

BLACKROCK MUNI INTERMEDIATE DURATION FUND INC
Form N-CSR
August 07, 2008

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: BlackRock Muni Intermediate Duration Fund, Inc. (MUI)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Donald C. Burke, Chief Executive Officer, BlackRock Muni
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Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 05/31/2008

Date of reporting period: 06/01/2007 - 05/31/2008

Item 1 Report to Stockholders

EQUITIES FIXED INCOME REAL ESTATE LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

Annual Report

MAY 31, 2008

[BlackRock Muni Intermediate Duration Fund, Inc. \(MUI\)](#)

[BlackRock Muni New York Intermediate Duration Fund, Inc. \(MNE\)](#)

NOT FDIC INSURED
MAY LOSE VALUE
NO BANK GUARANTEE

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MAY 31, 2008

A Letter to Shareholders

Dear Shareholder

For much of the reporting period, investors grappled with the repercussions of the credit crisis that surfaced last summer, and with the effects of a weakening economy and surging energy and food prices. These factors were offset by the positive impact from robust export activity, strength in the non-financial corporate sector and monetary and fiscal stimuli.

Amid the market turbulence, the Federal Reserve Board (the Fed) initiated a series of moves to restore liquidity and bolster financial market stability. Since September 2007, the central bank slashed the target federal funds rate 325 basis points (3.25%), bringing the rate to 2.0% as of period-end. Also of significance were its other policy decisions, which included extending use of the discount window to broker-dealers and investment banks and backstopping the rescue of ill-fated Bear Stearns. Notably, on April 30, the Fed dropped previous references to downside growth risks and added more emphasis on inflationary pressures, indicating the central bankers have likely concluded the current

cycle of monetary easing.

Nevertheless, the Fed's response to the financial crisis helped to ease credit turmoil and investor anxiety. Since hitting a low point on March 17, following the collapse of Bear Stearns, stocks appreciated 10% (through May 30). Most international markets, which had outperformed U.S. stocks for some time, saw a reversal in that trend, as the troubled credit situation and downward pressures on growth fanned recession fears.

In fixed income markets, Treasury securities rallied (yields fell as prices correspondingly rose), as a broad flight-to-quality theme persisted. The yield on 10-year Treasury issues, which touched 5.30% in June 2007 (its highest level in five years), fell to a low of 3.34% in March 2008 before rising to 4.06% by May 31 as investors grew more risk tolerant and shifted out of Treasury issues in favor of stocks and other high-quality fixed income sectors. Tax-exempt issues underperformed throughout most of the reporting period, pressured by problems among municipal bond insurers and the freeze in the market for auction rate securities. However, the final two months saw a firmer tone in the municipal market, as investors took advantage of unusually high yields.

On the whole, results for the major benchmark indexes generally reflected heightened investor risk aversion:

Total Returns as of May 31, 2008	6-month	12-month
U.S. equities (S&P 500 Index)	(4.47%)	(6.70%)
Small cap U.S. equities (Russell 2000 Index)	(1.87)	(10.53)
International equities (MSCI Europe, Australasia, Far East Index)	(5.21)	(2.53)
Fixed income (Lehman Brothers U.S. Aggregate Index)	1.49	6.89
Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)	1.44	3.87
High yield bonds (Lehman Brothers U.S. Corporate High Yield 2% Issuer Capped Index)	1.81	(1.08)

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only. You cannot invest directly in an index.

As you navigate today's volatile markets, we encourage you to review your investment goals with your financial professional and to make portfolio changes, as needed. For more up-to-date commentary on the economy and financial markets, we invite you to visit www.blackrock.com/funds. As always, we thank you for entrusting BlackRock with your investment assets, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

THIS PAGE NOT PART OF YOUR FUND REPORT

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Fund Summary as of May 31, 2008 **BlackRock Muni Intermediate Duration Fund, Inc.**

Investment Objective

BlackRock Muni Intermediate Duration Fund, Inc. (MUI) (the Fund) seeks to provide shareholders with high current income exempt from income taxes by investing primarily in a portfolio of municipal obligations, the interest on which, in the opinion of bond counsel to the issuer, is exempt from federal income taxes.

