

LMP REAL ESTATE INCOME FUND INC.  
Form DEFA14A  
May 05, 2015

**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 Under Rule 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):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
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- .. 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.
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  - (2) Form, Schedule or Registration Statement No.:
  
  - (3) Filing Party:

(4) Date Filed:

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**  
LMP Real Estate Income Fund Inc. (RIT)  
May 6, 2015  
ISS Presentation

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

2

Executive Summary

RIT has delivered on its investment objectives with exceptionally strong investment performance and attractive income to shareholders

RIT's discount is in-line with its Lipper peers as well as equity closed-end funds more broadly

The Board is highly experienced and overwhelmingly comprised of independent directors (89%)

The Board continues to be focused on delivering results to investors and will consider any option that is in the long-term

best

interests

of

all

shareholders

Bulldog's actions are not aligned with the long-term interests of all shareholders

INDEPENDENT EXPERTISE. **SINGULAR FOCUS.**

3

RIT has delivered strong investment performance

RIT

has

outperformed

its  
Lipper  
real  
estate  
peers  
1  
for  
the  
1-,  
3-,  
5-  
and  
10-year  
periods  
based  
on  
NAV  
and  
market  
price

Since  
the  
Board  
changed  
RIT s  
sub-advisor  
in  
August  
15,  
2011,  
RIT  
has  
outperformed  
its  
Lipper  
real  
estate  
peers  
as well as the MSCI U.S. REIT Index

1  
Lipper real estate peers excludes non-exchange traded closed-end funds and Storage Group Inc., a fund in the process of conversion

Source: Lipper. Data as of 4/30/15

19.10  
12.54  
12.92  
7.57  
15.84  
13.97  
12.10

13.12

5.96

14.58

13.11

11.11

12.67

6.41

13.32

12.41

11.94

12.36

5.69

13.62

13.08

10.82

12.93

8.36

13.79

0.00

2.00

4.00

6.00

8.00

10.00

12.00

14.00

16.00

18.00

20.00

1 Year

3 Year

5 Year

10 Year

Current Sub-advisor

8/15/11 -

4/30/15

Average Annualized Total Returns

(for periods ended April 30, 2015)

RIT Market Price

RIT NAV

Lipper Peers --

Market Price

Lipper Peers -

NAV

MSCI U.S. REIT Index

INDEPENDENT EXPERTISE. **SINGULAR FOCUS.**

4

RIT has delivered attractive monthly distributions since inception

Since  
inception,  
RIT

has  
paid  
\$16.71  
per  
share  
in  
total  
distributions  
1  
to  
investors.

This  
equates  
to  
an  
annualized  
rate of 8.85% based on the IPO price of \$15.00

RIT has paid a monthly distribution of \$0.06 per share since December 2008. The monthly distribution equates to an annualized rate based on market price of 5.70% and a rate on NAV of 5.12%. This compares to 2.07% on the

10-year  
Treasury,  
3.85%  
for  
the  
MSCI  
REIT  
Index  
2

,  
and  
1.98%  
for  
the  
S&P  
500  
Index  
2

RIT has had a managed distribution policy in place since 2004 that allows payment of long-term capital gains throughout the year

Source: Bloomberg, Legg Mason. Data as of 4/30/15.

1  
Total distributions includes all regular and special distributions paid since inception July 31, 2002 through April 30, 2015

2  
Rate based on trailing twelve month data

INDEPENDENT EXPERTISE. **SINGULAR FOCUS.**

5

The  
Fed's  
change  
in

monetary  
policy  
and  
the  
ensuing  
taper  
tantrum  
in  
May  
2013  
drove  
discounts  
wider  
for  
the  
broader

closed-end fund market. Current discount levels are not unique to RIT:

88% of all CEFs trade at discounts: median -8.24%, average -6.60%

92% of all equity CEFs trade at discounts: median -9.84%, average -8.28%

100%  
of  
Lipper  
real  
estate  
peers  
1  
trade  
at  
discounts:  
median  
-12.43%,  
average  
-10.97%

70%  
of  
Lipper  
real  
estate  
peers  
1  
have  
discounts  
greater  
than  
-10%

RIT's current discount of -10.10% is consistent with its Lipper peers

RIT's discount is in-line with the market and its peers

Source: Bloomberg, Lipper. Data as of 4/30/15

1

Lipper real estate peers excludes non-exchange traded closed-end funds and Storage Group Inc., a fund in the process of conversion

