

LMP CAPITAL & INCOME FUND INC.
Form N-Q
March 28, 2008

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21467

LMP Capital and Income Fund Inc.
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY
(Address of principal executive offices)

10041
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

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

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

Date of fiscal year end: October 31

Date of reporting period: January 31, 2008

ITEM 1. SCHEDULE OF INVESTMENTS

LMP CAPITAL AND INCOME FUND INC.

FORM N-Q

JANUARY 31, 2008

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited)

January 31, 2008

| Shares | Security | Value |
|---|---|------------|
| COMMON STOCKS 57.5% | | |
| CONSUMER DISCRETIONARY 6.5% | | |
| Household Durables 0.0% | | |
| 1,226,577 | Home Interiors & Gifts Inc. (a)(b)* | \$ 1 |
| Media 6.5% | | |
| 272,980 | E.W. Scripps Co., Class A Shares | 11,115,746 |
| 234,970 | Lamar Advertising Co., Class A Shares | 10,131,906 |
| 117,220 | Liberty Media Holding Corp., Capital Group, Series A Shares * | 12,615,217 |
| 777,160 | Time Warner Inc. | 12,232,498 |
| 511,700 | Warner Music Group Corp. | 4,068,015 |
| | Total Media | 50,163,382 |
| | TOTAL CONSUMER DISCRETIONARY | 50,163,383 |
| CONSUMER STAPLES 2.1% | | |
| Tobacco 2.1% | | |
| 213,900 | Altria Group Inc. | 16,217,898 |
| ENERGY 8.1% | | |
| Energy Equipment & Services 2.8% | | |
| 54,460 | Diamond Offshore Drilling Inc. | 6,150,168 |
| 328,020 | Halliburton Co. | 10,880,423 |
| 56,070 | SEACOR Holdings Inc. * | 4,945,374 |
| | Total Energy Equipment & Services | 21,975,965 |
| Oil, Gas & Consumable Fuels 5.3% | | |
| 69,025 | Anadarko Petroleum Corp. | 4,044,175 |
| 500,865 | Crosstex Energy Inc. | 16,398,320 |
| 86,945 | Devon Energy Corp. | 7,388,586 |
| 174,570 | Newfield Exploration Co. * | 8,707,552 |
| 76,200 | Valero Energy Corp. | 4,510,278 |
| | Total Oil, Gas & Consumable Fuels | 41,048,911 |
| | TOTAL ENERGY | 63,024,876 |
| EXCHANGE TRADED FUND 0.4% | | |
| 33,900 | UltraShort FTSE/Xinhua China 25 ProShares | 3,339,150 |
| FINANCIALS 14.3% | | |
| Capital Markets 4.5% | | |
| 415,020 | Invesco Ltd. | 11,296,844 |
| 89,400 | Lehman Brothers Holdings Inc. | 5,736,798 |
| 338,887 | Och-Ziff Capital Management Group | 7,475,847 |
| 259,730 | UBS AG | 10,724,252 |
| | Total Capital Markets | 35,233,741 |
| Commercial Banks 1.9% | | |
| 427,600 | Wells Fargo & Co. | 14,542,676 |
| Consumer Finance 1.5% | | |
| 243,000 | American Express Co. | 11,984,760 |

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Diversified Financial Services 3.6%

318,500
284,300

Bank of America Corp.
JPMorgan Chase & Co.

14,125,475
13,518,465
27,643,940

Total Diversified Financial Services

Insurance 2.8%

203,490
528,509

American International Group Inc.
Fidelity National Financial Inc., Class A Shares

11,224,509
10,406,342
21,630,851

Total Insurance

TOTAL FINANCIALS

111,035,968

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Shares | Security | Value |
|--|---|-------------------|
| HEALTH CARE 5.2% | | |
| Health Care Equipment & Supplies 1.5% | | |
| 248,220 | Medtronic Inc. | \$ 11,559,605 |
| Health Care Providers & Services 2.3% | | |
| 193,980 | Quest Diagnostics Inc. | 9,567,094 |
| 160,700 | UnitedHealth Group Inc. | 8,169,988 |
| | Total Health Care Providers & Services | 17,737,082 |
| Pharmaceuticals 1.4% | | |
| 71,655 | Forest Laboratories Inc. | 2,849,719 |
| 134,470 | Johnson & Johnson | 8,506,572 |
| | Total Pharmaceuticals | 11,356,291 |
| | TOTAL HEALTH CARE | 40,652,978 |
| INDUSTRIALS 8.6% | | |
| Aerospace & Defense 1.3% | | |
| 139,570 | United Technologies Corp. | 10,245,834 |
| Building Products 1.7% | | |
| 739,300 | Assa Abloy AB | 12,877,415 |
| Commercial Services & Supplies 2.2% | | |
| 448,970 | Covanta Holding Corp. * | 11,399,348 |
| 206,300 | Monster Worldwide Inc. * | 5,745,455 |
| | Total Commercial Services & Supplies | 17,144,803 |
| Industrial Conglomerates 1.8% | | |
| 404,170 | General Electric Co. | 14,311,660 |
| Machinery 1.6% | | |
| 310,400 | Dover Corp. | 12,527,744 |
| | TOTAL INDUSTRIALS | 67,107,456 |
| INFORMATION TECHNOLOGY 7.2% | | |
| Communications Equipment 3.1% | | |
| 463,170 | Cisco Systems Inc. * | 11,347,665 |
| 116,800 | Corning Inc. | 2,811,376 |
| 227,290 | QUALCOMM Inc. | 9,641,642 |
| | Total Communications Equipment | 23,800,683 |
| Computers & Peripherals 1.5% | | |
| 759,020 | EMC Corp. * | 12,045,647 |
| Internet Software & Services 1.3% | | |
| 298,150 | VeriSign Inc. * | 10,113,248 |
| Software 1.3% | | |
| 476,440 | Oracle Corp. * | 9,790,842 |
| | TOTAL INFORMATION TECHNOLOGY | 55,750,420 |
| TELECOMMUNICATION SERVICES 3.0% | | |

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| | | | |
|---|-------------|---|-------------------|
| Wireless Telecommunication Services | 3.0% | | |
| 325,980 | | Crown Castle International Corp. * | 11,797,216 |
| 398,800 | | SBA Communications Corp., Class A * | 11,808,468 |
| | | TOTAL TELECOMMUNICATION SERVICES | 23,605,684 |
| UTILITIES | 2.1% | | |
| Gas Utilities | 0.9% | | |
| 169,300 | | National Fuel Gas Co. | 7,298,523 |
| Independent Power Producers & Energy Traders | 1.2% | | |
| 229,940 | | NRG Energy Inc. * | 8,873,385 |
| | | TOTAL UTILITIES | 16,171,908 |
| | | TOTAL COMMON STOCKS | |
| | | (Cost \$486,675,756) | 447,069,721 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Shares | Security | Value |
|---|---|------------------|
| PREFERRED STOCKS 0.3% | | |
| FINANCIALS 0.3% | | |
| Diversified Financial Services 0.1% | | |
| 30,000 | Citigroup Inc., 8.125% (c) | \$ 786,600 |
| Thrifts & Mortgage Finance 0.2% | | |
| 28,000 | Federal Home Loan Mortgage Corp. (FHLMC), 8.375% | 751,800 |
| 300 | Federal National Mortgage Association (FNMA), 7.000% (d) | 14,944 |
| 19,000 | Federal National Mortgage Association (FNMA), 8.250% | 501,980 |
| | Total Thrifts & Mortgage Finance | 1,268,724 |
| | TOTAL PREFERRED STOCKS | |
| | (Cost \$1,940,960) | 2,055,324 |
| Face Amount | | |
| ASSET-BACKED SECURITIES 0.4% | | |
| Home Equity 0.4% | | |
| \$ 750,000 | Asset-Backed Funding Certificates, 4.826% due 1/25/34 (d) | 673,568 |
| 210,859 | Countrywide Asset-Backed Certificates, 6.115% due 6/25/34 (d) | 163,808 |
| 73,417 | Finance America Net Interest Margin Trust, 5.250% due 6/27/34 (b)(e)(g) | 95 |
| 178,286 | Fremont Home Loan Trust, 4.476% due 2/25/34 (d) | 135,199 |
| 1,005,000 | GSAMP Trust, 4.526% due 11/25/34 (d) | 834,560 |
| 2,951 | Merrill Lynch Mortgage Investors Inc., 5.000% due 9/25/35 (e) | 2,958 |
| 1,500,000 | Option One Mortgage Loan Trust, 4.426% due 5/25/34 (d) | 1,284,614 |
| 497,401 | Renaissance Home Equity Loan Trust, 5.276% due 3/25/34 (d) | 457,757 |
| 141,210 | Sail Net Interest Margin Notes: 7.750% due 4/27/33 (b)(e)(g) | 16 |
| 71,380 | 5.500% due 3/27/34 (e)(g) | 11,664 |
| | TOTAL ASSET-BACKED SECURITIES | |
| | (Cost \$4,441,822) | 3,564,239 |
| COLLATERALIZED MORTGAGE OBLIGATIONS 0.4% | | |
| 260,000 | American Home Mortgage Investment Trust, 4.176% due 11/25/45 (d) | 253,560 |
| 172,124 | Bear Stearns ARM Trust, 5.737% due 2/25/36 (d) | 172,839 |
| 63,172 | Federal Home Loan Mortgage Corp. (FHLMC): 6.000% due 3/15/34 (d) | 58,965 |
| 542,360 | PAC, 6.000% due 4/15/34 (d) | 536,211 |
| 746,662 | Harborview Mortgage Loan Trust, 5.004% due 11/19/35 (d) | 534,914 |
| 410,279 | Merit Securities Corp., 4.744% due 9/28/32 (d)(e) | 379,802 |
| 352,749 | MLCC Mortgage Investors Inc.: 4.296% due 4/25/29 (d) | 346,189 |
| 588,543 | 4.256% due 5/25/29 (d) | 562,833 |
| | Thornburg Mortgage Securities Trust: | |

