INTERMEDIATE MUNI FUND INC
Form N-CSR
March 13, 2006
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 **811-6506**

Intermediate Muni Fund, Inc.
(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.
Legg Mason & Co., LLC
300 First Stamford Place, 4th Floor
Stamford, CT 06902
(Name and address of agent for service)

Registrant s telephone number, including area code: (800) 451-2010

Date of fiscal year end: **December 31**
Date of reporting period: **December 31, 2005**

ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

Intermediate Muni Fund, Inc.

EXPERIENCE

ANNUAL REPORT

DECEMBER 31, 2005

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

Intermediate Muni Fund, Inc.

Annual Report December 31, 2005

What s Inside

Letter from the Chairman

Dear Shareholder,

Despite numerous obstacles, including rising short-term interest rates, surging oil prices, a destructive hurricane season, and geopolitical issues, the U.S. economy continued to expand at a healthy pace during the reporting period. After a 3.8% advance in the first quarter of 2005, gross domestic product (GDP[i]) growth was 3.3% during the second quarter and 4.1% in the third quarter. While fourth quarter figures have not yet been released, another slight gain is anticipated.

Given the strength of the economy and inflationary pressures, the Federal Reserve Board (Fed[ii]) continued to raise interest rates throughout the period. After raising rates five times from June 2004 through December 2004, the Fed increased its target for the federal funds rate[iii] in 0.25% increments eight additional times over the reporting period. This represents the longest sustained Fed tightening cycle since the 1970s. All told, the Fed s thirteen rate hikes have brought the target for the federal funds rate from 1.00% to 4.25%. After the end of the Fund s reporting period, at its January meeting, the Fed once again raised its target rate for the federal funds rate by 0.25% to 4.50%.

R. JAY GERKEN, CFA
Chairman, President and
Chief Executive Officer

As the year began, it was widely expected that both short-and long-term yields would rise. This panned out with short-term rates, as two-year Treasury yields rose from 3.08% to 4.41% over the 12-month period ended December 31, 2005. However, while there were periods of volatility, over the same period long-term yields experienced only a modest increase, moving from 4.24% to 4.37%. In late December, the yield curve inverted, as the yield on two-year Treasuries surpassed that of 10-year Treasuries. This anomaly has historically foreshadowed an economic slowdown or recession. Looking at the municipal market, its yield curve flattened during the reporting period but it did not invert.

Please read on for a more detailed look at prevailing economic and market conditions during the Fund s fiscal year and to learn how those conditions have affected Fund performance.

Special Shareholder Notice

On December 1, 2005, Citigroup Inc. (Citigroup) completed the sale of substantially all of its asset management business, Citigroup Asset Management (CAM), to Legg Mason, Inc. (Legg Mason). As a result, the fund s investment adviser (the Manager), previously an indirect wholly-owned subsidiary of Citigroup, has become a wholly-owned subsidiary of Legg Mason. Completion of the sale caused the Fund s existing investment management contract to terminate. The Fund s shareholders previously approved a new investment management contract between the Fund and the Manager, which became effective on December 1, 2005.

Information About Your Fund

As you may be aware, several issues in the mutual fund industry have recently come under the scrutiny of federal and state regulators. The Fund s Manager and some of its affiliates have received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The regulators appear to be examining, among other things, the Fund s response to market timing and shareholder exchange activity, including compliance with prospectus disclosure related to these subjects. The Fund has been informed that the Manager and its affiliates are responding to those information requests, but are not in a position to predict the outcome of these requests and investigations.

Important information concerning the Fund and its Manager with regard to recent regulatory developments is contained in the in the Notes to Financial Statements included in this report.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you continue to meet your financial goals.

Sincerely,

R. Jay Gerken, CFA
Chairman, President and Chief Executive Officer

January 31, 2006

i Gross domestic product is a market value of goods and services produced by labor and property in a given country.

ii The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

iii The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.

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Manager Overview

Special Shareholder Notice

Effective January 3, 2006, Joseph P. Deane and David Fare assumed portfolio management responsibilities of the Intermediate Muni Fund, Inc. Mr. Deane and Mr. Fare have worked together for seventeen years managing municipal fixed income assets across closed-end funds, mutual funds and separately managed accounts. Joe Deane has more than 35 years of investment industry experience and David Fare has more than 17 years of investment industry experience. The team is part of the fixed income operations of Smith Barney Asset Management that are intended to be combined with those of Western Asset Management Company (Western Asset) as a result of the transaction in which Citigroup Inc. sold substantially all of its asset management business to Legg Mason, Inc.

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

A. For the second year in a row, rising short-term interest rates, surging oil prices, inflationary pressures, and a solid economy impacted the bond market. Despite these and other challenges, the municipal bond market generated fairly solid returns. During the one-year period ended December 31, 2005, the Lehman Brothers Municipal Bond Index[i] gained 3.51%. In contrast, the overall bond market, as measured by the Lehman Brothers Aggregate Bond Index[ii], returned 2.43% over the same period.

As telegraphed by the Federal Reserve Board (Fed)[iii], short-term interest rates were raised in 25 basis point increments during the reporting period.[iv] Since the Fed began raising rates in June 2004, the federal funds rate[v] has been increased thirteen times, bringing it from 1.00% to 4.25% at the end of 2005. After the end of the Fund s reporting period, at its January meeting, the Fed once again raised its target rate for the federal funds rate by 0.25% to 4.50%. Short-term yields rose sharply in conjunction with the rate hikes. However, longer-term yields were generally stable or fell during the year on the back of strong demand by foreign investors. As a result, longer-term Treasuries and municipal securities outperformed shorter-term bonds during the fiscal year.

Performance Review

For the twelve months ended December 31, 2005, the Intermediate Muni Fund, Inc. returned 2.41%, based on its net asset value (NAV)[vi] and -2.40% based on its American Stock Exchange (AMEX) market price per share. In comparison, the Fund s unmanaged benchmark, the Lehman Brothers Municipal Bond Index, returned 3.51% and its Lipper General Municipal Debt (Leveraged) Closed-End Funds Category Average[vii] increased 5.91% over the same time frame. Please note that Lipper performance returns are based on each Fund s NAV.

