

Edgar Filing: MUNIENHANCED FUND INC - Form N-Q

MUNIENHANCED FUND INC
Form N-Q
December 28, 2004

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-5739

Name of Fund: MuniEnhanced Fund, Inc.

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

Name and address of agent for service: Terry K. Glenn, President, MuniEnhanced
Fund, Inc., 800 Scudders Mill Road, Plainsboro, NJ 08536. Mailing
address: P.O. Box 9011, Princeton, NJ 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 01/31/04

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

Item 1 - Schedule of Investments

MuniEnhanced Fund, Inc.

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

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

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

Portfolio Abbreviations

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

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

MuniEnhanced Fund, Inc.

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

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
California (concluded)	AAA	Aaa	\$ 5,000	Norco, California, Redevelopment Agency, Tax Bonds (Norco Redevelopment Project-Area Number 1) due 3/01/2030 (f)
	AAA	Aaa	1,750	Poway, California, Redevelopment Agency, Tax Bonds (Paguay Redevelopment Project), 5.125% due 6/01/2033 (h) (j)
	AAA	Aaa	6,145	Stockton, California, Public Financing Authority, Tax Bonds (Parking & Capital Projects), 5.125% due 6/01/2033 (h) (j)
Colorado - 10.3%				Boulder County, Colorado, Hospital Development Bonds (Longmont United Hospital Project) (j):
	AA	Baa2	2,705	5.60% due 12/01/2015
	AA	Baa2	2,135	5.75% due 12/01/2020
				Colorado HFA, Revenue Bonds, AMT:

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

MuniEnhanced Fund, Inc.

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

(in Thousands)

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

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	AAA	Aaa	21,120	Bonds(a): 5.399%** due 6/15/2010
	AAA	Aaa	4,500	5% due 6/15/2032
	AAA	Aaa	3,000	Metropolitan Pier and Exposition Authority, State Tax Revenue Refunding Bonds (McCormick Series B, 5.75% due 6/15/2023(f)
	AAA	Aaa	10,115	Regional Transportation Authority, Illinois, Series A, 7.20% due 11/01/2020(a)

Indiana - 5.1%	AAA	Aaa	2,500	Brownsburg, Indiana, School Building Corpora Revenue Bonds (Brownsburg Community School),
	AAA	Aaa	4,080	Hammond, Indiana, Multi-School Building Corp Mortgage Revenue Refunding Bonds, 6.125% due
				Indiana Transportation Finance Authority, Hi Series A(b):
	AAA	Aaa	4,250	5.25% due 6/01/2028
	AAA	Aaa	3,750	5.25% due 6/01/2029
	AAA	Aaa	1,500	Indianapolis, Indiana, Local Public Improvem Bonds (Waterworks Project), Series A, 5.25%

Kansas - 1.1%				Sedgwick and Shawnee Counties, Kansas, S/F R (Mortgage-Backed Securities Program), AMT(e)
	NR*	Aaa	1,050	Series A-1, 6.875% due 12/01/2026
	AAA	Aaa	1,755	Series A-1, 6.875% due 12/01/2026(f)
	NR*	Aaa	765	Series A-2, 7.60% due 12/01/2031

Louisiana - 4.0%	AAA	Aaa	6,000	Louisiana Local Government, Environmental Fa Development Authority Revenue Bonds (Capital Equipment Acquisition), Series A, 6.30% due
	AAA	Aaa	5,150	New Orleans, Louisiana, Ernest N. Morial Exh Special Tax, Sub-Series A, 5.25% due 7/15/20
	AAA	Aaa	1,400	Terrebonne Parish, Louisiana, Hospital Servi Hospital Revenue Bonds (Terrebonne General M 5.50% due 4/01/2033(a)

Massachusetts - 5.2%	AAA	NR*	4,985	Massachusetts State Port Authority, Special Bonds, DRIVERS, AMT, Series 501, 8.895% due
				Massachusetts State Special Obligation Dedic Bonds(b):
	AAA	Aaa	1,800	5.25% due 1/01/2028
	AAA	Aaa	10,000	5.25% due 1/01/2029

Michigan - 5.4%	AAA	Aaa	6,200	Detroit, Michigan, Water Supply System Reven 5.25% due 7/01/2032(f)
	AAA	Aaa	2,200	Michigan Higher Education Student Loan Autho Revenue Refunding Bonds, AMT, Series XVII-G,

MuniEnhanced Fund, Inc.

