

LMP CAPITAL & INCOME FUND INC.
Form N-CSR
January 08, 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 Fl.

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

Registrant's telephone number, including area code: (800) 725-6666

Date of fiscal year end: October 31,

Date of reporting period: October 31, 2006

ITEM 1.

REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

LMP

Capital and Income Fund Inc.

ANNUAL REPORT

OCTOBER 31, 2006

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

LMP

Capital and Income Fund Inc.

Annual Report October 31, 2006

What's Inside

Fund Objective

The Fund's investment objective is total return with an emphasis on income.

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Letter from the Chairman

R. JAY GERKEN, CFA

Chairman, President and
Chief Executive Officer

Dear Shareholder,

While the U.S. economy continued to expand, it weakened considerably as the reporting period progressed. After expanding 4.1% in the third quarter of 2005, gross domestic product (GDP)⁽ⁱ⁾ increased a modest 1.7% during the last three months of the year. The economy then rebounded sharply in the first quarter of 2006. Over this period, GDP rose 5.6%, its highest reading since the third quarter of 2003. The economy then took a step backwards in the second quarter 2006, as GDP growth was 2.6% according to the U.S. Commerce Department. The preliminary estimate for third quarter GDP growth was 2.2%.

After increasing the federal funds rate⁽ⁱⁱ⁾ to 5.25% in June its 1st consecutive rate hike the Federal Reserve Board (Fed)⁽ⁱⁱⁱ⁾ paused from raising rates at its next four meetings. In its statement accompanying the December meeting, the Fed stated, Economic growth has slowed over the course of the year, partly reflecting a substantial cooling of the housing market. Although recent indicators have been mixed, the economy seems likely to expand at a moderate pace on balance over coming quarters. The Fed s next meeting is at the end of January, and we believe any further rate movements will likely be data dependent.

For the 12-month period ended October 31, 2006, the U.S. stock market generated solid results, with the S&P 500 Index^(iv) returning 16.33%. For much of the period, stock prices moved in fits and starts due to continued interest rate hikes, high oil prices and inflationary pressures. However, toward the end of the period, several of these overhangs were removed, as the Fed paused from tightening rates and, after peaking at \$78 a barrel in mid-July, oil prices fell 15% in the latter part of the third quarter.^(v)

LMP Capital and Income Fund Inc.

I

Both short- and long-term yields rose over the reporting period. However, after peaking in late June with two- and 10-year Treasuries hitting 5.29% and 5.25%, respectively rates fell sharply as the Fed paused from its tightening cycle. In addition, inflationary pressures eased as oil prices declined. Overall, during the 12 months ended October 31, 2006, two-year Treasury yields increased from 4.40% to 4.71%. Over the same period, 10-year Treasury yields moved from 4.57% to 4.61%. Looking at the 12-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index,(vi) returned 5.19%.

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

Special Shareholder Notices

Following the purchase of substantially all of Citigroup Inc.'s (Citigroup) asset management business in December 2005, Legg Mason, Inc. (Legg Mason) undertook an internal reorganization to consolidate the advisory services provided to the legacy Citigroup funds through a more limited number of advisers. As part of this reorganization, at a meeting held on June 26, 2006, the Fund's Board approved a new management agreement with Legg Mason Partners Fund Advisor, LLC (LMPFA), under which LMPFA became investment manager for the Fund effective August 1, 2006.

Western Asset Management Company (Western Asset) became the subadviser for the Fund, under a new sub-advisory agreement between LMPFA and Western Asset, effective August 1, 2006. ClearBridge Advisors, LLC. (ClearBridge), formerly CAM North America, LLC., also became a subadviser for the Fund, under an additional sub-advisory agreement between LMPFA and ClearBridge.

II LMP Capital and Income Fund Inc.

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LMPFA, Western Asset and ClearBridge are wholly-owned subsidiaries of Legg Mason. The portfolio managers who are responsible for the day-to-day management of the Fund remained the same immediately prior to and immediately after the date of these changes. LMPFA provides administrative and certain oversight services to the Fund. LMPFA has delegated to the subadvisers the day-to-day portfolio management of the Fund. The management fee for the Fund remains unchanged.

On November 20, 2006 the Fund announced that it authorized the Fund to repurchase from time to time in the open market up to an additional 1,000,000 shares of the Fund's common stock. The Board of Directors directed the management of the Fund to repurchase shares of the Fund's common stock at such times and in such amounts as management believes will enhance shareholder value, subject to review by the Fund's Board of Directors.

This is the fourth repurchase program authorized by the Board of Directors since the Fund's inception in 2004. Pursuant to the Fund's previous three repurchase programs of up to 1,000,000 shares each, the Fund has repurchased three million shares of common stock. The second and third repurchase program were authorized and announced in February and June respectively, of this period.

