

LMP CAPITAL & INCOME FUND INC.
Form N-Q
March 29, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number **811- 21467**

LMP Capital and Income Fund Inc.

(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: **1-800-451-2010**

Date of fiscal year end: **October 31**

Date of reporting period: **January 31, 2007**

LMP CAPITAL AND INCOME FUND

FORM N-Q

JANUARY 31, 2007

ITEM 1. SCHEDULE OF INVESTMENTS

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited)

January 31, 2007

| Shares | Security | Value |
|---|---|-------------------|
| COMMON STOCKS 71.2% | | |
| CONSUMER DISCRETIONARY 10.6% | | |
| Hotels, Restaurants & Leisure 3.3% | | |
| 35,320 | Las Vegas Sands Corp. * | \$ 3,675,752 |
| 262,900 | McDonald's Corp. | 11,659,615 |
| 140,600 | Penn National Gaming Inc. * | 6,161,092 |
| 93,300 | Starwood Hotels & Resorts Worldwide Inc. | 5,838,714 |
| | Total Hotels, Restaurants & Leisure | 27,335,173 |
| Household Durables 0.0% | | |
| 1,226,577 | Home Interiors & Gifts Inc. (a)(b) * | 12,266 |
| Media 7.3% | | |
| 182,030 | Clear Channel Communications Inc. | 6,611,330 |
| 130,000 | EchoStar Communications Corp., Class A Shares * | 5,244,200 |
| 79,444 | Lamar Advertising Co., Class A Shares * | 5,265,548 |
| 167,300 | R.H. Donnelley Corp. * | 11,138,834 |
| 498,400 | SES Global SA, FDR | 8,649,066 |
| 517,600 | Time Warner Inc. | 11,319,912 |
| 534,200 | Warner Music Group Corp. | 11,453,248 |
| | Total Media | 59,682,138 |
| | TOTAL CONSUMER DISCRETIONARY | 87,029,577 |
| CONSUMER STAPLES 2.7% | | |
| Household Products 0.6% | | |
| 79,200 | Procter & Gamble Co. | 5,137,704 |
| Tobacco 2.1% | | |
| 199,300 | Altria Group Inc. | 17,416,827 |
| | TOTAL CONSUMER STAPLES | 22,554,531 |
| ENERGY 6.5% | | |
| Energy Equipment & Services 2.0% | | |
| 66,400 | GlobalSantaFe Corp. | 3,851,864 |
| 86,000 | SEACOR Holdings Inc. * | 8,705,780 |
| 48,300 | Transocean Inc. * | 3,736,971 |
| | Total Energy Equipment & Services | 16,294,615 |
| Oil, Gas & Consumable Fuels 4.5% | | |
| 347,400 | Anadarko Petroleum Corp. | 15,198,750 |
| 143,190 | Cheniere Energy Inc. * | 3,963,499 |
| 72,300 | Crosstex Energy Inc. | 2,369,994 |
| 159,000 | Range Resources Corp. | 4,879,710 |
| 159,560 | Total SA, ADR | 10,858,058 |
| | Total Oil, Gas & Consumable Fuels | 37,270,011 |
| | TOTAL ENERGY | 53,564,626 |
| EXCHANGE TRADED FUND 1.7% | | |
| Exchange Traded 1.7% | | |
| 309,400 | Nasdaq-100 Index Tracking Stock | 13,635,258 |
| FINANCIALS 20.1% | | |
| Capital Markets 3.0% | | |
| 22,300 | Goldman Sachs Group Inc. | 4,731,168 |

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| | | |
|------------------------------|-------------------------------|-------------------|
| 318,300 | UBS AG | 20,056,083 |
| Commercial Banks 1.4% | Total Capital Markets | 24,787,251 |
| 328,200 | Wells Fargo & Co. | 11,788,944 |
| Consumer Finance 4.6% | American Express Co. | 25,477,072 |
| 437,600 | Capital One Financial Corp. | 12,175,133 |
| 151,432 | Total Consumer Finance | 37,652,205 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Shares | Security | Value |
|--|---|--------------|
| Diversified Financial Services 1.2% | | |
| 185,352 | Bank of America Corp. | \$ 9,745,808 |
| Insurance 9.9% | | |
| 199,300 | ACE Ltd. | 11,515,554 |
| 282,900 | AFLAC Inc. | 13,468,869 |
| 219,400 | American International Group Inc. | 15,017,930 |
| 238,570 | Chubb Corp. | 12,415,183 |
| 504,710 | Fidelity National Financial Inc., Class A | 11,981,815 |
| 393,100 | First American Corp. | 16,659,578 |
| | Total Insurance | 81,058,929 |
| | TOTAL FINANCIALS | 165,033,137 |
| HEALTH CARE 4.0% | | |
| Health Care Providers & Services 4.0% | | |
| 317,300 | UnitedHealth Group Inc. | 16,582,098 |
| 202,600 | WellPoint Inc.* | 15,879,788 |
| | TOTAL HEALTH CARE | 32,461,886 |
| INDUSTRIALS 10.7% | | |
| Aerospace & Defense 4.3% | | |
| 108,920 | Alliant Techsystems Inc.* | 8,822,520 |
| 214,893 | Hexcel Corp.* | 4,134,541 |
| 219,500 | Honeywell International Inc. | 10,028,955 |
| 153,010 | L-3 Communications Holdings Inc. | 12,598,844 |
| | Total Aerospace & Defense | 35,584,860 |
| Commercial Services & Supplies 0.4% | | |
| 130,920 | Covanta Holding Corp.* | 3,097,567 |
| Electrical Equipment 1.1% | | |
| 493,200 | ABB Ltd., ADR* | 8,783,892 |
| Industrial Conglomerates 4.9% | | |
| 677,900 | General Electric Co. | 24,438,295 |
| 506,000 | Tyco International Ltd. | 16,131,280 |
| | Total Industrial Conglomerates | 40,569,575 |
| | TOTAL INDUSTRIALS | 88,035,894 |
| INFORMATION TECHNOLOGY 11.7% | | |
| Communications Equipment 2.6% | | |
| 389,700 | Cisco Systems Inc.* | 10,362,123 |
| 299,400 | QUALCOMM Inc. | 11,275,404 |
| | Total Communications Equipment | 21,637,527 |
| Electronic Equipment & Instruments 1.2% | | |
| 306,500 | Agilent Technologies Inc.* | 9,808,000 |
| Internet Software & Services 1.3% | | |
| 366,900 | Yahoo! Inc.* | 10,386,939 |
| IT Services 3.4% | | |
| 392,900 | Ceridian Corp.* | 11,775,213 |
| 375,011 | Fidelity National Information Services Inc. | 15,945,468 |
| | Total IT Services | 27,720,681 |
| Software 3.2% | | |

