NUVEEN REAL ESTATE INCOME FUND
Form N-CSRS
September 06, 2007

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 811-10491

Nuveen Real Estate Income Fund

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: December 31

Date of reporting period: June 30, 2007

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. SS. 3507.

ITEM 1. REPORTS TO SHAREHOLDERS

Semi-Annual Report
JUNE 30, 2007

Nuveen Investments
CLOSED-END FUNDS

NUVEEN
REAL ESTATE
INCOME FUND
JRS

High Current Income from a Portfolio of
Commercial Real Estate Investments

NUVEEN INVESTMENTS LOGO

Life is complex.

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makes things
e-simple.

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NUVEEN INVESTMENTS LOGO

Chairman's
LETTER TO SHAREHOLDERS

(TIMOTHY SCHWERTFEGER PHOTO)

Timothy R. Schwertfeger

Chairman of the Board

Dear Shareholder:

Once again, I am pleased to report that over the six-month period covered by this report your Fund continued to provide you with attractive income. For more details about the management strategy and performance of your Fund, please read the Portfolio Managers' Comments, the Dividend and Share Price Information, and the Performance Overview sections of this report.

I also wanted to take this opportunity to report some important news about Nuveen Investments. We have accepted a buyout offer from a private equity investment firm. While this may affect the corporate structure of Nuveen Investments, it will have no impact on the investment objectives of the Fund, its portfolio management strategies or its dividend policies. We will provide you with additional information about this transaction as more details become available.

With the recent volatility in the stock market, many have begun to wonder which way the market is headed, and whether they need to adjust their holdings of investments. No one knows what the future will bring, which is why we think a well-balanced portfolio that is structured and carefully monitored with the help of an investment professional is an important component in achieving your long-term financial goals. A well-diversified portfolio may actually help to reduce your overall investment risk, and we believe that investments like your Nuveen Investments Fund can be important building blocks in a portfolio crafted to perform well through a variety of market conditions.

We are grateful that you have chosen us as a partner as you pursue your financial goals and we look forward to continuing to earn your trust in the months and years ahead. At Nuveen Investments, our mission continues to be to assist you and your financial advisor by offering investment services and products that can help you to secure your financial objectives.

Sincerely,

(TIMOTHY SCHWERTFEGER SIG)

Timothy R. Schwertfeger
Chairman of the Board
August 15, 2007

Portfolio Managers' COMMENTS

NUVEEN INVESTMENTS CLOSED-END FUNDS   JRS

The Nuveen Real Estate Income Fund ("JRS") is managed by a team of real estate investment professionals at Security Capital Research & Management Incorporated ("SC-R&M"), a wholly-owned subsidiary of J. P. Morgan Chase & Co. Anthony R. Manno Jr. and Kenneth D. Statz, who each have more than 26 years of experience in managing real estate investments, lead the team. Here they talk about the economic environment and performance of the Fund over the six-month period.

WHAT WERE THE BASIC STRATEGIES AND TACTICS YOU USE TO MANAGE THE FUND DURING THIS PERIOD?

In managing the JRS portfolio, SC-R&M sought to maintain significant property type and geographic diversification while taking into account company credit quality, sector, and security-type allocations. Investment decisions were based on a multi-layered analysis of the company, the real estate it owns, its management, and the relative price of the security, with a focus on securities that we believe will be best positioned to generate sustainable income and potential price appreciation over the long-run. Throughout 2007, the portfolio continued to emphasize companies and property types associated with shorter lease terms (e.g. multifamily, storage, etc.) and underweight more defensive, bond-like companies and property types typically reflecting longer lease terms (e.g. malls and shopping centers). Across all real estate sectors, SC-R&M favored companies with properties located in the strongest markets. These "high barrier to entry" markets are defined by constraints that limit new construction, a quality that over the long-term has the potential to provide superior value enhancement and a real inflation hedge.

The ability to shift allocations between preferred and common stock based on the relative attractiveness of these two distinct security types is an important tool in managing JRS for income and long-term capital appreciation. For the first six months of 2007, SC-R&M continued to tilt the portfolio toward common stocks, which at the end of the second quarter represented approximately 68% of the portfolio. The remaining portfolio allocations were 30% preferred stocks and 2% cash equivalents.

With the recent volatility in the stock market, many have begun to wonder which way the market is headed, and whether they need to adjust their holdings of investments. No one knows what the future will bring, which is why we think a well-balanced portfolio that is structured and carefully monitored with the help of an investment professional is an important component in achieving your long-term financial goals. A well-diversified portfolio may actually help to reduce your overall investment risk, and we believe that investments like your Nuveen Investments Fund can be important building blocks in a portfolio crafted to perform well through a variety of market conditions.

Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The views expressed herein represent those of the portfolio managers as of the date of this report and are subject to change at any time, based on market conditions and other factors. The Fund disclaims any obligation to advise shareholders of such changes.

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HOW DID THE FUND PERFORM OVER THIS SIX-MONTH PERIOD?

The performance of JRS, as well as the performance of comparative indices or benchmarks, is presented in the accompanying table.

Cumulative Total Returns on Net Asset Value
For the six months ended 6-30-07

JRS	-7.66%
Dow Jones Wilshire Real Estate Securities Index(1)	-5.97%

Past performance does not guarantee future results. Current performance may be higher or lower than the data shown.
Returns do not reflect the deduction of taxes that a shareholder may have to pay on Fund distributions or upon the sale of Fund shares. For additional information, please see the individual Performance Overview page in this report.

For the six months ended June 30, 2007, the Fund underperformed the Dow Jones

Wilshire Real Estate Securities Index. It is important to note that investing in preferred stock is an important component of the income and appreciation strategy of JRS. However, preferred securities are not included in broader real estate securities indices, like the Dow Jones Wilshire Real Estate Securities Index ("WARESI").

Real estate market statistics emerging in the period show a strongly positive trend in rents and occupancy levels for most property segments in the face of healthy job growth, escalating replacement costs and moderate levels of new construction. Strong property operations are the backbone of cash flow and long-term value for real estate companies, and while we are mindful of expense pressures, a healthy and improving top-line provides a solid foundation for many stocks in the group. Despite these strong fundamental conditions, real estate stock prices swooned in the first half of 2007 amidst an otherwise strong U.S. equity market as investors weighed turbulence in real estate lending markets and questioned the potential for a broader impact on market liquidity and asset pricing. A number of factors impacted real estate debt markets later in the period, notably subprime-related volatility in the pricing of structured real estate debt securities, pronouncements from rating agency Moody's regarding tightening commercial underwriting standards, and a bounce in long-term U.S. Treasury rates.

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1 The Dow Jones Wilshire Real Estate Securities Index is an unmanaged index comprised of common shares of publicly-traded REITs and other real estate operating companies.

The Fund's strong representation in stock of companies that were subject to merger and acquisition activities in the period was the major beneficial factor for the period. Specifically, four companies (Archstone-Smith Trust, Equity Office Properties Trust, New Plan Excel Realty Trust and Reckson Associates Realty Corporation) were acquired during the period by third parties at significant premiums to trading values prior to the announced deals. Our focus on owning companies that own high quality commercial real estate with strong forward prospects for cash flow growth proved highly attractive to privately funded commercial real estate investors.

The Fund's investments in the storage and health care industries were particularly poor performers in the period. Investor concern over a potential decline in fundamentals in the storage industry due to turmoil in the single family housing markets we believe are over blown. Surprisingly in a volatile Real Estate Investment Trust (REIT) pricing period, the usually defensive health care REITs also performed poorly in the period. Investor concern over rising interest rates and the potential for lower investment spreads on new acquisitions seemed to cause selling pressure in these securities. We believe the long-term growth in the percentage of the U.S. population over the age of 80 years old bodes very well for the owners of high quality housing designed for the aging baby boomers.

The Fund's tilt toward common versus preferred stock referenced above reduced overall Fund performance due to the poor performance of REIT common shares versus the modest but positive performance of the preferred stocks.

Distribution and Share Price

INFORMATION

We are providing you with information regarding your Fund's distributions. This information is as of June 30, 2007, and likely will vary over time based on the Fund's investment activities and portfolio investment value changes. On March 1, 2007, Nuveen Investments announced that the Fund would be moving from a monthly to a quarterly distribution schedule. The last monthly distribution was paid on April 2, 2007 and first quarterly distribution was paid on July 2, 2007.

