

LMP CAPITAL & INCOME FUND INC.  
Form N-Q  
May 25, 2011

**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)

620 Eighth Avenue, New York, NY  
(Address of principal executive offices)

10018  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

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

Registrant's telephone number, including area code: 1-888-777-0102

Date of fiscal year end: December 31

Date of reporting period: March 31, 2011

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ITEM 1. SCHEDULE OF INVESTMENTS

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**LMP CAPITAL AND INCOME FUND INC.**

**FORM N-Q**

**MARCH 31, 2011**

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Schedule of investments (unaudited)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

|  | SHARES    | VALUE         |
|--|-----------|---------------|
| SECURITY   |           |               |
| COMMON STOCKS 64.7%                                |           |               |
| CONSUMER DISCRETIONARY 4.9%                        |           |               |
| <b>Hotels, Restaurants &amp; Leisure 2.0%</b>      |           |               |
| McDonald's Corp.                                   | 145,000   | \$ 11,033,050 |
| <b>Media 1.9%</b>                                  |           |               |
| Charter Communications Inc., Class A Shares        | 11,990    | 607,053*      |
| Reed Elsevier PLC                                  | 500,000   | 4,331,338     |
| Thomson Corp.                                      | 150,000   | 5,886,000     |
| <i>Total Media</i>                                 |           | 10,824,391    |
| <b>Specialty Retail 1.0%</b>                       |           |               |
| Home Depot Inc.                                    | 150,000   | 5,559,000     |
| TOTAL CONSUMER DISCRETIONARY                       |           | 27,416,441    |
| CONSUMER STAPLES 9.4%                              |           |               |
| <b>Beverages 0.6%</b>                              |           |               |
| PepsiCo Inc.                                       | 50,000    | 3,220,500     |
| <b>Food Products 3.2%</b>                          |           |               |
| H.J. Heinz Co.                                     | 310,000   | 15,134,200    |
| Kraft Foods Inc., Class A Shares                   | 80,000    | 2,508,800     |
| <i>Total Food Products</i>                         |           | 17,643,000    |
| <b>Household Products 5.6%</b>                     |           |               |
| Kimberly-Clark Corp.                               | 290,000   | 18,928,300    |
| Procter & Gamble Co.                               | 198,000   | 12,196,800    |
| <i>Total Household Products</i>                    |           | 31,125,100    |
| TOTAL CONSUMER STAPLES                             |           | 51,988,600    |
| ENERGY 7.7%  |           |               |
| <b>Energy Equipment &amp; Services 0.5%</b>        |           |               |
| Diamond Offshore Drilling Inc.                     | 35,520    | 2,759,904     |
| <b>Oil, Gas &amp; Consumable Fuels 7.2%</b>        |           |               |
| Kinder Morgan Inc.                                 | 140,000   | 4,149,600     |
| Spectra Energy Corp.                               | 620,000   | 16,851,600    |
| Targa Resources Corp.                              | 100,000   | 3,624,000     |
| Total SA, ADR                                      | 255,000   | 15,547,350    |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>       |           | 40,172,550    |
| TOTAL ENERGY                                       |           | 42,932,454    |
| FINANCIALS 10.7%                                   |           |               |
| <b>Capital Markets 0.5%</b>                        |           |               |
| Medley Capital Corp.                               | 220,000   | 2,679,600     |
| <b>Insurance 1.6%</b>                              |           |               |
| Travelers Cos. Inc.                                | 150,000   | 8,922,000     |
| <b>Real Estate Investment Trusts (REITs) 4.0%</b>  |           |               |
| Annaly Capital Management Inc.                     | 864,910   | 15,092,680    |
| Chimera Investment Corp.                           | 1,792,770 | 7,099,369     |
| <i>Total Real Estate Investment Trusts (REITs)</i> |           | 22,192,049    |
| <b>Thriffs &amp; Mortgage Finance 4.6%</b>         |           |               |
| First Niagara Financial Group Inc.                 | 590,000   | 8,012,200     |
| New York Community Bancorp Inc.                    | 480,000   | 8,284,800     |

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|   |         |                   |
|---|---------|-------------------|
| People s United Financial Inc.              | 740,000 | 9,309,200         |
| <i>Total Thrifts &amp; Mortgage Finance</i> |         | <i>25,606,200</i> |
| TOTAL FINANCIALS                            |         | 59,399,849        |
| HEALTH CARE 6.5%                            |         |                   |
| <b>Pharmaceuticals 6.5%</b>                 |         |                   |
| Bristol-Myers Squibb Co.                    | 480,000 | 12,686,400        |
| GlaxoSmithKline PLC, ADR                    | 208,000 | 7,989,280         |
| Johnson & Johnson                           | 220,000 | 13,035,000        |
| Pfizer Inc.                                 | 100,000 | 2,031,000         |
| TOTAL HEALTH CARE                           |         | 35,741,680        |
| INDUSTRIALS 6.8%                            |         |                   |
| <b>Aerospace &amp; Defense 1.9%</b>         |         |                   |
| Lockheed Martin Corp.                       | 128,000 | 10,291,200        |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