During the twelve-month period, the Fund made distributions to common stock shareholders totaling $0.5550 per share. The performance table shows the Fund s twelve-month total return based on its NAV and market price as of December 31, 2005. **Past performance is no guarantee of future results.**

Performance Snapshot as of December 31, 2005 (unaudited)

Price Per Share	12-Month Total Return
$ 9.66 (NAV)	2.41%
$ 8.60 (Market Price)	-2.40%

All figures represent past performance and are not a guarantee of future results.

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares.

Q. What were the most significant factors affecting Fund performance? What were the leading contributors to performance?

A. During the reporting period, lower quality municipals outperformed their higher quality counterparts as credit quality spreads narrowed. Therefore, the Fund benefited from its exposure to medium grade and lower rated securities. In addition, the Fund s holdings in the transportation sector enhanced results. In particular, we benefited from the appreciation generated by lower rated special facility airline securities and toll road issues.

Over the period, we took advantage of narrowing credit quality spreads by reducing our exposure to medium grade and lower rated bonds. As a result, during the fiscal year the Fund s overall average credit quality increased from A to AA-.

What were the leading detractors from performance?

A. The Fund s short maturity bonds, as well as those with shorter-term calls, were negative contributors to results. As mentioned, short-term rates rose sharply (and prices fell), while intermediate yields rose only modestly. In particular, the Fund s holdings in pre-refunded and escrowed-to-maturity bonds with short maturities detracted from results. Our use of futures contracts, which enhanced returns during periods when yields on longer-term bonds were rising, on balance hurt performance. Long-term yields surprisingly declined over the period, even though the Fed raised rates eight times and 200 basis points in 2005. Finally, one of the Fund s life care issues became distressed and was sold at a significant loss.

Q. Were there any significant changes to the Fund during the reporting period?

A. There were no significant changes to the Fund s portfolio.

Looking for Additional Information?

The Fund is traded under the symbol SBI and its closing market price is available in most newspapers under the AMEX listings. The daily NAV is available on-line under symbol XSBIX. *Barron s* and *The Wall Street Journal* s Monday editions carry closed-end fund tables that will provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.citigroupam.com.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-735-6507, Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund s current net asset value, market price, and other information.

Thank you for your investment in the Intermediate Muni Fund, Inc. As ever, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund s investment goals.

Sincerely,

Peter M. Coffey
Vice President and Investment Officer

January 31, 2006

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

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. Portfolio holdings are subject to change at any time and may not be representative of the Fund s current or future investments. The Fund s top five sector holdings (as a percentage of net assets) as of December 31, 2005 were: Hospitals (19.2%), Education (18.6%), Pre-Refunded (17.1%), Escrowed to Maturity (14.6%) and General Obligation (11.4%). The Fund s portfolio composition is subject to change at any time.

RISKS: Keep in mind the Fund s investments are subject to interest rate and credit risks. As interest rates rise, bond prices fall, reducing the value of the Fund s share price. Lower-rated, higher yielding bonds, known as junk bonds , are subject to greater credit risk, including the risk of default, than higher-rated obligations. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

i The Lehman Brothers Municipal Bond Index is a broad measure of the municipal bond market with maturities of at least one year.

ii The Lehman Brothers Aggregate Bond Index is a broad-based bond index comprised of Government, Corporate, Mortgage and Asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

iii The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

iv A basis point is one one-hundredth (1/100 or 0.01) of one percent.

v The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.

vi NAV is calculated by subtracting total liabilities and outstanding preferred stock from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding.
The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund s market price as determined by supply of and demand for the Fund s shares.

vii Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 12-month period ended December 31, 2005, including the reinvestment of distributions, including returns of capital, if any, calculated among the 64 funds in the Fund s Lipper category, and excluding sales charges.

Take Advantage of the Fund s Dividend Reinvestment Plan!

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan (Plan), a convenient, simple and efficient way to reinvest your distributions, if any, in additional shares of the Fund. Below is a short summary of how the Plan works.

Plan Summary

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your distributions will be reinvested automatically in additional shares of the Fund.

The number of common stock shares of the Fund you will receive in lieu of a cash payment is determined in the following manner. If the market price of the common stock is equal to or exceeds the net asset value per share (NAV) on the determination date, you will be issued shares by the Fund at a price reflecting the NAV, or 95% of the market price, whichever is greater.

If the market price is less than the NAV at the time of valuation (the close of business on the determination date), PFPC Inc. (Plan Agent) will buy common stock for your account in the open market.

If the Plan Agent begins to purchase additional shares in the open market and the market price of the shares subsequently rises above the previously determined NAV before the purchases are completed, the Plan Agent will attempt to terminate purchases and have the Fund issue the remaining distribution in shares at the greater of the previously determined NAV or 95% of the market price. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

A more complete description of the current Plan appears in the section of this report beginning on page 48. To find out more detailed information about the Plan and about how you can participate, please call PFPC Inc. at (800) 331-1710.

Fund at a Glance (unaudited)

Investment Breakdown

As a Percent of Total Investments

Hospitals

Education

Escrowed to Maturity

Pre-Refunded

General Obligation

Transportation

Utilities

Miscellaneous

Pollution Control

Tax Allocation

Water & Sewer

Other

14.3%`

12.7%

13.9%

10.8%

8.5%

8.1%

5.3%

5.0%

5.1%

4.0%

3.5%

8.8%

0.0%

3.0%

6.0%

9.0%

12.0%

15.0%

December 31, 2005

Schedule of Investments (December 31, 2005)

INTERMEDIATE MUNI FUND, INC.

