

LMP CAPITAL & INCOME FUND INC.
Form N-CSRS
July 06, 2007

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: April 30, 2007

ITEM 1.

REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

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

**SEMI-ANNUAL
REPORT**

APRIL 30, 2007

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

LMP
Capital and Income Fund Inc.

Semi-Annual Report April 30, 2007

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| The Fund's investment objective is total return with an emphasis on income. | Dividend Reinvestment Plan | 31 |

Letter from the Chairman

Dear Shareholder,

The U.S. economy showed signs of weakening during the six-month reporting period. U.S. gross domestic product (GDP) expanded 2.5% in the fourth quarter of 2006. Based on the preliminary estimate from the U.S. Commerce Department, GDP growth was a tepid 0.6% in the first quarter of 2007. While consumer spending remained fairly solid, ongoing troubles in the housing market continued to negatively impact the economy. In addition, corporate spending was mixed during the reporting period.

After increasing the federal funds rateⁱⁱ to 5.25% in June 2006 – its 17th consecutive rate hike – the Federal Reserve Board (Fedⁱⁱⁱ) held rates steady at its last seven meetings. In its statement accompanying the May 2007 meeting, the Fed stated, “Economic growth slowed in the first part of this year and the adjustment in the housing sector is ongoing. Nevertheless, the economy seems likely to expand at a moderate pace over coming quarters. Core inflation remains somewhat elevated. Although inflation pressures seem likely to moderate over time, the high level of resource utilization has the potential to sustain those pressures.”

Despite concerns regarding the economy and increased volatility in the financial markets, stock prices generally rose during the six-month reporting period. After treading water during the first half of 2006, U.S. stocks rallied through the end of the year. 2007 began on a positive note, as the S&P 500 Index^{iv} hit a six-year high in January. Stock prices rose on the back of optimism for continued solid corporate profits and hopes for a soft economic landing. The U.S. stock market’s ascent continued during much of February 2007, before a sharp decline at the end of the

R. JAY GERKEN, CFA

Chairman, President and
Chief Executive Officer

LMP Capital and Income Fund Inc. I

month. This was, in part, triggered by an 8.8% fall in China's stock market on February 28, its worst one-day performance in 10 years. The repercussions of this decline were widespread, as stock markets around the world also declined. After a modest increase in March, U.S. stock prices rallied sharply in April 2007, due to surprisingly strong first quarter corporate profits. All told, the S&P 500 Index returned 8.60% during the six months ended April 30, 2007.

During the reporting period, short- and long-term Treasury yields experienced periods of volatility. Initially, yields fluctuated given mixed economic data and shifting expectations regarding the Fed's future monetary policy. Yields then fell sharply at the end of February 2007, as economic data weakened and the stock market experienced its largest one-day decline in more than five years. Overall, during the six months ended April 30, 2007, two-year Treasury yields fell from 4.71% to 4.60%. Over the same period, 10-year Treasury yields moved from 4.61% to 4.63%. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index^v, returned 2.64%.

Performance Review

For the six months ended April 30, 2007, LMP Capital and Income Fund Inc. returned 10.63% based on its net asset value (NAVⁱ) and 12.37% 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 and S&P 500 Index, returned 2.64% and 8.60%, respectively, for the same time frame. The Lipper Income and Preferred Stock Closed-End Funds Category Average^{vii} increased 5.98% over the same period. Please note that Lipper performance returns are based on each fund's NAV per share.

During this six-month period, the Fund made distributions to shareholders totaling \$0.75 per share. The performance table shows the Fund's six-month total return based on

its NAV and market price as of April 30, 2007. **Past performance is no guarantee of future results.**

Performance Snapshot as of April 30, 2007 (unaudited)

| Price Per Share | Six-Month Total Return |
|------------------------|-----------------------------------|
| \$22.61 (NAV) | 10.63% |
| \$19.66 (Market Price) | 12.37% |

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, including returns of capital, if any, in additional shares.

Special Shareholder Notices

The Fund's Board of Directors approved a change in the benchmark indices for the Fund to include the Lehman Brothers U.S. Aggregate Index in addition to the S&P 500 Index. This change became effective April 2, 2007. In the opinion of the investment manager, the use of both the S&P 500 Index and the Lehman Brothers U.S. Aggregate Index provides more effective benchmark indices for the Fund, which has the ability to allocate assets to both equity and fixed income investments. The Fund's investment objective is total return with an emphasis on income. Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its assets in a broad range of equity and fixed income securities of both U.S. and foreign issuers.

Pursuant to its Managed Distribution Policy, the Fund intends to make regular monthly distributions to shareholders of its common stock at a fixed rate per common share, which may be adjusted from time to time by the Fund's Board of Directors. Under the Fund's Managed Distribution Policy, if, for any monthly distribution, the total net investment income and net realized capital gain is less than the amount of the distribution, the difference will be distributed from the Fund's assets (and constitute a return of capital). The Board of Directors may terminate the Managed Distribution Policy at any time, including when certain events would make part of the return of capital taxable to

shareholders. Any such termination could have an adverse effect on the market price for the Fund's shares.

Prior to October 9, 2006, the Fund was known as Salomon Brothers Capital and Income Fund Inc.

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/InvestorServices.

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.

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

June 4, 2007

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.

RISKS: As interest rates rise, bond prices fall, reducing the value of the Fund's share price. Investing in foreign securities is subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions. These risks are magnified in emerging or developing markets. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. 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. Leverage may magnify gains and increase losses in the Fund's portfolio.

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 funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
- iii 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.
- 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.
- vi NAV is calculated by subtracting total liabilities 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.
- vii Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the six-month period ended April 30, 2007, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 34 funds in the Fund's Lipper category.

