

LMP REAL ESTATE INCOME FUND INC.  
Form SC 13G/A  
February 20, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934**

**(Amendment No. 2)\***

LMP Real Estate Income Fund, Inc.

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(Name of Issuer)

Common Stock, \$0.001 par value

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(Title of Class of Securities)

755881109

(CUSIP Number)

February 5, 2007

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(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

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\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page. The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Page 1 of 7 pages

CUSIP No. 755881109

1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

**QVT Financial LP**

11-3694008

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
- (b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

Number of 5. Sole Voting Power

Shares 0

6. Shared Voting Power

Beneficially 539,124 shares

Owned by 7. Sole Dispositive Power

Each 0

8. Shared Dispositive Power

Reporting 539,124 shares

Person

With:

9. Aggregate Amount Beneficially Owned by Each Reporting Person

539,124 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

4.87%

12. Type of Reporting Person (See Instructions)

PN

CUSIP No. 755881109

1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

**QVT Financial GP LLC**

11-3694007

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
- (b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

Number of 5. Sole Voting Power

Shares 0

6. Shared Voting Power

Beneficially 539,124 shares

Owned by 7. Sole Dispositive Power

Each 0

8. Shared Dispositive Power

Reporting 539,124 shares

Person

With

9. Aggregate Amount Beneficially Owned by Each Reporting Person

539,124 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

4.87%

12. Type of Reporting Person (See Instructions)

OO

**Item 1 (a).** Name of Issuer  
LMP Real Estate Income Fund, Inc. (the Issuer )

**Item 1 (b).** Address of Issuer s Principal Executive Offices  
The address of the Issuer s principal executive offices is:  
  
125 Broad Street, New York, New York 10004, United States

**Item 2 (a).** Name of Person Filing

**Item 2 (b).** Address of Principal Business Office or, if none, Residence

**Item 2 (c).** Citizenship  
QVT Financial LP  
  
1177 Avenue of the Americas, 9th Floor  
  
New York, New York 10036  
  
Delaware Limited Partnership  
QVT Financial GP LLC  
  
1177 Avenue of the Americas, 9th Floor  
  
New York, New York 10036

**Item 2 (d).** Title of Class of Securities  
Common Stock, \$0.001 par value (the Common Stock ).

**Item 2 (e).** CUSIP Number  
The CUSIP number of the Common Stock is 755881109.

**Item 3. If this statement is filed pursuant to §§ 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

- (a) .. Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b) .. Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) .. Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) .. Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e) .. An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
- (f) .. An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
- (g) .. A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
- (h) .. A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) .. A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) .. Group, in accordance with § 240.13d-1(b)(1)(ii)(J).

**Item 4. Ownership.**

(a) Amount beneficially owned:

QVT Financial LP ( QVT Financial ) is the investment manager for QVT Fund LP (the Fund ), QVT Overseas Ltd. and QVT Global II LP. QVT Financial is also the investment manager for a separate discretionary account managed for Deutsche Bank AG (the Separate Account ). As of February 5, 2007, the Fund beneficially owned 96,212 shares of Common Stock, QVT Overseas Ltd. beneficially owned 207,261 shares of Common Stock, QVT Global II LP beneficially owned 161,153 shares of Common Stock and the Separate Account held 74,498 shares of Common Stock. QVT Financial has the power to direct the vote and disposition of the shares of Common Stock held by the Fund, QVT Overseas Ltd., QVT Global II LP and the Separate Account. Accordingly, QVT Financial may be deemed to be the beneficial owner of an aggregate amount of 539,124 shares of Common Stock, consisting of the shares owned by the Fund, QVT Overseas Ltd., QVT Global II LP and the shares held in the Separate Account.

QVT Financial GP LLC, as General Partner of QVT Financial, may be deemed to beneficially own the same number of shares of Common Stock reported by QVT Financial.

Each of QVT Financial and QVT Financial GP LLC disclaim beneficial ownership of the shares of Common Stock owned by the Fund, QVT Overseas Ltd., QVT Global II LP and the shares of Common Stock held in the Separate Account.

(b) Percent of class:

See Item 11 of the Cover Pages to this Schedule 13G.

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

0

(ii) Shared power to vote or to direct the vote

See item (a) above.

(iii) Sole power to dispose or to direct the disposition of

0

(iv) Shared power to dispose or to direct the disposition of

See item (a) above.

**Item 5. Ownership of Five Percent or Less of a Class**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

**Item 6. Ownership of More than Five Percent on Behalf of Another Person.**

Not Applicable

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company**

Not Applicable

**Item 8. Identification and Classification of Members of the Group**

Not Applicable

**Item 9. Notice of Dissolution of Group**

Not Applicable

**Item 10. Certification**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.



**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 20, 2007

**QVT FINANCIAL LP**

By QVT Financial GP LLC, its General Partner

By: /s/ Tracy Fu  
Name: Tracy Fu  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member

**QVT FINANCIAL GP LLC**

By: /s/ Tracy Fu  
Name: Tracy Fu  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member



EXHIBIT A

JOINT FILING AGREEMENT

The undersigned hereby agree that the statement on Schedule 13G signed by each of the undersigned shall be filed on behalf of each of the undersigned pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended.

Dated: February 20, 2007

**QVT FINANCIAL LP**

By QVT Financial GP LLC, its General Partner

By: /s/ Tracy Fu  
Name: Tracy Fu  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member

**QVT FINANCIAL GP LLC**

By: /s/ Tracy Fu  
Name: Tracy Fu  
Title: Managing Member

By: /s/ Lars Bader  
Name: Lars Bader  
Title: Managing Member