Effective November 30, 2006, Western Asset Management Company Limited (Western Asset Limited) will become an additional subadviser to the Fund. Western Asset Limited will provide certain advisory services to the Fund relating to currency transactions and investment in non-dollar denominated securities.

Western Asset Limited has offices at 10 Exchange Place, London, England. Western Asset Limited acts as an investment adviser to institutional accounts, such as corporate pension plans, mutual funds and endowment funds. Western Asset Limited is a wholly-owned subsidiary of Legg Mason.

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

Information About Your Fund

As you may be aware, several issues in the mutual fund industry (not directly affecting closed-end investment companies, such as this Fund) have come under the scrutiny of federal and state regulators. Affiliates of the Fund's manager have, in recent years, received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The regulators appear to be examining, among other things, the open-end funds' response to market timing and shareholder exchange activity, including compliance with prospectus disclosure related to these subjects. The Fund is not in a position to predict the outcome of these requests and investigations, or whether these may affect the Fund.

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

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

Sincerely,

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

December 13, 2006

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 is a market value of goods and services produced by labor and property in a given country.
 - (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 is responsible for the formulation of a policy 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) Source: *The Wall Street Journal*, 9/29/06.
 - (vi) 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.

Fund Overview

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

A. The ongoing economic expansion and solid corporate profits helped the U.S. equity markets generate very strong results during the 12-month period that ended October 31, 2006. Over that time, the S&P 500 Index(i) returned 16.33%. That said, the market experienced periods of volatility often triggered by the Federal Reserve Board (Fed)(ii) and changing expectations regarding whether or not it would end its two year tightening campaign. Looking at the 12-month period as a whole, value stocks outperformed their growth counterparts, with the Russell 3000 Value(iii) and Russell 3000 Growth(iv) Indices returning 21.58% and 11.39%, respectively. However, during the last three months of the reporting period, growth stocks generated superior results, with the Russell 3000 Growth and Russell 3000 Value Indices returning 9.73% and 7.29%, respectively.

The bond market faced a number of challenges over the period, including six additional short-term interest rate hikes by the Fed, inflationary pressures and a continued economic expansion. However, as the period progressed, oil prices fell sharply, a cooling housing market triggered slower economic growth and the Fed paused from raising rates during its meetings in August, September and October 2006. This led to a strong rally in the bond market, with both short- and long-term yields falling sharply. At the end of October, the yield curve was inverted, as two-year Treasury yields were higher than their 10-year counterparts. Historically, this has often been a precursor of slower economic growth.

Riskier asset classes, such as high yield bonds and emerging market debt, experienced periods of volatility during the reporting period. This was often triggered by uncertainty regarding Fed policy and periodic investor flights to quality. However, for the 12-month period as a whole, the Citigroup High Yield Market Index(v) returned 9.95% and the JPMorgan Emerging Markets Bond Index Global(vi) gained 11.45%. High yield bonds performed well on the back of solid corporate profits, low default rates and solid demand. Emerging market debt benefited from a combination of ongoing improvements in emerging market fundamentals, relatively low global interest rates and high commodity prices.

Performance Review

For the 12 months ended October 31, 2006, LMP Capital and Income Fund Inc. returned 13.24%, based on its New York Stock Exchange (NYSE) market price and 13.89% based on its net asset value (NAV)(vii) per share. In comparison, the Fund's unmanaged benchmark, the S&P 500 Index, returned 16.33% and its Lipper Income and Preferred Stock Closed-End Funds Category Average(viii) increased 13.50% over the same period. Please note that Lipper performance returns are based on each Fund's NAV.

During the 12-month period of this report, the Fund made distributions to shareholders totaling \$1.20 per share. The performance table below shows the Fund's 12-month total return based on its NAV and market price as of October 31, 2006. **Past performance is no guarantee of future results.**

Performance Snapshot as of October 31, 2006 (unaudited)

Price Per Share	12-Month Total Return
\$21.15 (NAV)	13.89%
\$18.19 (Market Price)	13.24%

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

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

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

What were the leading contributors to performance?

A. In the equity portion of the Fund, our sector positioning enhanced results during the reporting period. In particular, the Fund's exposure to the information technology, energy and consumer discretionary sectors were positive contributors to relative performance.

