

LMP REAL ESTATE INCOME FUND INC.  
Form DEF 14A  
March 28, 2008

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

**SCHEDULE 14A**  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

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 Section 240.14a-11(c) or Section 240.14a-12

LMP REAL ESTATE INCOME FUND INC.  
(Name of Registrant as Specified In Its Charter)

(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:
  - (5) Total fee paid:
- 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:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:

(4)

Date Filed:

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LMP REAL ESTATE INCOME FUND INC.

620 Eighth Avenue, 49th Floor, New York, New York 10018

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

*To the Stockholders,*

Notice is hereby given that the Annual Meeting of Stockholders of LMP Real Estate Income Fund Inc. (the "Fund") will be held at 620 Eighth Avenue, 49th Floor, New York, New York 10018 at 2:00 p.m. on April 28, 2008 for the following purposes:

1. The election of Directors (PROPOSAL 1); and
2. To consider and vote upon such other matters as may come before said meeting or any adjournment thereof.

The close of business on March 3, 2008 has been fixed as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the meeting and any adjournment thereof.

By Order of the Board of Directors,

Robert I. Frenkel  
Secretary

March 26, 2008

**TO AVOID UNNECESSARY EXPENSE OF FURTHER SOLICITATION, WE URGE YOU to indicate voting instructions on the enclosed proxy, date and sign it and return it promptly in the envelope provided, no matter how large or how small your holdings may be.**

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**Instructions for Signing Proxy Cards**

The following general rules for signing proxy cards may be of assistance to you and may avoid the time and expense to the Fund involved in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card.
2. *Joint Accounts:* Either party may sign, but the name of the party signing should conform exactly to the name shown in the registration on the proxy card.
3. *All Other Accounts:* The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

|                                     | <b>Registration</b>                                 | <b>Valid Signature</b>  |
|-------------------------------------|---|-------------------------|
| <b>Corporate Accounts</b>           |   |                         |
| (1)                                 | ABC Corp.   | ABC Corp.               |
| (2)                                 | ABC Corp.   | John Doe, Treasurer     |
| (3)                                 | ABC Corp., c/o John Doe, Treasurer                  | John Doe                |
| (4)                                 | ABC Corp. Profit Sharing Plan                       | John Doe, Trustee       |
| <b>Trust Accounts</b>               |   |                         |
| (1)                                 | ABC Trust   | Jane B. Doe, Trustee    |
| (2)                                 | Jane B. Doe, Trustee u/t/d 12/28/78                 | Jane B. Doe             |
| <b>Custodial or Estate Accounts</b> |   |                         |
| (1)                                 | John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA | John B. Smith           |
| (2)                                 | John B. Smith                                       | John B. Smith, Executor |

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**LMP REAL ESTATE INCOME FUND INC.**

**620 Eighth Avenue, 49th Floor, New York, New York 10018  
1-800-451-2010**

**ANNUAL MEETING OF STOCKHOLDERS  
APRIL 28, 2008**

**PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of LMP Real Estate Income Fund Inc. (the "Fund") for use at the Annual Meeting of Stockholders of the Fund to be held at 2:00 p.m. on April 28, 2008 at 620 Eighth Avenue, 49th Floor, New York, New York and at any adjournments thereof (the "Meeting"). A Notice of Meeting of Stockholders (the "Notice") and a proxy card accompany this Proxy Statement.

The cost of soliciting proxies and the expenses incurred in preparing this Proxy Statement and its enclosure will be borne by the Fund. Solicitation costs are expected to be approximately \$15,750. In addition, the Fund will reimburse brokerage firms or other record holders for their expenses in forwarding solicitation materials to beneficial owners of shares of the Fund. Proxy solicitations will be made primarily by mail, but proxy solicitations also may be made by telephone or personal interview conducted by officers of the Fund and officers, regular employees and other affiliated persons of the Fund's investment manager, Legg Mason Partners Fund Advisor, LLC ("LMPFA" or the "Manager"), Legg Mason & Co., LLC ("Legg Mason") and/or American Stock Transfer and Trust Company, the Fund's transfer agent.

The Annual Report of the Fund, including audited financial statements for the fiscal year ended December 31, 2007, has previously been furnished to all stockholders. This Proxy Statement is first being mailed to stockholders on or about March 26, 2008. The Fund will provide additional copies of the annual report to any stockholder upon request by calling the Fund at 1-800-451-2010.

The Fund has one class of Common Stock which has a par value of \$.001 per Share. As of March 3, 2008, there were 11,252,243.453 shares of Common Stock outstanding. The Fund has one series of Preferred Stock outstanding, Taxable Auction Rate Preferred Stock Series M, \$25,000 per share liquidation preference. As of March 3, 2008, there were 3,800 shares of Preferred Stock outstanding. The shares of Common Stock and the shares of Preferred Stock are referred to collectively as the "Shares." Each stockholder is entitled to one vote for each Share held and a proportionate fraction of a vote for any fractional Share held.