In addition to owning preferred stocks, the Fund has issued its own preferred shares, called Taxable Auctioned Preferred(TM). This provides a degree of financial leverage that can increase share price volatility, but also can enhance Fund returns and supplement the income available to pay common shareholder distributions. This leveraging strategy provided incremental income and helped enhance shareholder distributions over the six-month period.

The Fund has a managed distribution program. The goal of a managed distribution program is to provide shareholders relatively consistent and predictable cash flow by systematically converting its expected long-term return potential into regular distributions. As a result, regular distributions throughout the year will likely include a portion of expected long-term gains (both realized and unrealized), along with net investment income.

Important points to understand about the managed distribution program are:

- The Fund seeks to establish a relatively stable distribution rate that roughly corresponds to the projected total return from its investment strategy over an extended period of time. However, you should not draw any conclusions about the Fund's past or future investment performance from its current distribution rate.

- Actual returns will differ from projected long-term returns (and therefore the Fund's distribution rate), at least over shorter time periods. Over a specific timeframe, the difference between actual returns and total distributions will be reflected in an increasing (returns exceed distributions) or a decreasing (distributions exceed returns) Fund net asset value.

- Each distribution is expected to be paid from some or all of the following sources:

  - net investment income (regular interest and dividends),

  - realized capital gains, and

  - unrealized gains, or, in certain cases, a return of principal (non-taxable distributions)

- A non-taxable distribution is a payment of a portion of the Fund's capital. When the Fund's returns exceed distributions, it may represent portfolio gains generated, but not realized as a taxable capital gain. In periods when the Fund's returns fall short of distributions, it will represent a portion of your original principal unless the shortfall is offset during other time

periods over the life of your investment (previous or subsequent) when the Fund's total return exceeds distributions.

- Because distribution source estimates are updated during the year, based on the Fund's performance and forecast for its current fiscal year (which is the calendar year for the Fund), these estimates may differ from both the tax information reported to you in your Fund's IRS Form 1099 statement provided at year end, as well as the ultimate economic sources of distributions over the life of your investment.

The following table provides estimated information regarding the Fund's distributions and total return performance for the six months ended June 30, 2007. The distribution information is presented on a tax basis rather than on a generally accepted accounting principles (GAAP) basis. This information is intended to help you better understand whether the Fund's returns for the specified time period was sufficient to meet the Fund's distributions.

AS OF 6/30/07	JRS
Inception date	11/15/01
Six months ended 6/30/07:	
Per share distribution:	
From net investment income	$0.35
From realized capital gains	0.79
From return of capital	--
Total per share distribution	$1.14
Distribution rate on NAV	4.88%
Cumulative six-month total return on NAV	-7.66%
Annualized one-year total return on NAV	7.76%
Annualized five-year total return on NAV	17.27%
Annualized since inception total return on NAV	18.19%

As of June 30, 2007, the Fund was trading at a 3.04% premium to its net asset value, compared with an average premium of 1.8% for the entire six-month period.

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JRS PERFORMANCE OVERVIEW

Nuveen Real Estate Income Fund

as of 6-30-07

PORTFOLIO ALLOCATION (AS A % OF TOTAL INVESTMENTS)
(PIE CHART)

Real Estate Investment Trust Common Stocks	67.9
Real Estate Investment Trust Preferred Stocks	30.5
Short-Term Investments	1.6

2006-2007 DISTRIBUTIONS PER SHARE(2)
(BAR CHART)

Jul	0.17
Aug	0.17
Sep	0.18
Oct	0.18
Nov	0.18
Dec	0.19
Jan	0.19
Feb	0.19
Mar	0.19
Apr	
May	
Jun	0.57

SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE
(LINE GRAPH)

7/03/06	23.40
	23.50
	23.10
	23.50
	24.30
	24.50
	24.50
	24.90
	24.90
	25.30
	25.10
	25.80
	25.70
	26.40
	27.60
	28.50
	26.80
	27.40
	24.80
	25.40
	26.30
	27.50
	28.40
	28.80
	28.70
	28.40
	28.50
	27.30
	28.20
	28.60
	29.00
	30.00
	29.00
	28.40
	28.10
	26.50
	27.40
	26.70
	27.80
	26.90
	26.90
	26.70

	27.30
	27.00
	26.30
	25.80
	24.00
	25.00
	25.90
	25.70
	24.50
	23.40
	24.10
6/30/07	24.10

FUND SNAPSHOT

Common Share Price	$24.05
Common Share Net Asset Value	$23.34
Premium/(Discount) to NAV	3.04%
Current Distribution Rate(1)	9.48%
Net Assets Applicable to Common Shares ($000)	$658,494

INDUSTRIES
(as a % of total investments)

Specialized	31.0%
Office	20.7%
Retail	17.6%
Residential	14.4%
Diversified	9.1%
Short-Term Investments	1.6%
Other	5.6%

TOP FIVE REAL ESTATE INVESTMENT TRUST COMMON STOCK ISSUERS
(as a % of total investments)

Macerich Company	6.0%
AvalonBay Communities, Inc.	5.8%
Mack-Cali Realty Corporation	5.0%
Ashford Hospitality Trust Inc.	4.2%
Ventas Inc.	4.1%

TOP FIVE REAL ESTATE INVESTMENT TRUST PREFERRED STOCK ISSUERS
(as a % of total investments)

Crescent Real Estate Equities Company	4.1%
Public Storage, Inc.	3.1%
Lexington Realty Trust	2.6%
Maguire Properties, Inc.	2.5%
Hospitality Properties Trust	2.0%

AVERAGE ANNUAL TOTAL RETURN
(Inception 11/15/01)

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	-11.73%	-7.66%
1-Year	13.34%	7.76%
5-Year	17.99%	17.27%
Since Inception	18.12%	18.19%

1 Current Distribution Rate is based on the Fund's current annualized quarterly distribution divided by the Fund's current market price. REIT distributions received by the Fund are generally comprised of investment income, long-term and short-term capital gains and a REIT return of capital. The Fund's

quarterly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

2 Effective March 1, 2007, the Fund changed from a monthly distribution to a quarterly distribution schedule. The Fund's last monthly distribution was declared March 1, 2007, and paid on April 2, 2007. The Fund's first quarterly distribution was declared June 1, 2007, and paid on July 2, 2007.

SHAREHOLDER MEETING REPORT

The shareholder meeting was held in the offices of Nuveen Investments on April 4, 2007.

APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS:

	Common and Preferred shares voting together as a class	Preferred shares voting together as a class
Robert P. Bremner		
For	26,415,777	--
Withhold	158,877	--
Total	26,574,654	--
Lawrence H. Brown(1)		
For	26,409,508	--
Withhold	165,146	--
Total	26,574,654	--
Jack B. Evans		
For	26,424,284	--
Withhold	150,370	--
Total	26,574,654	--
William C. Hunter		
For	26,427,002	--
Withhold	147,652	--
Total	26,574,654	--
William J. Schneider		
For	--	8,243
Withhold	--	23
Total	--	8,266
Timothy R. Schwertfeger		

For	--	8,247
Withhold	--	19
Total	--	8,266
Judith M. Stockdale		
For	26,413,161	--
Withhold	161,493	--
Total	26,574,654	--
Carole E. Stone		
For	26,418,513	--
Withhold	156,141	--
Total	26,574,654	--
Eugene S. Sunshine(2)		
For	26,413,109	--
Withhold	161,545	--
Total	26,574,654	--

(1) Mr. Lawrence H. Brown retired from the Board of Trustees on July 1, 2007.

(2) Mr. Eugene S. Sunshine resigned from the Board of Trustees on July 31, 2007.

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JRS
Nuveen Real Estate Income Fund
Portfolio of INVESTMENTS
as of 6-30-07 (Unaudited)

SHARES	DESCRIPTION (1)
	REAL ESTATE INVESTMENT TRUST COMMON STOCKS - 98.5% (67.9% OF TOTAL INVESTMENTS)
	INDUSTRIAL - 6.7%
1,823,900	DCT Industrial Trust Inc.
626,600	First Industrial Realty Trust, Inc.
	Total Industrial
	OFFICE - 22.5%
1,195,300	Brandywine Realty Trust
2,280,800	HRPT Properties Trust
1,090,500	Mack-Cali Realty Corporation
264,600	Maguire Properties, Inc.
1,579,000	Republic Property Trust
116,396	SL Green Realty Corporation
	Total Office
	RESIDENTIAL - 16.0%
315,300	Apartment Investment & Management Company, Class A
464,500	AvalonBay Communities, Inc.

