluctuations in the short-term dividend rates of the Preferred Stock may affect the yield to Common Stock shareholders. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free 1-800-441-7762; (2) at [www.blackrock.com](http://www.blackrock.com); and (3) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at [www.blackrock.com](http://www.blackrock.com) and (2) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

BlackRock MuniEnhanced Fund, Inc.  
P.O. Box 9011  
Princeton, NJ 08543-9011

BLACKROCK

#10874-1/07

Item 2 - Code of Ethics - The registrant has adopted a code of ethics, as of the end of the period covered by this report, that applies to the registrant's principal executive officer, principal financial officer

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and principal accounting officer, or persons performing similar functions. A copy of the code of ethics is available without charge at [www.blackrock.com](http://www.blackrock.com).

Item 3 - Audit Committee Financial Expert - The registrant's board of directors has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent: (1) Joe Grills, and (2) Robert S. Salomon, Jr.

Item 4 - Principal Accountant Fees and Services

(a) Audit Fees - Fiscal Year Ending January 31, 2007 - \$28,500  
Fiscal Year Ending January 31, 2006 - \$28,500

(b) Audit-Related Fees - Fiscal Year Ending January 31, 2007 - \$3,500  
Fiscal Year Ending January 31, 2006 - \$3,500

The nature of the services relate to AMPs fees.

(c) Tax Fees - Fiscal Year Ending January 31, 2007 - \$6,100  
Fiscal Year Ending January 31, 2006 - \$6,000

The nature of the services include tax compliance.

(d) All Other Fees - Fiscal Year Ending January 31, 2007 - \$0  
Fiscal Year Ending January 31, 2006 - \$0

(e)(1) The registrant's audit committee (the "Committee") has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant's affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). However, such services will only be deemed pre-approved provided that any individual project does not exceed \$5,000 attributable to the registrant or \$50,000 for all of the registrants the Committee oversees. Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting.

(e)(2) 0%

(f) Not Applicable

(g) Fiscal Year Ending January 31, 2007 - \$3,053,033  
Fiscal Year Ending January 31, 2006 - \$5,477,788

(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser and any entity controlling, controlled by, or under common control with the investment adviser that provides

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ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Regulation S-X Rule 2-01(c) (7) (ii) - \$1,739,500, 0%

- Item 5 - Audit Committee of Listed Registrants - The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a) (58) (A) of the Exchange Act (15 U.S.C. 78c(a) (58) (A)):

James H. Bodurtha  
Kenneth A. Froot  
Joe Grills  
Herbert I. London  
Roberta Cooper Ramo  
Robert S. Salomon, Jr.

- Item 6 - Schedule of Investments - Not Applicable

- Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Proxy Voting Policies and Procedures

Each Fund's Board of Directors has delegated to the Manager authority to vote all proxies relating to the Fund's portfolio securities. The Manager has adopted policies and procedures (the "Proxy Voting Procedures") with respect to the voting of proxies related to the portfolio securities held in the account of one or more of its clients, including a Fund. Pursuant to these Proxy Voting Procedures, the Manager's primary objective when voting proxies is to make proxy voting decisions solely in the best interests of each Fund and its shareholders, and to act in a manner that the Manager believes is most likely to enhance the economic value of the securities held by the Fund. The Proxy Voting Procedures are designed to ensure that the Manager considers the interests of its clients, including each Fund, and not the interests of the Manager, when voting proxies and that real (or perceived) material conflicts that may arise between the Manager's interest and those of the Manager's clients are properly addressed and resolved.

In order to implement the Proxy Voting Procedures, the Manager has formed a Proxy Voting Committee (the "Committee"). The Committee, which is a subcommittee of the Manager's Equity Investment Policy Oversight Committee ("EIPOC"), is comprised of a senior member of the Manager's equity management group who is also a member of EIPOC, one or more other senior investment professionals appointed by EIPOC, portfolio managers and investment analysts appointed by EIPOC and any other personnel EIPOC deems appropriate. The Committee will also include two non-voting representatives from the Manager's Legal Department appointed by the Manager's General Counsel. The Committee's membership shall be limited to full-time employees of the Manager. No person with any investment banking, trading, retail brokerage or research responsibilities for the Manager's affiliates may serve as a member of

the Committee or participate in its decision making (except to the extent such person is asked by the Committee to present information to the Committee on the same basis as other interested knowledgeable parties not affiliated with the Manager might be asked to do so). The Committee determines how to vote the proxies of all clients, including a Fund, that have delegated proxy voting authority to the Manager and