If the enclosed Proxy is properly executed and returned in time to be voted at the Meeting, the Shares represented thereby will be voted in accordance with the instructions marked thereon. Unless instructions to the contrary are marked thereon, a proxy will be voted FOR the proposals listed in the accompanying Notice of Annual Meeting of Stockholders. Under the Fund's By-laws, a quorum is constituted by the presence in person or by proxy

of the holders of a majority of the outstanding Shares entitled to vote at the Meeting. For purposes of determining the presence of a quorum for transacting business at the Meeting, abstentions and broker "non-votes" (that is, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares on a particular matter with respect to which the brokers or nominees do not have discretionary power) will be treated as shares that are present but which have not been voted. Approval of Proposal 1 requires the affirmative vote of a plurality of the votes cast at the Meeting with a quorum present. Because the Proposal requires a proportion of votes cast for its approval, abstentions and broker non-votes may influence whether a quorum is present, but will have no impact on the requisite approval of such Proposal. Any stockholder who has given a proxy has the right to revoke it at any time prior to its exercise either by attending the Meeting and voting his or her shares in person or by submitting a letter of revocation or a later-dated proxy to the Fund at the above address prior to the date of the Meeting.

In the event that a quorum is not present at the Meeting, or in the event that a quorum is present but sufficient votes to approve the proposal are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitations of proxies. In determining whether to adjourn the Meeting, the following factors may be considered: the nature of the proposal that is the subject of the Meeting; the percentage of votes actually cast; the percentage of negative votes actually cast; the nature of any further solicitation; and the information to be provided to stockholders with respect to the reasons for the solicitation. Any adjournment will require the affirmative vote of a majority of the Shares represented at the Meeting in person or by proxy. A stockholder vote may be taken on the proposal in this Proxy Statement prior to such adjournment if sufficient votes have been received and it is otherwise appropriate.

The close of business on March 3, 2008 has been fixed as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the Meeting and all adjournments thereof.

As of the Record Date, to the knowledge of the Fund and the Board, no single stockholder or "group" (as that term is used in Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act")) beneficially owned 5% or more of the outstanding Shares of the Fund. As of the Record Date, Cede & Co., as nominee of The Depository Trust Company, was the record holder of 11,235,054.23 Shares, or 99.85% of the Fund's outstanding Shares. As of the Record Date, the Nominees, Directors and officers of the Fund as a group beneficially owned less than 1% of the outstanding Shares of the Fund.

In order that a stockholder's Shares may be represented at the Meeting, stockholders should allow sufficient time for their proxies to be received on or before 2:00 p.m. on April 28, 2008.

As of the Record Date, to the knowledge of the Fund, no securities issued by Legg Mason were held by Directors who are not "interested persons" of the Fund (the "Non-Interested Directors") as that term is used in the Investment Company Act of 1940, as amended (the "1940 Act").

The Fund's manager is Legg Mason Partners Fund Advisor, LLC, located at 620 Eighth Avenue, New York, NY 10018.

**Proposal 1: To Elect Three (3) Class II Directors of the Fund**

The Board of Directors of the Fund is divided into three classes: Class I, Class II and Class III. The Directors serving in Class II have terms expiring at the Meeting; the three Class II Directors currently serving on the board have been nominated by the Board of Directors for election (in the case of Mr. Roett) or for re-election at the Meeting, each to serve for a term of three years (until the 2011 Annual Meeting of Stockholders) and until his successor has been duly elected and qualified. The terms of office of the Class I and Class III Directors expire at the 2010 and 2009 Annual Meeting of Stockholders, respectively, or thereafter in each case when their respective successors are duly elected and qualified.

Under the terms of the Fund's Articles of Incorporation, as amended (the "Charter"), the holders of Preferred Stock are entitled as a class, to the exclusion of the holders of Common Stock, to elect two Directors of the Fund (the "Preferred Share Directors"). The Charter further provides that the remaining nominees shall be elected by holders of Common Stock and Preferred Stock voting together as a single class. None of the Directors designated as a Preferred Share Director has been nominated for election at this Meeting.

Each nominee has consented to serve as a Director if elected at the Meeting. If a designated nominee declines or otherwise becomes unavailable for election, however, the proxy confers discretionary power on the persons named therein to vote in favor of a substitute nominee or nominees.

Certain information concerning the nominees is set forth below. For all nominees or Directors indicated as owning shares of the Fund, such ownership constituted less than 1% of the outstanding shares of the Fund as of the Record Date. All of the nominees are currently Directors of the Fund. Except as indicated, each nominee or Director has held the office shown or other offices in the same company for the last five years.