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Fund at a Glance (unaudited)

Investment Breakdown

As a Percent of Total Investments

Schedule of Investments (April 30, 2007) (unaudited)

LMP CAPITAL AND INCOME FUND INC.

| Shares | Security | Value |
|---|---|-------------------|
| COMMON STOCKS 72.6% | | |
| CONSUMER DISCRETIONARY 6.5% | | |
| Hotels, Restaurants & Leisure 2.4% | | |
| 222,600 | Ameristar Casinos Inc. | \$ 6,758,136 |
| 175,940 | Penn National Gaming Inc. * | 8,504,940 |
| 79,400 | Starwood Hotels & Resorts Worldwide Inc. | 5,321,388 |
| | Total Hotels, Restaurants & Leisure | 20,584,464 |
| Household Durables 0.0% | | |
| 1,226,577 | Home Interiors & Gifts Inc. (a)(b)* | 12,266 |
| Media 4.1% | | |
| 160,000 | Liberty Media Holding Corp., Capital Group, Series A Shares * | 18,075,200 |
| 86,800 | R.H. Donnelley Corp. * | 6,778,212 |
| 633,700 | Warner Music Group Corp. | 10,899,640 |
| | Total Media | 35,753,052 |
| | TOTAL CONSUMER DISCRETIONARY | 56,349,782 |
| CONSUMER STAPLES 2.8% | | |
| Food Products 1.0% | | |
| 226,700 | Archer-Daniels-Midland Co. | 8,773,290 |
| Tobacco 1.8% | | |
| 216,800 | Altria Group Inc. | 14,941,856 |
| | TOTAL CONSUMER STAPLES | 23,715,146 |
| ENERGY 9.9% | | |
| Energy Equipment & Services 3.7% | | |
| 175,740 | CCS Income Trust | 5,771,728 |
| 81,600 | Diamond Offshore Drilling Inc. | 6,984,960 |
| 101,050 | SEACOR Holdings Inc. * | 9,628,044 |
| 116,700 | Transocean Inc. * | 10,059,540 |
| | Total Energy Equipment & Services | 32,444,272 |
| Oil, Gas & Consumable Fuels 6.2% | | |
| 260,850 | Anadarko Petroleum Corp. | 12,171,261 |
| 192,410 | Cheniere Energy Inc. * | 6,416,874 |
| 464,900 | Crosstex Energy Inc. | 13,970,245 |
| 212,820 | Range Resources Corp. | 7,778,571 |
| 176,560 | Total SA, ADR | 13,010,706 |
| | Total Oil, Gas & Consumable Fuels | 53,347,657 |
| | TOTAL ENERGY | 85,791,929 |

See Notes to Financial Statements.

Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Shares | Security | Value |
|--|---|--------------------|
| FINANCIALS 20.9% | | |
| Capital Markets 4.0% | | |
| 523,200 | E*TRADE Financial Corp. * | \$ 11,552,256 |
| 356,300 | UBS AG | 23,123,870 |
| | Total Capital Markets | 34,676,126 |
| Commercial Banks 1.6% | | |
| 376,700 | Wells Fargo & Co. | 13,519,763 |
| Consumer Finance 4.5% | | |
| 391,300 | American Express Co. | 23,740,171 |
| 207,832 | Capital One Financial Corp. | 15,433,604 |
| | Total Consumer Finance | 39,173,775 |
| Insurance 10.8% | | |
| 173,900 | ACE Ltd. | 10,340,094 |
| 274,000 | AFLAC Inc. | 14,067,160 |
| 269,700 | American International Group Inc. | 18,854,727 |
| 222,900 | Chubb Corp. | 11,998,707 |
| 519,910 | Fidelity National Financial Inc., Class A Shares | 13,252,506 |
| 185,000 | First American Corp. | 9,527,500 |
| 468,400 | Marsh & McLennan Cos. Inc. | 14,876,384 |
| | Total Insurance | 92,917,078 |
| | TOTAL FINANCIALS | 180,286,742 |
| HEALTH CARE 4.4% | | |
| Health Care Equipment & Supplies 1.2% | | |
| 177,100 | Baxter International Inc. | 10,029,173 |
| Health Care Providers & Services 2.3% | | |
| 148,300 | UnitedHealth Group Inc. | 7,868,798 |
| 156,000 | WellPoint Inc. * | 12,319,320 |
| | Total Health Care Providers & Services | 20,188,118 |
| Health Care Technology 0.9% | | |
| 265,300 | IMS Health Inc. | 7,781,249 |
| | TOTAL HEALTH CARE | 37,998,540 |
| INDUSTRIALS 11.8% | | |
| Aerospace & Defense 4.2% | | |
| 115,520 | Alliant Techsystems Inc. * | 10,758,378 |
| 153,010 | L-3 Communications Holdings Inc. | 13,760,189 |
| 179,900 | United Technologies Corp. | 12,076,687 |
| | Total Aerospace & Defense | 36,595,254 |
| Air Freight & Logistics 0.7% | | |
| 84,100 | United Parcel Service Inc., Class B Shares | 5,923,163 |
| Commercial Services & Supplies 1.0% | | |
| 366,100 | Covanta Holding Corp. * | 8,984,094 |

See Notes to Financial Statements.

Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Shares | Security | Value |
|--|---|--------------------|
| Industrial Conglomerates 5.0% | | |
| 701,500 | General Electric Co. | \$ 25,857,290 |
| 524,700 | Tyco International Ltd. | 17,120,961 |
| | Total Industrial Conglomerates | 42,978,251 |
| Machinery 0.9% | | |
| 223,010 | Mueller Industries Inc. | 7,314,728 |
| | TOTAL INDUSTRIALS | 101,795,490 |
| INFORMATION TECHNOLOGY 13.6% | | |
| Communications Equipment 2.8% | | |
| 441,400 | Cisco Systems Inc. * | 11,803,036 |
| 286,300 | QUALCOMM Inc. | 12,539,940 |
| | Total Communications Equipment | 24,342,976 |
| Electronic Equipment & Instruments 1.0% | | |
| 242,500 | Agilent Technologies Inc. * | 8,334,725 |
| Internet Software & Services 1.1% | | |
| 340,800 | Yahoo! Inc. * | 9,556,032 |
| IT Services 5.0% | | |
| 245,700 | Ceridian Corp. * | 8,294,832 |
| 107,380 | eFunds Corp. * | 2,995,902 |
| 314,811 | Fidelity National Information Services Inc. | 15,907,400 |
| 548,710 | Hewitt Associates Inc., Class A Shares * | 16,324,122 |
| | Total IT Services | 43,522,256 |
| Software 3.7% | | |
| 673,000 | Microsoft Corp. | 20,149,620 |
| 180,800 | Oracle Corp. * | 3,399,040 |
| 462,800 | Symantec Corp. * | 8,145,280 |
| | Total Software | 31,693,940 |
| | TOTAL INFORMATION TECHNOLOGY | 117,449,929 |
| MATERIALS 0.8% | | |
| Chemicals 0.8% | | |
| 270,360 | Nalco Holding Co. | 7,186,169 |
| UTILITIES 1.9% | | |
| Gas Utilities 1.9% | | |
| 348,160 | National Fuel Gas Co. | 16,367,002 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$584,357,002) | 626,940,729 |

