

KARPUS MANAGEMENT INC  
Form SC 13D  
September 15, 2005

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 13D  
Under the Securities Exchange Act of 1934

Real Estate Income Fund, Inc.  
(RIT)  
(Name of Issuer)

Common Stock  
(Title of Class of Securities)

755881109  
(CUSIP Number)

George W. Karpus, President  
Karpus Management, Inc. d/b/a  
Karpus Investment Management  
183 Sullys Trail  
Pittsford, New York 14534  
(585) 586-4680

(Name, Address, and Telephone Number of Person Authorized to Receive Notices  
and Communications)

September 15, 2005  
(Date of Event which requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report  
the acquisition which is subject of this Schedule 13D, and if filing  
this schedule because of Rule 13d-1(b) (3) or (4), check the following box. [ ]

(Page 1 of 9 pages)  
There is One Exhibit

ITEM 1 Security and Issuer  
Common Stock  
Real Estate Income Fund, Inc.  
Citi Fund Management Inc.  
125 Broad Street  
New York, NY 10004

ITEM 2 Identity and Background  
a) Karpus Management, Inc., d/b/a Karpus Investment Management  
(?KIM?)  
George W. Karpus, President, Director, and controlling stockholder  
JoAnn Van Degriff, Vice President and Director  
Sophie Karpus, Director

By virtue of that certain Joint Filing and Solicitation Agreement by and  
among KIM and Western Investment LLC, Western Investment Hedged  
Partners L.P., Western Investment Activism Partners LLC, Western  
Investment Institutional Partners LLC and Arthur D. Lipson (collectively,  
the ?Western Parties?), as described in further detail in Item 6, KIM  
affirms that it is a member of a ?group? with the Western Parties for  
purposes of Section 13(d) (3) of the Securities Exchange Act of 1934, as

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amended (the "Act?"). KIM expressly disclaims beneficial ownership of the securities held by the Western Parties.

b) 183 Sullys Trail

Pittsford, New York 14534

c) Principal business and occupation - Investment Management for individuals, pension, and profit sharing plans, corporations, endowments, trust, and others, specializing in conservative asset management (i.e. fixed income investments).

d) None of George W. Karpus, Jo Ann Van Degriff or Sophie Karpus (the Principals?) or KIM has been convicted in the past 5 years of any criminal proceeding (excluding traffic violations).

e) During the last 5 years none of the Principals or KIM has been a party to a civil proceeding as a result of which any of them is subject to a judgment, decree, or final order enjoining future violations of or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

f) Each of the Principals is a United States citizen.

KIM is a New York corporation.

### ITEM 3 Source and Amount of Funds or Other Considerations

KIM, an independent investment advisor, has accumulated 110,002 shares of RIT on behalf of accounts that are managed by KIM (the Accounts?) under limited powers of attorney, which represents .99% of the outstanding shares. All funds that have been utilized in making such purchases are from such Accounts.

### ITEM 4 Purpose of Transaction

a) KIM has purchased Shares for investment purposes. Being primarily a conservative, fixed income manager, with a specialty focus in the closed end fund sector, the profile of RIT fit the investment guidelines for various Accounts. Shares have been acquired since January 19, 2005.

b) KIM purchased the Shares based on its belief that the Shares, when purchased, were undervalued and represented an attractive investment opportunity. Depending upon overall market conditions, other investment opportunities available to KIM, and the availability of Shares at prices that would make the purchase of additional Shares desirable, KIM may endeavor to increase its position in the Issuer through, among other things, the purchase of Shares on the open market or in private transactions or otherwise, on such terms and at such times as KIM may deem advisable.

KIM believes the current management and the Board of Directors of the Issuer have not taken adequate measures to close the discount to net asset value that the Issuer has historically maintained. On August 25, 2005, KIM filed a preliminary proxy statement with the Securities and Exchange Commission to solicit proxies against the approval of a new Management Agreement and Subadvisory Agreement for the Issuer at a special meeting of shareholders scheduled to be held on October 11, 2005 (the "Special Meeting?") which would take effect when the Issuer's investment manager, Citi Fund Management Inc., becomes a subsidiary of Legg Mason, Inc. pursuant to a deal between Legg Mason, Inc. and Citigroup Inc. On September 14, 2005, KIM and the Western Parties formed a "group" for the purpose of soliciting proxies in opposition to the Issuer's proposals to approve the new Management Agreement and Subadvisory Agreement for the Issuer and for the purpose of voting against such proposals at the Special Meeting.

KIM does not have any present plan or proposal which would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item

4 of

Schedule 13D except as set forth herein or such as would occur upon completion of any of the actions discussed above. KIM intends to review its investment in the Issuer on a continuing basis and engage in discussions with management and the Board of Directors of the Issuer concerning the business, operations and future plans of the Issuer.

