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MUNI INTERMEDIATE DURATION FUND INC
Form N-CSR
July 25, 2005

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-21348

Name of Fund: Muni Intermediate Duration 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, Muni Intermediate Duration Fund, Inc., 800 Scudders Mill Road,
Plainsboro, NJ, 08536. Mailing address: P.O. Box 9011, Princeton,
NJ, 08543-9011

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

Date of fiscal year end: 05/31/05

Date of reporting period: 06/01/04 - 05/31/05

Item 1 - Report to Stockholders

Muni Intermediate Duration Fund, Inc.
Muni New York Intermediate Duration Fund, Inc.

Annual Reports
May 31, 2005

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www.mlim.ml.com

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A Division of Merrill Lynch Investment Managers
www.mercury.ml.com

These reports, including the financial information herein, are transmitted to shareholders of Muni Intermediate Duration Fund, Inc. and Muni New York Intermediate Duration Fund, Inc. for their information. This is not a prospectus. The Funds have leveraged their Common Stock and intend to remain leveraged by issuing Preferred Stock to provide the Common Stock shareholders with potentially higher rates 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. Past performance results shown in these

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reports should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free 1-800-MER-FUND (1-800-637-3863); (2) at www.mutualfunds.ml.com; and (3) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>. Information about how the Funds vote proxies relating to securities held in the Funds' portfolios during the most recent 12-month period ended June 30 is available (1) at www.mutualfunds.ml.com; and (2) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

Muni Intermediate Duration Fund, Inc.
Muni New York Intermediate Duration Fund, Inc.
Box 9011
Princeton, NJ 08543-9011

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Muni Intermediate Duration Fund, Inc.
Muni New York Intermediate Duration Fund, Inc.

The Benefits and Risks of Leveraging

The Funds utilize leveraging to seek to enhance the yield and net asset value of their Common Stock. However, these objectives cannot be achieved in all interest rate environments. To leverage, each 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 each 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.

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

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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 of 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 a part of its investment strategy, the Funds 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 Funds to the risks of reduced or eliminated interest payments and losses of 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 Funds invest in inverse floaters, the market value of each Fund's portfolio and the net asset value of each Fund's shares may also be more volatile than if the Funds did not invest in such securities. As of May 31, 2005, the percentage of Muni Intermediate Duration Fund, Inc.'s total net assets invested in inverse floaters was 1.21%, before the deduction of Preferred Stock. As of May 31, 2005, none of Muni New York Intermediate Duration Fund, Inc.'s total net assets was invested in inverse floaters.

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A Letter From the President

Dear Shareholder

After expanding at an annualized rate of 4.4% in 2004, U.S. gross domestic product grew at an estimated 3.5% in the first quarter of 2005. The slowdown was not entirely unexpected given last year's healthy growth and the evolution of the economic cycle. The Federal Reserve Board - with one eye firmly affixed on the economic indicators and the other on inflationary measures - has increased the federal funds rate by 25 basis points (.25%) at each of its eight meetings since June 2004. At period-end, the target short-term interest rate stood at 3%.

U.S. equity markets ended 2004 in a strong rally, but have struggled to record meaningful gains in 2005. The potential for slowing economic and corporate earnings growth, as well as volatile energy prices, have intermittently hampered equity market progress. On the positive side, corporate transactions, such as mergers and acquisitions, stock buy-backs and dividend payouts, have all increased. In Asia, equities have continued to benefit from higher economic growth prospects and valuations that appear inexpensive relative to other parts of the world.

In the bond market, the yield curve flattening "conundrum" continued as short-term and long-term yields moved still closer together. Over the past year, the two-year Treasury yield increased 106 basis points

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while the 10-year Treasury yield declined 66 basis points. At May 31, 2005, the two-year Treasury note yielded 3.60% and the 10-year Treasury note yielded 4%. The falling long-term rates may be partly attributed to foreign interest in U.S. assets and increased issuance of short-term Treasury bonds to finance the federal deficit. Notably, the government is considering the reissuance of the 30-year Treasury, which was suspended in August 2001. This would allow the U.S. Treasury to adopt a more flexible approach to borrowing, while providing investors with another long-term fixed income option.

Amid these conditions, the major benchmarks posted six-month and 12-month returns as follows:

Total Returns as of May 31, 2005	6-month	12-month
U.S. equities (Standard & Poor's 500 Index)	+2.42%	+ 8.24%
Small-cap U.S. equities (Russell 2000 Index)	-2.10%	+ 9.82%
International equities (MSCI Europe Australasia Far East Index)	+1.81%	+14.62%
Fixed income (Lehman Brothers Aggregate Bond Index)	+2.90%	+ 6.82%
Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)	+3.51%	+ 7.96%
High yield bonds (Credit Suisse First Boston High Yield Index)	+0.60%	+ 9.97%

While the environment is likely to remain somewhat challenging, we believe opportunities exist for investors. With this in mind, we encourage you to meet with your financial advisor to review your goals and asset allocation and to rebalance your portfolio, as necessary, to ensure it remains aligned with your objectives and risk tolerance. As always, we thank you for trusting Merrill Lynch Investment Managers with your investment assets, and we look forward to serving you in the months and years ahead.

Sincerely,

(Robert C. Doll, Jr.)
Robert C. Doll, Jr.
President and Director

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A Discussion With Your Funds' Portfolio Managers

The Funds provided attractive total returns for the year as we remained focused on maintaining a competitive yield and protecting net asset value in a volatile interest rate environment.

Describe the recent market environment relative to municipal bonds.

Amid significant volatility, long-term bond yields moved sharply lower over the past 12 months as short-term interest rates increased. For all of 2004, real gross domestic product (GDP) grew at an annualized rate of 4.4%, well ahead of

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2003's annual rate of 3%. The initial estimate of first quarter 2005 GDP growth came in at 3.5%, in keeping with many economists' expectations.

It appeared that continued economic improvements were generally disregarded as investors focused on inflationary trends, currency-related demand for long-term U.S. securities, slowing foreign economies and interest rate action on the part of the Federal Reserve Board (the Fed). Over the past 12 months, 30-year U.S. Treasury bond yields declined 103 basis points (1.03%) to 4.32%, while 10-year Treasury note yields fell 66 basis points to 4%. The Fed, in the meantime, continued to raise short-term interest rates at each of its meetings since June 2004, bringing the federal funds rate to 3% by period-end. As short-term interest rates increased while longer-term interest rates fell, the yield curve continued to flatten.

In the tax-exempt market, yields on 30-year revenue bonds, as measured by the Bond Buyer Revenue Bond Index, fell 58 basis points to 4.78% during the year. According to Municipal Market Data, yields on AAA-rated issues maturing in 30 years declined 73 basis points to 4.26%, while AAA-rated bonds maturing in 10 years saw their yields decline 44 basis points to 3.49%.

Over the past year, nearly \$375 billion in long-term municipal securities was underwritten, roughly in line with last year's issuance of \$385 billion. During the last six months, more than \$186 billion in tax-exempt bonds was underwritten, an increase of 7.5% versus the same period a year earlier. Issuance so far in 2005 has been boosted by more than a 40% increase in refunding issues as municipalities have sought to refinance existing higher-coupon debt. These refunding issues have been heavily weighted in the 10-year - 20-year maturity range to lower the overall interest cost of the refunding issue. This concentration has put pressure on intermediate tax-exempt bond yields while supporting longer-term bond prices.

Investor demand for municipal product remained generally positive during the period. Investment Company Institute statistics indicate that, year-to-date through April 30, 2005, net new cash flows into long-term municipal bond funds exceeded \$697 million. This represented a significant improvement from the \$2.86 billion net outflow seen during the same period in 2004. Throughout much of the past 12 months, high yield tax-exempt bond funds experienced very positive net cash flows. During May, these lower-rated/non-rated bond funds received an average of \$175 million per week. The need to invest these ongoing cash flows has led to strong demand for lower-rated issues and a resultant narrowing of credit spreads.

Looking ahead, we would expect the long-term municipal market to perform much like the U.S. Treasury market. The tax-exempt market's supply/demand position remains generally favorable. The refunding deals that inflated new-issue supply so far in 2005 are not likely to be repeated later in the year. Municipal bond issues have underperformed their taxable counterparts in recent months as U.S. Treasury bonds enjoyed increased demand from foreign governments, which are unable to benefit from the tax advantage inherent in tax-exempt products. This underperformance, however, has resulted in very attractive tax-exempt bond yield ratios. At 95% - 102%, tax-exempt bond yield ratios are well above recent historic averages. We believe this should continue to attract both traditional and nontraditional investors to the marketplace, particularly if new municipal bond issuance remains modest.

Muni Intermediate Duration Fund, Inc.

How did the Fund perform during the fiscal year?

For the 12-month period ended May 31, 2005, the Common Stock of Muni

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Intermediate Duration Fund, Inc. had net annualized yields of 5.57% and 6.20%, based on a year-end per share net asset value of \$15.51 and a per share market price of \$13.94, respectively, and \$.864 per share income dividends. Over the same period, the total investment return on the Fund's Common Stock was +15.36%, based on a change in per share net asset value from \$14.52 to \$15.51, and assuming reinvestment of all distributions.

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The Fund's total return, based on net asset value, exceeded the +12.69% average return of the Lipper General Municipal Debt Funds (Leveraged) category for the 12-month period. (Funds in this Lipper category invest primarily in municipal debt issues rated in the top four credit-rating categories. These funds can be leveraged via use of debt, preferred equity and/or reverse repurchase agreements.) The Fund's outperformance is primarily attributed to two factors - an overweight exposure to spread product, which benefited from a continued narrowing of credit spreads, and the Fund's yield curve strategies.

In general, credit spreads on lower investment grade and non-investment grade securities narrowed due to improvements in corporate balance sheets and municipal government finances. This improvement in creditworthiness and the low level of absolute interest rates caused an increase in demand for securities providing incremental yield. Several of the same credits that contributed to the Fund's outperformance in previous periods continued to enjoy above-average price appreciation during the past 12 months. Among them were the bonds of Pocahontas Parkway, a tollroad in Virginia, which improved following increases in both toll rates and traffic flow. Spreads on the bonds of National Gypsum Company, a producer of wallboard for the building industry, continued to contract on positive earnings releases derived from the strong housing market.

In terms of our yield curve positioning, the Fund began the period with an emphasis on bonds with maturities between 15 years and 20 years. After the municipal yield curve steepened to historical levels, we shifted the Fund's maturity focus to longer maturities (specifically, between 23 years and 28 years). The recent flattening of the yield curve has helped the Fund's performance as bonds with slightly longer maturities outperformed the broader market. Notably, although we extended the final maturities out, the Fund's premium coupon structure enabled us to stay within our intermediate duration parameters.

For the six-month period ended May 31, 2005, the total investment return on the Fund's Common Stock was +6.84%, based on a change in per share net asset value from \$15.19 to \$15.51, 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 dividends, 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 may 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 year?

Over the past 12 months, we concentrated on reducing the Fund's exposure to

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spread product and reinvesting the proceeds in the high-grade market, where we believe a better balance of risk and reward exists. In particular, we reduced exposure to credits rated BBB and lower, as these securities significantly outperformed the broader market over the past 20 months.

Purchases during the past 12 months have been aimed at capitalizing on the relative cheapness of AAA-rated New York, New Jersey and California tax-exempt bonds. The Fund increased exposure to these states' debt as an increase in new-issue supply caused a temporarily weak technical market, and presented us with attractive buying opportunities. In addition, we've taken advantage of the recent yield curve flattening by shifting a portion of the portfolio's assets back into the 20-year sector of the curve. Relative value returned to the 20-year sector, allowing us to increase our exposures in that segment of the curve.

For the six months ended May 31, 2005, the Fund's Auction Market Preferred Stock (AMPS) had an average yield of 1.89% for Series M7, 1.93% for Series T7, 1.88% for Series W7, 1.91% for Series TH7 and 1.85% for Series F7. The Fed's interest rate increases are beginning to have an impact on the Fund's borrowing costs. The Fed raised the short-term interest rate target 200 basis points during the 12-month period. Still, the tax-exempt yield curve has remained relatively steep, continuing to generate a material 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. At the end of the period, the Fund's leverage amount, due to AMPS, was 32.58% of total net assets. (For a more complete explanation of the benefits and risks of leveraging, see page 2 of this report to shareholders.)