278,100	Camden Property Trust
590,000	United Dominion Realty Trust
	Total Residential
	RETAIL - 21.9%
413,800	Federal Realty Investment Trust
691,000	Macerich Company
396,900	Simon Property Group, Inc.
449,800	Weingarten Realty Investors Trust
	Total Retail
	SPECIALIZED - 31.4%
3,430,000	Ashford Hospitality Trust Inc.
791,400	Cogdell Spencer Inc.
579,600	DiamondRock Hospitality Company
1,502,000	Extra Space Storage Inc.
933,800	Health Care Property Investors Inc.
1,716,100	Senior Housing Properties Trust
819,700	U-Store-It Trust
1,081,600	Ventas Inc.
	Total Specialized
	TOTAL REAL ESTATE INVESTMENT TRUST COMMON STOCKS (COST $512,529,292)

SHARES	DESCRIPTION (1)	COUPON
	REAL ESTATE INVESTMENT TRUST PREFERRED STOCKS - 44.3% (30.5% OF TOTAL INVESTMENTS)	
	DIVERSIFIED - 13.2%	
1,031,300	Crescent Real Estate Equities Company, Series A (Convertible)	6.750%
530,000	Crescent Real Estate Equities Company, Series B	9.500%
529,942	Duke-Weeks Realty Corporation	6.950%
150,000	Lexington Corporate Properties Trust, Series B	8.050%
850,000	Lexington Realty Trust	7.550%
400,000	PS Business Parks, Inc., Series O	7.375%
	Total Diversified	
	SPECIALTY FINANCE - 1.5%	
400,000	Gramercy Capital Corporation	8.125%

JRS
Nuveen Real Estate Income Fund (continued)
Portfolio of INVESTMENTS as of 6-30-07 (Unaudited)

SHARES	DESCRIPTION (1)	COUPON
	OFFICE - 7.5%	

160,000	Alexandria Real Estate Equities Inc., Series C	8.375%
200,000	Corporate Office Properties Trust, Series G	8.000%
12,141	Highwoods Properties, Inc., Series A	8.625%
57,612	Highwoods Properties, Inc., Series B	8.000%
81,000	HRPT Properties Trust, Series C	7.125%
993,800	Maguire Properties, Inc., Series A	7.625%
	Total Office	
	RESIDENTIAL - 4.9%	
511,100	Apartment Investment & Management Company, Series U	7.750%
183,000	Apartment Investment & Management Company, Series Y	7.875%
101,900	BRE Properties, Series C	6.750%
505,900	BRE Properties, Series D	6.750%
	Total Residential	
	RETAIL - 3.7%	
160,000	Cedar Shopping Centers Inc., Series A	8.875%
113,000	Glimcher Realty Trust, Series F	8.750%
154,300	Glimcher Realty Trust, Series G	8.125%
125,000	Saul Centers, Inc., Series A	8.000%
400,000	Taubman Centers, Inc., Series H	7.625%
	Total Retail	
	SPECIALIZED - 13.5%	
130,000	Ashford Hospitality Trust, Series A	8.550%
546,900	FelCor Lodging Trust Inc., Series C	8.000%
120,000	Hersha Hospitality Trust, Series A	8.000%
800,000	Hospitality Properties Trust, Series C	7.000%
1,000,000	Public Storage, Inc., Series I	7.250%
151,700	Public Storage, Inc.	6.750%
175,000	Strategic Hotel Capital Inc., Series B	8.250%
320,000	Strategic Hotel Capital Inc., Series C	8.250%
300,000	Sunstone Hotel Investors Inc., Series A	8.000%
	Total Specialized	
	TOTAL REAL ESTATE INVESTMENT TRUST PREFERRED STOCKS (COST $284,483,479)	

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	COUPON	MATURITY
	SHORT-TERM INVESTMENTS - 2.3% (1.6% OF TOTAL INVESTMENTS)		
$ 14,875	Repurchase Agreement with Fixed Income Clearing Corporation, dated 6/29/07, repurchase price $14,880,425, collateralized by $12,440,000 U.S. Treasury Bond, 7.125%, due 2/15/23, value $15,176,800	4.000%	7/02/07
==========	TOTAL SHORT-TERM INVESTMENTS (COST $14,875,467)		
	TOTAL INVESTMENTS (COST $811,888,238) - 145.1%		
	BORROWINGS - (10.6)% (2)		
	OTHER ASSETS LESS LIABILITIES - (0.8)%		

TAXABLE AUCTIONED PREFERRED SHARES, AT LIQUIDATION VALUE - (33.7)%	
NET ASSETS APPLICABLE TO COMMON SHARES - 100%	

INTEREST RATE SWAPS OUTSTANDING AT JUNE 30, 2007:

COUNTERPARTY	NOTIONAL AMOUNT	FUND PAY/RECEIVE FLOATING RATE	FLOATING RATE INDEX	FIXED RATE (ANNUALIZED)	FIXED RAT PAYMEN FREQUENC
Citigroup Inc.	$43,000,000	Receive	1-Month USD-LIBOR	5.190%	Monthl

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

(1) All percentages shown in the Portfolio of Investments are based on net assets appli to Common shares unless otherwise noted.
(2) Borrowings Payable as a percentage of total investments is (7.3)%.

See accompanying notes to financial statements.

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Statement of

ASSETS & LIABILITIES

June 30, 2007 (Unaudited)

ASSETS	
Investments, at value (cost $811,888,238)	$955,751,007
Unrealized appreciation on interest rate swaps	35,908
Receivables:	
Dividends	4,526,558
Interest	3,306
Investments sold	15,037,796
Other assets	61,487
Total assets	975,416,062
LIABILITIES	
Borrowings	70,000,000
Payable for investments purchased	23,742,834
Accrued expenses:	
Management fees	501,271
Interest on borrowings	329,839
Taxable Auctioned Preferred share offering costs	54,764

Other	172,331
Taxable Auctioned Preferred shares dividends payable	120,721
Total liabilities	94,921,760
Taxable Auctioned Preferred shares, at liquidation value	222,000,000
Net assets applicable to Common shares	$658,494,302
Common shares outstanding	28,218,393
Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	$ 23.34
NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:	
Common shares, $.01 par value per share	$ 282,184
Paid-in surplus	421,210,587
Undistributed (Over-distribution of) net investment income	(26,289,701)
Accumulated net realized gain (loss) from investments and derivative transactions	119,392,555
Net unrealized appreciation (depreciation) of investments and derivative transactions	143,898,677
Net assets applicable to Common shares	$658,494,302
Authorized shares:	
Common	Unlimited
Taxable Auctioned Preferred	Unlimited

See accompanying notes to financial statements.

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Statement of

OPERATIONS

	Six months ended June 30, 2007 (Unaudited)
INVESTMENT INCOME	
Dividends	$ 16,938,691
Interest	399,352
Total investment income	17,338,043
EXPENSES	
Management fees	4,465,051
Taxable Auctioned Preferred shares - auction fees	275,220
Taxable Auctioned Preferred shares - dividend disbursing agent fees	12,903
Shareholders' servicing agent fees and expenses	1,475
Interest expense	1,871,408

Liquidity and program fees	107,608
Custodian's fees and expenses	82,396
Trustees' fees and expenses	16,828
Professional fees	35,183
Shareholders' reports - printing and mailing expenses	60,703
Stock exchange listing fees	1,188
Investor relations expense	63,439
Other expenses	41,201
Total expenses before custodian fee credit and expense reimbursement	7,034,603
Custodian fee credit	(2,770)
Expense reimbursement	(1,283,762)
Net expenses	5,748,071
Net investment income	11,589,972
REALIZED AND UNREALIZED GAIN (LOSS)	
Net realized gain (loss) from investments	118,793,191
Net realized gain (loss) from interest rate swaps	69,134
Change in net unrealized appreciation (depreciation) of investments	(180,528,286)
Change in net unrealized appreciation (depreciation) of interest rate swaps	136,936
Net realized and unrealized gain (loss)	(61,529,025)
DISTRIBUTIONS TO TAXABLE AUCTIONED PREFERRED SHAREHOLDERS	
From and in excess of net investment income	(5,547,369)
Decrease in net assets applicable to Common shares from distributions to Taxable Auctioned Preferred shareholders	(5,547,369)
Net increase (decrease) in net assets applicable to Common shares from operations	$ (55,486,422)

See accompanying notes to financial statements.