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Depending on various factors including, without limitation, the Issuer's financial position and investment strategy, the price levels of the Shares,

conditions in the securities markets and general economic and industry conditions, KIM may in the future take such actions with respect to its investment in the Issuer as it deems appropriate including, without limitation, seeking Board representation, making proposals to the Issuer concerning changes to the capitalization, ownership structure or operations of the Issuer, purchasing additional Shares, selling some or all of its Shares, engaging in short selling of or any hedging or similar transaction with respect to the Shares or changing its intention with respect to any and all matters referred to in Item 4. (Exhibit 1)

### ITEM 5 Interest in Securities of the Issuer

a) As of the date of this Report, KIM owns 110,002 shares, which represent .99%

of the outstanding shares. George Karpus presently owns 4,900 shares purchased

August 8, 2005 at \$17.61 per share (3500 shares)

and August 10 at \$18.11 (1400 shares). Dana Consler presently owns 160 shares purchased January 19, 2005 at \$17.38. None of the other Principals of KIM currently owns shares of RIT.

b) KIM has the sole power to dispose of and to vote all such Shares under limited powers of attorney.

c) Below are the open market purchases in the last 60 days for the Accounts. There have been no dispositions and no acquisition, other than by such open market purchases, during such period.

DATE  
SHARES  
PRICE PER

DATE  
SHARES  
PRICE PER

SHARE

SHARE  
7/7/2005  
-1350  
18.60

8/1/2005  
560  
19.26  
7/18/2005  
100  
18.65

8/2/2005  
3400  
19.25  
7/19/2005  
3000  
18.65

8/3/2005  
6120  
19.24  
7/20/2005

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2700  
18.71

8/4/2005  
12400  
19.10  
7/21/2005  
5800  
18.75

8/5/2005  
5000  
18.50  
7/22/2005  
6100  
18.62

8/8/2005  
3500  
17.61  
7/25/2005  
5400  
18.72

8/9/2005  
8900  
17.91  
7/26/2005  
2000  
18.93

8/10/2005  
7040  
18.07  
7/27/2005  
4200  
18.92

8/11/2005  
3230  
17.95  
7/28/2005  
5200  
19.05

8/12/2005  
4000  
18.02

8/15/2005  
150  
18.09

8/16/2005  
775  
18.33

8/17/2005

6100

18.29

The Accounts have the right to receive all dividends from, and any proceeds from the sale of the Shares. None of the Accounts has an interest in Shares constituting more than 5% of the Shares outstanding.

ITEM 6 Contracts, Arrangements, Understandings, or Relationships with Respect

to Securities of the Issuer

a) Except as described above (Item 4 (b)), there are no contracts, arrangement, understandings or relationships of any kind among the Principals and KIM and between any of them and any other person with respect to any of the RIT securities.

b) On September 14, 2005, KIM and the Western Parties entered into a Joint Filing and Solicitation Agreement in which, among other things, (a) the parties agreed to the filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Issuer to the extent required under applicable securities laws, (b) the parties agreed not to, directly or indirectly, sell, dispose of, transfer or hypothecate any securities of the Issuer without the prior written consent of each of the parties, (c) the parties agreed to form a group for the purpose of soliciting proxies in opposition to the Issuer's proposals to approve a new Management Agreement and Subadvisory Agreement for the Issuer at the Special Meeting, and voting against and soliciting proxies against such proposals, and (d) KIM and the Western Parties agreed to split on a pro rata basis, all expenses incurred in connection with the group's activities in connection with the solicitation. (Exhibit 1)

ITEM 7 Materials to be Filed as Exhibits

Exhibit One ? Joint Agreement.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Karpus Management, Inc.

September 15, 2005  
Date

By: \_\_\_\_\_  
Signature  
Sharon L. Thornton, Director of Investment Personnel  
Name /Title

Exhibit One

JOINT FILING AND SOLICITATION AGREEMENT

WHEREAS, certain of the undersigned are stockholders, direct or beneficial, of Real Estate Income Fund, Inc., a Maryland corporation ( the "Company"); WHEREAS, Karpus Management, Inc. ("Karpus") on the one hand, and Western Investment LLC, Western Investment Hedged Partners L.P., Western Investment Activism Partners LLC, Western Investment Institutional Partners LLC and Arthur D. Lipson (collectively, "Western") wish to form a group for the purpose of voting against and soliciting proxies against proposals to approve a new management agreement and subadvisory agreement for the Company (the "Company Proposals") to be submitted to a vote of the shareholders at a special meeting of shareholders scheduled to be held on October 21, 2005 and any adjournments, postponements, reschedulings or continuations thereof (the "Special Meeting") and taking all other action necessary to achieve the foregoing.