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A Discussion With Your Funds' Portfolio Managers (concluded)

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

Our primary focus is on maintaining the portfolio's current yield and protecting the Fund's net asset value in case of a future rise in long-term interest rates. Despite slower GDP growth in the first quarter of 2005, we expect the economy to continue to remain healthy over the next several quarters, pushing interest rates slightly higher. We will continue to reduce our exposure to spread product with the expectation of reaching a market-neutral exposure within the next three months.

Muni New York Intermediate Duration Fund, Inc.

Describe conditions in the State of New York.

The State of New York maintains credit ratings of A1, AA and AA- from Moody's, Standard and Poor's (S&P) and Fitch, respectively. Moody's assigns a positive outlook to the state's rating, reflecting an upgrade in November, while Fitch and S&P carry stable outlooks. The state economy continues to improve and revenue collections are increasing.

Recently, for the first time in more than 20 years, New York lawmakers approved a budget on time. The fiscal year 2006 budget calls for \$105 billion in

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spending and forecasts a 5% increase in tax receipts. Aided by this revenue growth, the adopted budget includes the governor's original proposals for closing an estimated \$4 billion deficit. However, this does not factor in a lawsuit recently won by the Campaign for Fiscal Equity that could add up to \$2 billion in annual state education spending. Crafting balanced budgets beyond fiscal year 2006 will present a challenge given political resistance to additional tax hikes and cuts in popular programs, as well as pressure from local governments for pension and Medicaid relief, and new education spending.

The economy produced good job growth in 2004, with total non-farm labor increasing .5% from the prior year. This was the first annual gain since 2000. New York ranks fifth-highest among all states in per capita income. Modest income growth during 2005 would boost personal income tax receipts, roughly 38% of general fund receipts.

How did the Fund perform during the fiscal year?

For the 12-month period ended May 31, 2005, the Common Stock of Muni New York Intermediate Duration Fund, Inc. had net annualized yields of 4.78% and 5.36%, based on a year-end per share net asset value of \$15.05 and a per share market price of \$13.44, respectively, and \$.720 per share income dividends. Over the same period, the total investment return on the Fund's Common Stock was +9.99%, based on a change in per share net asset value from \$14.45 to \$15.05, and assuming reinvestment of all distributions.

The Fund's total return, based on net asset value, lagged the +12.70% average return of the Lipper New York Municipal Debt Funds category for the 12-month period. (Funds in this Lipper category limit their investment to securities exempt from taxation in New York or a city in New York.) Notably, the Lipper category consists primarily of funds with the ability to invest in municipal issues with longer durations, whereas the Fund is limited to bonds in the intermediate duration range. This placed the Fund at a disadvantage relative to the Lipper average as the yield curve flattened considerably during the past year, causing shorter-duration and intermediate-duration bonds to underperform longer-dated municipal investments.

Fund performance during the year largely reflected our relatively short duration - a function of our investment parameters, but also indicative of our expectation that interest rates would rise all along the yield curve. Given the Fed's well advertised monetary tightening campaign, we felt it prudent to shorten duration (or sensitivity to interest rate changes) to reduce volatility in the portfolio and mitigate the negative price impact associated with rising interest rates. However, the expected rise in long-term interest rates never materialized, and our relatively short duration hindered the Fund's total return. Performance also was affected by the fact that the Fund was brought to market in 2003 in a relatively low interest rate environment. Little has changed since that time, leaving the Fund with lower-yielding bonds than many of its peers. Despite that fact, we have been able to maintain the Fund's attractive distribution rate while also modestly increasing the Fund's dividend reserves. These reserves, representing excess income earned by the Fund, are retained to benefit shareholders at a future time, and should enable the Fund to maintain its current distribution rate in the near term.

For the six-month period ended May 31, 2005, the total investment return on the Fund's Common Stock was +4.34%, based on a change in per share net asset value from \$14.82 to \$15.05, and assuming reinvestment of all distributions.

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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 dividends, 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 may 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 year?

We continued to focus on generating attractive tax-exempt income for our shareholders. To that end, we essentially remained fully invested throughout the period and employed tax-loss swaps to improve the Fund's book yield, when market conditions permitted. We also retained our positions in better-performing credits, those being bonds rated BB and BBB, and sought to add to our BBB holdings. Our efforts have been somewhat successful, as the Fund's exposure to BBB-rated credits increased from approximately 10% of net assets to roughly 16% by period-end. At the same time, we reduced exposure to one of the poorer performers - the AA sector - from about 25% of net assets to approximately 16%. Notably, lower-rated, higher-yielding bonds that have been performing well as credit spreads (versus higher-quality issues of comparable maturity) continued to contract over the past several months. For example, airline credits and bonds backed by tobacco revenues were among the market's better performers during the year and, to the extent that we had exposure to these lower-rated credits, the Fund's performance benefited.

While looking to enhance income for shareholders, primarily by retaining bonds booked in the portfolio at yields higher than those available in the current market, we have seen some erosion in the Fund's average duration. As part of our ongoing strategy, we continue to look for opportunities to add longer-dated bonds with attractive yields to the portfolio to improve duration and also to mitigate the negative impact on total return as higher-coupon bonds are called at their earliest call date. Should the new-issue market pick up, in terms of offering more varied names, this could potentially allow us more opportunities to sell out of shorter-call bonds and move into the lower end of the investment grade spectrum (BB and BBB), where we have identified the most compelling relative value. We have seen more opportunities come to market in that area, and are hopeful that this will allow us to accomplish our restructuring goals without sacrificing a great deal of yield already booked into the portfolio.

For the six months ended May 31, 2005, the average yield for the Fund's Auction Market Preferred Stock (AMPS) was 1.89%. The Fed's interest rate increases are beginning to have an impact on the Fund's borrowing costs. The Fed raised the short-term interest rate target 200 basis points during the 12-month period. Still, the tax-exempt yield curve has remained relatively steep, continuing to generate a material 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. At the end of the period, the Fund's leverage amount, due to AMPS, was 32.88% of total net assets. (For a more complete explanation of the benefits and risks of leveraging, see page 2 of this report to shareholders.)

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

We continue to maintain a fully invested portfolio, and are looking to the new-

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issue market for opportunities to increase the Fund's duration. We are targeting BBB-rated bonds for both their total return potential and attractive income. Our analysis has found the BBB and BB sectors to be among the market's top performers, and we expect that trend to continue.

After eight consecutive interest rate hikes, we believe the Fed is closer to the end than the beginning of its monetary tightening program. Thus, it would seem that the risk of significantly higher interest rates is somewhat diminished. However, we do anticipate a considerable amount of volatility in the financial markets in the near term given inflation concerns and increasingly mixed economic releases. We expect that this could provide an opportunity to approach a more neutral duration stance as we aim to trade into higher yields as the portfolio's shorter bonds are called away.

Robert A. DiMella, CFA
Vice President and Portfolio Manager
Muni Intermediate Duration Fund, Inc.

Timothy T. Browse, CFA
Vice President and Portfolio Manager
Muni New York Intermediate Duration Fund, Inc.

June 15, 2005

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Portfolio Information

Quality Profiles as of May 31, 2005

Muni Intermediate Duration Fund, Inc. By S&P/Moody's Rating	Percent of Total Investments
AAA/Aaa	28.3%
AA/Aa	6.4
A/A	23.2
BBB/Baa	19.6
BB/Ba	8.1
B/B	0.6
CCC/Caa	0.9
NR (Not Rated)	11.9
Other*	1.0

* Includes portfolio holdings in variable rate demand notes.

Muni New York Intermediate Duration Fund, Inc. By S&P/Moody's Rating	Percent of Total Investments
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AAA/Aaa	37.7%
AA/Aa	17.9
A/A	11.7
BBB/Baa	16.1
BB/Ba	3.5
CCC/Caa	2.7
NR (Not Rated)	9.7
Other*	0.7

* Includes portfolio holdings in short-term investments.

Important Tax Information

All of the net investment income distributions paid by Muni Intermediate Duration Fund, Inc. and Muni New York Intermediate Duration Fund, Inc. during the taxable period ended May 31, 2005 qualify as tax-exempt interest dividends for federal income tax purposes.

Additionally, the following table summarizes the taxable per share distributions paid by Muni Intermediate Duration Fund, Inc. during the year:

	Payable Date	Ordinary Income	Long-Term Capital Gains
Common Stock Shareholders	12/29/2004	\$.177831	\$.010072
Preferred Stock Shareholders:			
Series M7	11/16/2004	\$10.26	\$0.58
	11/23/2004	\$11.58	\$0.66
	11/30/2004	\$11.17	\$0.63
	12/07/2004	\$11.17	\$0.63
	12/14/2004	\$11.09	\$0.63
	12/21/2004	\$ 0.25	\$0.03
Series T7	11/17/2004	\$11.69	\$0.66
	11/24/2004	\$11.52	\$0.65
	12/01/2004	\$11.72	\$0.66
	12/08/2004	\$11.17	\$0.63
	12/15/2004	\$ 9.34	\$0.54
Series W7	11/18/2004	\$ 8.68	\$0.49
	11/26/2004	\$12.75	\$0.72
	12/02/2004	\$ 9.28	\$0.52
	12/09/2004	\$11.03	\$0.63
	12/16/2004	\$10.46	\$0.60
	12/23/2004	\$ 3.08	\$0.18
Series TH7	11/19/2004	\$11.72	\$0.66
	11/26/2004	\$11.03	\$0.63
	12/03/2004	\$11.80	\$0.66
	12/10/2004	\$11.86	\$0.68
	12/17/2004	\$ 9.35	\$0.53
Series F7	11/22/2004	\$11.31	\$0.65
	11/29/2004	\$11.05	\$0.62
	12/06/2004	\$11.86	\$0.68

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12/13/2004 \$11.35 \$0.63
 12/20/2004 \$ 9.31 \$0.53

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Schedule of Investments

Muni Intermediate Duration Fu

State	Face Amount	Municipal Bonds
Alabama--2.2%	\$ 5,500 6,500	Jefferson County, Alabama, Limited Obligation School Warrants, Series A, 5.50% due 1/01/2021 Series B, 5.25% due 1/01/2023
Arizona--5.0%	3,020 3,000 1,000 1,750 2,760 2,910 3,065 3,230 3,405 3,630	Maricopa County, Arizona, IDA, Education Revenue Bonds (Arizona Charter School Project 1), Series A, 6.625% due 7/01/2020 Navajo County, Arizona, IDA, IDR (Stone Container Corporation Project), Series A, 5.25% due 6/01/2027 Pima County, Arizona, IDA, Education Revenue Bonds (Arizona Charter School Project 1), Series C, 6.70% due 7/01/2021 Series K/L, 6.375% due 7/01/2031 Pinal County, Arizona, COP: 5.25% due 12/01/2018 5.25% due 12/01/2019 5.25% due 12/01/2020 5.25% due 12/01/2021 5.25% due 12/01/2022 Vistancia Community Facilities District, Arizona, GO, 5% due 7/15/2027
Arkansas--1.3%	1,500 3,755 1,000 1,250	Conway, Arkansas, Public Facilities Board, Capital Improvement Revenue Bonds (Hendrix College Projects): Series A, 5% due 10/01/2026 Series B, 5% due 10/01/2026 University of Arkansas, University Revenue Refunding Bonds (UAMS Capital Projects), Series A, 5% due 11/01/2013 Series B, 5% due 11/01/2015
California--25.1%	8,865 8,500 5,000 6,500 5,000 10,000 17,500 2,500 2,400 5,000 7,575 7,495 10,485	California Pollution Control Financing Authority, PCR, Refunding, D Series 878Z, 7.143% due 12/01/2009 (d) (k) California State Department of Water Resources, Power Supply Revenue Bonds, Series A, 5.25% due 5/01/2020 Series B, 5.375% due 5/01/2021 Series C, 5.375% due 5/01/2022 California State, GO, Refunding, 5.25% due 2/01/2027 (d) California State Public Works Board, Lease Revenue Bonds (Department of Transportation), Series C, 5.50% due 6/01/2020 California State, Various Purpose, GO, 5.50% due 4/01/2028 California Statewide Communities Development Authority, Health Facilities Revenue Bonds (Memorial Health Services), Series A, 6% due 10/01/2023 Elk Grove, California, Poppy Ridge Community Facilities No. 3 Special Revenue Bonds, Series A, 6% due 9/01/2028 Golden State Tobacco Securitization Corporation of California, Tobacco Revenue Bonds, Series B: 5.625% due 6/01/2020 5.75% due 6/01/2022 5.75% due 6/01/2023 Los Angeles, California, Unified School District, GO: (Election of 1997), Series F, 5% due 7/01/2025 (b)

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14,075	Series A, 5% due 1/01/2028 (d)	
1,515	Rowland, California, Unified School District, GO (Election of 2000)	
	due 8/01/2027 (c)	

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedules of Investments, we have abbreviated the names of many of the securities according to the list at right.