Statement of

CHANGES in NET ASSETS (Unaudited)

	SIX MONTHS ENDED 6/30/07	YEAR ENDED 12/31/06
OPERATIONS		
Net investment income	$ 11,589,972	$ 28,427,511
Net realized gain (loss) from investments (net of federal corporate income taxes of $0 and $15,719,306, respectively, on long-term capital gains retained)	118,793,191	52,460,690
Net realized gain (loss) from interest rate swaps	69,134	(17,122)
Change in net unrealized appreciation (depreciation) of		

investments	(180,528,286)	98,615,287
Change in net unrealized appreciation (depreciation) of interest rate swaps	136,936	551,230
Distributions to Taxable Auctioned Preferred shareholders:		
From and in excess of net investment income	(5,547,369)	--
From net investment income	--	(3,850,141)
From accumulated net realized gains	--	(5,800,915)
Net increase (decrease) in net assets applicable to Common shares from operations	(55,486,422)	170,386,540
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From and in excess of net investment income	(32,158,133)	--
From net investment income	--	(37,860,356)
From accumulated net realized gains	--	(17,451,897)
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(32,158,133)	(55,312,253)
CAPITAL SHARE TRANSACTIONS		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	1,020,093	1,140,553
Taxable Auctioned Preferred shares offering costs and adjustments	--	(745,000)
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	1,020,093	395,553
Net increase (decrease) in net assets applicable to Common shares	(86,624,462)	115,469,840
Net assets applicable to Common shares at the beginning of period	745,118,764	629,648,924
Net assets applicable to Common shares at the end of period	$ 658,494,302	$745,118,764
Undistributed (Over-distribution of) net investment income at the end of period	$ (26,289,701)	$ (174,171)

See accompanying notes to financial statements.

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Notes to

FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Nuveen Real Estate Income Fund (the "Fund") is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund's Common shares are listed on the American Stock Exchange and trade under the ticker symbol "JRS." The Fund was organized as a Massachusetts business trust on August 27, 2001.

The Fund seeks to provide high current income by investing primarily in a portfolio of income-producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies, such as Real Estate Investment Trusts ("REITs").

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements in accordance with U.S. generally accepted accounting principles.

Investment Valuation

Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. The prices of fixed-income securities and derivative instruments are generally provided by an independent pricing service approved by the Fund's Board of Trustees. When price quotes are not readily available, the pricing service or, in the absence of a pricing service for a particular investment, the Board of Trustees of the Fund, or its designee, may establish fair value using a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant by the pricing service or the Board of Trustees' designee. If the pricing service is unable to supply a price for a derivative investment the Fund may use a market quote provided by a major broker/dealer in such investments. If it is determined that the market price for an investment or derivative instrument is unavailable or inappropriate, the Board of Trustees of the Fund, or its designee, may establish fair value in accordance with procedures established in good faith by the Board of Trustees. Short-term investments are valued at amortized cost, which approximates market value.

Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from investment transactions are determined on the specific identification method. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Fund has instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. At June 30, 2007, the Fund had no such outstanding purchase commitments.

Investment Income

Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

Federal Income Taxes

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. The Fund intends to distribute substantially all of its investment company taxable income to shareholders. In any year when the Fund realizes net capital gains, the Fund may choose to distribute all or a portion of its net capital gains to shareholders, or alternatively, to retain all or a portion of its net capital gains and pay federal corporate income taxes on such retained gains.

Dividends and Distributions to Common Shareholders

Distributions to Common shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal corporate income tax regulations, which may differ from U.S. generally accepted accounting principles.

The Fund makes quarterly cash distributions to Common shareholders of a stated dollar amount per share. Subject to approval and oversight by the Fund's Board of Trustees, the Fund seeks to maintain a stable distribution level designed to deliver the long-term return potential of the Fund's investment strategy through regular quarterly distributions (a "Managed Distribution Policy"). Total distributions during a calendar year generally will be made from the Fund's net investment income, net realized capital gains and net unrealized capital gains in the Fund's portfolio, if any. The portion of distributions paid from net unrealized gains, if any, would be distributed from the Fund's assets and would be treated by shareholders as a non-taxable distribution for tax purposes. If the Fund's total return on net asset value exceeds total distributions during a calendar year, the excess will be reflected as an increase in net asset value per share. In the event that total distributions during a calendar year exceed the Fund's total return on net asset value, the difference will be treated as a return of capital for tax purposes and will reduce net asset value per share. The final

determination of the source and character of all distributions for the fiscal year are made after the end of the fiscal year and are reflected in the financial statements contained in the annual report as of December 31 each year.

REIT distributions received by the Fund are generally comprised of ordinary income, long-term and short-term capital gains, and a return of REIT capital. The actual character of amounts received during the period are not known until after the fiscal year-end. For the fiscal year ended December 31, 2006, the character of distributions to the Fund from the REITs was 64.23% ordinary income, 26.69% long-term and short-term capital gains, and 9.08% return of REIT capital.

For the fiscal year ended December 31, 2006, the Fund applied the actual character of distributions reported by the REITs in which the Fund invests to its receipts from the REITS. If a REIT held in the portfolio of investments did not report the actual character of its distributions during the period, the Fund treated the distributions as ordinary income.

For the six months ended June 30, 2007, the Fund applied the actual percentages for the fiscal year ended December 31, 2006, described above, to its receipts from the REITs and treated as income in the Statement of Operations only the amount of ordinary income so calculated. The Fund adjusts that estimated breakdown of income type (and consequently its net investment income) as necessary early in the following calendar year when the REITs inform their shareholders of the actual breakdown of income type.

The actual character of distributions made by the Fund during the fiscal year ended December 31, 2006, is reflected in the accompanying financial statements.

The distributions made by the Fund to its shareholders during the six months ended June 30, 2007, are provisionally classified as being "From and in excess of net investment income", and those distributions will be classified as being from net investment income, net realized capital gains and/or a return of capital for tax purposes after the fiscal year end, based upon the income type breakdown information conveyed at the time by the REITs whose securities are held in the Fund's portfolio. For purposes of calculating "Undistributed (Over-distribution of) net investment income" as of June 30, 2007, the distribution amounts provisionally classified as "From and in excess of net investment income" were treated as being entirely from net investment income. Consequently, the financial statements at June 30, 2007, reflect an over-distribution of net investment income.

Taxable Auctioned Preferred Shares

The Fund has issued and outstanding 1,720 Series M, 1,720 Series T, 1,720 Series W, 2,000 Series Th and 1,720 Series F, Taxable Auctioned Preferred shares, $25,000 stated value per share, as a means of effecting financial leverage. The dividend rate paid by the Fund on each Series is determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and is payable at the end of each rate period.

Interest Rate Swap Transactions

The Fund is authorized to invest in interest rate swap transactions. The Fund's use of interest rate swap transactions is intended to mitigate the negative impact that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swap transactions involve the Fund's agreement with the counterparty to pay or receive a fixed rate payment in exchange for the counterparty paying or receiving a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on Taxable Auctioned Preferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the interest rate swap contract. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that the Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Fund helps manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties Nuveen Asset Management (the "Adviser"), a wholly owned subsidiary of Nuveen Investments, Inc. ("Nuveen"), believes have the financial resources to honor their obligations and by having the Adviser continually monitor the financial stability of the swap counterparties.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

Custodian Fee Credit

The Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by net credits earned on the Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments. Credits for cash balances may be offset by charges for any days on which the Fund overdraws its account at the custodian bank.

Indemnifications

Under the Fund's organizational documents, its Officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to Common shares from operations during the reporting period. Actual results may differ from those estimates.

2. FUND SHARES

During the six months ended June 30, 2007 and the fiscal year ended December 31, 2006, 37,486 and 44,494 shares were issued to shareholders due to reinvestment of distributions, respectively.