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| | | |
|-----------------------|-------------------------------------|-------------------|
| 557,300 | Microsoft Corp. | 17,198,278 |
| 527,200 | Oracle Corp.* | 9,046,752 |
| | Total Software | 26,245,030 |
| | TOTAL INFORMATION TECHNOLOGY | 95,798,177 |
| MATERIALS 0.9% | | |
| Chemicals 0.9% | | |
| 95,920 | Koppers Holdings Inc. | 2,437,327 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| | Shares | | Security | Value |
|--------------------------------|-------------------------|--------|---|--------------|
| Chemicals | 0.9% (continued) | | | |
| | 224,260 | | Nalco Holding Co.* | \$ 5,155,738 |
| | | | TOTAL MATERIALS | 7,593,065 |
| UTILITIES | 2.3% | | | |
| Gas Utilities | 2.3% | | | |
| | 471,700 | | National Fuel Gas Co. | 19,193,473 |
| | | | TOTAL COMMON STOCKS | |
| | | | (Cost \$547,645,619) | 584,899,624 |
| | | | | |
| | | Face | | |
| | | Amount | | |
| ASSET-BACKED SECURITIES | 2.9% | | | |
| Home Equity | 2.9% | | | |
| \$ | 1,000,000 | | Ameriquest Mortgage Securities Inc., Series 2003-12, Class M2, 7.020% due 11/25/33 (c) | 1,013,150 |
| | 2,000,000 | | Argent Securities Inc., Series 2004-W8, Class M04, 6.620% due 5/25/34 (c) | 2,014,483 |
| | 750,000 | | Asset-Backed Funding Certificates, Series 2004-FF1, Class M2, 6.770% due 1/25/34 (c) | 757,442 |
| | 2,000,000 | | Bear Stearns Asset-Backed Securities Inc., Series 2004-HE5, Class M1, 5.890% due 7/25/34 (c) | 2,001,239 |
| | 233,414 | | Countrywide Asset-Backed Certificates: | |
| | 17,430 | | Series 2003-03, Class M4, 6.750% due 3/25/33 (c) | 235,292 |
| | 410,000 | | Series 2004-02N, Class N1, 5.000% due 2/25/35 (d) | 17,346 |
| | 73,417 | | Series 2004-05, Class M4, 6.570% due 6/25/34 (c) | 415,808 |
| | 750,000 | | Finance America Net Interest Margin Trust, Series 2004-01, Class A, 5.250% due 6/27/34 (d) | 4,750 |
| | 792,575 | | First Franklin Mortgage Loan Asset Backed Certificates, Series 2004-FF2, Class M4, 6.220% due 3/25/34 (c) | 752,345 |
| | 2,000,000 | | Fremont Home Loan Trust: | |
| | 875,000 | | Series 2004-01, Class M5, 6.420% due 2/25/34 (c) | 794,035 |
| | 1,005,000 | | Series 2004-B, Class M4, 6.490% due 5/25/34 (c) | 2,003,456 |
| | 44,421 | | Series 2004-D, Class M5, 6.320% due 11/25/34 (c) | 880,567 |
| | 4,417 | | GSAMP Trust, Series 2004-OPT, Class M3, 6.470% due 11/25/34 (c) | 1,013,240 |
| | 1,400,000 | | Merrill Lynch Mortgage Investors Inc.: | |
| | 1,250,000 | | Series 2004-WM2N, Class N1, 4.500% due 12/25/34 (d) | 44,066 |
| | 1,500,000 | | Series 2005-WM1N, Class N1, 5.000% due 9/25/35 (d) | 4,394 |
| | 1,000,000 | | Morgan Stanley Asset-Backed Securities Capital I, Series 2004-HE4, Class M2, 6.620% due 5/25/34 (c) | 1,400,863 |
| | 1,250,000 | | New Century Home Equity Loan Trust: | |
| | 1,500,000 | | Series 2001-NC1, Class M2, 6.420% due 6/20/31 (c) | 1,251,455 |
| | 1,000,000 | | Series 2003-04, Class M2, 7.140% due 10/25/33 (c) | 1,509,857 |
| | 1,250,000 | | Novastar Home Equity Loan: | |
| | 750,000 | | Series 2004-01, Class M4, 6.295% due 6/25/34 (c) | 1,005,601 |
| | 750,000 | | Series 2004-02, Class M5, 6.820% due 9/25/34 (c) | 1,260,224 |
| | 750,000 | | Series 2005-02, Class M10, 8.320% due 10/25/35 (c) | 712,684 |

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|-----------|--|------------|
| | Option One Mortgage Loan Trust: | |
| 206,644 | Series 2002-04, Class M2, 7.015% due 7/25/32 (c) | 206,991 |
| 1,500,000 | Series 2004-02, Class M2, 6.370% due 5/25/34 (c) | 1,500,931 |
| 1,000,000 | Renaissance Home Equity Loan Trust, Series 2003-4, Class M3, 7.220% due 3/25/34 (c) | 1,009,592 |
| 511,479 | SACO I Trust, Series 2005-02, Class A, 5.520% due 4/25/35 (c)(d) | 511,748 |
| | Sail Net Interest Margin Notes: | |
| 141,210 | Series 2003-BC2A, Class A, 7.750% due 4/27/33 (d) | 31,138 |
| 71,380 | Series 2004-2A, Class A, 5.500% due 3/27/34 (d) | 21,358 |
| 1,500,000 | Structured Asset Investment Loan Trust, Series 2003-BC10, Class M2, 7.170% due 10/25/33 (c) | 1,503,588 |
| | TOTAL ASSET-BACKED SECURITIES | |
| | (Cost \$24,073,166) | 23,877,643 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Face Amount | Security | Value |
|--|--|------------------|
| COLLATERALIZED MORTGAGE OBLIGATIONS(c) 0.8% | | |
| \$ 260,000 | American Home Mortgage Investment Trust, Series 2005-4, Class M3, 6.120% due 11/25/45 | \$ 260,203 |
| 631,586 | Banc of America Funding Corp., Series 2006-H, Class 1A1, 5.693% due 9/20/46 | 634,681 |
| 418,905 | Banc of America Mortgage Securities, Series 2005-F, Class 2A-2, 5.018% due 7/25/35 | 413,947 |
| 89,585 | Federal Home Loan Mortgage Corp. (FHLMC): Series 2764, Class DT, 6.000% due 3/15/34 | 83,965 |
| 578,380 | Series 2780, Class SL, PAC, 6.000% due 4/15/34 | 571,814 |
| 748,268 | Harborview Mortgage Loan Trust, Series 2005-10, Class B6, 6.390% due 11/19/35 | 754,105 |
| 950,702 | Impac CMB Trust, Series 2004-04, Class 2M2, 6.820% due 9/25/34 | 957,924 |
| 622,463 | Merit Securities Corp., Series 11PA, Class B2, 6.850% due 9/28/32 (d) | 540,435 |
| 550,625 | MLCC Mortgage Investors Inc.: Series 2004-A, Class B2, 6.240% due 4/25/29 | 552,172 |
| 732,307 | Series 2004-B, Class B2, 6.200% due 5/25/29 | 736,481 |
| 880,313 | Washington Mutual Inc., Series 2006-AR10, Class 1A1, 5.967% due 9/25/36 | 885,467 |
| | TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost \$6,413,248) | 6,391,194 |
| CORPORATE BONDS & NOTES 10.2% | | |
| Aerospace & Defense 0.0% | | |
| 275,000 | Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16 | 275,000 |
| Airlines 0.0% | | |
| 170,000 | Continental Airlines Inc., Notes, 8.750% due 12/1/11 | 171,275 |
| Auto Components 0.2% | | |
| 295,000 | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | 292,788 |
| 1,075,000 | Visteon Corp., Senior Notes: 8.250% due 8/1/10 | 1,080,375 |
| 90,000 | 7.000% due 3/10/14 | 79,650 |
| | Total Auto Components | 1,452,813 |
| Automobiles 0.2% | | |
| 110,000 | Ford Motor Co.: Debentures, 8.875% due 1/15/22 | 99,825 |
| 785,000 | Notes, 7.450% due 7/16/31 | 640,756 |
| 630,000 | General Motors Corp., Senior Debentures, 8.250% due 7/15/23 | 600,075 |
| | Total Automobiles | 1,340,656 |
| Building Products 0.2% | | |
| 540,000 | Associated Materials Inc., Senior Subordinated Notes, 9.750% due 4/15/12 | 564,300 |
| 230,000 | Jacuzzi Brands Inc., Senior Secured Notes, 9.625% due 7/1/10 | 245,525 |
| 1,520,000 | | 1,124,800 |