AMT	Alternative Minimum Tax (subject to)
BAN	Bond Anticipation Notes
COP	Certificates of Participation
DRIVERS	Derivative Inverse Tax-Exempt Receipts
EDA	Economic Development Authority
GO	General Obligation Bonds
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDR	Industrial Development Revenue Bonds
PCR	Pollution Control Revenue Bonds
S/F	Single-Family
TAN	Tax Anticipation Notes
VRDN	Variable Rate Demand Notes

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Schedule of Investments (continued)

Muni Intermediate Duration Fu

State	Face Amount	Municipal Bonds
California		Sacramento, California, Special Tax (North Natomas Community Facili
(concluded)	\$ 585	5.60% due 9/01/2020
	1,720	5.75% due 9/01/2022
	500	5.90% due 9/01/2023
	3,000	6% due 9/01/2028
	2,680	San Dieguito, California, Public Facilities Authority Revenue Bonds
		8/01/2021 (a)
	3,000	San Jose, California, Airport Revenue Bonds, Series A, 5.25% due 3/
	3,100	San Jose, California, GO (Libraries, Parks and Public Safety Project
		9/01/2030 (d)
	4,875	Tamalpais, California, Union High School District, GO (Election of
		8/01/2028 (c)
	3,765	Ventura, California, Unified School District, GO, Refunding, 5.25%
Colorado--4.5%		Denver, Colorado, City and County Airport Revenue Refunding Bonds (
	11,000	Series A, 5.50% due 11/15/2025
	2,000	Series E, 5.25% due 11/15/2023
	1,000	Elk Valley, Colorado, Public Improvement Revenue Bonds (Public Impr
		Series A, 7.10% due 9/01/2014
	2,250	Montrose, Colorado, Memorial Hospital, Revenue Bonds, 6.375% due 12
	7,500	Plaza Metropolitan District No. 1, Colorado, Tax Allocation Revenue
		Improvement Fees), 7.50% due 12/01/2015

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	1,000	Southlands, Colorado, Medical District, GO (Metropolitan District N due 12/01/2016
Connecticut--1.7%	1,160	Connecticut State Development Authority, Airport Facility Revenue B Project), AMT, 7.95% due 4/01/2026
	8,000	Connecticut State Development Authority, PCR, Refunding (Connecticu Company), Series A, 5.85% due 9/01/2028
Florida--5.1%	1,000	Broward County, Florida, Airport Exempt Facility Revenue Bonds (Lea AMT, 7.50% due 11/01/2020
	2,970	Harbor Bay, Florida, Community Development District, Capital Improv Assessment Bonds, 6.75% due 5/01/2034
	3,750	Heritage Isle at Viera Community Development District, Florida, Spe Bonds, Series B, 5% due 11/01/2009
	3,500	Midtown Miami, Florida, Community Development District, Special Ass Bonds, Series A, 6% due 5/01/2024
	3,670	Orange County, Florida, Health Facilities Authority, Health Care Re Bonds (Orlando Lutheran), 5% due 7/01/2013
	965	Orlando, Florida, Urban Community Development District, Capital Imp Assessment Bonds, 6% due 5/01/2020
	1,085	Portofino Shores, Florida, Community Development District, Special Series A, 6.40% due 5/01/2034
	5,930	Sarasota County, Florida, Public Hospital Board, Hospital Revenue B Memorial Hospital), VRDN, Series A, 3.05% due 7/01/2037 (a) (g)
	2,390	South Lake County, Florida, Hospital District Revenue Bonds (South 6.625% due 10/01/2023
	995	Sterling Hill, Florida, Community Development District, Capital Imp Refunding Bonds, Series B, 5.50% due 11/01/2010
	2,660	West Villages Improvement District, Florida, Revenue Bonds, BAN, 5%
Georgia--2.6%	1,500	Atlanta, Georgia, Tax Allocation Revenue Bonds (Atlantic Station Pr 12/01/2024
	5,210	Brunswick & Glynn County, Georgia, Development Authority, First Mor (Coastal Community Retirement Corporation Project), Series A, 7.125
	4,500	Fulton County, Georgia, Residential Care Facilities, Revenue Refund Court Project), Series A, 5.80% due 2/15/2018
	1,245	Savannah, Georgia, EDA, Revenue Bonds (Marshes of Skidaway), First 6.25% due 1/01/2012
	2,245	6.85% due 1/01/2019
Idaho--0.1%	700	Idaho Housing and Finance Association, S/F Mortgage Revenue Bonds, 5.85% due 7/01/2015 (e)
Illinois--2.8%	2,510	Chicago, Illinois, O'Hare International Airport Revenue Bonds, 3rd 6% due 1/01/2029 (f)
	6,000	Hodgkins, Illinois, Environmental Improvement Revenue Bonds (Metro LLC Project), AMT, 5.90% due 11/01/2017
	6,930	Illinois Development Finance Authority Revenue Bonds (Community Reh Facilities), Series A, 6.625% due 7/01/2032
Louisiana--2.4%	5,250	Louisiana Public Facilities Authority, FHA Insured Mortgage Revenue (Baton Rouge General Medical Center Project), 5.25% due 7/01/2033 (
	3,500	Port New Orleans, Louisiana, IDR, Refunding (Continental Grain Comp 7.50% due 7/01/2013
	5,000	6.50% due 1/01/2017

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Schedule of Investments (continued)

Muni Intermediate Duration Fund

State	Face Amount	Municipal Bonds
Maine--1.6%	\$ 1,965	Portland, Maine, Housing Development Corporation, Senior Living Revenue Bonds (Avesta Housing Development Corporation Project), Series A, 6% due 10/01/2026
	7,000	Rumford, Maine, Solid Waste Disposal Revenue Refunding Bonds (Boise Corporation Project), AMT, 6.875% due 10/01/2026
Massachusetts--2.1%	4,560	Massachusetts Bay Transportation Authority, Sales Tax Revenue Refunding Bonds, Series A, 5% due 7/01/2032
	1,210	Massachusetts State Development Finance Agency, Resource Recovery Revenue Refunding Bonds (Ogden Haverhill Associates), AMT, Series B: 5.35% due 12/01/2015
	2,000	5.50% due 12/01/2019
	3,755	Massachusetts State, GO (Consolidated Loan of 2005), Series A, 5% due 10/01/2026
Michigan--1.5%	3,325	Macomb County, Michigan, Hospital Finance Authority, Hospital Revenue Refunding Bonds (Clemens General Hospital), Series B, 5.875% due 11/15/2034
	4,795	Michigan State Hospital Finance Authority, Revenue Refunding Bonds (Group), Series A, 6% due 4/01/2022
Minnesota--0.7%	1,000	Minneapolis and Saint Paul, Minnesota, Housing and Redevelopment Authority, Care System Revenue Bonds (Group Health Plan Inc. Project): 6% due 12/01/2019
	2,545	6% due 12/01/2021
Mississippi--1.4%	5,000	Mississippi Business Finance Corporation, Mississippi, PCR, Refunding Revenue Bonds (Resources Inc. Project): 5.875% due 4/01/2022
	2,910	5.90% due 5/01/2022
Missouri--3.2%	5,220	St. Louis, Missouri, Airport Revenue Bonds (Airport Developmental Project), Series A, 5.625% due 7/01/2016
	3,500	5.625% due 7/01/2017
	8,500	5.625% due 7/01/2018
Montana--0.2%	1,140	Montana State Board of Housing, AMT, S/F Program Revenue Bonds, Series A, 5.5% due 12/01/2021 (e)
Nevada--0.4%	2,250	Clark County, Nevada, Improvement District No. 142 Special Assessment Revenue Bonds, Series A, 5.5% due 8/01/2023
New Jersey--10.0%	3,635	Garden State Preservation Trust of New Jersey, Open Space and Farmland Revenue Bonds, Series A (c): 5.80% due 11/01/2021
	5,050	5.80% due 11/01/2023
	10,950	New Jersey EDA, Cigarette Tax Revenue Bonds: 5.625% due 6/15/2018
	9,810	5.75% due 6/15/2029
	17,900	New Jersey EDA, Motor Vehicle Surcharge Revenue Bonds, Series A, 5.5% due 7/01/2033 (d)
	5,540	New Jersey EDA, Special Facility Revenue Bonds (Continental Airline Project), AMT, 6.625% due 9/15/2012
	2,030	Sparta Township, New Jersey, School District, GO, Refunding, 5% due 10/01/2026
	3,000	Farmington, New Mexico, PCR, Refunding: (Public Service Company of New Mexico--San Juan), Series D, 6.375% due 10/01/2026
New Mexico--2.1%	9,000	(Tucson Electric Power Co.--San Juan Project), Series A, 6.95% due 10/01/2026
	1,200	Dutchess County, New York, IDA, Civic Facility Revenue Bonds (Saint Lawrence), Series A, 5.5% due 10/01/2026

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	Series B, 7.25% due 3/01/2019
10,500	Metropolitan Transportation Authority, New York, Revenue Refunding 5.75% due 11/15/2032
2,635	New York City, New York, City IDA, Civic Facility Revenue Bonds (Sp Facilities Pooled Program), Series C-1, 5.50% due 7/01/2007
3,500	New York City, New York, City IDA, Special Facility Revenue Bonds (A Airlines Inc. Project), AMT, 8.375% due 11/01/2016
2,780	New York City, New York, City Transitional Finance Authority, Futur Revenue Bonds, Series C, 5.50% due 5/01/2025
	New York City, New York, GO, Refunding:
5,000	Series B, 5.75% due 8/01/2015
5,050	Series F, 5.25% due 8/01/2015 (d)
14,000	New York City, New York, GO, Series C, 5.50% due 8/01/2013
2,540	New York City, New York, IDA, Civic Facility Revenue Bonds (Special Pooled Program), Series C-1, 6.80% due 7/01/2019
9,150	New York City, New York, Sales Tax Asset Receivable Corporation Rev Series A, 5.25% due 10/15/2027 (a)

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Schedule of Investments (continued)