Face Amount	Rating	Security	Value
MUNICIPAL BONDS 98.1%			
Alabama 3.2%			
$ 3,000,000	AAA	Alabama State Public School & College Authority, FSA-Insured, 5.125% due 11/1/15 (a)	$ 3,163,110
1,225,000	AAA	Baldwin County, AL, Board of Education, Capital Outlay School Warrants, AMBAC-Insured, 5.000% due 6/1/20	1,298,206
259,127	AAA	Birmingham, AL, Medical Clinic Board Revenue, Baptist Medical Center, 8.300% due 7/1/08 (b)	276,470
1,000,000	AAA	Saraland, AL, GO, MBIA-Insured, 5.250% due 1/1/15	1,075,500
		Total Alabama	5,813,286
Alaska 1.6%			
1,000,000	NR	Alaska Industrial Development & Export Authority Revenue, Williams Lynxs Alaska Cargo Port LLC, 8.000% due 5/1/23 (c)	1,005,840
500,000	AAA	Anchorage, AK, GO, Refunding, FGIC-Insured, 6.000% due 10/1/14	579,500
1,250,000	AAA	North Slope Boro, AK, Refunding, Series A, MBIA-Insured, 5.000% due 6/30/15	1,357,113
		Total Alaska	2,942,453
Arizona 0.5%			
		Maricopa County, AZ, Hospital Revenue:	
75,000	AAA	Samaritan Health Service, 7.625% due 1/1/08 (b)	77,043
684,000	AAA	St. Lukes Medical Center, 8.750% due 2/1/10 (b)	755,328
70,000	AAA	Pima County, AZ, IDA, Single-Family Housing Authority Revenue, Series A, GNMA/FNMA-Insured, FHLMC-Collateralized, 7.100% due 11/1/29 (c)	70,690
		Total Arizona	903,061
Arkansas 1.5%			
1,500,000	BBB	Arkansas State Development Finance Authority Hospital Revenue, Washington Regional Medical Center, Call 2/1/10 @ 100, 7.000% due 2/1/15 (d)	1,698,195
1,000,000	BB	Warren County, AR, Solid Waste Disposal Revenue, Potlatch Corp. Project, 7.000% due 4/1/12 (c)	1,101,460
		Total Arkansas	2,799,655
California 5.4%			
1,500,000	NR	Barona, CA, Band of Mission Indians, GO, 8.250% due 1/1/20	1,568,490
3,000,000	AA-	California State Economic Recovery, Series A, 5.000% due 7/1/17 (a)	3,178,350
410,000	NR	California Statewide COP Community Development Revenue, Refunding Hospital Triad Healthcare, 6.250% due 8/1/06 (b)	416,740
10,000	NR	Loma Linda, CA, Community Hospital Corp. Revenue, First Mortgage, 8.000% due 12/1/08 (b)	11,218
		Los Angeles, CA:	
1,115,000	NR	COP, Hollywood Presbyterian Medical Center, INDLC-Insured, 9.625% due 7/1/13 (b)	1,372,643
1,000,000	AAA	Union School District, Series A, MBIA-Insured, 5.375% due 7/1/18	1,102,500

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
California 5.4% (continued)			
$ 1,450,000	AAA	Morgan Hill, CA, USD, FGIC-Insured, 5.750% due 8/1/17	$ 1,619,273
365,000	AAA	San Francisco, CA, Airport Improvement Corp. Lease Revenue, United Airlines, Inc., 8.000% due 7/1/13 (b)	426,554
120,000	AAA	San Leandro, CA, Hospital Revenue, Vesper Memorial Hospital, 11.500% due 5/1/11 (b)	147,583
		Total California	9,843,351
Colorado 5.5%			
1,860,000	Aaa(e)	Broomfield, CO, COP, Open Space Park & Recreation Facilities, AMBAC-Insured, 5.500% due 12/1/20 (a)(b)	2,004,540
		Colorado Educational & Cultural Facilities Authority Revenue Charter School:	
1,000,000	BBB-	Bromley East Project, Series A, Call 9/15/11 @ 100, 7.000% due 9/15/20 (d)	1,172,450
1,155,000	AAA	Bromley School Project, XLCA-Insured, 5.125% due 9/15/20	1,242,145
1,350,000	AAA	Refunding & Improvement, University Lab School, XLCA-Insured, 5.250% due 6/1/24	1,452,438
500,000	Baa2(e)	University Lab School Project, Call 6/1/11 @ 100, 6.125% due 6/1/21 (d)	562,280
710,000	BBB	Denver, CO, Health & Hospital Authority, Series A, 6.250% due 12/1/16	774,156
1,765,000	AAA	Pueblo, CO, Bridge Waterworks Water Revenue Improvement, Series A, FSA-Insured, Call 11/1/10 @ 100, 6.000% due 11/1/14 (a)(d)	1,961,621
750,000	A	SBC Metropolitan District, CO, GO, ACA-Insured, 5.000% due 12/1/25	765,240
		Total Colorado	9,934,870
Connecticut 3.3%			
2,000,000	AA	Connecticut State HEFA Revenue, Bristol Hospital, Series B, 5.500% due 7/1/21 (a)	2,181,840
1,855,000	A	Connecticut State Special Obligation Parking Revenue, Bradley International Airport, Series A, ACA-Insured, 6.375% due 7/1/12 (a)(c)	1,999,152
1,500,000	AAA	Connecticut State Special Tax Obligation Revenue, RITES, Series A, FSA-Insured, 6.423% due 10/1/09 (f)	1,755,900
		Total Connecticut	5,936,892
Florida 4.8%			
195,000	AAA	Lee County, FL, Southwest Florida Regional Airport Revenue, MBIA-Insured, 8.625% due 10/1/09 (b)	216,243
3,250,000	AAA	Lee, FL, Memorial Health System, Hospital Revenue, Series A, FSA-Insured, 5.750% due 4/1/14 (a)	3,576,137
1,690,000	NR	Old Palm Community Development District, FL, Palm Beach Gardens, Series B, 5.375% due 5/1/14	1,721,299

