

LMP CAPITAL & INCOME FUND INC.

Form N-Q

September 26, 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
(Address of principal executive offices)

10004
(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: July 31, 2007

LMP CAPITAL AND INCOME FUND INC.

FORM N-Q

JULY 31, 2007

ITEM 1. SCHEDULE OF INVESTMENTS

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited)

July 31, 2007

| Shares | Security | Value |
|---|---|--------------|
| COMMON STOCKS 72.9% | | |
| CONSUMER DISCRETIONARY 8.4% | | |
| Hotels, Restaurants & Leisure 1.5% | | |
| 129,427 | Ameristar Casinos Inc. | \$ 4,100,247 |
| 100,200 | Las Vegas Sands Corp. * | 8,742,450 |
| | Total Hotels, Restaurants & Leisure | 12,842,697 |
| Household Durables 0.0% | | |
| 1,226,577 | Home Interiors & Gifts Inc. (a)(b)* | 12,266 |
| Media 4.6% | | |
| 265,000 | E.W. Scripps Co., Class A Shares | 10,857,050 |
| 155,700 | Liberty Media Holding Corp., Capital Group, Series A Shares * | 17,819,865 |
| 768,600 | Warner Music Group Corp. | 9,522,954 |
| | Total Media | 38,199,869 |
| Multiline Retail 0.9% | | |
| 126,800 | Target Corp. | 7,680,276 |
| Specialty Retail 1.4% | | |
| 205,000 | Ross Stores Inc. | 5,930,650 |
| 213,500 | TJX Cos. Inc. | 5,924,625 |
| | Total Specialty Retail | 11,855,275 |
| | TOTAL CONSUMER DISCRETIONARY | 70,590,383 |
| CONSUMER STAPLES 3.7% | | |
| Food Products 1.8% | | |
| 466,400 | Kraft Foods Inc., Class A Shares | 15,274,600 |
| Tobacco 1.9% | | |
| 231,400 | Altria Group Inc. | 15,381,158 |
| | TOTAL CONSUMER STAPLES | 30,655,758 |
| ENERGY 11.8% | | |
| Energy Equipment & Services 5.6% | | |
| 114,900 | Diamond Offshore Drilling Inc. | 11,855,382 |
| 414,900 | Halliburton Co. | 14,944,698 |
| 99,100 | SEACOR Holdings Inc. * | 8,643,502 |
| 104,200 | Transocean Inc. * | 11,196,290 |
| | Total Energy Equipment & Services | 46,639,872 |
| Oil, Gas & Consumable Fuels 6.2% | | |
| 157,950 | Anadarko Petroleum Corp. | 7,949,623 |
| 573,800 | Crosstex Energy Inc. | 16,588,558 |
| 164,900 | Newfield Exploration Co. * | 7,923,445 |
| 176,560 | Total SA, ADR | 13,879,382 |
| 90,100 | Valero Energy Corp. | 6,037,601 |
| | Total Oil, Gas & Consumable Fuels | 52,378,609 |
| | TOTAL ENERGY | 99,018,481 |
| EXCHANGE TRADED FUND 1.6% | | |
| Exchange Traded 1.6% | | |
| 280,500 | UltraShort QQQ ProShares | 12,950,685 |
| FINANCIALS 14.3% | | |
| Capital Markets 2.5% | | |

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| | | |
|------------------------------|--|------------|
| 384,000 | UBS AG | 21,146,880 |
| Consumer Finance 2.8% | | |
| 392,000 | American Express Co. | 22,947,680 |
| Insurance 9.0% | | |
| 236,900 | AFLAC Inc. | 12,347,228 |
| 257,620 | American International Group Inc. | 16,534,052 |
| 853,010 | Fidelity National Financial Inc., Class A Shares | 17,819,379 |
| 124,000 | First American Corp. | 5,739,960 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Shares | Security | Value |
|--|---|---------------|
| Insurance 9.0% (continued) | | |
| 571,300 | Marsh & McLennan Cos. Inc. | \$ 15,739,315 |
| 353,700 | Progressive Corp. | 7,420,626 |
| | Total Insurance | 75,600,560 |
| | TOTAL FINANCIALS | 119,695,120 |
| HEALTH CARE 6.1% | | |
| Biotechnology 0.6% | | |
| 68,600 | Genentech Inc. * | 5,102,468 |
| Health Care Equipment & Supplies 1.2% | | |
| 200,700 | Medtronic Inc. | 10,169,469 |
| Health Care Providers & Services 2.4% | | |
| 99,830 | Quest Diagnostics Inc. | 5,537,570 |
| 148,300 | UnitedHealth Group Inc. | 7,182,169 |
| 98,400 | WellPoint Inc. * | 7,391,808 |
| | Total Health Care Providers & Services | 20,111,547 |
| Health Care Technology 0.9% | | |
| 265,300 | IMS Health Inc. | 7,462,889 |
| Pharmaceuticals 1.0% | | |
| 132,400 | Johnson & Johnson | 8,010,200 |
| | TOTAL HEALTH CARE | 50,856,573 |
| INDUSTRIALS 9.3% | | |
| Aerospace & Defense 3.8% | | |
| 64,610 | Alliant Techsystems Inc. * | 6,403,497 |
| 125,910 | L-3 Communications Holdings Inc. | 12,283,780 |
| 182,200 | United Technologies Corp. | 13,295,134 |
| | Total Aerospace & Defense | 31,982,411 |
| Commercial Services & Supplies 1.0% | | |
| 366,100 | Covanta Holding Corp. * | 8,303,148 |
| Industrial Conglomerates 2.8% | | |
| 612,400 | General Electric Co. | 23,736,624 |
| Machinery 1.7% | | |
| 271,800 | Dover Corp. | 13,861,800 |
| | TOTAL INDUSTRIALS | 77,883,983 |
| INFORMATION TECHNOLOGY 14.5% | | |
| Communications Equipment 4.4% | | |
| 573,700 | Cisco Systems Inc. * | 16,585,667 |
| 343,900 | Corning Inc. | 8,198,576 |
| 294,300 | QUALCOMM Inc. | 12,257,595 |
| | Total Communications Equipment | 37,041,838 |
| Computers & Peripherals 1.2% | | |
| 533,800 | EMC Corp. * | 9,880,638 |
| Electronic Equipment & Instruments 0.6% | | |
| 136,050 | Tyco Electronics Ltd. * | 4,873,311 |
| Internet Software & Services 1.9% | | |
| 16,200 | Google Inc., Class A Shares * | 8,262,000 |
| 247,600 | VeriSign Inc. * | 7,351,244 |