In terms of stock selection, the Fund's holdings in the financial, consumer staples and consumer discretionary sectors were the largest contributors to relative performance. On an individual stock basis, the largest absolute contributors to performance were **Nexen Inc., McDonald's Corp., American Tower Corp., Time Warner, Inc. and Microsoft Corp.**

In the fixed income portion of the Fund, our allocations to high yield and emerging market debt enhanced results, as both sectors outperformed the investment grade markets during the reporting period. In the second half of the fiscal year, the Fund's large allocation to **Ford Motor Company** and **General Motors Corporation** was particularly beneficial, as these bonds performed well following last year's downgrades. Elsewhere, overall, the Fund's exposure to mortgages contributed to results as volatility in the sector fell over the period, which aided the mortgage market's results.

What were the leading detractors from performance?

A. In the equity portion of the Fund, our overall stock selection detracted from relative results during the reporting period. In particular, the Fund's holdings in the energy, materials and telecommunication services sectors hurt relative returns the most. From a sector positioning perspective, the Fund's exposure to industrials and materials

detracted the most from relative results. On an individual stock basis, the largest detractors from absolute performance were **Boston Scientific Corp., Digitas Inc., Halliburton Co., Newmont Mining Corp.** and **NTL Inc.**

In the fixed income portion of the Fund, during the first half of the period, the Fund's allocations to investment grade corporate and U.S. Treasury securities detracted from performance. Overall, during the second half of the reporting period the Fund's mortgage holdings helped results. However, during the spring of 2006 this exposure detracted from returns, as spreads widened and the sector underperformed Treasuries.

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

A. A number of significant changes occurred during the 12-month reporting period. Based on our analysis of the risks and rewards in the overall market, we increased the Fund's equity exposure while reducing its exposure to the fixed income market. In particular, we eliminated the Fund's emerging markets debt position during the period, as spreads in this asset class reached 15 year lows. This indicated to us that limited upside potential remained. We also moved from a large overweight in the high yield corporate bond sector to a much lower exposure. Again, this was based solely on our views of the risk/reward characteristics in this area. The shift in the Fund's asset allocation was beneficial to performance, as equities rallied sharply from mid-July through the end of October.

In the equity portion of the Fund, we changed from a team-managed approach to a single portfolio manager. Based on this change, we moved to pare the total number of equity holdings in the Fund from approximately 200 to roughly 60 by the end of the period. We believe the Fund's equity allocation remains well diversified among the various sectors in the market.

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 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, 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.

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

Sincerely,

Robert Gendelman,
Portfolio Manager

ClearBridge Advisors, LLC (Equity Portion)

Western Asset Management Company (Fixed Income Portion)

November 29, 2006

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

Portfolio holdings and breakdowns are as of October 31, 2006 and are subject to change and may not be representative of the Fund's current or future investments. The Fund's top ten holdings (as a percentage of net assets) as of this date were: Federal Home Loan Mortgage Corp. (FHLMC) (5.38%), American Express Co. (3.98%), McDonalds Corp. (3.18%), Microsoft Corp. (3.06%), General Electric Co. (3.04%), Time Warner Inc. (3.01%), First American Corp. (2.95%), Capital One Financial Corp. (2.67%), Anadarko Petroleum Corp (2.54%) and UBS AG (2.50%). Please refer to pages 7 through 24 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. Portfolio holdings are subject to change at any time and may not be representative of the Fund's current or future investments. The Fund's top five sector holdings (as a percentage of net assets) as of October 31, 2006 were: Financials (27.71%), Consumer Discretionary (21.49%), Information Technology (13.26%), Energy (10.20%) and Industrials (9.47%). The Fund's portfolio composition is subject to change at any time.

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

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

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- (i) 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.
 - (ii) The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
 - (iii) The Russell 3000 Value Index measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. (A price-to-book ratio is the price of a stock compared to the difference between a company's assets and liabilities.)
 - (iv) The Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.
 - (v) The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.
 - (vi) The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.

- (vii) 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.
- (viii) Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 12-month period ended October 31, 2006, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 123 funds in the Fund's Lipper category, and excluding sales charges.

Fund at a Glance (unaudited)

Investment Breakdown

As a Percent of Total Investments

Schedule of Investments (October 31, 2006)

LMP CAPITAL AND INCOME FUND INC.