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seeks to ensure that all votes are consistent with the best interests of those clients and are free from unwarranted and inappropriate influences. The Committee establishes general proxy voting policies for the Manager and is responsible for determining how those policies are applied to specific proxy votes, in light of each issuer's unique structure, management, strategic options and, in certain circumstances, probable economic and other anticipated consequences of alternate actions. In so doing, the Committee may determine to vote a particular proxy in a manner contrary to its generally stated policies. In addition, the Committee will be responsible for ensuring that all reporting and recordkeeping requirements related to proxy voting are fulfilled.

The Committee may determine that the subject matter of a recurring proxy issue is not suitable for general voting policies and requires a case-by-case determination. In such cases, the Committee may elect not to adopt a specific voting policy applicable to that issue. The Manager believes that certain proxy voting issues require investment analysis - such as approval of mergers and other significant corporate transactions - akin to investment decisions, and are, therefore, not suitable for general guidelines. The Committee may elect to adopt a common position for the Manager on certain proxy votes that are akin to investment decisions, or determine to permit the portfolio manager to make individual decisions on how best to maximize economic value for a Fund (similar to normal buy/sell investment decisions made by such portfolio managers). While it is expected that the Manager will generally seek to vote proxies over which the Manager exercises voting authority in a uniform manner for all the Manager's clients, the Committee, in conjunction with a Fund's portfolio manager, may determine that the Fund's specific circumstances require that its proxies be voted differently.

To assist the Manager in voting proxies, the Committee has retained Institutional Shareholder Services ("ISS"). ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to the Manager by ISS include in-depth research, voting recommendations (although the Manager is not obligated to follow such recommendations), vote execution, and recordkeeping. ISS will also assist the Fund in fulfilling its reporting and recordkeeping obligations under the Investment Company Act.

The Manager's Proxy Voting Procedures also address special circumstances that can arise in connection with proxy voting. For instance, under the Proxy Voting Procedures, the Manager generally will not seek to vote proxies related to portfolio securities that are on loan, although it may do so under certain circumstances. In addition, the Manager will vote proxies related to securities of foreign issuers only on a best efforts basis and may elect not to vote at all in certain countries where the Committee determines that the costs associated with voting generally outweigh the benefits. The Committee may at any time override these general policies if it determines that such action is in the best interests of a Fund.

From time to time, the Manager may be required to vote proxies in respect of an issuer where an affiliate of the Manager (each, an "Affiliate"), or a money management or other client of the Manager, including investment companies for which the Manager provides investment advisory, administrative and/or other services (each, a "Client"), is involved. The Proxy Voting Procedures and the Manager's

adherence to those procedures are designed to address such conflicts of interest. The Committee intends to strictly adhere to the Proxy Voting Procedures in all proxy matters, including matters involving Affiliates and Clients. If, however, an issue representing a non-routine matter that is material to an Affiliate or a widely known Client is involved such that the Committee does not reasonably believe it is able to follow its guidelines (or if the particular proxy matter is not addressed by the guidelines) and vote impartially, the Committee may, in its discretion for the purposes of ensuring that an independent determination is reached, retain an independent fiduciary to advise the Committee on how to vote or to cast votes on behalf of the Manager's clients.

In the event that the Committee determines not to retain an independent fiduciary, or it does not follow the advice of such an independent fiduciary, the Committee may pass the voting power to a subcommittee, appointed by EIPOC (with advice from the Secretary of the Committee), consisting solely of Committee members selected by EIPOC. EIPOC shall appoint to the subcommittee, where appropriate, only persons whose job responsibilities do not include contact with the Client and whose job evaluations would not be affected by the Manager's relationship with the Client (or failure to retain such relationship). The subcommittee shall determine whether and how to vote all proxies on behalf of the Manager's clients or, if the proxy matter is, in their judgment, akin to an investment decision, to defer to the applicable portfolio managers, provided that, if the subcommittee determines to alter the Manager's normal voting guidelines or, on matters where the Manager's policy is case-by-case, does not follow the voting recommendation of any proxy voting service or other independent fiduciary that may be retained to provide research or advice to the Manager on that matter, no proxies relating to the Client may be voted unless the Secretary, or in the Secretary's absence, the Assistant Secretary of the Committee concurs that the subcommittee's determination is consistent with the Manager's fiduciary duties.