Muni Intermediate Duration Fu

State	Face Amount	Municipal Bonds
New York (concluded)	\$ 5,580	New York State Dormitory Authority, Lease Revenue Refunding Bonds (S Series A, 5.25% due 5/15/2012
		New York State Dormitory Authority Revenue Bonds:
	1,000	(North Shore L.I. Jewish Group), 5% due 5/01/2012
	7,075	(School Districts Financing Program), Series D, 5.25% due 10/01/2012
		New York State Dormitory Authority, Revenue Refunding Bonds:
	7,775	(City University System), Consolidated Second Generation, Series 7/01/2013 (a)
	2,350	(Lenox Hill Hospital Obligation Group), 5.75% due 7/01/2016
	7,000	(Mount Sinai Health), Series A, 6.625% due 7/01/2018
	5,000	(Mount Sinai Health), Series A, 6.625% due 7/01/2019
	10,000	(North Shore University Hospital), 5.20% due 11/01/2017 (d)
	5,220	New York State Dormitory Authority, Supported Debt Revenue Refundin of Health), Series A, 5.25% due 7/01/2024
	60	New York State Thruway Authority, Local Highway and Bridge Service Refunding Bonds, 5.50% due 4/01/2017
		New York State Urban Development Corporation, Correctional and You Revenue Refunding Bonds, Series A:
	4,500	5% due 1/01/2017
	11,650	5.50% due 1/01/2017
	10,000	New York State Urban Development Corporation, Personal Income Tax R (State Facilities), Series A-1, 5.25% due 3/15/2034 (b)
		Tobacco Settlement Financing Corporation of New York Revenue Bonds:
	3,340	Series A-1, 5.50% due 6/01/2016
	6,510	Series A-1, 5.25% due 6/01/2022 (a)
	7,000	Series C-1, 5.50% due 6/01/2021
	10,000	Series C-1, 5.50% due 6/01/2022
North Carolina--2.7%	6,000	North Carolina Medical Care Commission, Health Care Facilities, Fir Revenue Refunding Bonds (Presbyterian Homes Project), 7% due 10/01/2017
	3,150	North Carolina Medical Care Commission, Health Care Housing Revenue North Carolina Projects), Series A, 5.50% due 10/01/2024
		North Carolina Medical Care Commission, Hospital Revenue Bonds (Mar

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		Center) (h):
	2,505	5.50% due 10/01/2013
	2,940	5.50% due 10/01/2016
North Dakota--0.7%	3,630	Oliver County, North Dakota, PCR, Refunding (Square Butte Electric Series A, 5.30% due 1/01/2027 (a)
Ohio--0.6%	2,145	Cleveland-Cuyahoga County, Ohio, Port Authority, Student Housing Fa
	1,280	Bonds (Euclid Avenue Housing Corporation--Fenn Tower Project), 5% d Port of Greater Cincinnati Development Authority, Ohio, Special Ass Bonds (Cooperative Public Parking Infrastructure Project), 6.30% du
Pennsylvania--4.6%	3,500	Montgomery County, Pennsylvania, IDA Revenue Bonds (Whitemarsh Cont
	7,710	6% due 2/01/2021 Pennsylvania Economic Development Financing Authority, Exempt Facil
	7,490	(National Gypsum Company), AMT, Series A, 6.25% due 11/01/2027 Philadelphia, Pennsylvania, Gas Works Revenue Refunding Bonds, 1975
	1,750	17th Series, 5.375% due 7/01/2022 (c) Sayre, Pennsylvania, Health Care Facilities Authority, Revenue Refu
	3,000	Healthcare System), Series A: 6.25% due 12/01/2015
	1,490	6.25% due 12/01/2016 6.25% due 12/01/2018
South Carolina--1.3%		Medical University Hospital Authority, South Carolina, FHA-Insured
	4,250	Facilities, Revenue Refunding Bonds, Series A (d) (e): 5.25% due 8/15/2023
	3,000	5.25% due 8/15/2024

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Schedule of Investments (continued)

Muni Intermediate Duration Fu

State	Face Amount	Municipal Bonds
Tennessee--3.9%	\$ 1,800	Johnson City, Tennessee, Health and Educational Facilities Board, R
	5,000	Revenue Bonds (Appalachian Christian Village Project), Series A, 6% McMinn County, Tennessee, IDB, PCR (Calhoun Newsprint Co. Project), due 3/01/2016 Shelby County, Tennessee, Health, Educational & Housing Facilities
	3,550	Bonds (Germantown Village), Series A: 6.75% due 12/01/2018
	1,450	7% due 12/01/2023 Shelby County, Tennessee, Health, Educational and Housing Facility
	3,760	Revenue Refunding Bonds (Methodist Healthcare): 6% due 9/01/2012 (j)
	2,190	6.25% due 9/01/2012 (j)
	745	6% due 9/01/2016 (i)
	1,495	6% due 9/01/2017 (i)
	1,310	6.25% due 9/01/2018 (i)
Texas--12.6%		Austin, Texas, Convention Center Revenue Bonds (Convention Enterpri
	6,445	Tier, Series A: 6.375% due 1/01/2016
	10,260	6.70% due 1/01/2032
	1,500	Bexar County, Texas, Health Facilities Development Corporation, Rev Bonds (Army Retirement Residence Project), 6.30% due 7/01/2032

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		Brazos River Authority, Texas, PCR, Refunding, AMT, Series A:
1,500		(TXU Energy Company LLC Project), 6.75% due 4/01/2038
4,885		(Texas Utility Company), 7.70% due 4/01/2033
1,925		Brazos River, Texas, Harbor Navigation District, Brazoria County En
		Refunding Bonds (Dow Chemical Company Project), AMT, Series A-7, 6.
6,110		Dallas-Fort Worth, Texas, International Airport Facility, Improve
		Revenue Bonds (Learjet Inc.), AMT, Series 2001-A-1, 6.15% due 1/01/
2,440		Gulf Coast, Texas, IDA, Solid Waste Disposal Revenue Bonds (Citgo P
		Project), AMT, 7.50% due 5/01/2025
		Harris County, Texas, GO, Refunding, Series A:
4,715		5% due 10/01/2020
3,200		5% due 10/01/2022
1,500		Houston, Texas, Health Facilities Development Corporation, Retireme
		Bonds (Buckingham Senior Living Community), Series A, 7% due 2/15/2
7,420		Lower Colorado River Authority, Texas, PCR (Samsung Austin Semicond
		due 4/01/2030
2,600		Matagorda County, Texas, Navigation District No. 1 Revenue Refundin
		Energy Inc.), Series C, 8% due 5/01/2029
2,300		Port Corpus Christi, Texas, Individual Development Corporation, Env
		Revenue Bonds (Citgo Petroleum Corporation Project), AMT, 8.25% due
5,000		Sabine River Authority, Texas, PCR, Refunding (TXU Electric Company
		Company LLC), AMT, Series B, 5.75% due 5/01/2030
		San Marcos, Texas, Consolidated Independent School District, GO:
3,020		5.625% due 8/01/2025
3,210		5.625% due 8/01/2026
Virginia--6.2%		James City County, Virginia, IDA, Residential Care Facility Revenue
		Series A:
3,285		5.75% due 3/01/2017
1,150		6% due 3/01/2023
2,250		Loudoun County, Virginia, IDA, IDR, Refunding (Dulles Airport Marri
		due 9/01/2015
2,000		Pittsylvania County, Virginia, IDA Revenue Refunding Bonds, Exempt
		Series B, 7.65% due 1/01/2010
11,910		Pocahontas Parkway Association, Virginia, Toll Road Revenue Bonds,
		5.50% due 8/15/2028
15,435		Tobacco Settlement Financing Corporation of Virginia, Asset-Backed
		5.625% due 6/01/2037
Wyoming--1.5%		Sweetwater County, Wyoming, Solid Waste Disposal Revenue Bonds (FMO
		Project), AMT:
3,895		Series A, 7% due 6/01/2024
5,000		Series B, 6.90% due 9/01/2024

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Schedule of Investments (concluded)

Muni Intermediate Duration Fu

	Face Amount	Municipal Bonds
Guam--0.4%	\$ 2,250	Commonwealth of the Northern Mariana Islands, Guam, GO, Series A, 6
Puerto Rico--8.6%	17,935	Puerto Rico Electric Power Authority, Power Revenue Bonds:
	9,000	Series NN, 5.50% due 7/01/2018
	5,390	Series RR, 5% due 7/01/2025 (f)
		Puerto Rico Industrial Medical and Environmental Pollution Control
		Authority, Special Facilities Revenue Bonds (American Airlines Inc.

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		due 12/01/2025
		Puerto Rico Public Buildings Authority, Government Facilities, Revenue Refunding Project), AMT, 5.25% due 7/01/2027
	5,170	Series D, 5.25% due 7/01/2027
	8,000	Series I, 5.50% due 7/01/2021
	2,525	Puerto Rico Public Finance Corporation, Commonwealth Appropriation Project), AMT, 5.50% due 8/01/2029
		Series E, 5.50% due 8/01/2029
U.S. Virgin Islands--1.6%	1,860	Virgin Islands Government Refinery Facilities, Revenue Refunding Project), AMT, 6.50% due 7/01/2021
	6,750	Virgin Islands Public Finance Authority, Refinery Facilities Revenue Refunding Project), AMT, 6.125% due 7/01/2022

Total Investments (Cost--\$847,855*)--150.4%
 Liabilities in Excess of Other Assets--(2.1%)
 Preferred Stock, at Redemption Value--(48.3%)

Net Assets Applicable to Common Stock--100.0%

* The cost and unrealized appreciation (depreciation) of investments as of May 31, 2005, as computed for federal income tax purposes, were as follows:

	(in Thousands)
Aggregate cost	\$ 847,698
	=====
Gross unrealized appreciation	\$ 39,616
Gross unrealized depreciation	(238)

Net unrealized appreciation	\$ 39,378
	=====

- (a) AMBAC Insured.
- (b) FGIC Insured.
- (c) FSA Insured.
- (d) MBIA Insured.
- (e) Federal Housing Administration/Veterans' Administration Mortgages.
- (f) XL Capital Insured.
- (g) Security may have a maturity of more than one year at time of issuance, but has variable rate and demand features that qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based upon prevailing market rates.
- (h) Radian Insured.
- (i) Escrowed to maturity.
- (j) Prerefunded.
- (k) The rate disclosed is that currently in effect. The rate changes periodically and inversely based upon prevailing market rates.

Forward interest rate swaps outstanding as of May 31, 2005 were as follows:

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(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 3.859%		
Broker, JPMorgan Chase Bank Expires June 2015	\$68,000	\$(2,442)
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.853%		
Broker, Morgan Stanley Capital Services, Inc. Expires June 2015	\$40,000	(1,392)
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.82%		
Broker, JPMorgan Chase Bank Expires November 2018	\$ 7,800	(178)
Total		----- \$(4,012) =====

See Notes to Financial Statements.

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Schedule of Investments

Muni New York Intermediate Duration Fu

Face Amount	Municipal Bonds
New York--135.3%	
\$ 760	Albany County, New York, IDA, IDR (Albany College of Pharmacy), Ser due 12/01/2019
1,000	Albany, New York, Municipal Water Finance Authority, Second Resolut Series B, 5.25% due 12/01/2023 (c)
480	Dutchess County, New York, IDA, Civic Facility Revenue Bonds (Saint Series B, 7.25% due 3/01/2019
1,155	Erie County, New York, GO, Public Improvement, Series A, 6% due 7/0

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2,000	Erie County, New York, IDA, Life Care Community Revenue Bonds (Epic Series A, 5.875% due 2/01/2018
	Erie County, New York, IDA, School Facility Revenue Bonds (City of
3,835	5.75% due 5/01/2024
1,000	5.75% due 5/01/2026
2,000	Hempstead Town, New York, IDA, Resource Recovery Revenue Refunding Refinery--Fuel Co. Project), 5% due 12/01/2010
1,615	New York City, New York, City Housing Development Corporation, Pres Bonds (The Animal Medical Center), Series A, 5.50% due 12/01/2033
1,415	New York City, New York, City IDA, Civic Facility Revenue Bonds (PS 6.20% due 7/01/2020
1,000	New York City, New York, City IDA, Revenue Bonds (Visy Paper Inc. P due 1/01/2028
	New York City, New York, City IDA, Special Facilities Revenue Bonds
1,000	(British Airways Plc Project), 7.625% due 12/01/2032
1,000	(Continental Airlines Inc. Project), 8.375% due 11/01/2016
730	(Northwest Airlines Inc.), 6% due 6/01/2027
1,000	New York City, New York, City Municipal Water Finance Authority, Wa System Revenue Refunding Bonds, Series A, 5.25% due 6/15/2011
2,980	New York City, New York, City Transitional Finance Authority, Futur Revenue Bonds, Series C, 5.50% due 5/01/2025
	New York City, New York, GO, Refunding:
1,000	Series F, 5.25% due 8/01/2009
2,000	Series G, 5.50% due 8/01/2012 (d)
1,505	Series G, 5% due 12/01/2021 (a)
	New York City, New York, GO, Series J:
1,500	5.25% due 5/15/2018 (c)
3,000	5.50% due 6/01/2021
1,500	New York City, New York, IDA, Special Facilities Revenue Bonds (199 Inc. Project), AMT, 5.40% due 7/01/2020
500	New York City, New York, Trust for Cultural Resources Revenue Bonds American Folk Art), 6.125% due 7/01/2030 (h)
1,000	New York State Dormitory Authority, Non-State Supported Debt, Insur (United Cerebral Palsy Affiliates--Pooled Loan Program), Series A,
1,000	New York State Dormitory Authority, Non-State Supported Debt, Insur Bonds (Canisius College), 5% due 7/01/2018 (c)
500	New York State Dormitory Authority, Non-State Supported Debt, Reven General Hospital), 5% due 12/01/2025 (f)
	New York State Dormitory Authority Revenue Bonds:
1,500	(North Shore Long Island Jewish Group), 5% due 5/01/2013
1,735	(Winthrop S. Nassau University), 5.50% due 7/01/2011
	New York State Dormitory Authority, Revenue Refunding Bonds:
1,360	(Lenox Hill Hospital Obligation Group), 5.25% due 7/01/2010
1,305	(Lenox Hill Hospital Obligation Group), 5.75% due 7/01/2017
1,000	(Mount Sinai Health), Series A, 6.50% due 7/01/2015

