

SALOMON BROTHERS CAPITAL & INCOME FUND INC  
Form DEFC14A  
September 15, 2005

**SCHEDULE 14A**

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

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**SALOMON BROTHERS INFLATION MANAGEMENT FUND  
SALOMON BROTHERS CAPITAL AND INCOME FUND**

\_\_\_\_\_  
(Name of Registrant as Specified in Its Charter)

**Karpus Management, Inc. d/b/a/ Karpus Investment Management**

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.  
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)

Amount Previously Paid:

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(2)

Form, Schedule or Registration Statement No.:

\_\_\_\_\_

(3)

Filing Party:

\_\_\_\_\_

(4)

Date Filed:

\_\_\_\_\_

\_\_\_\_\_

**Karpus Management, Inc. d/b/a/ Karpus Investment Management  
183 Sully's Trail  
Pittsford, New York 14534**

**2005 SPECIAL MEETING OF THE STOCKHOLDERS OF  
SALOMON BROTHERS INFLATION MANAGEMENT FUND  
SALOMON BROTHERS CAPITAL AND INCOME FUND**

This Proxy Statement and the enclosed GREEN proxy card are being furnished to you, the stockholders of Salomon Brothers Inflation Management Fund Inc. and Salomon Brothers Capital and Income Fund Inc. (each a "Fund" and together, the "Funds"), Maryland corporations, in connection with the solicitation of proxies by Karpus Management, Inc. d/b/a Karpus Investment Management (referred to as "KIM" or "Karpus") for use at the 2005 special meeting of the stockholders of the Funds, including any adjournments or postponements thereof and any consequent special meeting that may be called (the "Meeting").

KIM is soliciting proxies to take the following actions at the Meeting:

**To vote AGAINST approving a new Management Agreement for each Fund.**

The Funds have announced that a special meeting of the stockholders of Salomon Brothers Inflation Management Fund Inc. and Salomon Brothers Capital and Income Fund Inc. will be held at American Conference Centers, 780 Third Avenue, New York, New York 10017 at 4:00 P.M. (E.S.T.) on Friday, October 21, 2005. The Funds have announced that the record date (the "Record Date") for determining stockholders entitled to notice of and to vote at the Meeting is August 22, 2005.

The mailing address of the principal executive offices of the Funds is: 125 Broad Street, 10th Floor, New York, New York 10004.

The date of this Proxy Statement is September 14, 2005. This Proxy Statement is first being furnished to Fund stockholders on or about September 21, 2005.

As of August 16, 2005, KIM is the beneficial owner of 226,460 shares of the common stock of Salomon Brothers Inflation Management Fund Inc. ("IMF") which represents 2.35% of the issued and outstanding common stock and 132,520 shares of Salomon Brothers Capital and Income Fund Inc. ("SCD"), which represents 0.40% of the issued and outstanding common stock.

Additional information concerning KIM, who is soliciting your proxy, is set forth under the heading "Information Concerning the Participant in the Solicitation."

The enclosed GREEN proxy card may be executed by holders of record as of the Record Date. You are urged to sign and date the enclosed GREEN proxy card and return it in the enclosed envelope whether or not you plan to attend the Meeting.

**YOUR LAST DATED PROXY IS THE ONLY ONE THAT COUNTS, SO RETURN THE GREEN PROXY CARD EVEN IF YOU HAVE ALREADY DELIVERED A PRIOR PROXY. WE URGE YOU NOT TO RETURN ANY PROXY CARD SENT TO YOU BY THE FUNDS.**

***THIS SOLICITATION IS BEING MADE BY KARPUS MANAGEMENT, INC. d/b/a KARPUS INVESTMENT MANAGEMENT AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF THE FUNDS.***

If you have any questions concerning this Proxy Statement or need help in voting your shares, please contact:

Karpus Investment Management  
Cody B. Bartlett Jr., CFA, Investment Strategist  
183 Scully's Trail  
Pittsford, New York 14534  
(585) 586-4680 (ext. 235)  
e-mail: [cody@karpus.com](mailto:cody@karpus.com)

Copies of the Funds' most recent annual report and semi-annual report succeeding such annual report, if any, are available without charge to the stockholders upon request to the Fund at: 125 Broad Street, New York, New York 10004, or by calling toll free at 1-800-451-2010.