|  | SHARES  | VALUE            |
|--|---------|------------------|
| SECURITY   |         |                  |
| <b>Building Products 0.0%</b>                            |         |                  |
| Ashton Woods USA LLC, Class B Membership                 | 43      | \$ 19,352*(a)(b) |
| <b>Commercial Services &amp; Supplies 2.4%</b>           |         |                  |
| Waste Management Inc.                                    | 350,510 | 13,088,043       |
| <b>Industrial Conglomerates 1.5%</b>                     |         |                  |
| 3M Co.   | 70,000  | 6,545,000        |
| General Electric Co.                                     | 100,000 | 2,005,000        |
| <i>Total Industrial Conglomerates</i>                    |         | 8,550,000        |
| <b>Marine 1.0%</b>                                       |         |                  |
| Alexander & Baldwin Inc.                                 | 120,000 | 5,478,000        |
| TOTAL INDUSTRIALS  |         | 37,426,595       |
| INFORMATION TECHNOLOGY 3.3%                              |         |                  |
| <b>IT Services 2.0%</b>                                  |         |                  |
| Automatic Data Processing Inc.                           | 100,000 | 5,131,000        |
| Paychex Inc.   | 180,000 | 5,644,800        |
| <i>Total IT Services</i>                                 |         | 10,775,800       |
| <b>Semiconductors &amp; Semiconductor Equipment 0.9%</b> |         |                  |
| Intel Corp.  | 255,000 | 5,143,350        |
| <b>Software 0.4%</b>                                     |         |                  |
| Microsoft Corp.  | 94,000  | 2,383,840        |
| TOTAL INFORMATION TECHNOLOGY                             |         | 18,302,990       |
| MATERIALS 0.9%   |         |                  |
| <b>Chemicals 0.9%</b>                                    |         |                  |
| E.I. du Pont de Nemours & Co.                            | 90,000  | 4,947,300        |
| TELECOMMUNICATION SERVICES 8.3%                          |         |                  |
| <b>Diversified Telecommunication Services 8.3%</b>       |         |                  |
| AT&T Inc.  | 640,000 | 19,584,000       |
| Verizon Communications Inc.                              | 403,000 | 15,531,620       |
| Windstream Corp.   | 830,000 | 10,682,100       |
| TOTAL TELECOMMUNICATION SERVICES                         |         | 45,797,720       |
| UTILITIES 6.2%   |         |                  |
| <b>Electric Utilities 3.9%</b>                           |         |                  |
| American Electric Power Co. Inc.                         | 235,000 | 8,257,900        |
| Duke Energy Corp.  | 251,870 | 4,571,441        |
| NextEra Energy Inc.                                      | 18,000  | 992,160          |
| Southern Co.   | 204,530 | 7,794,638        |
| <i>Total Electric Utilities</i>                          |         | 21,616,139       |
| <b>Multi-Utilities 2.3%</b>                              |         |                  |
| CenterPoint Energy Inc.                                  | 730,000 | 12,818,800       |
| TOTAL UTILITIES  |         | 34,434,939       |
| TOTAL COMMON STOCKS (Cost \$311,363,591)                 |         | 358,388,568      |
|  | RATE    |                  |
| CONVERTIBLE PREFERRED STOCKS 8.4%                        |         |                  |
| CONSUMER DISCRETIONARY 0.1%                              |         |                  |
| General Motors Co.                                       | 4.750%  | 8,000 385,600    |

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|   |        |         |            |
|---|--------|---------|------------|
| ENERGY 0.4%                                       |        |         |            |
| Apache Corp.                                      | 6.000% | 37,000  | 2,621,820  |
| FINANCIALS 4.6%                                   |        |         |            |
| <b>Diversified Financial Services 2.1%</b>        |        |         |            |
| CalEnergy Capital Trust III                       | 6.500% | 228,100 | 11,519,050 |
| <b>Insurance 1.5%</b>                             |        |         |            |
| Metlife Inc.                                      | 5.000% | 96,000  | 8,145,600* |
| <b>Real Estate Investment Trusts (REITs) 1.0%</b> |        |         |            |
| Health Care Reit Inc.                             | 6.500% | 110,000 | 5,731,000* |
| TOTAL FINANCIALS                                  |        |         | 25,395,650 |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

| SECURITY   | RATE    |               | SHARES      | VALUE         |
|--|---------|---------------|-------------|---------------|
| UTILITIES 3.3%   |         |               |             |               |
| <b>Electric Utilities 3.3%</b>                         |         |               |             |               |
| Great Plains Energy Inc.                               | 12.000% |               | 65,370      | \$ 4,219,634  |
| NextEra Energy Inc.                                    | 7.000%  |               | 280,010     | 14,140,505    |
| TOTAL UTILITIES  |         |               |             | 18,360,139    |
| TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$44,589,532) |         |               |             | 46,763,209    |
| PREFERRED STOCKS 0.0%                                  |         |               |             |               |
| FINANCIALS 0.0%  |         |               |             |               |
| <b>Thrifts &amp; Mortgage Finance 0.0%</b>             |         |               |             |               |
| Federal Home Loan Mortgage Corp. (FHLMC)               | 8.375%  |               | 25,950      | 44,115*       |
| Federal National Mortgage Association (FNMA)           | 7.000%  |               | 300         | 900*          |
| Federal National Mortgage Association (FNMA)           | 8.250%  |               | 17,650      | 30,005*       |
| TOTAL PREFERRED STOCKS (Cost \$1,105,960)              |         |               |             | 75,020        |
|  |         | MATURITY DATE | FACE AMOUNT |               |
| ASSET-BACKED SECURITIES 0.3%                           |         |               |             |               |
| Asset-Backed Funding Certificates, 2004-FF1 M2         | 2.425%  | 1/25/34       | \$ 289,958  | 96,498(c)     |
| Countrywide Asset-Backed Certificates, 2004-5 M4       | 1.500%  | 6/25/34       | 126,652     | 39,449(c)     |
| Finance America Net Interest Margin Trust, 2004-1 A    | 5.250%  | 6/27/34       | 73,417      | 1(b)(d)       |
| Fremont Home Loan Trust, 2004-1 M5                     | 1.900%  | 2/25/34       | 121,618     | 54,491(c)     |
| GSAMP Trust, 2004-OPT M3                               | 1.400%  | 11/25/34      | 236,471     | 96,895(c)     |
| MASTR Specialized Loan Trust, 2007-2 A                 | 0.600%  | 5/25/37       | 391,412     | 221,860(c)(d) |
| Nelnet Student Loan Trust, 2008-4 A4                   | 1.783%  | 4/25/24       | 350,000     | 359,888(c)    |
| RAAC Series, 2007-RP3 A                                | 0.630%  | 10/25/46      | 443,789     | 290,455(c)(d) |
| Renaissance Home Equity Loan Trust, 2003-4 M3          | 2.150%  | 3/25/34       | 389,160     | 175,526(c)    |
| Sail Net Interest Margin Notes, 2003-BC2A A            | 7.750%  | 4/27/33       | 141,210     | 0(b)(d)       |
| Sail Net Interest Margin Notes, 2004-2A A              | 5.500%  | 3/27/34       | 71,380      | 1(b)(d)       |
| TOTAL ASSET-BACKED SECURITIES (Cost \$2,350,921)       |         |               |             | 1,335,064     |
| COLLATERALIZED MORTGAGE OBLIGATIONS 1.1%               |         |               |             |               |
| BCAP LLC Trust, 2006-AA1 A1                            | 0.440%  | 10/25/36      | 1,032,383   | 637,184(c)    |
| Bear Stearns ARM Trust, 2005-12 24A1                   | 5.592%  | 2/25/36       | 104,285     | 74,054(c)     |
| Countrywide Alternative Loan Trust, 2006-0A9 2A1A      | 0.464%  | 7/20/46       | 1,248,439   | 562,477(c)    |
| Federal Home Loan Mortgage Corp. (FHLMC), 3738 BP      | 4.000%  | 12/15/38      | 100,000     | 97,523        |