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| | | | |
|---|-------------|---|------------|
| IT Services | 2.7% | Total Internet Software & Services | 15,613,244 |
| | 227,111 | Fidelity National Information Services Inc. | 11,271,519 |
| | 392,210 | Hewitt Associates Inc., Class A Shares * | 11,734,923 |
| | | Total IT Services | 23,006,442 |
| Semiconductors & Semiconductor Equipment | 1.2% | | |
| | 447,900 | Applied Materials Inc. | 9,871,716 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Shares | | Security | Value |
|---|--|--|---------------|
| INFORMATION TECHNOLOGY 14.5% (continued) | | | |
| Software 2.5% | | | |
| 759,300 | | Oracle Corp. * | \$ 14,517,816 |
| 353,500 | | Symantec Corp. * | 6,787,200 |
| | | Total Software | 21,305,016 |
| | | TOTAL INFORMATION TECHNOLOGY | 121,592,205 |
| MATERIALS 1.3% | | | |
| Metals & Mining 1.3% | | | |
| 286,480 | | Alcoa Inc. | 10,943,536 |
| UTILITIES 1.9% | | | |
| Gas Utilities 1.9% | | | |
| 368,360 | | National Fuel Gas Co. | 15,968,406 |
| | | TOTAL COMMON STOCKS | 610,155,130 |
| | | (Cost \$605,885,679) | |
| | | | |
| Face Amount | | | |
| ASSET-BACKED SECURITIES 0.7% | | | |
| Home Equity 0.7% | | | |
| \$ 750,000 | | Asset-Backed Funding Certificates, Series 2004-FF1, Class M2, 6.770% due 1/25/34 (c) | 725,784 |
| 193,175 | | Countrywide Asset-Backed Certificates: | |
| | | Series 2003-03, Class M4, 6.720% due 3/25/33 (c) | 188,466 |
| 410,000 | | Series 2004-05, Class M4, 6.570% due 6/25/34 (c) | 400,042 |
| 73,417 | | Finance America Net Interest Margin Trust, Series 2004-01, Class A, 5.250% due 6/27/34 (d) | 1 |
| 197,643 | | Fremont Home Loan Trust: | |
| | | Series 2004-01, Class M5, 6.420% due 2/25/34 (c) | 188,667 |
| 875,000 | | Series 2004-D, Class M5, 6.320% due 11/25/34 (c) | 868,834 |
| 1,005,000 | | GSAMP Trust, Series 2004-OPT, Class M3, 6.470% due 11/25/34 (c) | 980,517 |
| 2,951 | | Merrill Lynch Mortgage Investors Inc., Series 2005-WM1N, Class N1, 5.000% due 9/25/35 (d) | 2,751 |
| 1,500,000 | | Option One Mortgage Loan Trust, Series 2004-02, Class M2, 6.370% due 5/25/34 (c) | 1,500,072 |
| 549,183 | | Renaissance Home Equity Loan Trust, Series 2003-4, Class M3, 7.220% due 3/25/34 (c) | 534,749 |
| 141,210 | | Sail Net Interest Margin Notes: | |
| | | Series 2003-BC2A, Class A, 7.750% due 4/27/33 (d) | 10,583 |
| 71,380 | | Series 2004-2A, Class A, 5.500% due 3/27/34 (d) | 9,331 |
| | | TOTAL ASSET-BACKED SECURITIES | 5,409,797 |
| | | (Cost \$5,784,267) | |
| COLLATERALIZED MORTGAGE OBLIGATIONS 0.4% | | | |
| 260,000 | | American Home Mortgage Investment Trust, Series 2005-4, Class M3, 6.120% due 11/25/45 (c) | 257,844 |
| | | Federal Home Loan Mortgage Corp. (FHLMC): | |

