

LMP CAPITAL & INCOME FUND INC.
Form N-CSR
January 04, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

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, 4th Floor

Stamford, CT 06902
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year end: October 31

Date of reporting period: October 31, 2007

ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

**LMP
Capital and Income Fund Inc.
(SCD)**

ANNUAL REPORT

OCTOBER 31, 2007

INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE
VALUE

LMP
Capital and Income Fund Inc.

Annual Report October 31, 2007

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Letter from the Chairman

Dear Shareholder,

Despite continued weakness in the housing market and a credit crunch that began in the summer of 2007, the U.S. economy proved to be resilient during the 12-month reporting period ended October 31, 2007. After expanding 2.1% in the fourth quarter of 2006, U.S. gross domestic product (GDP) growth was a tepid 0.6% in the first quarter of 2007, according to the U.S. Commerce Department. This was the lowest growth rate since the fourth quarter of 2002. The economy then rebounded, as second quarter 2007 GDP growth was a solid 3.8%. Given the modest increase earlier in the year, this higher growth rate was not unexpected. The preliminary estimate for third quarter GDP growth was 4.9%. A surge in inventory-building and robust exports supported the economy during the third calendar quarter.

R. JAY GERKEN, CFA

Chairman, President
and Chief Executive Officer

Ongoing issues related to the housing and subprime mortgage markets and an abrupt tightening in the credit markets prompted the Federal Reserve Board (Fed)ⁱⁱ to take several actions during the reporting period. The Fed initially responded by lowering the discount rate—the rate the Fed uses for loans it makes directly to banks—from 6.25% to 5.75% in mid-August 2007. Then, at its meeting on September 18, the Fed reduced the federal funds rateⁱⁱⁱ from 5.25% to 4.75% and the discount rate to 5.25%. This marked the first reduction in the federal funds rate since June 2003. The Fed again lowered rates at the end of October, as it cut both the discount rate and federal funds rate another 0.25% to 5.00% and 4.50%, respectively. In its statement accompanying the October meeting, the Fed stated: Economic growth was solid in the third quarter, and

LMP Capital and Income Fund Inc.

I

strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. The Fed went on to say: The Committee judges that, after this action, the upside risks to inflation roughly balance the downside risks to growth.

Despite periods of extreme volatility, the U.S. stock market overall produced strong results during the 12-month reporting period. After rising in six of the first seven months of the period, the market reversed course in June and July 2007. Earlier in the fiscal year, U.S. stock prices rose on the back of solid corporate profits, an active merger and acquisition (M&A) environment and hopes that the Fed would lower the federal funds rate in 2007. U.S. equity prices then faltered in June and July 2007 due to troubles in the housing market and expectations that the Fed would not lower short-term interest rates in the foreseeable future. U.S. stock prices then began to rally in late August 2007, as the Fed lowered the discount rate and indicated that it had not ruled out reducing the federal funds rate. The market's ascent continued in September and October, when the Fed lowered the federal funds rate twice. All told, the S&P 500 Index^{iv} returned 14.55% during the 12 months ended October 31, 2007.

During the 12-month reporting period, both short- and long-term Treasury yields experienced periods of significant volatility. Yields fluctuated early in the period, given mixed economic data and shifting expectations regarding the Fed's future monetary policy. After falling during the first three months of 2007, yields then moved steadily higher during much of the second quarter. This was due, in part, to inflationary fears, a solid job market and expectations that the Fed would not be cutting short-term rates in the foreseeable future. During the remainder of the reporting period, the U.S. fixed-income markets were extremely volatile, which negatively impacted market liquidity conditions. Initially, the concern on the part of market participants was limited to the subprime segment of the mortgage-backed market.

These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This turmoil triggered a significant flight to quality, causing Treasury yields to move sharply lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). Overall, during the 12 months ended October 31, 2007, two-year Treasury yields fell from 4.71% to 3.94%. Over the same period, 10-year Treasury yields fell from 4.61% to 4.48%. Looking at the 12-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^v, returned 5.38%.

Please read on for a more detailed look at prevailing economic and market conditions during the Fund's fiscal year and to learn how those conditions have affected Fund performance.

Information About Your Fund

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA
Chairman, President and Chief Executive Officer

November 30, 2007

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All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.
- v The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

IV LMP Capital and Income Fund Inc.

Fund Overview

Q. What were the overall market conditions during the Fund's reporting period?

A. Despite a number of concerns over the course of the reporting period, the U.S. stock market posted solid gains across most segments for the 12 months ended October 31, 2007. After showing strength at the start of the period, the broad U.S. equity market sold off sharply in late February and early March of 2007. Investors were concerned over increased volatility in international markets, signs of deterioration in the U.S. subprime mortgage markets, and rising oil prices due to geopolitical developments in the Middle East and increasing demand from developing markets. Despite these challenges, the U.S. equity market rebounded sharply at the end of March and continued to make gains through the spring and the start of the summer.

The latter half of the reporting period saw the U.S. equities market reach several new milestones. The Dow Jones Industrial Average (DJIA)ⁱ reached a record high on July 19, 2007, closing above 14,000 for the first time in history, but then fell over 1,000 points during the following four weeks as widening concerns tied to collateralized debt obligations and a slumping housing market fed increasing bond and stock market volatility. Adding to the market's anxieties were record high oil prices and the decline of the U.S. dollar, which set record lows against the Euro.