Performance

For the 12 months ended May 31, 2008, the Fund returned (2.76%) based on market price and 0.86% based on net asset value (NAV). During the same period, the closed-end Lipper Intermediate Municipal Debt Funds category posted an average return of 1.92% on a NAV basis. All returns include the payment of dividends. Detracting from the Fund's performance were its lower-rated holdings, which underperformed the market as credit spreads widened and liquidity became more scarce. Conversely, the Fund's greater-than-average distribution rate (ranked 1st out of 7) and its largely neutral market positioning benefited results during a period of municipal bond relative underperformance and increasing rates.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	MUI
Initial Offering Date	August 1, 2003
Yield on Closing Market Price as of May 31, 2008 (\$13.70) ¹	5.34%
Tax Equivalent Yield ²	8.22%
Current Monthly Distribution per share of Common Stock ³	\$0.061
Current Annualized Distribution per share of Common Stock ³	\$0.732
Leverage as of May 31, 2008 ⁴	41%

¹ Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

Past performance does not guarantee future results.

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

³ A change in the distribution rate was declared on June 2, 2008. The Monthly Distribution per Common Stock was decreased to \$0.058. The Yield on Closing Market Price, Current Monthly Distribution and Current Annualized Distribution do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

⁴ As a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to Auction Market Preferred Stock (AMPS), Tender Option Bond Trusts (TOBs) and Tender Option Bond Trusts (TOBs)) minus the sum of accrued liabilities.

The table below summarizes the changes in the Fund's market price and net asset value per share:

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	5/31/08	5/31/07	Change	High	Low
Market Price	\$13.70	\$14.85	(7.74%)	\$14.89	\$12.74
Net Asset Value	\$14.45	\$15.10	(4.30%)	\$15.22	\$14.00

The following charts show the portfolio composition and credit quality allocations of the Fund's long-term investments:

Portfolio Composition

Sector	5/31/08	5/31/07
City/County/State	16%	14%
Industrial & Pollution Control	16	20
Hospital	15	14
Transportation	14	13
Tax Revenue	10	11
Education	9	12
Tobacco	6	6
Power	6	4
Lease Revenue	4	3
Housing	3	2
Water & Sewer	1	1

Credit Quality Allocations⁵

Credit Rating	5/31/08	5/31/07
AAA/Aaa	47%	46%
AA/Aa	11	4
A/A	11	13
BBB/Baa	14	19
BB/Ba	1	2
B/B	1	1
CCC/Caa	3	2
Not Rated ⁶	12	13

⁵ Using the higher of Standard & Poor's or Moody's Investors Service ratings.

⁶ The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of May 31, 2008 and May 31, 2007, the market value of these securities was \$20,190,323 representing 2% and \$22,781,824 representing 2%, respectively, of the Fund's long-term investments.

Fund Summary as of May 31, 2008 BlackRock Muni New York Intermediate Duration Fund, Inc.

Investment Objective

BlackRock Muni New York Intermediate Duration Fund, Inc. (MNE) (the Fund) seeks to provide shareholders with high current income exempt from federal income taxes and New York State and New York City personal income taxes by investing primarily in a portfolio of municipal obligations, the interest on which, in the opinion of bond counsel to the issuer, is exempt from federal income taxes and New York State and New York City personal income taxes.

Performance

For the 12 months ended May 31, 2008, the Fund returned (3.48%) based on market price and (1.10%) based on NAV. For the same period, the closed-end Lipper Intermediate Municipal Debt Funds category posted an average return of 1.92% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's performance continued to be negatively impacted by its below-average distribution rate. As a result, the Fund was more heavily weighted in longer-dated issues, which proved more volatile as risk spreads increased and the municipal yield curve steepened. The Fund's lower-quality holdings also underperformed amid credit spread widening and the scarcity of liquidity, further hampering results.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions.

These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	MNE
Initial Offering Date	August 1, 2003
Yield on Closing Market Price as of May 31, 2008 (\$12.81) ¹	4.96%
Tax Equivalent Yield ²	7.63%
Current Monthly Distribution per share of Common Stock ³	\$0.053
Current Annualized Distribution per share of Common Stock ³	\$0.636
Leverage as of May 31, 2008 ⁴	35%

¹ Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

Past performance does not guarantee future results.