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|---------|---|-----------|
| 76,206 | Series 2764, Class DT, 6.000% due 3/15/34 (c) | 67,814 |
| 558,063 | Series 2780, Class SL, PAC, 6.000% due 4/15/34 (c) | 544,458 |
| 747,021 | Harborview Mortgage Loan Trust, Series 2005-10, Class B6, 6.390% due 11/19/35 (c) | 730,213 |
| 501,207 | Merit Securities Corp., Series 11PA, Class B2, 6.820% due 9/28/32 (c)(d) | 464,113 |
| 434,373 | MLCC Mortgage Investors Inc.: Series 2004-A, Class B2, 6.240% due 4/25/29 (c) | 434,431 |
| 732,307 | Series 2004-B, Class B2, 6.200% due 5/25/29 (c) | 734,490 |
| | TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS | |
| | (Cost \$3,266,818) | 3,233,363 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|---|---|------------------|
| CORPORATE BONDS & NOTES 8.7% | | |
| Aerospace & Defense 0.1% | | |
| \$ 275,000 | Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16 | \$ 261,937 |
| 250,000 | Hawker Beechcraft Acquisition Co., Senior Notes, 8.875% due 4/1/15 (d)(e) | 248,125 |
| | Total Aerospace & Defense | 510,062 |
| Airlines 0.1% | | |
| 170,000 | Continental Airlines Inc., Notes, 8.750% due 12/1/11 | 161,500 |
| 460,000 | DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 (d) | 448,500 |
| | Total Airlines | 610,000 |
| Auto Components 0.1% | | |
| 295,000 | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | 222,725 |
| 1,075,000 | Visteon Corp., Senior Notes, 8.250% due 8/1/10 | 956,750 |
| | Total Auto Components | 1,179,475 |
| Automobiles 0.2% | | |
| 110,000 | Ford Motor Co., Debentures, 8.875% due 1/15/22 | 93,225 |
| 630,000 | General Motors Corp., Senior Debentures: 8.250% due 7/15/23 | 516,600 |
| 1,300,000 | 8.375% due 7/15/33 | 1,075,750 |
| | Total Automobiles | 1,685,575 |
| Building Products 0.1% | | |
| 540,000 | Associated Materials Inc., Senior Subordinated Notes, 9.750% due 4/15/12 | 553,500 |
| 490,000 | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.186% due 3/1/14 | 301,350 |
| | Total Building Products | 854,850 |
| Capital Markets 0.2% | | |
| 160,000 | E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13 | 161,600 |
| 65,000 | 7.875% due 12/1/15 | 67,275 |
| 1,200,000 | Kaupthing Bank HF, Subordinated Notes, 7.125% due 5/19/16 (d) | 1,278,496 |
| | Total Capital Markets | 1,507,371 |
| Chemicals 0.2% | | |
| 572,000 | Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11 | 600,600 |
| 570,000 | Georgia Gulf Corp., Senior Subordinated Notes, 9.500% due 10/15/14 | 544,350 |
| 110,000 | Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14 | 118,250 |
| 6,000 | PPG Industries Inc., Notes, 6.500% due 11/1/07 | 6,006 |
| | Total Chemicals | 1,269,206 |
| Commercial Banks 0.3% | | |
| 68,181 | Fifth Third Bank, Notes, 2.870% due 8/10/09 | 66,596 |
| 1,300,000 | Resona Preferred Global Securities Cayman Ltd., Bonds, 7.191% due 7/30/15 (c)(d)(f) | 1,314,577 |

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|--|--|------------------|
| 1,300,000 | Shinsei Finance Cayman Ltd., Junior Subordinated Bonds, 6.418% due 7/20/14 (c)(d)(f) | 1,250,630 |
| Commercial Services & Supplies 0.2% | Total Commercial Banks | 2,631,803 |
| 180,000 | Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11 | 179,100 |
| 75,000 | Allied Waste North America Inc., Senior Notes, Series B, 7.250% due 3/15/15 | 72,750 |
| 405,000 | DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, Series B, 9.500% due 2/15/13 | 415,125 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|--|---|------------------|
| Commercial Services & Supplies 0.2% (continued) | | |
| \$ 600,000 | Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14 | \$ 627,000 |
| 290,000 | Rental Services Corp., Senior Bonds, 9.500% due 12/1/14 (d) | 284,200 |
| 225,000 | Waste Management Inc., Senior Note, 6.375% due 11/15/12 | 232,505 |
| | Total Commercial Services & Supplies | 1,810,680 |
| Consumer Finance 0.7% | | |
| 300,000 | Aiful Corp., Notes, 6.000% due 12/12/11 (d) | 301,260 |
| 1,050,000 | Ford Motor Credit Co.: Notes, 7.000% due 10/1/13 | 946,021 |
| | Senior Notes: | |
| 750,000 | 5.800% due 1/12/09 | 720,472 |
| 135,000 | 9.750% due 9/15/10 | 136,421 |
| 559,000 | 10.610% due 6/15/11 (c) | 579,968 |
| 170,000 | 8.000% due 12/15/16 | 156,925 |
| | General Motors Acceptance Corp., Notes: | |
| 500,000 | 5.625% due 5/15/09 | 476,832 |
| 1,900,000 | 6.625% due 5/15/12 | 1,740,054 |
| 300,000 | 6.750% due 12/1/14 | 270,006 |
| 125,000 | SLM Corp., Medium-Term Notes, Series A, 5.560% due 1/26/09 (c) | 123,217 |
| | Total Consumer Finance | 5,451,176 |
| Containers & Packaging 0.2% | | |
| 550,000 | Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14 | 519,750 |
| 535,000 | Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13 | 537,675 |
| 195,000 | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (d) | 197,925 |
| | Total Containers & Packaging | 1,255,350 |
| Diversified Consumer Services 0.0% | | |
| | Education Management LLC/Education Management Finance Corp.: | |
| 20,000 | Senior Notes, 8.750% due 6/1/14 | 20,000 |
| 210,000 | Senior Subordinated Notes, 10.250% due 6/1/16 | 210,000 |
| | Total Diversified Consumer Services | 230,000 |
| Diversified Financial Services 0.4% | | |
| 150,000 | AAC Group Holding Corp., Senior Discount Notes, step bond to yield 9.092% due 10/1/12 | 129,750 |
| 100,000 | Aiful Corp., Notes, 5.000% due 8/10/10 (d) | 98,133 |
| 100,000 | Bank of America Corp., Subordinated Notes, 5.420% due 3/15/17 | 95,434 |
| 610,000 | Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (d) | 545,950 |
| 125,000 | Capital One Bank, Notes, 5.750% due 9/15/10 | 125,566 |
| 110,493 | Core Investment Grade Bond Trust I, Pass-Through Certificates, 4.642% due 11/30/07 | 110,146 |
| 125,000 | Countrywide Home Loans Inc., Medium-Term Notes, Series M, 4.125% due 9/15/09 | 120,441 |
| 250,000 | | 249,682 |