Shares	Security	Value
COMMON STOCKS 65.6%		
CONSUMER DISCRETIONARY 12.3%		
Hotels, Restaurants & Leisure 5.9%		
107,720	Las Vegas Sands Corp. *	\$ 8,208,264
480,900	McDonald's Corp.	20,159,328
97,700	Penn National Gaming, Inc. *	3,572,889
93,300	Starwood Hotels & Resorts Worldwide Inc.	5,573,742
182,100	Station Casinos Inc.	10,980,630
26,100	Wynn Resorts Ltd. *	1,919,394
	Total Hotels, Restaurants & Leisure	50,414,247
Household Durables 0.4%		
1,226,577	Home Interiors of Gifts Inc. (a)(b)*	12,266
79,500	Ryland Group Inc.	3,651,435
	Total Household Durables	3,663,701
Media 6.0%		
448,970	Charter Communications Inc., Class A Shares *	1,034,876
286,130	Clear Channel Communications Inc.	9,971,630
215,200	EchoStar Communications Corp., Class A Shares *	7,643,904
70,144	Lamar Advertising Co., Class A Shares *	4,045,906
498,400	SES Global SA, FDR	7,645,041
954,300	Time Warner Inc.	19,095,543
48,900	Warner Music Group Corp.	1,267,977
	Total Media	50,704,877
	TOTAL CONSUMER DISCRETIONARY	104,782,825
CONSUMER STAPLES 3.3%		
Food & Staples Retailing 0.7%		
109,300	Costco Wholesale Corp.	5,834,434
Household Products 1.6%		
213,900	Procter & Gamble Co.	13,559,121
Tobacco 1.0%		
109,000	Altria Group Inc.	8,864,970
	TOTAL CONSUMER STAPLES	28,258,525
ENERGY 6.8%		
Energy Equipment & Services 1.9%		
239,500	Halliburton Co.	7,747,825
94,100	SEACOR Holdings Inc. *	8,420,068
	Total Energy Equipment & Services	16,167,893

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (continued)

Shares	Security	Value
Oil, Gas & Consumable Fuels 4.9%		
346,600	Anadarko Petroleum Corp.	\$ 16,089,172
183,190	Cheniere Energy Inc. *	4,821,561
244,300	Sasol Ltd., ADR	8,357,503
182,060	Total SA, ADR	12,405,568
	Total Oil, Gas & Consumable Fuels	41,673,804
	TOTAL ENERGY	57,841,697
FINANCIALS 18.7%		
Capital Markets 1.9%		
264,900	UBS AG	15,851,616
Commercial Banks 1.1%		
256,200	Wells Fargo & Co.	9,297,498
Consumer Finance 5.0%		
436,100	American Express Co.	25,210,941
213,432	Capital One Financial Corp.	16,931,561
	Total Consumer Finance	42,142,502
Diversified Financial Services 0.9%		
148,652	Bank of America Corp.	8,007,883
Insurance 8.0%		
209,500	ACE Ltd.	11,993,875
195,500	American International Group Inc.	13,131,735
235,900	Chubb Corp.	12,538,085
260,000	Fidelity National Financial Inc.	5,798,000
272,410	Fidelity National Title Group Inc., Class A	5,995,744
457,800	First American Corp.	18,691,974
	Total Insurance	68,149,413
Real Estate Investment Trusts (REITs) 0.8%		
31,900	Avalonbay Communities Inc.	4,180,814
50,200	Equity Residential	2,741,422
	Total Real Estate Investment Trusts (REITs)	6,922,236
Real Estate Management & Development 1.0%		
338,790	Realty Corp. *	8,734,006
	TOTAL FINANCIALS	159,105,154
HEALTH CARE 5.1%		
Health Care Providers & Services 3.0%		
210,000	UnitedHealth Group Inc.	10,243,800
194,500	WellPoint Inc. *	14,844,240
	Total Health Care Providers & Services	25,088,040

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (continued)

Shares	Security	Value
Pharmaceuticals 2.1%		
360,900	Bristol-Myers Squibb Co.	\$ 8,932,275
344,200	Pfizer Inc.	9,172,930
	Total Pharmaceuticals	18,105,205
	TOTAL HEALTH CARE	43,193,245
INDUSTRIALS 6.4%		
Aerospace & Defense 2.3%		
263,593	Hexcel Corp. *	4,267,571
280,500	Honeywell International Inc.	11,814,660
47,900	L-3 Communications Holdings Inc.	3,856,908
	Total Aerospace & Defense	19,939,139
Electrical Equipment 1.4%		
807,900	ABB Ltd., ADR	12,053,868
Industrial Conglomerates 2.3%		
548,000	General Electric Co.	19,240,280
Machinery 0.4%		
41,638	Eaton Corp.	3,015,840
	TOTAL INDUSTRIALS	54,249,127
INFORMATION TECHNOLOGY 9.6%		
Communications Equipment 3.3%		
1,208,790	3Com Corp. *	5,874,720
387,700	Cisco Systems Inc. *	9,355,201
282,651	Comverse Technology Inc. *	6,153,312
183,600	QUALCOMM Inc.	6,681,204
	Total Communications Equipment	28,064,437
Computers & Peripherals 0.1%		
49,029	Silicon Graphics Inc. *	931,551
Electronic Equipment & Instruments 1.4%		
333,100	Agilent Technologies Inc. *	11,858,360
Internet Software & Services 0.4%		
151,000	Yahoo! Inc. *	3,977,340
IT Services 0.8%		
161,400	Fidelity National Information Services Inc.	6,709,398
Software 3.6%		
676,500	Microsoft Corp.	19,422,315
602,000	Oracle Corp. *	11,118,940
	Total Software	30,541,255
	TOTAL INFORMATION TECHNOLOGY	82,082,341