On May 25, 2006, the Fund issued 2,000 Series Th Taxable Auctioned Preferred shares, $25,000 stated value per share, with a total liquidation value of $50,000,000.

3. INVESTMENT TRANSACTIONS

Purchases and sales (excluding short-term investments and derivative transactions) during the six months ended June 30, 2007, aggregated $254,550,469 and $246,683,352, respectively.

4. INCOME TAX INFORMATION

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recording income and timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset value of the Fund.

At June 30, 2007, the cost of investments was $811,888,238.

Gross unrealized appreciation and gross unrealized depreciation of investments at June 30, 2007, were as follows:

Gross unrealized:	
Appreciation	$164,664,837
Depreciation	(20,802,068)
Net unrealized appreciation (depreciation) of investments	$143,862,769

The tax components of undistributed net ordinary income and net long-term capital gains at December 31, 2006, the Fund's last tax year end, were as follows:

Undistributed net ordinary income *	$ --
Undistributed net long-term capital gains	--

* Net ordinary income consists of net taxable income derived from dividends, interest, and net short-term capital gains, if any.

The tax character of distributions paid during the Fund's last tax year ended December 31, 2006, was designated for purposes of the dividends paid deduction as follows:

Distributions from net ordinary income *	$41,681,126
Distributions from net long-term capital gains	23,218,809

* Net ordinary income consists of net taxable income derived from dividends, interest, and net short-term capital gains, if any.

5. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

The Fund's management fee is separated into two components - a complex-level component, based on the aggregate amount of all fund assets managed by the Adviser, and a specific fund-level component, based only on the amount of assets within the Fund. This pricing structure enables Nuveen fund shareholders to benefit from growth in the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

The annual fund-level fee, payable monthly, is based upon the average daily Managed Assets of the Fund as follows:

AVERAGE DAILY MANAGED ASSETS	FUND-LEVEL FEE RATE
For the first $500 million	.7000%
For the next $500 million	.6750
For the next $500 million	.6500
For the next $500 million	.6250
For Managed Assets over $2 billion	.6000

The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the tables below. As of June 30, 2007, the complex-level fee rate was .1828%.

Effective August 20, 2007, the complex-level fee schedule is as follows:

COMPLEX-LEVEL ASSET BREAKPOINT LEVEL(1)	EFFECTIVE RATE AT BREAKPOINT LEVEL
$55 billion	.2000%
$56 billion	.1996
$57 billion	.1989
$60 billion	.1961
$63 billion	.1931
$66 billion	.1900
$71 billion	.1851
$76 billion	.1806
$80 billion	.1773
$91 billion	.1691
$125 billion	.1599
$200 billion	.1505
$250 billion	.1469
$300 billion	.1445

Prior to August 20, 2007, the complex-level fee schedule was as follows:

COMPLEX-LEVEL ASSET BREAKPOINT LEVEL(1)	EFFECTIVE RATE AT BREAKPOINT LEVEL
$55 billion	.2000%
$56 billion	.1996
$57 billion	.1989
$60 billion	.1961
$63 billion	.1931
$66 billion	.1900
$71 billion	.1851
$76 billion	.1806
$80 billion	.1773
$91 billion	.1698
$125 billion	.1617
$200 billion	.1536
$250 billion	.1509
$300 billion	.1490

(1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate Managed Assets ("Managed Assets" means the average daily net assets of each fund including assets attributable to preferred stock issued by or borrowings by the Nuveen funds) of Nuveen-sponsored funds in the U.S.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Adviser has entered into a Sub-Advisory Agreement with Security Capital Research & Management Incorporated ("Security Capital"), under which Security Capital manages the investment portfolio of the Fund. Security Capital is compensated for its services to the Fund from the management fee paid to the Adviser.

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

The Fund pays no compensation directly to those of its Trustees who are affiliated with the Adviser or to its Officers, all of whom receive remuneration for their services to the Fund from the Adviser or its affiliates. The Board of Trustees has adopted a deferred compensation plan for independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen advised funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen advised funds.

For the first ten years of the Fund's operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING NOVEMBER 30,		YEAR ENDING NOVEMBER 30,	
2001 *	.30%	2007	.25%
2002	.30	2008	.20
2003	.30	2009	.15
2004	.30	2010	.10
2005	.30	2011	.05
2006	.30		

* From the commencement of operations.

The Adviser has not agreed to reimburse the Fund for any portion of its fees and expenses beyond November 30, 2011.

Agreement and Plan of Merger

On June 20, 2007, Nuveen Investments announced that it had entered into a definitive Agreement and Plan of Merger ("Merger Agreement") with an investor group majority-led by Madison Dearborn Partners, LLC. Madison Dearborn Partners, LLC is a private equity investment firm based in Chicago, Illinois. The investor group includes affiliates of Merrill Lynch, Wachovia, Citigroup, Deutsche Bank and Morgan Stanley. It is anticipated that Merrill Lynch and its affiliates will be indirect "affiliated persons" (as that term is defined in the Investment Company Act of 1940) of the Fund. One important implication of this is that the Fund will not be able to buy or sell securities to or from Merrill Lynch, but the portfolio management team and Fund Management do not expect that this will significantly impact the ability of the Fund to pursue its investment objectives and polices. Under the terms of the merger, each outstanding share of Nuveen Investments' common stock (other than dissenting shares) will be converted into the right to receive a specified amount of cash, without interest. The merger is expected to be completed by the end of the year, subject to customary conditions, including obtaining the approval of Nuveen Investments shareholders, obtaining necessary fund and client consents sufficient to satisfy the terms of the Merger Agreement, and expiration of certain regulatory waiting periods. The obligations of Madison Dearborn Partners, LLC to consummate the merger are not conditioned on its obtaining financing.

The consummation of the merger will be deemed to be an "assignment" (as defined in the 1940 Act) of the investment management agreement between the Fund and the

Adviser, and will result in the automatic termination of the Fund's agreement. Prior to the consummation of the merger, it is anticipated that the Board of Trustees of the Fund will consider a new investment management agreement with the Adviser. If approved by the Board, the new agreement would be presented to the Fund's shareholders for approval, and, if so approved by shareholders, would take effect upon consummation of the merger. There can be no assurance that the merger described above will be consummated as contemplated or that necessary shareholder approvals will be obtained.

6. BORROWINGS

On August 15, 2006, the Fund entered into a commercial paper program ($70 million maximum) with CITIBANK, N.A.'s conduit financing agency, CHARTA, LLC ("CHARTA"). CHARTA issues high grade commercial paper and uses the proceeds make advances to the Fund. For the six months ended June 30, 2007, the average daily balance of borrowings under the commercial paper program agreement was the full $70 million maximum allowed. The average annualized interest rate on such borrowings was 5.39%. In addition to the interest expense, the Fund also pays a ..21% per annum program fee and a .10% per annum liquidity fee.

7. NEW ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board Interpretation No. 48

Effective June 29, 2007, the Fund adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance regarding how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management of the Fund has concluded that there are no significant

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uncertain tax positions that require recognition in the Fund's financial statements. Consequently, the adoption of FIN 48 had no impact on the net assets or results of operations of the Fund.

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this standard relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of June 30, 2007, the Fund does not believe the adoption of SFAS No. 157 will impact the financial statement amounts; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements included within the Statement of Operations for the period.