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

³ The distribution is not constant and is subject to change.

⁴ As a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to Preferred Stock and TOBs) minus the sum of accrued liabilities.

The table below summarizes the changes in the Fund's market price and net asset value per share:

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	5/31/08	5/31/07	Change	High	Low
Market Price	\$12.81	\$13.93	(8.04%)	\$13.93	\$12.11
Net Asset Value	\$14.05	\$14.91	(5.77%)	\$14.91	\$13.35

The following charts show the portfolio composition and credit quality allocations of the Fund's long-term investments:

Portfolio Composition

Sector	5/31/08	5/31/07
City/County/State	25%	23%
Hospital	17	17
Education	16	17
Housing	13	16
Transportation	12	5
Power	9	7
Industrial & Pollution Control	4	9
Tobacco	2	4
Water & Sewer	2	1
Tax Revenue		1

Credit Quality Allocations⁵

Credit Rating	5/31/08	5/31/07
AAA/Aaa	20%	28%
AA/Aa	29	22
A/A	17	13
BBB/Baa	20	22
BB/Ba	7	5
CCC/Caa	2	3
Not Rated ⁶	5	7

⁵ Using the higher of Standard & Poor's or Moody's Investors Service ratings.

⁶ The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of May 31, 2008 and May 31, 2007, the market value of these securities was \$1,967,300 representing 2% and \$2,053,400 representing 2%, respectively, of the Fund's long-term investments.

BlackRock Muni Intermediate Duration Fund, Inc. and BlackRock Muni New York Intermediate Duration Fund, Inc. (each a Fund and, collectively, the Funds) utilize leverage to seek to enhance the yield and NAV 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 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 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 NAV 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 NAV, the market value of the fund's Common Stock may also decline.

In addition, the Funds may from time to time leverage their assets through the use of tender option bond (TOB) programs. In a typical TOB program, the Fund transfers one or more municipal bonds to a TOB trust, which issues short-term variable rate securities to third-party investors and a residual interest to the Fund. The cash received by the TOB trust from the issuance of the short-term securities (less transaction expenses) is paid to the Fund, which invests the cash in additional port-

folio securities. The distribution rate on the short-term securities is reset periodically (typically every seven days) through a remarketing of the short-term securities. Any income earned on the bonds in the TOB trust, net of expenses incurred by the TOB trust, that is not paid to the holders of the short-term securities is paid to the Fund. In connection with managing the Funds' assets, the Funds' investment advisor may at any time retrieve the bonds out of the TOB trust typically within seven days. **TOB investments generally will provide the Funds with economic benefits in periods of declining short-term interest rates, but expose the Funds to risks during periods of rising short-term interest rates similar to those associated with Preferred Stock issued by the Funds, as described above. Additionally, fluctuations in the market value of municipal securities deposited into the TOB trust may adversely affect the Funds' NAVs per share.** (See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOB trusts.)

Under the Investment Company Act of 1940, the Funds are permitted to issue Preferred Stock in an amount up to 50% of their total managed assets at the time of issuance. Each Fund also anticipates that its total economic leverage, which includes Preferred Stock and TOBs, will not exceed 50% of its total managed assets. As of May 31, 2008, BlackRock Muni Intermediate Duration Fund, Inc. and BlackRock Muni New York Intermediate Duration Fund, Inc. had economic leverage of 41% and 35% of their total managed assets, respectively.

Swap Agreements

The Funds may invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds, or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market

without owning or taking physical custody of securities. Swap agreements involve the risk that the party with whom each Fund has entered into a swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

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Schedule of Investments May 31, 2008 **BlackRock Muni Intermediate Duration Fund, Inc.** (Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		

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Alabama 3.1%

Jefferson County, Alabama, Limited Obligation School Warrants, Series A:		
5.50%, 1/01/21	\$ 5,500	\$5,202,450
5.25%, 1/01/23	6,500	6,080,555
Tuscaloosa, Alabama, Special Care Facilities Financing Authority, Residential Care Facility Revenue Bonds (Capstone Village, Inc. Project), Series A, 5.625%, 8/01/25	6,600	5,878,818
		<u>17,161,823</u>