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|---------|---|---------|
| | General Electric Capital Corp., Medium-Term Notes, Series A, 5.450% due 1/15/13 | |
| 162,000 | Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12 | 166,050 |
| 125,000 | HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09 | 125,903 |
| 60,000 | Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11 | 56,400 |
| 10,000 | Residential Capital Corp., Senior Notes: 6.460% due 4/17/09 (c) | 9,635 |
| 40,000 | Residential Capital Corp., Senior Notes: 6.460% due 5/22/09 (c) | 38,051 |
| 430,000 | Residential Capital LLC, Senior Notes, 6.500% due 6/1/12 | 390,463 |
| 57,000 | UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12 | 59,850 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|--|---|------------------|
| Diversified Financial Services 0.4% (continued) | | |
| \$ 130,000 | Vangent Inc., Senior Subordinated Notes, 9.625% due 2/15/15 (d) | \$ 123,500 |
| 620,000 | Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 10.257% due 10/1/15 | 455,700 |
| 260,000 | Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14 | 243,100 |
| | Total Diversified Financial Services | 3,143,754 |
| Diversified Telecommunication Services 0.6% | | |
| 600,000 | Deutsche Telekom International Finance, Senior Notes, 5.750% due 3/23/16 | 582,135 |
| 215,000 | Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15 | 226,825 |
| 180,000 | Intelsat Bermuda Ltd.: 9.250% due 6/15/16 | 184,500 |
| 680,000 | Senior Notes, 11.250% due 6/15/16 | 714,000 |
| 295,000 | Level 3 Financing Inc.: 9.250% due 11/1/14 | 283,200 |
| 30,000 | Senior Notes, 9.150% due 2/15/15 (c)(d) | 28,500 |
| 250,000 | Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16 (d) | 248,750 |
| 450,000 | NTL Cable PLC, Senior Notes: 8.750% due 4/15/14 | 452,250 |
| 220,000 | 9.125% due 8/15/16 | 223,300 |
| 140,000 | PAETEC Holding Corp., Senior Note, 9.500% due 7/15/15 (d) | 134,400 |
| 740,000 | Qwest Communications International Inc., Senior Notes, Series B, 7.500% due 2/15/14 | 714,100 |
| 100,000 | Telecom Italia Capital S.p.A., Senior Notes, 5.250% due 10/1/15 | 93,195 |
| 140,000 | Univision Communications Inc., Senior Notes, 9.750% due 3/15/15 (d)(e) | 128,100 |
| 450,000 | Verizon Florida Inc., Senior Notes, Series F, 6.125% due 1/15/13 | 456,168 |
| 660,000 | Windstream Corp., Senior Notes, 8.625% due 8/1/16 | 671,550 |
| | Total Diversified Telecommunication Services | 5,140,973 |
| Electric Utilities 0.1% | | |
| 325,000 | FirstEnergy Corp., Notes, Series C, 7.375% due 11/15/31 | 354,353 |
| 100,000 | Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10 | 109,000 |
| 230,000 | Pacific Gas & Electric Co., Senior Unsubordinated Notes, 5.800% due 3/1/37 | 216,080 |
| | Total Electric Utilities | 679,433 |
| Electronic Equipment & Instruments 0.1% | | |
| 1,065,000 | NXP BV/NXP Funding LLC, Senior Notes, 9.500% due 10/15/15 | 926,550 |
| Energy Equipment & Services 0.2% | | |
| 725,000 | Complete Production Services Inc., 8.000% due 12/15/16 | 699,625 |
| 529,000 | Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14 | 510,485 |
| 55,000 | Pride International Inc., Senior Notes, 7.375% due 7/15/14 | 54,863 |
| 10,000 | Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32 | 11,181 |

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|---|-------------|--|-----------|
| | | Total Energy Equipment & Services | 1,276,154 |
| Food & Staples Retailing | 0.0% | | |
| | 150,000 | Safeway Inc., Senior Notes, 6.500% due 11/15/08 | 151,893 |
| Food Products | 0.0% | | |
| | 125,000 | Dole Food Co. Inc., Senior Notes: | |
| | 261,000 | 7.250% due 6/15/10 | 115,312 |
| | | 8.875% due 3/15/11 | 244,035 |
| | | Total Food Products | 359,347 |
| Health Care Providers & Services | 0.3% | | |
| | 590,000 | Community Health Systems Inc., Senior Notes, 8.875% due 7/15/15 (d) | 575,987 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|--|---|------------------|
| Health Care Providers & Services 0.3% (continued) | | |
| \$ 295,000 | HCA Inc.: | \$ 229,362 |
| 345,000 | Notes, 6.375% due 1/15/15 | 267,375 |
| | Senior Notes, 6.500% due 2/15/16 | |
| | Senior Secured Notes: | |
| 215,000 | 9.250% due 11/15/16 (d) | 213,925 |
| 165,000 | 9.625% due 11/15/16 (d)(e) | 164,175 |
| | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 410,125 |
| 425,000 | Tenet Healthcare Corp., Senior Notes: | |
| 180,000 | 6.375% due 12/1/11 | 153,900 |
| 650,000 | 7.375% due 2/1/13 | 546,000 |
| 1,000 | 9.875% due 7/1/14 | 895 |
| 150,000 | UnitedHealth Group Inc., Senior Notes, 3.300% due 1/30/08 | 148,694 |
| | Total Health Care Providers & Services | 2,710,438 |
| Hotels, Restaurants & Leisure 0.8% | | |
| 1,000,000 | Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14 | 945,000 |
| 265,000 | Buffets Inc., Senior Notes, 12.500% due 11/1/14 | 215,975 |
| | Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (d) | 305,550 |
| 315,000 | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 | 561,000 |
| 550,000 | El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13 | 101,500 |
| 100,000 | Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14 | 387,000 |
| 450,000 | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 | 702,900 |
| 660,000 | Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due 3/1/14 | 126,875 |
| 140,000 | MGM MIRAGE Inc.: | |
| 380,000 | Notes, 6.750% due 9/1/12 | 357,200 |
| | Senior Notes: | |
| 575,000 | 5.875% due 2/27/14 | 506,000 |
| 320,000 | 7.625% due 1/15/17 | 299,200 |
| 203,000 | Senior Subordinated Notes, 9.375% due 2/15/10 | 208,582 |
| | Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12 | 507,500 |
| 500,000 | Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12 | 618,750 |
| 625,000 | Station Casinos Inc.: | |
| | Senior Notes: | |
| 60,000 | 6.000% due 4/1/12 | 55,200 |
| 250,000 | 7.750% due 8/15/16 | 235,625 |
| 105,000 | Senior Subordinated Notes, 6.875% due 3/1/16 | 88,988 |
| | Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (d) | 507,500 |
| 500,000 | Total Hotels, Restaurants & Leisure | 6,730,345 |