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|  |        |          |           |                 |
|--|--------|----------|-----------|-----------------|
| Federal Home Loan Mortgage Corp. (FHLMC), K007 X1, IO                | 1.521% | 8/25/20  | 1,395,168 | 127,662(c)      |
| Government National Mortgage Association (GNMA), 2010-H22 FE         | 0.610% | 5/20/59  | 99,657    | 99,159(c)       |
| Government National Mortgage Association (GNMA), 2010-H26 LF         | 0.610% | 8/20/58  | 199,221   | 198,723(c)      |
| Greenwich Capital Commercial Funding Corp., 2006-GG7                 | 5.890% | 7/10/38  | 25,000    | 27,382(c)       |
| GS Mortgage Securities Corp.   | 1.345% | 3/10/44  | 600,000   | 37,920(a)(c)(d) |
| JPMorgan Mortgage Trust, 2007-S3 1A74                                | 6.000% | 8/25/37  | 1,060,000 | 929,933         |
| LB-UBS Commercial Mortgage Trust, 2006-C6 A4                         | 5.372% | 9/15/39  | 100,000   | 106,868         |
| MASTR ARM Trust, 2003-3 3A4  | 2.494% | 9/25/33  | 656,769   | 591,640(c)      |
| Merit Securities Corp., 11PA B2                                      | 1.748% | 9/28/32  | 147,026   | 138,764(c)(d)   |
| MLCC Mortgage Investors Inc., 2004-A B2                              | 1.170% | 4/25/29  | 237,843   | 96,781(c)       |
| MLCC Mortgage Investors Inc., 2004-B B2                              | 1.130% | 5/25/29  | 385,496   | 184,973(c)      |
| Morgan Stanley Capital I, 2006-IQ11 A4                               | 5.726% | 10/15/42 | 120,000   | 131,614(c)      |
| RBS Greenwich Capital, Mortgage Pass-Through Certificates, 2005-A 5A | 7.000% | 4/25/35  | 850,877   | 810,902         |
| Structured ARM Loan Trust, 2006-4 4A1                                | 5.556% | 5/25/36  | 611,738   | 480,582(c)      |
| Thornburg Mortgage Securities Trust, 2007-4 2A1                      | 6.182% | 7/25/37  | 137,587   | 136,328(c)      |
| Thornburg Mortgage Securities Trust, 2007-4 3A1                      | 6.174% | 7/25/37  | 143,853   | 144,869(c)      |

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Schedule of investments (unaudited) (cont d)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

| SECURITY   | RATE      | MATURITY DATE       | FACE AMOUNT | VALUE             |
|--|-----------|---------------------|-------------|-------------------|
| COLLATERALIZED MORTGAGE OBLIGATIONS                            | continued |                     |             |                   |
| Washington Mutual Inc. Pass-Through Certificates, 2006-AR5 4A  | 1.282%    | 6/25/46             | \$ 585,454  | \$ 264,149(c)     |
| Wells Fargo Alternative Loan Trust, 2007-PA2 2A1               | 0.692%    | 6/25/37             | 601,367     | 364,670(c)        |
| <b>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost</b>         |           | <b>\$6,939,607)</b> |             | <b>6,244,157</b>  |
| CONVERTIBLE BONDS & NOTES 1.4%                                 |           |                     |             |                   |
| INFORMATION TECHNOLOGY 1.4%                                    |           |                     |             |                   |
| <b>Internet Software &amp; Services 1.4%</b>                   |           |                     |             |                   |
| VeriSign Inc., Junior Subordinated Notes (Cost - \$4,962,577)  | 3.250%    | 8/15/37             | 6,500,000   | 7,865,000         |
| CORPORATE BONDS & NOTES 16.1%                                  |           |                     |             |                   |
| CONSUMER DISCRETIONARY 0.2%                                    |           |                     |             |                   |
| <b>Hotels, Restaurants &amp; Leisure 0.1%</b>                  |           |                     |             |                   |
| Choctaw Resort Development Enterprise, Senior Notes            | 7.250%    | 11/15/19            | 285,000     | 220,875(d)        |
| Inn of the Mountain Gods Resort & Casino, Senior Secured Notes | 8.750%    | 11/30/20            | 198,000     | 195,525(d)        |
| <i>Total Hotels, Restaurants &amp; Leisure</i>                 |           |                     |             | <i>416,400</i>    |
| <b>Media 0.1%</b>  |           |                     |             |                   |
| Comcast Corp.  | 5.700%    | 5/15/18             | 300,000     | 327,036           |
| News America Inc., Senior Notes                                | 6.650%    | 11/15/37            | 10,000      | 10,521            |
| Time Warner Cable Inc., Senior Notes                           | 6.200%    | 7/1/13              | 180,000     | 198,008           |
| Time Warner Cable Inc., Senior Notes                           | 5.850%    | 5/1/17              | 10,000      | 10,951            |
| <i>Total Media</i>   |           |                     |             | <i>546,516</i>    |
| <b>TOTAL CONSUMER DISCRETIONARY</b>                            |           |                     |             | <b>962,916</b>    |
| CONSUMER STAPLES 2.0%  |           |                     |             |                   |
| <b>Food &amp; Staples Retailing 2.0%</b>                       |           |                     |             |                   |
| CVS Caremark Corp., Junior Subordinated Bonds                  | 6.302%    | 6/1/37              | 10,825,000  | 10,638,464(c)     |
| CVS Corp., Pass-Through Trust, Secured Notes                   | 6.943%    | 1/10/30             | 139,794     | 152,345           |
| Kroger Co., Senior Notes                                       | 5.500%    | 2/1/13              | 60,000      | 64,229            |
| Kroger Co., Senior Notes                                       | 6.150%    | 1/15/20             | 50,000      | 56,485            |
| Safeway Inc., Senior Notes                                     | 3.950%    | 8/15/20             | 20,000      | 18,954            |
| <i>Total Food &amp; Staples Retailing</i>                      |           |                     |             | <i>10,930,477</i> |
| <b>Tobacco 0.0%</b>  |           |                     |             |                   |
| Reynolds American Inc., Senior Notes                           | 6.750%    | 6/15/17             | 110,000     | 125,952           |
| <b>TOTAL CONSUMER STAPLES</b>                                  |           |                     |             | <b>11,056,429</b> |
| ENERGY 2.6%  |           |                     |             |                   |
| <b>Energy Equipment &amp; Services 0.0%</b>                    |           |                     |             |                   |
| Transocean Inc., Senior Notes                                  | 5.250%    | 3/15/13             | 110,000     | 116,827           |
| <b>Oil, Gas &amp; Consumable Fuels 2.6%</b>                    |           |                     |             |                   |
| Apache Corp., Senior Notes                                     | 5.625%    | 1/15/17             | 80,000      | 90,086            |
| ConocoPhillips Holding Co., Senior Notes                       | 6.950%    | 4/15/29             | 140,000     | 167,611           |