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| | | | |
|------------------------|-------------|--|-----------|
| | | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.321% due 3/1/14 | |
| Capital Markets | 0.1% | Total Building Products | 1,934,625 |
| | 285,000 | BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14 | 316,350 |
| | 120,000 | E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13 | 125,100 |
| | 105,000 | 7.875% due 12/1/15 | 112,875 |
| | 340,000 | Kaupthing Bank HF, Subordinated Notes, 7.125% due 5/19/16 (d) | 359,723 |
| | | Total Capital Markets | 914,048 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| | Face Amount | Security | Value |
|--|----------------|--|------------------|
| Chemicals 0.2% | | | |
| \$ | 50,000 | Chemtura Corp., Senior Notes, 6.875% due 6/1/16 | \$ 48,750 |
| | 1,000,000 | Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11 | 1,065,000 |
| | 570,000 | Georgia Gulf Corp., Senior Notes, 9.500% due 10/15/14 (d) | 567,150 |
| | 110,000 | Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/13/14 (d) | 113,850 |
| | 6,000 | PPG Industries Inc., Notes, 6.500% due 11/1/07 | 6,020 |
| | | Total Chemicals | 1,800,770 |
| Commercial Banks 0.2% | | | |
| | 125,000 | American Express Centurion Bank, Notes, 5.410% due 7/19/07 (c) | 125,090 |
| | 380,000 | Banesto Finance Ltd., 7.500% due 3/25/07 | 381,087 |
| | 250,000 | Bank United Corp., Senior Notes, 8.875% due 5/1/07 | 252,015 |
| | 81,818 | Fifth Third Bank, Notes, 2.870% due 8/10/09 | 79,284 |
| | 340,000 | Resona Preferred Global Securities Cayman Ltd., Bonds, 7.191% due 7/30/15 (c)(d)(e) | 356,143 |
| | 340,000 | Shinsei Finance Cayman Ltd., Bonds, 6.418% due 7/20/16 (c)(d)(e) | 338,599 |
| | 150,000 | Wells Fargo & Co., Notes, 5.426% due 3/23/07 (c) | 150,030 |
| | | Total Commercial Banks | 1,682,248 |
| Commercial Services & Supplies 0.3% | | | |
| | 40,000 | Aleris International Inc., Senior Subordinated Notes, 10.000% due 12/15/16 (d) | 41,600 |
| | 925,000 | Allied Waste North America Inc., Senior Notes, Series B: 7.375% due 4/15/14 | 927,312 |
| | 75,000 | 7.250% due 3/15/15 | 75,469 |
| | 180,000 | Aramark Corp., Senior Notes: 8.500% due 2/1/15 (d) | 185,175 |
| | 40,000 | 8.860% due 2/1/15 (c)(d) | 41,000 |
| | 315,000 | DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, Series B, 9.500% due 2/15/13 | 332,325 |
| | 600,000 | Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14 | 642,000 |
| | 210,000 | Rental Services Corp., Senior Bonds, 9.500% due 12/1/14 (d) | 220,500 |
| | | Total Commercial Services & Supplies | 2,465,381 |
| Consumer Finance 0.5% | | | |
| | 1,050,000 | Ford Motor Credit Co.: Notes, 7.000% due 10/1/13 | 1,002,954 |
| | 750,000 | Senior Notes: 5.800% due 1/12/09 | 736,389 |
| | 135,000 | 9.750% due 9/15/10 (d) | 144,114 |
| | 559,000 | 10.610% due 6/15/11 (c)(d) | 608,402 |
| | 170,000 | 8.000% due 12/15/16 | 167,197 |
| | 1,000,000 | General Motors Acceptance Corp., Notes: 5.625% due 5/15/09 | 990,252 |
| | 300,000 | 6.750% due 12/1/14 | 304,842 |
| | 125,000 | SLM Corp., Medium-Term Notes, Series A, 5.560% due 1/26/09 (c) | 125,515 |
| | | Total Consumer Finance | 4,079,665 |
| Containers & Packaging 0.4% | | | |