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1,000	(Mount Sinai Health), Series A, 6.625% due 7/01/2018
4,000	(North Shore University Hospital), 5.20% due 11/01/2017 (c)
1,000	(State University Educational Facilities), Series A, 5.50% due 5/01/2018
1,500	New York State Dormitory Authority, Supported Debt Revenue Refunding Bonds (State University of Health), Series A, 5% due 7/01/2025 (i)

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Schedule of Investments (continued)

Muni New York Intermediate Duration Fund

Face Amount	Municipal Bonds
New York (concluded)	
\$ 1,000	New York State Environmental Facilities Corporation, Solid Waste Disposal Bonds (Waste Management Inc. Project), AMT, Series A, 4.45% due 7/01/2013
1,000	New York State Environmental Facilities Corporation, State Clean Water Revolving Funds Revenue Bonds, Series G, 5.25% due 10/15/2014
1,355	New York State, HFA, Service Contract Revenue Refunding Bonds, Series A, 5.25% due 9/15/2009
3,500	New York State Local Government Assistance Corporation, Revenue Refunding Bonds Sub-Lien, Series A-1, 5% due 4/01/2012 (b)
1,000	New York State Mortgage Agency, Homeowner Mortgage Revenue Bonds, Series A, 4% due 4/01/2013
2,000	New York State Municipal Bond Bank Agency, Special School Purpose Revenue Refunding Bonds, Series C, 5.25% due 12/01/2018
1,500	New York State Thruway Authority, Highway and Bridge Trust Fund Revenue Refunding Bonds, Series A, 5.25% due 4/01/2015 (e)
1,575	New York State Thruway Authority, Highway and Bridge Trust Fund Revenue Refunding Bonds, Series A, 5% due 4/01/2018
1,000	New York State Thruway Authority, Highway and Bridge Trust Fund Revenue Refunding Bonds, Series B, 5.25% due 4/01/2014 (e)
3,000	New York State Urban Development Corporation, Correctional and Youth Center Revenue Refunding Bonds, Series A, 5% due 1/01/2017
2,000	New York State Urban Development Corporation Revenue Bonds, Subordinated Purpose, Series A, 5.125% due 7/01/2019
	Saratoga County, New York, IDA, Civic Facility Revenue Refunding Bonds (Hospitals Project), Series A (f):
365	4.375% due 12/01/2013
380	4.50% due 12/01/2014
395	4.50% due 12/01/2015
500	Schenectady, New York, BAN, 5.25% due 5/26/2006
1,000	Schenectady, New York, GO, TAN, 5.90% due 12/30/2005
1,085	Suffolk County, New York, IDA, IDR, Refunding (Nissequoque Cogen Plant), Series A, 5.25% due 12/01/2018

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		AMT, 4.875% due 1/01/2008
		Tobacco Settlement Financing Corporation of New York, Asset-Backed Series A-1:
1,000		5.25% due 6/01/2013
1,000		5.25% due 6/01/2016
1,000		Tobacco Settlement Financing Corporation of New York Revenue Bonds, due 6/01/2022
		Tompkins County, New York, IDA, Care Community Revenue Refunding Bonds Series A-2:
250		5.75% due 7/01/2018
1,000		6% due 7/01/2024
1,250		Utica, New York, IDA, Civic Facility Revenue Bonds (Utica College Pooled Program):
		6.875% due 12/01/2024
		Westchester County, New York, IDA, Civic Facility Revenue Bonds (Sp Pooled Program):
515		Series D-1, 6.80% due 7/01/2019
920		Series E-1, 5.50% due 7/01/2007
Guam--1.7%		
1,000		A.B. Won Guam International Airport Authority, General Revenue Refunding Series C, 5.25% due 10/01/2022 (c)
Puerto Rico--7.0%		
		Children's Trust Fund Project of Puerto Rico, Tobacco Settlement Revenue Bonds
750		5% due 5/15/2011
1,045		5.375% due 5/15/2033
425		Puerto Rico Housing Financing Authority, Capital Funding Program Revenue Bonds 12/01/2019
1,900		Puerto Rico Public Finance Corporation, Commonwealth Appropriation Series E, 5.70% due 2/01/2010 (g)

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Schedule of Investments (concluded)

Muni New York Intermediate Duration Fund

Face Amount	Municipal Bonds
U.S. Virgin Islands--2.6%	
\$ 500	Virgin Islands Government Refinery Facilities, Revenue Refunding Bonds (Coker Project), AMT, 6.50% due 7/01/2021
1,000	Virgin Islands Public Finance Authority, Senior Lien Revenue Bonds (Loan Note), Series A, 5.25% due 10/01/2024
	Total Municipal Bonds (Cost--\$88,967)--146.6%

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Shares Held	Short-Term Securities
618	CMA New York Municipal Money Fund (j)
	Total Short-Term Securities (Cost--\$618)--1.0%
	Total Investments (Cost--\$89,585*)--147.6%
	Other Assets Less Liabilities--1.4%
	Preferred Stock, at Redemption Value--(49.0%)
	Net Assets Applicable to Common Stock--100.0%

* The cost and unrealized appreciation (depreciation) of investments as of May 31, 2005, as computed for federal income tax purposes, were as follows:

	(in Thousands)
Aggregate cost	\$ 89,547
	=====
Gross unrealized appreciation	\$ 3,907
Gross unrealized depreciation	(48)

Net unrealized appreciation	\$ 3,859
	=====

- (a) AMBAC Insured.
- (b) FSA Insured.
- (c) MBIA Insured.
- (d) XL Capital Insured.
- (e) FGIC Insured.
- (f) Radian Insured.
- (g) Prerefunded.
- (h) ACA Insured.
- (i) CIFG Insured.
- (j) 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:

	(in Thousands)	
	Net	Dividend
Affiliate	Activity	Income
CMA New York Municipal Money Fund	8	\$8

See Notes to Financial Statements.

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Statements of Net Assets

As of May 31, 2005

Assets

Investments in unaffiliated securities, at value*
 Investments in affiliated securities, at value**
 Cash
 Interest receivable
 Receivable for securities sold
 Dividends receivable from affiliates
 Prepaid expenses

 Total assets

\$

Liabilities

Payable for securities purchased
 Unrealized depreciation on forward interest rate swaps
 Dividends payable to Common Stock shareholders
 Payable to investment adviser
 Payable to other affiliates
 Accrued expenses and other liabilities

 Total liabilities

Preferred Stock

Preferred Stock, at redemption value, par value \$.10 per share++ of
 AMPS+++ 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

Undistributed investment income--net
 Undistributed (accumulated) realized capital gains (losses)--net
 Unrealized appreciation--net

 Total accumulated earnings--net

 Common Stock, par value \$.10 per share++++
 Paid-in capital in excess of par

 Net Assets Applicable to Common Stock

 Net asset value per share of Common Stock

\$

\$

\$

\$

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Market price per share of Common Stock

* Identified cost

** Identified cost on affiliated securities

++ Preferred Stock authorized, issued and outstanding:

Series M7 Shares

Series T7 Shares

Series W7 Shares

Series TH7 Shares

Series F7 Shares

++++ Common Stock issued and outstanding

+++ Auction Market Preferred Stock.

See Notes to Financial Statements.

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MAY 31, 2005

Statements of Operations

For the Year Ended May 31, 2005

Investment Income

Interest

Dividends from affiliates

Total Income

Expenses

Investment advisory fees

Commission fees

Accounting services

Transfer agent fees

Professional fees

Listing fees

Custodian fees

Printing and shareholder reports

Trustees' fees and expenses

Pricing fees

Other

Total expenses before waiver and reimbursement

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Waiver and reimbursement of expenses	
Total expenses after waiver and reimbursement	--
Investment income--net	--
Realized & Unrealized Gain (Loss)--Net	
Realized gain (loss) on:	
Investments--net	
Forward interest rate swaps--net	
Total realized gain (loss)--net	
Change in unrealized appreciation/depreciation on:	
Investments--net	
Forward interest rate swaps--net	
Total change in unrealized appreciation/depreciation--net	
Total realized and unrealized gain--net	
Dividends & Distributions to Preferred Stock Shareholders	
Investment income--net	
Realized gain--net	
Total dividends and distributions to Preferred Stock shareholders	
Net Increase in Net Assets Resulting from Operations	\$
	==
See Notes to Financial Statements.	

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MAY 31, 2005

Statements of Changes in Net Assets

Muni

Increase (Decrease) in Net Assets:

Operations

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

Dividends & Distributions to Common Stock Shareholders

Investment income--net	
Realized gain--net	

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Net decrease in net assets resulting from dividends and distributions to
Common Stock shareholders

Stock Transactions

Net proceeds from issuance of Common Stock
Offering costs resulting from the issuance of Common Stock
Offering and underwriting costs resulting from the issuance of Preferred Stock
Value of shares issued to Common Stock shareholders in reinvestment of dividends

Net increase in net assets derived from stock transactions

Net Assets Applicable to Common Stock

Total increase in net assets applicable to Common Stock
Beginning of period

End of period*

* Undistributed investment income--net

++ Commencement of operations.

See Notes to Financial Statements.

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MAY 31, 2005

Statements of Changes in Net Assets

Muni New York

Increase (Decrease) in Net Assets:

Operations

Investment income--net
Realized loss--net
Change in unrealized appreciation--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

Stock Transactions

Net proceeds from issuance of Common Stock

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Offering costs resulting from the issuance of Common Stock
 Offering and underwriting costs resulting from the issuance of Preferred Stock
 Value of shares issued to Common Stock shareholders in reinvestment of dividends

Net increase in net assets derived from stock transactions

Net Assets Applicable to Common Stock

Total increase in net assets applicable to Common Stock
 Beginning of period

End of period*

* Undistributed investment income--net

++ Commencement of operations.

See Notes to Financial Statements.

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Financial Highlights

Muni

The following per share data and ratios have been derived
 from information provided in the financial statements.

Per Share Operating Performance

Net asset value, beginning of period

Investment income--net

Realized and unrealized gain--net

Dividends and distributions to Preferred Stock shareholders:

Investment income--net

Realized gain--net

Total from investment operations

Less dividends and distributions to Common Stock shareholders:

Investment income--net

Realized gain--net

Total dividends and distributions to Common Stock shareholders

Offering costs resulting from issuance of Common Stock

Offering and underwriting costs resulting from issuance of Preferred Stock

Net asset value, end of period

Market price per share, end of period

Total Investment Return**

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Based on net asset value per share

Based on market price per share

Ratios Based on Average Net Assets of Common Stock

Expenses, net of waiver***

Expenses***

Investment income--net***

Amount of dividends to Preferred Stock shareholders

Investment income--net, to Common Stock shareholders

Ratios Based on Average Net Assets of Preferred Stock

Dividends to Preferred Stock shareholders

ANNUAL REPORTS

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Financial Highlights (concluded)

Muni

td>

2009

REVENUES

\$
10,701

\$
7,542

Cost and expenses:

Manufacturing cost of sales

7,048

5,946

Engineering, selling and administrative

2,449

2,554

Total Cost and Expenses

9,497

8,500

OPERATING INCOME (LOSS)

1,204

(958
)

Other income (expense):

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Interest expense

(105
)

(93
)

Other income (expense)

(5
)

13

Total Other Income (Expense)

(110
)

(80
)

INCOME (LOSS) BEFORE INCOME TAXES

1,094

(1,038
)

Income tax benefit (provision)

(28
)

30

NET INCOME (LOSS)

\$
1,066

\$
(1,008
)

Weighted average number of shares used in basic EPS calculation.