Following reassurance from Federal Reserve Board (Fed)ⁱⁱ Chairman Ben Bernanke and Fed actions to inject liquidity in the markets, including a 50 basis point reduction in the discount rateⁱⁱⁱ on August 17, 2007 and a 50 basis point cut in the federal funds rate^{iv} on September 18, 2007, stocks, in general, recovered and continued upward to register gains in September and October, with the DJIA setting another record high on October 9, 2007. At the close of the reporting period on October 31, 2007, the Fed cut the federal funds rate by another 25 basis points, prompting a brief but sharp rally that helped most major U.S. equity market indexes capture respectable gains for the fiscal year.

During the fiscal year, the bond market experienced periods of increased volatility. Changing perceptions regarding the economy, inflation and future Fed monetary policy caused bond prices to fluctuate. Two- and 10-year Treasury yields began the reporting period at 4.71% and 4.61%, respectively. This inversion of the yield curve^v, when shorter-term yields eclipse their longer-term counterparts, has often been a precursor to weaker economic growth. However, after tepid gross domestic product (GDP)^{vi} growth in the first quarter of 2007, the economy rebounded, inflationary pressures increased and both short- and long-term Treasury yields moved sharply higher. By mid-June, two- and 10-year Treasuries were yielding 5.10% and 5.26%, respectively, and market sentiment was that the Fed's next move would be to raise interest rates.

After their June peaks, Treasury yields then moved sharply lower, as concerns regarding the subprime mortgage market and a severe credit crunch triggered a massive flight to

quality. During this time, investors were drawn to the relative safety of Treasuries, causing their prices to rise. At the same time, increased risk aversion caused other segments of the bond market to falter. As conditions in the credit market worsened in August, central banks around the world took action by injecting approximately \$500 billion of liquidity into the financial system. Additionally, the Fed aggressively lowered the discount rate and the federal funds rate toward the end of the reporting period. These actions appeared to lessen the credit crunch and supported the overall bond market. By October, the volatility in the bond market was less extreme and, at the end of the fiscal year, two- and 10-year Treasury yields were 3.94% and 4.48%, respectively.

Performance Review

For the 12 months ended October 31, 2007, LMP Capital and Income Fund Inc. returned 16.32% based on its net asset value (NAV)^{vii} and 18.22% based on its New York Stock Exchange (NYSE) market price per share. In comparison, the Fund’s unmanaged benchmarks, the Lehman Brothers U.S. Aggregate Index^{viii} and the S&P 500 Index^{ix}, returned 5.38% and 14.55%, respectively, for the same period. The Fund’s Lipper Income and Preferred Stock Closed-End Funds Category Average^x increased 0.70% over the same time frame. Please note that Lipper performance returns are based on each fund’s NAV.

During the 12-month period of this report, the Fund made distributions to shareholders totaling \$1.55 per share. The performance table below shows the Fund’s 12-month total return based on its NAV and market price as of October 31, 2007. **Past performance is no guarantee of future results.**

Performance Snapshot as of October 31, 2007 (unaudited)

	12-Month Total Return
Price Per Share	
\$22.95 (NAV)	16.32%
\$19.88 (Market Price)	18.22%

All figures represent past performance and are not a guarantee of future results.

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions in additional shares.

Q. What were the most significant factors affecting Fund performance? What were the leading contributors to performance?

A. Pursuant to the Fund's investment objective it has the ability to allocate assets across a broad range of equity and fixed-income investments. The Fund having made an allocation of its assets, over the reporting period, in a higher proportion to equities rather than fixed income was a significant contributor to the Fund's performance. In the equity portion of the Fund, stock selection in the Consumer Discretionary, Information Technology, Financials and Industrials sectors significantly enhanced the Fund's results, relative to the S&P 500 Index, during the reporting period. In terms of sector allocation, overweight positions in the Energy and Information Technology sectors and an underweight position in the Health Care sector made significant contributions to performance during the period. Individual stocks that made a significant positive contribution to performance included **Las Vegas Sands Corp.** in the Consumer Discretionary sector, **National Fuel Gas Co.** in the Utilities sector, **EMC Corp.** in the Information Technology sector, **General Electric Co.** in the Industrials sector and **Altria Group Inc.** in the Consumer Staples sector.

In the fixed-income portion of the Fund, duration^{xi} was managed tactically during the reporting period and was adjusted given changing market conditions. Overall, this contributed to performance, especially in the second half of the fiscal year. During that time, the portfolio's duration rose and this helped the Fund to benefit from the summer rally in the Treasury market. In terms of yield curve positioning, we structured the portfolio in anticipation of a steepening of the curve. This enhanced the Fund's performance during the financial turmoil that occurred in the summer. Over that time, the market priced in interest rate cuts by the Fed. This caused the curve to steepen, as yields on short-dated securities fell much more than those from their longer-dated counterparts. In addition, an allocation to U.S. Treasury Inflation-Protected Securities (TIPS)^{xii} was a modest contributor to performance as the market prepared for Fed interest rate cuts and the potential for inflationary pressures.

What were the leading detractors from performance?