See Notes to Financial Statements.

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|---|---|------------------|
| 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) | \$ 754,389 |
| 209,859 | Countrywide Asset-Backed Certificates: Series 2003-03, Class M4, 6.720% due 3/25/33 (c) | 211,277 |
| 410,000 | Series 2004-05, Class M4, 6.570% due 6/25/34 (c) | 412,444 |
| 73,417 | Finance America Net Interest Margin Trust, Series 2004-01, Class A, 5.250% due 6/27/34 (d) | 280 |
| 214,244 | Fremont Home Loan Trust: Series 2004-01, Class M5, 6.420% due 2/25/34 (c) | 214,624 |
| 875,000 | Series 2004-D, Class M5, 6.320% due 11/25/34 (c) | 877,045 |
| 1,005,000 | GSAMP Trust, Series 2004-OPT, Class M3, 6.470% due 11/25/34 (c) | 1,010,299 |
| 3,420 | Merrill Lynch Mortgage Investors Inc., Series 2005-WM1N, Class N1, 5.000% due 9/25/35 (d) | 3,271 |
| 1,500,000 | Option One Mortgage Loan Trust, Series 2004-02, Class M2, 6.370% due 5/25/34 (c) | 1,500,930 |
| 596,937 | Renaissance Home Equity Loan Trust, Series 2003-4, Class M3, 7.220% due 3/25/34 (c) | 603,211 |
| 141,210 | Sail Net Interest Margin Notes: Series 2003-BC2A, Class A, 7.750% due 4/27/33 (d) | 33,591 |
| 71,380 | Series 2004-2A, Class A, 5.500% due 3/27/34 (d) | 19,397 |
| | TOTAL ASSET-BACKED SECURITIES (Cost \$5,864,755) | 5,640,758 |
| COLLATERALIZED MORTGAGE OBLIGATIONS 0.4% | | |
| 260,000 | American Home Mortgage Investment Trust, Series 2005-4, Class M3, 6.120% due 11/25/45 (c) | 258,758 |
| 85,781 | Federal Home Loan Mortgage Corp. (FHLMC): Series 2764, Class DT, 6.000% due 3/15/34 (c) | 83,755 |
| 567,903 | Series 2780, Class SL, PAC, 6.000% due 4/15/34 (c) | 563,276 |
| 747,781 | Harborview Mortgage Loan Trust, Series 2005-10, Class B6, 6.390% due 11/19/35 (c) | 729,904 |
| 588,644 | Merit Securities Corp., Series 11PA, Class B2, 6.820% due 9/28/32 (c)(d) | 506,834 |
| 507,310 | MLCC Mortgage Investors Inc.: Series 2004-A, Class B2, 6.240% due 4/25/29 (c) | 507,937 |
| 732,307 | Series 2004-B, Class B2, 6.200% due 5/25/29 (c) | 735,559 |
| | TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost \$3,410,522) | 3,386,023 |
| CORPORATE BONDS & NOTES 7.9% | | |
| Aerospace & Defense 0.0% | | |
| 275,000 | Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16 | 279,125 |
| Airlines 0.0% | Continental Airlines Inc., Notes, 8.750% due 12/1/11 | 168,725 |

See Notes to Financial Statements.

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|--|------------------|
| Auto Components 0.2% | | |
| \$ 295,000 | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | \$ 281,725 |
| 1,075,000 | Visteon Corp., Senior Notes, 8.250% due 8/1/10 | 1,101,875 |
| | Total Auto Components | 1,383,600 |
| Automobiles 0.1% | | |
| 110,000 | Ford Motor Co., Debentures, 8.875% due 1/15/22 | 97,625 |
| 630,000 | General Motors Corp., Senior Debentures, 8.250% due 7/15/23 | 573,300 |
| | Total Automobiles | 670,925 |
| Building Products 0.1% | | |
| 540,000 | Associated Materials Inc., Senior Subordinated Notes, 9.750% due 4/15/12 | 565,650 |
| 490,000 | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.186% due 3/1/14 | 369,950 |
| | Total Building Products | 935,600 |
| Capital Markets 0.1% | | |
| 160,000 | E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13 | 167,800 |
| 65,000 | 7.875% due 12/1/15 | 70,444 |
| 340,000 | Kaupthing Bank HF, Subordinated Notes, 7.125% due 5/19/16 (d) | 368,733 |
| | Total Capital Markets | 606,977 |
| Chemicals 0.2% | | |
| 1,000,000 | Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11 | 1,060,000 |
| 570,000 | Georgia Gulf Corp., Senior Notes, 9.500% due 10/15/14 (d) | 572,850 |
| 110,000 | Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/13/14 (d) | 115,500 |
| 6,000 | PPG Industries Inc., Notes, 6.500% due 11/1/07 | 6,015 |
| | Total Chemicals | 1,754,365 |
| Commercial Banks 0.1% | | |
| 125,000 | American Express Centurion Bank, Notes, 5.410% due 7/19/07 (c) | 125,030 |
| 250,000 | Bank United Corp., Senior Notes, 8.875% due 5/1/07 | 250,000 |
| 68,181 | Fifth Third Bank, Notes, 2.870% due 8/10/09 | 66,156 |
| 340,000 | Resona Preferred Global Securities Cayman Ltd., Bond, 7.191% due 7/30/15 (c)(d)(e) | 359,962 |
| 340,000 | Shinsei Finance Cayman Ltd., Junior Subordinated Bonds, 6.418% due 7/20/16 (c)(d)(e) | 344,444 |
| | Total Commercial Banks | 1,145,592 |
| Commercial Services & Supplies 0.2% | | |
| 180,000 | Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11 | 183,600 |
| 75,000 | Allied Waste North America Inc., Senior Notes, Series B, 7.250% due 3/15/15 | 77,438 |
| 40,000 | Aramark Corp., Senior Notes, 8.860% due 2/1/15 (c)(d) | 41,300 |
| 315,000 | DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, Series B, 9.500% due 2/15/13 | 340,200 |
| 600,000 | Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14 | 657,000 |
| 210,000 | Rental Services Corp., Senior Bonds, 9.500% due 12/1/14 (d) | 224,175 |
| | Total Commercial Services & Supplies | 1,523,713 |