2,227,684

2,183,236

Weighted average number of shares used in diluted EPS calculation.

2,238,931

2,183,236

BASIC NET INCOME (LOSS) PER COMMON SHARE

\$
0.48

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\$
(0.46
)

DILUTED NET INCOME (LOSS) PER COMMON SHARE

\$
0.48

\$
(0.46
)

See accompanying Notes to Condensed Consolidated Financial Statements.

- Page 3 -

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY — UNAUDITED

(Dollars In Thousands)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total
B a l a n c e a t January 1, 2010	2,227,684	\$22	\$20,708	\$ (11,604)	\$ (116)	\$--	\$9,010
Comprehensive income:							
Net income for period	--	--	--	1,066	--	--	1,066
O t h e r comprehensive income	--	--	--	--	27	--	27
Comprehensive income							1,093
S t o c k - b a s e d compensation	--	--	15	--	--	--	15
Issuance of new shares for vested restricted stock	4,578	--	--	--	--	--	--
Balance at March 31, 2010	2,232,262	\$22	\$20,723	\$ (10,538)	\$ (89)	\$--	\$10,118

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

(In Thousands)

	Three Months Ended March 31,	
	2010	2009
OPERATING ACTIVITIES		
Net income (loss)	\$1,066	\$(1,008)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	153	257
Amortization of finite-lived intangible assets	36	15
Stock-based compensation	15	20
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(1,154)	2,350
Increase in inventories	(1,288)	(59)
Increase in trade accounts payable and accrued liabilities	1,125	107
Decrease in other assets/liabilities, net	78	39
Net cash provided by operating activities	31	1,721
INVESTING ACTIVITIES		
Capital expenditures	(56)	(116)
Net cash used in investing activities	(56)	(116)
FINANCING ACTIVITIES		
Net borrowings (repayments) on note payable to bank	276	(1,366)
Repayments of long-term debt	(90)	(83)
Net cash provided by (used in) financing activities	186	(1,449)
Increase in cash and cash equivalents	161	156
Cash and cash equivalents at beginning of period	3,816	5,325
Cash and cash equivalents at end of period	\$3,977	\$5,481
Supplemental Disclosure:		
Cash paid for interest	\$105	\$93
Non-cash Financing Transactions:		
Issuance of treasury shares for vested restricted stock	\$--	\$101

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Subsidiaries of the Registrant

As of March 31, 2010, the subsidiaries of The LGL Group, Inc. (the “Company”) are as follows:

	Owned By LGL	
M-tron Industries, Inc.	100.0	%
M-tron Industries, Ltd.	100.0	%
Piezo Technology, Inc.	100.0	%
Piezo Technology India Private Ltd.	99.9	%
Lynch Systems, Inc.	100.0	%

The Company operates through its principal subsidiary, M-tron Industries, Inc., which includes the operations of M-tron Industries, Ltd. (“Mtron”) and Piezo Technology, Inc. (“PTI”). The combined operations of Mtron and PTI are referred to herein as “MtronPTI.” MtronPTI has operations in Orlando, Florida, Yankton, South Dakota and Noida, India. In addition, MtronPTI has a sales office in Hong Kong. During 2007, the Company sold the operating assets of Lynch Systems, Inc., a subsidiary of the Company, to an unrelated third party.

B. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009.

Financial Instruments

Cash and cash equivalents, trade accounts receivable, short-term borrowings, and trade accounts payable are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The carrying amount of the Company’s borrowings under its revolving line of credit approximates fair value, as the obligation bears interest at a floating rate. The fair value of other long-term obligations approximates cost based on borrowing rates for similar instruments.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents, investments and trade accounts receivable.

The Company maintains cash and cash equivalents and short-term investments with various financial institutions. These financial institutions are located throughout the country and the Company’s policy is designed to limit exposure

to any one institution. The Company believes that these financial institutions are of high credit standing. At times, such amounts may exceed federally insured limits.

The Company has also entered into an interest rate swaps in relation to two of its long-term debt agreements and has accounted for each of these swaps as a cash flow hedge (see Note D – Notes Payable to Banks and Long-Term Debt).

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C. Inventories

Inventories are stated at the lower of cost or market value. As disclosed in Note A of the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, effective January 1, 2009, the Company changed its accounting method of valuing a portion of its inventory from the LIFO ("last-in, first-out") method to the FIFO ("first-in, first-out") method. The Company reduces the value of its inventories to market value when the value is believed to be less than the cost of the item.

	March 31, 2010	December 31, 2009
	(in thousands)	
Raw materials	\$3,087	\$2,738
Work in process	2,341	1,486
Finished goods	1,208	1,124
Total Inventories	\$6,636	\$5,348

D. Note Payable to Bank and Long-Term Debt

	March 31, 2010	December 31, 2009
	(in thousands)	
Note Payable:		
MtronPTI revolving loan (First National Bank of Omaha ("FNBO")) at 30-day LIBOR plus 4.75%; (4.98% at March 31, 2010), due June 30, 2010	\$1,972	\$1,696
Long-Term Debt:		
MtronPTI term loan (RBC Centura Bank ("RBC")) due October 1, 2010. The note bears interest at LIBOR Base Rate plus 2.75%. Interest rate swap converts loan to a fixed rate, at 7.51% at March 31, 2010	\$2,319	\$2,341
Mtron term loan (FNBO) due January 24, 2013. The note bears interest at 30-day LIBOR plus 2.10%. Interest rate swap converts loan to a fixed rate, at 5.60% at March 31, 2010	880	948
	3,199	3,289
Current maturities	2,603	2,620
Long -Term Debt	\$596	\$669

On October 14, 2004, MtronPTI entered into a loan agreement with FNBO which was amended and restated on August 18, 2009 (the "FNBO Loan Agreement"). The FNBO Loan Agreement provides for a short-term credit facility of up to \$4,000,000 as of March 31, 2010 (the "FNBO Revolving Loan"). The principal balance of the FNBO Revolving Loan bears interest at 30-day LIBOR plus 4.75%, with interest only payments due monthly and the final payment of principal and interest due on June 30, 2010. There is also an unused commitment fee of 0.50% per annum, payable quarterly. At March 31, 2010, the amount outstanding under the FNBO Revolving Loan was \$1,972,000. The Company had \$2,028,000 of unused borrowing capacity under the FNBO Revolving Loan at March 31, 2010, compared to \$2,304,000 at December 31, 2009.

On March 31, 2010, the Company received a non-binding letter of intent from FNBO expressing its intent to renew the FNBO Revolving Loan.

The FNBO Loan Agreement also provides for a term loan in the original principal amount of \$2,000,000 (the “FNBO Term Loan”). At March 31, 2010, the principal balance of the FNBO Term Loan was approximately \$880,000, bearing interest at 30-day LIBOR plus 2.10%, with payments of approximately \$23,000 due monthly and all remaining principal and interest due January 24, 2013.

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All outstanding obligations under the FNBO Loan Agreement are collateralized by a first priority security interest in all of the assets of MtronPTI (including general intangibles, but excluding real estate), and are guaranteed by the Company.

The FNBO Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) tangible net worth of not less than \$5,500,000, (ii) a ratio of current assets to current liabilities of not less than 1.50 to 1.00; (iii) a ratio of total liabilities to tangible net worth of not greater than 2.75 to 1.00; and (iv) a fixed charge coverage ratio of not less than 1.20 to 1.00. MtronPTI is also barred from making certain payments to the Company, including but not limited to interest payments on inter-company debt and management fees. At March 31, 2010, the Company was in compliance with all covenants under the FNBO Loan Agreement.

In connection with the FNBO Term Loan, MtronPTI entered into an interest rate swap agreement with FNBO from which it receives periodic payments at the LIBOR Base Rate and makes periodic payments at a fixed rate of 5.60% through the term of the FNBO Term Loan. The Company has designated this swap as a cash flow hedge in accordance with Accounting Standard Codification ("ASC") Topic 815, Derivatives and Hedging ("ASC 815"). The fair value of the interest rate swap was (\$32,000) at March 31, 2010 and (\$32,000) at December 31, 2009, net of any tax effect, and is included in "other accrued expenses" on the condensed consolidated balance sheets. Any change in fair value is reflected in accumulated other comprehensive loss, net of any tax effect.

On September 30, 2005, MtronPTI entered into a loan agreement with RBC, which was subsequently modified on September 17, 2009 (the "RBC Loan Agreement"). The RBC Loan Agreement provides for a loan in the original principal amount of \$3,040,000 (the "RBC Term Loan"). The RBC Term Loan bears interest at LIBOR Base Rate plus 2.75% and is being repaid in monthly installments based on a 20-year amortization schedule, with the then remaining principal balance and interest due on October 1, 2010.

On May 19, 2009, RBC agreed to change certain of the loan covenants in the RBC Loan Agreement to (i) allow the \$1,000,000 cash infusion to MtronPTI for the partial repayment under the FNBO Revolving Loan to be included in the numerator of the fixed charge coverage ratio for calculations on each quarterly testing date through June 30, 2010, (ii) increase the amount of the tangible net worth minimum requirement to \$5,500,000 to be consistent with the tangible net worth covenant in the amended and restated FNBO Loan Agreement, and (iii) provide that if MtronPTI is not in compliance with the covenants at any quarterly testing date, MtronPTI will have forty-five (45) days from the end of such quarter to cure the default.

All outstanding obligations under the RBC Loan Agreement are collateralized by a security interest in certain real estate assets of our subsidiary, MtronPTI, and are guaranteed by the Company.

The RBC Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) a ratio of total liabilities to tangible net worth of not greater than 4.00 to 1.00; (ii) tangible net worth of at least \$5,500,000; and (iii) a fixed charge coverage ratio of not less than 1.20 to 1.00. Up to \$4,500,000 in subordinated debt may be carved out of MtronPTI's total liabilities for the purpose of determining its compliance with its covenants to maintain a ratio of total liabilities to tangible net worth of not greater than 4.00 to 1.00, and the amount of subordinated debt counting towards MtronPTI's tangible net worth covenant is limited to \$4,500,000.

For any calendar quarter during the period commencing on April 1, 2009 and ending on March 31, 2010, the RBC Loan Agreement allowed the Company to make a cash infusion into MtronPTI within 45 days after the end of a quarter if necessary to bring MtronPTI into compliance with one or more of its financial covenants. At March 31, 2010, the Company was in compliance with all covenants under the RBC Loan Agreement. The Company expects that it will need to obtain a waiver of the covenants under the RBC Loan Agreement for the quarter ended June 30,

2010 since the RBC Loan Agreement does not allow subordinated debt to be carved out of MtronPTI's total liabilities for the purpose of determining compliance with its covenants after the quarter ended March 31, 2010.

In connection with the RBC Term Loan, MtronPTI entered into a five-year interest rate swap from which it receives periodic payments at the LIBOR Base Rate and makes periodic payments at a fixed rate of 7.51% with monthly settlement and rate reset dates. The Company has designated this swap as a cash flow hedge in accordance with ASC 815. The fair value of the interest rate swap was (\$70,000) at March 31, 2010, and (\$97,000) at December 31, 2009, net of any tax effect, and is included in "other accrued expenses" on the condensed consolidated balance sheets. Any change in fair value is reflected in accumulated other comprehensive loss, net of any tax effect.