## INTRODUCTION

This proxy solicitation comes to you for one very important reason. Your fund, Salomon Brothers Inflation Management Fund Inc. ("IMF") and/or Salomon Brothers Capital and Income Fund Inc. ("SCD") is asking you to approve a new Management Agreement which would take effect when the Funds' investment advisor, Salomon Brothers Asset Management, Inc. ("SBAM" or the "Advisor") becomes a subsidiary of Legg Mason, Inc. ("Legg Mason") pursuant to a deal between Legg Mason, Inc. and Citigroup Inc. ("Citigroup"). As stockholders of the Fund you have the opportunity NOW to make Fund management sit-up and pay attention!

### **We advocate voting AGAINST approving a new Management Agreement for each Fund.**

The Funds are seeking your permission to approve a new management agreement with the Advisor to take effect after the Advisor becomes a subsidiary of Legg Mason. The Advisor's parent company, Citigroup has made a deal with Legg Mason that benefits Citigroup. Karpus Investment Management ("KIM" or "Karpus") believes that before the stockholders of the Fund approve a new Management Agreement that is part of Citigroup's deal, we are entitled to have our concerns about the Funds' potential changes in management personnel and persistent trading discount addressed. In short, we believe that shareholders of the Funds are also entitled to receive an economic benefit at this time, before the transaction would occur.

KIM believes that the shareholders of the Funds are not receiving the economic benefits that they should receive if the Funds are managed appropriately. KIM believes that current management has a general fiduciary duty to protect and enhance shareholder value. As part of protecting and enhancing shareholder value, management of the Funds should address the wide discount to net asset value currently being experienced by the Funds. The Board should address this loss of economic value prior to the approval of a new investment management contract.

We believe the Funds' current portfolio management team has performed well. There is no assurance that personnel of the Advisor will not change or that other managers within Legg Mason will not influence or take over management of the Funds after the Advisor is sold to Legg Mason. What consideration are shareholders being offered to compensate for the risk of a change in investment management? Presumably, Citigroup benefits from this deal. How do we, as shareholders of the Funds, benefit from the proposed new management agreement?

KIM believes the current Fund management and the Board of Directors of the Funds have not taken adequate measures to close the discount to net asset value that the Funds have historically maintained. We believe a duty of the Board is to enhance shareholder value and that the Board has failed to meet this duty by failing to take steps to mitigate the persistent trading discount.

The following table illustrates the historic discount of the Funds from the Funds' inception. The source of the data is Bloomberg Inc.

<b>Discount Since Inception in 2004</b>		
	<b><u>IMF</u></b>	<b><u>SCD</u></b>
IPO	+4.93%	+4.98%
6 Months After	-6.99%	-7.62%
1 Year After	-8.49%	-10.38%
Current (07/31/05)	-8.35%	-13.04%

**UNLESS WE PREVENT THE APPROVAL OF A NEW MANAGEMENT AGREEMENT, SHAREHOLDERS WHO HAVE NO CONFIDENCE IN THE PROPOSED TRANSACTION WILL HAVE NO BETTER OPTION THAN TO SELL THEIR SHARES.**

If large shareholders believe they should sell their shares as a reaction to the new management agreement, their sales could potentially depress the market price causing the discount to widen further. As can be seen from the table above, the investors that participated in the IPOs of these Funds have experienced a tremendous loss of value due to the erosion of the Funds' premium and widening of the discount. Both of these Funds were incepted in 2004 and now, a little more than one year later, they are being asked to migrate to Legg Mason. We believe that we need management that is concerned about narrowing the trading discount and we do not see anything in management's proxy materials that addresses this vital shareholder issue.

It is also the belief of KIM that any shareholder that has sold shares in the market place since the initial price offering has been economically harmed because they sold their shares at a severe discount to the net asset value of the Fund. KIM believes that the Board or Directors has a duty to address this problem now.