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (continued)

Shares	Security	Value
MATERIALS 2.0%		
Chemicals 0.2%		
69,100	Nalco Holding Co. *	\$ 1,397,893
Construction Materials 1.5%		
208,100	Cemex SA de CV, Participation Certificate, ADR *	6,396,994
74,900	Martin Marietta Materials Inc.	6,591,200
	Total Construction Materials	12,988,194
Metals & Mining 0.3%		
94,140	Compass Minerals International Inc.	2,913,633
	TOTAL MATERIALS	17,299,720
UTILITIES 1.4%		
Multi-Utilities 1.4%		
222,300	Sempra Energy	11,790,792
	TOTAL COMMON STOCKS	
	(Cost \$527,024,043)	558,603,426
PREFERRED STOCKS 0.0%		
CONSUMER DISCRETIONARY 0.0%		
Automobiles 0.0%		
300	Ford Motor Co., 8.000%	5,679
FINANCIALS 0.0%		
Diversified Financial Services 0.0%		
300	Corporate-Backed Trust Certificates, Series 2001-8, Class A-1, 7.375%	5,871
7,500	Preferred Plus, Series FRD-1, 7.400%	128,100
700	Preferred Plus, Series FMC-1 Trust, Senior Debentures, Series LMG-3, 8.250%	13,510
2,800	SATURNS, Series F 2003-5, 8.125%	53,480
	TOTAL FINANCIALS	200,961
	TOTAL PREFERRED STOCKS	
	(Cost \$189,232)	206,640
Face Amount		
ASSET-BACKED SECURITIES 2.9%		
Home Equity 2.9%		
\$ 3,491	Ameriquest Finance Net Interest Margin Trust, Series 2004-RN5, Class A, 5.193% due 6/25/34 (c)	3,478
1,000,000	Ameriquest Mortgage Securities Inc., Series 2003-12, Class M2, 7.020% due 11/25/33 (d)	1,016,442
2,000,000	Argent Securities Inc., Series 2004-W8, Class M04, 6.620% due 5/25/34 (d)	2,017,273
750,000	Asset-Backed Funding Certificates, Series 2004-FF1, Class M2, 6.770% due 1/25/34 (d)	758,945
2,000,000	Bear Stearns Asset-Backed Securities Inc., Series 2004-HE5, Class M1, 5.890% due 7/25/34 (d)	2,001,234

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2006) (continued)