E. Stock-Based Compensation

On December 15, 2009, the Board of Directors granted 3,165 restricted shares each to eight of its members as a portion of their director fees for 2010 (the number of shares determined by dividing \$10,000 by the closing price of the Company's common stock on the grant date). All of these shares vest ratably during 2010 at the end of each respective quarter. Total stock compensation related expense for all outstanding grants for the three-month period ended March 31, 2010 was \$15,000. The unrecognized compensation expense of \$45,000 will be recognized over the next three quarters.

F. Earnings (Loss) Per Share

The Company computes earnings (loss) per share in accordance with ASC 260, Earnings Per Share. Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share adjusts basic earnings (loss) per share for the effects of stock options, restricted common stock, and other potentially dilutive financial instruments, only in the periods in which the effects are dilutive.

For the three months ended March 31, 2010, the unvested restricted stock noted in the table below was included in the computation of Diluted Earnings Per Share. For the three months ended March 31, 2009, both the options to purchase common stock and the unvested restricted stock noted in the table below were excluded from the diluted loss per share computation, because the impact of the assumed exercise of stock options and unvested restricted stock would have been anti-dilutive as a result of the Company's reported net losses.

	Three Months Ended March 31,	
	2010	2009
Options to purchase common stock	20,000	200,000
Unvested restricted stock	11,247	33,328
Totals	31,247	233,328

On October 1, 2009, options to purchase 180,000 shares of common stock expired. The options outstanding at March 31, 2010 have an expiration date of May 25, 2010 and an exercise price of \$13.17.

G. Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes the changes in fair value of investments classified as available-for-sale and the changes in fair values of derivative instruments designated as cash flow hedges.

For the three months ended March 31, 2010, total comprehensive income was \$1,093,000, comprising net income of \$1,066,000 and change in accumulated other comprehensive loss of \$27,000, compared to total comprehensive loss of (\$990,000) in the three months ended March 31, 2009, comprising net loss of (\$1,008,000) and change in accumulated other comprehensive loss of \$18,000.

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The change in accumulated other comprehensive income (loss), net of related taxes, for the three months ended March 31, 2010 and 2009 are as follows:

	Three Months Ended March 31, 2010 2009 (in thousands)	
Balance beginning of period	\$(116)	\$(235)
Deferred gain on swap liability on hedge contracts	27	16
Unrealized gain on available-for-sale securities	--	2
Balance end of period	\$(89)	\$(217)

The components of accumulated other comprehensive income (loss), net of related taxes at March 31, 2010 and December 31, 2009, are as follows:

	March 31, 2010	December 31, 2009 (in thousands)
Deferred loss on swap liability on hedge contracts	\$(102)	\$(129)
Unrealized gain on available-for-sale securities	13	13
Accumulated other comprehensive loss	\$(89)	\$(116)

H. Fair Value Measurements

The Company measures financial assets and liabilities at fair value in accordance with Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures (“ASC 820”). These measurements involve various valuation techniques and assume that the transactions would occur between market participants in the most advantageous market for the Company. The following is a summary of valuation techniques utilized by the Company for its significant financial assets and liabilities:

Assets

To estimate the market value of its marketable securities, the Company obtains current market pricing from quoted market sources or uses pricing for identical securities. Assets measured at fair value on a recurring basis are summarized below.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	March 31, 2010
	(in thousands)			
Marketable security	\$28	\$--	\$ --	\$28

Liabilities

To estimate the fair value of the swap liability on hedge contracts as of the measurement date, the Company obtains inputs other than quoted prices that are observable for the liability. Liabilities measured at fair value on a recurring basis are summarized below.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	March 31, 2010
	(in thousands)			
Swap liability on hedge contracts	\$--	\$102	\$ --	\$102

I. Foreign Sales

For the three months ended March 31, 2010 and 2009, foreign revenues were derived from the following countries:

Foreign Revenues:	Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Malaysia	\$1,545	\$896
China	1,363	790
Thailand	644	238
Mexico	499	355
France	195	178
Netherlands	144	56
Singapore	104	605
Taiwan	104	31
Canada	59	91
All other foreign countries	420	458
Total foreign revenues	\$5,077	\$3,698

J. Commitments and Contingencies

In the normal course of business, the Company and its subsidiaries may become defendants in certain product liability, worker claims and other litigation. The Company and its subsidiaries have no litigation pending at this time.

K. Income Taxes

The Company has a total net operating loss (“NOL”) carry-forward of \$8,240,000 as of December 31, 2009. This NOL expires through 2029 if not utilized prior to expiration. The Company had research and development credit carry-forwards of approximately \$1,046,000 at December 31, 2009, which can be used to reduce future income tax liabilities and expire principally between 2020 and 2029. In addition, the Company has foreign tax credit carry-forwards of approximately \$287,000 at December 31, 2009, that are available to reduce future U.S. income tax liabilities subject to certain limitations. These foreign tax credit carry-forwards expire at various times through 2019.

The Company provided a provision of \$28,000 and a benefit of \$30,000 for foreign income taxes, respectively, in the three months ended March 31, 2010 and 2009 and \$0 for state taxes in each of those periods.

Due to the uncertainty surrounding the realization of the favorable U.S. tax attributes in future tax returns, the Company continues to record a full valuation allowance against our otherwise recognizable U.S. net deferred tax assets as of March 31, 2010 and December 31, 2009, except for the Company’s \$111,000 in AMT deferred tax assets which do not expire.

L. Related Party Transactions

At March 31, 2010, the Company had \$3,977,000 of cash and cash equivalents. Of this amount, \$949,000 is invested in United States Treasury money market funds for which persons affiliated with the Company serve as the investment manager to the respective fund, compared with \$948,000 of \$3,816,000 at December 31, 2009.

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

Forward-Looking Statements

Information included or incorporated by reference in this Quarterly Report on Form 10-Q may contain forward-looking statements. This information may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different than the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these other variations on these words or comparable terminology.

Results of Operations

Three months ended March 31, 2010 compared to three months ended March 31, 2009

Consolidated Revenues and Gross Margin

Consolidated revenues increased by \$3,159,000, or 41.9%, to \$10,701,000 for the first quarter 2010 from \$7,542,000 for the comparable period in 2009. The increase is due primarily to increased demand from existing customers for existing products in both our Telecom and Military, Instrumentation, Space and Avionics market segments. This increase in demand is also reflected in foreign sales, which grew 37.3% to \$5,077,000 for the quarter ended March 31, 2010, compared to \$3,698,000 for the quarter ended March 31, 2009. The Company is continuing its efforts to grow revenue by expanding into new geographic regions and into additional segments of the timing and frequency equipment market, such as alternative energy management, energy exploration, military personnel protection and homeland security. The Company also introduced a new product line of cavity filters into production during the quarter ended March 31, 2010, which creates the opportunity for the Company to expand further into its target market segments. In addition, the Company expects to place a second line of double-oven oscillators into production during the second quarter of 2010, which represents a technical advancement of the Company's existing product offerings that will support the Company's efforts to grow revenue.

As of March 31, 2010, the Company's order backlog was \$14,260,000, which was an increase of 2.2% compared to the backlog as of December 31, 2009, which was \$13,958,000. The growth in backlog is primarily due to increased repeat orders from our existing customers, as well as orders from new customers obtained through the Company's ongoing efforts to expand within its target markets. The backlog of unfilled orders includes amounts based on signed contracts as well as agreed letters of intent, which we have determined are legally binding and likely to proceed. Although backlog represents only business that is considered likely to be performed, cancellations or scope adjustments may and do occur.

Backlog is adjusted quarterly to reflect project cancellations, deferrals, revised project scope and cost, and sales of subsidiaries, if any. The Company expects to fill substantially all of its current backlog in 2010, but cannot provide assurance as to the portion of the backlog to be fulfilled in a given year.

Consolidated gross margin as a percentage of revenues for the first quarter 2010 increased to 34.1% from 21.2% for the comparable period in 2009. This increase is due primarily to the increase in revenues compared to the comparable period in 2009, which improved gross margin by spreading fixed infrastructure costs over a larger revenue base, and the Company's implementation of its plan to effect permanent structural cost reductions in overhead, engineering and administrative expenses. The Company is continuing its efforts to further improve its manufacturing and supply chain efficiency.

Operating Income (Loss)

Operating income was \$1,204,000 for the first quarter of 2010 compared to an operating loss of (\$958,000) for the comparable period in 2009. This increase in operating profit can be primarily attributed to a 12.9 percentage point increase in gross margin, which was primarily the result of the 41.9% increase in revenues as compared to the same period in 2009. The increase was also attributable to the execution of the Company's plan to reduce its overhead, engineering, selling and administrative expenses through the reduction of its supervisory and administrative headcount, freezing of merit-based salary increases, and the reduction or elimination of various other administrative expenses, which was undertaken during 2009. The Company expects that its focused effort to increase revenues combined with continued effort to improve its manufacturing and supply chain efficiency will benefit operating margins in future quarters.

Interest expense

Interest expense was \$105,000 for the period ended March 31, 2010, which was an increase of \$12,000 from \$93,000 for the period ended March 31, 2009. The increase was primarily due to a higher average balance outstanding on MtronPTI's revolving credit facility, as well as an increase in the interest rate charged, resulting from amendments to the Company's credit facilities in 2009.

Income Taxes

The Company files a consolidated federal income tax return, which includes all subsidiaries. The income tax provision for the three-month period ended March 31, 2010 included foreign taxes. The provision gives effect to our estimated tax liability at the end of the year.

Due to the uncertainty surrounding the realization of favorable U.S. tax attributes in future tax returns, we continue to record a full valuation allowance against our otherwise recognizable U.S. net deferred tax assets as of March 31, 2010 and December 31, 2009, except for the Company's \$111,000 in AMT deferred tax assets, which do not expire.

Net Income (Loss)

Net income for the first quarter 2010 was \$1,066,000 compared to net loss of (\$1,008,000) for the comparable period in 2009. The increase was primarily attributable to a 41.9% increase in revenues for the three-month period ended March 31, 2010 as compared to the same period in 2009, as well as a 12.9 percentage point increase in gross margin. Basic and diluted net income (loss) per share for the period ended March 31, 2010 was \$0.48 compared with (\$0.46) for the period ended March 31, 2009.

Liquidity and Capital Resources

The Company's cash and cash equivalents at March 31, 2010 were \$3,977,000, compared to \$3,816,000 at December 31, 2009. At March 31, 2010, MtronPTI had \$1,972,000 outstanding and unused borrowing capacity of \$2,028,000 under the FNBO Revolving Loan, compared with \$1,696,000 outstanding and unused borrowing capacity of \$2,304,000 at December 31, 2009. As of May 19, 2010, the Company had unused borrowing capacity of \$1,141,000 under the FNBO Revolving Loan.

At March 31, 2010, the Company's consolidated working capital was \$6,634,000, as compared to \$5,466,000 at December 31, 2009. At March 31, 2010, the Company had current assets of \$16,881,000 and current liabilities of \$10,247,000. The ratio of current assets to current liabilities was 1.65 to 1.00 at March 31, 2010, compared to 1.61 to 1.00 at December 31, 2009. The increase in net working capital is primarily due to the increase in the Company's

accounts receivable and inventory balances, offset by increases in the Company's outstanding balance under the FNBO Revolving Loan and in accounts payable and accrued expenses. These increases are due to the Company's increased production activity commensurate with an increase in revenues, and filling orders for the Company's growing backlog.

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Cash provided by operating activities was \$31,000 for the quarter ended March 31, 2010, compared to cash provided by operating activities from operations of \$1,721,000 for the same period in 2009. The decrease in cash provided by operating activities is due to the net increase in the accounts receivable of \$1,154,000 compared to the net collection of accounts receivable of \$2,350,000 during the same period in 2009, as well as an increase in the inventory balance of \$1,288,000 compared to \$59,000 during the same period in 2009. This was offset by net income for the quarter ended March 31, 2010 of \$1,066,000, and by the increase in accounts payable and accrued expenses of \$1,125,000, compared to a net loss of \$1,008,000 and an increase in accounts payable and accrued expenses of \$107,000 for the same period in 2009.

Cash used in investing activities from operations was \$56,000 for the quarter ended March 31, 2010, compared to \$116,000 for the same period in 2009. The decrease was due primarily to the Company's continued investment in machinery and equipment related to new production activities and replacement of obsolete equipment as needed.