A. In the equity portion of the Fund, stock selection in the Energy and Health Care sectors negatively impacted relative performance during the period. In addition, underweights in the Materials and Telecommunication Services sectors and an overweight to the Financials sector detracted from results. Individual holdings that had a negative impact on the Fund's performance included **Warner Music Group Corp.** in the Consumer Discretionary sector, **Fidelity National Financial Inc. Class A Shares**, **Marsh & McLennan Cos.** and **UBS AG**, all in the Financials sector, as well as **Kraft Foods Inc.** in the Consumer Staples sector.

In the fixed-income portion of the Fund, a large overweight to mortgages significantly detracted from performance as volatility and spreads both spiked in the wake of the subprime mortgage crisis. Elsewhere, issue selection within the Corporate Bond sector detracted from results.

The Fund reduced the amount of leverage it employed over the course of the reporting period, thereby reducing the amount of potential risk. However, due to the Fund's positive

performance over the period, maintaining a higher rate of leverage would have led to further positive performance.

Q. Were there any significant changes to the Fund during the reporting period?

A. During the reporting period, in the equity portion of the Fund, the Fund's portfolio shifted from an underweight position to an overweight position in the Energy, Industrials and Telecommunication Services sectors, and switched from an overweight to an underweight in the Financials sector. In terms of individual stocks, significant positions that were closed during the period included **McDonalds Corp., WellPoint Inc., Microsoft Corp., ACE Ltd., First American Corp., Chubb Corp., Capital One Financial Corp., Fidelity National Information Services Inc., Agilent Technologies Inc.** and **Honeywell International Inc.** Significant new additions to the portfolio during the period included **Invesco PLC ADR, Liberty Media Holding Corp. (Capital Group, Series A Shares), EMC Corp., Crown Castle International Corp., SBA Communications Corp. (Class A), Crosstex Energy Inc., United Technologies Corp., VeriSign Inc., Halliburton Co.** and **Covanta Holding Corp.**

Looking for Additional Information?

The Fund is traded under the symbol **SCD** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XSCDX** on most financial websites. *Barron's* and *The Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites, as well as www.leggmason.com/individualinvestors.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in LMP Capital and Income Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

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Robert Gendelman
Portfolio Manager

ClearBridge Advisors, LLC (Equity Portion)

Western Asset Management Company (Fixed-Income Portion)

November 20, 2007

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The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

Portfolio holdings and breakdowns are as of October 31, 2007 and are subject to change and may not be representative of the Fund's current or future investments. The Fund's top ten holdings (as a percentage of net assets) as of this date were: American Express Co. (3.2%), Invesco PLC, ADR (3.1%), UBS AG (3.1%), Altria Group Inc. (3.1%), Liberty Media Holding Corp. (3.1%), Federal Home Loan Mortgage Corp. (FHLMC) (3.0%), EMC Corp. (2.9%), General Electric Co. (2.8%), Crown Castle International Corp. (2.8%) and Crosstex Energy Inc. (2.6%). Please refer to pages 7 through 23 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of October 31, 2007 were: Industrials (22.6%), Financials (18.8%), Energy (16.7%), Consumer Discretionary (15.1%) and Information Technology (13.9%). The Fund's portfolio composition is subject to change at any time.

RISKS: Stock and bond prices are subject to fluctuation. As interest rates rise, bond prices fall, reducing the value of the Fund's share price. High-yield bonds are rated below investment grade and involve greater credit and liquidity risk than higher-rated securities. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. The Fund is subject to certain risks of overseas investing not associated with domestic investing, including currency fluctuations and changes in political and economic conditions.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

i The Dow Jones Industrial Average (DJIA) is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries. These stocks, widely held by both individual and institutional investors, are considered to be all blue-chip companies.

ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

iii The discount rate is the interest rate charged by the U.S. Federal Reserve Bank on short-term loans (usually overnight or weekend) to banks.

iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

v The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

vi Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

vii NAV is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund's market price as determined by supply of and demand for the Fund's shares.

viii The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

ix The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.

x Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 12-month period ended October 31, 2007, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 29 funds in the Fund's Lipper category.

xi Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

xii U.S. Treasury Inflation-Protected Securities (TIPS) are inflation-indexed securities issued by the U.S. Treasury in 5-year, 10-year and 20-year maturities. The principal is adjusted to the Consumer Price Index, the commonly used measure of inflation. The coupon rate is constant, but generates a different amount of interest when multiplied by the inflation-adjusted principal.

Fund at a Glance (unaudited)

Investment Breakdown

As a Percent of Total Investments

Schedule of Investments (October 31, 2007)

LMP CAPITAL AND INCOME FUND INC.