Persons Nominated for Election as Directors

| Name,<br>Address<br>and<br>Year of<br>Birth   | Position<br>Held with<br>Fund | Length<br>of<br>Time<br>Served | Principal<br>Occupations<br>During Past<br>Five Years   | Number of<br>Portfolios<br>in Fund<br>Complex<br>Overseen<br>by Director<br>or Director<br>Nominee | Other<br>Directorships<br>Held by<br>Director<br>or Director<br>Nominee |
|---|-------------------------------|--------------------------------|---|--|---|
| <b>CLASS II DIRECTOR NOMINEES</b>   |                               |                                |   |  |   |
| <b>Non-Interested Directors:</b>  |                               |                                |   |  |   |
| Daniel P. Cronin<br>c/o<br>Chairman<br>of the<br>Fund<br>620<br>Eighth<br>Avenue<br>New<br>York, NY<br>10018<br>Birth<br>year:<br>1946                    | Director                      | Since<br>2007                  | Retired; formerly, Associate General Counsel, Pfizer, Inc.<br>(pharmaceuticals)   | 22   | None  |
| Paolo M. Cucchi<br>Drew<br>University<br>108<br>Brothers<br>College<br>Madison,<br>NJ 07940<br>Year of<br>Birth:<br>1941                                  | Director                      | Since<br>2002                  | Vice President and Dean of College of Liberal Arts at Drew<br>University.   | 22   | None  |
| Dr. Riordan<br>Roett<br>The Johns<br>Hopkins<br>University<br>1740<br>Massachusetts<br>Ave., NW<br>Washington,<br>D.C.<br>20036<br>Birth<br>year:<br>1938 | Director                      | Since<br>2007                  | Professor and Director, Latin American Studies Program,<br>Paul H. Nitze School of Advanced International Studies, The<br>Johns Hopkins University. | 21   | None  |

Director, Trustee and/or general partner of other investment companies registered under the 1940 Act with which Legg Mason is associated.



**Directors Continuing in Office\*\***

| <b>Name,<br/>Address<br/>and<br/>Year of<br/>Birth</b>  | <b>Position<br/>Held with<br/>Fund</b>                      | <b>Length<br/>of<br/>Time<br/>Served</b> | <b>Principal<br/>Occupations<br/>During Past<br/>Five Years</b>  | <b>Number of<br/>Portfolios<br/>in Fund<br/>Complex<br/>Overseen<br/>by Director<br/>or Director<br/>Nominee</b> | <b>Other<br/>Directorships<br/>Held by<br/>Director<br/>or Director<br/>Nominee</b>                               |
|---|---|--|--|--|---|
| <b>CLASS I DIRECTORS</b>  |   |  |  |  |   |
| <b>Non-Interested Directors</b>   |   |  |  |  |   |
| Carol L. Colman<br>c/o<br>Chairman<br>of the<br>Fund<br>620<br>Eighth<br>Avenue<br>New<br>York, NY<br>10018<br>Birth<br>year:<br>1946 | Director  | Since<br>2007                            | President, Colman Consulting Co.<br>(business consulting)  | 22   | None  |
| Leslie H. Gelb<br>c/o<br>Chairman<br>of the<br>Fund<br>620<br>Eighth<br>Avenue<br>New<br>York, NY<br>10018<br>Birth<br>year:<br>1937  | Director  | Since<br>2007                            | President Emeritus and Senior Board Fellow, The Council on Foreign Relations; formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, The New York Times.  | 21   | Director of two registered investment companies advised by Blackstone AsiaAdvisors L.L.C. ("Blackstone Advisors") |
| <b>Interested Director:</b>   |   |  |  |  |   |
| R. Jay Gerken*<br>620<br>Eighth<br>Avenue<br>New<br>York, NY<br>10018<br>Year of<br>Birth:<br>1951                                    | Chairman,<br>President and<br>Chief<br>Executive<br>Officer | Since<br>2002                            | Managing Director of Legg Mason; Chairman, President and Chief Executive Officer of LMPFA; President and Chief Executive Officer of certain mutual funds associated with Legg Mason; Chairman of the Board, Trustee or Director of 133 funds associated with the Investment Manager or its Affiliates. | 133  | None  |

\* An "interested person" of the Fund, as defined in the 1940 Act, because he is a Managing Director of Legg Mason, which is an affiliate of the Fund's Manager.

\*\* Dwight B. Crane, who is currently serving as a Class III Director, will resign from the Board at the end of April 2008.

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Director, trustee and/or general partner of other investment companies registered under the 1940 Act with which Legg Mason is associated.

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| Name,<br>Address<br>and<br>Year of<br>Birth  | Position<br>Held with<br>Fund | Length<br>of<br>Time<br>Served | Principal<br>Occupations<br>During Past<br>Five Years  | Number of<br>Portfolios<br>in Fund<br>Complex<br>Overseen<br>by Director<br>or Director<br>Nominee | Other<br>Directorships<br>Held by<br>Director<br>or Director<br>Nominee              |
|--|-------------------------------|--------------------------------|--|--|--|
| <b>CLASS III DIRECTORS</b>   |                               |                                |  |  |  |
| <b>Non-Interested Directors:</b>   |                               |                                |  |  |  |
| William<br>R.<br>Hutchinson<br><br>535 N.<br>Michigan<br>Suite<br>1012<br>Chicago,<br>IL 60611<br>Year of<br>Birth:<br>1942                                      | Director                      | Since<br>2002                  | President, WR Hutchinson & Associates, Inc. (oil industry consulting); formerly Group Vice President, Mergers & Acquisitions BP Amoco p.l.c. | 22   | Director of Associated Bank;<br>Director of Associated<br>Banc-Corp.                 |
| Jeswald<br>W.<br>Salacuse<br>c/o<br>Chairman<br>of the<br>Fund<br>620<br>Eighth<br>Avenue<br>49th<br>Floor<br>New<br>York, NY<br>10018<br>Birth<br>year:<br>1938 | Director                      | Since<br>2007                  | Henry J. Braker Professor of Commercial Law and formerly Dean, The Fletcher School of Law & Diplomacy, Tufts University.                     | 20   | Director of two registered<br>investment companies advised by<br>Blackstone Advisors |

Director, trustee and/or general partner of other investment companies registered under the 1940 Act with which Legg Mason is associated.