Financial

HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

	Beginning Common Share Net Asset Value	Investment Operations: Net Investment Income(a)	Net Realized/ Unrealized Gain (Loss)(b)	Distributions from Net Investment Income to Taxable Auctioned Preferred Share-holders+
Year Ended 12/31:				
2007(f)	$26.44	$.41	$(2.17)	$(.20)****
2006	22.38	1.01	5.40	(.14)
2005	22.46	.84	.93	(.03)
2004(c)	18.57	.88	4.56	(.05)
2003(d)	17.30	.12	1.38	(.01)
Year Ended 10/31:				
2003	13.56	.85	4.38	(.05)
2002(e)	14.33	1.02	(.46)	(.07)

	Less Distributions: Net Investment Income to Common Share-holders	Capital Gains to Common Share-holders	Tax Return of Capital	Total	Offering Costs and Taxable Auctioned Preferred Share Underwriting Discounts
Year Ended 12/31:					
2007(f)	$(1.14)****	$ --	$ --	$(1.14)	$ --
2006	(1.35)	(.62)	--	(1.97)	(.03)
2005	(.29)	(1.37)	--	(1.66)	--
2004(c)	(.69)	(.63)	(.14)	(1.46)	--
2003(d)	(.01)	(.08)	(.13)	(.22)	--
Year Ended 10/31:					
2003	(.97)	(.41)	(.04)	(1.42)	--
2002(e)	(.89)	(.25)	--	(1.14)	(.10)

Cumulative Taxable Auctioned Preferred at End of Period

Borrowings at End o

	Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share	Aggregate Amount Outstanding (000)	P
Year Ended 12/31:					
2007(f)	$222,000	$25,000	$ 99,155	$70,000	
2006	222,000	25,000	108,910	70,000	
2005	172,000	25,000	116,519	--	
2004(c)	172,000	25,000	116,857	--	
2003(d)	172,000	25,000	100,956	--	
Year Ended 10/31:					
2003	172,000	25,000	95,758	--	
2002(e)	172,000	25,000	80,420	--	

* Annualized.

** - Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period takes place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested divided income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

- The Fund elected to retain a portion of its realized long-term capital gains for the tax year ended December 31, 2006, and pay required federal corporate income taxes on these gains. As reported on Form 2439, Common shareholders of record on December 29, 2006, must include their pro-rata share of these gains on their 2006 federal tax returns, and will receive a corresponding credit toward their taxes, or a tax refund, for their pro-rata share of the taxes paid by the Fund. The standardized total returns shown above do not include the economic benefit to Common shareholders of record of this tax credit/refund. The Fund's corresponding 2006 total return on market value and net asset value when this benefit is included are 57.50% and 30.56%, respectively.

*** After custodian fee credit and expense reimbursement, where applicable.

**** Represents distributions paid "From and in excess of net investment income" for the six months ended June 30, 2007.

\+ The amounts shown are based on Common share equivalents.

++ - Ratios do not reflect the effect of dividend payments to Taxable Auctioned Preferred shareholders.

- Income ratios reflect income earned on assets attributable to Taxable Auctioned Preferred shares and borrowings, where applicable.
- For periods ended prior to December 31, 2004, each ratio included the effect of the net interest expense incurred on interest rate swap

transactions as follows:

Year Ended 12/31:	
2003(d)	.91*
Year Ended 10/31:	
2003	1.03
2002(e)	.68*

- Each ratio includes the effect of the interest expense paid on borrowings as follows:

	Ratio of Borrowing Interest Expense to Average Net Assets Applicable to Common Shares
Year Ended 12/31:	
2007(f)	.51%*
2006	.21%
2005	--
2004(c)	--
2003(d)	--
Year Ended 10/31:	
2003	--
2002(e)	--

(a) Per share Net Investment Income is calculated using the average daily shares method.
(b) Net of federal corporate income taxes on long-term capital gains retained by the Fund of $0.56 per share for the fiscal year ended December 31, 2006.
(c) For the fiscal year ended December 31, 2004, the Fund changed its method of presentation for net interest expense on interest rate swap transactions. The effect of this reclassification was to increase Net Investment Income by $0.15 per share with a corresponding decrease in Net Realized/Unrealized Gain (Loss), a decrease in each of the Ratios of Expenses to Average Net Assets Applicable to Common Shares by 0.77% with a corresponding increase in each of the Ratios of Net Investment Income to Average Net Assets Applicable to Common Shares.
(d) For the period November 1, 2003 through December 31, 2003.
(e) For the period November 15, 2001 (commencement of operations) through October 31, 2002.
(f) For the six months ended June 30, 2007.

Total Returns		Ratios/Supplemental Data	
			Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement
Based on Market	Based on Common Share Net Asset	Ending Net Assets Applicable to Common	Net Investment

Value**	Value**	Shares (000)	Expenses++	Income++
(11.73)%	(7.66)%	$658,494	1.91%*	2.80%*
54.49	27.87	745,119	1.54	3.74
4.75	7.42	629,649	1.28	3.46
19.80	30.12	631,979	1.34	4.13
6.49	8.69	522,576	2.31*	4.07*
35.40	39.80	486,814	2.51	5.17
3.30	2.09	381,290	2.12*	6.71*

Ratios/Supplemental Data Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement***		
Expenses++	Net Investment Income++	Portfolio Turnover Rate
1.56%*	3.15%*	24%
1.15	4.13	25
.90	3.85	13
.94	4.52	14
1.91*	4.47*	2
2.09	5.59	26
1.72*	7.11*	37

See accompanying notes to financial statements.

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Annual Investment

Management Agreement
APPROVAL PROCESS

The Board Members are responsible for overseeing the performance of the investment adviser to the Fund and determining whether to continue the advisory arrangements. At the annual review meeting held on May 21, 2007 (the "May Meeting"), the Board Members of the Fund, including the Independent Board Members, unanimously approved the continuance of the Investment Management Agreement between the Fund and Nuveen Asset Management ("NAM" or the "Adviser"), and the Sub-Advisory Agreement between NAM and Security Capital Research & Management Incorporated (the "Sub-Adviser"). NAM and the Sub-Adviser are each a "Fund Adviser." The foregoing Investment Management Agreement with NAM and Sub-Advisory Agreement with the Sub-Adviser are hereafter referred to as the "Original Investment Management Agreement" and the "Original Sub-Advisory Agreement," respectively.

Subsequent to the May Meeting, Nuveen Investments, Inc. ("Nuveen"), the parent company of NAM, entered into a merger agreement providing for the acquisition of Nuveen by Windy City Investments, Inc., a corporation formed by investors led by Madison Dearborn Partners, LLC ("MDP"), a private equity investment firm (the

"Transaction"). The Original Investment Management Agreement and Original Sub-Advisory Agreement, as required by Section 15 of the Investment Company Act of 1940 (the "1940 Act"), each provides for its automatic termination in the event of its "assignment" (as defined in the 1940 Act). Any change in control of the adviser is deemed to be an assignment. The consummation of the Transaction will result in a change of control of NAM as well as its affiliated sub-advisers and therefore cause the automatic termination of the Original Investment Management Agreement and Original Sub-Advisory Agreement, as required by the 1940 Act. Accordingly, in anticipation of the Transaction, at a meeting held on July 31, 2007 (the "July Meeting"), the Board Members, including the Independent Board Members, unanimously approved a new Investment Management Agreement (the "New Investment Management Agreement") with NAM on behalf of the Fund and a new Sub-Advisory Agreement (the "New Sub-Advisory Agreement") between NAM and the Sub-Adviser on behalf of the Fund to take effect immediately after the Transaction or shareholder approval of the new advisory contracts, whichever is later. The 1940 Act also requires that the New Investment Management Agreement and New Sub-Advisory Agreement be approved by the Fund's shareholders in order for it to become effective. Accordingly, to ensure continuity of advisory services, the Board Members, including the Independent Board Members, unanimously approved an Interim Investment Management Agreement and an Interim Sub-Advisory Agreement to take effect upon the closing of the Transaction if shareholders have not yet approved the New Investment Management Agreement and New Sub-Advisory Agreement.

Because the information provided and considerations made at the annual review continue to be relevant with respect to the evaluation of the New Investment Management Agreement and New Sub-Advisory Agreement, the Board considered the foregoing as part of its deliberations of the New Investment Management Agreement and New Sub-Advisory Agreement. Accordingly, as indicated, the discussions immediately below outline the materials and information presented to the Board in connection with the Board's prior annual review and the analysis undertaken and the conclusions reached by Board Members when determining to continue the Original Investment Management Agreement and Original Sub-Advisory Agreement.

I. APPROVAL OF THE ORIGINAL INVESTMENT MANAGEMENT AGREEMENT & ORIGINAL SUB-ADVISORY AGREEMENT

During the course of the year, the Board received a wide variety of materials relating to the services provided by the Fund Advisers and the performance of the Fund (as applicable). At each of its quarterly meetings, the Board reviewed investment performance (as applicable) and various matters relating to the operations of the Fund and other Nuveen funds, including the compliance program, shareholder services, valuation, custody, distribution and other information relating to the nature, extent and quality of services provided by the Fund Adviser. Between the regularly scheduled quarterly meetings, the Board Members received information on particular matters as the need arose.