NOW, IT IS AGREED, this 14th day of September 2005 by the parties hereto:

1. In accordance with Rule 13d-1(k)(2) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each of the undersigned (collectively, the "Group") agrees to file individually a statement on Schedule 13D with respect to the securities of the Company to the extent required under applicable securities laws reflecting the formation of a group, such individual filings to be undertaken cooperatively so as to be consistent in form and substance. Each of the undersigned further agrees to file any necessary amendments to their respective filings on Schedule 13D and to cooperate with each other in preparing such filings. Each member of the Group shall be responsible for the accuracy and completeness of his/its own disclosure in his/its respective filings and is not responsible for the accuracy and completeness of the information concerning the other members, unless such member knows or has reason to know that

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such information is inaccurate.

2. While this Agreement is in effect and up until the Special Meeting, none of the undersigned shall be permitted to, directly or indirectly, sell, dispose of, transfer or hypothecate any securities of the Company without the prior written consent of each of the undersigned, however, nothing herein contained shall limit the undersigned from purchasing additional securities of the Company. Neither party shall withhold consent to the sale of securities if such sale is precipitated by directions of a client of the selling party in connection with the the termination of liquidation of all or part of an account.

3. So long as this Agreement is in effect, each of the undersigned shall provide written notice to Kavinoky Cook LLP (?Kavinoky?) and Olshan Grundman Frome Rosenzweig & Wolosky LLP (?Olshan?) of: (a) any of their purchases or sales of securities of the Company or (b) any securities of the Company over which they acquire or dispose of beneficial ownership. Notice shall be given no later than 24 hours after each acquisition transaction.

4. Each of the undersigned agrees to form a group for the purpose of voting against and soliciting proxies against the Company Proposals at the Special Meeting and taking all other action necessary to achieve the foregoing.

5. Karpus and Western agree to share the expenses incurred by the members of the Group in soliciting proxies for the Special Meeting pro rata based upon their respective percentage ownership of shares of the Fund as of the date of the Special Meeting (or any Special Meeting held following an adjournment). Notwithstanding the foregoing, Karpus and Western shall not be required to reimburse any party for (i) out-of-pocket expenses (which shall include items such as incidental mailing, telephone, travel and courier service) incurred by a party in the aggregate in excess of \$3,000 without Karpus? and Western?s prior written approval; (ii) the value of the time of any party; (iii) legal fees incurred without Karpus? and Western?s prior written approval; or (iv) the costs of any counsel employed in connection with any pending or threatened litigation without Karpus? and Western?s prior written approval.

6. Each of the undersigned agrees that any SEC filing, press release or shareholder communication proposed to be made or issued by the Group in connection with the Group?s activities set forth in Section 4 shall be first approved by Kavinoky and Olshan, which approval shall not be unreasonably withheld.

7. The relationship of the parties hereto shall be limited to carrying on the business of the Group in accordance with the terms of this Agreement. Such relationship shall be construed and deemed to be for the sole and limited purpose of carrying on such business as described herein. Nothing herein shall be construed to authorize any party to act as an agent for any other party, or to create a joint venture or partnership, or to constitute an indemnification. Nothing herein shall restrict any party?s right to purchase securities of the Company, as he/it deems appropriate, in his/its sole discretion.

8. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

9. In the event of any dispute arising out of the provisions of this Agreement, the parties hereto consent and submit to the exclusive jurisdiction of the Federal and State Courts in the State of New York.

10. Each of the undersigned parties hereby agrees that this Agreement shall be filed as an exhibit to the Schedule 13D pursuant to Rule 13d-1(k)(1)(iii) under the Exchange Act.

11. Any party hereto may terminate his/its obligations under this Agreement only after the earlier of the first business day following the conclusion of the Special Meeting or any adjournments of the Special Meeting, on 24 hours? written notice to all other parties, with a copy by fax to Steven Wolosky at Olshan, Fax No. (212) 451-2222 and Jonathan Gardner at Kavinoky, Fax No. (716) 845-6474.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

KARPUS MANAGEMENT, INC.

By: /s/ Sharon L. Thornton  
Name: Sharon L. Thornton  
Title: Director Investment Personnel  
Senior Analyst

WESTERN INVESTMENT LLC

By: /s/ Arthur D. Lipson  
Name: Arthur D. Lipson  
Title: Sole Member

WESTERN INVESTMENT HEDGED PARTNERS L.P.

By: Western Investment LLC  
its General Partner

By: /s/ Arthur D. Lipson  
Name: Arthur D. Lipson  
Title: Managing Member

WESTERN INVESTMENT ACTIVISM PARTNERS LLC

By: Western Investment LLC  
its Managing Member

By: /s/ Arthur D. Lipson  
Name: Arthur D. Lipson  
Title: Managing Member

WESTERN INVESTMENT INSTITUTIONAL PARTNERS LLC

By: Western Investment LLC  
its Managing Member

By: /s/ Arthur D. Lipson  
Name: Arthur D. Lipson  
Title: Managing Member

/s/ Arthur D. Lipson  
ARTHUR D. LIPSON