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The following table provides information concerning the dollar range of equity securities owned beneficially by each Director and nominee for election as Director as of December 31, 2007:

| <b>Name of Director/Nominee</b>          | <b>Dollar Range of Equity Securities in the Fund</b> | <b>Aggregate Dollar Range of Equity Securities in All Funds Overseen by Director/Nominee and Advised by CFM</b> |
|--|--|---|
| <b>Non-Interested Directors/Nominees</b> |  |   |
| Carol L. Colman                          | None   | Over \$100,000  |
| Dwight B. Crane                          | None   | Over \$100,000  |
| Daniel P. Cronin                         | \$10,001 \$50,000                                    | Over \$100,000  |
| Paolo M. Cucchi                          | None   | \$10,001 \$50,000   |
| Leslie H. Gelb                           | None   | None  |
| William R. Hutchinson                    | Over \$100,000                                       | Over \$100,000  |
| Riordan Roett                            | None   | \$50,001 \$100,000  |
| Jeswald Salacuse                         | None   | \$50,001 \$100,000  |
| <b>Interested Director/Nominee</b>       |  |   |
| R. Jay Gerken*                           | \$10,001 \$50,000                                    | Over \$100,000  |

\* Mr. Gerken is an "interested person" as defined in the 1940 Act, because he is a Managing Director of Legg Mason, which is an affiliate of the Manager.

During the Fund's last fiscal year ended December 31, 2007, four regular and one special meeting of the Board were held. In the last fiscal year, each Director attended at least 75% of the regular and special meetings of the Board and each of the audit and nominating committee meetings held during the time he or she was a Director. The Fund does not have a formal policy regarding attendance by Directors at annual meetings but may consider a policy in the future. One Board member attended the 2007 Annual Meeting.

### Compensation

Under the federal securities laws, and in connection with the Meeting, the Fund is required to provide to stockholders in connection with the Meeting information regarding compensation paid to the Directors by the Fund, as well as by the various other investment companies advised by LMPFA. The following table provides information concerning the compensation paid to each Director by the Fund during the fiscal year ended December 31, 2007 and the total compensation paid to each Director during the calendar year ended December 31, 2007. Certain of the Directors listed below are members of the Fund's Audit and Nominating Committees, as well as other committees of the boards of certain other investment companies advised by LMPFA. Accordingly, the amounts provided in the table include compensation for service on all such committees. The Fund does not provide any pension or retirement benefits to Directors. In addition, no remuneration was paid during the fiscal year ended December 31, 2007 by the Fund to Mr. Gerken who is an "interested person" as defined in the 1940 Act.

| Name of Person                  | Aggregate Compensation from Fund for the fiscal year ended 12/31/07 | Total Compensation from Fund and Fund Complex for the calendar year ended 12/31/07 | Total Number of Funds for Which Director Serves within Fund Complex |
|---------------------------------|---|--|---|
| <b>Non-Interested Directors</b> |   |  |   |
| Carol L. Colman                 | \$ 8,058  | \$ 326,113   | 22  |
| Dwight B. Crane                 | 6,833   | 746,293  | 48  |
| Daniel P. Cronin                | 7,642   | 192,450  | 22  |
| Paolo M. Cucchi                 | 9,142   | 174,250  | 22  |
| Leslie H. Gelb                  | 6,879   | 178,250  | 21  |
| William R. Hutchinson           | 9,640   | 368,239  | 22  |
| Riordan Roett                   | 5,859   | 180,250  | 21  |
| Jeswald Salacuse                | 7,080   | 187,250  | 20  |
| <b>Interested Director</b>      |   |  |   |
| R. Jay Gerken*                  | \$ 0  | \$ 0   | 133   |

\* Designates a Director who is an "interested person" of the Fund as defined under the 1940 Act because he is a Managing Director of Legg Mason, which is an affiliate of the Manager.

### Beneficial Ownership Reporting Compliance

Section 30(h) of the 1940 Act requires the Fund's officers and Directors, investment adviser, sub-investment adviser and certain affiliated persons thereof, and any persons who beneficially own more than ten percent of the Fund's outstanding Shares, as well as LMPFA, AEW Capital Management L.P., ("AEW") and certain of their affiliated persons, to file reports of ownership with the Securities and Exchange Commission (the "SEC"), the New York Stock Exchange, Inc. (the "NYSE") and the Fund. Based solely upon its review of the copies of such forms received by it and representations from certain such persons, the Fund believes that during its fiscal year ended December 31, 2007, all filing requirements applicable to such persons were met; with the exception of a Form 3 submission by each of Charles J. Daley, Jr. and Rocco Del Guercio, which were inadvertently not filed in a timely manner. However, these officers did not buy or sell Fund shares prior to a late Form 3 filing, and they have since made the required Form 3 filings.