See Notes to Financial Statements.

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|---|------------------|
| Consumer Finance 0.4% | | |
| \$ 1,050,000 | Ford Motor Credit Co.: Notes, 7.000% due 10/1/13 | \$ 994,124 |
| 750,000 | Senior Notes: 5.800% due 1/12/09 | 737,783 |
| 135,000 | 9.750% due 9/15/10 | 142,955 |
| 559,000 | 10.605% due 6/15/11 (c) | 602,973 |
| 170,000 | 8.000% due 12/15/16 | 166,529 |
| | General Motors Acceptance Corp., Notes: | |
| 500,000 | 5.625% due 5/15/09 | 493,207 |
| 300,000 | 6.750% due 12/1/14 | 296,278 |
| | SLM Corp., Medium-Term Notes, Series A, 5.555% due 1/26/09 (c) | 123,834 |
| | Total Consumer Finance | 3,557,683 |
| Containers & Packaging 0.2% | | |
| 550,000 | Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14 | 572,000 |
| 535,000 | Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13 | 575,125 |
| 195,000 | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (d) | 209,625 |
| | Total Containers & Packaging | 1,356,750 |
| Diversified Consumer Services 0.0% | | |
| | Education Management LLC/Education Management Finance Corp.: | |
| 20,000 | Senior Notes, 8.750% due 6/1/14 | 21,250 |
| 210,000 | Senior Subordinated Notes, 10.250% due 6/1/16 | 230,475 |
| | Total Diversified Consumer Services | 251,725 |
| Diversified Financial Services 0.4% | | |
| 150,000 | AAC Group Holding Corp., Senior Discount Notes, step bond to yield 9.092% due 10/1/12 | 137,250 |
| 100,000 | Aiful Corp., Notes, 5.000% due 8/10/10 (d) | 98,716 |
| 100,000 | Bank of America Corp., Subordinated Notes, 5.420% due 3/15/17 (d) | 99,653 |
| 870,000 | Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (d) | 909,150 |
| 125,000 | Capital One Bank, Notes, 5.750% due 9/15/10 | 126,987 |
| 110,493 | Core Investment Grade Bond Trust I, Pass-Through Certificates, 4.642% due 11/30/07 | 110,107 |
| 125,000 | Countrywide Home Loans Inc., Medium-Term Notes, Series M, 4.125% due 9/15/09 | 121,755 |
| 162,000 | Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12 | 170,505 |
| 125,000 | HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09 | 126,485 |
| 410,000 | Idearc Inc., Senior Notes, 8.000% due 11/15/16 (d) | 429,475 |
| | Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11 | 59,775 |
| 60,000 | UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12 | 72,967 |
| 69,000 | UGS Corp., Senior Subordinated Notes, 10.000% due 6/1/12 | 175,200 |
| 160,000 | Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 10.257% due 10/1/15 | 520,800 |
| 620,000 | | 270,725 |
| 260,000 | | |

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Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes,
9.000% due 10/1/14

Total Diversified Financial Services

3,429,550

See Notes to Financial Statements.

LMP Capital and Income Fund Inc. 2007 Semi-Annual Report 7

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|--|------------------|
| Diversified Telecommunication Services 0.6% | | |
| \$ 100,000 | Deutsche Telekom International Finance, Senior Notes, 5.750% due 3/23/16 | \$ 100,580 |
| 400,000 | Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15 | 452,000 |
| 180,000 | Intelsat Bermuda Ltd.: 9.250% due 6/15/16 | 198,900 |
| 90,000 | Senior Notes: 8.872% due 1/15/15 (c) | 92,475 |
| 680,000 | 11.250% due 6/15/16 | 779,450 |
| 25,000 | Level 3 Financing Inc., Senior Notes: 9.250% due 11/1/14 (d) | 26,094 |
| 10,000 | 9.150% due 2/15/15 (c)(d) | 10,175 |
| 450,000 | NTL Cable PLC, Senior Notes: 8.750% due 4/15/14 | 474,750 |
| 220,000 | 9.125% due 8/15/16 | 235,950 |
| 285,000 | Qwest Communications International Inc., Senior Notes: 7.500% due 2/15/14 | 295,687 |
| 740,000 | Series B, 7.500% due 2/15/14 | 767,750 |
| 605,000 | Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (d) | 574,750 |
| 100,000 | Telecom Italia Capital S.p.A., Notes, 5.250% due 10/1/15 | 96,278 |
| 660,000 | Windstream Corp., Senior Notes, 8.625% due 8/1/16 | 727,650 |
| | Total Diversified Telecommunication Services | 4,832,489 |
| Electric Utilities 0.1% | | |
| 283,000 | Midwest Generation LLC, Secured Notes, 8.750% due 5/1/34 | 314,130 |
| 100,000 | Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10 | 116,000 |
| | Total Electric Utilities | 430,130 |
| Electronic Equipment & Instruments 0.1% | | |
| 1,065,000 | NXP BV/NXP Funding LLC, Senior Notes, 9.500% due 10/15/15 (d) | 1,123,575 |
| Energy Equipment & Services 0.2% | | |
| 725,000 | Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16 (d) | 753,094 |
| 529,000 | Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14 | 542,225 |
| 95,000 | Geokinetics Inc., Senior Secured Notes, 11.855% due 12/15/12 (c)(d) | 98,562 |
| 55,000 | Pride International Inc., Senior Notes, 7.375% due 7/15/14 | 56,719 |
| 10,000 | Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32 | 12,091 |
| | Total Energy Equipment & Services | 1,462,691 |
| Food & Staples Retailing 0.0% | | |
| 150,000 | Safeway Inc., Senior Notes, 6.500% due 11/15/08 | 152,505 |
| Food Products 0.0% | | |
| 125,000 | Dole Food Co. Inc., Senior Notes: 7.250% due 6/15/10 | 123,281 |
| 261,000 | 8.875% due 3/15/11 | 265,568 |
| | Total Food Products | 388,849 |