4/30/15

-45.0

-35.0

-25.0

-15.0

-5.0

5.0

15.0

5/6/2005

5/6/2006

5/6/2007

5/6/2008

5/6/2009

5/6/2010

5/6/2011

5/6/2012

5/6/2013

5/6/2014

RIT's premium / discount level has fluctuated with its peers

and reflects market events

Premium / Discount of RIT vs. Lipper peers

1

(May 6, 2005

April 30, 2015)

RIT

Peer Group Average

Peer Group Median

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

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The Board is comprised of nine individuals who have substantial professional accomplishments and experience

Eight of the nine directors (89%), including the Fund's 2015 nominees William R. Hutchinson, Eileen A. Kamerick and Robert D. Agdern, are independent under the Investment Company Act of 1940 and NYSE rules.

The Board's actions demonstrate its commitment to all investors and have benefited all shareholders:

The current Board and its 2015 nominees are highly experienced, independent and focused on the interests of all shareholders with a proven track record of performance

RIT's Board is highly experienced and independent

The Board reviews and discusses performance and premiums/discounts when they meet. The Board believes that in the current market environment a tender offer will not benefit shareholders in the long term

Bulldog proposed its own slate of directors, but does not articulate how they will aid ALL shareholders

In August 2011, replaced the sub-advisor

In August 2011, negotiated a fee waiver of 5 bps

In August 2008, redeemed all \$95 million ARPS at liquidation value

In 2004, adopted a managed distribution policy

The Bulldog nominees have a history and relationship with Bulldog and Philip Goldstein and will pursue actions that benefit Bulldog investors, not all RIT shareholders

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Bulldog's actions are self serving and may hurt long-term investors

7

The vast majority of RIT shareholders are long-term investors who initially invested in RIT because of performance and monthly distributions. It is obvious that our shareholders are not short-term players

Bulldog has a short-term investment agenda to benefit its own investors

In September 2014, Bulldog reported ownership in RIT of 5.54%, but only eight days later reduced its position to 4.77%. Bulldog sold shares for a quick gain

Bulldog  
submitted  
a  
letter  
to  
RIT  
on  
February  
24,  
2015,  
informing  
senior  
management  
that  
it  
would  
be  
presenting  
a proposal to shareholders at the annual meeting to seek a tender offer. Bulldog was purchasing shares before it  
sent  
the  
letter  
and  
continued  
to  
accumulate  
shares  
after  
sending  
the  
letter

From January 15, 2015 to April 6, 2015, (less than 4 months), Bulldog purchased over 50% of its current holdings

A tender offer in the current market environment is not in the best interests of all shareholders, as it would:

Force the sale of securities at inopportune times and could result in a taxable event for remaining shareholders

Increase RIT's expense ratio and potentially reduce future earnings and distributions to shareholders

Reduce market trading liquidity as fewer shares would be outstanding

Given current market conditions, the discount levels of the broader closed-end fund space and RIT's Lipper peers, and as independent research has shown, a tender offer cannot reasonably be expected to have a lasting impact on RIT's discount

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Bulldog's claims are misguided

8

Bulldog claims the Board concedes that the persistent discount is a problem

At each meeting the Board reviews and discusses RIT's performance and premium/discounts with portfolio

managers

The Board is committed to delivering results to all investors and believes that any action that can narrow the discount over the longer-term would benefit all investors and should be explored

Tender

offers

are

not

new;

the

Board

has

evaluated

them

in

the

past.

Historical

analysis

shows

that

tender

offers do not have a lasting effect on discounts and can negatively impact long-term investors who do not tender shares

Bulldog says the Board refused to include its proposal on the Fund's proxy card

Bulldog

missed

the

shareholder

proposal

submission

deadline

of

November

26

th

by

three

months

and

never

submitted or requested its proposal appear in the Fund's proxy until after mailing its own proxy to investors

The Board believes proxy rules are in place for a reason -

to protect retail investors and the integrity of the

process -

and should be followed

Bulldog questions board independence based on the number of funds they serve and overall compensation

RIT's board oversees multiple funds in the Legg Mason family of funds in conformity with best practices in the industry. See for example: The Independent Director's Council Task Force Report (May 2005)

Eight of nine current directors are independent under the 1940 Act and NYSE rules

Each director received approximately \$3,000 last year for their service to RIT

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Bulldog's claims are misguided (continued)

9

Bulldog appears to equate following the rules regarding disclosure of sensitive shareholder information to cheating?