The names of the principal officers of the Fund are listed in the table below together with certain additional information. Each of the officers of the Fund will hold such office until a successor is voted upon by the Board of Directors.

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| <b>Name</b>       | <b>Position (Year First Elected)</b>  | <b>Principal Occupations and Other Affiliations for the Past Five Years and Year of Birth</b>   |
|-------------------|---|---|
| R. Jay Gerken     | Chief Executive Officer (2002), Chairman of the Board (2002) and President (2002) | (See table of "Directors Continuing in Office")   |
| Kaprel Ozsolak    | Chief Financial Officer and Treasurer (2004)                                      | Director of Legg Mason; Chief Financial Officer and Treasurer of certain mutual funds associated with Legg Mason; Controller of certain mutual funds associated with Legg Mason or its predecessors (from 2002 to 2004);<br>Year of Birth: 1965                 |
| Steven Frank      | Controller (2005)   | Vice President of Legg Mason (since 2002); Controller of certain mutual funds associated with Legg Mason; Assistant Controller of Legg Mason or its predecessors (from 2001 to 2005);<br>Year of Birth: 1967  |
| Ted P. Becker     | Chief Compliance Officer (2006)   | Managing Director of Compliance at Legg Mason (2005-Present); Chief Compliance Officer with certain mutual funds associated with Legg Mason (since 2006); Managing Director of Compliance at Legg Mason or its predecessors (2002-2005).<br>Year of Birth: 1951 |
| John Chiota       | Chief Anti-Money Laundering Compliance Officer (2006)                             | Vice President of Legg Mason (since 2004); Chief Anti-Money Laundering Compliance Officer with certain mutual funds associated with Legg Mason (since 2006); prior to August 2004, Chief AML Compliance Officer with TD Waterhouse.<br>Year of Birth: 1968      |
| Robert I. Frenkel | Secretary (2003)  | Managing Director and General Counsel of Global Mutual Funds for Legg Mason and its predecessor (since 1994); Secretary and Chief Legal Officer of mutual funds associated with Legg Mason.<br>Year of Birth: 1954  |

The election of each Director will require a plurality of the votes cast with a quorum present.

The principal business address of Messrs. Gerken and Becker is 620 Eighth Avenue, New York, New York 10018. The principal business address of Messrs. Frank and Ozsolak is 55 Water Street, New York, New York 10041. The principal business address of Messrs. Frenkel and Chiota is 300 First Stamford Place, Stamford, Connecticut 06902.

**THE BOARD OF DIRECTORS, INCLUDING ALL THE NON-INTERESTED DIRECTORS, RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF ALL NOMINEES TO THE BOARD.**

The Fund has a separately designated standing Audit Committee. The Fund's Audit Committee is composed of all the Directors who are not "interested persons" of the Fund, LMPFA, AEW or their affiliates within the meaning of the 1940 Act, and who are "independent" as defined in the NYSE listing standards, namely Ms. Colman and Messrs. Crane, Cronin, Cucchi, Gelb, Hutchinson, Roett and Salacuse. The principal functions of the Audit Committee are to (a) assist Board oversight of (i) the integrity of the Fund's financial statements, (ii) the Fund's compliance with legal and regulatory requirements, (iii) the qualifications and independence of the Fund's independent registered public accounting firm, and (iv) the performance of the Fund's internal audit functions and independent registered public accounting firm; (b) approve, and recommend to the Independent Board Members (as such term is defined in the Audit Committee Charter) for their ratification, the selection, appointment, retention or termination of the Fund's independent registered public accounting firm, as well as approving the compensation thereof; (c) approve all audit and permissible non-audit services provided to the Fund and certain other persons by such independent registered public accounting firm; and (d) prepare the report required to be prepared by the Audit Committee pursuant to SEC rules for inclusion in the Annual Proxy Statement. This Committee met five times during the fiscal year ended December 31, 2007. The Board of Directors of the Fund has determined that all members of the Fund's Audit Committee are financially literate. Mr. Hutchinson has been designated as the audit committee financial expert within the meaning of the rules adopted and implemented under Section 407 of the Sarbanes-Oxley Act of 2002. The Fund's Audit Committee Charter was filed as Annex A to the Fund's Proxy Statement dated March 23, 2007.

The Fund has a separately designated standing Nominating Committee. The Nominating Committee, the principal function of which is to select and nominate candidates for election or appointment by the Board as Directors of the Fund, is currently composed of Ms. Colman and Messrs. Crane, Cronin, Cucchi, Gelb, Hutchinson, Roett and Salacuse. Only Directors who are not "interested persons" of the Fund as defined in the 1940 Act and who are "independent" as defined in the NYSE listing standards applicable to closed end funds are members of the Nominating Committee. The Nominating Committee may consider nominees recommended by a stockholder as it deems appropriate. Stockholders who wish to recommend a nominee should send recommendations to the Fund's Secretary that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Directors. A recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected by the stockholders. The Nominating Committee met four times during the Fund's fiscal year ended December 31, 2007. At a meeting held on May 17, 2007, the Nominating Committee nominated Messrs. Roett and Salacuse for appointment by the Board of Directors of the Fund effective June 1, 2007. At a meeting held on February 13, 2008, the Nominating Committee nominated Messrs. Cronin, Cucchi and Roett for election at the Meeting. The Fund's Nominating Committee Charter was filed as Annex B to the Fund's Proxy Statement dated March 23, 2007.

