

LMP REAL ESTATE INCOME FUND INC.  
Form SC 13G  
October 12, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934**

Real Estate Income Fund, Inc.

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(Name of Issuer)

Common Stock, \$0.001 par value

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(Title of Class of Securities)

755881109

(CUSIP Number)

October 10, 2006

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(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

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The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 755881109

1. Names of Reporting Persons.

**QVT Financial LP**

I.R.S. Identification Nos. of above persons (entities only).

11-3694008

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a) ..
- (b) x

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

|              |                             |
|--------------|-----------------------------|
| Number of    | 5. Sole Voting Power        |
| Shares       | 0                           |
|              | 6. Shared Voting Power      |
| Beneficially | 556,824 shares              |
| Owned by     | 7. Sole Dispositive Power   |
| Each         | 0                           |
|              | 8. Shared Dispositive Power |
| Reporting    | 556,824 shares              |
| Person       |                             |

With:

9. Aggregate Amount Beneficially Owned by Each Reporting Person

556,824 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

5.03%

12. Type of Reporting Person (See Instructions)

PN

CUSIP No. 755881109

1. Names of Reporting Persons.

**QVT Financial GP LLC**

I.R.S. Identification Nos. of above persons (entities only).

11-3694007

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a) ..
- (b) x

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

|              |                             |
|--------------|-----------------------------|
| Number of    | 5. Sole Voting Power        |
| Shares       | 0                           |
|              | 6. Shared Voting Power      |
| Beneficially | 556,824 shares              |
| Owned by     | 7. Sole Dispositive Power   |
| Each         | 0                           |
|              | 8. Shared Dispositive Power |
| Reporting    | 556,824 shares              |
| Person       |                             |

With:

9. Aggregate Amount Beneficially Owned by Each Reporting Person

556,824 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

5.03%

12. Type of Reporting Person (See Instructions)

OO

**Item 1 (a).** Name of Issuer

Real Estate Income Fund, Inc. (the Issuer )

**Item 1 (b).** Address of Issuer's Principal Executive Offices

The address of the Issuer's principal executive offices is:

125 Broad Street, New York, New York 10004, United States

**Item 2 (a).** Name of Person Filing

**Item 2 (b).** Address of Principal Business Office or, if none, Residence

**Item 2 (c).** Citizenship

QVT Financial LP

1177 Avenue of the Americas, 9th Floor

New York, New York 10036

Delaware Limited Partnership

QVT Financial GP LLC

1177 Avenue of the Americas, 9th Floor

New York, New York 10036

Delaware Limited Liability Company

**Item 2 (d).** Title of Class of Securities

Common Stock, \$0.001 par value (the Common Stock ).

**Item 2 (e).** CUSIP Number

The CUSIP number of the Common Stock is 755881109.

**Item 3. If this statement is filed pursuant to §§ 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

- (a) .. Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b) .. Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) .. Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) .. Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e) .. An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
- (f) .. An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
- (g) .. A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
- (h) .. A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) .. A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) .. Group, in accordance with § 240.13d-1(b)(1)(ii)(J).

**Item 4. Ownership.**

(a) Amount beneficially owned:

QVT Financial LP ( QVT Financial ) is the investment manager for QVT Fund LP (the Fund ), which beneficially owns 118,837 shares of Common Stock, QVT Overseas Ltd., which beneficially owns 207,261 shares of Common Stock, QVT Associates LP, which beneficially owns 73,947 shares of Common Stock and QVT Global II LP, which beneficially owns 83,806 shares of Common Stock. QVT Financial is also the investment manager for a separate discretionary account managed for Deutsche Bank AG (the Separate Account ), which holds 72,973 shares of Common Stock. QVT Financial has the power to direct the vote and disposition of the shares of Common Stock held by the Fund, QVT Overseas Ltd., QVT Associates LP, QVT Global II LP and the Separate Account. Accordingly, QVT Financial may be deemed to be the beneficial owner of an aggregate amount of 556,824 shares of Common Stock, consisting of the shares owned by the Fund, QVT Overseas Ltd., QVT Associates LP, QVT Global II LP and the shares held in the Separate Account.

QVT Financial GP LLC, as General Partner of QVT Financial, may be deemed to beneficially own the same number of shares of Common Stock reported by QVT Financial.

The reported share amounts for each reporting person reflect amounts held as of October 10, 2006, as adjusted for subsequent transactions through the date hereof.

Each of QVT Financial and QVT Financial GP LLC disclaim beneficial ownership of the shares of Common Stock owned by the Fund, QVT Overseas Ltd., QVT Associates LP, QVT Global II LP and the shares of Common Stock held in the Separate Account.

(b) Percent of class:

See Item 11 of the Cover Pages to this Schedule 13G.

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

0

(ii) Shared power to vote or to direct the vote

See item (a) above.

(iii) Sole power to dispose or to direct the disposition of

0

(iv) Shared power to dispose or to direct the disposition of

See item (a) above.

**Item 5. Ownership of Five Percent or Less of a Class**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following " ".

**Item 6. Ownership of More than Five Percent on Behalf of Another Person.**

Not Applicable

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company**

Not Applicable

**Item 8. Identification and Classification of Members of the Group**

Not Applicable

**Item 9. Notice of Dissolution of Group**

Not Applicable

**Item 10. Certification**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of

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the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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**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.

Dated: October 12, 2006

**QVT FINANCIAL LP**

By QVT Financial GP LLC,  
its General Partner

By: /s/ Daniel Gold  
Name: Daniel Gold  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member

**QVT FINANCIAL GP LLC**

By: /s/ Daniel Gold  
Name: Daniel Gold  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member



EXHIBIT A

JOINT FILING AGREEMENT

The undersigned hereby agree that the statement on Schedule 13G signed by each of the undersigned shall be filed on behalf of each of the undersigned pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended.

Dated: October 12, 2006

**QVT FINANCIAL LP**

By QVT Financial GP LLC,  
its General Partner

By: /s/ Daniel Gold  
Name: Daniel Gold  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member

**QVT FINANCIAL GP LLC**

By: /s/ Daniel Gold  
Name: Daniel Gold  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member