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|---|--|-----------|
| 250,481 | 6.220% due 7/25/37 (d) | 253,876 |
| 266,876 | 6.232% due 7/25/37 (d) | 273,687 |
| | TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS | |
| | (Cost \$3,607,384) | 3,372,876 |
| COLLATERALIZED SENIOR LOANS 0.8% | | |
| Aerospace & Defense 0.1% | | |
| | Dubai Aerospace Enterprise, Term Loan: | |
| 334,528 | 7.803% due 7/31/09 (d) | 334,319 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|--|--|------------|
| Aerospace & Defense 0.1% (continued) | | |
| \$ 663,809 | 9.033% due 7/31/14 | \$ 661,734 |
| | Total Aerospace & Defense | 996,053 |
| Airlines 0.1% | | |
| 250,000 | Delta Airlines Inc., Term Loan, 8.082% due 4/30/14 | 227,604 |
| 180,207 | United Airlines Inc., Term Loan B, 7.032% due 1/12/14 | 162,806 |
| | Total Airlines | 390,410 |
| Commercial Services & Supplies 0.0% | | |
| 249,373 | US Investigations Services Inc., Term Loan B, 7.910% due 2/21/15 | 232,229 |
| Diversified Consumer Services 0.0% | | |
| 249,375 | Thomson Learning Hold, Term Loan B, 7.950% due 7/5/14 (d) | 225,130 |
| Diversified Telecommunication Services 0.0% | | |
| 168,750 | Insight Midwest Holdings, LLC, Term Loan B, 6.480% due 4/10/14 (d) | 155,227 |
| Electric Utilities 0.1% | | |
| 500,000 | TXU Corp., Term Loan B, 5.550% due 10/10/14 | 461,079 |
| Health Care Equipment & Supplies 0.0% | | |
| 200,000 | Bausch & Lomb Inc.: | |
| 50,000 | Term Loan, 8.080% due 4/11/15 (d) | 195,500 |
| | Term Loan B, 6.511% due 4/11/15 | 48,875 |
| | Total Health Care Equipment & Supplies | 244,375 |
| Health Care Providers & Services 0.1% | | |
| 15,468 | Community Health Systems Inc.: | |
| 234,532 | Term Loan, 7.756% due 7/2/14 | 14,314 |
| 248,744 | Term Loan B, 7.756% due 7/2/14 (d) | 217,032 |
| | HCA Inc., Term Loan B, 7.448% due 11/1/13 (d) | 230,457 |
| | Total Health Care Providers & Services | 461,803 |
| Hotels, Restaurants & Leisure 0.0% | | |
| 250,000 | Aramark Corp., Term Loan, 6.705% due 1/31/14 | 230,938 |
| IT Services 0.1% | | |
| 570,000 | First Data Corp., Term Loan, 7.634% due 10/15/14 (d) | 515,612 |
| Media 0.2% | | |
| 250,000 | Charter Communications, Term Loan B, 7.350% due 3/15/14 | 218,870 |
| 249,342 | CMP Susquehanna Corp., Term Loan, 6.876% due 6/7/13 | 220,356 |
| 499,370 | Idearc Inc., Term Loan B, 6.830% due 11/1/14 (d) | 456,470 |
| 248,750 | LodgeNet Entertainment Corp., Term Loan B, 7.200% due 4/4/14 | 230,716 |

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| | | | |
|------------------------------------|-------------|---|-----------|
| 249,369 | | Regal Cinemas Corp., Term Loan B, 6.330% due 10/19/10 | 231,502 |
| 250,000 | | UPC Broadband Holding B.V., Term Loan N, 7.130% due 3/30/14 (d) | 225,976 |
| | | Total Media | 1,583,890 |
| Multiline Retail | 0.0% | | |
| 250,000 | | Neiman Marcus Group Inc., Term Loan B, 6.939% due 3/13/13 (d) | 230,417 |
| Paper & Forest Products | 0.0% | | |
| 250,000 | | NewPage Corp., Term Loan, Tranche B, 8.688% due 11/5/14 (d) | 243,472 |
| Pharmaceuticals | 0.1% | | |
| 249,372 | | Royalty Pharma, Term Loan B, 7.095% due 5/15/14 (d) | 247,657 |
| Specialty Retail | 0.0% | | |
| 249,370 | | Michaels Stores Inc. Term Loan B, 7.619% due 10/31/13 (d) | 214,118 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|---|---|-----------|
| Wireless Telecommunication Services 0.0% | | |
| \$ 19,685 | Telesat Canada: | |
| 230,315 | Term Loan, 7.901% due 10/15/14 (d) | \$ 18,676 |
| | Term Loan B, 7.901% due 10/15/14 | 218,512 |
| | Total Wireless Telecommunication Services | 237,188 |
| | TOTAL COLLATERALIZED SENIOR LOANS | |
| | (Cost \$7,018,097) | 6,669,598 |
| CORPORATE BONDS & NOTES 12.1% | | |
| Aerospace & Defense 0.1% | | |
| 275,000 | Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16 | 266,750 |
| 670,000 | Hawker Beechcraft Acquisition Co., Senior Notes, 8.875% due 4/1/15 (e)(f) | 658,275 |
| | Total Aerospace & Defense | 925,025 |
| Airlines 0.2% | | |
| 170,000 | Continental Airlines Inc.: | |
| | Notes, 8.750% due 12/1/11 | 153,850 |
| 122,925 | Pass-Through Certificates: | |
| 380,000 | 8.312% due 4/2/11 | 121,081 |
| 800,000 | 7.339% due 4/19/14 | 347,700 |
| | DAE Aviation Holdings Inc., Senior Notes, 11.250% due 8/1/15 (e) | 832,000 |
| | Total Airlines | 1,454,631 |
| Auto Components 0.2% | | |
| 280,000 | Allison Transmission Inc., Senior Notes, 11.250% due 11/1/15 (e)(f) | 228,200 |
| 295,000 | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | 199,125 |
| 1,075,000 | Visteon Corp., Senior Notes, 8.250% due 8/1/10 | 884,187 |
| | Total Auto Components | 1,311,512 |
| Automobiles 0.2% | | |
| 110,000 | Ford Motor Co., Debentures, 8.875% due 1/15/22 | 83,050 |
| 600,000 | General Motors Corp., Senior Debentures: | |
| 1,300,000 | 8.250% due 7/15/23 | 483,000 |
| | 8.375% due 7/15/33 | 1,062,750 |
| | Total Automobiles | 1,628,800 |
| Beverages 0.1% | | |
| 760,000 | Constellation Brands Inc., Senior Notes, 8.375% due 12/15/14 | 786,600 |
| Building Products 0.1% | | |
| 540,000 | Associated Materials Inc., Senior Subordinated Notes, 9.750% due 4/15/12 | 531,900 |
| 30,000 | Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14 | 23,550 |
| 450,000 | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.157% due 3/1/14 | 254,250 |