Shares	Security	Value
COMMON STOCKS 73.0%		
CONSUMER DISCRETIONARY 9.5%		
Household Durables 0.0%		
1,226,577	Home Interiors & Gifts Inc. (a)(b)*	\$ 12,266
Media 6.7%		
208,660	E.W. Scripps Co., Class A Shares	9,391,787
100,900	Lamar Advertising Co., Class A Shares	5,394,114
167,970	Liberty Media Holding Corp., Capital Group, Series A Shares *	20,992,890
854,500	Time Warner Inc.	15,603,170
768,600	Warner Music Group Corp.	7,824,348
	Total Media	59,206,309
Multiline Retail 1.2%		
164,000	Target Corp.	10,063,040
Specialty Retail 1.6%		
280,410	Ross Stores Inc.	7,576,678
215,200	TJX Cos. Inc.	6,225,736
	Total Specialty Retail	13,802,414
	TOTAL CONSUMER DISCRETIONARY	83,084,029
CONSUMER STAPLES 2.4%		
Tobacco 2.4%		
288,300	Altria Group Inc.	21,025,719
ENERGY 12.1%		
Energy Equipment & Services 5.2%		
72,600	Diamond Offshore Drilling Inc.	8,220,498
402,600	Halliburton Co.	15,870,492
139,370	SEACOR Holdings Inc. *	12,773,261
73,800	Transocean Inc. *	8,809,506
	Total Energy Equipment & Services	45,673,757
Oil, Gas & Consumable Fuels 6.9%		
124,750	Anadarko Petroleum Corp.	7,362,745
487,565	Crosstex Energy Inc.	17,976,521
50,820	Devon Energy Corp.	4,746,588
205,100	Newfield Exploration Co. *	11,042,584
109,000	Southwestern Energy Co. *	5,638,570
176,560	Total SA, ADR	14,232,502
	Total Oil, Gas & Consumable Fuels	60,999,510
	TOTAL ENERGY	106,673,267

See Notes to Financial Statements.

Schedule of Investments (October 31, 2007) (continued)

Shares	Security	Value
FINANCIALS 12.5%		
Capital Markets 6.2%		
35,600	Goldman Sachs Group Inc.	\$ 8,825,952
703,110	Invesco PLC, ADR	21,557,353
144,790	Pzena Investment Management Inc., Class A *	2,806,030
396,100	UBS AG	21,266,609
	Total Capital Markets	54,455,944
Consumer Finance 2.5%		
356,200	American Express Co.	21,710,390
Insurance 3.8%		
113,100	AFLAC Inc.	7,100,418
192,520	American International Group Inc.	12,151,862
939,510	Fidelity National Financial Inc., Class A Shares	14,459,059
	Total Insurance	33,711,339
	TOTAL FINANCIALS	109,877,673
HEALTH CARE 5.6%		
Health Care Equipment & Supplies 1.5%		
271,900	Medtronic Inc.	12,898,936
Health Care Providers & Services 2.5%		
229,530	Quest Diagnostics Inc.	12,206,405
199,900	UnitedHealth Group Inc.	9,825,085
	Total Health Care Providers & Services	22,031,490
Pharmaceuticals 1.6%		
218,000	Johnson & Johnson	14,207,060
	TOTAL HEALTH CARE	49,137,486
INDUSTRIALS 12.5%		
Aerospace & Defense 3.3%		
118,710	L-3 Communications Holdings Inc.	13,015,364
213,000	United Technologies Corp.	16,313,670
	Total Aerospace & Defense	29,329,034
Building Products 1.4%		
569,900	Assa Abloy AB	11,994,124
Commercial Services & Supplies 2.7%		
538,100	Covanta Holding Corp. *	14,587,891
214,600	Monster Worldwide Inc. *	8,708,468
	Total Commercial Services & Supplies	23,296,359
Industrial Conglomerates 2.2%		
475,300	General Electric Co.	19,563,348
Machinery 1.7%		
313,300	Dover Corp.	14,411,800

See Notes to Financial Statements.

Schedule of Investments (October 31, 2007) (continued)

Shares	Security	Value
Road & Rail 1.2%		
55,600	Burlington Northern Santa Fe Corp.	\$ 4,845,540
133,600	CSX Corp.	5,981,272
	Total Road & Rail	10,826,812
	TOTAL INDUSTRIALS	109,421,477
INFORMATION TECHNOLOGY 10.6%		
Communications Equipment 3.9%		
451,900	Cisco Systems Inc. *	14,939,814
266,580	Corning Inc.	6,469,897
298,100	QUALCOMM Inc.	12,737,813
	Total Communications Equipment	34,147,524
Computers & Peripherals 2.2%		
779,500	EMC Corp. *	19,791,505
Internet Software & Services 3.0%		
84,270	Equinix Inc. *	9,830,938
479,900	VeriSign Inc. *	16,359,791
	Total Internet Software & Services	26,190,729
Software 1.5%		
584,500	Oracle Corp. *	12,958,365
	TOTAL INFORMATION TECHNOLOGY	93,088,123
TELECOMMUNICATION SERVICES 4.1%		
Wireless Telecommunication Services 4.1%		
467,950	Crown Castle International Corp. *	19,218,707
482,400	SBA Communications Corp., Class A *	17,173,440
	TOTAL TELECOMMUNICATION SERVICES	36,392,147
UTILITIES 3.7%		
Electric Utilities 1.1%		
166,700	Allegheny Energy Inc. *	10,112,022
Gas Utilities 1.5%		
267,460	National Fuel Gas Co.	12,969,135
Independent Power Producers & Energy Traders 1.1%		
207,000	NRG Energy Inc. *	9,451,620
	TOTAL UTILITIES	32,532,777
	TOTAL COMMON STOCKS	
	(Cost \$605,893,101)	641,232,698

See Notes to Financial Statements.