RIT's shareholder list contains personal information that mandates taking precautions under applicable law to

protect it

Because RIT is a Maryland corporation doing business in New York, the Fund must follow both the Maryland General Corporation Law and New York Business Corporation Law in safeguarding shareholder information

Under Maryland law, shareholders must meet certain requirements in order to inspect a list of shareholders.

This includes a requirement to have held at least 5% of a fund's outstanding stock for six months or more prior to the request.

Based upon Bulldog's public filings, the Fund determined that Bulldog did not satisfy the ownership requirements

New York law permits shareholders who are New York residents to access fund shareholder records, but only after satisfying certain safeguards designed to protect shareholder privacy.

These include a requirement that

the requesting shareholder furnish to the fund an affidavit stating that:

the shareholder does not desire to conduct such inspection for a purpose which is in the interest of a

business or object other than the business of the fund, and the shareholder has not within five years sold or offered for sale any list of stockholders of any corporation, or aided or abetted any person in procuring any such record of stockholders for any such purpose

RIT furnished the shareholder list to Bulldog only after these requirements were satisfied

Bulldog received the shareholder list on April 13, 2015. This is 47 days in advance of the May 29, 2015 annual meeting. As of May 5, 2015, Bulldog has not commenced a calling campaign, nor has Bulldog mailed any subsequent communications to shareholders

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

10

Conclusion

RIT has delivered on its investment objectives with exceptionally strong investment performance and attractive income to shareholders

All of  
RIT s  
directors  
are  
focused  
on  
increasing  
value  
for  
all  
shareholders  
over  
the  
long-term

The Board is focused on the current discount

RIT s  
discount  
is  
in-line  
with  
its  
Lipper  
real  
estate  
peers  
1  
and  
reflects  
market  
events  
that  
have  
impacted  
the  
broader closed-end fund market

The Board will consider any option that is in the long-term best interests of all shareholders

1  
Lipper real estate peers excludes non-exchange traded closed-end funds and Storage Group Inc., a fund in the process of conver

Appendix

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FOR HOME OFFICE USE ONLY. NOT FOR DISTRIBUTION TO THE PUBLIC.

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Directors biographies

12

*\*Nominated*

as

a

Class

III

Director

to

serve

until

the

2018

Annual

Meeting

of

Stockholders

ROBERT D. AGDERN\*

CAROL L. COLMAN

Investment, Performance & Pricing Committee Chair

Born 1946

Board Member since 2007

President, Colman Consulting.

Ms.

Colman

began

her

career

with

the

United

States

Trust

Company

of

New

York

in

1968.

After

ten

years

in research, she became a portfolio

manager for both domestic and international clients. From 1980 to 1983 she worked at J.P. Morgan, Madison Fund and William

Company. For seven years starting in 1983 she was a Managing Director of Inferential Focus, a research and consulting organization.

Additionally,

she

is

a

member

of

the

Chartered

Financial

Analysts

Association.

Ms. Colman  
is  
a  
member  
of  
two  
not-for-profit  
boards,  
Audobon,  
Florida  
and  
the  
North  
Salem  
Open  
Land  
Foundation.

Ms. Colman is a graduate of St. Lawrence University.

Born  
1950

Board Member since 2015. Member of the Advisory Committee of the Dispute Resolution Research Center at the Kellogg Graduate School of Business, Northwestern University.

Mr.  
Agdern  
held  
various  
executive  
positions  
with  
Amoco  
Corporations  
from  
1975  
through  
1998,  
including  
Exploration  
and  
Production  
Company  
General  
Counsel  
and  
Executive  
Vice  
President

Natural  
Gas;  
Chemical

Company  
General  
Counsel;  
and  
Associate  
General  
Counsel,  
Amoco

Corporation. Mr. Agdern also served as Deputy General Counsel, BP plc, responsible for Western Hemisphere matters.

Mr. Agdern holds a B.S. in Engineering from the University of Michigan, a J.D., National Law Center, George Washington University, and attended the Parker School of International Law, Columbia University and the Harvard Business School Advanced Management

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Directors biographies

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DANIEL CRONIN

Nominating Committee Chair

Born

1946

Board  
Member  
since  
2007

Retired.