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| | | | |
|------------------------|-------------|---|------------------|
| | | Total Building Products | 809,700 |
| Capital Markets | 0.4% | | |
| | 300,000 | Bear Stearns Co. Inc., Senior Notes, 6.400% due 10/2/17 | 285,290 |
| | 30,000 | Goldman Sachs Capital II, Junior Subordinated Bonds, 5.793% due 6/1/12 (c)(d) | 23,234 |
| | 1,200,000 | Kaupthing Bank HF, Subordinated Notes, 7.125% due 5/19/16 (e) | 1,004,776 |
| | 50,000 | Lehman Brothers Holdings Capital Trust VII, Medium-Term Notes, 5.857% due 5/31/12 (c)(d) | 38,659 |
| | 1,110,000 | Lehman Brothers Holdings Inc.: Medium-Term Notes, 6.750% due 12/28/17 | 1,152,757 |
| | 130,000 | Senior Notes, Medium-Term Notes, 6.200% due 9/26/14 | 133,972 |
| | 100,000 | Merrill Lynch & Co. Inc., Senior Notes 5.450% due 2/5/13 | 100,264 |
| | | Total Capital Markets | 2,738,952 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|--|---|------------------|
| Chemicals 0.1% | | |
| \$ 570,000 | Georgia Gulf Corp., Senior Notes: 9.500% due 10/15/14 | \$ 444,600 |
| 100,000 | 10.750% due 10/15/16 | 65,000 |
| 110,000 | Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/15/14 | 114,950 |
| 100,000 | Methanex Corp., Senior Notes, 8.750% due 8/15/12 | 107,750 |
| | Total Chemicals | 732,300 |
| Commercial Banks 0.4% | | |
| 20,000 | BAC Capital Trust XIV, Junior Subordinated Notes, 5.630% due 3/15/12 (c)(d) | 16,240 |
| 54,545 | Fifth Third Bank, Notes, 2.870% due 8/10/09 | 53,340 |
| 290,000 | Glitnir Banki HF, Notes, 6.375% due 9/25/12 (e) | 275,548 |
| 100,000 | HBOS Capital Funding LP, Tier 1 Notes, Perpetual Bonds, 6.071% due 6/30/14 (c)(d)(e) | 94,962 |
| 1,300,000 | Resona Preferred Global Securities Cayman Ltd., Bonds, 7.191% due 7/30/15 (c)(d)(e) | 1,291,423 |
| 1,400,000 | Shinsei Finance Cayman Ltd., Junior Subordinated Bonds, 6.418% due 7/20/16 (c)(d)(e) | 1,184,229 |
| 200,000 | Wells Fargo & Co., Senior Notes, 4.375% due 1/31/13 | 200,168 |
| | Total Commercial Banks | 3,115,910 |
| Commercial Services & Supplies 0.3% | | |
| 180,000 | Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11 | 163,350 |
| 550,000 | DynCorp International LLC/DIV Capital Corp., Senior Subordinated Notes, 9.500% due 2/15/13 | 573,375 |
| 600,000 | Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14 | 616,500 |
| 290,000 | Rental Services Corp., Senior Notes, 9.500% due 12/1/14 | 247,225 |
| 790,000 | US Investigations Services Inc., Senior Notes, 10.500% due 11/1/15 (e) | 695,200 |
| 225,000 | Waste Management Inc., Senior Note, 6.375% due 11/15/12 | 244,295 |
| | Total Commercial Services & Supplies | 2,539,945 |
| Consumer Finance 1.1% | | |
| 300,000 | Aiful Corp., Notes, 6.000% due 12/12/11 (e) | 290,163 |
| 20,000 | American Express Co., Subordinated Debentures, 6.800% due 9/1/66 (d) | 19,542 |
| 1,050,000 | Ford Motor Credit Co.: Notes, 7.000% due 10/1/13 | 881,211 |
| 750,000 | Senior Notes: 5.800% due 1/12/09 | 729,660 |
| 135,000 | 9.750% due 9/15/10 | 130,467 |
| 559,000 | 10.241% due 6/15/11 (d) | 503,587 |
| 1,600,000 | 9.875% due 8/10/11 | 1,536,264 |
| 170,000 | 8.000% due 12/15/16 | 142,946 |
| | General Motors Acceptance Corp., Notes: | |

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| 500,000 | 5.625% due 5/15/09 | 484,145 |
| 320,000 | 7.750% due 1/19/10 | 306,254 |
| 1,580,000 | 6.875% due 9/15/11 | 1,382,413 |
| 1,900,000 | 6.625% due 5/15/12 | 1,608,132 |
| 300,000 | 6.750% due 12/1/14 | 247,545 |
| 125,000 | SLM Corp., Medium-Term Notes, 3.531% due 1/26/09 (d) | 119,705 |
| | Total Consumer Finance | 8,382,034 |
| Containers & Packaging 0.1% | | |
| 285,000 | Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14 | 242,250 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|--|---|------------------|
| Containers & Packaging 0.1% (continued) | | |
| \$ 535,000 | Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13 | \$ 506,912 |
| 195,000 | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (e) | 184,275 |
| | Total Containers & Packaging | 933,437 |
| Diversified Consumer Services 0.0% | | |
| 20,000 | Education Management LLC/Education Management Finance Corp.: | |
| 210,000 | Senior Notes, 8.750% due 6/1/14 | 19,350 |
| | Senior Subordinated Notes, 10.250% due 6/1/16 | 201,075 |
| | Total Diversified Consumer Services | 220,425 |
| Diversified Financial Services 0.4% | | |
| 150,000 | AAC Group Holding Corp., Senior Discount Notes, step bond to yield 9.092% due 10/1/12 | 125,250 |
| 100,000 | Aiful Corp., Notes, 5.000% due 8/10/10 (e) | 96,054 |
| 100,000 | Bank of America Corp., Subordinated Notes, 5.420% due 3/15/17 | 98,780 |
| 610,000 | Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (e) | 463,600 |
| 125,000 | Capital One Bank, Notes, 5.750% due 9/15/10 | 123,440 |
| 125,000 | Countrywide Home Loans Inc., Medium-Term Notes, 4.125% due 9/15/09 | 111,500 |
| | General Electric Capital Corp.: | |
| 250,000 | Medium-Term Notes, 5.450% due 1/15/13 | 262,393 |
| 20,000 | Subordinated Debentures, 6.375% due 11/15/67 (d) | 20,830 |
| 200,000 | Glen Meadow Pass-Through Certificates, 6.505% due 2/12/67 (d)(e) | 192,946 |
| 125,000 | HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09 | 127,468 |
| | Leucadia National Corp., Senior Notes: | |
| 210,000 | 8.125% due 9/15/15 | 210,000 |
| 70,000 | 7.125% due 3/15/17 | 66,325 |
| | Residential Capital LLC, Senior Notes: | |
| 10,000 | 6.598% due 4/17/09 (d) | 6,900 |
| 40,000 | 7.615% due 5/22/09 (d) | 27,400 |
| 430,000 | 8.000% due 6/1/12 | 270,900 |
| 620,000 | Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 10.257% due 10/1/15 | 443,300 |
| 260,000 | Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14 | 247,650 |
| | Total Diversified Financial Services | 2,894,736 |
| Diversified Telecommunication Services 0.8% | | |
| 600,000 | Deutsche Telekom International Finance, Senior Notes, 5.750% due 3/23/16 | 611,221 |
| 730,000 | Embarq Corp., Senior Notes, 6.738% due 6/1/13 | 749,748 |