See Notes to Financial Statements.

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|---|------------------|
| Health Care Providers & Services 0.4% | | |
| \$ 250,000 | AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13 | \$ 273,438 |
| 260,000 | DaVita Inc., Senior Notes, 6.625% due 3/15/13 (d) | 262,275 |
| 600,000 | Genesis HealthCare Corp., Senior Subordinated Notes, 8.000% due 10/15/13 | 640,500 |
| 295,000 | HCA Inc.: Notes, 6.375% due 1/15/15 | 257,756 |
| 345,000 | Senior Notes, 6.500% due 2/15/16 | 302,306 |
| 215,000 | Senior Secured Notes: 9.250% due 11/15/16 (d) | 234,888 |
| 165,000 | 9.625% due 11/15/16 (d)(f) | 180,469 |
| 425,000 | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 442,531 |
| 650,000 | Tenet Healthcare Corp., Senior Notes: 7.375% due 2/1/13 | 614,250 |
| 70,000 | 9.875% due 7/1/14 | 72,100 |
| 175,000 | Triad Hospitals Inc., Senior Subordinated Notes, 7.000% due 11/15/13 | 183,750 |
| 150,000 | UnitedHealth Group Inc., Senior Notes, 3.300% due 1/30/08 | 147,599 |
| | Total Health Care Providers & Services | 3,611,862 |
| Hotels, Restaurants & Leisure 0.9% | | |
| 1,000,000 | Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14 | 1,003,750 |
| 315,000 | Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (d) | 320,906 |
| 550,000 | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 | 589,875 |
| 100,000 | El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13 | 109,250 |
| 450,000 | Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14 | 433,125 |
| 660,000 | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 | 721,875 |
| 700,000 | Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due 3/1/14 | 693,000 |
| 380,000 | MGM MIRAGE Inc.: Senior Notes: 6.750% due 9/1/12 | 382,375 |
| 575,000 | 5.875% due 2/27/14 | 542,656 |
| 320,000 | 7.625% due 1/15/17 | 328,000 |
| 203,000 | Senior Subordinated Notes, 9.375% due 2/15/10 | 220,001 |
| 500,000 | Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12 | 516,250 |
| 625,000 | Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12 | 639,063 |
| 60,000 | Station Casinos Inc.: Senior Notes: 6.000% due 4/1/12 | 59,100 |
| 250,000 | 7.750% due 8/15/16 | 261,250 |
| 105,000 | Senior Subordinated Notes, 6.875% due 3/1/16 | 99,225 |
| 500,000 | Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (d) | 512,500 |
| | Total Hotels, Restaurants & Leisure | 7,432,201 |

See Notes to Financial Statements.

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|---|------------------|
| Household Durables 0.2% | | |
| \$ 405,000 | K Hovnanian Enterprises Inc., Senior Notes, 8.625% due 1/15/17 | \$ 409,050 |
| 325,000 | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 | 340,438 |
| 700,000 | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.608% due 9/1/12 | 640,500 |
| 350,000 | Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14 | 370,125 |
| | Total Household Durables | 1,760,113 |
| Household Products 0.0% | | |
| 345,000 | Nutro Products Inc., Senior Subordinated Notes, 10.750% due 4/15/14 (d) | 367,425 |
| Independent Power Producers & Energy Traders 0.3% | | |
| 670,000 | Edison Mission Energy, Senior Notes, 7.730% due 6/15/09 | 706,850 |
| 250,000 | NRG Energy Inc., Senior Notes: 7.250% due 2/1/14 | 259,375 |
| 1,025,000 | 7.375% due 2/1/16 | 1,067,281 |
| 190,000 | TXU Corp., Senior Notes, Series P, 5.550% due 11/15/14 | 171,427 |
| | Total Independent Power Producers & Energy Traders | 2,204,933 |
| Insurance 0.1% | | |
| 470,000 | Crum & Forster Holdings Corp., Senior Notes, 10.375% due 6/15/13 | 517,931 |
| 75,000 | Marsh & McLennan Cos. Inc., Notes, 5.495% due 7/13/07 (c) | 75,013 |
| 500,000 | Nationwide Life Global Funding I, Notes, 5.440% due 9/28/07 (c)(d) | 500,242 |
| | Total Insurance | 1,093,186 |
| IT Services 0.1% | | |
| 400,000 | SunGard Data Systems Inc.: Senior Notes, 9.125% due 8/15/13 | 431,000 |
| 270,000 | Senior Subordinated Notes, 10.250% due 8/15/15 | 298,350 |
| | Total IT Services | 729,350 |
| Machinery 0.1% | | |
| 839,000 | Mueller Holdings Inc., Senior Discount Notes, step bond to yield 11.471% due 4/15/14 | 788,660 |
| Media 0.8% | | |
| 435,000 | Affinion Group Inc., Senior Notes, 10.125% due 10/15/13 | 476,325 |
| 725,000 | AMC Entertainment Inc., Senior Subordinated Notes, 11.000% due 2/1/16 | 835,562 |
| 380,000 | CCH I Holdings LLC/CCH I Holdings Capital Corp., Senior Notes, 11.750% due 5/15/14 | 380,000 |
| 569,000 | CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15 | 607,407 |
| 480,000 | CCH II LLC/CCH II Capital Corp., Senior Notes: 10.250% due 9/15/10 | 513,600 |
| 65,000 | 10.250% due 10/1/13 | 71,744 |
| 105,000 | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11 | 108,675 |
| 700,000 | Charter Communications Operating LLC, Second Lien Senior Notes, 8.375% due 4/30/14 (d) | 737,625 |

See Notes to Financial Statements.