In addition to the general principles outlined above, the Manager has adopted voting guidelines with respect to certain recurring proxy issues that are not expected to involve unusual circumstances. These policies are guidelines only, and the Manager may elect to vote differently from the recommendation set forth in a voting guideline if the Committee determines that it is in a Fund's best interest to do so. In addition, the guidelines may be reviewed at any time upon the request of a Committee member and may be amended or deleted upon the vote of a majority of Committee members present at a Committee meeting at which there is a quorum.

The Manager has adopted specific voting guidelines with respect to the following proxy issues:

- o Proposals related to the composition of the board of directors of issuers other than investment companies. As a general matter, the Committee believes that a company's board of directors (rather than shareholders) is most likely to have access to important, nonpublic information regarding a company's business and prospects, and is, therefore, best-positioned to set corporate policy and oversee management. The Committee, therefore, believes that the foundation of good corporate governance is the election of qualified, independent corporate directors who are likely to diligently represent the interests of shareholders and oversee management of the corporation in a manner that will seek to maximize shareholder value over time. In

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individual cases, the Committee may look at a nominee's number of other directorships, history of representing shareholder interests as a director of other companies or other factors, to the extent the Committee deems relevant.

o Proposals related to the selection of an issuer's independent auditors. As a general matter, the Committee believes that corporate auditors have a responsibility to represent the interests of shareholders and provide an independent view on the propriety of financial reporting decisions of corporate management. While the Committee will generally defer to a corporation's choice of auditor, in individual cases, the Committee may look at an auditors' history of representing shareholder interests as auditor of other companies, to the extent the Committee deems relevant.

o Proposals related to management compensation and employee benefits. As a general matter, the Committee favors disclosure of an issuer's compensation and benefit policies and opposes excessive compensation, but believes that compensation matters are normally best determined by an issuer's board of directors, rather than shareholders. Proposals to "micro-manage" an issuer's compensation practices or to set arbitrary restrictions on compensation or benefits will, therefore, generally not be supported.

o Proposals related to requests, principally from management, for approval of amendments that would alter an issuer's capital structure. As a general matter, the Committee will support requests that enhance the rights of common shareholders and oppose requests that appear to be unreasonably dilutive.

o Proposals related to requests for approval of amendments to an issuer's charter or by-laws. As a general matter, the Committee opposes poison pill provisions.

o Routine proposals related to requests regarding the formalities of corporate meetings.

o Proposals related to proxy issues associated solely with holdings of investment company shares. As with other types of companies, the Committee believes that a fund's board of directors (rather than its shareholders) is best positioned to set fund policy and oversee management. However, the Committee opposes granting boards of directors authority over certain matters, such as changes to a fund's investment objective, which the Investment Company Act envisions will be approved directly by shareholders.

o Proposals related to limiting corporate conduct in some manner that relates to the shareholder's environmental or social concerns. The Committee generally believes that annual shareholder meetings are inappropriate forums for discussion of larger social issues, and opposes shareholder resolutions "micromanaging" corporate conduct or requesting release of information that would not help a shareholder evaluate an investment in the corporation as an economic matter. While the Committee is generally supportive of proposals to require corporate disclosure of matters that seem relevant and material to the economic interests of shareholders, the Committee is generally not supportive of proposals to require disclosure of corporate matters for other purposes.

Information about how a Fund voted proxies relating to securities held



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in the Fund's portfolio during the most recent 12 month period ended January 31 is available without charge (1) at [www.blackrock.com](http://www.blackrock.com) and (2) on the Commission's web site at <http://www.sec.gov>.

### Item 8 - Portfolio Managers of Closed-End Management Investment Companies - as of January 31, 2007.

(a)(1) BlackRock MuniEnhanced Fund, Inc. is managed by a team of investment professionals comprised of Michael A. Kalinoski, Director at BlackRock, Theodore R. Jaeckel, Jr., CFA, Managing Director at BlackRock, and Walter O'Connor, Managing Director at BlackRock. Each is a member of BlackRock's municipal tax-exempt management group. Mr. Jaeckel and Mr. O'Connor are responsible for setting the Fund's overall investment strategy and overseeing the management of the Fund. Mr. Kalinoski is the Fund's lead portfolio manager and is responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Messrs. Jaeckel and O'Connor have been members of the Fund's management team since 2006 and Mr. Kalinoski has been the Fund's portfolio manager since 2000.