We are not being asked to elect a new Board of Directors at this time. The present Board that has failed to manage the discount of the Funds will remain with the Funds at this point.

**AS OUTLINED BELOW, SHAREHOLDERS OF THE FUNDS HAVE LIMITED OPPORTUNITIES TO MAKE CHANGES IN THE BOARD OR EFFECT OTHER CHANGES IN CONTROL. OUR OPPORTUNITY TO ASSERT OURSELVES IS NOW.**

The Funds each have provisions in their articles of incorporation and bylaws which limit the ability of other entities or persons to acquire control of the portfolio or to modify their structure. They include the following:

**Tiered Board Structure.** The Board of Directors is classified into three classes, with terms of one, two, and three years initially and three years thereafter with only one class of Directors standing for election in any year. This prevents replacement of a majority of Directors for up to a two year period. In effect, this means that if KIM wanted to propose new "Independent" Directors to either Fund, it would take at least 2 years to install a majority of the Board.

Super-Majority Voting Requirements to Remove Directors. Directors can be removed only for cause and by a vote of 75% of the outstanding shares entitled to vote on the matter.

Super-Majority Voting Requirements to Take Certain Action. The Funds cannot be converted from a closed-end to an open-end investment company without the approval of 75% of the Fund's Directors. In addition, unless 75% of the Fund's continuing Directors approves the transaction, the affirmative vote of the holders of at least 75% of the shares will be required to authorize the Funds' portfolio's conversion from a closed-end to an open-end investment company or generally to authorize any of the following transactions: (i) merge, consolidate or share exchange the Funds' portfolio with or into any other corporation; (ii) dissolve or liquidate the Funds' portfolio; (iii) sell, lease, exchange or otherwise dispose of all or substantially all of the assets of the Funds' portfolios; (iv) change the nature of the business of the Funds' portfolio so that it would cease to be an investment company registered under the 1940 Act; or (v) sell, lease or exchange the Funds' portfolio, in exchange for securities of the Funds' portfolio, with any assets of any entity or person (except assets having an aggregate fair market value of less than \$1,000,000). The affirmative vote of at least 75% of the shares will be required to amend the articles of incorporation or bylaws to change any of the foregoing provisions.

Due to the control provisions outlined above, it will be very hard for Shareholders to impose their will upon Fund management following approval of the proposed new management agreement. This unique opportunity, where management must come to us, should not be allowed to pass. Disgruntled Shareholders should express their dissatisfaction with Fund management by voting against the new management agreement proposal.

**KIM BELIEVES THAT BY NOT APPROVING THE NEW MANAGEMENT CONTRACT, STOCKHOLDERS OF THE FUNDS HAVE A UNIQUE OPPORTUNITY TO FORCE THE PRESENT BOARD OF DIRECTORS TO MEET STOCKHOLDER EXPECTATIONS.**

**IT IS THE OPINION OF KIM THAT THIS MAY BE THE ONLY CHANCE FOR STOCKHOLDERS TO RECEIVE THE ECONOMIC BENEFIT THAT WILL RESULT FROM ACTIVE AND BETTER MANAGEMENT OF THE DISCOUNT!**

**Required vote.**

When you return the GREEN proxy card you will be voting AGAINST approving a new Management Agreement.

**Other Matters.**

Other than the proposals described above, we are not aware of any other matters to be brought before the Meeting that affect our Funds. Should other matters be brought before the Meeting, the persons named as proxies in the enclosed GREEN proxy card will vote on such matters in their discretion.