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|  |        |          |            |                   |
|--|--------|----------|------------|-------------------|
| Devon Financing Corp. ULC, Notes               | 6.875% | 9/30/11  | 120,000    | 123,682           |
| Energy Transfer Partners LP, Senior Notes      | 6.700% | 7/1/18   | 10,000     | 11,346            |
| Kerr-McGee Corp., Notes                        | 6.950% | 7/1/24   | 80,000     | 88,685            |
| Kinder Morgan Energy Partners LP, Senior Notes | 6.000% | 2/1/17   | 170,000    | 189,420           |
| Shell International Finance BV, Senior Notes   | 4.375% | 3/25/20  | 30,000     | 31,026            |
| Southern Union Co., Junior Subordinated Notes  | 7.200% | 11/1/66  | 14,000,000 | 13,440,000(c)     |
| Williams Cos. Inc., Senior Notes               | 7.750% | 6/15/31  | 108,000    | 128,616           |
| <i>Total Oil, Gas &amp; Consumable Fuels</i>   |        |          |            | <i>14,270,472</i> |
| <b>TOTAL ENERGY</b>                            |        |          |            | <b>14,387,299</b> |
| <b>FINANCIALS 7.5%</b>                         |        |          |            |                   |
| <b>Capital Markets 0.2%</b>                    |        |          |            |                   |
| Bear Stearns Co. Inc., Senior Notes            | 6.400% | 10/2/17  | 180,000    | 202,480           |
| Goldman Sachs Group Inc., Senior Notes         | 5.300% | 2/14/12  | 10,000     | 10,392            |
| Goldman Sachs Group Inc., Senior Notes         | 5.250% | 10/15/13 | 20,000     | 21,490            |
| Goldman Sachs Group Inc., Senior Notes         | 6.150% | 4/1/18   | 180,000    | 195,430           |
| Merrill Lynch & Co. Inc., Notes                | 6.875% | 4/25/18  | 160,000    | 177,962           |
| Morgan Stanley, Medium-Term Notes              | 5.625% | 1/9/12   | 170,000    | 176,540           |

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Schedule of investments (unaudited) (cont d)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

| SECURITY  | RATE   | MATURITY<br>DATE | FACE<br>AMOUNT | VALUE             |
|---|--------|------------------|----------------|-------------------|
| <b>Capital Markets continued</b>  |        |                  |                |                   |
| UBS AG Stamford CT, Senior Notes  | 3.875% | 1/15/15          | \$ 260,000     | \$ 266,711        |
| <i>Total Capital Markets</i>  |        |                  |                | <i>1,051,005</i>  |
| <b>Commercial Banks 1.2%</b>  |        |                  |                |                   |
| BAC Capital Trust XIV, Junior Subordinated Notes  | 5.630% | 3/15/12          | 10,000         | 7,775(c)(e)       |
| Bank of Montreal, Secured Bonds   | 2.850% | 6/9/15           | 300,000        | 302,874(d)        |
| Nordea Bank AB, Senior Notes  | 4.875% | 1/27/20          | 120,000        | 122,981(d)        |
| Resona Preferred Global Securities Cayman Ltd., Junior Subordinated Bonds                   | 7.191% | 7/30/15          | 150,000        | 149,644(c)(d)(e)  |
| Santander US Debt SA Unipersonal, Senior Notes  | 3.724% | 1/20/15          | 100,000        | 96,789(d)         |
| Wachovia Bank N.A., Subordinated Notes  | 6.000% | 11/15/17         | 250,000        | 277,958           |
| Wells Fargo Capital X, Capital Securities   | 5.950% | 12/1/36          | 160,000        | 158,344           |
| Wells Fargo Capital XIII, Medium-Term Notes   | 7.700% | 3/26/13          | 3,000,000      | 3,105,000(c)(e)   |
| Wells Fargo Capital XV, Junior Subordinated Notes   | 9.750% | 9/26/13          | 2,500,000      | 2,756,250(c)(e)   |
| <i>Total Commercial Banks</i>   |        |                  |                | <i>6,977,615</i>  |
| <b>Consumer Finance 0.1%</b>  |        |                  |                |                   |
| American Express Co., Subordinated Debentures   | 6.800% | 9/1/66           | 220,000        | 226,050(c)        |
| Caterpillar Financial Services Corp., Medium-Term Notes                                     | 5.450% | 4/15/18          | 110,000        | 122,478           |
| John Deere Capital Corp., Medium-Term Notes   | 5.350% | 4/3/18           | 100,000        | 110,289           |
| SLM Corp., Medium-Term Notes, Senior Notes  | 8.450% | 6/15/18          | 140,000        | 157,015           |
| <i>Total Consumer Finance</i>   |        |                  |                | <i>615,832</i>    |
| <b>Diversified Financial Services 4.7%</b>  |        |                  |                |                   |
| Bank of America Corp., Senior Notes   | 5.650% | 5/1/18           | 190,000        | 198,855           |
| Citigroup Inc., Senior Notes  | 6.875% | 3/5/38           | 320,000        | 352,793           |
| General Electric Capital Corp., Senior Notes  | 5.625% | 5/1/18           | 330,000        | 357,292           |
| General Electric Capital Corp., Subordinated Debentures                                     | 6.375% | 11/15/67         | 10,000         | 10,312(c)         |
| JPMorgan Chase & Co., Junior Subordinated Notes   | 7.900% | 4/30/18          | 12,000,000     | 13,174,836(c)(e)  |
| JPMorgan Chase & Co., Subordinated Notes  | 6.125% | 6/27/17          | 110,000        | 119,858           |
| PPL Capital Funding Inc., Junior Subordinated Notes   | 6.700% | 3/30/67          | 12,000,000     | 11,849,364(c)     |
| <i>Total Diversified Financial Services</i>   |        |                  |                | <i>26,063,310</i> |
| <b>Insurance 1.3%</b>   |        |                  |                |                   |
| American International Group Inc., Medium-Term Notes, Senior Notes                          | 5.850% | 1/16/18          | 290,000        | 302,919           |
| MetLife Inc., Junior Subordinated Debentures  | 6.400% | 12/15/36         | 6,910,000      | 6,689,571         |
| Teachers Insurance & Annuity Association of America - College Retirement Equity Fund, Notes | 6.850% | 12/16/39         | 10,000         | 11,313(d)         |
| <i>Total Insurance</i>  |        |                  |                | <i>7,003,803</i>  |
| <b>TOTAL FINANCIALS</b>   |        |                  |                | <b>41,711,565</b> |
| <b>HEALTH CARE 0.0%</b>   |        |                  |                |                   |
| <b>Health Care Equipment &amp; Supplies 0.0%</b>  |        |                  |                |                   |
| Medtronic Inc., Senior Notes  | 4.450% | 3/15/20          | 30,000         | 30,790            |
| <b>Health Care Providers &amp; Services 0.0%</b>  |        |                  |                |                   |
| WellPoint Inc., Notes   | 5.875% | 6/15/17          | 20,000         | 22,463            |
| <b>Pharmaceuticals 0.0%</b>   |        |                  |                |                   |
| Wyeth, Notes  | 5.950% | 4/1/37           | 120,000        | 128,723           |