Schedule of Investments (October 31, 2007) (continued)

Shares	Security	Value
PREFERRED STOCKS 0.0%		
FINANCIALS 0.0%		
Thrifts & Mortgage Finance 0.0%		
300	Federal National Mortgage Association (FNMA), 7.000% (Cost \$15,960)	\$15,872
Face Amount		
ASSET-BACKED SECURITIES 0.5%		
Home Equity 0.5%		
\$750,000	Asset-Backed Funding Certificates, 6.323% due 1/25/34 (c)	654,282
410,000	Countrywide Asset-Backed Certificates, 6.381% due 6/25/34 (c)	383,471
73,417	Finance America Net Interest Margin Trust, 5.250% due 6/27/34 (d)	66
186,805	Fremont Home Loan Trust, 5.973% due 2/25/34 (c)	164,043
1,005,000	GSAMP Trust, 6.023% due 11/25/34 (c)	904,513
2,951	Merrill Lynch Mortgage Investors Inc., 5.000% due 9/25/35 (d)	2,852
1,500,000	Option One Mortgage Loan Trust, 5.923% due 5/25/34 (c)	1,398,134
520,783	Renaissance Home Equity Loan Trust, 6.773% due 3/25/34 (c)	473,624
	Sail Net Interest Margin Notes:	
141,210	7.750% due 4/27/33 (d)	16
71,380	5.500% due 3/27/34 (d)	5,443
	TOTAL ASSET-BACKED SECURITIES	
	(Cost \$4,670,551)	3,986,444
COLLATERALIZED MORTGAGE OBLIGATIONS 0.4%		
260,000	American Home Mortgage Investment Trust, 5.673% due 11/25/45 (c)	254,346
172,490	Bear Stearns ARM Trust, 5.782% due 2/25/36 (c)	170,644
	Federal Home Loan Mortgage Corp. (FHLMC):	
65,097	6.000% due 3/15/34 (c)	59,079
549,289	PAC, 6.000% due 4/15/34 (c)	535,394
746,886	Harborview Mortgage Loan Trust, 6.091% due 11/19/35 (c)	597,276
451,505	Merit Securities Corp., 6.319% due 9/28/32 (c)(d)	415,273
	MLCC Mortgage Investors Inc.:	
387,528	5.793% due 4/25/29 (c)	386,836
653,239	5.753% due 5/25/29 (c)	653,659
	Thornburg Mortgage Securities Trust:	
257,169	6.220% due 7/25/37 (c)	255,883
277,634	6.231% due 7/25/37 (c)	279,673
	TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS	
	(Cost \$3,772,020)	3,608,063
COLLATERALIZED SENIOR LOANS 0.7%		
Aerospace & Defense 0.1%		
334,528	Dubai Aerospace Enterprise, Term Loan:	
	7.998% due 7/31/09 (c)	334,319
665,472	9.033% due 7/31/14	665,888
	Total Aerospace & Defense	1,000,207

See Notes to Financial Statements.

Schedule of Investments (October 31, 2007) (continued)

	Face Amount	Security	Value
Airlines 0.1%			
\$	250,000	Delta Airlines Inc., Term Loan, 8.082% due 4/30/14	\$ 248,170
	250,000	United Airlines Inc., Term Loan B, 7.032% due 1/12/14	240,139
		Total Airlines	488,309
Commercial Banks 0.1%			
	570,000	First Data Corp., 7.960% due 10/15/14 (c)	550,465
Commercial Services & Supplies 0.0%			
	250,000	US Investigations Services Inc., Term Loan B, 0.000% due 2/21/15	243,125
Diversified Consumer Services 0.0%			
	250,000	Thomson Learning Hold, Term Loan B, 7.950% due 7/5/14 (c)	242,361
Diversified Telecommunication Services 0.0%			
	250,000	Insight Midwest, Term Loan B, 7.000% due 4/10/14 (c)	245,191
Electric Utilities 0.1%			
	500,000	TPF Generation Holdings LLC, Term Loan B, 0.000% due 10/10/14	500,155
Health Care Equipment & Supplies 0.1%			
	200,000	Bausch & Lomb Inc.:	
	50,000	Term Loan, 8.143% due 4/11/15 (c)	200,562
		Term Loan B, 0.000% due 4/11/15	50,141
		Total Health Care Equipment & Supplies	250,703
Health Care Providers & Services 0.1%			
	15,468	Community Health Systems Inc.:	
	234,532	Term Loan, 0.000% due 7/2/14	15,129
	249,372	Term Loan B, 7.756% due 7/2/14 (c)	229,402
		HCA Inc., Term Loan B, 7.448% due 11/1/13 (c)	244,054
		Total Health Care Providers & Services	488,585
Hotels, Restaurants & Leisure 0.0%			
	250,000	Aramark Corp., Term Loan, 0.000% due 1/31/14	244,406
Media 0.1%			
	250,000	Charter Communications, Term Loan B, 7.350% due 3/15/14	240,667
	250,000	CMP Susquehanna Corp., 0.000% due 6/7/13	242,500
	249,375	LodgeNet Entertainment Corp., Term Loan B, 7.200% due 4/4/14	245,245
	250,000	Regal Cinemas, Term Loan B, 0.000% due 10/19/10	244,815
		Total Media	973,227
Multiline Retail 0.0%			
	250,000	Neiman Marcus Group Inc., Term Loan B, 7.448% due 3/13/13 (c)	246,448
Road & Rail 0.0%			
	250,000	UPC, Term Loan N, 7.100% due 3/30/14	242,305
Specialty Retail 0.0%			
	250,000	Michaels Stores, Inc. Term Loan B, 7.619% due 10/31/13 (c)	240,057

See Notes to Financial Statements.