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| | | | |
|---|-------------|--|------------------|
| Household Durables | 0.2% | | |
| | 335,000 | K Hovnanian Enterprises Inc., Senior Notes, 8.625% due 1/15/17 | 278,050 |
| | 325,000 | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 | 326,625 |
| | 700,000 | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.608% due 9/1/12 | 605,500 |
| | 80,000 | Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14 | 79,200 |
| | | Total Household Durables | 1,289,375 |
| Independent Power Producers & Energy Traders | 0.2% | | |
| | 152,070 | Mirant Mid Atlantic LLC, Pass-Through Certificates, Series B, 9.125% due 6/30/17 | 167,175 |
| | 250,000 | NRG Energy Inc., Senior Notes: 7.250% due 2/1/14 | 241,875 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|--|---|------------------|
| Independent Power Producers & Energy Traders 0.2% (continued) | | |
| \$ 1,025,000 | 7.375% due 2/1/16 | \$ 991,688 |
| 380,000 | TXU Corp., Senior Notes, Series P, 5.550% due 11/15/14 | 308,444 |
| | Total Independent Power Producers & Energy Traders | 1,709,182 |
| Insurance 0.1% | | |
| 500,000 | Nationwide Life Global Funding I, Notes, 5.450% due 9/28/07 (c)(d) | 500,092 |
| IT Services 0.1% | | |
| 400,000 | SunGard Data Systems Inc.: Senior Notes, 9.125% due 8/15/13 | 404,000 |
| 270,000 | Senior Subordinated Notes, 10.250% due 8/15/15 | 271,350 |
| | Total IT Services | 675,350 |
| Media 0.8% | | |
| 355,000 | Affinion Group Inc.: Senior Notes, 10.125% due 10/15/13 | 358,550 |
| 100,000 | Senior Subordinated Notes, 11.500% due 10/15/15 | 101,000 |
| 390,000 | AMC Entertainment Inc., Senior Subordinated Notes, 11.000% due 2/1/16 | 404,625 |
| 205,000 | CCH I Holdings LLC/CCH I Holdings Capital Corp.: Senior Accreting Notes, 12.125% due 1/15/15 | 198,850 |
| 380,000 | Senior Notes, 11.750% due 5/15/14 | 364,800 |
| 569,000 | CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15 | 571,845 |
| 480,000 | CCH II LLC/CCH II Capital Corp., Senior Notes: 10.250% due 9/15/10 | 490,800 |
| 65,000 | 10.250% due 10/1/13 | 66,787 |
| 105,000 | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11 | 106,050 |
| 240,000 | CMP Susquehanna Corp., 9.875% due 5/15/14 | 224,400 |
| 810,000 | Comcast Corp., Notes, 6.500% due 1/15/17 | 822,002 |
| 410,000 | Idearc Inc., Senior Notes, 8.000% due 11/15/16 | 390,525 |
| 65,000 | ION Media Networks Inc., Senior Secured Notes, 11.610% due 1/15/13 (c)(d) | 65,813 |
| 180,000 | Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15 | 164,700 |
| 355,000 | R.H. Donnelley Corp.: Senior Discount Notes: Series A-1, 6.875% due 1/15/13 | 321,275 |
| 300,000 | Series A-2, 6.875% due 1/15/13 | 271,500 |
| 450,000 | Senior Notes, Series A-3, 8.875% due 1/15/16 | 439,875 |
| 810,000 | Time Warner Inc., Senior Notes, 6.875% due 5/1/12 | 846,353 |
| 260,000 | TL Acquisitions Inc., Senior Notes, 10.500% due 1/15/15 (d) | 240,500 |
| | Total Media | 6,450,250 |
| Metals & Mining 0.2% | | |
| 960,000 | | 1,010,400 |

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| | | |
|------------------------------|--|------------------|
| | Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17 | |
| 15,000 | Metals USA Holdings Corp., Senior Notes, 11.360% due 1/15/12 (c)(d)(e) | 15,000 |
| 435,000 | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 | 465,450 |
| 155,000 | Noranda Aluminum Holding Corp., Senior Notes, 11.146% due 11/15/14 (c)(d)(e) | 146,475 |
| 100,000 | Novelis Inc., Senior Notes, 7.250% due 2/15/15 | 100,750 |
| 135,000 | Tube City IMS Corp., 9.750% due 2/1/15 | 131,962 |
| 156,000 | Vale Overseas Ltd., Notes, 6.875% due 11/21/36 | 152,529 |
| | Total Metals & Mining | 2,022,566 |
| Multi-Utilities 0.0% | | |
| 125,000 | Keyspan Gas East Corp., Medium-Term Notes, 6.900% due 1/15/08 | 125,819 |
| Multiline Retail 0.1% | | |
| 250,000 | Dollar General Corp.: Senior Notes, 10.625% due 7/15/15 (d) | 222,500 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|---|---|------------------|
| Multiline Retail 0.1% (continued) | | |
| \$ 250,000 | Senior Subordinated Notes, 11.875% due 7/15/17 (d)(e) | \$ 213,750 |
| 535,000 | Neiman Marcus Group Inc., Senior Subordinated Notes, 10.375% due 10/15/15 | 565,762 |
| | Total Multiline Retail | 1,002,012 |
| Office Electronics 0.0% | | |
| 290,000 | Xerox Corp., Senior Notes, 6.750% due 2/1/17 | 295,096 |
| Oil, Gas & Consumable Fuels 0.9% | | |
| 60,000 | Anadarko Petroleum Corp., Senior Notes: 5.950% due 9/15/16 | 59,065 |
| 1,240,000 | 6.450% due 9/15/36 | 1,201,174 |
| 440,000 | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 | 442,200 |
| 775,000 | Chesapeake Energy Corp., Senior Notes, 6.375% due 6/15/15 | 731,406 |
| 85,000 | Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15 | 83,300 |
| 330,000 | ConocoPhillips Holding Co., Senior Notes, 6.950% due 4/15/29 | 360,726 |
| 180,000 | El Paso Corp., Medium-Term Notes: 7.800% due 8/1/31 | 174,745 |
| 1,050,000 | 7.750% due 1/15/32 | 1,013,522 |
| 450,000 | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11 | 448,875 |
| 260,000 | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 | 227,500 |
| 140,000 | Kerr-McGee Corp.: 6.950% due 7/1/24 | 145,736 |
| 300,000 | Notes, 6.875% due 9/15/11 | 313,362 |
| 605,000 | OPTI Canada Inc., Senior Secured Notes, 8.250% due 12/15/14 (d) | 608,025 |
| 160,000 | Petroplus Finance Ltd., Senior Note, 7.000% due 5/1/17 (d) | 146,800 |
| 290,000 | SemGroup LP, Senior Notes, 8.750% due 11/15/15 (d) | 287,100 |
| 260,000 | Stone Energy Corp., Senior Subordinated Notes, 8.250% due 12/15/11 | 257,400 |
| 100,000 | Williams Cos. Inc.: Notes, 8.750% due 3/15/32 | 111,000 |
| 470,000 | Senior Notes, 7.750% due 6/15/31 | 476,463 |
| 170,000 | XTO Energy Inc., Senior Notes, 7.500% due 4/15/12 | 182,839 |
| | Total Oil, Gas & Consumable Fuels | 7,271,238 |
| Paper & Forest Products 0.2% | | |
| 140,000 | Abitibi-Consolidated Co. of Canada, Senior Notes: 6.000% due 6/20/13 | 111,300 |
| 220,000 | 8.375% due 4/1/15 | 180,400 |
| 160,000 | Abitibi-Consolidated Inc.: Debentures, 7.400% due 4/1/18 | 122,400 |
| 40,000 | Notes, 7.750% due 6/15/11 | 35,400 |
| 545,000 | Appleton Papers Inc., Senior Subordinated Notes, Series B, 9.750% due 6/15/14 | 561,350 |
| 435,000 | NewPage Corp.: Senior Secured Notes, 11.606% due 5/1/12 (c) | 467,625 |
| 200,000 | Senior Subordinated Notes, 12.000% due 5/1/13 | 209,250 |