In preparation for their considerations at the May Meeting, the Independent Board Members received extensive materials, well in advance of the meeting, which outlined or are related to, among other things:

- the nature, extent and quality of services provided by the Fund Adviser;

- the organization and business operations of the Fund Adviser, including the responsibilities of various departments and key personnel;

- the Fund's past performance as well as its performance compared to funds with similar investment objectives based on data and information provided by an independent third party and to recognized and/or customized benchmarks (as appropriate);

- the profitability of the Fund Adviser and certain industry profitability analyses for unaffiliated advisers;

- the expenses of the Fund Adviser in providing the various services;

- the advisory fees and total expense ratios of the Fund, including comparisons of such fees and expenses with those of comparable, unaffiliated funds based on information and data provided by an independent third party (the "Peer Universe") as well as compared to a subset of funds within the Peer Universe (the "Peer Group") of the Fund (as applicable);

- the advisory fees the Fund Adviser assesses to other types of investment products or clients;

- the soft dollar practices of the Fund Adviser, if any; and

- from independent legal counsel, a legal memorandum describing among other things, applicable laws, regulations and duties in reviewing and approving advisory contracts.

At the May Meeting, NAM made a presentation to, and responded to questions from, the Board. At the May Meeting, the Independent Board Members met privately with their legal counsel to review the Board's duties in reviewing advisory contracts and considering the renewal of the advisory contracts (which include the sub-advisory contracts). The Independent Board Members, in consultation with independent counsel, reviewed the factors set out in judicial decisions and Securities and Exchange Commission ("SEC") directives relating to the renewal of advisory contracts. As outlined in more detail below, the Board Members considered all factors they believed relevant with respect to the Fund, including, but not limited to, the following: (a) the nature, extent and quality of the services to be provided by the Fund Adviser; (b) the investment performance of the Fund and the Fund Adviser (as applicable); (c) the costs of the services to be provided and profits to be realized by the Fund Adviser and its affiliates; (d) the extent to which economies of scale would be realized; and (e) whether fee levels reflect those economies of scale for the benefit of the Fund's investors. In addition, as noted, the Board Members met regularly throughout the year to oversee the Fund. In evaluating the advisory contracts, the Board Members also relied upon their knowledge of the respective Fund Adviser, its services and the Fund resulting from their meetings and other interactions throughout the year. It is with this background that the Board Members considered each advisory contract.

A. NATURE, EXTENT & QUALITY OF SERVICES

In considering the renewal of the Original Investment Management Agreement and Original Sub-Advisory Agreement, the Board Members considered the nature, extent and quality of the respective Fund Adviser's services. The Board Members reviewed materials outlining, among other things, the Fund Adviser's organization and business; the types of services that the Fund Adviser or its affiliates provide or are expected to provide to the Fund; the performance record of the Fund (as described in further detail below); and at the annual review, any initiatives Nuveen had taken for the applicable fund product line. As noted, at the annual review, the Board Members were already familiar with the organization, operations and personnel of each respective Fund Adviser due to the Board Members' experience in governing the Fund and working with such Fund Advisers on matters relating to the Fund. At the May Meeting, the Board Members also recognized NAM's investment in additional qualified personnel throughout the various groups in the organization and recommended to NAM that it continue to review staffing needs as necessary. The Board Members recognized NAM's investment of resources and efforts to continue to enhance and refine its investment processes.

With respect to the Sub-Adviser, the Board Members also received and reviewed an evaluation of the Sub-Adviser from NAM at the annual review. Such evaluation outlined, among other things, the Sub-Adviser's organizational history, client base, product mix, investment team and any changes thereto, investment process and any changes to its investment strategy, and the Fund's investment objectives and performance (as applicable). At the May Meeting, the Board Members noted that NAM recommended the renewal of the applicable Original Sub-Advisory Agreement and considered the basis for such recommendations and any qualifications in connection therewith. In its review of the Sub-Adviser, the Board Members also considered, among other things, the experience of the investment personnel, the quality of the Sub-Adviser's investment processes in making portfolio management decisions and any additional refinements and improvements adopted to the portfolio management processes and Fund performance. The Board Members noted the depth of experience of the Sub-Adviser's personnel and disciplined investment process at the annual review.

In addition to advisory services, the Independent Board Members considered the quality of administrative and non-advisory services provided by NAM and noted that NAM and its affiliates provide the Fund with a wide variety of services and officers and other personnel as are necessary for the operations of the Fund, including:

- product management;

- fund administration;

- oversight by shareholder services and other fund service providers;

- administration of Board relations;

- regulatory and portfolio compliance; and

- legal support.

As the Fund operates in a highly regulated industry and given the importance of compliance, the Board Members considered, in particular, NAM's compliance activities for the Fund and enhancements thereto. In this regard, the Board Members recognized the quality of NAM's compliance team. The Board Members also considered NAM's ability and procedures to monitor the Sub-Adviser's performance, business practices and compliance policies and procedures. The Board Members further noted NAM's negotiations with other service providers and the corresponding reduction in certain service providers' fees at the May Meeting.

In addition to the foregoing services, the Board Members also noted the additional services that NAM or its affiliates provide to Nuveen's closed-end funds including, in particular, its secondary market support activities. The Board Members recognized Nuveen's continued commitment to supporting the secondary market for the common shares of its closed-end funds through a variety of programs designed to raise investor and analyst awareness and understanding of closed-end funds. These efforts include:

- maintaining shareholder communications;

- providing advertising for the Nuveen closed-end funds;

- maintaining its closed-end fund website;

- maintaining continual contact with financial advisers;

- providing educational symposia;

- conducting research with investors and financial analysis regarding closed-end funds; and

- evaluating secondary market performance.

With respect to the Nuveen closed-end funds that utilize leverage through the issuance of preferred shares ("Preferred Shares"), the Board Members noted Nuveen's continued support for the holders of Preferred Shares by, among other things:

- maintaining an in-house trading desk;
- maintaining a product manager for the Preferred Shares;

- developing distribution for Preferred Shares with new market participants;

- maintaining an orderly auction process;

- managing leverage and risk management of leverage; and

- maintaining systems necessary to test compliance with rating agency criteria.

With respect to the Sub-Adviser, the Board Members noted that the sub-advisory agreement was essentially an agreement for portfolio management services only and the Sub-Adviser was not expected to supply other significant administrative services to the Fund.

Based on their review, the Board Members found that, overall, the nature, extent and quality of services provided (and expected to be provided) to the Fund under the respective Original Investment Management Agreement or Original Sub-Advisory Agreement, as applicable, were satisfactory.

B. THE INVESTMENT PERFORMANCE OF THE FUND & FUND ADVISERS

At the May Meeting, the Board considered the investment performance for the Fund, including the Fund's historic performance as well as its performance compared to funds with similar investment objectives (the "Performance Peer Group") based on data provided by an independent third party (as described below). The Board Members also reviewed the Fund's historic performance compared to recognized and/or customized benchmarks (as applicable).

In evaluating the performance information during the annual review at the May Meeting, in certain instances, the Board Members noted that the closest Performance Peer Group for a fund may not adequately reflect such fund's investment objectives and strategies, thereby limiting the usefulness of the comparisons of such fund's performance with that of the Performance Peer Group. These Performance Peer Groups include those for the Fund as well as for: the Nuveen Diversified Dividend and Income Fund; the Nuveen Multi-Strategy Income and Growth Fund; the Nuveen Multi-Strategy Income and Growth Fund 2; the Nuveen Tax-Advantaged Floating Rate Fund; the Nuveen Equity Premium Advantage Fund; the

Nuveen Equity Premium Income Fund; the Nuveen Equity Premium Opportunity Fund; and the Nuveen Equity Premium and Growth Fund.

The Board Members reviewed performance information including, among other things, total return information compared with the Fund's Performance Peer Group as well as recognized and/or customized benchmarks (as appropriate) for the one-, three- and five-year periods (as applicable) ending December 31, 2006. This information supplemented the performance information provided to the Board at each of its quarterly meetings. Based on their review at the May Meeting, the Board Members determined that the Fund's investment performance over time had been satisfactory.