10 LMP Capital and Income Fund Inc. 2007 Semi-Annual Report

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| | Face Amount | Security | Value |
|---|----------------|---|------------------|
| Media 0.8% (continued) | | | |
| \$ | 240,000 | CMP Susquehanna Corp., Senior Subordinated Notes, 9.875% due 5/15/14 (d) | \$ 246,000 |
| | 300,000 | Comcast Corp., Notes, 6.500% due 1/15/17 | 319,157 |
| | 65,000 | ION Media Networks Inc., Senior Secured Notes, 11.606% due 1/15/13 (c)(d) | 67,925 |
| | 230,000 | Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15 | 229,425 |
| | 300,000 | Primedia Inc., Senior Notes, 8.875% due 5/15/11 | 309,750 |
| | | R.H. Donnelley Corp.: | |
| | | Senior Discount Notes: | |
| | 355,000 | Series A-1, 6.875% due 1/15/13 | 353,669 |
| | 300,000 | Series A-2, 6.875% due 1/15/13 | 298,875 |
| | 450,000 | Senior Notes, Series A-3, 8.875% due 1/15/16 | 490,500 |
| | | Rainbow National Services LLC, Senior Subordinated Debentures, 10.375% due 9/1/14 (d) | 56,563 |
| | 50,000 | Time Warner Inc., Senior Notes, 6.875% due 5/1/12 | 447,729 |
| | 420,000 | | 447,729 |
| | | Total Media | 6,550,531 |
| Metals & Mining 0.3% | | | |
| | 960,000 | Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17 | 1,052,400 |
| | 420,000 | Metals USA Holdings Corp., Senior Notes, 11.356% due 1/15/12 (c)(d)(f) | 417,900 |
| | 435,000 | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 | 485,025 |
| | 135,000 | Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15 (d) | 143,100 |
| | 156,000 | Vale Overseas Ltd., Notes, 6.875% due 11/21/36 | 166,249 |
| | | Total Metals & Mining | 2,264,674 |
| Multi-Utilities 0.0% | | | |
| | 125,000 | Keyspan Gas East Corp., Medium-Term Notes, 6.900% due 1/15/08 | 126,244 |
| Multiline Retail 0.1% | | | |
| | 535,000 | Neiman Marcus Group Inc., Senior Subordinated Notes, 10.375% due 10/15/15 | 603,881 |
| Office Electronics 0.0% | | | |
| | 290,000 | Xerox Corp., Senior Notes, 6.750% due 2/1/17 | 307,222 |
| Oil, Gas & Consumable Fuels 0.7% | | | |
| | 60,000 | Anadarko Petroleum Corp., Senior Notes, 5.950% due 9/15/16 | 60,574 |
| | 440,000 | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 | 455,400 |
| | 775,000 | Chesapeake Energy Corp., Senior Notes, 6.375% due 6/15/15 | 779,844 |
| | | Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15 | 89,675 |
| | 85,000 | El Paso Corp., Medium-Term Notes: | |
| | | 7.800% due 8/1/31 | 201,600 |
| | 180,000 | 7.750% due 1/15/32 | 1,176,000 |
| | 1,050,000 | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11 | 503,750 |
| | 500,000 | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 | 266,825 |
| | 260,000 | Kerr-McGee Corp.: | |
| | | 6.950% due 7/1/24 | 149,675 |
| | 140,000 | Notes, 6.875% due 9/15/11 | 318,239 |
| | 300,000 | OPTI Canada Inc., Senior Secured Notes, 8.250% due 12/15/14 (d) | 642,812 |
| | 605,000 | SemGroup LP, Senior Notes, 8.750% due 11/15/15 (d) | 300,875 |
| | 290,000 | Stone Energy Corp., Senior Subordinated Notes, 8.250% due 12/15/11 | 170,000 |
| | 170,000 | | 170,000 |

See Notes to Financial Statements.