Mr. Jaeckel joined BlackRock in 2006. Prior to joining BlackRock, he was a Managing Director (Municipal Tax-Exempt Fund Management) of Merrill Lynch Investment Managers, L.P. ("MLIM") from 2005 to 2006 and a Director of MLIM from 1997 to 2005. He has been a portfolio manager with BlackRock or MLIM since 1991.

Mr. O'Connor joined BlackRock in 2006. Prior to joining BlackRock, he was a Managing Director (Municipal Tax-Exempt Fund Management) of MLIM from 2003 to 2006 and was a Director of MLIM from 1997 to 2002. He has been a portfolio manager with BlackRock or MLIM since 1991.

Mr. Kalinoski joined BlackRock in 2006. Prior to joining BlackRock, he was Director (Municipal Tax-Exempt Fund Management) of MLIM since 2006 and a Vice President from 1999 to 2006. He has been a portfolio manager of BlackRock or MLIM since 1999.

(a)(2) As of January 31, 2007:

| (i) Name of<br>Portfolio Manager | (ii) Number of Other Accounts Managed<br>and Assets by Account Type |  |                   | Other<br>Registered<br>Investment<br>Companies | (iii) Number<br>of<br>Assets<br>P |
|----------------------------------|---|--|-------------------|--|-----------------------------------|
|                                  | Other<br>Registered<br>Investment<br>Companies                      | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |  |                                   |
| Michael A.<br>Kalinoski          | 10  | 0                                      | 0                 | 0  | 0                                 |
|                                  | \$ 3,922,523,628  | \$ 0                                   | \$ 0              | \$ 0   | 0                                 |
| Theodore R.<br>Jaeckel, Jr.      | 80  | 0                                      | 0                 | 0  | 0                                 |
|                                  | \$ 28,915,758,285   | \$ 0                                   | \$ 0              | \$ 0   | 0                                 |
| Walter O'Connor                  | 80  | 0                                      | 0                 | 0  | 0                                 |
|                                  | \$ 28,915,758,285   | \$ 0                                   | \$ 0              | \$ 0   | 0                                 |

(iv) Potential Material Conflicts of Interest

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BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Fund, and BlackRock may, consistent with

applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, its affiliates and any officer, director, stockholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, or any of its affiliates, or any officer, director, stockholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock's (or its affiliates') officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for the Fund. In this connection, it should be noted that certain portfolio managers currently manage certain accounts that are subject to performance fees. In addition, certain portfolio managers assist in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned on such funds and a portion of such incentive fees may be voluntarily or involuntarily deferred. Additional portfolio managers may in the future manage other such accounts or funds and may be entitled to receive incentive fees.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock has adopted a policy that is intended to ensure that investment opportunities are allocated fairly and equitably among client accounts over time. This policy also seeks to achieve reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base.

(a) (3) As of January 31, 2007:

Portfolio Manager Compensation

Compensation Program

The elements of total compensation for portfolio managers on BlackRock's municipal team include a fixed base salary, annual

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performance-based cash and stock compensation (cash and stock bonus) and other benefits. BlackRock has balanced these components of pay to provide these portfolio managers with a powerful incentive to achieve consistently superior investment performance. By design, compensation levels for these portfolio managers fluctuate--both up and down--with the relative investment performance of the portfolios that they manage.

### Base compensation

Like that of many asset management firms, base salaries represent a relatively small portion of a portfolio manager's total compensation. This approach serves to enhance the motivational value of the performance-based (and therefore variable) compensation elements of the compensation program.