The Nominating Committee identifies potential nominees through its network of contacts, and may also engage, if it deems appropriate, a professional search firm. The Committee meets to discuss and consider such candidates' qualifications and then chooses a candidate by majority vote. The Nominating Committee does not have specific, minimum qualifications for nominees and has not established specific qualities or skills that it regards as necessary for one or more of the Fund's Directors to possess (other than any qualities or skills that may be required by applicable law, regulation or listing standard). However, as set forth in the Nominating Committee

Charter, in evaluating a person as a potential nominee to serve as a Director of the Fund, the Committee may consider the following factors, among any others it may deem relevant:

whether or not the person is an "interested person" as defined in the 1940 Act and whether the person is otherwise qualified under applicable laws and regulations to serve as a Director of the Fund;

whether or not the person has any relationships that might impair his or her independence, such as any business, financial or family relationships with Fund management, the Manager of the Fund, Fund service providers or their affiliates;

whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes;

whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Director of the Fund;

the contribution which the person can make to the Board and the Fund (or, if the person has previously served as a Director of the Fund, the contribution which the person made to the Board during his or her previous term of service), with consideration being given to the person's business and professional experience, education and such other factors as the Committee may consider relevant;

the character and integrity of the person; and

whether or not the selection and nomination of the person would be consistent with the requirements of the Fund's retirement policies.

#### **Report of the Audit Committee**

At a meeting of the Audit Committee on February 13, 2008, the Audit Committee reported that it: (i) reviewed and discussed the Fund's audited financial statements with management; (ii) discussed with KPMG LLP ("KPMG"), the Fund's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61; and (iii) received written confirmation from KPMG that it is independent and disclosures regarding such independence, as required by Independence Standards Board Standard No. 1, and discussed with KPMG the firm's independence. Based on the review and discussions referred to in items (i) through (iii) above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Fund's annual report for the Fund's fiscal year ended December 31, 2007.

Submitted by the Audit Committee  
of the Fund's Board of Directors

Carol L. Colman  
Dwight B. Crane  
Daniel P. Cronin  
Paolo M. Cucchi  
Leslie H. Gelb  
William R. Hutchinson  
Riordan Roett  
Jeswald Salacuse

Representatives of KPMG are not expected to be present at the Meeting but have been given the opportunity to make a statement if they so desire and will be available should any matter arise requiring their presence.

**Fees Paid to Independent Registered Public Accounting Firm**

**Audit Fees.** Fees for the annual audit of the Fund's financial statements by KPMG for the fiscal year ended December 31, 2006 and the fiscal year ended December 31, 2007 were \$43,000 and \$45,000, respectively.

**Audit-Related Fees.** Fees for services related to the audit of the Fund's financial statements rendered by KPMG for the fiscal year ended December 31, 2006 and fiscal year ended December 31, 2007 were \$50,000 and \$51,000, respectively. These amounts represent procedures performed and prepared for in an agreed upon procedures letter in accordance with the terms of the Articles Supplementary for the Preferred Shares.

**Tax Fees.** Fees for services rendered by KPMG for tax compliance for the fiscal year ended December 31, 2006 and the fiscal year ended December 31, 2007 were \$3,500 and \$3,700, respectively. These amounts represent aggregate fees paid for tax compliance, tax advice and tax planning services, which include the filing and amendment of federal, state and local income tax returns, timely tax qualification review and tax distribution and analysis planning rendered by KPMG to the Fund.

**All Other Fees.** There were no other fees billed to KPMG for services rendered to the Fund for the last two fiscal years.

**Pre-Approval Policies and Procedures.** The Audit Committee Charter requires that the Audit Committee shall approve (a) all audit and permissible non-audit services to be provided to the Fund and (b) all permissible non-audit services to be provided by the Fund's independent registered public accounting firm to the Manager and any service providers controlling, controlled by or under common control with the Manager that provide ongoing services to the Fund ("Covered Service Providers") if the engagement relates directly to the operations and financial reporting of the Fund. The Audit Committee may implement policies and procedures by which such services are approved other than by the full Committee.

The Audit Committee may not approve non-audit services that the Committee believes may impair the independence of the independent registered public accounting firm. As of the date of the approval of the Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent registered public accounting firm, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Audit Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Manager and any Covered Service Provider constitutes not more than 5% of the total amount of revenues paid to the independent registered public accounting firm during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) the Manager and (c) any Covered Service Provider during the fiscal year in which the services are provided that would not have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are

promptly brought to the attention of the Audit Committee and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

There were no services rendered by KPMG to the Fund for which the pre-approval requirement was waived.