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
Florida 4.8% (continued)			
		Orange County, FL, Health Facilities Authority Revenue:	
$ 700,000	NR	First Mortgage Healthcare Facilities, 8.750% due 7/1/11	$ 731,829
1,500,000	A+	Hospital Adventist Health Systems, 6.250% due 11/15/24	1,676,820
455,000	AAA	Southern Adventist Hospital, Adventist Health Systems, 8.750% due 10/1/09 (b)	505,833
310,000	NR	Sanford, FL, Airport Authority Industrial Development Revenue, Central Florida Terminals Inc. Project A, 7.500% due 5/1/06 (c)	310,130
		Total Florida	8,738,291
Georgia 3.8%			
970,000	Aaa(e)	Athens, GA, Housing Authority Student Housing Lease Revenue, University of Georgia East Campus, AMBAC-Insured, 5.250% due 12/1/23	1,040,073
650,000	A-	Chatham County, GA, Hospital Authority Revenue, Hospital Memorial Health Medical Center, Series A, 6.000% due 1/1/17	705,672
1,000,000	AAA	Gainesville, GA, Water & Sewer Revenue, FSA-Insured, 5.375% due 11/15/20	1,085,840
500,000	A1(e)	Georgia Municipal Electric Authority, Power System Revenue, Series X, 6.500% due 1/1/12	549,940
1,000,000	AAA	Griffin, GA, Combined Public Utilities Revenue, Refunding & Improvement, AMBAC-Insured, 5.000% due 1/1/21	1,066,320
2,120,000	AAA	Metropolitan Atlanta Rapid Transit Georgia Sales Tax Revenue, Series E, 7.000% due 7/1/11 (a)(b)	2,412,200
		Total Georgia	6,860,045
Illinois 4.9%			
535,000	NR	Bourbonnais, IL, Industrial Development Revenue, Refunding Kmart Corp. Project, 6.600% due 10/1/06 (g)	5,350
1,500,000	AAA	Chicago, IL, O Hare International Airport Revenue, Refunding Bonds, Lien A-2, FSA-Insured, 5.750% due 1/1/19 (c)	1,657,470
1,000,000	AAA	Cicero, IL, Tax Increment, Series A, XLCA-Insured, 5.250% due 1/1/21	1,074,830
1,030,000	AAA	Glendale Heights, IL, Hospital Revenue, Refunding Glendale Heights Project, Series B, 7.100% due 12/1/15 (b)	1,210,436
1,000,000	AA	Harvey, IL, GO, Radian-Insured, 6.700% due 2/1/09	1,002,830
485,000	BBB	Illinois Development Finance Authority, Chicago Charter School Foundation Project A, 5.250% due 12/1/12	502,576
		Illinois Health Facilities Authority Revenue:	
440,000	AAA	Methodist Medical Center of Illinois Project, 9.000% due 10/1/10 (b)	498,938
265,000	AAA	Ravenswood Hospital Medical Center Project, 7.250% due 8/1/06 (b)	270,997
1,310,000	AAA	Kane County, IL, GO, FGIC-Insured, 5.500% due 1/1/14	1,440,620
		Mount Veron, IL, Elderly Housing Corp., First Lien Revenue:	
235,000	Ba3(e)	7.875% due 4/1/06	234,847
250,000	Ba3(e)	7.875% due 4/1/07	250,083
270,000	Ba3(e)	7.875% due 4/1/08	270,051

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
Illinois 4.9% (continued)			
$ 1,000,000	Aaa(e)	Will County, IL, GO, School District North 122 New Lenox, Capital Appreciation Refunding School, Series D, FSA-Insured, zero coupon bond to yield 5.188% due 11/1/24	$ 417,110
		Total Illinois	8,836,138
Indiana 0.6%			
800,000	AAA	Ball State University, Indiana University Revenue, Student Fee, Series K, FGIC-Insured, 5.750% due 7/1/20	872,568
240,000	AAA	Madison County, IN, Hospital Authority Facilities Revenue, Community Hospital of Anderson Project, 9.250% due 1/1/10 (b)	266,746
		Total Indiana	1,139,314
Iowa 1.2%			
1,000,000	A1(e)	Iowa Finance Authority, Health Care Facilities Revenue, Genesis Medical Center, 6.250% due 7/1/20	1,086,480
940,000	AAA	Muscatine, IA, Electric Revenue, 9.700% due 1/1/13 (b)	1,153,192
		Total Iowa	2,239,672
Kansas 1.9%			
1,000,000	BBB	Burlington, KS, Environmental Improvement Revenue, Kansas City Power & Light Project, Refunding, 4.750% due 10/1/07 (h)(i)	1,015,780
2,245,000	AA	Johnson County, KS, Union School District, Series A, Call 10/1/09 @ 100, 5.125% due 10/1/20 (a)(d)	2,383,831
		Total Kansas	3,399,611
Louisiana 1.2%			
320,000	AAA	Louisiana Public Facilities Authority Hospital Revenue, Southern Baptist Hospital Inc. Project, Aetna-Insured, 8.000% due 5/15/12 (a)(b)	362,410
1,690,000	AAA	Monroe, LA, Sales & Use Tax Revenue, FGIC-Insured, 5.625% due 7/1/25	1,855,400
		Total Louisiana	2,217,810
Maryland 1.8%			
1,000,000	AAA	Maryland State Health & Higher EFA Revenue, Refunding Mercy Medical Center, FSA-Insured, 6.500% due 7/1/13	1,132,160
2,000,000	AAA	Montgomery County, MD, GO, 5.250% due 10/1/14 (a)	2,176,140
		Total Maryland	3,308,300
Massachusetts 7.1%			
690,000	AAA	Boston, MA, Water & Sewer Commission Revenue, 10.875% due 1/1/09 (b)	765,431
1,130,000	Aaa(e)	Lancaster, MA, GO, AMBAC-Insured, 5.375% due 4/15/17	1,241,418
1,500,000	AAA	Massachusetts State, GO, RITES, Series PA 993-R, MBIA-Insured, 6.650% due 5/1/09 (f)	1,780,350
		Massachusetts State DFA Revenue:	
500,000	A	Curry College, Series A, ACA-Insured, 6.000% due 3/1/20	533,140
370,000	AAA	VOA Concord, Series A, GNMA-Collateralized, 6.700% due 10/20/21	422,681

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
Massachusetts 7.1% (continued)			
		Massachusetts State HEFA Revenue:	
$ 1,000,000	AAA	Berkshire Health Systems, Series F, 5.000% due 10/1/19	$ 1,052,710
		Caritas Christi Obligation, Series B:	
2,000,000	BBB	6.500% due 7/1/12 (a)	2,188,800
835,000	BBB	6.750% due 7/1/16	936,953
1,000,000	BBB-	Milford-Whitinsville Regional Hospital, Series D, 6.500% due 7/15/23	1,080,620
1,000,000	NR	Winchester Hospital, Series E, Call 7/1/10 @ 101, 6.750% due 7/1/30 (d)	1,129,590
1,100,000	AAA	Massachusetts State Industrial Finance Agency Assisted Living Facility Revenue, Arbors at Amherst Project, GNMA-Collateralized, 5.750% due 6/20/17 (c)	1,179,167
500,000	A3(e)	New England Education Loan Marketing Corp. Massachusetts Student Loan Revenue, Sub-Issue H, 6.900% due 11/1/09 (c)	528,365
		Total Massachusetts	12,839,225
Michigan 3.4%			
1,775,000	AAA	Carrier Creek, MI, Drain District No. 326, AMBAC-Insured, 5.000% due 6/1/24	1,880,080
1,000,000	AAA	Jenison, MI, Public Schools GO, Building and Site, FGIC-Insured, 5.500% due 5/1/20	1,092,930
1,000,000	Aaa(e)	Memphis, MI, Community Schools GO, 5.150% due 5/1/19	1,039,170
1,000,000	A	Michigan State Hospital Finance Authority Revenue, Oakwood Obligated Group, 5.500% due 11/1/18	1,074,460
1,000,000	AAA	Walled Lake, MI, Consolidated School District, MBIA-Insured, 5.000% due 5/1/22	1,056,380
		Total Michigan	6,143,020
Missouri 1.7%			
1,000,000	AAA	Hazelwood, MO, School District, Missouri Direct Deposit Program, Series A, FGIC-Insured, 5.000% due 3/1/23	1,061,010
405,000	A-(j)	Lees Summit, MO, IDA Health Facilities Revenue, John Knox Village, 5.750% due 8/15/11	431,074
1,000,000	Aaa(e)	Missouri State Environmental Improvement & Energy Resource Authority, Water Pollution Control, State Revolving Funds Program, Series C, 5.250% due 7/1/18	1,127,180
40,000	AAA	Missouri State Housing Development Community Mortgage Revenue, Series C, GNMA/FNMA-Collateralized, 7.450% due 9/1/27 (c)	41,232
345,000	AAA	Nevada, MO, Waterworks Systems Revenue, AMBAC-Insured, 10.000% due 10/1/10 (b)	406,441
5,000	AAA	St. Louis County, MO, Single-Family Mortgage Revenue, MBIA Insured, 6.750% due 4/1/10	5,195
		Total Missouri	3,072,132