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| | | | |
|--|-------------|--|------------------|
| | | Verso Paper Holdings LLC, Senior Secured Notes, 9.125% due 8/1/14 (d) | 206,537 |
| | 205,000 | | |
| | 150,000 | Weyerhaeuser Co., Notes, 6.750% due 3/15/12 | 153,957 |
| | | Total Paper & Forest Products | 2,048,219 |
| Pharmaceuticals | 0.0% | | |
| | | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 | 373,800 |
| | 445,000 | | |
| Real Estate Investment Trusts (REITs) | 0.0% | | |
| | 75,000 | iStar Financial Inc., Senior Notes, Series B, 4.875% due 1/15/09 | 74,304 |
| | 50,000 | Simon Property Group LP, Notes, 6.375% due 11/15/07 | 50,073 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|---|--|-----------|
| Real Estate Investment Trusts (REITs) 0.0% (continued) | | |
| \$ 85,000 | Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.500% due 6/1/16 | \$ 78,944 |
| | Total Real Estate Investment Trusts (REITs) | 203,321 |
| Real Estate Management & Development 0.1% | | |
| 270,000 | Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15 | 225,450 |
| 450,000 | Realogy Corp., Senior Subordinated Notes, 12.375% due 4/15/15 (d) | 378,000 |
| | Total Real Estate Management & Development | 603,450 |
| Road & Rail 0.2% | | |
| 1,005,000 | Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 | 1,045,200 |
| 50,000 | Kansas City Southern de Mexico, Senior Notes, 7.625% due 12/1/13 (d) | 50,125 |
| 430,000 | Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09 | 425,700 |
| | Total Road & Rail | 1,521,025 |
| Semiconductors & Semiconductor Equipment 0.0% | | |
| 345,000 | Freescale Semiconductor Inc., Senior Notes, 8.875% due 12/15/14 (d) | 316,538 |
| Specialty Retail 0.0% | | |
| 235,000 | Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12 | 196,812 |
| 165,000 | Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15 | 181,500 |
| | Total Specialty Retail | 378,312 |
| Textiles, Apparel & Luxury Goods 0.1% | | |
| 390,000 | Levi Strauss & Co., Senior Notes, 9.750% due 1/15/15 | 395,850 |
| 180,000 | Oxford Industries Inc., Senior Notes, 8.875% due 6/1/11 | 182,700 |
| | Total Textiles, Apparel & Luxury Goods | 578,550 |
| Tobacco 0.0% | | |
| 50,000 | Alliance One International Inc., Senior Notes: 8.500% due 5/15/12 (d) | 49,500 |
| 70,000 | 11.000% due 5/15/12 | 73,850 |
| | Total Tobacco | 123,350 |
| Trading Companies & Distributors 0.1% | | |
| 355,000 | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (d) | 358,550 |
| 100,000 | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16 | 102,500 |
| 390,000 | Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (d) | 415,350 |
| | Total Trading Companies & Distributors | 876,400 |
| Transportation Infrastructure 0.0% | | |
| 100,000 | Saint Acquisition Corp., Secured Notes: 13.107% due 5/15/15 (c)(d) | 71,500 |
| 395,000 | 12.500% due 5/15/17 (d) | 282,425 |
| | Total Transportation Infrastructure | 353,925 |
| Wireless Telecommunication Services 0.5% | | |
| 35,000 | MetroPCS Wireless Inc., Senior Notes: 9.250% due 11/1/14 (d) | 34,475 |