Home Equity	Face Amount	Security	Value
		Countrywide Asset-Backed Certificates:	
\$	266,230	Series 2003-03, Class M4, 6.260% due 3/25/33 (d)	\$ 268,625
	20,621	Series 2004-02N, Class N1, 5.000% due 2/25/35 (c)	20,450
	410,000	Series 2004-05, Class M4, 6.570% due 6/25/34 (d)	416,150
	73,417	Finance America Net Interest Margin Trust, Series 2004-01, Class A, 5.250% due 6/27/34 (c)	7,568
	750,000	First Franklin Mortgage Loan Asset Backed Certificates, Series 2004-FF2, Class M4, 6.220% due 3/25/34 (d)	753,513
		Fremont Home Loan Trust:	
	1,000,000	Series 2004-01, Class M5, 6.420% due 2/25/34 (d)	1,003,210
	2,000,000	Series 2004-B, Class M4, 6.490% due 5/25/34 (d)	2,003,326
	875,000	Series 2004-D, Class M5, 6.320% due 11/25/34 (d)	882,791
	1,005,000	GSAMP Trust, Series 2004-OPT, Class M3, 6.470% due 11/25/34 (d)	1,013,521
		Merrill Lynch Mortgage Investors Inc.:	
	44,494	Series 2004-WM2N, Class N1, 4.500% due 12/25/34 (c)	43,923
	6,577	Series 2005-WM1N, Class N1, 5.000% due 9/25/35 (c)	6,537
	1,400,000	Morgan Stanley Asset-Backed Securities Capital I, Series 2004-HE4, Class M2, 6.620% due 5/25/34 (d)	1,400,861
		New Century Home Equity Loan Trust:	
	1,250,000	Series 2001-NC1, Class M2, 6.320% due 6/20/31 (d)	1,251,766
	1,500,000	Series 2003-04, Class M2, 7.140% due 10/25/33 (d)	1,512,569
		Novastar Home Equity Loan:	
	1,000,000	Series 2004-01, Class M4, 6.295% due 6/25/34 (d)	1,008,420
	1,250,000	Series 2004-02, Class M5, 6.820% due 9/25/34 (d)	1,262,686
	750,000	Series 2005-02, Class M10, 8.320% due 10/25/35 (d)	711,347
		Option One Mortgage Loan Trust:	
	334,892	Series 2002-04, Class M2, 7.015% due 7/25/32 (d)	335,469
	1,500,000	Series 2004-02, Class M2, 6.370% due 5/25/34 (d)	1,500,930
	1,000,000	Renaissance Home Equity Loan Trust, Series 2003-4, Class M3, 7.220% due 3/25/34 (d)	1,009,697
	722,656	SACO I Trust, Series 2005-2, Class A, 5.520% due 4/25/35 (c)(d)	723,019
		Sail Net Interest Margin Notes:	
	141,210	Series 2003-BC2A, Class A, 7.750% due 4/27/33 (c)	30,231
	71,380	Series 2004-2A, Class A, 5.500% due 3/27/34 (c)	23,278
	1,500,000	Structured Asset Investment Loan Trust, Series 2003-BC10, Class M2, 7.170% due 10/25/33 (d)	1,505,101
		TOTAL ASSET-BACKED SECURITIES	
		(Cost \$24,658,817)	24,492,360
		COLLATERALIZED MORTGAGE OBLIGATIONS (d) 0.8%	
	260,000	American Home Mortgage Investment Trust, Series 2005-4, Class M3, 6.120% due 11/25/45	260,204
	695,699	Banc of America Funding Corp., Series 2006-H, Class 1A1, 5.701% due 9/20/46 (a)	697,786
	429,877	Banc of America Mortgage Securities, Series 2005-F Class 2A2 5.018% due 7/25/35	426,191

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (continued)

Face Amount	Security	Value
COLLATERALIZED MORTGAGE OBLIGATIONS (d) 0.8% (continued)		
\$	Federal Home Loan Mortgage Corp. (FHLMC):	\$
117,499	Series 2764, Class DT, 6.000% due 3/15/34	109,335
605,388	Series 2780, Class SL, PAC, 6.000% due 4/15/34	592,971
748,354	Harborview Mortgage Loan Trust, Series 2005-10, Class B6, 6.390% due 11/19/35	754,668
996,632	Impac CMB Trust, Series 2004-04, Class 2M2, 6.820% due 9/25/34	1,005,494
753,180	Merit Securities Corp., Series 11PA, Class B2, 6.820% due 9/28/32 (c)	649,066
591,648	MLCC Mortgage Investors Inc.:	
795,152	Series 2004-A, Class B2, 6.240% due 4/25/29	593,317
	Series 2004-B, Class B2, 6.200% due 5/25/29	800,133
965,745	Washington Mutual Inc., Series 2006-AR10, Class 1A1, 5.977% due 9/25/36	976,051
	TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost \$6,899,310)	6,865,216
CONVERTIBLE NOTE 0.0%		
Computers & Peripherals 0.0%		
1,500,000	Silicon Graphics Senior Notes, 6.500% due 6/1/09 (a)(b)(e) (Cost \$0)	0
CORPORATE BONDS & NOTES 10.7%		
Aerospace & Defense 0.0%		
195,000	Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16	194,025
125,000	Lockheed Martin Corp., Notes, 7.700% due 6/15/08	129,211
	Total Aerospace & Defense	323,236
Airlines 0.1%		
410,000	Continental Airlines Inc., Pass-Through Certificates, Series D, 7.568% due 12/1/06	410,256
Auto Components 0.1%		
125,000	Johnson Controls Inc., Senior Notes, 5.000% due 11/15/06	124,963
295,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	286,150
	Visteon Corp., Senior Notes:	
75,000	8.250% due 8/1/10	72,000
90,000	7.000% due 3/10/14	78,525
	Total Auto Components	561,638
Automobiles 0.3%		
	Ford Motor Co.:	
	Debentures:	
110,000	8.875% due 1/15/22	95,975
250,000	6.625% due 10/1/28	185,000
1,465,000	Notes, 7.450% due 7/16/31	1,155,519
	General Motors Corp., Senior Debentures:	
1,280,000	8.250% due 7/15/23	1,142,400
70,000	8.375% due 7/15/33	62,650
	Total Automobiles	2,641,544

See Notes to Financial Statements.