## VOTING PROCEDURES

### Voting and Revocation of Proxies

For the proxy solicited hereby to be voted, the enclosed GREEN proxy card must be signed, dated and returned to:

Karpus Investment Management  
c/o Regan & Associates, Inc.  
505 Eight Avenue, Floor 12A  
New York, New York 10018

in the enclosed envelope, in time to be voted at the Meeting. If you wish to vote in accordance with our recommendations, you must submit the enclosed GREEN proxy card and must NOT subsequently submit the Fund's proxy card. **IF YOU HAVE ALREADY RETURNED THE FUND'S PROXY CARD, YOU HAVE THE RIGHT TO REVOKE IT AND ALL MATTERS COVERED THEREBY AND MAY DO SO BY SUBSEQUENTLY SIGNING, DATING AND MAILING THE ENCLOSED GREEN PROXY CARD. ONLY YOUR LATEST DATED PROXY WILL COUNT AT THE MEETING.** Execution of a GREEN proxy card will not affect your right to attend the Meeting and to vote in person.

Any proxy may be revoked as to all matters covered thereby at any time prior to the time a vote is taken by: (i) submitting to the Fund or to us a later dated written revocation or duly executed proxy; or (ii) attending and voting at the Meeting in person (mere attendance at the Meeting will not in and of itself constitute a revocation).

Although a revocation of a proxy solicited by the Fund will be effective only if delivered to the Funds, we request that either the original or a copy of all revocations be mailed to Karpus Investment Management, c/o Regan & Associates, Inc., 505 Eight Avenue, Floor 12A, New York, New York 10018, so that we will be aware of all revocations and can more accurately determine if and when the requisite proxies have been received.

Shares of Common Stock represented by a valid unrevoked GREEN proxy card will be voted as specified. Shares represented by a GREEN proxy card where no specification has been made will be voted:

**AGAINST** approving a new Management Agreement.

If any of your shares were held in the name of the brokerage firm, bank nominee, or other institution on the Record Date, only that institution can vote your shares and only upon receipt of your specific instructions. Accordingly, please promptly contact the person responsible for your account at such institution and instruct that person to execute and return the GREEN proxy card on your behalf. You should also promptly sign, date, and mail the voting instructions form (or GREEN proxy card) that your broker or banker sends you. Please do this for each account you maintain to ensure that all of your shares are voted. If any of your shares were held in the name of a brokerage firm, bank, bank nominee, or other institution on the Record Date, to revoke your proxy you will need to give appropriate instructions to such institution. **IF YOU DO NOT GIVE INSTRUCTIONS TO YOUR BROKER OR OTHER NOMINEE, YOUR SHARES WILL NOT BE VOTED.**



Only holders of record as of the close of business on the Record Date will be entitled to vote at the Meeting. If you were a stockholder of record on the Record Date, you will retain your voting rights for the Meeting even if you sell shares after the Record Date. Accordingly, it is important that you vote the shares you owned on the Record Date or grant a proxy to vote such shares, even if you sell some or all of your shares after the Record Date.

Based on publicly available information, the shares of Common Stock are the only shares of capital stock of the Fund entitled to notice of, and to vote at, the Meeting. According to the Fund's Semi-Annual Report for the period ending April 30, 2005, for IMF there were 9,632,505 shares of Common Stock issued and outstanding. According to the Fund's Semi-Annual Report for the period ending April 30, 2005, for SCD there were 32,964,106 shares of Common Stock issued and outstanding. Every holder of shares of Common Stock is entitled to one (1) vote for each share of Common Stock held.

### **Shareholder Approval.**

In accordance with the Funds Amended and Restated Bylaws, at the Meeting, the presence in person or by proxy of stockholders entitled to cast (without regard to class) a majority of all the votes entitled to be cast at such meeting on any matter shall constitute a quorum. Shares represented by proxies that reflect abstentions and Broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. "Broker non-votes" occur when a broker has not received voting instructions from the beneficial owner of the shares and either declines to exercise its discretionary voting authority or is barred from doing so because the proposal is contested. The Broker non-votes will be counted for purposes of determining whether a quorum is present at the Meeting but cannot be voted on matters submitted to a vote without direction of the beneficial owner.

### **SOLICITATION OF PROXIES**

In connection with our solicitation of proxies for use at the Meeting, proxies may be solicited by mail, courier service, advertisement, telephone, telecopier, or other electronic means, and in person. Solicitations may be made in the manner set forth in the Proxy Statement, by certain of the officers or employees of KIM, none of whom will receive additional compensation for such solicitations. We may request banks, brokerage firms, and other custodians, nominees, and fiduciaries to forward all of the solicitation material to the beneficial owners of the shares of the Common and Preferred Stock (if applicable) that they hold of record.