C. FEES, EXPENSES & PROFITABILITY

1. Fees & Expenses

During the annual review, the Board evaluated the management fees and expenses of the Fund reviewing, among other things, the Fund's advisory fees (net and gross management fees) and total expense ratios (before and after expense reimbursements and/or waivers) in absolute terms as well as comparisons to the gross management fees (before waivers), net management fees (after waivers) and total expense ratios (before and after waivers) of comparable funds in the Peer Universe and the Peer Group. In reviewing the fee schedule for the Fund, the Board Members considered the fund-level and complex-wide breakpoint schedules (described in further detail below) and any fee waivers and reimbursements provided by Nuveen. The Board Members further reviewed data regarding the construction of Peer Groups as well as the methods of measurement for the fee and expense analysis and the performance analysis. In certain cases, due to the small number of peers in the Peer Universe, the Peer Universe and Peer Group had significant overlap or even consisted entirely of the same unaffiliated funds. In reviewing the comparisons of fee and expense information, the Board Members recognized that in certain cases, the size of a fund relative to peers, the small size and odd composition of the Peer Group (including differences in objectives and strategies), expense anomalies, timing of information used or other factors impacting the comparisons thereby limited some of the usefulness of the comparative data. The Board

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Annual Investment
Management Agreement
APPROVAL PROCESS (continued)

Members also considered the differences in the use of leverage. The Board Members also noted the limited Peer Groups available for the Nuveen funds with multi-sleeves of investments (e.g., the Nuveen Diversified Dividend and Income Fund, the Nuveen Multi-Strategy Income and Growth Fund, the Nuveen Multi-Strategy Income and Growth Fund 2 and the Nuveen Tax Advantaged Total Return Strategy Fund). Based on their review of the fee and expense information provided, the Board Members determined that the Fund's net total expense ratio was within an acceptable range compared to peers.

2. Comparisons with the Fees of Other Clients

At the annual review, the Board Members further reviewed data comparing the advisory fees of NAM with fees NAM charges to other clients. Such clients include NAM's separately mauences of a Reorganization Event on Awards. In connection with a Reorganization Event, the Board shall take any one or more of the following actions as to all or any outstanding Awards on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that the Participant's unexercised Options or other unexercised Awards shall become exercisable in full and will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant within a specified period following the date of such notice, (iii) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to a Participant equal to (A) the Acquisition Price times the number of shares of Common Stock subject to the Participant's Options or other Awards (to the extent the exercise price does not exceed the Acquisition Price) minus (B) the aggregate exercise price of all such outstanding Options or other Awards, in exchange for the termination of such Options or other Awards, (iv) provide that outstanding Awards shall become exercisable or realizable, or restrictions applicable to a Restricted Stock Award or other Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof) and (vi) any combination of the foregoing. To the extent all or any portion of an Option becomes exercisable solely as a result of clause (ii) above, the Board may provide that upon exercise of such Option the Participant shall receive shares subject to a right of repurchase by the Company or its successor at the Option exercise price; such repurchase right (x) shall lapse at the same rate as the Option would have become exercisable under its terms and (y) shall not apply to any shares subject to the Option that were exercisable under its terms without regard to clause (ii) above. Without limiting the generality of Sections 10(f) and 11(d) below, the Board shall have the right to amend this Section 9(b)(2) to the extent it deems necessary or advisable.

General Provisions Applicable to Awards

Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Option intended to be an Incentive Stock Option, pursuant

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to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

Termination of Status. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

Withholding. Each Participant shall pay to the Company, or make provision satisfactory to the Company for payment of, any taxes required by law to be withheld in connection with an Award to such Participant. If provided for in an Award or approved by the Company in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares surrendered to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

Amendment of Award. Except as prohibited by Section 5(d), The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefore another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

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Deferrals. The Board may permit Participants to defer receipt of any Common Stock issuable upon exercise of an Option or upon the lapse of any restriction applicable to any Restricted Stock Award, subject to such rules and procedures as it may establish.

Share Issuance. To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Common Stock or Restricted Stock, the Board may provide for the issuance of such shares on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange on which the Common Stock is traded.

Miscellaneous

No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares. Notwithstanding the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to such Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

Effective Date and Term of Plan. The Plan shall become effective on the date on which it is adopted by the Board, but no Award may be granted unless and until the Plan has been approved by the Company's stockholders. No Awards shall be granted under the Plan after the completion of 10 years from the earlier of (i) the date on which the Plan was adopted by the Board or (ii) the date the Plan was approved by the Company's stockholders, but Awards previously granted may extend beyond that date.

Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time; provided that, to the extent determined by the Board, no amendment requiring stockholder approval under any applicable legal, regulatory or listing requirement shall become effective until such stockholder approval is obtained. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

Provisions for Foreign Participants. The Board may, without amending the Plan, modify Awards or Options granted to Participants who are foreign nationals or employed outside the United States or establish subplans under the Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

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DETACH HERE

PROXY

NETEGRITY, INC.

ANNUAL MEETING OF STOCKHOLDERS
May 26, 2004

The undersigned hereby appoints Barry N. Bycoff and Regina O. Sommer, and each of them, as proxies, with full power of substitution, to vote all shares of capital stock of Netegrity, Inc. (the "Company") which the undersigned is entitled to vote as indicated upon the matters on the reverse side at the Annual Meeting of Stockholders of the Company to be held on Wednesday, May 26, 2004, at 9:00 a.m., local time, at the Company, 201 Jones Road, Waltham, MA 02451 and at any adjournments thereof. Attendance of the undersigned at the Annual Meeting of Stockholders or any adjourned session thereof will not be deemed to revoke this proxy unless the undersigned affirmatively indicate(s) there at the intention of the undersigned to vote said shares of common stock in person. If the undersigned holds any of the shares of common stock in a fiduciary, custodial or joint capacity or capacities, this proxy is signed by the undersigned in every such capacity as well as individually.

PLEASE ACT PROMPTLY

DATE AND SIGN THIS PROXY IN THE SPACE PROVIDED AND RETURN IT IN THE ENCLOSED ENVELOPE WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION IN THE ENVELOPE PROVIDED.	DO YOU HAVE ANY COMMENTS?
____________________________________	____________________________________
____________________________________	____________________________________
____________________________________	____________________________________

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Appendix C

NETEGRITY, INC.

C/O EQUISERVE TRUST COMPANY, N.A.
P.O. BOX 8694
EDISON, NJ 08818-8694

YOUR VOTE IS IMPORTANT. PLEASE VOTE IMMEDIATELY.

VOTE-BY-INTERNET [COMPUTER ICON]		VOTE-BY-TELEPHONE [PHONE ICON]
	OR	
LOG ON TO THE INTERNET AND GO TO HTTP://WWW.EPROXYVOTE.COM/NETE		CALL TOLL-FREE 1-877-PRX-VOTE (1-877-779-8683)

IF YOU VOTE OVER THE INTERNET OR BY TELEPHONE, PLEASE DO NOT MAIL YOUR CARD.

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL

[X] PLEASE MARK VOTES AS IN THIS EXAMPLE. #NTE

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES IN PROPOSAL 1 AND "FOR" PROPOSAL 2 AND PROPOSAL 3.

1. Election of Directors.

NOMINEES: (01) Sandra E. Bergeron, (02) Barry N. Bycoff, (03) Eric R. Giler, (04) Lawrence D. Lenihan, Jr., (05) Ronald T. Maheu and (06) Ralph B. Wagner

FOR ALL NOMINEES [ ]   [ ] WITHHELD FROM ALL NOMINEES

[ ]______________________________________

For all nominee(s) except as written above

	FOR	AGAINST	ABSTAIN
2. Approval of the adoption of the 2004 Stock Incentive Plan.	[ ]	[ ]	[ ]
3. To grant discretionary authority to the presiding officer to propose and vote for one or more adjournments of the annual meeting, including adjournments to permit further solicitations of proxies.	[ ]	[ ]	[ ]

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE SHARES REPRESENTED WILL BE VOTED FOR THE PROPOSAL. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.

Mark box at right if you plan to attend the Annual Meeting. [ ]

Mark box at right if an address change or comment has been noted on the reverse side of this card. [ ]

Please sign this proxy exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, administrator, trustee, guardian, or other fiduciary please give full title as such. If a corporation, please sign in corporate name, by authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature:______________ Date:________   Signature:______________ Date:________