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|---------|---|---------|
| 120,000 | Hawaiian Telcom Communications Inc.: | |
| | Senior Notes, 9.750% due 5/1/13 | 111,000 |
| 170,000 | Senior Subordinated Notes, 12.500% due 5/1/15 | 152,150 |
| | Intelsat Bermuda Ltd.: | |
| 180,000 | 9.250% due 6/15/16 | 180,450 |
| 680,000 | Senior Notes, 11.250% due 6/15/16 | 683,400 |
| | Level 3 Financing Inc.: | |
| 30,000 | 9.150% due 2/15/15 (d) | 22,500 |
| 295,000 | Senior Notes, 9.250% due 11/1/14 | 255,175 |
| 250,000 | Nordic Telephone Co. Holdings, Senior Secured Bonds, | |
| | 8.875% due 5/1/16 (e) | 255,000 |
| 740,000 | Qwest Communications International Inc., Senior Notes, | |
| | 7.500% due 2/15/14 | 736,300 |
| 100,000 | Telecom Italia Capital S.p.A., Senior Notes, 5.250% due | |
| | 10/1/15 | 97,831 |
| 450,000 | Verizon Florida Inc., Senior Notes, 6.125% due 1/15/13 | 470,278 |
| | Virgin Media Finance PLC, Senior Notes: | |
| 450,000 | 8.750% due 4/15/14 | 414,000 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | | Security | Value |
|---|-------------------------|--|------------------|
| Diversified Telecommunication Services | 0.8% (continued) | | |
| \$ 220,000 | | 9.125% due 8/15/16 | \$ 200,200 |
| 845,000 | | Windstream Corp., Senior Notes, 8.625% due 8/1/16 | 878,800 |
| | | Total Diversified Telecommunication Services | 5,818,053 |
| Electric Utilities | 0.2% | | |
| 365,000 | | FirstEnergy Corp., Notes, 7.375% due 11/15/31 | 402,071 |
| 120,000 | | Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10 | 131,100 |
| | | Pacific Gas & Electric Co.: | |
| 320,000 | | 5.625% due 11/30/17 | 328,817 |
| 230,000 | | Senior Unsubordinated Notes, 5.800% due 3/1/37 | 221,343 |
| 180,000 | | VeraSun Energy Corp., Senior Notes, 9.375% due 6/1/17 (e) | 144,000 |
| | | Total Electric Utilities | 1,227,331 |
| Electronic Equipment & Instruments | 0.1% | | |
| 1,065,000 | | NXP BV/NXP Funding LLC, Senior Notes, 9.500% due 10/15/15 | 933,206 |
| Energy Equipment & Services | 0.1% | | |
| 725,000 | | Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16 | 706,875 |
| 250,000 | | Key Energy Services Inc., Senior Notes, 8.375% due 12/1/14 (e) | 251,875 |
| 55,000 | | Pride International Inc., Senior Notes, 7.375% due 7/15/14 | 56,925 |
| 10,000 | | Southern Natural Gas Co., Senior Notes, 8.000% due 3/1/32 | 11,266 |
| | | Total Energy Equipment & Services | 1,026,941 |
| Food & Staples Retailing | 0.1% | | |
| 430,000 | | CVS Caremark Corp., 6.943% due 1/10/30 (e) | 447,063 |
| 400,000 | | Kroger Co., Senior Notes, 6.150% due 1/15/20 | 413,149 |
| 150,000 | | Safeway Inc., Senior Notes, 6.500% due 11/15/08 | 152,490 |
| | | Total Food & Staples Retailing | 1,012,702 |
| Food Products | 0.1% | | |
| 125,000 | | Dole Food Co. Inc., Senior Notes: | |
| 261,000 | | 7.250% due 6/15/10 | 110,625 |
| | | 8.875% due 3/15/11 | 233,595 |
| | | Total Food Products | 344,220 |
| Health Care Providers & Services | 0.7% | | |
| 460,000 | | Community Health Systems Inc., Senior Notes, 8.875% due 7/15/15 | 465,175 |
| 295,000 | | HCA Inc.: | |
| | | Notes, 6.375% due 1/15/15 | 252,963 |
| 345,000 | | Senior Notes: | |
| 215,000 | | 6.500% due 2/15/16 | 294,544 |
| | | 9.250% due 11/15/16 | 226,019 |
| 800,000 | | Senior Secured Notes: | |
| 285,000 | | 9.125% due 11/15/14 | 833,000 |
| | | 9.625% due 11/15/16 (f) | 300,675 |

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| | | |
|---------|---|------------------|
| 425,000 | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 427,125 |
| | Tenet Healthcare Corp., Senior Notes: | |
| 180,000 | 6.375% due 12/1/11 | 166,050 |
| 650,000 | 7.375% due 2/1/13 | 575,250 |
| 31,000 | 9.875% due 7/1/14 | 29,760 |
| 600,000 | UnitedHealth Group Inc., Senior Notes 5.250% due 3/15/11 | 611,819 |
| 230,000 | US Oncology Holdings Inc., Senior Notes, 10.759% due 3/15/12 (d)(f) | 174,225 |
| | WellPoint Inc., Senior Notes: | |
| 720,000 | 5.000% due 1/15/11 | 735,514 |
| 30,000 | 5.875% due 6/15/17 | 30,581 |
| | Total Health Care Providers & Services | 5,122,700 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|--|---|------------------|
| CORPORATE BONDS & NOTES 12.1% (continued) | | |
| Hotels, Restaurants & Leisure 0.8% | | |
| \$ 1,000,000 | Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14 | \$ 875,000 |
| 255,000 | Buffets Inc., Senior Notes, 12.500% due 11/1/14 (g) | 17,850 |
| 305,000 | Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (e) | 289,750 |
| 550,000 | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 | 519,750 |
| 100,000 | El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13 | 96,000 |
| 450,000 | Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14 | 178,875 |
| 660,000 | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 | 660,000 |
| 380,000 | MGM MIRAGE Inc.: Notes, 6.750% due 9/1/12 | 367,650 |
| 575,000 | Senior Notes: 5.875% due 2/27/14 | 523,250 |
| 320,000 | 7.625% due 1/15/17 | 312,000 |
| 203,000 | Senior Subordinated Notes, 9.375% due 2/15/10 | 210,359 |
| 500,000 | Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12 | 482,500 |
| 270,000 | Sbarro Inc., Senior Notes, 10.375% due 2/1/15 | 230,850 |
| 625,000 | Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12 | 609,375 |
| | Station Casinos Inc.: | |
| | Senior Notes: | |
| 60,000 | 6.000% due 4/1/12 | 52,650 |
| 250,000 | 7.750% due 8/15/16 | 221,562 |
| 105,000 | Senior Subordinated Notes, 6.875% due 3/1/16 | 71,925 |
| 500,000 | Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (e) | 487,500 |
| | Total Hotels, Restaurants & Leisure | 6,206,846 |
| Household Durables 0.2% | | |
| 335,000 | K Hovnanian Enterprises Inc., Senior Notes, 8.625% due 1/15/17 | 247,900 |
| 390,000 | KB Home, Senior Subordinated Notes, 8.625% due 12/15/08 | 390,000 |
| 325,000 | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 | 325,000 |
| 700,000 | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.608% due 9/1/12 | 612,500 |
| | Total Household Durables | 1,575,400 |
| Independent Power Producers & Energy Traders 0.9% | | |
| | AES Corp.: | |