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Schedule of Investments (October 31, 2006) (continued)

	Face Amount	Security	Value
Beverages 0.0%			
\$	100,000	PepsiAmericas Inc., Senior Notes, 6.375% due 5/1/09	\$ 102,188
Biotechnology 0.0%			
	35,000	Angiotech Pharmaceuticals Inc., Senior Subordinated Notes, 7.750% due 4/1/14 (c)	33,425
Building Products 0.1%			
	540,000	Associated Materials Inc., Senior Subordinated Notes, 9.750% due 4/15/12	554,850
	230,000	Jacuzzi Brands Inc., Senior Secured Notes, 9.625% due 7/1/10	247,537
	460,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 10.750% due 3/1/14	317,400
		Total Building Products	1,119,787
Capital Markets 0.1%			
	125,000	Amvescap PLC, Senior Notes, 5.900% due 1/15/07	125,084
	285,000	BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14	314,212
	120,000	E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13	123,900
	105,000	7.875% due 12/1/15	111,563
	150,000	Morgan Stanley, Notes, 5.800% due 4/1/07	150,197
		Total Capital Markets	824,956
Chemicals 0.4%			
	1,000,000	Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11	1,075,000
	110,000	Huntsman International LLC: 7.875% due 11/13/14 (c)	110,000
	1,000,000	Senior Subordinated Notes, 10.125% due 7/1/09	1,020,000
	1,116,000	Millennium America Inc., Senior Notes, 9.250% due 6/15/08	1,155,060
	50,000	Monsanto Co., Notes, 4.000% due 5/15/08	49,035
	75,000	Potash Corp. of Saskatchewan, 7.125% due 6/15/07	75,803
	6,000	PPG Industries Inc., Notes, 6.500% due 11/1/07	6,032
	125,000	Praxair Inc., Notes, 2.750% due 6/15/08	120,456
		Total Chemicals	3,611,386
Commercial Banks 0.2%			
	125,000	American Express Centurion Bank, Notes, 5.410% due 7/19/07 (d)	125,140
	380,000	Banesto Finance Ltd., 7.500% due 3/25/07	382,831
	250,000	Bank United Corp., Senior Notes, 8.875% due 5/1/07	254,187
	300,000	Corporacion Andina de Fomento, Notes, 5.730% due 1/26/07 (d)	300,652
	81,818	Fifth Third Bank, Notes, 2.870% due 8/10/09	78,736
	200,000	SunTrust Bank, 4.550% due 5/25/09	197,270
	150,000	Wells Fargo & Co., Notes, 5.449% due 3/23/07 (d)	150,092
		Total Commercial Banks	1,488,908
Commercial Services & Supplies 0.3%			
	217,000	Allied Waste North America Inc., Senior Notes, Series B: 9.250% due 9/1/12	231,919
	925,000	7.375% due 4/15/14	925,000
	75,000	7.250% due 3/15/15	75,375

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (continued)

Face Amount	Security	Value
Commercial Services & Supplies 0.3% (continued)		
\$ 350,000	Corrections Corporation of America, Senior Subordinated Notes, 6.250% due 3/15/13	\$ 343,000
275,000	DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, Series B, 9.500% due 2/15/13	287,375
555,000	Windstream Corp., Senior Notes, 8.625% due 8/1/16 (c)	601,481
	Total Commercial Services & Supplies	2,464,150
Computers & Peripherals 0.0%		
125,000	Hewlett-Packard Co., Senior Notes, 5.500% due 7/1/07	125,098
125,000	IBM Canada Credit Services Co., Senior Notes, 3.750% due 11/30/07 (c)	122,690
	Total Computers & Peripherals	247,788
Consumer Finance 0.9%		
1,050,000	Ford Motor Credit Co.: Notes, 7.000% due 10/1/13	977,403
1,500,000	Senior Notes: 5.800% due 1/12/09	1,433,459
135,000	9.750% due 9/15/10 (c)	139,324
559,000	10.640% due 6/15/11 (c)(d)	588,962
2,600,000	General Motors Acceptance Corp., Notes: 5.625% due 5/15/09	2,551,001
1,600,000	6.750% due 12/1/14	1,588,734
125,000	SLM Corp., Medium-Term Notes, Series A, 5.577% due 1/26/09 (d)	125,514
	Total Consumer Finance	7,404,397
Containers & Packaging 0.4%		
475,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	478,563
90,000	Graphic Packaging International Corp.: Senior Notes, 8.500% due 8/15/11	92,925
535,000	Senior Subordinated Notes, 9.500% due 8/15/13	552,387
750,000	JSG Funding PLC, Senior Notes, 9.625% due 10/1/12	797,812
900,000	Owens-Illinois Inc., Debentures, 7.500% due 5/15/10	918,000
195,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (c)	202,800
	Total Containers & Packaging	3,042,487
Diversified Consumer Services 0.1%		
1,005,000	Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 (c)	1,108,012
Diversified Financial Services 0.5%		
125,000	Bank of America Corp., Subordinated Notes, 6.375% due 2/15/08	126,571
325,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (c)	331,500
125,000	Bear Stearns Cos. Inc., Notes, 5.700% due 1/15/07	125,046
125,000	Capital One Bank, Notes, 5.750% due 9/15/10	127,175
240,000	CCM Merger Inc., Notes, 8.000% due 8/1/13 (c)	232,500
125,000	CIT Group Inc., Senior Notes, 5.500% due 11/30/07	125,357