Schedule of Investments (October 31, 2007) (continued)

Face Amount	Security	Value
Wireless Telecommunication Services 0.0%		
\$ 250,000	Telesat Canada, Term Loan B, 7.901% due 10/15/14	\$ 247,969
	TOTAL COLLATERALIZED SENIOR LOANS	
	(Cost \$6,199,182)	6,203,513
CORPORATE BONDS & NOTES 9.5%		
Aerospace & Defense 0.1%		
275,000	Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16	275,000
250,000	Hawker Beechcraft Acquisition Co., Senior Notes, 8.875% due 4/1/15 (d)(e)	252,500
	Total Aerospace & Defense	527,500
Airlines 0.1%		
170,000	Continental Airlines Inc.: Notes, 8.750% due 12/1/11	168,300
122,925	Pass-Through Certificates: 8.312% due 4/2/11	122,437
380,000	7.339% due 4/19/14	359,765
460,000	DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 (d)	485,300
	Total Airlines	1,135,802
Auto Components 0.2%		
280,000	Allison Transmission Inc., 11.250% due 11/1/15 (d)(e)	277,550
295,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	241,162
1,075,000	Visteon Corp., Senior Notes, 8.250% due 8/1/10	1,005,125
	Total Auto Components	1,523,837
Automobiles 0.2%		
110,000	Ford Motor Co., Debentures, 8.875% due 1/15/22	95,425
630,000	General Motors Corp., Senior Debentures: 8.250% due 7/15/23	571,725
1,300,000	8.375% due 7/15/33	1,189,500
	Total Automobiles	1,856,650
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	323,400
	Total Building Products	876,900
Capital Markets 0.2%		
160,000	E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13	150,400
65,000	7.875% due 12/1/15	62,075
1,200,000	Kaupthing Bank HF, Subordinated Notes, 7.125% due 5/19/16 (d)	1,190,969
20,000	Lehman Brothers Holdings Capital Trust VII, Medium-Term Notes, 5.857% due 11/29/49 (c)	18,686

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2007) (continued)

Face Amount	Security	Value
Capital Markets 0.2% (continued)		
\$ 130,000	Lehman Brothers Holdings Inc., Senior Notes, Medium-Term Notes, 6.200% due 9/26/14	\$ 131,025
	Total Capital Markets	1,553,155
Chemicals 0.1%		
572,000	Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11	600,600
570,000	Georgia Gulf Corp., Senior Notes, 9.500% due 10/15/14	495,900
110,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14	118,800
6,000	PPG Industries Inc., Notes, 6.500% due 11/1/07	6,000
	Total Chemicals	1,221,300
Commercial Banks 0.3%		
54,545	Fifth Third Bank, Notes, 2.870% due 8/10/09	52,823
290,000	Glitnir Banki HF, Notes, 6.375% due 9/25/12 (d)	292,371
100,000	HBOS Capital Funding LP, Tier 1 Notes, Perpetual Bonds, 6.071% due 6/30/49 (c)(d)	96,171
1,300,000	Resona Preferred Global Securities Cayman Ltd., Bonds, 7.191% due 7/30/15 (c)(d)(f)	1,307,362
1,400,000	Shinsei Finance Cayman Ltd., Junior Subordinated Bonds, 6.418% due 7/20/14 (c)(d)(f)	1,306,129
	Total Commercial Banks	3,054,856
Commercial Services & Supplies 0.3%		
180,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	172,800
75,000	Allied Waste North America Inc., Senior Notes, 7.250% due 3/15/15	75,938
405,000	DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13	430,312
600,000	Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14	636,000
290,000	Rental Services Corp., 9.500% due 12/1/14	280,212
790,000	US Investigations Services Inc., 10.500% due 11/1/15 (d)	756,425
225,000	Waste Management Inc., Senior Note, 6.375% due 11/15/12	234,279
	Total Commercial Services & Supplies	2,585,966
Consumer Finance 1.0%		
300,000	Aiful Corp., Notes: 6.000% due 12/12/11 (d)	286,491
100,000	5.000% due 8/10/10 (d)	94,721
1,050,000	Ford Motor Credit Co.: Notes, 7.000% due 10/1/13	943,603
750,000	Senior Notes: 5.800% due 1/12/09	723,767
135,000	9.750% due 9/15/10	134,516
559,000	10.944% due 6/15/11 (c)	559,316
1,600,000	9.875% due 8/10/11	1,598,811
170,000	8.000% due 12/15/16	157,631
500,000	General Motors Acceptance Corp., Notes: 5.625% due 5/15/09	476,512
320,000	7.750% due 1/19/10	309,901

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2007) (continued)