**Aggregate Non-Audit Fees.** The aggregate non-audit fees billed by KPMG for non-audit services rendered to the Fund, the Manager and Covered Service Providers for the fiscal year ended December 31, 2006 and the fiscal year ended December 31, 2007 were \$0 and \$0, respectively.

The Fund's Audit Committee has considered whether the provision of non-audit services that were rendered by KPMG to the Manager and Covered Service Providers which were not pre-approved (not requiring pre-approval) is compatible with maintaining KPMG's independence. All services provided by KPMG to the Fund, the Manager or Covered Service Providers which were required to be pre-approved were pre-approved as required.

#### **Stockholder Proposals and Other Stockholder Communications**

Stockholder proposals intended to be presented at the 2009 Annual Meeting of Stockholders of the Fund must be received by November 26, 2008 to be included in the proxy statement and the form of proxy relating to that meeting, as the Fund expects that the 2009 Annual Meeting will be held in April of 2009. The submission by a stockholder of a proposal for inclusion in the proxy statement does not guarantee that it will be included. Any stockholder who desires to submit a proposal at the 2009 Annual Meeting of Stockholders without including such proposal in the Fund's proxy statement must deliver written notice thereof to the Secretary of the Fund (addressed to LMP Real Estate Income Fund, 300 First Stamford Place, 2nd Floor, Stamford, CT 06902) during the period from January 26, 2009 to February 25, 2009. However, if the 2009 Annual Meeting of Stockholders is held earlier than March 31, 2009, or later than June 30, 2009, such written notice must be delivered to the Secretary of the Fund during the period from 90 days before the date of the 2009 Annual Meeting to the later of 60 days prior to the date of the 2009 Annual Meeting or 10 days following the public announcement of the date of the 2009 Annual Meeting. Stockholder proposals are subject to certain regulations under the federal securities laws.

The persons named as proxies for the 2009 Annual Meeting of Stockholders will have discretionary authority to vote on any matter presented by a stockholder for action at that meeting unless the Fund receives notice of the matter between January 26, 2009 and February 25, 2009, in which case these persons will not have discretionary voting authority except as provided in the SEC's rules governing stockholder proposals.

The Fund's Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, "Accounting Matters"). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Fund's Chief Compliance Officer ("CCO"). Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to the Fund's Audit Committee Chair (together with the CCO, "Complaint Officers"). Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:

Legg Mason  
Compliance Department  
620 Eighth Avenue, 49th Floor  
New York, NY 10018

Complaints may also be submitted by telephone at 800-742-5274. Complaints submitted through this number will be received by the CCO.

The Fund's Audit Committee Chair may be contacted at:

LMP Real Estate Income Fund Inc.  
Audit Committee Chair  
c/o Robert K. Fulton, Esq.  
Stradley Ronon Stevens & Young, LLP  
2600 One Commerce Square  
Philadelphia, PA 19103

A stockholder who wishes to send any other communications to the Board should also deliver such communications to the Secretary of the Fund, Robert I. Frenkel, 300 First Stamford Place, 2nd Floor, Stamford, CT 06902. The Secretary is responsible for determining, in consultation with other officers of the Fund, counsel, and other advisers as appropriate, which stockholder communications will be relayed to the Board.

#### **Additional Information**

Legg Mason, Inc.'s sole business is asset management, with on-the-ground management capabilities located around the world and assets under management as of December 31, 2007 aggregating approximately \$1 trillion.

Legg Mason, Inc. is a global asset management firm, structured as a holding company. The firm is headquartered in Baltimore, Maryland.

#### **Other Matters to Come before the Meeting**

The Board does not intend to present any other business at the Meeting, nor is the Fund aware of any stockholder proposals. If, however, any other matters are properly brought before the Meeting, the persons named as proxies in the accompanying form of proxy will vote thereon in accordance with their judgment, to the extent permissible under applicable law.

March 26, 2008

**It is important that proxies be returned promptly. Stockholders who do not expect to attend the meeting are therefore urged to complete and sign, date and return the proxy card as soon as possible in the enclosed postage-paid envelope.**



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ANNUAL MEETING OF STOCKHOLDERS OF  
**LMP REAL ESTATE INCOME FUND INC.**

**April 28, 2008**

**COMMON STOCK**

Please date, sign and mail  
your proxy card in the  
envelope provided as soon  
as possible.

Please detach along perforated line and mail in the envelope provided.

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042808

|   |                           |                  |                       |  |
|---|---------------------------|------------------|-----------------------|--|
| <b>THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION.</b>   |                           |                  |                       |  |
| <b>PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý</b> |                           |                  |                       |  |
|   |                           |                  |                       |  |
|   |                           |                  |                       |  |
|   |                           |                  |                       |  |
|   | 1. Election of Directors: |                  |                       |  |
|   |                           |                  |                       |  |
|   |                           |                  |                       | 2. Any other business that may properly come before the Meeting.   |
|   |                           |                  |                       |  |
|   | <b>NOMINEES:</b>          |                  |                       |  |
|   |                           | Daniel P. Cronin | For Class II Director | <b>This proxy, if properly executed, will be voted in the manner directed by the stockholder. If no direction is made, this proxy will be voted FOR the election of the nominees as Directors.</b> |
|   |                           | Paolo M. Cucchi  | For Class II Director |  |
| O   | <b>FOR ALL NOMINEES</b>   |                  |                       |  |