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| | | |
|-----------|---|-----------|
| 30,000 | 9.250% due 11/1/14 (d) | 29,550 |
| 1,270,000 | New Cingular Wireless Services Inc., Notes, 8.125% due 5/1/12 | 1,400,325 |
| | Rural Cellular Corp.: | |
| 245,000 | Senior Notes, 9.875% due 2/1/10 | 255,413 |
| 110,000 | Senior Secured Notes, 8.250% due 3/15/12 | 113,300 |
| 1,190,000 | Sprint Capital Corp., Senior Notes, 8.375% due 3/15/12 | 1,304,537 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|---|--|------------|
| Wireless Telecommunication Services 0.5% (continued) | | |
| \$ 780,000 | True Move Co., Ltd., 10.750% due 12/16/13 (d) | \$ 826,800 |
| | Total Wireless Telecommunication Services | 3,964,400 |
| | TOTAL CORPORATE BONDS & NOTES | |
| | (Cost \$75,337,520) | 72,796,705 |
| MORTGAGE-BACKED SECURITIES 7.4% | | |
| FHLMC 3.7% | | |
| 3,341,010 | Federal Home Loan Mortgage Corp. (FHLMC): | |
| | 5.120% due 6/1/35 (c) | 3,318,675 |
| 764,748 | Gold: | |
| | 7.000% due 6/1/17 | 788,494 |
| 25,734,065 | 6.000% due 7/1/21-2/1/36 | 25,741,662 |
| 348,639 | 8.500% due 9/1/25 | 373,769 |
| 745,292 | 6.500% due 8/1/29 | 762,224 |
| | TOTAL FHLMC | 30,984,824 |
| FNMA 3.5% | | |
| 822,695 | Federal National Mortgage Association (FNMA): | |
| 396,520 | 8.000% due 12/1/12 | 838,854 |
| 1,759,348 | 5.500% due 1/1/14 | 394,586 |
| 608,077 | 7.000% due 3/15/15-6/1/32 | 1,833,109 |
| 820,394 | 4.207% due 12/1/34 (c) | 599,683 |
| 1,035,953 | 4.855% due 1/1/35 (c) | 817,318 |
| 1,442,201 | 5.052% due 3/1/35 (c) | 1,033,101 |
| 1,593,457 | 5.500% due 4/1/35 (c) | 1,396,670 |
| 2,979,509 | 5.689% due 4/1/35 (c) | 1,623,201 |
| 5,268,612 | 5.630% due 4/1/36 (c) | 3,000,924 |
| 10,500,000 | 5.608% due 5/1/36 (c) | 5,304,833 |
| 2,800,000 | 5.000% due 8/1/37 (g) | 9,848,674 |
| | 6.000% due 8/1/37 (g) | 2,774,187 |
| | TOTAL FNMA | 29,465,140 |
| GNMA 0.2% | | |
| 1,353,922 | Government National Mortgage Association (GNMA), | |
| | 5.500% due 8/15/21 | 1,342,945 |
| | TOTAL MORTGAGE-BACKED SECURITIES | |
| | (Cost \$62,201,902) | 61,792,909 |
| 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) | 2,401 |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 0.4% | | |
| U.S. Government Agencies 0.0% | | |
| 100,000 | Federal Home Loan Bank (FHLB), Global Bonds, | |
| | 5.500% due 7/15/36 | 99,210 |
| 140,000 | Federal National Mortgage Association (FNMA), 6.625% | |
| | due 9/15/09 | 144,737 |

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| | | | |
|-----------------------------------|-------------|---|------------------|
| U.S. Government Obligation | 0.4% | Total U.S. Government Agencies | 243,947 |
| | | U.S. Treasury Bonds: | |
| 40,000 | | 4.500% due 2/15/36 | 37,412 |
| 3,090,000 | | 4.750% due 2/15/37 | 3,008,891 |
| | | Total U.S. Government Obligations | 3,046,303 |
| | | TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS | |
| | | (Cost \$3,329,986) | 3,290,250 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

| Face Amount | Security | Value |
|--|---|--------------|
| U.S. TREASURY INFLATION PROTECTED SECURITIES 1.0% | | |
| \$ 2,732,044 | U.S. Treasury Bonds, Inflation Indexed, 2.375% due 1/15/27 | \$ 2,705,579 |
| 98,771 | U.S. Treasury Notes, Inflation Indexed: 0.875% due 4/15/10 | 94,134 |
| 3,142,410 | 2.375% due 4/15/11 | 3,124,737 |
| 2,783,592 | 2.375% due 1/15/17 | 2,761,846 |
| | TOTAL U.S. TREASURY INFLATION PROTECTED SECURITIES | |
| | (Cost \$8,523,610) | 8,686,296 |
| Contracts | | |
| PURCHASED OPTIONS 1.0% | | |
| 337 | Eurodollar Futures, Call @ \$94.00, expires 6/16/08 | 943,600 |
| 780 | Intersil Corp., Put @ \$30.00, expires 1/19/08 | 234,000 |
| 1,803 | Johnson & Johnson, Call @ \$60.00, expires 1/17/09 | 1,244,070 |
| 909 | Johnson & Johnson, Call @ \$65.00, expires 1/17/09 | 399,960 |
| 322 | KLA-Tencor Corp., Put @ \$60.00, expires 1/19/08 | 199,640 |
| 627 | Marsh & McLennan Cos. Inc., Call @ \$25.00, expires 1/19/08 | 263,340 |
| 742 | S & P 500 Index, Put @ \$1,425.00, expires 10/20/07 | 3,153,500 |
| 335 | U.S. Treasury Notes 10 Year Futures, Call @ \$103.00, expires 8/24/07 | 1,481,328 |
| 209 | U.S. Treasury Notes 5 Year Futures, Call @ \$102.00, expires 8/24/07 | 724,969 |
| | TOTAL PURCHASED OPTIONS | |
| | (Cost \$7,578,118) | 8,644,407 |
| | TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS | |
| | (Cost \$771,908,711) | 774,011,258 |
| | | |
| Face | | |
| Amount | | |
| SHORT-TERM INVESTMENTS 7.5% | | |
| U.S. Government Agencies 3.7% | | |
| \$ 30,400,000 | Federal Home Loan Bank (FHLB) Discount Notes, 5.091% due 8/1/07 (h)(i) | 30,400,000 |
| 100,000 | Federal National Mortgage Association (FNMA), Discount Notes, 5.203% due 3/17/08 (h) | 96,861 |
| | Total U.S. Government Agencies | 30,496,861 |
| Repurchase Agreements 3.8% | | |
| 16,080,000 | Morgan Stanley repurchase agreement dated 7/31/07, 5.230% due 8/1/07; Proceeds at maturity - \$16,082,336; (Fully collateralized by U.S. government note, 0.000% due 4/25/08; Market value - \$16,483,774) (i) | 16,080,000 |
| 16,084,000 | Nomura Securities International Inc. repurchase agreement dated 7/31/07, 5.250% due 8/1/07; Proceeds at maturity - \$16,086,346; (Fully collateralized by U.S. government note, 4.750% due 11/17/15; | 16,084,000 |