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| | | |
|---------|---|---------|
| 885,000 | Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14 | 915,975 |
| | Graphic Packaging International Corp.: | |
| 90,000 | Senior Notes, 8.500% due 8/15/11 | 93,825 |
| 535,000 | Senior Subordinated Notes, 9.500% due 8/15/13 | 569,775 |
| 750,000 | JSG Funding PLC, Senior Notes, 9.625% due 10/1/12 | 800,625 |
| 900,000 | Owens-Illinois Inc., Debentures, 7.500% due 5/15/10 | 918,000 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Face Amount | Security | Value |
|--|---|------------------|
| Containers & Packaging 0.4% (continued) | | |
| \$ 195,000 | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (d) | \$ 204,750 |
| | Total Containers & Packaging | 3,502,950 |
| Diversified Financial Services 0.5% | | |
| 150,000 | AAC Group Holding Corp., step bond to yield 9.092% due 10/1/12 | 133,500 |
| 100,000 | Aiful Corp., Notes, 5.000% due 8/10/10 (d) | 96,833 |
| 100,000 | Bank of America Corp., Subordinated Notes, 5.420% due 3/15/17 (d) | 98,538 |
| 870,000 | Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (d) | 902,625 |
| 125,000 | Capital One Bank, Notes, 5.750% due 9/15/10 | 126,657 |
| 125,000 | CitiSteel USA Inc., Senior Secured Notes: 12.949% due 9/1/10 (c) | 129,687 |
| 110,000 | 15.000% due 10/1/10 (d)(f) | 130,350 |
| 110,493 | Core Investment Grade Bond Trust I, Pass-Through Certificates, 4.642% due 11/30/07 | 109,318 |
| 125,000 | Countrywide Home Loans Inc., Medium-Term Notes, Series M, 4.125% due 9/15/09 | 121,310 |
| 162,000 | Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12 | 170,100 |
| 125,000 | HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09 | 126,493 |
| 410,000 | Idearc Inc., Senior Notes, 8.000% due 11/15/16 (d) | 418,712 |
| 60,000 | Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11 | 57,600 |
| 100,000 | UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12 | 105,500 |
| 160,000 | UGS Corp., Senior Subordinated Notes, 10.000% due 6/1/12 | 176,000 |
| 620,000 | Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 10.257% due 10/1/15 | 500,650 |
| 260,000 | Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14 | 267,475 |
| | Total Diversified Financial Services | 3,671,348 |
| Diversified Telecommunication Services 0.8% | | |
| 120,000 | Citizens Communications Co., Senior Notes, 7.875% due 1/15/27 (d) | 122,100 |
| 100,000 | Deutsche Telekom International Finance, Senior Notes, 5.750% due 3/23/16 | 98,674 |
| 45,000 | Hawaiian Telcom Communications Inc.: Senior Notes, Series B, 10.889% due 5/1/13 (c) | 46,463 |
| 700,000 | Senior Subordinated Notes, Series B, 12.500% due 5/1/15 | 764,750 |
| 180,000 | Inmarsat Finance PLC, 7.625% due 6/30/12 | 186,750 |
| 90,000 | Intelsat Bermuda Ltd., Senior Notes: 8.872% due 1/15/15 (c)(d) | 92,025 |
| 370,000 | 9.250% due 6/15/16 (d) | 407,925 |
| 680,000 | 11.250% due 6/15/16 (d) | 771,800 |
| 35,000 | Intelsat Ltd., Notes, 7.625% due 4/15/12 | 33,906 |

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| | | |
|---------|---|---------|
| 145,000 | Level 3 Communications Inc., Senior Notes, 11.500% due 3/1/10 | 156,962 |
| | Level 3 Financing Inc., Senior Notes: | |
| 500,000 | 11.800% due 3/15/11 (c) | 532,500 |
| 35,000 | 9.250% due 11/1/14 (d) | 35,963 |
| | NTL Cable PLC, Senior Notes: | |
| 450,000 | 8.750% due 4/15/14 | 469,125 |
| 220,000 | 9.125% due 8/15/16 | 233,750 |
| | Qwest Communications International Inc., Senior Notes: | |
| 285,000 | 7.500% due 2/15/14 | 295,687 |
| 740,000 | Series B, 7.500% due 2/15/14 | 767,750 |
| | Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% | |
| 605,000 | due 3/15/13 (d) | 571,725 |
| 100,000 | Telecom Italia Capital SA, Notes, 5.250% due 10/1/15 | 92,948 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Face Amount | Security | Value |
|--|---|------------|
| Diversified Telecommunication Services 0.8% (continued) | | |
| \$ 660,000 | Windstream Corp., 8.625% due 8/1/16 | \$ 723,525 |
| | Total Diversified Telecommunication Services | 6,404,328 |
| Electric Utilities 0.0% | | |
| 100,000 | Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10 | 115,250 |
| Electronic Equipment & Instruments 0.1% | | |
| 1,065,000 | NXP BV/NXP Funding LLC, Senior Notes, 9.500% due 10/15/15 (d) | 1,106,269 |
| Energy Equipment & Services 0.2% | | |
| 725,000 | Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16 (d) | 737,687 |
| 529,000 | Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14 | 532,968 |
| 95,000 | Geokinetics Inc., Secured Notes, 11.860% due 12/15/12 (c)(d) | 95,950 |
| 55,000 | Pride International Inc., Senior Notes, 7.375% due 7/15/14 | 56,100 |
| 10,000 | Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32 | 11,624 |
| | Total Energy Equipment & Services | 1,434,329 |
| Food & Staples Retailing 0.0% | | |
| 150,000 | Safeway Inc., Senior Unsecured Notes, 6.500% due 11/15/08 | 152,444 |
| Food Products 0.0% | | |
| 125,000 | Dole Food Co. Inc., Senior Notes: 7.250% due 6/15/10 | 121,406 |
| 261,000 | 8.875% due 3/15/11 | 261,000 |
| | Total Food Products | 382,406 |
| Health Care Providers & Services 0.5% | | |
| 250,000 | AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13 | 272,500 |
| 600,000 | Genesis HealthCare Corp., Senior Subordinated Notes, 8.000% due 10/15/13 | 640,500 |
| 295,000 | HCA Inc.: Notes, 6.375% due 1/15/15 | 251,488 |
| 345,000 | Senior Notes: 6.300% due 10/1/12 | 317,400 |
| 345,000 | 6.500% due 2/15/16 | 292,387 |
| 215,000 | Senior Secured Notes: 9.250% due 11/15/16 (d) | 228,975 |
| 165,000 | 9.625% due 11/15/16 (d)(f) | 177,581 |
| 925,000 | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 949,281 |
| 650,000 | Tenet Healthcare Corp., Senior Notes: 7.375% due 2/1/13 | 604,500 |
| 70,000 | 9.875% due 7/1/14 | 71,313 |
| 70,000 | 6.875% due 11/15/31 | 55,125 |
| 175,000 | Triad Hospitals Inc., Senior Subordinated Notes, 7.000% due 11/15/13 | 179,813 |
| 150,000 | UnitedHealth Group Inc., Senior Notes, 3.300% due 1/30/08 | 146,769 |
| | Total Health Care Providers & Services | 4,187,632 |
| Hotels, Restaurants & Leisure 1.1% | | |