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|                       |  |               |                       |                       |                          |  |       |  |   |
|-----------------------|--|---------------|-----------------------|-----------------------|--------------------------|--|-------|--|---|
| <input type="radio"/> | <b>withhold authority<br/>for all nominees</b>   | Riordan Roett | For Class II Director |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  | Please refer to the Proxy Statement for a discussion of the Proposal.             |
| <input type="radio"/> | <b>for all except<br/>(See instructions<br/>below)</b>   |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
| <b>INSTRUCTIONS</b>   | To withhold authority to vote for any individual nominee(s), mark <b>FOR ALL EXCEPT</b> and fill in the circle next to each nominee you wish to withhold, as shown here:   |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
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|                       |  |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  | <b>Please check here of you plan to attend the Meeting.</b> <input type="radio"/> |
|                       | To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. |               |                       | <input type="radio"/> |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
|                       |  |               |                       |                       |                          |  |       |  |   |
|                       | Signature of Stockholder   |               | Date:                 |                       | Signature of Stockholder |  | Date: |  |   |
| <b>Note:</b>          | Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full                        |               |                       |                       |                          |  |       |  |   |
|                       | title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.                |               |                       |                       |                          |  |       |  |   |

COMMON STOCK

COMMON STOCK

**LMP REAL ESTATE INCOME FUND INC.**

**April 28, 2008**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints R. Jay Gerken, Robert I. Frenkel and William J. Renahan, and each of them, attorneys and proxies for the undersigned, with full power of substitution and revocation to represent the undersigned and to vote on behalf of the undersigned all shares of Common Stock of LMP Real Estate Income Fund Inc. (the Fund ) which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Fund to be held at the offices of Legg Mason, Inc., 620 Eighth Avenue, 49th Floor, New York, New York on Monday, April 28, 2008, at 2:00 p.m., and at any adjournments thereof. The undersigned hereby acknowledges receipt of the Notice of Meeting and accompanying Proxy Statement and hereby instructs said attorneys and proxies to vote said shares as indicated hereon. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting. A majority of the proxies present and acting at the Meeting in person or by substitute (or, if only one shall be so present, then that one) shall have and may exercise all of the power and authority of said proxies hereunder. The undersigned hereby revokes any proxy previously given.

**(Continued and to be signed on the reverse side)**

14475

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ANNUAL MEETING OF STOCKHOLDERS OF  
**LMP REAL ESTATE INCOME FUND INC.**

**April 28, 2008**

**PREFERRED STOCK**

Please date, sign and mail  
your proxy card in the  
envelope provided as soon  
as possible.

Please detach along perforated line and mail in the envelope provided.

20300000000000001000 4

042808

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK  
AS SHOWN HERE ý**

|                           |                             |  |                  |  |  |  |  |
|---------------------------|-----------------------------|--|------------------|--|--|--|--|
|                           |                             |  |                  |  |  |  |  |
|                           |                             |  |                  |  |  |  |  |
|                           |                             |  |                  |  |  |  |  |
| 1. Election of Directors: |                             |  |                  | 2. Any other business that may properly come before the Meeting. |  |  |  |
|                           |                             |  |                  |  |  |  |  |
| <input type="checkbox"/>  | <b>FOR ALL<br/>NOMINEES</b> |  | <b>NOMINEES:</b> |  | <b>This proxy, if properly executed, will be voted in the manner directed by the stockholder. If no direction is made, this proxy will be voted FOR the election of the nominees as Directors.</b> |  |  |
| <input type="checkbox"/>  |                             |  | Daniel P. Cronin | For Class II Director  |  |  |  |
| <input type="checkbox"/>  |                             |  | Paolo M. Cucchi  | For Class II Director  |  |  |  |
|                           |                             |  | Riordan Roett    | For Class II Director  |  |  |  |



**PREFERRED STOCK**

**PREFERRED STOCK**

**LMP REAL ESTATE INCOME FUND INC.**

**April 28, 2008**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints R. Jay Gerken, Robert I. Frenkel and William J. Renahan, and each of them, attorneys and proxies for the undersigned, with full power of substitution and revocation to represent the undersigned and to vote on behalf of the undersigned all shares of Preferred Stock of LMP Real Estate Income Fund Inc. (the "Fund") which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Fund to be held at the offices of Legg Mason, Inc., 620 Eighth Avenue, 49th Floor, New York, New York on Monday, April 28, 2008, at 2:00 p.m., and at any adjournments thereof. The undersigned hereby acknowledges receipt of the Notice of Meeting and accompanying Proxy Statement and hereby instructs said attorneys and proxies to vote said shares as indicated hereon. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting. A majority of the proxies present and acting at the Meeting in person or by substitute (or, if only one shall be so present, then that one) shall have and may exercise all of the power and authority of said proxies hereunder. The undersigned hereby revokes any proxy previously given.

**(Continued and to be signed on the reverse side)**

14475

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