We have retained Regan & Associates, Inc. for solicitation and advisory services in connection with the solicitation of proxies. KIM will pay a fee to be mutually agreed upon between KIM and Regan & Associates, Inc. based on the services provided.

All expenses associated with any solicitation of proxies by KIM in connection with the Meeting will be borne directly by KIM and clients of KIM. KIM intends to seek reimbursement from Citigroup, the Advisor and the Board of Directors should the proposals be approved. We estimate that the costs incidental to our solicitation of proxies, including expenditures for advertising, printing, postage, legal and related expenses, will be approximately \$30,000. KIM estimates that its costs incurred to date are approximately \$5,000. KIM intends to deliver a proxy statement and form of proxy to holders of at least the percentage of the Fund's voting shares required under applicable law to defeat the proposal to approve the new management agreement.

**INFORMATION CONCERNING THE PARTICIPANTS IN THE SOLICITATION**

Karpus Investment Management was founded in 1986 by George Karpus and Jo Ann Van Degriff. KIM is an independent registered Investment Adviser with slightly over 1 billion dollars under management. KIM is employee owned.

KIM's founding goal is to achieve investment results in the top quartile of professionally managed monies over a three-to-five year period based on each client's risk/return objective. KIM provides customized, conservative investment management for high net worth individuals, pension plans, foundations, endowments, trusts, estates, and Taft Hartley accounts. KIM is located in Pittsford, New York (a suburb of Rochester, New York).

KIM prides itself in independent research. One of the fundamental beliefs of KIM is that "street research" is tainted with conflicting motives. KIM is not affiliated with any brokerage firm.

KIM has gained national recognition through rankings in as a "Worlds Best Money Manager" according to Nelson Information.

**Officers and Key Employees of Karpus Management, Inc. d/b/a Karpus Investment Management****SUMMARY BIOGRAPHIES - KARPUS INVESTMENT MANAGEMENT**

<i>Karpus Professional</i>	<i>Overall/Firm</i>	<i>Higher Education</i>	<i>Other Experience</i>
<b>George W. Karpus *</b> <b>CEO &amp; Chief Investment Officer</b>	<b>36/19</b>	<b>MS BS</b>	<b>Rensselaer Polytechnic Institute St. Lawrence University - Physics</b>
<b>Qualified Consulting, Inc., Bache &amp; Co., Marine Midland, Shearson Hayden-Stone</b>			
<b>Jo Ann Van Degriff *</b> <b>Executive Vice President</b>	<b>36/19</b>	<b>BS</b>	<b>Elmira College - Economics</b>
<b>Marine Midland Bank - Trust Dept. Investment Services</b>			
<b>Dana R. Consler *</b> <b>Senior Vice President</b>	<b>29/11</b>	<b>MBA BS</b>	<b>Boston University Rollins College - Economics</b>
<b>Marine Midland Bank - Trust Dept. Investment Services</b>			
<b>Kathleen F. Crane *</b> <b>Chief Financial Officer</b>	<b>19/19</b>	<b>BS</b>	<b>St. Bonaventure University - Management Science</b>
<b>Sharon L. Thornton *</b> <b>Senior Fixed Income Analyst/Portfolio Mgr.</b>	<b>31/15</b>	<b>BS</b>	<b>University of Rochester - Economics</b>
<b>Marine Midland, Cowen &amp; Co., Sage Ruttly</b>			
<b>Thomas M. Duffy, Client Support/ Office Support Manager *</b>	<b>14/13</b>	<b>BA</b>	<b>SUNY Geneseo - Communications</b>
<b>Fleet Bank -Client Services - Mutual Fund Areas</b>			
<b>Cody B. Bartlett, Jr., CFA Investment Strategist &amp; Senior Fixed Income Analyst</b>	<b>7/7</b>	<b>CFA MS BA</b>	<b>Chartered Financial Analyst Rochester Inst. of Technology - Finance SUNY Fredonia - Psychology</b>

Shares of Salomon Brothers Inflation Management Fund Inc. and Salomon Brothers Capital and Income Fund Inc. beneficially owned by Officers/ Employees/ and Directly Related Accounts of Such.

