

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

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

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 - (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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 - (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 as of 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.

6

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

11

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

13

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

14

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

15

**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

16

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

17

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. 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>.