Face Amount	Security	Value
Consumer Finance 1.0% (continued)		
\$ 1,580,000	6.875% due 9/15/11	\$ 1,457,343
1,900,000	6.625% due 5/15/12	1,707,298
300,000	6.750% due 12/1/14	266,188
125,000	SLM Corp., Medium-Term Notes, 5.284% due 1/26/09 (c)	121,864
	Total Consumer Finance	8,837,962
Containers & Packaging 0.1%		
285,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	283,575
535,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	564,425
195,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (d)	201,825
	Total Containers & Packaging	1,049,825
Diversified Consumer Services 0.0%		
20,000	Education Management LLC/Education Management Finance Corp.:	
210,000	Senior Notes, 8.750% due 6/1/14	20,750
	Senior Subordinated Notes, 10.250% due 6/1/16	221,550
	Total Diversified Consumer Services	242,300
Diversified Financial Services 0.4%		
150,000	AAC Group Holding Corp., Senior Discount Notes, step bond to yield 9.092% due 10/1/12	133,500
100,000	Bank of America Corp., Subordinated Notes, 5.420% due 3/15/17	97,298
610,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (d)	549,000
125,000	Capital One Bank, Notes, 5.750% due 9/15/10	126,276
110,493	Core Investment Grade Bond Trust I, Pass-Through Certificates, 4.642% due 11/30/07 (c)	110,300
125,000	Countrywide Home Loans Inc., Medium-Term Notes, 4.125% due 9/15/09	109,297
250,000	General Electric Capital Corp., Medium-Term Notes, 5.450% due 1/15/13	253,088
200,000	Glen Meadow Pass-Through Certificates, 6.505% due 2/12/67 (c)(d)	192,416
125,000	HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09	126,271
210,000	Leucadia National Corp., Senior Notes, 8.125% due 9/15/15	212,887
10,000	Residential Capital LLC, Senior Notes:	
40,000	7.314% due 4/17/09 (c)	7,813
430,000	7.595% due 5/22/09 (c)	31,250
46,000	7.500% due 6/1/12 (c)	314,178
60,000	UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12	48,300
	Vangent Inc., Senior Subordinated Notes, 9.625% due 2/15/15 (d)	55,800
620,000	Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 10.257% due 10/1/15	486,700
260,000	Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	254,800
	Total Diversified Financial Services	3,109,174
Diversified Telecommunication Services 0.6%		

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600,000

Deutsche Telekom International Finance, Senior Notes, 5.750%
due 3/23/16

602,569

See Notes to Financial Statements.

14 LMP Capital and Income Fund Inc. 2007 Annual Report

Schedule of Investments (October 31, 2007) (continued)

Face Amount	Security	Value
Diversified Telecommunication Services 0.6% (continued)		
\$ 170,000	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, 12.500% due 5/1/15	\$ 185,300
180,000	Intelsat Bermuda Ltd.:	187,650
680,000	9.250% due 6/15/16	734,400
	Senior Notes, 11.250% due 6/15/16	
	Level 3 Financing Inc.:	
295,000	9.250% due 11/1/14	279,512
30,000	9.150% due 2/15/15 (c)	27,225
	Nordic Telephone Co. Holdings, Senior Secured Bonds, 8.875% due 5/1/16 (d)	
250,000		265,625
140,000	PAETEC Holding Corp., Senior Note, 9.500% due 7/15/15 (d)	144,200
	Qwest Communications International Inc., Senior Notes, 7.500% due 2/15/14	
740,000		752,950
100,000	Telecom Italia Capital S.p.A., Senior Notes, 5.250% due 10/1/15	96,521
450,000	Verizon Florida Inc., Senior Notes, 6.125% due 1/15/13	465,448
	Virgin Media Finance PLC, Senior Notes:	
450,000	8.750% due 4/15/14	466,875
220,000	9.125% due 8/15/16	233,200
660,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16	709,500
	Total Diversified Telecommunication Services	5,150,975
Electric Utilities 0.1%		
325,000	FirstEnergy Corp., Notes, 7.375% due 11/15/31	355,843
100,000	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	111,000
	Pacific Gas & Electric Co., Senior Unsubordinated Notes, 5.800% due 3/1/37	
230,000		222,037
	Total Electric Utilities	688,880
Electronic Equipment & Instruments 0.1%		
1,065,000	NXP BV/NXP Funding LLC, Senior Notes, 9.500% due 10/15/15	1,009,087
Energy Equipment & Services 0.1%		
	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16	
725,000		706,875
55,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	56,650
10,000	Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32	11,456
	Total Energy Equipment & Services	774,981
Food & Staples Retailing 0.0%		
150,000	Safeway Inc., Senior Notes, 6.500% due 11/15/08	151,914
Food Products 0.1%		
	Dole Food Co. Inc., Senior Notes:	
125,000	7.250% due 6/15/10	119,375
261,000	8.875% due 3/15/11	258,064
	Total Food Products	377,439
Health Care Providers & Services 0.3%		
460,000	Community Health Systems Inc., Senior Notes, 8.875% due 7/15/15 (d)	468,050
	HCA Inc.:	
295,000	Notes, 6.375% due 1/15/15	253,331

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2007) (continued)