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| | |
|-------------------------------------|-------------|
| Market value -\$16,406,183) (i) | |
| Total Repurchase Agreements | 32,164,000 |
| TOTAL SHORT-TERM INVESTMENTS | |
| (Cost \$62,660,813) | 62,660,861 |
| TOTAL INVESTMENTS 100.0% | |
| (Cost \$834,569,524#) | 836,672,119 |

Face amount denominated in U.S. dollars, unless otherwise noted.

- * Non-income producing security.
- (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 July 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) Payment-in-kind security for which part of the income earned may be paid as additional principal.

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2007

- (f) Security has no maturity date. The date shown represents the next call date.
- (g) This security is traded on a to-be-announced (TBA) basis (See Note 1).
- (h) Rate shown represents yield-to-maturity.
- (i) All or a portion of this security is segregated for open futures contracts, extended settlements, and forward currency contracts.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ADR - American Depositary Receipt
ARS - Argentine Peso
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 Boards authorized 100 million shares of \$0.001 par value common stock. The Fund's investment objective is total return with an emphasis on income. The Fund pursues its investment objective by investing at least 80% of its assets in a board 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 reported 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 last quoted 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 all times, 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) Written Options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the Fund realizes a gain from investments equal to the amount of the premium received. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the

underlying security (in the case of an uncovered written call option), including brokerage commission, is treated as a realized gain or loss. When a written put option is exercised, the amount of the premium received is added to the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing a call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(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, equal to a certain percentage of the contract amount (initial margin deposit). 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 fluctuations in the value of the underlying financial instruments. The Fund recognizes an unrealized gain or loss equal to the daily variation margin. When the

Notes to Schedule of Investments (unaudited) (continued)

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 financial instruments. In addition, investing in financial futures contracts involves the risk that the Fund could lose more than the initial 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 a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at 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 closed, 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 closed.

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 securities. Securities purchased on a TBA basis are not settled until they are delivered to the Fund, normally 15 to 45 days after purchase. 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 securities are subject to market fluctuations and their current value is determined in the same manner as for other securities.

(g) REIT Distributions. The character of distributions received from Real Estate Investment Trusts (REITs) held by the Fund is generally comprised of net investment income, capital gains, and return of capital. It is the policy of the Fund to estimate the character of distributions received from underlying REITs based on historical data provided by the REITs. After each calendar year end, REITs report the actual tax character of these distributions. Differences between the estimated and actual amounts reported by the REITs are reflected in the Fund's records in the year in which they are reported by the REITs.

(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.

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 involves 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.

Notes to Schedule of Investments (unaudited) (continued)**2. Investments**

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

| | | |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 33,469,424 |
| Gross unrealized depreciation | | (31,366,829) |
| Net unrealized appreciation | \$ | 2,102,595 |

During the period ended July 31, 2007, written option transactions for the Fund were as follows:

| | Number of Contracts | | Premiums |
|---|------------------------|----|-------------|
| Options written, outstanding October 31, 2006 | 1,090 | \$ | 215,858 |
| Options written | 2,956 | | 1,341,798 |
| Options closed | (4,046) | | (1,557,656) |
| Options written, outstanding July 31, 2007 | | | |

At July 31, 2007, the Fund had open forward foreign currency contracts as described below. The unrealized gain on the open contracts reflected in the accompanying financial statements were as follows:

| Foreign Currency | Local Currency | | Market Value | Settlement Date | | Unrealized Loss |
|--|-------------------|----|-----------------|--------------------|----|--------------------|
| Contracts to Buy: | | | | | | |
| Japanese Yen | 72,660,000 | \$ | 610,494 | 8/8/07 | \$ | (94) |
| Contracts to Sell: | | | | | | |
| Pound Sterling | 808,000 | | 1,645,103 | 8/8/07 | | (40,440) |
| Net Unrealized Loss on Open Forward Foreign Currency Contracts | | | | | \$ | (40,534) |

At July 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: | | | | | |
| Eurodollar | 2 | 3/08 | \$ 474,672 | \$ 475,300 | \$ 628 |
| Eurodollar | 2 | 6/08 | 476,048 | 475,725 | (323) |
| Fin Euro | 1 | 9/08 | 238,218 | 237,913 | (305) |
| Steering Futures | 184 | 3/08 | 347,881 | 381,695 | 33,814 |
| U.S. Treasury 2 Year Notes | 62 | 9/07 | 12,664,513 | 12,706,125 | 41,612 |

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| | | | | | |
|---|----|------|--------------|--------------|-------------|
| U.S. Treasury Bonds | 25 | 9/07 | 2,728,891 | 2,751,563 | 22,672 |
| | | | | | \$ 98,098 |
| Contracts to Sell: | | | | | |
| U.S. Treasury 5 Year Notes | 16 | 9/07 | \$ 1,657,795 | \$ 1,687,500 | \$ (29,705) |
| U.S. Treasury 10 Year Notes | 21 | 9/07 | 2,230,160 | 2,255,859 | (25,699) |
| | | | | | \$ (55,404) |
| Net Unrealized Gain on Open Futures Contracts | | | | | \$ 42,694 |

At July 31, 2007, the Fund held TBA securities with a total cost of \$12,611,578.

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: September 26, 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: September 26, 2007

By/s/ Kaprel Ozsolak
Kaprel Ozsolak
Chief Financial Officer

Date: September 26, 2007