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|--|------------------|
| Oil, Gas & Consumable Fuels 0.7% (continued) | | |
| \$ 100,000 | Williams Cos. Inc.: | |
| 470,000 | Notes, 8.750% due 3/15/32 | \$ 116,875 |
| 170,000 | Senior Notes, 7.750% due 6/15/31 | 508,775 |
| | XTO Energy Inc., Senior Notes, 7.500% due 4/15/12 | 186,361 |
| | Total Oil, Gas & Consumable Fuels | 5,927,280 |
| Paper & Forest Products 0.2% | | |
| 140,000 | Abitibi-Consolidated Co. of Canada, 6.000% due 6/20/13 | 121,800 |
| 545,000 | Appleton Papers Inc., Senior Subordinated Notes, Series B, 9.750% due 6/15/14 | 567,481 |
| 435,000 | NewPage Corp.: | |
| 200,000 | Senior Secured Notes, 11.610% due 5/1/12 (c) | 484,481 |
| | Senior Subordinated Notes, 12.000% due 5/1/13 | 223,250 |
| 205,000 | Verso Paper Holdings LLC, Senior Secured Notes, 9.125% due 8/1/14 (d) | 216,788 |
| 150,000 | Weyerhaeuser Co., Notes, 6.750% due 3/15/12 | 158,151 |
| | Total Paper & Forest Products | 1,771,951 |
| Pharmaceuticals 0.0% | | |
| 425,000 | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 | 419,688 |
| Real Estate Investment Trusts (REITs) 0.0% | | |
| 75,000 | iStar Financial Inc., Senior Notes, Series B, 4.875% due 1/15/09 | 74,476 |
| 50,000 | Simon Property Group LP, Notes, 6.375% due 11/15/07 | 50,234 |
| 85,000 | Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.500% due 6/1/16 | 86,381 |
| 200,000 | Vornado Realty LP, Senior Notes, 5.625% due 6/15/07 | 199,955 |
| | Total Real Estate Investment Trusts (REITs) | 411,046 |
| Real Estate Management & Development 0.0% | | |
| 270,000 | Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15 | 260,888 |
| Road & Rail 0.2% | | |
| 1,005,000 | Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 | 1,150,725 |
| 50,000 | Kansas City Southern de Mexico, Senior Notes, 7.625% due 12/1/13 (d) | 51,000 |
| 430,000 | Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09 | 441,825 |
| | Total Road & Rail | 1,643,550 |
| Semiconductors & Semiconductor Equipment 0.0% | | |
| 345,000 | Freescall Semiconductor Inc., Senior Notes, 8.875% due 12/15/14 (d) | 347,156 |
| Software 0.0% | | |
| 393,922 | UGS Capital Corp. II, Senior Notes, 10.348% due 6/1/11 (c)(d)(f) | 407,709 |
| Specialty Retail 0.1% | | |
| 235,000 | Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12 | 240,875 |
| 165,000 | Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15 | 184,800 |
| 100,000 | Linens n Things Inc., Senior Secured Notes, 10.981% due 1/15/14 (c) | 94,625 |
| | Total Specialty Retail | 520,300 |
| Textiles, Apparel & Luxury Goods 0.1% | | |
| 390,000 | Levi Strauss & Co., Senior Notes, 9.750% due 1/15/15 | 429,975 |
| 300,000 | Oxford Industries Inc., Senior Notes, 8.875% due 6/1/11 | 312,750 |
| | Total Textiles, Apparel & Luxury Goods | 742,725 |

See Notes to Financial Statements.

12 LMP Capital and Income Fund Inc. 2007 Semi-Annual Report

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|---|-------------------|
| Tobacco 0.0% | | |
| \$ 70,000 | Alliance One International Inc., Senior Notes, 11.000% due 5/15/12 | \$ 78,050 |
| Trading Companies & Distributors 0.1% | | |
| 355,000 | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (d) | 383,400 |
| 390,000 | Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (d) | 429,000 |
| | Total Trading Companies & Distributors | 812,400 |
| Wireless Telecommunication Services 0.2% | | |
| 245,000 | Rural Cellular Corp.: | |
| 110,000 | Senior Notes, 9.875% due 2/1/10 | 260,312 |
| 340,000 | Senior Secured Notes, 8.250% due 3/15/12 | 116,600 |
| 780,000 | Sprint Capital Corp., Senior Notes, 8.375% due 3/15/12 | 379,045 |
| | True Move Co., Ltd., 10.750% due 12/16/13 (d) | 822,900 |
| | Total Wireless Telecommunication Services | 1,578,857 |
| | TOTAL CORPORATE BONDS & NOTES | |
| | (Cost \$65,842,511) | 68,216,451 |
| LOAN PARTICIPATION 0.1% | | |
| Telecommunications 0.1% | | |
| 1,000,000 | UPC Broadband Holding B.V., Term Loan, 7.640% due 3/15/13 (Toronto Dominion)(c)(g) (Cost \$1,000,000) | 1,002,143 |
| MORTGAGE-BACKED SECURITIES 6.1% | | |
| FHLMC 3.8% | | |
| 3,484,106 | Federal Home Loan Mortgage Corp. (FHLMC): | |
| | 5.121% due 6/1/35 (c) | 3,502,595 |
| 859,766 | Gold: | |
| | 7.000% due 6/1/17 | 886,703 |
| 12,474,725 | 6.000% due 7/1/21 (h) | 12,686,001 |
| 418,613 | 8.500% due 9/1/25 | 450,495 |
| 784,256 | 6.500% due 8/1/29 | 810,120 |
| 14,696,093 | 6.000% due 9/1/32-2/1/36 | 14,859,869 |
| | Total FHLMC | 33,195,783 |
| FNMA 2.1% | | |
| 961,112 | Federal National Mortgage Association (FNMA): | |
| 1,940,556 | 8.000% due 12/1/12 | 980,517 |
| 1,868,985 | 5.500% due 1/1/14-4/1/35 | 1,928,012 |
| 619,591 | 7.000% due 3/15/15-6/1/32 | 1,958,981 |
| 851,329 | 4.209% due 12/1/34 (c) | 613,258 |
| 1,153,005 | 4.860% due 1/1/35 (c) | 851,645 |
| 2,133,765 | 5.080% due 3/1/35 (c) | 1,156,600 |
| 3,090,160 | 4.618% due 4/1/35 (c) | 2,159,920 |
| 5,544,753 | 5.610% due 4/1/36 (c) | 3,109,473 |
| | 5.598% due 5/1/36 (c) | 5,579,408 |
| | Total FNMA | 18,337,814 |
| GNMA 0.2% | | |
| 1,445,812 | Government National Mortgage Association (GNMA), 5.500% due 8/15/21 | 1,453,698 |
| | TOTAL MORTGAGE-BACKED SECURITIES | |
| | (Cost \$52,916,296) | 52,987,295 |

See Notes to Financial Statements.