### Performance-Based Compensation

BlackRock believes that the best interests of investors are served by recruiting and retaining exceptional asset management talent and managing their compensation within a consistent and disciplined framework that emphasizes pay for performance in the context of an intensely competitive market for talent. To that end, BlackRock and its affiliates portfolio manager incentive compensation is based on a formulaic compensation program. BlackRock's formulaic portfolio manager compensation program includes: investment performance relative to a subset of single-state, closed-end, leveraged municipal debt funds over 1-, 3- and 5-year performance periods and a measure of operational efficiency. Portfolio managers are compensated based on the pre-tax performance of the products they manage. If a portfolio manager's tenure is less than 5 years, performance periods will reflect time in position. Portfolio managers are compensated based on products they manage. A discretionary element of portfolio manager compensation may include consideration of: financial results, expense control, profit margins, strategic planning and implementation, quality of client service, market share, corporate reputation, capital allocation, compliance and risk control, leadership, workforce diversity, supervision, technology and innovation. All factors are considered collectively by BlackRock management.

### Long-Term Retention and Incentive Plan (LTIP)

The LTIP is a long-term incentive plan that seeks to reward certain key employees. The plan provides for the grant of awards that are expressed as an amount of cash that, if properly vested and subject to the attainment of certain performance goals, will be settled in cash and/or in BlackRock, Inc. common stock.

### Cash Bonus

Performance-based compensation is distributed to portfolio managers in a combination of cash and stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for portfolio managers.

### Stock Bonus

A portion of the dollar value of the total annual performance-based bonus is paid in restricted shares of BlackRock stock. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year "at risk" based on the

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company's ability to sustain and improve its performance over future periods. The ultimate value of stock bonuses is dependent on future BlackRock stock price performance. As such, the stock bonus aligns each portfolio manager's financial interests with those of the BlackRock shareholders and encourages a balance between short-term goals and long-term strategic objectives. Management strongly believes that providing a significant portion of competitive performance-based compensation in stock is in the best interests of investors and shareholders. This approach ensures that portfolio managers participate as shareholders in both the "downside risk" and "upside opportunity" of the company's performance. Portfolio managers therefore have a direct incentive to protect BlackRock's reputation for integrity.

### Other Compensation Programs

Portfolio managers who meet relative investment performance and financial management objectives during a performance year are eligible to participate in a deferred cash program. Awards under this program are in the form of deferred cash that may be benchmarked to a menu of BlackRock mutual funds (including their own fund) during a five-year vesting period. The deferred cash program aligns the interests of participating portfolio managers with the investment results of BlackRock products and promotes continuity of successful portfolio management teams.

### Other Benefits

Portfolio managers are also eligible to participate in broad-based plans offered generally to employees of BlackRock and its affiliates, including broad-based retirement, 401(k), health, and other employee benefit plans.

(a) (4) Beneficial Ownership of Securities. As of January 31, 2007, neither of Messrs. Kalinoski, Jaeckel or O'Connor beneficially owns any stock issued by the Fund.

Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not Applicable

Item 10 - Submission of Matters to a Vote of Security Holders - Not Applicable

Item 11 - Controls and Procedures

11(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.

11(b) - As of September 29, 2006, with the conclusion of the combination of Merrill Lynch's asset management business with BlackRock, the registrant was migrated to BlackRock's trading and compliance monitoring systems, and various personnel changes occurred. In conjunction with these business improvements, there were no changes in the registrants internal control over financial reporting (as defined in Rule 30a-3(d) under Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal half-year of the period covered by this report that has materially affected, or is

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reasonably likely to affect, the registrant's internal control over financial reporting. During the second fiscal quarter of the period covered by this report, the registrant's disclosure controls and procedures were modified to enhance the review and analysis of the relevant terms and conditions of transfers of securities in connection with inverse floating rate obligations with regard to Statement of Financial Accounting Standards No. 140.

Item 12 - Exhibits attached hereto

12(a) (1) - Code of Ethics - See Item 2

12(a) (2) - Certifications - Attached hereto

12(a) (3) - Not Applicable

12(b) - Certifications - Attached hereto

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.

BlackRock MuniEnhanced Fund, Inc.

By: /s/ Robert C. Doll, Jr.

-----  
Robert C. Doll, Jr.,  
Chief Executive Officer of  
BlackRock MuniEnhanced Fund, Inc.

Date: March 26, 2007

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/ Robert C. Doll, Jr.

-----  
Robert C. Doll, Jr.,  
Chief Executive Officer of  
BlackRock MuniEnhanced Fund, Inc.

Date: March 26, 2007

By: /s/ Donald C. Burke

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

Date: March 26, 2007