Arizona 2.9%

Maricopa County, Arizona, IDA, Education Revenue Bonds (Arizona Charter Schools Project 1), Series A, 6.625%, 7/01/20	2,820	2,566,510
Navajo County, Arizona, IDA, IDR (Stone Container Corporation Project), AMT, 7.20%, 6/01/27	3,000	2,748,480
Pima County, Arizona, IDA, Education Revenue Bonds (Arizona Charter Schools Project):		
Series C, 6.70%, 7/01/21	990	1,013,156
Series K, 6.375%, 7/01/13 (a)	820	938,383
Series K, 6.375%, 7/01/31	930	930,735
Salt River Project, Arizona, Agriculture Improvement and Power District, Electric System Revenue Bonds, Series A, 5%, 1/01/25	4,000	4,217,920
Vistancia Community Facilities District, Arizona, GO, 5%, 7/15/14	3,630	3,631,670
		<u>16,046,854</u>

Arkansas 0.7%

Conway, Arkansas, Public Facilities Board, Capital Improvement Revenue Refunding Bonds (Hendrix College Projects), Series B, 5%, 10/01/26	3,755	3,761,984
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California 17%

Antelope Valley, California, Health Care District Revenue Bonds, Series A, 5.25%, 9/01/17	8,000	8,045,920
California Pollution Control Financing Authority, PCR, Refunding (Pacific Gas & Electric), AMT, Series A, 5.35%, 12/01/16 (c)	17,730	18,388,138
California Pollution Control Financing Authority, Solid Waste Disposal Revenue Bonds (Republic Services Inc. Project), AMT:		
Series A-2, 5.40%, 4/01/25	1,240	1,156,747
Series B, 5.25%, 6/01/23	750	723,210
California State Department of Water Resources,		

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Power Supply Revenue Bonds, Series A, 5.375%, 5/01/12 (a)	5,000	5,506,350
California State, GO: 5.50%, 4/01/14 (a)	14,795	16,676,628
5.50%, 4/01/28	15	15,723

Municipal Bonds	Par (000)	Value
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California (concluded)

California State, GO, Refunding, 5.25%, 2/01/27 (c)	\$ 5,000	\$5,132,750
California State Public Works Board, Lease Revenue Bonds (Department of Corrections), Series C, 5.50%, 6/01/20	10,000	10,661,100
California Statewide Communities Development Authority, Health Facility Revenue Bonds (Memorial Health Services), Series A, 6%, 10/01/23 (d)	2,500	2,626,825
Elk Grove, California, Poppy Ridge Community Facilities Number 3 Special Tax, Series 1, 6%, 9/01/08 (a)	2,400	2,446,152
Golden State Tobacco Securitization Corporation of California, Tobacco Settlement Revenue Refunding Bonds, Senior Series A-1, 5%, 6/01/15	5,000	4,878,950
Los Angeles, California, Regional Airports Improvement Corporation, Facilities Lease Revenue Refunding Bonds (LAXFUEL Corporation - Los Angeles International Airport), AMT, 5.50%, 1/01/32 (e)	1,435	1,446,049
Rowland, California, Unified School District, GO (Election of 2000), Series B, 5.25%, 8/01/27 (d)	1,515	1,576,706
Sacramento, California, Special Tax (North Natomas Community Facilities), Series 4-C: 5.60%, 9/01/20	585	582,280
5.75%, 9/01/22	1,715	1,715,720
5.90%, 9/01/23	500	503,580
6.00%, 9/01/28	2,990	2,968,891
Sacramento County, California, Airport System Revenue Bonds, Senior Series A, 5%, 7/01/28 (d)	1,695	1,749,155
Southern California HFA, S/F Mortgage Revenue Bonds, AMT, Series A, 5.80%, 12/01/49 (f)(g)	3,960	3,972,118
Tustin, California, Unified School District, Senior Lien Special Tax Bonds (Community Facilities District Number 97-1), Series A, 5%, 9/01/32 (d)	2,610	2,646,697
		93,419,689

Colorado 2.8%

Colorado Educational and Cultural Facilities Authority, Revenue Refunding Bonds (National Jewish Federation Bond Program Project), VRDN, Series A-8, 1.10%, 9/01/35 (b)	3,250	
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