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
Nebraska 1.4%			
		NebHELP Inc. Nebraska Revenue:	
$ 1,500,000	AAA	Series A-5A, MBIA-Insured, 6.200% due 6/1/13 (c)	$ 1,550,505
1,000,000	AAA	Series A-6, MBIA-Insured, 6.450% due 6/1/18 (c)	1,051,430
		Total Nebraska	2,601,935
Nevada 0.6%			
		Henderson, NV, Health Care Facilities Revenue:	
470,000	A-	Pre-Refunded, Catholic West, Series A, Call 7/1/06 @ 100, 6.200% due 7/1/09 (d)	492,461
535,000	A-	Unrefunded Balance, Catholic West, Series A, 6.200% due 7/1/09	574,772
		Total Nevada	1,067,233
New Hampshire 0.5%			
865,000	A	New Hampshire HEFA, Covenant Healthcare System, 6.500% due 7/1/17	976,611
New Jersey 1.3%			
1,855,000	AAA	Delaware River Port Authority Pennsylvania and New Jersey, RITES, FSA-Insured, 6.478% due 1/1/10 (a)(f)	2,225,407
170,000	AAA	Ringwood Borough, NJ, Sewer Authority Special Obligation, 9.875% due 7/1/13 (b)	208,032
		Total New Jersey	2,433,439
New Mexico 0.7%			
1,100,000	AAA	Bernalillo County, NM, Gross Receipts Tax Revenue, AMBAC-Insured, 5.250% due 10/1/18	1,226,797
New York 2.7%			
895,000	NR	New York City, NY, IDA, Civic Facility Revenue, Community Hospital Brooklyn, 6.875% due 11/1/10	923,353
1,760,000	AAA	New York State Dormitory Authority Revenue, Mental Health Services Facilities, 5.000% due 2/15/18	1,877,973
2,000,000	AA-	Tobacco Settlement Financing Corp., New York, Asset-Backed, Series C-1, 5.500% due 6/1/14 (a)	2,122,680
		Total New York	4,924,006
North Carolina 1.4%			
170,000	AAA	Charlotte North Carolina Mortgage Revenue, Refunding Double Oaks Apartments, Series A, FNMA-Collateralized, 7.300% due 11/15/07	175,146
1,000,000	BBB	North Carolina Eastern Municipal Power Agency, Power System Revenue, Series D, 6.450% due 1/1/14	1,099,980
1,175,000	AAA	North Carolina Municipal Power Agency No. 1, Catawba Electricity Revenue, 10.500% due 1/1/10 (b)	1,340,123
		Total North Carolina	2,615,249

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
Ohio 7.4%			
$ 1,370,000	AAA	Cleveland, OH, Waterworks Revenue, Series K, Call 1/1/12 @ 100, 5.250% due 1/1/21 (d)	$ 1,493,889
1,255,000	BBB	Cuyahoga County, OH, Hospital Facilities Revenue, Canton, Inc. Project, 6.750% due 1/1/10	1,320,210
1,855,000	Aaa(e)	Highland, OH, Local School District, School Improvement, FSA-Insured, 5.750% due 12/1/19 (a)	2,080,067
1,000,000	Aaa(e)	Kettering, OH, City School District, School Improvement, FSA-Insured, 5.000% due 12/1/19	1,069,630
		Lake County, OH, Hospital Improvement Revenue:	
210,000	AAA	Lake County Memorial Hospital Project, 8.625% due 11/1/09 (b)	233,635
115,000	Aaa(e)	Ridgecliff Hospital Project, 8.000% due 10/1/09 (b)	125,894
95,000	AAA	Lima, OH, Hospital Revenue, St. Rita Hospital of Lima, 7.500% due 11/1/06 (b)	98,267
1,500,000	BBB-	Ohio State Air Quality Development Authority Revenue, Cleveland Pollution Control, Series A, 6.000% due 12/1/13	1,570,335
3,010,000	AA+	Ohio State GO, Conservation Project, Series A, 5.250% due 9/1/13 (a)	3,234,305
		Ohio State Water Development Authority Revenue:	
1,785,000	AAA	9.375% due 12/1/10 (b)(k)	2,013,873
245,000	AAA	Safe Water, Series 3, 9.000% due 12/1/10 (b)	273,533
		Total Ohio	13,513,638
Oklahoma 0.7%			
55,000	AAA	Oklahoma State Industries Authority Revenue, Hospital Oklahoma Health Care Corp., Series A, Call 5/1/07 @ 100, 9.125% due 11/1/08 (d)	58,554
305,000	NR	Tulsa, OK, Housing Assistance Corp., MFH Revenue, 7.250% due 10/1/07 (c)	306,656
		Tulsa, OK, Municipal Airport Trust Revenue, Refunding American Airlines, Series B:	
500,000	B-	6.000% due 6/1/35 (c)(h)	487,530
500,000	B-	5.650% due 12/1/35 (c)(h)	482,995
		Total Oklahoma	1,335,735
Oregon 1.3%			
935,000	BBB(j)	Klamath Falls, OR, International Community Hospital Authority Revenue, Merle West Medical Center Project, 8.000% due 9/1/08 (b)	999,234
1,355,000	NR	Wasco County, OR, Solid Waste Disposal Revenue, Waste Connections Inc. Project, 7.000% due 3/1/12 (c)	1,441,571
		Total Oregon	2,440,805
Pennsylvania 5.3%			
865,000	AAA	Conneaut, PA, School District GO, AMBAC-Insured, 9.500% due 5/1/12 (b)	1,008,841
1,000,000	Aaa(e)	Harrisburg, PA, Parking Authority Parking Revenue, FSA-Insured, 5.500% due 5/15/20	1,091,670
1,365,000	AA	Northampton County, PA, IDA Revenue, Mortgage Moravian Hall Square Project, Radian-Insured, 5.500% due 7/1/19	1,467,184