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (continued)

Face Amount	Security	Value
Diversified Financial Services 0.5% (continued)		
\$ 125,000	CitiSteel USA Inc., Senior Secured Notes: 12.949% due 9/1/10 (d)	\$ 129,688
110,000	15.000% due 10/1/10 (c)(f)	119,350
110,493	Core Investment Grade Bond Trust I, Pass-Through Certificates, 4.642% due 11/30/07	109,767
125,000	Countrywide Home Loans Inc., Medium-Term Notes, Series M, 4.125% due 9/15/09	121,377
125,000	General Electric Capital Corp., Medium-Term Notes, Series A, 5.447% due 6/22/07 (d)	125,131
162,000	Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12	171,922
500,000	Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, Second Priority, Senior Secured Notes, 9.000% due 7/15/14	565,000
125,000	HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09	127,088
95,000	Hughes Network Systems LLC/HNS Finance Corp., Senior Notes, 9.500% due 4/15/14 (c)	98,800
400,000	Inter-American Development Bank, Notes, 5.125% due 9/13/16	407,421
125,000	John Deere Capital Corp., Medium-Term Notes, Series D, 4.400% due 7/15/09	122,837
150,000	JPMorgan Chase & Co., Senior Notes, 5.350% due 3/1/07	149,954
125,000	Nationwide Building Society, Medium-Term Notes, 2.625% due 1/30/07 (c)	124,165
150,000	Rio Tinto Finance USA Ltd., Notes, 2.625% due 9/30/08	143,206
125,000	TIAA Global Markets Inc., Notes, 4.125% due 11/15/07 (c)	123,478
100,000	UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12	105,625
160,000	UGS Corp., Senior Subordinated Notes, 10.000% due 6/1/12	173,600
210,000	Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 11.250% due 10/1/15	153,825
260,000	Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	252,850
	Total Diversified Financial Services	4,393,233
Diversified Telecommunication Services 0.6%		
95,000	Cincinnati Bell Inc.: Senior Notes, 7.000% due 2/15/15	93,813
310,000	Senior Subordinated Notes, 8.375% due 1/15/14	317,750
315,000	Citizens Communications Co., Senior Notes, 9.000% due 8/15/31	343,744
325,000	Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15	348,562
125,000	Inmarsat Finance PLC, Senior Notes, 7.625% due 6/30/12	129,531
750,000	Insight Midwest LP/Insight Capital Inc., Senior Notes, 10.500% due 11/1/10	778,125
370,000	Intelsat Bermuda Ltd., Senior Notes: 9.250% due 6/15/16 (c)	396,825
680,000	11.250% due 6/15/16 (c)	743,750
35,000	Intelsat Ltd., Notes, 7.625% due 4/15/12	31,763
70,000	Level 3 Financing Inc.: 11.800% due 3/15/11 (d)	74,025
40,000	10.750% due 10/15/11	42,700
150,000	Senior Notes, 9.250% due 11/1/14 (c)	151,687

See Notes to Financial Statements.

Schedule of Investments (October 31, 2006) (continued)

Face Amount	Security	Value
Diversified Telecommunication Services 0.6% (continued)		
\$ 50,000	NTL Cable PLC, Senior Notes: 8.750% due 4/15/14	\$ 52,813
165,000	9.125% due 8/15/16	174,281
285,000	Qwest Communications International Inc., Senior Notes: 7.500% due 2/15/14	292,125
740,000	Series B, 7.500% due 2/15/14	758,500
605,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (c)	459,800
	Total Diversified Telecommunication Services	5,189,794
Electric Utilities 0.0%		
75,000	Entergy Gulf States Inc., First Mortgage Notes, 3.600% due 6/1/08	72,884
137,742	Midwest Generation LLC, Pass-Through Certificates, Series B, 8.560% due 1/2/16	148,848
100,000	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	114,000
	Total Electric Utilities	335,732
Energy Equipment & Services 0.1%		