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|   |         |          |         |                |
|---|---------|----------|---------|----------------|
| TOTAL HEALTH CARE                               |         |          |         | 181,976        |
| MATERIALS 0.1%                                  |         |          |         |                |
| <b>Chemicals 0.0%</b>                           |         |          |         |                |
| Potash Corp. of Saskatchewan Inc., Senior Notes | 4.875%  | 3/30/20  | 10,000  | 10,388         |
| PPG Industries Inc., Senior Notes               | 6.650%  | 3/15/18  | 120,000 | 139,883        |
| <i>Total Chemicals</i>                          |         |          |         | <i>150,271</i> |
| <b>Metals &amp; Mining 0.0%</b>                 |         |          |         |                |
| Vale Overseas Ltd., Notes                       | 6.875%  | 11/21/36 | 156,000 | 166,509        |
| <b>Paper &amp; Forest Products 0.1%</b>         |         |          |         |                |
| Appleton Papers Inc., Senior Secured Notes      | 11.250% | 12/15/15 | 408,000 | 397,800        |
| TOTAL MATERIALS                                 |         |          |         | 714,580        |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

| SECURITY   | RATE   | MATURITY DATE   | FACE AMOUNT | VALUE        |
|--|--------|-----------------|-------------|--------------|
| TELECOMMUNICATION SERVICES 0.2%                                |        |                 |             |              |
| <b>Diversified Telecommunication Services</b>                  |        |                 |             |              |
| <b>0.2%</b>  |        |                 |             |              |
| AT&T Inc., Global Notes  | 5.600% | 5/15/18         | \$ 80,000   | \$ 87,960    |
| AT&T Inc., Senior Notes  | 6.400% | 5/15/38         | 100,000     | 102,428      |
| British Telecommunications PLC, Bonds                          | 9.875% | 12/15/30        | 40,000      | 55,470       |
| Deutsche Telekom International Finance BV, Senior Notes        | 5.750% | 3/23/16         | 100,000     | 112,081      |
| Telecom Italia Capital, Senior Notes                           | 5.250% | 10/1/15         | 40,000      | 41,444       |
| Telefonica Emisiones SAU, Senior Notes                         | 6.221% | 7/3/17          | 130,000     | 142,007      |
| Verizon Communications Inc., Senior Notes                      | 5.500% | 2/15/18         | 120,000     | 131,009      |
| Verizon Communications Inc., Senior Notes                      | 6.400% | 2/15/38         | 120,000     | 126,139      |
| TOTAL TELECOMMUNICATION SERVICES                               |        |                 |             | 798,538      |
| UTILITIES 3.5%   |        |                 |             |              |
| <b>Electric Utilities 2.6%</b>                                 |        |                 |             |              |
| FirstEnergy Corp., Notes                                       | 7.375% | 11/15/31        | 125,000     | 135,771      |
| NextEra Energy Capital Holding Inc., Junior Subordinated Notes | 6.350% | 10/1/66         | 6,000,000   | 5,924,250(c) |
| NextEra Energy Capital Holding Inc., Junior Subordinated Notes | 6.650% | 6/15/67         | 8,000,000   | 8,000,016(c) |
| Pacific Gas & Electric Co., Senior Notes                       | 5.800% | 3/1/37          | 140,000     | 142,008      |
| <i>Total Electric Utilities</i>                                |        |                 |             | 14,202,045   |
| <b>Multi-Utilities 0.9%</b>                                    |        |                 |             |              |
| Dominion Resources Inc., Junior Subordinated Notes             | 6.300% | 9/30/66         | 5,000,000   | 4,913,070(c) |
| TOTAL UTILITIES  |        |                 |             | 19,115,115   |
| TOTAL CORPORATE BONDS & NOTES (Cost \$86,081,899)              |        |                 |             | 88,928,418   |
| MORTGAGE-BACKED SECURITIES 2.3%                                |        |                 |             |              |
| <b>FHLMC 0.1%</b>  |        |                 |             |              |
| Federal Home Loan Mortgage Corp. (FHLMC)                       | 3.500% | 4/13/41         | 200,000     | 187,969(f)   |
| Federal Home Loan Mortgage Corp. (FHLMC), Gold                 | 5.500% | 5/12/41         | 100,000     | 106,406(f)   |
| <i>Total FHLMC</i>   |        |                 |             | 294,375      |
| <b>FNMA 1.3%</b>   |        |                 |             |              |
| Federal National Mortgage Association (FNMA)                   | 4.500% | 4/13/41         | 900,000     | 916,172(f)   |
| Federal National Mortgage Association (FNMA)                   | 5.000% | 4/13/41-5/12/41 | 2,300,000   | 2,403,750(f) |
| Federal National Mortgage Association (FNMA)                   | 5.500% | 4/13/41-5/12/41 | 2,500,000   | 2,670,392(f) |
| Federal National Mortgage Association (FNMA)                   | 6.000% | 4/13/41-5/12/41 | 1,300,000   | 1,413,203(f) |
| <i>Total FNMA</i>  |        |                 |             | 7,403,517    |
| <b>GNMA 0.9%</b>   |        |                 |             |              |