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| | | |
|-----------------------|--|------------------|
| 720,000 | 7.750% due 10/15/15 | 739,800 |
| 660,000 | 8.000% due 10/15/17 | 676,500 |
| 1,100,000 | Senior Notes, 7.750% due 3/1/14 | 1,127,500 |
| | Edison Mission Energy, Senior Notes: | |
| 480,000 | 7.750% due 6/15/16 | 492,000 |
| 250,000 | 7.625% due 5/15/27 | 235,625 |
| 1,760,000 | Energy Future Holdings, Senior Notes, 11.250% due 11/1/17 (e)(f) | 1,742,400 |
| 152,070 | Mirant Mid Atlantic LLC, Pass-Through Certificates, 9.125% due 6/30/17 | 168,227 |
| | NRG Energy Inc., Senior Notes: | |
| 250,000 | 7.250% due 2/1/14 | 244,062 |
| 1,025,000 | 7.375% due 2/1/16 | 992,969 |
| 380,000 | TXU Corp., Senior Notes, 5.550% due 11/15/14 | 305,852 |
| | Total Independent Power Producers & Energy Traders | 6,724,935 |
| Insurance 0.2% | | |
| 1,170,000 | American International Group Inc., Medium-Term Notes, 5.850% due 1/16/18 | 1,175,232 |
| 20,000 | MetLife Inc., Junior Subordinated Debentures, 6.400% due 12/15/36 | 18,004 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|-----------------------------------|---|------------|
| Insurance 0.2% (continued) | | |
| \$ 140,000 | Travelers Cos. Inc., Junior Subordinated Debentures, 6.250% due 3/15/37 (d) | \$ 133,354 |
| | Total Insurance | 1,326,590 |
| IT Services 0.1% | | |
| 170,000 | Ceridian Corp., Senior Notes, 12.250% due 11/15/15 (e)(f) | 143,650 |
| 400,000 | SunGard Data Systems Inc.: | |
| 280,000 | Senior Notes, 9.125% due 8/15/13 | 408,000 |
| | Senior Subordinated Notes, 10.250% due 8/15/15 | 281,400 |
| | Total IT Services | 833,050 |
| Machinery 0.0% | | |
| 60,000 | Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14 | 59,550 |
| Media 0.8% | | |
| 355,000 | Affinion Group Inc.: | |
| 100,000 | Senior Notes, 10.125% due 10/15/13 | 353,225 |
| 205,000 | Senior Subordinated Notes, 11.500% due 10/15/15 | 93,000 |
| 1,159,000 | CCH I Holdings LLC/CCH I Holdings Capital Corp., Senior Accreting Notes, 12.125% due 1/15/15 (d) | 109,675 |
| | CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15 | 835,929 |
| 310,000 | CCH II LLC/CCH II Capital Corp., Senior Notes: 10.250% due 9/15/10 | 295,275 |
| 15,000 | 10.250% due 10/1/13 | 13,950 |
| 105,000 | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Discount Notes, 11.750% due 5/15/11 | 67,856 |
| 240,000 | CMP Susquehanna Corp., 9.875% due 5/15/14 | 166,800 |
| 840,000 | Comcast Corp., Notes, 6.500% due 1/15/17 | 879,295 |
| 700,000 | Idearc Inc., Senior Notes, 8.000% due 11/15/16 | 630,000 |
| 180,000 | Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15 | 171,450 |
| 20,000 | News America Inc., Notes, 6.650% due 11/15/37 (e) | 20,371 |
| 655,000 | R.H. Donnelley Corp.: | |
| 450,000 | Senior Discount Notes, 6.875% due 1/15/13 | 553,475 |
| 10,000 | Senior Notes, 8.875% due 1/15/16 | 388,125 |
| 810,000 | Time Warner Cable Inc., 5.850% due 5/1/17 | 10,027 |
| 360,000 | Time Warner Inc., Senior Notes, 6.875% due 5/1/12 | 852,073 |
| 170,000 | TL Acquisitions Inc., Senior Notes, 10.500% due 1/15/15 (e) | 329,400 |
| | XM Satellite Radio Inc., Senior Notes, 9.411% due 5/1/13 (d) | 146,200 |
| | Total Media | 5,916,126 |
| Metals & Mining 0.4% | | |
| 960,000 | Freeport-McMoRan Copper & Gold Inc., Senior Notes, 8.375% due 4/1/17 | 1,022,400 |

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| | | |
|------------------------------|--|------------------|
| 650,000 | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 | 648,375 |
| 205,000 | Noranda Aluminum Holding Corp., Senior Notes, 10.488% due 11/15/14 (d)(e)(f) | 156,825 |
| 290,000 | Novelis Inc., Senior Notes, 7.250% due 2/15/15 | 268,975 |
| 530,000 | Ryerson Inc., Senior Secured Notes, 12.000% due 11/1/15 (e) | 500,850 |
| 100,000 | Steel Dynamics Inc., 7.375% due 11/1/12 (e) | 100,250 |
| 200,000 | Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15 | 181,000 |
| 156,000 | Vale Overseas Ltd., Notes, 6.875% due 11/21/36 | 145,281 |
| | Total Metals & Mining | 3,023,956 |
| Multiline Retail 0.1% | | |
| 530,000 | Dollar General Corp., Senior Subordinated Notes, 11.875% due 7/15/17 (e)(f) | 426,650 |
| 535,000 | Neiman Marcus Group Inc., Senior Subordinated Notes, 10.375% due 10/15/15 | 535,000 |
| | Total Multiline Retail | 961,650 |

See Notes to Schedule of Investments.

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LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|---|---|-------------------|
| Office Electronics 0.0% | | |
| \$ 290,000 | Xerox Corp., Senior Notes, 6.750% due 2/1/17 | \$ 303,689 |
| Oil, Gas & Consumable Fuels 1.4% | | |
| 750,000 | Amerada Hess Corp., 6.650% due 8/15/11 | 809,061 |
| 60,000 | Anadarko Petroleum Corp., Senior Notes: 5.950% due 9/15/16 | 61,974 |
| 1,240,000 | 6.450% due 9/15/36 | 1,268,571 |
| 540,000 | Apache Corp.: 5.625% due 1/15/17 | 561,517 |
| 200,000 | Senior Notes, 5.250% due 4/15/13 | 208,750 |
| 440,000 | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 | 440,000 |
| 775,000 | Chesapeake Energy Corp., Senior Notes, 6.375% due 6/15/15 | 755,625 |
| 85,000 | Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15 | 84,150 |
| 330,000 | ConocoPhillips Holding Co., Senior Notes, 6.950% due 4/15/29 | 378,783 |
| 750,000 | Devon Financing Corp. ULC, Notes, 6.875% due 9/30/11 | 819,113 |
| 180,000 | El Paso Corp., Medium-Term Notes: 7.800% due 8/1/31 | 179,900 |
| 1,050,000 | 7.750% due 1/15/32 | 1,049,295 |
| 320,000 | Enterprise Products Operating LP, Junior Subordinated Notes, 8.375% due 8/1/66 (d) | 320,263 |
| 450,000 | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11 | 432,000 |
| 260,000 | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 | 243,750 |
| 140,000 | Kerr-McGee Corp.: 6.950% due 7/1/24 | 149,881 |
| 300,000 | Notes, 6.875% due 9/15/11 | 326,006 |
| 540,000 | Kinder Morgan Energy Partners LP, Senior Notes, 6.000% due 2/1/17 | 546,913 |
| 605,000 | OPTI Canada Inc., Senior Secured Notes, 8.250% due 12/15/14 (e) | 595,925 |
| 160,000 | Petroplus Finance Ltd., Senior Note, 7.000% due 5/1/17 (e) | 146,000 |
| 290,000 | SemGroup LP, Senior Notes, 8.750% due 11/15/15 (e) | 272,600 |
| 260,000 | Stone Energy Corp., Senior Subordinated Notes, 8.250% due 12/15/11 | 258,700 |
| 100,000 | Williams Cos. Inc.: Notes, 8.750% due 3/15/32 | 120,000 |
| 470,000 | Senior Notes, 7.750% due 6/15/31 | 512,300 |
| 350,000 | XTO Energy Inc.: 5.650% due 4/1/16 | 355,798 |
| 170,000 | Senior Notes, 7.500% due 4/15/12 | 189,865 |
| | Total Oil, Gas & Consumable Fuels | 11,086,740 |
| Paper & Forest Products 0.2% | | |
| | Abitibi-Consolidated Co. of Canada, Senior Notes: | |