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| | | |
|-----------|--|---------|
| 1,000,000 | Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14 | 985,000 |
| 315,000 | Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (d) | 321,300 |
| 550,000 | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 | 587,812 |
| 100,000 | El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/14 | 109,000 |
| 450,000 | Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14 | 435,375 |
| 660,000 | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 | 722,700 |
| 1,000,000 | Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due 3/1/14 | 992,500 |
| 550,000 | Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15 | 537,625 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Face Amount | Security | Value |
|--|---|------------------|
| Hotels, Restaurants & Leisure 1.1% (continued) | | |
| \$ 380,000 | MGM MIRAGE Inc.: Senior Notes: 6.750% due 9/1/12 | \$ 379,050 |
| 575,000 | 5.875% due 2/27/14 | 536,187 |
| 320,000 | 7.625% due 1/15/17 | 323,600 |
| 203,000 | Senior Subordinated Notes, 9.375% due 2/15/10 | 217,464 |
| | Mohegan Tribal Gaming Authority, Senior Subordinated Notes: 7.125% due 8/15/14 | 308,250 |
| 300,000 | 6.875% due 2/15/15 | 352,188 |
| 350,000 | Penn National Gaming Inc., Senior Subordinated Notes, 6.750% due 3/1/15 | 314,844 |
| 325,000 | Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12 | 514,375 |
| 500,000 | Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12 | 629,687 |
| 625,000 | Station Casinos Inc.: Senior Notes: 60,000 6.000% due 4/1/12 | 57,075 |
| | 460,000 7.750% due 8/15/16 | 471,500 |
| | 105,000 Senior Subordinated Notes, 6.875% due 3/1/16 | 96,600 |
| | Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (d) | 512,500 |
| 500,000 | | 512,500 |
| | Total Hotels, Restaurants & Leisure | 9,404,632 |
| Household Durables 0.3% | | |
| 190,000 | Beazer Homes USA Inc., Senior Notes, 8.125% due 6/15/16 | 198,550 |
| 685,000 | K Hovnanian Enterprises Inc., Senior Notes, 8.625% due 1/15/17 | 726,100 |
| 325,000 | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 | 337,188 |
| 700,000 | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.608% due 9/1/12 | 619,500 |
| | Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14 | 633,000 |
| 600,000 | | 633,000 |
| | Total Household Durables | 2,514,338 |
| Household Products 0.0% | | |
| 345,000 | Nutro Products Inc., Senior Subordinated Notes, 10.750% due 4/15/14 (d) | 379,500 |
| Independent Power Producers & Energy Traders 0.3% | | |
| 175,000 | Calpine Generating Co. LLC, Senior Secured Notes, 14.370% due 4/1/11 (c)(g) | 186,375 |
| 1,000,000 | Edison Mission Energy, Senior Notes, 7.730% due 6/15/09 | 1,035,000 |
| | NRG Energy Inc., Senior Notes: 250,000 7.250% due 2/1/14 | 251,250 |
| 1,025,000 | 7.375% due 2/1/16 | 1,028,844 |
| 190,000 | TXU Corp., Senior Notes, Series P, 5.550% due 11/15/14 | 179,779 |
| | Total Independent Power Producers & Energy Traders | 2,681,248 |
| Industrial Conglomerates 0.0% | | |

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| | | | | |
|--------------------------------------|-------------|---------|--|------------------|
| Insurance | 0.2% | 237,000 | Koppers Inc., Senior Notes, 9.875% due 10/15/13 | 258,330 |
| | | 470,000 | Crum & Forster Holdings Corp., Senior Notes, 10.375% due 6/15/13 | 509,950 |
| | | 75,000 | Marsh & McLennan Cos. Inc., Notes, 5.500% due 7/13/07 (c) | 75,013 |
| | | 500,000 | Nationwide Life Global Funding I, Notes, 5.453% due 9/28/07 (c)(d) | 500,468 |
| | | 150,000 | Protective Life Secured Trust, Senior Secured Notes, Medium-Term Notes, 5.440% due 4/13/07 (c) | 150,039 |
| | | | Total Insurance | 1,235,470 |
| Internet & Catalog Retail | 0.0% | 235,000 | FTD Inc., Senior Subordinated Notes, 7.750% due 2/15/14 | 236,763 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| | Face Amount | Security | Value |
|--------------------|----------------|---|----------------|
| IT Services | 0.1% | | |
| \$ | 400,000 | SunGard Data Systems Inc.: | |
| | 270,000 | Senior Notes, 9.125% due 8/15/13 | \$ 423,000 |
| | | Senior Subordinated Notes, 10.250% due 8/15/15 | 291,600 |
| | | Total IT Services | 714,600 |
| Machinery | 0.1% | | |
| | 839,000 | Mueller Holdings Inc., Senior Discount Notes, step bond to yield 11.471% due 4/15/14 | 767,685 |
| Media | 1.0% | | |
| | 435,000 | Affinion Group Inc.: | |
| | 20,000 | Senior Notes, 10.125% due 10/15/13 | 469,800 |
| | | Senior Subordinated Notes, 11.500% due 10/15/15 | 21,600 |
| | 80,000 | AMC Entertainment Inc.: | |
| | 725,000 | Senior Notes, Series B, 8.625% due 8/15/12 | 84,500 |
| | 19,000 | Senior Subordinated Notes, 11.000% due 2/1/16 | 822,875 |
| | | CCH I Holdings LLC, Senior Notes, 11.000% due 10/1/15 | 19,665 |
| | 380,000 | CCH I Holdings LLC/CCH I Holdings Capital Corp., Senior Notes, 11.750% due 5/15/14 | 363,850 |
| | 550,000 | CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15 | 570,625 |
| | 480,000 | CCH II LLC/CCH II Capital Corp., Senior Notes: | |
| | 65,000 | 10.250% due 9/15/10 | 501,000 |
| | | 10.250% due 10/1/13 | 69,875 |
| | 90,000 | Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12 | 86,850 |
| | | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes: | |
| | 25,000 | 9.920% due 4/1/11 | 23,875 |
| | 105,000 | 11.750% due 5/15/11 | 102,375 |
| | 700,000 | Charter Communications Operating LLC, Second Lien Senior Notes, 8.375% due 4/30/14 (d) | 731,500 |
| | 250,000 | Clear Channel Communications Inc., Senior Notes, 3.125% due 2/1/07 | 250,000 |
| | 240,000 | CMP Susquehanna Corp., Senior Subordinated Notes, 9.875% due 5/15/14 (d) | 247,200 |
| | 300,000 | Comcast Corp., Notes, 6.500% due 1/15/17 | 314,556 |
| | 764,000 | DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13 | 803,155 |
| | | ION Media Networks Inc., Senior Secured Notes, 11.610% due 1/15/13 (c)(d) | 67,925 |
| | 65,000 | Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15 | 227,700 |
| | 230,000 | Primedia Inc., Senior Notes, 8.875% due 5/15/11 | 307,500 |
| | 300,000 | R.H. Donnelley Corp.: | |
| | | Senior Discount Notes: | |