Mr. Cronin retired in 2004 from the pharmaceutical company Pfizer, Inc., ending his 30-year career as Associate General Counsel of the company. During his tenure with Pfizer he conceived and developed, with New York University's Stern School of Business, the Pfizer Legal Leadership Series to teach business, financial and management principles to Pfizer's attorneys. He supervised matters involving product liability, intellectual property and commercial litigations, as well as structuring and negotiating business transactions.

was  
the  
chief  
lawyer  
for  
all  
Pfizer  
global  
business  
units  
as  
well  
as  
tax,  
treasury  
and  
licensing  
and  
development  
divisions.

Mr. Cronin holds a B.S. from Fordham College and a J.D. from Brooklyn Law School.

PAOLO M. CUCCHI

Born  
1941

Board  
Member  
since  
2002

Emeritus Professor of French and Italian, Drew University.

Dr.  
Cucchi  
began  
his  
career  
at  
Princeton  
University,

first  
as  
an  
instructor  
of  
French  
and  
Italian,  
from  
1967  
to  
1970,  
becoming

an  
assistant professor in 1970 and Assistant Dean of the College and Lecturer of French and Italian in 1975. In 1984 he began his  
association with Drew University as Dean of the College and Professor of French and Italian until 1996 when he assumed the  
position of Vice

President  
and  
Dean,  
College  
of  
Liberal  
Arts,  
Drew

University until 2009. Dr. Cucchi is a member of Phi Beta

Kappa and served on the Council of Deans of Arts and Sciences, Modern Language Association, American Council of  
Education,

Association  
of  
American  
Higher  
Education,  
Association  
of  
American  
Colleges  
and  
Universities,  
and  
the  
Association

of Independent Colleges and Universities of New Jersey.

Dr. Cucchi holds a B.A. from Fordham University and an M.A. and Ph.D. from Princeton University.

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Directors biographies

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**KENNETH D. FULLER**

Chairman, President and Chief Executive Officer

Born -

1958. Managing Director, Legg Mason & Co., LLC. Chairman, Closed End Funds; President and CEO of the Legg

Mason-Affiliated Funds since 2013.

Prior  
to  
assuming  
his  
current  
role,  
Mr.  
Fuller  
was  
Director

Legg  
Mason  
Enterprise  
Risk  
Management  
unit,  
specializing  
in  
investment  
risk  
analysis  
since  
2009.  
Prior  
to  
joining  
the  
Firm,  
Mr.  
Fuller  
held  
various  
positions  
at  
T.  
Rowe  
Price  
since  
1993,  
most recently, Vice President of the Equity Division.

Mr.  
Fuller  
holds  
an  
MA  
and  
BA  
from

the  
State  
University  
of  
New  
York  
at  
Buffalo  
and  
an  
MBA  
from  
University  
of  
Chicago

Booth  
School of Business.  
LESLIE H. GELB  
Born  
1937

Board  
Member  
since  
2007.

Dr. Gelb is the President Emeritus and Board Senior Fellow of the Council on Foreign Relations. He has also served as the Foreign Affairs columnist, the Deputy Editorial Page Editor, the Op-Ed Page Editor and diplomatic and national security correspondent at The New York Times,

earning  
a  
Pulitzer  
Prize  
during  
this  
tenure.  
He  
also  
served  
for  
two  
years  
starting  
in  
1966  
as  
Executive  
Assistant  
to  
U.S.  
Senator  
Jacob  
Javits,  
as  
Director  
of  
Policy  
Planning  
in  
the  
Pentagon  
from  
1967  
to  
1969,  
and  
as  
Assistant  
Secretary  
of  
State  
for  
Politico-Military  
Affairs  
from  
1977  
to  
1979.  
Dr.

Gelb

serves

as

a

member

of

numerous

not-for-profit

and commercial boards including Trustee of the Carnegie Endowment for International Peace; Trustee Emeritus, Tufts University;

Emeritus Board Member, James A. Baker, III Institute for Public Policy, Rice University; Board Member, The Center for the Study of

Interest;

Board

Member,

The

India

Fund,

Inc.

and

The

Asia

Tigers

Fund,

Inc.;

and

Board

Member

of

Britannica.com.

Dr. Gelb holds a B.A. from Tufts University and an M.A. and Ph.D. from Harvard University.