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
Pennsylvania 5.3% (continued)			
1,000,000	AAA	Pennsylvania State IDA Revenue, Economic Development, AMBAC-Insured, 5.500% due 7/1/21	$ 1,098,730
100,000	AAA	Philadelphia, PA, Hospital Authority Revenue, Thomas Jefferson University Hospital, 7.000% due 7/1/08 (b)	104,819
1,000,000	AAA	Philadelphia, PA, School District, Series A, FSA-Insured, Call 2/1/12 @ 100, 5.500% due 2/1/23 (d)	1,102,200
2,000,000	AAA	Philadelphia, PA, Water & Wastewater, Series B, FGIC-Insured, 5.250% due 11/1/14 (a)	2,181,520
1,350,000	AAA	Pittsburgh, PA, School District GO, FSA-Insured, 5.375% due 9/1/16	1,518,426
		Total Pennsylvania	9,573,390
Puerto Rico 0.9%			
1,500,000	BBB-	Puerto Rico Housing Bank & Finance Agency, 7.500% due 12/1/06	1,544,805
Rhode Island 0.6%			
1,000,000	AA	Central Falls, RI, GO, Radian-Insured, 5.875% due 5/15/15	1,090,770
South Carolina 3.4%			
95,000	AAA	Anderson County, SC, Hospital Facilities Revenue, 7.125% due 8/1/07 (b)	98,550
1,445,000	AA-	Charleston, SC, Waterworks & Sewer Revenue, 5.250% due 1/1/16	1,558,895
		Greenville County, SC, School District Installment Purchase Revenue, Building Equity Sooner for Tomorrow:	
900,000	AA-	6.000% due 12/1/21	994,401
		Call 12/1/12 @ 101:	
2,000,000	AA-	5.875% due 12/1/19 (a)(d)	2,279,720
1,100,000	AA-	6.000% due 12/1/21 (d)	1,262,151
		Total South Carolina	6,193,717
South Dakota 1.9%			
2,400,000	Aa2(e)	Minnehana County, SD, GO, Limited Tax Certificates, Call 12/1/10 @ 100, 5.625% due 12/1/20 (a)(d)	2,604,312
795,000	A	South Dakota Economic Development Finance Authority, Economic Development Revenue, APA Optics, Series A, 6.750% due 4/1/16 (c)	816,258
		Total South Dakota	3,420,570
Tennessee 0.6%			
530,000	AAA	Jackson, TN, Water & Sewer Revenue, 7.200% due 7/1/12 (b)	590,007
400,000	Baa1(e)	McMinnville, TN, Housing Authority Revenue, Refunding First Mortgage Beersheba Heights, 6.000% due 10/1/09	414,788
		Total Tennessee	1,004,795
Texas 9.0%			
2,000,000	Aa3(e)	Brazos River, TX, Harbor Navigation District, BASF Corp. Project, 6.750% due 2/1/10 (a)	2,236,580
2,000,000	AAA	Dallas, TX, Area Rapid Transit Sales Tax Revenue, Senior Lien, AMBAC-Insured, 5.375% due 12/1/16 (a)	2,161,860

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
Texas 9.0% (continued)			
		Dallas-Fort Worth, TX:	
$ 1,500,000	CCC	International Airport Facility, Improvement Corp. Revenue, Refunding, American Airlines, Series C, 6.150% due 11/1/07 (c)(h)(i)	$ 1,446,705
1,000,000	AAA	International Airport Revenue, Refunding, Series B, FSA-Insured, 5.500% due 11/1/20	1,075,860
		El Paso County, TX, Housing Finance Corp.:	
275,000	Baa3(e)	La Plaza Apartments, Sub-Series C, 8.000% due 7/1/30	281,322
360,000	A3(e)	MFH Revenue, Series A, American Village Communities, 6.250% due 12/1/24	370,944
		El Paso, TX, Water & Sewer Revenue, Refunding & Improvement, Series A, FSA-Insured:	
45,000	AAA	6.000% due 3/1/15	50,570
955,000	AAA	Call 3/1/12 @ 100, 6.000% due 3/1/15 (d)	1,074,318
2,000,000	AA	Fort Worth, TX, Water & Sewer Revenue, Call 2/15/12 @ 100, 5.625% due 2/15/17 (a)(d)	2,213,380
585,000	AAA	Grand Prairie, TX, Housing Finance Corp., MFH Revenue, Landings of Carrier Project, Series A, GNMA-Collateralized, 6.650% due 9/20/22	654,796
1,000,000	AAA	Harris County, TX, Hospital District Revenue, MBIA-Insured, 6.000% due 2/15/15	1,101,090
1,900,000	NR	IAH Public Facilities Corp. Project Revenue, 7.000% due 5/1/15 (a)	1,885,674
1,000,000	AAA	Southwest Higher Education Authority Inc., Southern Methodist University Project, AMBAC-Insured, 5.500% due 10/1/19	1,102,050
275,000	Aaa(e)	Tarrant County, TX, Hospital Authority Revenue, Adventist Health System-Sunbelt, 10.250% due 10/1/10 (b)	323,532
225,000	AAA	Texas State Department Housing Community Affairs Home Mortgage Revenue, RIBS, Series C-2, GNMA/FNMA/FHLMC-Collateralized, 10.383% due 7/2/24 (c)(l)	224,262
130,000	NR	Tom Green County, TX, Hospital Authority, 7.875% due 2/1/06 (b)	130,411
		Total Texas	16,333,354
Utah 1.8%			
1,580,000	Aaa(e)	Salt Lake & Sandy, UT, Metropolitan Water District Revenue, Series A, AMBAC-Insured, 5.000% due 7/1/24	1,667,943
		Spanish Fork City, UT, Water Revenue, FSA-Insured:	
1,135,000	Aaa(e)	5.500% due 6/1/16	1,241,724
350,000	Aaa(e)	Call 6/1/12 @ 100, 5.500% due 6/1/16 (d)	387,726
		Total Utah	3,297,393
Washington 1.9%			
1,250,000	Aaa(e)	Cowlitz County, WA, School District, No. 122 Longview, FSA-Insured, 5.500% due 12/1/19	1,353,862
2,000,000	AAA	Energy Northwest Washington Electric Revenue, Project No. 3, Series A, FSA-Insured, 5.500% due 7/1/18 (a)	2,183,280
		Total Washington	3,537,142

See Notes to Financial Statements.