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| | | |
|---------------------------------|--|------------------|
| 355,000 | Series A-1, 6.875% due 1/15/13 | 341,688 |
| 300,000 | Series A-2, 6.875% due 1/15/13 | 288,750 |
| 450,000 | Senior Notes, Series A-3, 8.875% due 1/15/16 | 473,625 |
| | Rainbow National Services LLC: | |
| 100,000 | Senior Notes, 8.750% due 9/1/12 (d) | 107,000 |
| 50,000 | Senior Subordinated Debentures, 10.375% due 9/1/14 (d) | 56,500 |
| 420,000 | Time Warner Inc., 6.875% due 5/1/12 | 444,502 |
| | Total Media | 7,798,491 |
| Metals & Mining 0.2% | | |
| | Metals USA Holdings Corp., Senior Notes, 11.365% due 1/15/12 | |
| 420,000 | (c)(d)(f) | 412,650 |
| 435,000 | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 | 482,306 |
| 100,000 | RathGibson Inc., Senior Notes, 11.250% due 2/15/14 | 106,500 |
| | Tube City IMS Corp., Senior Subordinated Notes, 9.750% due | |
| 135,000 | 2/1/15 (d) | 139,050 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Face Amount | Security | Value |
|---|---|------------|
| Metals & Mining 0.2% (continued) | | |
| \$ 150,000 | Vale Overseas Ltd., Notes, 6.875% due 11/21/36 | \$ 153,039 |
| | Total Metals & Mining | 1,293,545 |
| Multi-Utilities 0.0% | | |
| 125,000 | Keyspan Gas East Corp., Medium-Term Notes, 6.900% due 1/15/08 | 126,591 |
| Multiline Retail 0.1% | | |
| 170,000 | Neiman Marcus Group Inc.: | |
| 535,000 | Senior Notes, 9.000% due 10/15/15 (f) | 187,000 |
| | Senior Subordinated Notes, 10.375% due 10/15/15 | 600,538 |
| | Total Multiline Retail | 787,538 |
| Office Electronics 0.0% | | |
| 290,000 | Xerox Corp., Senior Notes, 6.750% due 2/1/17 | 298,700 |
| Oil, Gas & Consumable Fuels 0.9% | | |
| 60,000 | Anadarko Petroleum Corp., Senior Notes, 5.950% due 9/15/16 | 59,585 |
| 440,000 | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 | 451,000 |
| | Chesapeake Energy Corp., Senior Notes: | |
| 775,000 | 6.375% due 6/15/15 | 755,625 |
| 425,000 | 6.500% due 8/15/17 | 408,000 |
| | Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15 | 85,638 |
| 85,000 | El Paso Corp., Medium-Term Notes: | |
| 180,000 | 7.800% due 8/1/31 | 193,050 |
| 1,050,000 | 7.750% due 1/15/32 | 1,126,125 |
| 500,000 | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11 | 510,000 |
| 325,000 | Holly Energy Partners, L.P., Senior Notes, 6.250% due 3/1/15 | 307,937 |
| 260,000 | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 | 257,400 |
| | Kerr-McGee Corp.: | |
| 140,000 | 6.950% due 7/1/24 | 147,774 |
| 300,000 | Secured Notes, 6.875% due 9/15/11 | 315,394 |
| 605,000 | OPTI Canada Inc., Senior Secured Notes, 8.250% due 12/15/14 (d) | 635,250 |
| 240,000 | Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13 | 249,600 |
| | Pogo Producing Co., Senior Subordinated Notes, 7.875% due 5/1/13 | 313,875 |
| 310,000 | SemGroup LP, Senior Notes, 8.750% due 11/15/15 (d) | 292,175 |
| 290,000 | Stone Energy Corp., Senior Subordinated Notes, 8.250% due 12/15/11 | 167,025 |
| 170,000 | Williams Cos. Inc.: | |
| 100,000 | Notes, 8.750% due 3/15/32 | 114,250 |
| 470,000 | Senior Notes, 7.750% due 6/15/31 | 495,850 |
| 170,000 | XTO Energy Inc., Senior Notes, 7.500% due 4/15/12 | 184,198 |
| | Total Oil, Gas & Consumable Fuels | 7,069,751 |
| Paper & Forest Products 0.2% | | |
| 545,000 | Appleton Papers Inc., Senior Subordinated Notes, Series B, 9.750% due 6/15/14 | 569,525 |
| | NewPage Corp.: | |
| | Senior Secured Notes: | |

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| | | | |
|------------------------|-------------|--|------------------|
| | 290,000 | 10.000% due 5/1/12 | 317,550 |
| | 435,000 | 11.621% due 5/1/12 (c) | 478,500 |
| | 200,000 | Senior Subordinated Notes, 12.000% due 5/1/13 | 219,000 |
| | 115,000 | Verso Paper Holdings LLC, Senior Secured Notes, 9.125% due 8/1/14 (d) | 121,325 |
| | 150,000 | Weyerhaeuser Co., Notes, 6.750% due 3/15/12 | 157,766 |
| | | Total Paper & Forest Products | 1,863,666 |
| Pharmaceuticals | 0.1% | | |
| | 425,000 | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 | 444,125 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| | Face Amount | Security | Value |
|---|----------------|--|------------------|
| Real Estate Investment Trusts (REITs) | | | |
| | | | \$ |
| | 15,000 | Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15 | 15,488 |
| | 75,000 | iStar Financial Inc., Senior Notes, Series B, 4.875% due 1/15/09 | 74,064 |
| | 50,000 | Simon Property Group LP, Notes, 6.375% due 11/15/07 | 50,327 |
| | 85,000 | Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.500% due 6/1/16 | 85,425 |
| | 200,000 | Vornado Realty LP, Senior Notes, 5.625% due 6/15/07 | 199,884 |
| | | Total Real Estate Investment Trusts (REITs) | 425,188 |
| Real Estate Management & Development | | | |
| | 50,000 | Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15 | 48,250 |
| Road & Rail | | | |
| | 75,000 | Burlington Northern Santa Fe Corp., Notes, 7.875% due 4/15/07 | 75,327 |
| | 1,005,000 | Hertz Corp., 10.500% due 1/1/16 | 1,135,650 |
| | 50,000 | Kansas City Southern de Mexico, Senior Notes, 7.625% due 12/1/13 (d) | 50,250 |
| | 430,000 | Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09 | 438,062 |
| | | Total Road & Rail | 1,699,289 |
| Semiconductors & Semiconductor Equipment | | | |
| | 765,000 | Freescale Semiconductor Inc., Senior Notes, 8.875% due 12/15/14 (d) | 765,000 |
| Software | | | |
| | 393,922 | UGS Capital Corp. II, Senior Notes, 10.348% due 6/1/11 (c)(d)(f) | 403,770 |
| Specialty Retail | | | |
| | 235,000 | Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12 | 235,587 |
| | 165,000 | Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15 | 183,769 |
| | 100,000 | Linens n Things Inc., Senior Secured Notes, 10.985% due 1/15/14 (c) | 97,500 |
| | | Total Specialty Retail | 516,856 |
| Textiles, Apparel & Luxury Goods | | | |
| | 950,000 | Levi Strauss & Co., Senior Notes, 9.750% due 1/15/15 | 1,030,750 |
| | 300,000 | Oxford Industries Inc., Senior Notes, 8.875% due 6/1/11 | 312,000 |
| | | Total Textiles, Apparel & Luxury Goods | 1,342,750 |
| Tobacco | | | |
| | 70,000 | Alliance One International Inc., Senior Notes, 11.000% due 5/15/12 | 75,950 |
| | 75,000 | Altria Group Inc., Notes, 7.200% due 2/1/07 | 75,000 |
| | | Total Tobacco | 150,950 |
| Trading Companies & Distributors (d) | | | |
| | 355,000 | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 | 381,625 |
| | 390,000 | Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 | 428,025 |
| | | Total Trading Companies & Distributors | 809,650 |
| Wireless Telecommunication Services | | | |
| | 625,000 | Rogers Wireless Inc., Secured Notes, 7.500% due 3/15/15 | 675,000 |
| | | Rural Cellular Corp.: | |