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Directors biographies

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*\*Nominated*

as

a

Class

III  
Director  
to  
serve  
until  
the  
2018  
Annual  
Meeting  
of  
Stockholders  
WILLIAM  
R.  
HUTCHINSON\*

Lead  
Independent Director  
Born  
1942

Board  
Member  
since  
2002

President,  
W.R.  
Hutchinson  
&  
Associates Inc.

Prior to opening his energy consulting business in 2001, Mr. Hutchinson was associated with BP Amoco, PLC, from 1968 until retirement in 2001. There he held various positions at Amoco and BP Amoco: Treasurer; Vice President and Controller; Vice President of Mergers, Acquisitions and Negotiations; Vice President of Financial Operations; and finally as Group Vice President Worldwide Mergers and Acquisitions. Mr. Hutchinson is a director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc-Corp (since 1994).

Mr. Hutchinson holds a B.A. from Trinity College, Dublin, Ireland, an M.Sc. from Cranfield College, Bedford, England and an M.B.A. from Harvard University.

EILEEN  
A.  
KAMERICK\*

Audit  
Committee  
Chair  
Born  
1958

Board  
Member

since  
2013

Senior Vice President and Chief Financial Officer, ConnectWise, Inc (software and services company) (since 2015) and Adjunct Professor, Washington University in St. Louis and University of Iowa law schools (since 2014).

Ms. Kamerick was the CFO at Press Ganey, a leading health care informatics company, serving over 10,000 hospitals in the U.S. from 2012-2014. From May 2010 to October 2012, she served as Managing Director and CFO of Houlihan Lokey, an international investment bank. She also served as the President of the Houlihan Lokey Foundation. For two years starting in 2008, she was Senior Vice President, CFO and Chief Legal Officer of Tecta America Corporation, the largest commercial roofing company in the country. During her 25 year career as a senior financial and legal expert, she has served with Heidrick & Struggles; Bcom3; BDO; Amoco Americas and Skadden, Arps, Slate, Meagher & Flom. Ms. Kamerick is a director of Associated Banc-Corp (since 2008) and Westell Technologies, Inc. (since 2003).

Ms. Kamerick graduated Phi Beta Kappa and summa cum laude from Boston College. She received a law degree from the University of Chicago Law School and holds an MBA from the Graduate School of Business of the University of Chicago.

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Directors biographies

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RIORDAN ROETT

Born

1938

Board  
Member  
since  
2007

Professor/Director

Johns

Hopkins

University.

Dr. Roett holds a Ph.D. from Columbia University.

Dr. Roett is the Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies at the Paul H. Nitze School of Advanced International Studies (SAIS) in Washington, D.C. Previously, Dr. Roett served as a consultant at Chase Manhattan Bank where he was Senior Political Analyst in Emerging Markets Division of the bank's International Capital Markets Department. From 1989 to 1997 he served as a Faculty Fellow of the World Economic Forum at the annual meeting in Davos, Switzerland. Dr. Roett is a member of the Council on Foreign Relations, The Bretton Woods Committee and a former national president of the Latin American Studies Association. In 2000 the President of Brazil named Dr. Roett as Commander of the Order of Rio Branco. The government of Chile named Dr. Roett to the order of Bernardo O'Higgins with the rank of Gran Oficial in 2009. In 2004, SAIS established the Dr. Roett Chair in Latin American Studies.

**INDEPENDENT EXPERTISE. SINGULAR FOCUS.**

Disclosure

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On March

27, 2015, the Fund filed with the Securities and Exchange Commission (SEC) and began mailing to stockholders a notice of annual meeting and a definitive proxy statement, together with a White Proxy Card that can be used to elect the Board's three current incumbent nominees. **BEFORE MAKING ANY VOTING DECISION,**

STOCKHOLDERS ARE URGED TO READ THE NOTICE OF ANNUAL MEETING AND PROXY STATEMENT, AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE, BECAUSE

THEY CONTAIN IMPORTANT INFORMATION ABOUT THE FUND AND THE UPCOMING MAY 29, 2015 ANNUAL MEETING OF STOCKHOLDERS. Stockholders can obtain additional copies of the notice of annual meeting and proxy statement and other documents filed by the Fund with the SEC when they become available, by contacting the Fund, 620 Eighth Avenue, New York, New York 10018, or by calling 1-888-777-0102. You may also visit the Fund's Web site at [www.lmcef.com](http://www.lmcef.com). Additional copies of the proxy materials will be delivered promptly upon request. Free copies of these materials

can also be found on the SEC's Web site at <http://www.sec.gov>.