Schedule of Investments (December 31, 2005) (continued)

Face Amount	Rating	Security	Value
West Virginia 0.1%			
$ 115,000	AAA	Cabell Putnam & Wayne Counties, WV, Single-Family Residence Mortgage Revenue, FGIC-Insured, 7.375% due 4/1/10 (b)	$ 123,136
Wisconsin 1.2%			
2,000,000	BBB	La Crosse, WI, Resource Recovery Revenue, Refunding Bonds, Northern States Power Co. Project, Series A, 6.000% due 11/1/21 (a)(c)	2,146,300
		TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost $171,602,726)	**178,367,946**
SHORT-TERM INVESTMENTS (m) 1.9%			
Alaska 0.5%			
900,000	A-1+	Valdez, AK, Marine Terminal, BP Pipelines Inc. Project, Series B, 3.780%, 1/3/06	900,000
Colorado 0.1%			
300,000	VMIG1(e)	Colorado Educational & Cultural Facilities Authority Revenue, National Jewish Federal Bond Program, LOC-Bank of America NA, 3.700%, 1/3/06	300,000
New York 0.1%			
100,000	A-1+	Long Island Power Authority, NY, Electric System Revenue, Subordinated Series 2, 2B, LOC-Bayerische Landesbank, 3.650%, 1/3/06	100,000
Pennsylvania 0.1%			
100,000	A-1+	Pennsylvania State Higher EFA, Carnegie Mellon University, Series B, SPA-Morgan Guaranty Trust, 3.700%, 1/3/06	100,000
Texas 1.1%			
		Bell County, TX, Health Facilities Development Corp. Revenue, Scott & White Memorial Hospital:	
700,000	A-1+	HFA, Series 2001-2, MBIA-Insured, SPA-Westdeutsche Landesbank, 3.700%, 1/3/06	700,000
500,000	A-1+	Series B-2, MBIA-Insured, SPA-Chase Bank of Texas N.A., 3.700%, 1/3/06	500,000
600,000	A-1+	Harris County, TX, Health Facilities Development Corp. Revenue, Special Facilities, Texas Medical Center Project, MBIA-Insured, SPA-Chase Manhattan Bank, 3.700%, 1/3/06	600,000
300,000	A-1+	Texas Water Development Board Revenue, Refunding,State Revolving Fund, SPA-JPMorgan Chase Bank, 3.750%, 1/3/06	300,000
		Total Texas	2,100,000
		TOTAL SHORT-TERM INVESTMENTS (Cost $3,500,000)	**3,500,000**
		TOTAL INVESTMENTS 100.0% (Cost $175,102,726#)	**$ 181,867,946**

See Notes to Financial Statements.

All ratings are by Standard & Poor s Ratings Service, unless otherwise footnoted. All ratings are unaudited.

(a) All or a portion of this security is segregated for open futures contracts.

(b) Bonds are escrowed to maturity by government obligations and/or U.S. government agency securities and are considered by the Manager to be triple-A rated even if issuer has not applied for new ratings.

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

(d) Pre-Refunded bonds are escrowed with government obligations and/or government agency securities and are considered by the Manager to be triple-A rated even if issuer has not applied for new ratings.

(e) Rating by Moody s Investors Service. All ratings are unaudited.

(f) Residual interest tax-exempt securities - coupon varies inversely with level of short-term tax-exempt interest rates.

(g) Security is currently in default.

(h) Variable rate security. Coupon rate disclosed is that which is in effect at December 31, 2005.

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

(j) Rating by Fitch Ratings Service. All ratings are unaudited.

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

(l) Residual interest bonds - coupon varies inversely with level of short-term tax-exempt interest rates.

(m) Variable rate demand obligations have a demand feature under which the Fund can tender them back to the issuer on no more than 7 days notice. Date shown is the date of the next interest rate change.

Aggregate cost for federal income tax purposes is $175,139,511.

See pages 19 and 20 for ratings.

Abbreviations used in this schedule:

ACA	American Capital Assurance
AMBAC	Ambac Assurance Corporation
COP	Certificate of Participation
DFA	Development Finance Agency
EFA	Educational Facilities Authority
FGIC	Financial Guaranty Insurance Company
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FSA	Financial Security Assurance
GNMA	Government National Mortgage Association
GO	General Obligation
HEFA	Health & Educational Facilities Authority
HFA	Housing Finance Authority
IDA	Industrial Development Authority
INDLC	Industrial Indemnity Company
LOC	Letter of Credit
MBIA	Municipal Bond Investors Assurance Corporation
MFH	Multi-Family Housing
Radian	Radian Assets Assurance
RIBS	Residual Interest Bonds
RITES	Residual Interest Tax-Exempt Securities
SPA	Standby Bond Purchase Agreement
USD	Unified School District
XLCA	XL Capital Assurance Inc.

See Notes to Financial Statements.

Summary of Investments by Industry*		
Hospitals	14.3	%
Education	13.9	
Pre-Refunded	12.7	
Escrowed to Maturity	10.8	
General Obligation	8.5	
Transportation	8.1	
Utilities	5.3	
Miscellaneous	5.1	
Pollution Control	5.0	
Tax Allocation	4.0	
Water & Sewer	3.5	
Other	8.8	
	100.0	%

* As a percentage of total investments. Please note that Fund holdings are as of December 31, 2005 and are subject to change.