**Karpus Share Ownership**

	<b><u>IMF</u></b>	<b><u>SCD</u></b>
George Karpus		1740
Cody Bartlett Jr.		35
*Kathy Bean		45
**Barbara Consler		95
**Donald Consler	170	245
Dana Consler		175
**Donald Diehl		200

**June Diehl	60
Karpus Defined Ben. Plan	870
**Edward Kinsella	180
*Linda Pikuet	80
**Mark Popham	15
*Bruno Sniders	135
**Helen Van Lare	135
**John Van Lare	535
Jeff Van Lare	70
***Garnsey Partners, L.P.	35,735

\*\*\*George Karpus Owns 5.51% and Karpus Management, Inc. is the general partner of the partnership with investment control.

\*Retired Employee

\*\*Relative of KIM Employee

Other than as set forth in this Proxy Statement, there are no contracts, arrangements, or understandings entered into by any of the participants in the solicitation or, to the participants' knowledge, any of their respective associates within the past year with any person with respect to any of the Funds' securities, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division or losses or profits, of the giving or withholding of proxies.

Except as set forth in the Proxy Statement, none of the participants in the solicitation or, to the participants' knowledge, any of their respective associates has entered into any agreement or understanding with any person with respect to: (i) any future employment by the Funds or its affiliates; or (ii) any future transactions to which the Funds or any of its affiliates will or may be a party.

#### **CERTAIN INFORMATION ABOUT THE FUND**

Both of the Funds are Maryland Corporations with their principal executive offices located at: 125 Broad Street, 10<sup>th</sup> Floor, New York, New York 10004.

The Funds are subject to the informational requirements of the Exchange Act and the Investment Company Act of 1940, as amended, and in accordance therewith files reports, proxy statements, and other information with the SEC. Reports, registration statements, proxy statements, and other information filed by the Fund with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at the Public Reference Room, 450 Fifth Street, N.W. Room 1024, Washington, D.C. 20549. Documents filed electronically by the Funds are also available at the SEC's Web site: <http://www.sec.gov>.

#### **OTHER MATTERS TO BE CONSIDERED AT THE MEETING.**

Except as set forth in the Proxy Statement, we are not aware of any matters affecting the Funds to be brought before the Meeting. Should other matters properly be brought before the Meeting that KIM is unaware of a reasonable time before this solicitation, the attached GREEN proxy card, when duly executed, will give the proxies named therein discretionary authority to vote on all such matters and on all matters incident to the conduct of the Meeting. Such discretionary authority will include the ability to vote shares on any proposal to adjourn the Meeting. Execution and delivery of a proxy by a record holder of shares of Common Stock or Preferred Stock (if applicable) will be presumed to be a proxy with respect to all shares held by such record holder unless the proxy specifies otherwise.

## **STOCKHOLDER PROPOSALS FOR THE FUNDS' ANNUAL MEETINGS**

A shareholder proposal intended to be presented at the Funds' next annual meeting of shareholders must be (or must have been) received at the offices of that Fund at: 125 Broad Street, 10<sup>th</sup> Floor, New York, New York 10004, not later than September 28, 2005 in the case of IMF or October 1, 2005 in the case of SCD, to be included in the proxy statement of the Fund and the form of proxy relating to the meeting. The submission by a shareholder of a proposal for inclusion in the proxy statement does not guarantee that it will be included in a proxy statement. Shareholder proposals are subject to certain regulations under the federal securities laws.

The persons named as proxies for the Funds' next annual meeting of the shareholders will have discretionary authority to vote on any matter presented by a shareholder for action at that meeting unless that Fund receives (or received) notice of the matter between December 1, 2005 and December 31, 2005, in which case these persons will not have discretionary voting authority except as provided in the SEC's rules governing shareholders proposals.