Face Amount	Security	Value
Health Care Providers & Services 0.3% (continued)		
\$ 345,000	Senior Notes, 6.500% due 2/15/16	\$ 296,269
	Senior Secured Notes:	
215,000	9.250% due 11/15/16 (d)	226,825
285,000	9.625% due 11/15/16 (d)(e)	302,100
	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes,	
425,000	8.750% due 6/15/14	431,375
	Tenet Healthcare Corp., Senior Notes:	
180,000	6.375% due 12/1/11	158,400
650,000	7.375% due 2/1/13	555,750
1,000	9.875% due 7/1/14	915
150,000	UnitedHealth Group Inc., Senior Notes, 3.300% due 1/30/08	149,483
	Total Health Care Providers & Services	2,842,498
Hotels, Restaurants & Leisure 0.8%		
1,000,000	Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14	986,250
265,000	Buffets Inc., Senior Notes, 12.500% due 11/1/14	172,913
	Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (d)	
315,000		308,700
550,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12	567,875
100,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	101,000
	Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14	
450,000		366,750
	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10	
660,000		699,600
	MGM MIRAGE Inc.:	
380,000	Notes, 6.750% due 9/1/12	376,200
	Senior Notes:	
575,000	5.875% due 2/27/14	536,187
320,000	7.625% due 1/15/17	321,600
203,000	Senior Subordinated Notes, 9.375% due 2/15/10	214,165
	Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12	
500,000		517,500
625,000	Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12	632,812
	Station Casinos Inc.:	
	Senior Notes:	
60,000	6.000% due 4/1/12	55,950
250,000	7.750% due 8/15/16	245,937
105,000	Senior Subordinated Notes, 6.875% due 3/1/16	87,413
	Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (d)	
500,000		512,500
	Total Hotels, Restaurants & Leisure	6,703,352
Household Durables 0.1%		
335,000	K Hovnanian Enterprises Inc., Senior Notes, 8.625% due 1/15/17	281,400
	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes,	
325,000	9.000% due 11/1/11	334,750
	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield	
700,000	9.608% due 9/1/12	626,500
	Total Household Durables	1,242,650

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Independent Power Producers & Energy Traders 0.7%

720,000 AES Corp.:
7.750% due 10/15/17 (d)

724,500

See Notes to Financial Statements.

Schedule of Investments (October 31, 2007) (continued)

Face Amount	Security	Value
Independent Power Producers & Energy Traders 0.7% (continued)		
\$ 660,000	8.000% due 10/15/17 (d)	\$ 669,075
1,100,000	Senior Notes, 7.750% due 3/1/14	1,105,500
	Energy Future Holdings:	
270,000	10.875% due 11/1/17 (d)	274,387
1,490,000	11.250% due 11/1/17 (d)(e)	1,516,075
	Mirant Mid Atlantic LLC, Pass-Through Certificates, 9.125% due 6/30/17	167,467
	NRG Energy Inc., Senior Notes:	
250,000	7.250% due 2/1/14	250,625
1,025,000	7.375% due 2/1/16	1,025,000
380,000	TXU Corp., Senior Notes, 5.550% due 11/15/14	298,302
	Total Independent Power Producers & Energy Traders	6,030,931
Insurance 0.0%		
	Travelers Cos. Inc., Junior Subordinated Debentures, 6.250% due 3/15/37 (c)	116,731
120,000		
IT Services 0.1%		
	Ceridian Corp.:	
110,000	11.250% due 11/15/15 (d)	109,175
170,000	12.250% due 11/15/15 (d)(e)	168,725
	SunGard Data Systems Inc.:	
400,000	Senior Notes, 9.125% due 8/15/13	410,000
270,000	Senior Subordinated Notes, 10.250% due 8/15/15	282,825
	Total IT Services	970,725
Media 0.7%		
	Affinion Group Inc.:	
355,000	Senior Notes, 10.125% due 10/15/13	371,862
100,000	Senior Subordinated Notes, 11.500% due 10/15/15	104,750
	CCH I Holdings LLC/CCH I Holdings Capital Corp.:	
205,000	Senior Accreting Notes, 12.125% due 1/15/15	181,425
380,000	Senior Notes, 11.750% due 5/15/14	333,450
	CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	554,775
	CCH II LLC/CCH II Capital Corp., Senior Notes:	
480,000	10.250% due 9/15/10	492,000
65,000	10.250% due 10/1/13	67,275
105,000	Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11	99,225
240,000	CMP Susquehanna Corp., 9.875% due 5/15/14	221,700
810,000	Comcast Corp., Notes, 6.500% due 1/15/17	848,469
700,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16	705,250
	Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15	173,700
180,000		
	R.H. Donnelley Corp.:	
655,000	Senior Discount Notes, 6.875% due 1/15/13	618,975
450,000	Senior Notes, 8.875% due 1/15/16	452,250
810,000	Time Warner Inc., Senior Notes, 6.875% due 5/1/12	854,521
260,000	TL Acquisitions Inc., Senior Notes, 10.500% due 1/15/15 (d)	260,000
	Total Media	6,339,627

See Notes to Financial Statements.

Schedule of Investments (October 31, 2007) (continued)

	Face Amount	Security	Value
Metals & Mining	0.3%		
\$	960,000	Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17	\$ 1,053,600
	650,000		