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|  |        |         |           |                  |
|--|--------|---------|-----------|------------------|
| Government National Mortgage Association (GNMA)      | 5.000% | 1/15/40 | 1,607,317 | 1,717,866        |
| Government National Mortgage Association (GNMA)      | 4.500% | 4/20/41 | 500,000   | 515,172(f)       |
| Government National Mortgage Association (GNMA)      | 5.000% | 4/20/41 | 900,000   | 954,938(f)       |
| Government National Mortgage Association (GNMA)      | 5.500% | 4/20/41 | 300,000   | 324,656(f)       |
| Government National Mortgage Association (GNMA)      | 4.500% | 5/18/41 | 1,400,000 | 1,437,407(f)     |
| Government National Mortgage Association (GNMA)      | 2.014% | 7/20/60 | 151,004   | 157,300(c)       |
| <i>Total GNMA</i>                                    |        |         |           | <i>5,107,339</i> |
| TOTAL MORTGAGE-BACKED SECURITIES (Cost \$12,731,391) |        |         |           | 12,805,231       |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

| SECURITY  | RATE   | MATURITY DATE | FACE AMOUNT | VALUE     |
|---|--------|---------------|-------------|-----------|
| MUNICIPAL BONDS 0.0%  |        |               |             |           |
| <b>California 0.0%</b>  |        |               |             |           |
| Imperial Irrigation District Electric Revenue   | 5.125% | 11/1/38       | \$ 10,000   | \$ 9,166  |
| Los Angeles, CA, Department of Airports Revenue   | 5.250% | 5/15/39       | 10,000      | 9,602     |
| San Francisco, CA, City & County Public Utilities Commission, Water Revenue   | 5.000% | 11/1/39       | 10,000      | 9,379     |
| Total California  |        |               |             | 28,147    |
| <b>Georgia 0.0%</b>   |        |               |             |           |
| Metropolitan Atlanta, GA, Rapid Transit Authority, Sales Tax Revenue  | 5.000% | 7/1/39        | 10,000      | 9,763     |
| <b>Illinois 0.0%</b>  |        |               |             |           |
| Illinois State, GO  | 5.665% | 3/1/18        | 40,000      | 39,963    |
| Illinois State, GO  | 5.877% | 3/1/19        | 40,000      | 39,990    |
| Total Illinois  |        |               |             | 79,953    |
| <b>New York 0.0%</b>  |        |               |             |           |
| Liberty, NY, Development Corporation Revenue, Goldman Sachs Headquarters  | 5.250% | 10/1/35       | 40,000      | 38,249    |
| New York State Dormitory Authority Lease Revenue, State University Dormitory Facilities                             | 5.000% | 7/1/40        | 10,000      | 9,499     |
| New York State Environmental Facilities Corp., State Clean Water & Drinking Port Authority of New York & New Jersey | 5.125% | 6/15/38       | 10,000      | 9,934     |
|   | 5.000% | 1/15/41       | 30,000      | 28,874    |
| Total New York  |        |               |             | 86,556    |
| TOTAL MUNICIPAL BONDS (Cost \$202,264)  |        |               |             | 204,419   |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 2.5%   |        |               |             |           |
| <b>U.S. Government Agencies 0.4%</b>  |        |               |             |           |
| Federal Home Loan Bank (FHLB), Global Bonds   | 1.625% | 7/27/11       | 1,770,000   | 1,778,837 |
| Federal Home Loan Bank (FHLB), Global Bonds   | 5.500% | 7/15/36       | 100,000     | 108,624   |
| Federal Home Loan Mortgage Corp. (FHLMC), Notes   | 0.375% | 11/30/12      | 500,000     | 497,510   |
| Total U.S. Government Agencies  |        |               |             | 2,384,971 |
| <b>U.S. Government Obligations 2.1%</b>   |        |               |             |           |
| U.S. Treasury Bonds   | 4.375% | 5/15/40       | 550,000     | 537,799   |
| U.S. Treasury Bonds   | 4.250% | 11/15/40      | 10,000      | 9,566     |
| U.S. Treasury Bonds   | 4.750% | 2/15/41       | 1,230,000   | 1,278,623 |
| U.S. Treasury Notes   | 1.250% | 8/31/15       | 4,520,000   | 4,381,575 |
| U.S. Treasury Notes   | 2.000% | 1/31/16       | 90,000      | 89,360    |



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|   |        |          |           |            |
|---|--------|----------|-----------|------------|
| U.S. Treasury Notes   | 2.125% | 2/29/16  | 310,000   | 309,079    |
| U.S. Treasury Notes   | 2.750% | 2/28/18  | 900,000   | 893,320    |
| U.S. Treasury Notes   | 2.875% | 3/31/18  | 1,810,000 | 1,807,879  |
| U.S. Treasury Notes   | 3.500% | 5/15/20  | 1,310,000 | 1,327,917  |
| U.S. Treasury Notes   | 3.625% | 2/15/21  | 610,000   | 618,769    |
| U.S. Treasury Strip Principal (STRIPS)                              | 0.000% | 11/15/24 | 190,000   | 106,927    |
| Total U.S. Government Obligations                                   |        |          |           | 11,360,814 |
| TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (Cost \$13,872,171)      |        |          |           | 13,745,785 |
| U.S. TREASURY INFLATION PROTECTED SECURITIES 0.1%                   |        |          |           |            |
| U.S. Treasury Bonds, Inflation Indexed                              | 2.000% | 1/15/26  | 177,502   | 189,900    |
| U.S. Treasury Bonds, Inflation Indexed                              | 2.375% | 1/15/27  | 338,477   | 377,745(g) |
| U.S. Treasury Bonds, Inflation Indexed                              | 2.125% | 2/15/41  | 110,602   | 117,350    |
| TOTAL U.S. TREASURY INFLATION PROTECTED SECURITIES (Cost \$618,957) |        |          |           | 684,995    |