## **ADDITIONAL INFORMATION**

The information concerning the Funds contained in this Proxy Statement has been taken from, or is based upon, publicly available information. Although we do not have any information that would indicate that any information contained in this Proxy Statement concerning the Funds is inaccurate or incomplete, we do not take any responsibility for the accuracy or completeness of such information. We have omitted from this Proxy Statement certain disclosure required by applicable law that is already included in the Funds' Proxy Statement. This disclosure includes, among other things, information concerning the transaction between Citigroup and Legg Mason, a description of the existing Management Agreement and security ownership of management and persons who beneficially own more than 5% of the shares.

The address of Salomon Brothers Asset Management is: 125 Broad Street, 10<sup>th</sup> Floor, New York, New York 10004.

### **Questions, or requests for additional copies of the Proxy Statement, should be directed to:**

Karpus Investment Management  
Cody B. Bartlett Jr., CFA, Investment Strategist  
183 Sully's Trail  
Pittsford, New York 14534  
(585) 586-4680 (ext. 235)  
e-mail: cody@karpus.com

[NAME OF FUND]

PROXY FOR A SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD OCTOBER 21, 2005

THIS PROXY IS SOLICITED ON BEHALF OF KARPUS MANAGEMENT, INC. D/B/A KARPUS INVESTMENT MANAGEMENT.

THE RESPECTIVE BOARDS OF DIRECTORS OF THE FUNDS ARE NOT SOLICITING THIS PROXY.

The undersigned, revoking prior proxies, hereby appoints Sharon L. Thornton, and Cody B. Bartlett, Jr. and each of them, Proxies with several powers of substitution, to vote all of the shares of stock of [NAME OF FUND] owned by the undersigned and entitled to vote at the Special Meeting of Shareholders of [NAME OF FUND] to be held at American Conference Centers, 780 Third Avenue, New York, New York 10017, at 4:00 PM (E.S.T.) on Friday, October 21, 2005, or at any postponement or adjournment thereof, upon the following matters as described in the Notice of Meeting and accompanying Joint Proxy Statement, which have been received by the undersigned.

**When properly executed, this proxy will be voted in the manner directed herein by the undersigned shareholder. If no direction is given on these proposals, this proxy card will be voted "AGAINST" Item 1, and will be voted in accordance with the proxy's best judgment as to any other matters.**

**CONTROL NUMBER: [insert control #]**

Please sign this proxy exactly as your name or names appears hereon. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, this signature should be that of an authorized officer who should state his or her title.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature of joint owner, if any

Date \_\_\_\_\_

**PLEASE VOTE, SIGN AND DATE THIS GREEN PROXY AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. THIS MAY BE YOUR LAST CHANCE TO STOP THE BOARD OF DIRECTORS AND MANAGEMENT OF THE FUNDS FROM APPROVING A NEW MANAGEMENT CONTRACT. SHAREHOLDERS MUST MAKE THE BOARD OF DIRECTORS REALIZE THAT THEY HAVE NOT FULFILLED THEIR DUTY TO THE SHAREHOLDERS BY NOT ADDRESSING THE PERSISTENT SEVERE DISCOUNT OF THE MARKET PRICE VERSUS THE NET ASSET VALUE. AS A SHAREHOLDER, KARPUS INVESTMENT MANAGEMENT WANTS THE ECONOMIC BENEFIT THAT THE SHAREHOLDERS SHOULD RECEIVE.**

PLEASE VOTE, SIGN AND DATE THIS PROXY AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK. Example [x]

**Item #1:**

**KARPUS INVESTMENT MANAGEMENT RECOMMENDS THAT YOU VOTE “AGAINST” APPROVING A NEW MANAGEMENT AGREEMENT.**

ITEM 1 APPROVE A NEW MANAGEMENT AGREEMENT

AGAINST                       FOR                       ABSTAIN

**Signed proxies that are not checked will be voted by Karpus Investment Management “AGAINST” Item #1.**