Bond Ratings (unaudited)

The definitions of the applicable ratings symbols are set forth below:

Standard & Poor s Ratings Service (Standard & Poor s) Ratings from AA to CCC may be modified by the addition of a plus (+) or a minus ( ) sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Standard & Poor s. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC, CC and C	Bonds rated BB , B , CCC , CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
D	Bonds rated D are in default and payment of interest and/or repayment of principal is in arrears.

Moody s Investors Service (Moody s) Numerical modifiers 1, 2 and 3 may be applied to each generic rating from Aa to Caa, where 1 is the highest and 3 the lowest ranking within its generic category.

Aaa	Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as gilt edge. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
Aa	Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.
A	Bonds rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future.
Baa	Bonds rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
Ba	Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and therefore not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
B	Bonds rated B are generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
Caa	Bonds rated Caa are of poor standing. These may be in default, or present elements of danger may exist with respect to principal or interest.
Ca	Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.
C	Bonds rated C are the lowest class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Bond Ratings (unaudited) (continued)

Fitch Ratings Service (Fitch) Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major rating categories.

AAA	Bonds rated AAA have the highest rating assigned by Fitch. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.
BB, B, CCC and CC	Bonds rated BB , B , CCC and CC are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents a lower degree of speculation than B , and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
NR	Indicates that the bond is not rated by Standard & Poor s, Moody s or Fitch.

Short-Term Security Ratings (unaudited)

SP-1	Standard & Poor s highest rating indicating very strong or strong capacity to pay principal and interest; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
A-1	Standard & Poor s highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
VMIG 1	Moody s highest rating for issues having a demand feature VRDO.
MIG1	Moody s highest rating for short-term municipal obligations.
P-1	Moody s highest rating for commercial paper and for VRDO prior to the advent of the VMIG 1 rating.
F-1	Fitch s highest rating indicating the strongest capacity for timely payment of financial commitments; those issues determined to possess overwhelming strong credit feature are denoted with a plus (+) sign.

Statement of Assets and Liabilities (December 31, 2005)

ASSETS:		
Investments, at value (Cost $175,102,726)	$	181,867,946
Cash		3,803
Interest receivable		2,997,395
Receivable for securities sold		875,000
Receivable from broker variation margin on open futures contracts		125,000
Prepaid expenses		5,821
Total Assets		**185,874,965**
LIABILITIES:		
Distributions payable		91,727
Management fee payable		86,848
Distributions payable to Municipal Auction Rate Cumulative Preferred Stockholders		23,238
Deferred compensation payable		12,920
Directors fees payable		1,279
Accrued expenses		107,748
Total Liabilities		**323,760**
Series M Municipal Auction Rate Cumulative Preferred Stock (2,000 shares authorized and issued at $25,000 per share) (Note 4)		**50,000,000**
Total Net Assets	**$**	**135,551,205**
NET ASSETS:		
Par value ($0.001 par value; 14,032,784 shares issued and outstanding; 100,000,000 shares authorized)	$	14,033
Paid-in capital in excess of par value		141,521,690
Undistributed net investment income		42,766
Accumulated net realized loss on investments and futures contracts		(11,780,785)
Net unrealized appreciation on investments and futures contracts		5,753,501
Total Net Assets	**$**	**135,551,205**
Shares Outstanding		**14,032,784**
Net Asset Value	**$**	**9.66**

See Notes to Financial Statements.

Statement of Operations (For the year ended December 31, 2005)

INVESTMENT INCOME:	
Interest	**$ 9,672,841**
EXPENSES:	
Management fee (Note 2)	1,104,316
Auction participation fees (Note 4)	127,407
Legal fees	68,143
Shareholder reports	59,719
Transfer agent fees	54,166
Custody fees	40,736
Listing fees	35,916
Audit and tax	35,535
Directors fees	9,359
Insurance	7,723
Miscellaneous expenses	4,397
Total Expenses	**1,547,417**
Net Investment Income	**8,125,424**
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS (NOTES 1 AND 3):	
Net Realized Loss From:	
Investments	(753,406)
Futures contracts	(2,091,264)
Net Realized Loss	**(2,844,670)**
Change in Net Unrealized Appreciation/Depreciation From:	
Investments	(1,766,211)
Futures contracts	488,281
Change in Net Unrealized Appreciation/Depreciation	**(1,277,930)**
Net Loss on Investments and Futures Contracts	**(4,122,600)**
Distributions Paid to Municipal Auction Rate Cumulative Preferred Stockholders From Net Investment Income (Note 1)	**(1,206,809)**
Increase in Net Assets From Operations	**$ 2,796,015**

See Notes to Financial Statements.

Statements of Changes in Net Assets (For the years ended December 31,)

	2005	2004
OPERATIONS:		
Net investment income	$ 8,125,424	$ 9,020,329
Net realized loss	(2,844,670)	(2,871,944)
Change in net unrealized appreciation/depreciation	(1,277,930)	(401,750)
Distributions paid to Municipal Auction Rate Cumulative Preferred Stockholders from net investment income	(1,206,809)	(586,119)
Increase in Net Assets From Operations	**2,796,015**	**5,160,516**
DISTRIBUTIONS PAID TO COMMON STOCK SHAREHOLDERS FROM (NOTES 1 AND 6):		
Net investment income	(7,788,195)	(8,585,218)
Decrease in Net Assets From Distributions Paid to Common Stock Shareholders	**(7,788,195)**	**(8,585,218)**
FUND SHARE TRANSACTIONS (NOTE 5):		
Reinvestment of distributions		287,921
Increase in Net Assets From Fund Share Transactions		**287,921**
Decrease in Net Assets	**(4,992,180)**	**(3,136,781)**
NET ASSETS:		
Beginning of year	140,543,385	143,680,166
End of year*	**$135,551,205**	**$ 140,543,385**
*Includes undistributed net investment income of:	$ 42,766	$ 1,132,007

See Notes to Financial Statements.

Financial Highlights

For a share of capital stock outstanding throughout each year ended December 31:

	2005	2004	2003	2002	2001
Net Asset Value, Beginning of Year	$ 10.02	$ 10.26	$ 10.27	$ 10.21	$ 10.20
Income (Loss) From Operations:					
Net investment income	0.56	0.64	0.68	0.68	0.56(1)
Net realized and unrealized gain (loss)	(0.27)	(0.23)	(0.03)	0.07	0.00(1)(2)
Distributions paid to Municipal Auction Rate Cumulative Preferred Stockholders from net investment income	(0.09)	(0.04)	(0.05)	(0.05)	
Total Income From Operations	0.20	0.37			