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

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

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	AAA	Aaa	\$ 1,150	5.45% due 9/01/2029
	AAA	Aaa	1,300	AMT, Series A, 5.50% due 6/01/2030
	AAA	Aaa	2,500	AMT, Series C, 5.65% due 9/01/2029
	AAA	Aaa	4,300	AMT, Series C, 5.45% due 12/15/2032
Mississippi - 0.8%	AAA	Aaa	2,400	Walnut Grove, Mississippi, Correctional Auth due 11/01/2009(a) (g)
Nebraska - 0.5%	A+	NR*	1,700	Washington County, Nebraska, Wastewater Faci (Cargill Inc. Project), AMT, 5.90% due 11/01/
Nevada - 8.2%	AA	NR*	3,100	Carson City, Nevada, Hospital Revenue Bonds, Hospital Project), Series A, 5.50% due 9/01/ Clark County, Nevada, Airport System Subordi Bonds(b):
	AAA	Aaa	1,500	Series A-2, 5% due 7/01/2030
	AAA	Aaa	3,200	Series A-2, 5% due 7/01/2036
	AAA	Aaa	2,000	Series B, 5.25% due 7/01/2034
				Director of the State of Nevada, Department Industry Revenue Bonds (Las Vegas Monorail C Tier(a):
	AAA	Aaa	750	5.625% due 1/01/2032
	AAA	Aaa	3,280	5.375% due 1/01/2040
	AAA	Aaa	10,450	Washoe County, Nevada, Gas and Water Facilit Bonds (Sierra Pacific Power Company), 6.30%
	AAA	Aaa	3,000	Washoe County, Nevada, Water Facility Revenue Pacific Power Company), AMT, 6.65% due 6/01/
New Hampshire - 2.3%	AAA	Aaa	7,390	New Hampshire Health and Education Facilitie Bonds (Dartmouth-Hitchcock Obligation Group,
New Jersey - 10.6%				New Jersey EDA, Cigarette Tax Revenue Bonds:
	BBB	Baa2	3,250	5.50% due 6/15/2024
	AAA	Aa2	2,000	5.50% due 6/15/2024
	BBB	Baa2	700	5.50% due 6/15/2031
	BBB	Baa2	1,165	5.75% due 6/15/2034
				New Jersey EDA, Motor Vehicle Surcharge Reve
	AAA	Aaa	2,600	5% due 7/01/2029
	AAA	Aaa	7,250	5.25% due 7/01/2031
	AAA	Aaa	5,200	5.25% due 7/01/2033
				New Jersey EDA, Revenue Bonds, ROLS(h):
	AAA	NR*	5,000	Series II-R-309-1, 9.136% due 6/15/2024
	AAA	NR*	2,500	Series II-R-309-2, 9.136% due 6/15/2031
	A-1+	VMIG-1 +	4,800	New Jersey State Turnpike Authority, Turnpik Series C-3, 1.75% due 1/01/2024(d) (l)

MuniEnhanced Fund, Inc.

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

(in Thousands)

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

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

MuniEnhanced Fund, Inc.

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

(in Thousands)

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

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

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

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

MuniEnhanced Fund, Inc.

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

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

(in Thousands)	
Aggregate cost	\$ 499,495
	=====
Gross unrealized appreciation	\$ 32,948
Gross unrealized depreciation	(742)

Net unrealized appreciation	\$ 32,206
	=====

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

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

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

\$ 20,000

(254)

MuniEnhanced Fund, Inc.

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

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

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

Item 2 - Controls and Procedures

- 2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.
- 2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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

MuniEnhanced Fund, Inc.

By: /s/ Terry K. Glenn

Terry K. Glenn,
President
MuniEnhanced Fund, Inc.

Date: December 20, 2004

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

By: /s/ Terry K. Glenn

Terry K. Glenn
President
MuniEnhanced Fund, Inc.

Date: December 20, 2004

By: /s/ Donald C. Burke

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

Date: December 20, 2004