Cash provided by financing activities from operations was \$186,000 for the quarter ended March 31, 2010, compared with cash used in financing activities of \$1,449,000 for the same period in 2009. The decrease in cash used in financing activities is due primarily to an increase in net borrowings on the Company's note payable for the quarter ended March 31, 2010 of \$276,000 compared to net repayments of \$1,366,000 during the comparable period in 2009.

At March 31, 2010, total liabilities of \$10,843,000 were \$1,285,000 greater than the total liabilities at December 31, 2009 of \$9,558,000. The increase in total liabilities was primarily due to an increase in accounts payable of \$476,000 due to increased materials purchases, an increase in accrued compensation and sales commission expense of \$308,000 resulting from increased sales and an increase in MtronPTI's borrowing on its revolving loan of \$276,000 to fund its working capital requirements. At March 31, 2010, the Company had \$2,603,000 in current maturities of long-term debt compared with \$2,620,000 at December 31, 2009.

Our credit facilities include a revolving line of credit that expires on June 30, 2010 and a term loan maturing on October 1, 2010. At March 31, 2010, there was \$1,972,000 of indebtedness outstanding under the revolving line of credit and \$2,319,000 principal amount of indebtedness under the term loan. We will need to renew or replace such credit facilities as they expire or if they otherwise become unavailable, and we may require additional financing in order to fund our operations. We may be unable to renew our existing credit facilities, find replacement facilities, or obtain additional financing on acceptable terms, or at all, which may result in delays in payments to our vendors and in our ordinary measures to repair, replace or improve upon existing infrastructure, and may cause our customers to lose confidence in our ability to supply high-quality products in a timely manner.

On March 31, 2010, the Company received a non-binding letter of intent from FNBO expressing their intent to renew the FNBO Revolving Loan. The Company expects this renewal to be closed prior to June 30, 2010, the maturity date of the FNBO Revolving Loan.

On October 14, 2004, MtronPTI entered into a loan agreement with FNBO which was amended and restated on August 18, 2009 (the "FNBO Loan Agreement"). The FNBO Loan Agreement provides for a short-term credit facility of up to \$4,000,000 as of March 31, 2010 (the "FNBO Revolving Loan"). The principal balance of the FNBO Revolving Loan bears interest at 30-day LIBOR plus 4.75%, with interest only payments due monthly and the final payment of principal and interest due on June 30, 2010. There is also an unused commitment fee of 0.50% per annum, payable quarterly. At March 31, 2010, the amount outstanding under the revolving credit loan was \$1,972,000. The Company had \$2,028,000 of unused borrowing capacity under its revolving line of credit at March 31, 2010, compared to \$2,304,000 at December 31, 2009.

The FNBO Loan Agreement also provides for a term loan in the original principal amount of \$2,000,000 (the "FNBO Term Loan"). At March 31, 2010, the principal balance of the FNBO Term Loan was approximately

\$880,000, bearing interest at 30-day LIBOR plus 2.10%, with payments of approximately \$23,000 due monthly and all remaining principal and interest due January 24, 2013.

All outstanding obligations under the FNBO Loan Agreement are collateralized by a first priority security interest in all of the assets of MtronPTI (including general intangibles, but excluding real estate), and are guaranteed by the Company.

The FNBO Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) tangible net worth of not less than \$5,500,000, (ii) a ratio of current assets to current liabilities of not less than 1.50 to 1.00; (iii) a ratio of total liabilities to tangible net worth of not greater than 2.75 to 1.00; and (iv) a fixed charge coverage ratio of not less than 1.20 to 1.00. MtronPTI is also barred from making certain payments to the Company, including but not limited to interest payments on inter-company debt and management fees. At March 31, 2010, the Company was in compliance with all covenants under the FNBO Loan Agreement.

In connection with the FNBO Term Loan, MtronPTI entered into a separate interest rate swap agreement with FNBO from which it receives periodic payments at the LIBOR Base Rate and makes periodic payments at a fixed rate of 5.60% through the term of the FNBO Term Loan. The Company has designated this swap as a cash flow hedge in accordance with Accounting Standard Codification ("ASC") Topic 815, Derivatives and Hedging ("ASC 815"). The fair value of the interest rate swap was (\$32,000) at March 31, 2010 and (\$32,000) at December 31, 2009, net of any tax effect, and is included in "other accrued expenses" on the condensed consolidated balance sheets. Any change in fair value is reflected in accumulated other comprehensive loss, net of any tax effect.

On September 30, 2005, MtronPTI entered into a loan agreement with RBC, which was subsequently modified on September 17, 2009 (the "RBC Loan Agreement"). The RBC Loan Agreement provides for a loan in the original principal amount of \$3,040,000 (the "RBC Term Loan"). The RBC Term Loan bears interest at LIBOR Base Rate plus 2.75% and is being repaid in monthly installments based on a 20-year amortization schedule, with the then remaining principal balance and interest due on October 1, 2010.

On May 19, 2009, certain of the loan covenants in the RBC Loan Agreement were changed with agreement from RBC to (i) allow the \$1,000,000 cash infusion to MtronPTI for the partial repayment under the FNBO Revolving Loan to be included in the numerator of the fixed charge coverage ratio for calculations on each quarterly testing date through June 30, 2010, (ii) increase the amount of the tangible net worth minimum requirement to \$5,500,000 to be consistent with the tangible net worth covenant in the amended and restated FNBO Loan Agreement, and (iii) provide that if MtronPTI is not in compliance with the covenants at any quarterly testing date, MtronPTI will have forty-five (45) days from the end of such quarter to cure the default.

All outstanding obligations under the RBC Loan Agreement are collateralized by a security interest in certain real estate assets of our subsidiary, MtronPTI, and are guaranteed by the Company.

The RBC Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) a ratio of total liabilities to tangible net worth of not greater than 4.00 to 1.00; (ii) tangible net worth of at least \$5,500,000; and (iii) a fixed charge coverage ratio of not less than 1.20 to 1.00. Up to \$4,500,000 in subordinated debt may be carved out of MtronPTI's total liabilities for the purpose of determining its compliance with its covenants to maintain a ratio of total liabilities to tangible net worth of not greater than 4.00 to 1.00, and the amount of subordinated debt counting towards MtronPTI's tangible net worth covenant is limited to \$4,500,000.

For any calendar quarter during the period commencing on April 1, 2009 and ending on March 31, 2010, the RBC Loan Agreement allowed the Company to make a cash infusion into MtronPTI within 45 days after the end of a quarter if necessary to bring MtronPTI into compliance with one or more of its financial covenants. At March 31, 2010, the Company was in compliance with all covenant requirements under the RBC Loan Agreement. The

Company expects that it will need to obtain a waiver of the covenants under the RBC Loan Agreement for the quarter ended June 30, 2010 since the RBC Loan Agreement does not allow subordinated debt to be carved out of MtronPTI's total liabilities for the purpose of determining compliance with its covenants after the quarter ended March 31, 2010.

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In connection with the RBC Term Loan, MtronPTI entered into a five-year interest rate swap from which it receives periodic payments at the LIBOR Base Rate and makes periodic payments at a fixed rate of 7.51% with monthly settlement and rate reset dates. The Company has designated this swap as a cash flow hedge in accordance with ASC 815. The fair value of the interest rate swap was (\$71,000) at March 31, 2010, and (\$97,000) at December 31, 2009, net of any tax effect, and is included in "other accrued expenses" on the condensed consolidated balance sheets. Any change in fair value is reflected in accumulated other comprehensive loss, net of any tax effect.

The Company believes that existing cash and cash equivalents, cash generated from operations and available borrowings on its revolving line of credit, which the Company expects to renew or replace prior to its expiration on June 30, 2010, will be sufficient to meet its ongoing working capital and capital expenditure requirements for the next twelve months. However, the Company may need to seek additional capital to fund the continuing growth in the business, to provide flexibility to respond to dynamic market conditions, or to replace its existing credit facilities should they expire or otherwise become unavailable.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's principal executive officer and principal financial officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on their evaluation of such disclosure controls and procedures, the Company's principal executive officer and principal financial officer, with the participation of the Company's management, have concluded that as of March 31, 2010, such disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure. Specifically, due to inadequate review procedures, the Company failed to uncover errors in its draft financial statements prior to providing those statements to the external auditors for their review which, had they been included in the Company's final Quarterly Report on Form 10-Q, would have resulted in a material misstatement of the Consolidated Statement of Operations and Consolidated Statement of Cash Flows for the quarter ended March 31, 2009. The errors were related to the change in the Company's accounting method for valuing a portion of its inventory from the LIFO ("last-in, first-out") method to the FIFO ("first-in, first out") method, which was made effective January 1, 2009 for the Consolidated Statement of Operations and Consolidated Statement of Cash Flows for the quarter ended March 31, 2009 and required a net adjustment of \$108,000. Management has determined that no other financial statements for prior periods were affected by this deficiency in the Company's disclosure controls and procedures.

Remediation Efforts to Address Material Weakness

The Company is evaluating steps to remediate its material weakness and enhance its internal control over financial reporting. These steps are expected to include the implementation of additional financial statement review procedures for quarterly and annual reporting to ensure timely and adequate review of the Company's financial statements prior to issuance.

Changes in Internal Control Over Financial Reporting

Except as noted above, there were no changes in the Company's internal controls over financial reporting during the period ended March 31, 2010, or in other factors that could significantly affect these controls, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

We will need to renew or replace our existing credit facilities and may need to raise additional capital in order to fund our operations, which may be especially difficult in the current economic environment.

Our credit facilities include a revolving credit facility that expires on June 30, 2010 and a term loan maturing on October 1, 2010. At March 31, 2010, there was \$1,972,000 of indebtedness outstanding under the revolving credit facility and principal amount of indebtedness totaling \$2,319,000 under the term loan. We will need to renew or replace such credit facilities as they expire or if they otherwise become unavailable, and we may require additional financing in order to fund our operations.

On March 31, 2010, we received a non-binding letter of intent from the lender under our revolving credit facility expressing their intent to renew the facility. We expect this renewal to be closed prior to June 30, 2010, the maturity date of the facility. However, we may be unable to renew our existing credit facilities, find replacement facilities, or obtain additional financing on acceptable terms, or at all, which may result in delays in payments to vendors and in our ordinary activities to repair, replace or improve upon existing infrastructure, and may cause our customers to lose confidence in our ability to supply high-quality products in a timely manner.

The capital and credit markets remain tight as a result of adverse economic conditions. If such conditions persist and funds are not readily available, it is likely that our ability to access capital and credit markets will remain limited. In addition, if current global economic conditions persist for an extended period of time or worsen substantially, our business may suffer in a manner that could cause us to fail to satisfy the financial and other restrictive covenants to which we are subject under our existing credit facilities.

Under certain of our existing credit facilities, we are required to obtain the lenders' consent for most additional debt financing, potentially making it more difficult for us to obtain such financing.

We found a material weakness in our internal control over financial reporting and concluded that our disclosure controls and procedures were not effective as of March 31, 2010.

As disclosed in Part I, Item 4, "Controls and Procedures," of this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of March 31, 2010 due to a material weakness related to our financial statement review procedures.

Our failure to successfully remediate this material weakness could cause us to fail to meet our reporting obligations, to produce timely and reliable financial information, and impair our ability to detect fraud. Additionally, such failure could cause investors to lose confidence in our reported financial information, which could have a negative impact on our stock price. For a discussion of steps being evaluated to remediate this material weakness, please see Part I, Item 4, "Controls and Procedures," of this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

Item 5. Other Information.

None.

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Item 6. Exhibits.

The following is a list of exhibits filed as part of this Form 10-Q:

Exhibit No.	Description
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith

SIGNATURES

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

THE LGL GROUP, INC.

Date: May 21, 2010

By: /s/ Gregory P. Anderson
Gregory P. Anderson
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 21, 2010

By: /s/ R. LaDuane Clifton
R. LaDuane Clifton
Chief Accounting Officer
(Principal Financial and Accounting
Officer)

EXHIBIT INDEX

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