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| | | |
|---------|--|---------|
| 110,000 | Secured Notes, 8.250% due 3/15/12 | 115,225 |
| 245,000 | Senior Notes, 9.875% due 2/1/10 | 260,925 |
| 340,000 | Sprint Capital Corp., Senior Notes, 8.375% due 3/15/12 | 377,693 |
| 780,000 | True Move Co., Ltd., 10.750% due 12/16/13 (d) | 772,200 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Face Amount | Security | Value |
|---|---|------------|
| Wireless Telecommunication Services 0.3% (continued) | | |
| \$ 600,000 | UbiquiTel Operating Co., Senior Notes, 9.875% due 3/1/11 | \$ 645,088 |
| | Total Wireless Telecommunication Services | 2,846,131 |
| | TOTAL CORPORATE BONDS & NOTES | |
| | (Cost \$82,435,997) | 83,956,244 |
| LOAN PARTICIPATION 0.1% | | |
| 1,000,000 | UPC Broadband Holding B.V. Term Loan, 7.640% due 3/15/13 (Toronto Dominion) (c)(h) (Cost - \$1,000,000) | 1,005,170 |
| MORTGAGE-BACKED SECURITIES 6.7% | | |
| FHLMC 4.2% | | |
| 3,674,663 | Federal Home Loan Mortgage Corp. (FHLMC): | |
| | 5.124% due 6/1/35 (c) | 3,664,890 |
| | Gold: | |
| 956,267 | 7.000% due 6/1/17 | 983,129 |
| 13,086,430 | 6.000% due 7/1/21 | 13,238,704 |
| 422,510 | 8.500% due 9/1/25 | 453,201 |
| 810,541 | 6.500% due 8/1/29 | 830,987 |
| 15,200,411 | 6.000% due 9/1/32-2/1/36 | 15,287,679 |
| | TOTAL FHLMC | 34,458,590 |
| FNMA 2.4% | | |
| | Federal National Mortgage Association (FNMA): | |
| 1,110,777 | 8.000% due 12/1/12 | 1,133,507 |
| 2,050,415 | 5.500% due 1/1/14-4/1/35 | 2,025,023 |
| 1,942,736 | 7.000% due 3/15/15-6/1/32 | 2,007,570 |
| 642,106 | 4.214% due 12/1/34 (c) | 631,947 |
| 888,969 | 4.860% due 1/1/35 (c) | 885,203 |
| 1,169,104 | 5.082% due 3/1/35 (c) | 1,171,069 |
| 2,395,269 | 4.555% due 4/1/35 (c) | 2,409,688 |
| 3,502,668 | 5.629% due 4/1/36 (c) | 3,530,689 |
| 5,796,367 | 5.587% due 5/1/36 (c) | 5,831,145 |
| | TOTAL FNMA | 19,625,841 |
| GNMA 0.1% | | |
| | Government National Mortgage Association (GNMA), 5.500% due 8/15/21 | 1,509,884 |
| 1,510,683 | | |
| | TOTAL MORTGAGE-BACKED SECURITIES | |
| | (Cost \$55,816,884) | 55,594,315 |
| SOVEREIGN BOND 0.0% | | |
| Argentina 0.0% | | |
| 69,931 ^{ARS} | Republic of Argentina, GDP Linked Securities, 0.649% due 12/15/35 (c) (Cost - \$811) | 2,693 |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 0.1% | | |
| U.S. Government Agency Obligations 0.1% | | |
| 240,000 | Federal Home Loan Bank (FHLB): Bonds, 5.125% due 7/30/08 | 239,961 |

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| | | |
|---|---|----------------|
| 100,000 | Global Bonds, 5.500% due 7/15/36 | 102,735 |
| | Total U.S. Government Agency Obligations | 342,696 |
| U.S. Government Obligations 0.0% | | |
| 130,000 | U.S. Treasury Bonds, 4.500% due 2/15/36 | 121,550 |
| | TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS | |
| | (Cost \$455,236) | 464,246 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

| Face Amount | Security | Value |
|--|---|----------------|
| U.S. TREASURY INFLATION PROTECTED SECURITIES 0.0% | | |
| \$ 95,731 | U.S. Treasury Notes, Inflation Indexed, 0.875% due 4/15/10 (Cost - \$90,886) | \$ 91,053 |
| Contracts | | |
| PURCHASED OPTIONS 0.3% | | |
| 1,820 | Clear Channel Communications, Put @ \$35.00, expires 4/21/07 | 91,000 |
| 549 | S&P 500 Index, Put @ \$1,400.00, expires 3/17/07 | 411,750 |
| 917 | S&P 500 Index, Put @ \$1,400.00, expires 6/16/07 | 1,898,190 |
| | TOTAL PURCHASED OPTIONS | |
| | (Cost \$3,086,003) | 2,400,940 |
| | TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS | |
| | (Cost \$721,017,850) | 758,683,122 |
| Face Amount | | |
| SHORT-TERM INVESTMENTS 7.7% | | |
| U.S. Government Agencies (i) 2.5% | | |
| \$ 18,000,000 | Federal Home Loan Bank (FHLB), Discount Notes: 4.951% due 2/1/07 | 18,000,000 |
| 1,000,000 | 5.171% due 4/23/07 | 988,559 |
| 1,400,000 | Federal Home Loan Mortgage Corp. (FHLMC), Discount Notes, Series RB, 5.198% due 4/17/07 | 1,385,168 |
| 100,000 | Federal National Mortgage Association (FNMA), Discount Notes, 5.197% due 6/25/07 (k) | 97,974 |
| | Total U.S. Government Agencies | |
| | (Cost \$20,471,545) | 20,471,701 |
| Repurchase Agreements 5.2% | | |
| 25,482,000 | Interest in \$535,536,000 joint tri-party repurchase agreement dated 1/31/07 with Deutsche Bank Securities Inc., 5.260% due 2/1/07; Proceeds at maturity - \$25,485,723; (Fully collateralized by various U.S. government agency obligations, 0.000% to 14.299% due 11/25/15 to 2/25/37; Market value - \$25,991,640) | 25,482,000 |
| 16,986,000 | Nomura Securities International Inc. repurchase agreement dated 1/31/07, 5.240% due 2/1/07; Proceeds at maturity - \$16,988,472; (Fully collateralized by various U.S. government agency obligations, 3.375% to 6.000% due 12/15/08 to 4/21/26; Market value -\$17,326,201) | 16,986,000 |
| | Total Repurchase Agreements | |
| | (Cost \$42,468,000) | 42,468,000 |
| | TOTAL SHORT-TERM INVESTMENTS | |
| | (Cost \$62,939,545) | 62,939,701 |
| | TOTAL INVESTMENTS 100.0% (Cost \$783,957,395#) | \$ 821,622,823 |

- * Non-income producing security.
Face amount denominated in U.S. dollars, unless otherwise noted.
All or a portion of this security is segregated pursuant to a revolving credit facility, open futures contracts and forward foreign currency contracts.
- (a) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
- (b) Illiquid security.
- (c) Variable rate security. Interest rate disclosed is that which is in effect at January 31, 2007.
- (d) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (e) Security has no maturity date. The date shown represents the next call date.
- (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (g) Security is currently in default.
- (h) Participation interest was acquired through the financial institution indicated parenthetically.
- (i) Rate shown represents yield-to-maturity.