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| | | |
|-----------------------------|---|------------------|
| 60,000 | 7.750% due 6/15/11 | 46,050 |
| 210,000 | 8.491% due 6/15/11 (d) | 153,563 |
| 120,000 | 6.000% due 6/20/13 | 82,200 |
| 220,000 | 8.375% due 4/1/15 | 156,750 |
| 160,000 | Abitibi-Consolidated Inc., Debentures, 7.400% due 4/1/18 | 102,400 |
| 545,000 | Appleton Papers Inc., Senior Subordinated Notes, 9.750% due 6/15/14 | 532,737 |
| | NewPage Corp.: | |
| 435,000 | Senior Secured Notes, 11.161% due 5/1/12 (d) | 428,475 |
| 200,000 | Senior Subordinated Notes, 12.000% due 5/1/13 | 199,000 |
| 150,000 | Weyerhaeuser Co., Notes, 6.750% due 3/15/12 | 159,301 |
| | Total Paper & Forest Products | 1,860,476 |
| Pharmaceuticals 0.1% | | |
| 650,000 | Abbott Laboratories, 5.600% due 11/30/17 | 679,631 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|--|---|------------|
| Pharmaceuticals 0.1% (continued) | | |
| \$ 445,000 | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 | \$ 180,225 |
| | Total Pharmaceuticals | 859,856 |
| Real Estate Investment Trusts (REITs) 0.0% | | |
| 75,000 | iStar Financial Inc., Senior Notes, 4.875% due 1/15/09 | 73,458 |
| 85,000 | Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.500% due 6/1/16 | 85,000 |
| | Total Real Estate Investment Trusts (REITs) | 158,458 |
| Real Estate Management & Development 0.1% | | |
| 270,000 | Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15 | 132,300 |
| 570,000 | Realogy Corp., Senior Subordinated Notes, 12.375% due 4/15/15 (e) | 342,000 |
| | Total Real Estate Management & Development | 474,300 |
| Road & Rail 0.2% | | |
| 1,195,000 | Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 | 1,154,669 |
| 50,000 | Kansas City Southern de Mexico, Senior Notes, 7.625% due 12/1/13 | 48,500 |
| 430,000 | Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09 | 434,837 |
| | Total Road & Rail | 1,638,006 |
| Semiconductors & Semiconductor Equipment 0.0% | | |
| 195,000 | Freescal Semiconductor Inc., Senior Notes, 8.875% due 12/15/14 | 159,413 |
| Specialty Retail 0.1% | | |
| 235,000 | Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12 | 186,825 |
| 165,000 | Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15 | 175,313 |
| 150,000 | Michaels Stores Inc., 11.375% due 11/1/16 | 122,250 |
| | Total Specialty Retail | 484,388 |
| Textiles, Apparel & Luxury Goods 0.0% | | |
| 180,000 | Oxford Industries Inc., Senior Notes, 8.875% due 6/1/11 | 176,850 |
| Thrifts & Mortgage Finance 0.0% | | |
| 270,000 | Countrywide Home Loans Inc., Notes, 5.625% due 7/15/09 | 248,120 |
| Tobacco 0.0% | | |
| 150,000 | Alliance One International Inc., Senior Notes: 8.500% due 5/15/12 | 140,250 |
| 90,000 | 11.000% due 5/15/12 | 92,250 |
| | Total Tobacco | 232,500 |
| Trading Companies & Distributors 0.1% | | |

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| | | |
|---|---|------------------|
| 355,000 | Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (e) | 298,200 |
| 440,000 | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16 | 407,000 |
| 450,000 | Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (e) | 375,750 |
| | Total Trading Companies & Distributors | 1,080,950 |
| Transportation Infrastructure 0.0% | | |
| | Saint Acquisition Corp.: | |
| 435,000 | Secured Notes, 12.500% due 5/15/17 (e) | 174,000 |
| 130,000 | Senior Secured Notes, 12.619% due 5/15/15 (d)(e) | 50,050 |
| | Total Transportation Infrastructure | 224,050 |
| Wireless Telecommunication Services 0.6% | | |
| 210,000 | ALLTEL Communications Inc., Senior Notes, 10.375% due 12/1/17 (e)(f) | 182,700 |
| 65,000 | MetroPCS Wireless Inc., Senior Notes, 9.250% due 11/1/14 | 60,125 |
| 1,270,000 | New Cingular Wireless Services Inc., Notes, 8.125% due 5/1/12 | 1,445,103 |

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|---|--|-------------------|
| Wireless Telecommunication Services 0.6% (continued) | | |
| \$ 245,000 | Rural Cellular Corp.: | |
| 110,000 | Senior Notes, 9.875% due 2/1/10 | \$ 254,800 |
| 1,190,000 | Senior Secured Notes, 8.250% due 3/15/12 | 113,850 |
| 300,000 | Sprint Capital Corp., Senior Notes, 8.375% due 3/15/12 | 1,237,909 |
| 780,000 | Sprint Nextel Corp., 6.000% due 12/1/16 | 266,662 |
| | True Move Co., Ltd., 10.750% due 12/16/13 (e) | 744,900 |
| | Total Wireless Telecommunication Services | 4,306,049 |
| | TOTAL CORPORATE BONDS & NOTES | |
| | (Cost \$100,116,887) | 93,881,108 |
| MORTGAGE-BACKED SECURITIES 6.5% | | |
| FHLMC 3.8% | | |
| 3,075,058 | Federal Home Loan Mortgage Corp. (FHLMC): | |
| 97,665 | 5.118% due 6/1/35 (d) | 3,122,781 |
| | 6.116% due 9/1/37 (d) | 100,243 |
| | Gold: | |
| 610,076 | 7.000% due 6/1/17 | 637,586 |
| 23,851,268 | 6.000% due 7/1/21-2/1/36 (h) | 24,560,460 |
| 321,468 | 8.500% due 9/1/25 | 356,888 |
| 710,822 | 6.500% due 8/1/29 | 744,563 |
| | TOTAL FHLMC | 29,522,521 |
| FNMA 2.5% | | |
| 636,381 | Federal National Mortgage Association (FNMA): | |
| 1,687,299 | 8.000% due 12/1/12 | 654,174 |
| 1,591,855 | 5.500% due 1/1/14-4/1/35 | 1,715,744 |
| 567,192 | 7.000% due 3/15/15-6/1/32 | 1,699,161 |
| 767,418 | 4.205% due 12/1/34 (d) | 570,792 |
| 1,035,645 | 4.852% due 1/1/35 (d) | 793,620 |
| 1,140,156 | 5.051% due 3/1/35 (d) | 1,068,759 |
| 2,875,782 | 6.016% due 4/1/35 (d) | 1,175,318 |
| 4,356,733 | 5.633% due 4/1/36 (d) | 2,916,673 |
| 1,394,134 | 5.554% due 5/1/36 (d)(h) | 4,422,084 |
| 3,100,000 | 6.000% due 11/1/37 | 1,431,009 |
| | 5.000% due 2/12/38 (i) | 3,086,921 |
| | TOTAL FNMA | 19,534,255 |
| GNMA 0.2% | | |
| 1,221,022 | Government National Mortgage Association (GNMA), | |
| | 5.500% due 8/15/21 | 1,251,932 |
| | TOTAL MORTGAGE-BACKED SECURITIES | |
| | (Cost \$49,549,772) | 50,308,708 |
| SOVEREIGN BONDS 0.0% | | |
| Argentina 0.0% | | |
| 69,931 | ARS | |
| | Republic of Argentina, GDP Linked Securities, 0.649% due | |
| | 12/15/35 | 2,093 |

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(Cost - \$811)

U.S. GOVERNMENT & AGENCY OBLIGATIONS 1.3%

U.S. Government Agency 0.0%

100,000

Federal Home Loan Bank (FHLB), Global Bonds, 5.500% due
7/15/36

110,716

U.S. Government Obligations 1.3%

3,090,000

40,000

110,000

U.S. Treasury Bonds:

4.750% due 2/15/37

5.000% due 5/15/37

U.S. Treasury Notes:

4.125% due 8/31/12

3,292,784

44,316

116,403

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

| Face Amount | Security | Value |
|--|--|--------------|
| U.S. Government Obligations 1.3% (continued) | | |
| \$ 6,200,000 | 4.750% due 8/15/17 (h) | \$ 6,751,223 |
| | Total U.S. Government Obligations | 10,204,726 |
| | TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS | |
| | (Cost \$9,554,208) | 10,315,442 |
| U.S. TREASURY INFLATION PROTECTED SECURITIES 1.1% | | |
| 1,969,399 | U.S. Treasury Bonds, Inflation Indexed, 2.375% due 1/15/27 | 2,192,496 |
| 99,830 | U.S. Treasury Notes, Inflation Indexed: | |
| 2,974,947 | 0.875% due 4/15/10 | 101,039 |
| 2,813,427 | 2.375% due 4/15/11 | 3,155,306 |
| | 2.375% due 1/15/17 | 3,089,056 |
| | TOTAL U.S. TREASURY INFLATION PROTECTED SECURITIES | |
| | (Cost \$7,672,379) | 8,537,897 |
| Contracts | | |
| PURCHASED OPTIONS 0.6% | | |
| 337 | Eurodollar Futures, Call @ \$94.00, expires 6/16/08 | 2,957,175 |
| 173 | First American Corp., Put @ \$35.00, expires 4/19/08 | 15,570 |
| 274 | General Electric Co., Call @ \$30.00, expires 1/16/10 | 204,130 |
| | Johnson & Johnson: | |
| 1,803 | Call @ \$60.00, expires 1/17/09 | 1,135,890 |
| 909 | Call @ \$65.00, expires 1/17/09 | 336,330 |
| | TOTAL PURCHASED OPTIONS | |
| | (Cost \$3,390,084) | 4,649,095 |
| | TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS | |
| | (Cost \$673,968,160) | 630,426,101 |
| Face Amount | | |
| SHORT-TERM INVESTMENTS 19.0% | | |
| U.S. Government Agencies 2.5% | | |
| \$ 18,900,000 | Federal Home Loan Bank (FHLB), Discount Notes, 1.750% due 2/1/08 (h)(j) | 18,900,000 |
| 445,000 | Federal National Mortgage Association (FNMA), Discount Notes, 4.208% - 5.203% due 3/17/08 (j) | 442,580 |
| | Total U.S. Government Agencies | |
| | (Cost \$19,342,580) | 19,342,580 |
| Repurchase Agreements 16.5% | | |
| 111,253,000 | Interest in \$906,871,000 joint tri-party repurchase agreement dated 1/31/08 with Greenwich Capital Markets Inc., 2.850% due 2/1/08; Proceeds at maturity - \$111,261,808; (Fully collateralized by various U.S. | 111,253,000 |

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| | | |
|------------|---|----------------|
| 17,057,000 | government agency obligations, 3.250% to 6.210% due 5/15/08 to 8/6/38; Market value - \$113,478,225) | |
| | Morgan Stanley tri-party repurchase agreement dated 1/31/08, 2.800% due 2/1/08; Proceeds at maturity - \$17,058,327; (Fully collateralized by U.S. government agency obligation, 8.875% due 7/15/20; Market value - \$17,486,470) (h) | 17,057,000 |
| | Total Repurchase Agreements | |
| | (Cost \$128,310,000) | 128,310,000 |
| | TOTAL SHORT-TERM INVESTMENTS | |
| | (Cost \$147,652,580) | 147,652,580 |
| | TOTAL INVESTMENTS 100.0% (Cost \$821,620,740#) | \$ 778,078,681 |

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

* Non-income producing security.

See Notes to Schedule of Investments.

LMP Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

January 31, 2008

- (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) Security has no maturity date. The date shown represents the next call date.
- (d) Variable rate security. Interest rate disclosed is that which is in effect at January 31, 2008.
- (e) 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.
- (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (g) Security is currently in default.
- (h) All or a portion of this security is segregated for open futures contracts, extended settlements, written options, swap contracts, foreign currency contracts and on securities traded on a to-be announced (TBA) basis.
- (i) This security is traded on a TBA basis (See Note 1).
- (j) Rate shown represents yield-to-maturity.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ARM - Adjustable Rate Mortgage

ARS - Argentine Peso

GDP - Gross Domestic Product

MTN - Medium-Term Note

PAC - Planned Amortization Class

SEK - Swedish Krona

Schedule of Options Written

| Contracts | Security | Expiration Date | Strike Price | Value |
|--------------------------------|--|-----------------|--------------|----------|
| 6 | Eurodollar Futures, Call | 3/17/08 | \$ 96.50 | \$ 8,963 |
| 10 | U.S. Treasury Notes 10 Year Futures, Put | 2/22/08 | 107.00 | 156 |
| TOTAL OPTIONS WRITTEN | | | | |
| (Premiums received - \$11,014) | | | | \$ 9,119 |

Schedule of Securities Sold Short

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| Shares | Security | Value |
|--------------------------|------------------------------------|--------------|
| COMMON STOCKS | | |
| 45,300 | iShares MSCI Brazil Index Fund | \$ 3,439,629 |
| 32,900 | iShares MSCI Emerging Market Index | 4,482,625 |
| | COMMON STOCKS SOLD SHORT | |
| | (Proceeds - \$7,495,217) | \$ 7,922,254 |

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

LMP Capital and Income Fund Inc. (the Fund) was incorporated in Maryland on November 12, 2003 and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, (the 1940 Act). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. The Fund's investment objective is total return with an emphasis on income. The Fund pursues its investment objective by investing at least 80% of its assets in a broad range of equity and fixed income securities of both U.S. and foreign issuers.

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

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

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

(c) Short Sales of Securities. A short sale is a transaction in which the Fund sells a security it does not own (but has borrowed) in anticipation of a decline in the market price of that security. To complete a short sale, the Fund may arrange through a broker to borrow the security to be delivered to the buyer. The proceeds received by the Fund for the short sale are retained by the broker until the Fund replaces the borrowed security. In borrowing the security to be delivered to the buyer, the Fund becomes obligated to replace the security borrowed at the market price at the time of

replacement, whatever that price may be. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale.

Dividends declared on short positions existing on the record date are recorded on the ex-dividend date as an expense.

(d) Written Options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the Fund realizes a gain from investments equal to the amount of the premium received. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is treated as a realized gain or loss. When a written put option is exercised, the amount of the premium received is added to the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a

Notes to Schedule of Investments (unaudited) (continued)

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

(e) Financial Futures Contracts. The Fund may enter into financial futures contracts typically, but not necessarily, to hedge a portion of the portfolio. Upon entering into a financial futures contract, the Fund is required to deposit cash or securities as initial margin, equal to a certain percentage of the contract amount (initial margin deposit). Additional securities are also segregated up to the current market value of the financial futures contracts. Subsequent payments, known as variation margin, are made or received by the Fund each day, depending on the daily fluctuations in the value of the underlying financial instruments. For foreign denominated futures, variation margins are not settled daily. The Fund recognizes an unrealized gain or loss equal to the fluctuation in the value. When the financial futures contracts are closed, a realized gain or loss is recognized equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contracts.

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

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

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

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

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected in the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

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

(i) Mortgage Dollar Rolls. The Fund may enter into dollar rolls in which the Fund sells mortgage-backed securities for delivery in the current month, realizing a gain or loss, and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities to settle on a specified future date. During the roll period, the Fund forgoes interest paid on the securities. The Fund is compensated by the interest earned on the cash proceeds of the initial sale and by the lower repurchase price at the specified future date. The Fund maintains a segregated account, the dollar value of which is at least equal to its obligations with respect to dollar rolls.

The Fund executes its mortgage dollar rolls entirely in the to-be-announced (TBA) market, where the Fund makes a forward commitment to purchase a security and, instead of accepting delivery, the position is offset by a sale of the security with a simultaneous agreement to repurchase at a future date.

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

(j) Swap Contracts. Swaps involve the exchange by the Fund with another party of the respective amounts payable with respect to a notional principal amount related to one or more indices. The Fund may enter into these transactions to preserve a return or spread on a particular investment or portion of its assets, as a duration management technique, or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. The Fund may also use these transactions for speculative purposes, such as to obtain the price performance of a security without actually purchasing the security in circumstances where, for example, the subject security is illiquid, is unavailable for direct investment or available only on less attractive terms.