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Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|--|---|--------------------|
| 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) | \$ 2,907 |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 1.5% | | |
| U.S. Government Agencies 1.5% | | |
| 100,000 | Federal Home Loan Bank (FHLB), Global Bonds, 5.500% due 7/15/36 | 104,209 |
| 140,000 | Federal National Mortgage Association (FNMA): 6.625% due 9/15/09 | 145,687 |
| 12,600,000 | Notes, 4.840% due 6/22/07 (h) | 12,593,196 |
| | Total U.S. Government Agencies | 12,843,092 |
| U.S. Government Obligations 0.0% | | |
| 40,000 | U.S. Treasury Bonds: 4.500% due 2/15/36 | 37,943 |
| 90,000 | 4.750% due 2/15/37 | 89,058 |
| | Total U.S. Government Obligations | 127,001 |
| | TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (Cost \$12,962,489) | 12,970,093 |
| U.S. TREASURY INFLATION PROTECTED SECURITIES 0.0% | | |
| 96,659 | U.S. Treasury Notes, Inflation Indexed, 0.875% due 4/15/10 (Cost \$92,171) | 93,616 |
| Contracts | | |
| PURCHASED OPTIONS 1.0% | | |
| 1,803 | Johnson & Johnson, Call @ \$60.00, expires 1/17/09 | 1,532,550 |
| 909 | Johnson & Johnson, Call @ \$65.00, expires 1/17/09 | 490,860 |
| 627 | Marsh & McLennan Companies, Call @ \$25.00, expires 1/19/08 | 479,655 |
| 5,500 | Oracle Corp., Call @ \$15.00, expires 1/19/08 | 2,640,000 |
| 1,516 | S&P 500 Index, Put @ \$1,450.00, expires 7/21/07 | 3,032,000 |
| 1,010 | United Parcel Service Inc., Call @ \$65.00, expires 1/19/08 | 868,600 |
| | TOTAL PURCHASED OPTIONS (Cost \$7,815,024) | 9,043,665 |
| | TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$734,261,581) | 780,283,680 |
| Face Amount | | |
| SHORT-TERM INVESTMENTS 9.7% | | |
| U.S. Government Agencies 3.9% | | |
| \$ 33,300,000 | Federal Home Loan Bank (FHLB), Discount Notes, 5.061% due 5/1/07 (i) | 33,300,000 |
| 100,000 | Federal National Mortgage Association (FNMA), Discount Notes, 5.197% due 6/25/07 (i)(j) | 99,236 |
| | Total U.S. Government Agencies (Cost \$33,399,236) | 33,399,236 |

See Notes to Financial Statements.

14 LMP Capital and Income Fund Inc. 2007 Semi-Annual Report

Schedule of Investments (April 30, 2007) (unaudited) (continued)

| Face Amount | Security | Value |
|-----------------------------------|---|--------------------|
| Repurchase Agreements 5.8% | | |
| \$ 16,169,000 | Interest in \$372,329,000 joint tri-party repurchase agreement dated 4/30/07 with Greenwich Capital Markets Inc., 5.230% due 5/1/07; Proceeds at maturity \$16,171,349; (Fully collateralized by various U.S. government agency obligations, 3.555% to 7.089% due 7/1/12 to 11/1/46; Market value \$16,492,493) | \$ 16,169,000 |
| 17,000,000 | Interest in \$500,000,000 joint tri-party repurchase agreement dated 4/30/07 with Morgan Stanley, 5.200% due 5/1/07; Proceeds at maturity \$17,002,456; (Fully collateralized by U.S. government agency obligation, 0.000% due 6/17/33; Market value \$17,427,093) | 17,000,000 |
| 17,027,000 | Nomura Securities International Inc. tri-party repurchase agreement dated 4/30/07, 5.170% due 5/1/07; Proceeds at maturity \$17,029,445; (Fully collateralized by various U.S. government agency obligations, 0.000% to 7.125% due 9/4/07 to 4/30/26; Market value \$17,367,775) | 17,027,000 |
| | Total Repurchase Agreements (Cost \$50,196,000) | 50,196,000 |
| | TOTAL SHORT-TERM INVESTMENTS (Cost \$83,595,236) | 83,595,236 |
| | TOTAL INVESTMENTS 100.0% (Cost \$817,856,817#) \$ | 863,878,916 |

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 April 30, 2007.
- (d) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (e) Security has no maturity date. The date shown represents the next call date.
- (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (g) Participation interest was acquired through the financial institution indicated parenthetically.

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- (h) All or a portion of this security is segregated for open futures contracts, written options and forward foreign currency contracts.
- (i) Rate shown represents yield-to-maturity.
- (j) All or a portion of this security is held at the broker as collateral for open futures contracts.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ADR American Depositary Receipt

ARS Argentine Peso

GDP Gross Domestic Product

PAC Planned Amortization Class

Schedule of Options Written (April 30, 2007) (unaudited)

| Contracts | Security | Expiration Date | Strike Price | Value |
|------------------|---|------------------------|---------------------|--------------|
| 5 | Eurodollar Futures, Call (Premiums received \$1,725) | 9/17/07 | \$95.25 | \$ 313 |

See Notes to Financial Statements.

Statement of Assets and Liabilities (April 30, 2007) (unaudited)**ASSETS:**

| | | |
|--|----|--------------------|
| Investments, at value (Cost \$817,856,817) | \$ | 863,878,916 |
| Foreign currency, at value (Cost \$1,682,728) | | 1,795,798 |
| Cash | | 1,361 |
| Receivable for securities sold | | 15,469,032 |
| Dividends and interest receivable | | 2,281,715 |
| Principal paydown receivable | | 158,244 |
| Receivable for open forward currency contracts | | 3,592 |
| Prepaid expenses | | 22,982 |
| Total Assets | | 883,611,640 |

LIABILITIES:

| | | |
|--|-----------|--------------------|
| Loan payable (Note 4) | | 170,000,000 |
| Payable for securities purchased | | 34,509,015 |
| Interest payable | | 705,376 |
| Investment management fee payable | | 585,970 |
| Directors' fees payable | | 11,015 |
| Payable to broker - variation margin on open futures contracts | | 877 |
| Options written, at value (premiums received \$1,725) | | 313 |
| Accrued expenses | | 179,898 |
| Total Liabilities | | 205,992,464 |
| Total Net Assets | \$ | 677,619,176 |

NET ASSETS:

| | | |
|--|----|-------------|
| Par value (\$0.001 par value; 29,964,106 shares issued and outstanding; 100,000,000 shares authorized) | \$ | 29,964 |
| Paid-in capital in excess of par value | | 561,932,977 |
| Undistributed net investment income | | |