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2007

(k) All or a portion of this security is held at the broker as collateral for open futures contracts.

Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ADR - American Depositary Receipt

ARS - Argentine Peso

FDR - Foreign Depositary Receipt

GDP - Gross Domestic Product

PAC - Planned Amortization Class

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

LMP Capital and Income Fund Inc. (the Fund) was incorporated in Maryland on November 12, 2003 and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, (the 1940 Act). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. The Fund seeks total return with an emphasis on income by investing primarily in a portfolio consisting of a broad range of equity and fixed income securities of both U.S. and foreign issuers.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

(a) Investment Valuation. Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. Debt securities are valued at the mean between the bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the bid and asked prices as of the close of business of that market. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund may value these investments at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates market value.

(b) Repurchase Agreements. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian take possession of the underlying collateral securities, the market value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Loan Participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

(d) Financial Futures Contracts. The Fund may enter into financial futures contracts typically to hedge a portion of the portfolio. Upon entering into a financial futures contract, the Fund is required to deposit cash or securities as initial margin. Additional securities are also segregated up to the current market value of the financial futures contracts. Subsequent payments, known as variation margin, are made or received by the Fund each day, depending on the daily fluctuation in the value of the underlying financial instruments. The Fund recognizes an unrealized gain or loss equal to the daily variation margin. When the financial futures contracts are closed, a realized gain or loss is recognized equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contracts.

The risks associated with entering into financial futures contracts include the possibility that a change in the value of the contract may not correlate with the changes in the value of the underlying instruments. In addition, investing in financial futures contracts involves the risk that the Fund could lose more than the original margin deposit and subsequent payments required for a futures transaction. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(e) Forward Foreign Currency Contracts. The Fund may enter into forward foreign currency contracts to hedge against foreign currency exchange rate risk on their non-U.S. dollar denominated securities or to facilitate settlement of foreign currency denominated portfolio transactions. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is extinguished, through either delivery or offset by entering into another forward foreign currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was extinguished.

The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(f) Securities Traded on a To-Be-Announced Basis. The Fund may trade securities on a to-be-announced (TBA) basis. In a TBA transaction, the Fund commits to purchasing or selling securities which have not yet been issued by the issuer and for which specific information is not known, such as the face amount and maturity date and the underlying pool of investments in U.S. government agency mortgage pass-through transactions. Securities purchased on a TBA basis are not settled until they are delivered to the Fund, normally 15 to 45 days later. Beginning on the date the Fund enters into a TBA transaction, cash, U.S. government securities or other liquid high-grade debt obligations are segregated in an amount equal in value to the purchase price of the TBA security. These transactions are subject to market fluctuations and their current value is determined in the same manner as for other securities.

(g) Mortgage Dollar Rolls. The Fund enters into mortgage dollar rolls in which the Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities to settle on a specified future date. During the roll period, the Fund forgoes principal and interest paid on the securities. The Fund is compensated by a fee paid by the counterparty, often in the form of a drop in the repurchase price of the securities. Mortgage dollar rolls are accounted for as financing arrangements; the fee is accrued into interest income ratably over the term of the mortgage dollar roll and any gain or loss on the roll is deferred and realized upon disposition of the rolled security.

The risk of entering into a mortgage dollar roll is that the market value of the securities the Fund is obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a mortgage dollar roll files for bankruptcy or becomes insolvent, the Fund's use of proceeds of the mortgage dollar roll may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities.

(h) Foreign Currency Translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

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Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(i) Credit and Market Risk. The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

(j) Security Transactions. Security transactions are accounted for on a trade date basis.

2. Investments

At January 31, 2007, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | | |
|-------------------------------|----|-------------|
| Gross unrealized appreciation | \$ | 43,720,070 |
| Gross unrealized depreciation | | (6,054,642) |
| Net unrealized appreciation | \$ | 37,665,428 |

At January 31, 2007, the Fund held a loan participation with a total cost of \$1,000,000 and a total market value of \$1,005,170.

At January 31, 2007, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration Date | Basis Value | Market Value | Unrealized Gain (Loss) |
|--|------------------------|--------------------|----------------|-----------------|---------------------------|
| Contracts to Buy: | | | | | |
| U.S. Treasury 2 Year Notes | 72 | 3/07 | \$ 14,728,735 | \$ 14,658,750 | \$ (69,985) |
| U.S. Treasury 5 Year Notes | 47 | 3/07 | 4,916,141 | 4,912,969 | (3,172) |
| | | | | | (73,157) |
| Contracts to Sell: | | | | | |
| U.S. Treasury 10 Year Notes | 66 | 3/07 | \$ 7,132,318 | \$ 7,045,500 | \$ 86,818 |
| Net Unrealized Gain on Open Futures Contracts | | | | | \$ 13,661 |

At January 31, 2007, the Fund had the following open forward foreign currency contracts as described below:

| Foreign Currency | Local Currency | Market Value | Settlement Date | Unrealized Gain (Loss) |
|---|-------------------|-----------------|--------------------|---------------------------|
| Contracts to Buy: | | | | |
| Japanese Yen | 72,660,000 | \$ 600,918 | 2/7/07 | \$ (25,461) |
| Japanese Yen | 72,660,000 | 608,267 | 5/9/07 | 2,767 |
| | | | | \$ (22,694) |
| Contracts to Sell: | | | | |
| Japanese Yen | 72,660,000 | \$ 600,918 | 2/7/07 | \$ (2,746) |
| Net Unrealized Loss on Open Forward Foreign Currency Contracts | | | | \$ (25,440) |

3. Loan

At January 31, 2007, the Fund had a \$170,000,000 loan outstanding pursuant to a revolving credit and security agreement among the Fund, CHARTA, LLC and Citibank N.A. The loan generally bears interest at a variable rate based on the weighted average interest rates of the

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underlying commercial paper or LIBOR plus any applicable margin. Securities held by the Fund are subject to a lien, granted to the lenders, to the extent of the borrowings outstanding and any additional expenses.

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LMP Capital and Income Fund Inc.

By */s/ R. Jay Gerken*
R. Jay Gerken
Chief Executive Officer

Date: March 29, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By */s/ R. Jay Gerken*
R. Jay Gerken
Chief Executive Officer

Date: March 29, 2007

By */s/ Frances M. Guggino*
Frances Guggino
Chief Financial Officer

Date: March 29, 2007