Notes to Schedule of Investments (unaudited) (continued)

Swaps are marked-to-market daily based upon quotations from market makers and the change in value, if any, is recorded as an unrealized gain or loss in the Statement of Operations. Net receipts or payments of interest are recorded as realized gains or losses, respectively.

Swaps have risks associated with them, including possible default by the counterparty to the transaction, illiquidity and, where swaps are used as hedges, the risk that the use of a swap could result in losses greater than if the swap had not been employed.

(k) Credit Default Swaps. The Fund may enter into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate issuers or sovereign issuers of an emerging country, on a specified obligation. The Fund may use a CDS to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Fund has exposure to the sovereign issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a fixed rate of income throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will pay to the buyer of the protection an amount up to the notional value of the swap, and in certain instances take delivery of the security. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities. These upfront payments are recorded as realized gain or loss on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Statement of Operations. Net periodic payments received or paid by the Fund are recorded as realized gain or loss on the Statement of Operations.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

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

currency losses caused by devaluations and exchange rate fluctuations.

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

2. Investments

At January 31, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | | |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 15,253,205 |
| Gross unrealized depreciation | | (58,795,264) |
| Net unrealized depreciation | \$ | (43,542,059) |

During the period ended January 31, 2008, written option transactions for the Fund were as follows:

Notes to Schedule of Investments (unaudited) (continued)

| | Number of Contracts | | Premiums |
|---|------------------------|----|-------------|
| Options written, outstanding October 31, 2007 | 10 | \$ | 9,169 |
| Options written | 12,316 | | 3,486,027 |
| Options closed | (12,310) | | (3,484,182) |
| Options expired | | | |
| Options written, outstanding January 31, 2008 | 16 | \$ | 11,014 |

At January 31, 2008, the Fund had the following open forward foreign currency contracts:

| Foreign Currency | | Local Currency | | Market Value | Settlement Date | | Unrealized Gain(Loss) |
|---|----|-------------------|----|-----------------|--------------------|----|--------------------------|
| Contracts to Buy: | | | | | | | |
| Euro | \$ | 2,830,000 | \$ | 4,198,513 | 2/12/08 | \$ | (4,745) |
| Pound Sterling | | 808,000 | | 1,606,361 | 2/12/08 | | (670) |
| Japanese Yen | | 72,660,000 | | 681,209 | 2/12/08 | | 36,145 |
| Japanese Yen | | 72,660,000 | | 684,880 | 5/7/08 | | (3,188) |
| | | | | | | | 27,542 |
| Contracts to Sell: | | | | | | | |
| Euro | | 2,830,000 | | 4,198,513 | 2/12/08 | | (166,753) |
| Euro | | 2,830,000 | | 4,186,574 | 5/7/08 | | 4,656 |
| Pound Sterling | | 808,000 | | 1,606,361 | 2/12/08 | | 42,605 |
| Pound Sterling | | 808,000 | | 1,597,543 | 5/7/08 | | 681 |
| Japanese Yen | | 72,660,000 | | 681,209 | 2/12/08 | | 3,197 |
| | | | | | | | (115,614) |
| Net Unrealized Loss on Open Forward Foreign Currency Contracts | | | | | | \$ | (88,072) |

At January 31, 2008, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration Date | | Basis Value | | Market Value | | Unrealized Gain |
|--|------------------------|--------------------|----|----------------|----|-----------------|----|-----------------|
| Contracts to Buy: | | | | | | | | |
| Germany Federal Republic 10 Year | 26 | 3/08 | \$ | 4,459,880 | \$ | 4,502,517 | \$ | 42,637 |
| Euribor Futures | 169 | 3/08 | | 816,368 | | 843,330 | | 26,962 |
| Eurodollar Futures | 2 | 6/08 | | 476,047 | | 487,550 | | 11,503 |
| U.S. Treasury Bonds | 54 | 3/08 | | 6,347,418 | | 6,442,875 | | 95,457 |
| U.S. 2 Year Treasury Notes | 60 | 3/08 | | 12,612,519 | | 12,793,125 | | 180,606 |
| U.S. 5 Year Treasury Notes | 179 | 3/08 | | 19,681,653 | | 20,227,000 | | 545,347 |
| | | | | | | | | 902,512 |
| Contracts to Sell: | | | | | | | | |
| U.S. 10 Year Treasury Notes | 78 | 3/08 | \$ | 9,225,172 | \$ | 9,104,062 | \$ | 121,110 |
| Net Unrealized Gain on Open Futures Contracts | | | | | | | \$ | 1,023,622 |

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At January 31, 2008, the Fund held TBA securities with a total cost of \$3,068,938.

The average monthly balance of mortgage dollar rolls outstanding for the Fund for the period ended January 31, 2008 was approximately \$5,020,133.

At January 31, 2008, the Fund held the following interest rate swap contracts:

Notes to Schedule of Investments (unaudited) (continued)

| | |
|----------------------------|-----------------------------------|
| Swap Counterparty: | Barclays Capital Inc. |
| Effective Date: | 11/19/07 |
| Notional Amount: | \$400,000 |
| Payments Made by Fund: | Floating Rate (Three-Month LIBOR) |
| Payments Received by Fund: | Fixed Rate, 4.000% |
| Termination Date: | 12/15/09 |
| Unrealized Appreciation | \$7,663 |

| | |
|----------------------------|-----------------------------------|
| Swap Counterparty: | Barclays Capital Inc. |
| Effective Date: | 11/16/07 |
| Notional Amount: | \$1,079,000 |
| Payments Made by Fund: | Floating Rate (Three-Month LIBOR) |
| Payments Received by Fund: | Fixed Rate, 4.400% |
| Termination Date: | 5/31/12 |
| Unrealized Appreciation | \$40,156 |

At January 31, 2008, the Fund held the following credit default swap contracts:

| | |
|----------------------------|-------------------------------------|
| Swap Counterparty: | Barclays Capital Inc. |
| Effective Date: | 11/2/07 |
| Reference Entity: | AMBAC Assurance Corp. |
| Notional Amount: | \$30,000 |
| Payment Made by Fund: | Payment only if credit event occurs |
| Payments Received by Fund: | Fixed Rate, 3.600% |
| Termination Date: | 12/20/12 |
| Unrealized Depreciation | \$(1,020) |

| | |
|----------------------------|-------------------------------------|
| Swap Counterparty: | Barclays Capital Inc. |
| Effective Date: | 11/2/07 |
| Reference Entity: | MBIA Insurance Corp. |
| Notional Amount: | \$40,000 |
| Payment Made by Fund: | Payment only if credit event occurs |
| Payments Received by Fund: | Fixed Rate, 3.050% |
| Termination Date: | 12/20/12 |
| Unrealized Depreciation | \$(2,271) |

| | |
|----------------------------|-------------------------------------|
| Swap Counterparty: | Barclays Capital Inc. |
| Effective Date: | 11/2/07 |
| Reference Entity: | AMBAC Assurance Corp. |
| Notional Amount: | \$50,000 |
| Payment Made by Fund: | Payment only if credit event occurs |
| Payments Received by Fund: | Fixed Rate, 3.600% |
| Termination Date: | 12/20/12 |
| Unrealized Depreciation | \$(1,700) |

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| | |
|----------------------------|-------------------------------------|
| Swap Counterparty: | Barclays Capital Inc. |
| Effective Date: | 11/2/07 |
| Reference Entity: | MBIA Insurance Corp. |
| Notional Amount: | \$60,000 |
| Payment Made by Fund: | Payment only if credit event occurs |
| Payments Received by Fund: | Fixed Rate, 3.100% |
| Termination Date: | 12/20/12 |
| Unrealized Appreciation | \$3,292 |

At January 31, 2008, the Fund had total unrealized depreciation of \$46,120 from swap contracts.

ITEM 2. CONTROLS AND PROCEDURES.

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

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

ITEM 3. EXHIBITS.

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

SIGNATURES

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

LMP Capital and Income Fund Inc.

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

Date: March 28, 2008

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

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

Date: March 28, 2008

By */s/ Kaprel Ozsolak*
Kaprel Ozsolak
Chief Financial Officer

Date: March 28, 2008