|  | EXPIRATION<br>DATE | CONTRACTS |       |
|--|--------------------|-----------|-------|
| PURCHASED OPTIONS 0.0%                               |                    |           |       |
| Eurodollar Mid Curve 1-Year Futures, Call @ \$99.38  | 12/16/11           | 10        | 63    |
| U.S. Treasury 10-Year Notes Futures, Call @ \$122.00 | 4/21/11            | 5         | 485   |
| U.S. Treasury 10-Year Notes Futures, Call @ \$122.00 | 5/20/11            | 1         | 266   |
| U.S. Treasury 10-Year Notes Futures, Call @ \$122.50 | 5/20/11            | 14        | 2,625 |
| U.S. Treasury 30-Year Notes Futures, Put @ \$110.00  | 5/20/11            | 5         | 312   |
| TOTAL PURCHASED OPTIONS (Cost \$7,739)               |                    |           | 3,751 |

*See Notes to Schedule of Investments.*

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Schedule of investments (unaudited) (cont d)

March 31, 2011

**LMP CAPITAL AND INCOME FUND INC.**

| SECURITY  | EXPIRATION<br>DATE | WARRANTS         | VALUE          |              |
|---|--------------------|------------------|----------------|--------------|
| <b>WARRANTS 0.0%</b>  |                    |                  |                |              |
| Buffets Restaurant Holdings   | 4/28/14            | 215              | \$             | 2*(a)(b)     |
| Charter Communications Inc.   | 11/30/14           | 189              |                | 1,937*       |
| TOTAL WARRANTS (Cost \$378)   |                    |                  |                | 1,939        |
| TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$484,826,987)  |                    |                  |                | 537,045,556  |
| <br>  |                    |                  |                |              |
| SHORT-TERM INVESTMENTS  | RATE               | MATURITY<br>DATE | FACE<br>AMOUNT |              |
| <b>SHORT-TERM INVESTMENTS 3.1%</b>  |                    |                  |                |              |
| <b>U.S. Government Agencies 0.4%</b>  |                    |                  |                |              |
| Federal Home Loan Mortgage Corp. (FHLMC), Discount Notes (Cost - \$2,098,862)   |                    |                  |                |              |
|   | 0.150%             | 8/9/11           | \$ 2,100,000   | 2,099,091(h) |
| <b>Repurchase Agreements 2.7%</b>   |                    |                  |                |              |
| Interest in \$562,442,000 joint tri-party repurchase agreement dated 3/31/11 with Barclays Capital Inc.; Proceeds at maturity - \$11,590,035; (Fully collateralized by various U.S. government obligations, 1.375% to 1.750% due 1/15/20 to 1/15/28; Market value - \$11,821,800) |                    |                  |                |              |
|   | 0.110%             | 4/1/11           | 11,590,000     | 11,590,000   |
| Morgan Stanley tri-party repurchase agreement dated 3/31/11; Proceeds at maturity - \$3,602,011; (Fully collateralized by U.S. government agency obligations, 3.740% due 10/27/25; Market value - \$3,674,864)  |                    |                  |                |              |
|   | 0.110%             | 4/1/11           | 3,602,000      | 3,602,000    |
| Total Repurchase Agreements (Cost \$15,192,000)   |                    |                  |                | 15,192,000   |
| TOTAL SHORT-TERM INVESTMENTS (Cost \$17,290,862)  |                    |                  |                | 17,291,091   |
| TOTAL INVESTMENTS 100.0% (Cost \$502,117,849#)  |                    |                  |                | 554,336,647  |

\* Non-income producing security.

(a) Security is valued in good faith at fair value in accordance with procedures approved by the Board of Directors (See Note 1).

(b) Illiquid security.

(c) Variable rate security. Interest rate disclosed is as of the most recent information available.

(d) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

(e) Security has no maturity date. The date shown represents the next call date.

(f) This security is traded on a to-be-announced ( TBA ) basis (See Note 1).

(g) All or a portion of this security is held at the broker as collateral for open futures contracts.

(h) Rate shown represents yield-to-maturity.

All or a portion of these securities are held as collateral pursuant to a loan agreement.

The coupon payment on these securities is currently in default as of March 31, 2011.

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# Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

- ADR - American Depositary Receipt
- ARM - Adjustable Rate Mortgage
- GO - General Obligation
- IO - Interest Only
- STRIPS - Separate Trading of Registered Interest and Principal Securities

| SCHEDULE OF WRITTEN OPTIONS                     |  |                 |              |       |           |       |
|---|--|-----------------|--------------|-------|-----------|-------|
| SECURITY  |  | EXPIRATION DATE | STRIKE PRICE |       | CONTRACTS | VALUE |
| Eurodollar Mid Curve 1-Year Futures, Call       |  | 9/16/11         | \$           | 99.38 | 5         | \$ 63 |
| TOTAL WRITTEN OPTIONS (Premiums received \$171) |  |                 |              |       |           | \$ 63 |

*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 reported sales 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, which 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. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. When reliable prices are not readily available, 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 values these securities as determined in accordance with 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 fair value.

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (ASC Topic 820). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities carried at fair value:

## Notes to Schedule of Investments (unaudited) (continued)

## ASSETS

| DESCRIPTION                                  | QUOTED<br>PRICES<br>(LEVEL 1) | OTHER<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL          |
|--|-------------------------------|---|--|----------------|
| Long-term investments :                      |                               |   |  |                |
| Common stocks:                               |                               |   |  |                |
| Industrials                                  | \$ 37,407,243                 |   | \$ 19,352  | \$ 37,426,595  |
| Other common stocks                          | 320,961,973                   |   |  | 320,961,973    |
| Convertible preferred stocks:                |                               |   |  |                |
| Financials                                   | 13,876,600                    | \$ 11,519,050   |  | 25,395,650     |
| Other convertible preferred stocks           | 21,367,559                    |   |  | 21,367,559     |
| Preferred stocks                             | 75,020                        |   |  | 75,020         |
| Asset-backed securities                      |                               | 1,335,064   |  | 1,335,064      |
| Collateralized mortgage obligations          |                               | 6,206,237   | 37,920   | 6,244,157      |
| Convertible bonds & notes                    |                               | 7,865,000   |  | 7,865,000      |
| Corporate bonds & notes                      |                               | 88,928,418  |  | 88,928,418     |
| Mortgage-backed securities                   |                               | 12,805,231  |  | 12,805,231     |
| Municipal bonds                              |                               | 204,419   |  | 204,419        |
| U.S. government & agency obligations         |                               | 13,745,785  |  | 13,745,785     |
| U.S. treasury inflation protected securities |                               | 684,995   |  | 684,995        |
| Purchased options                            | 3,751                         |   |  | 3,751          |
| Warrants                                     | 1,937                         |   | 2  | 1,939          |
| Total long-term investments                  | \$ 393,694,083                | \$ 143,294,199  | \$ 57,274  | \$ 537,045,556 |
| Short-term investments                       |                               | 17,291,091  |  | 17,291,091     |
| Total investments                            | \$ 393,694,083                | \$ 160,585,290  | \$ 57,274  | \$ 554,336,647 |
| Other financial instruments:                 |                               |   |  |                |
| Futures contracts                            | \$ 17,263                     |   |  | \$ 17,263      |
| Total return swaps                           |                               | \$ 970  |  | 970            |
| Total other financial instruments            | \$ 17,263                     | \$ 970  |  | \$ 18,233      |
| Total  | \$ 393,711,346                | \$ 160,586,260  | \$ 57,274  | \$ 554,354,880 |

## LIABILITIES

| DESCRIPTION                  | QUOTED<br>PRICES<br>(LEVEL 1) | OTHER<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS<br>(LEVEL 2) | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVEL 3) | TOTAL     |
|------------------------------|-------------------------------|---|--|-----------|
| Other financial instruments: |                               |   |  |           |
| Written options              | \$ 63                         |   |  | \$ 63     |
| Futures contracts            | 39,818                        |   |  | 39,818    |
| Total return swaps           |                               | \$ 184  |  | 184       |
| Total                        | \$ 39,881                     | \$ 184  |  | \$ 40,065 |

See Schedule of Investments for additional detailed categorizations.

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The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| INVESTMENTS IN SECURITIES  | COMMON<br>STOCKS | COLLATERALIZED<br>MORTGAGE<br>OBLIGATIONS | WARRANTS | TOTAL     |
|--|------------------|---|----------|-----------|
| Balance as of December 31, 2010  | \$ 19,352        |   | \$ 2     | \$ 19,354 |
| Accrued premiums/discounts   |                  |   |          |           |
| Realized gain(loss)  |                  |   |          |           |
| Change in unrealized appreciation (depreciation)(1)  |                  | \$ 1,547                                  |          | 1,547     |
| Net purchases (sales)  |                  | 36,373                                    |          | 36,373    |
| Transfers into Level 3   |                  |   |          |           |
| Transfers out of Level 3   |                  |   |          |           |
| Balance as of March 31, 2011   | \$ 19,352        | \$ 37,920                                 | \$ 2     | \$ 57,274 |
| Net change in unrealized appreciation<br>(depreciation) for investments in securities still<br>held at March 31, 2011(1) |                  | \$ 1,547                                  |          | \$ 1,547  |

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

(1) Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

**(b) Repurchase Agreements.** The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, 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 maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

**(c) Written Options.** When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. 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 recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

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

**(d) Futures Contracts.** The Fund uses futures contracts to gain exposure to, or hedge against, changes in the value of equities, interest rates or foreign currencies. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded.



**(e) Inflation-Indexed Bonds.** Inflation-indexed bonds are fixed-income securities whose principal value or interest rate is periodically adjusted according to the rate of inflation. As the index measuring inflation changes, the principal value or interest rate of inflation-indexed bonds will be adjusted accordingly. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

**(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 on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of

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

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) Swap Agreements.** The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with ordinary portfolio transactions.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments.

**Total Return Swaps**

The Fund enters into total return swaps for investment purposes. Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument. For example, the agreement to pay a predetermined or fixed interest rate in exchange for a market-linked return based on a notional amount. To the extent the total return of a referenced index or instrument exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent it is less, the Fund will make a payment to the counterparty.

**(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, such as the face amount, maturity date and underlying pool of investments in U.S. government agency mortgage pass-through securities, is not announced. Securities purchased on a TBA basis are not settled until they are delivered to the Fund. 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 mortgage 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.

The Fund executes its mortgage dollar rolls entirely in the TBA market, whereby 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 Fund accounts for mortgage dollar rolls as purchases and sales.

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The risk of entering into mortgage dollar rolls 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 the proceeds of the mortgage dollar roll may be restricted pending a determination by the counterparty, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities.

**(j) Credit and Market Risk.** The Fund invests in high-yield and emerging market instruments that may be 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 involve 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.

**(k) Counterparty Risk and Credit-Risk-Related Contingent Features of Derivative Instruments.** The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund's investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net

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

exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund's net assets or NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

As of March 31, 2011, the Fund held written options and total return swaps with credit related contingent features which had a liability position of \$247. If a contingent feature in the Master Agreements would have been triggered, the Fund would have been required to pay this amount to its derivatives counterparties.

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

**2. Investments**

At March 31, 2011, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

|                               |              |
|-------------------------------|--------------|
| Gross unrealized appreciation | \$60,274,606 |
| Gross unrealized depreciation | (8,055,808)  |
| Net unrealized appreciation   | \$52,218,798 |

During the period ended March 31, 2011, written option transactions for the Fund were as follows:

|  | <b>Number of Contracts</b> | <b>Premiums</b> |
|--|----------------------------|-----------------|
| Written options, outstanding December 31, 2010 | 17                         | \$7,960         |
| Options written                                | 28                         | 8,315           |
| Options closed                                 | (28)                       | (15,206)        |
| Options exercised                              |                            |                 |
| Options expired                                | (12)                       | (898)           |
| Written options, outstanding March 31, 2011    | 5                          | \$171           |

At March 31, 2011, the Fund had the following open futures contracts:

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|  | NUMBER OF<br>CONTRACTS | EXPIRATION<br>DATE | BASIS<br>VALUE | MARKET<br>VALUE | UNREALIZED<br>GAIN (LOSS) |
|--|------------------------|--------------------|----------------|-----------------|---------------------------|
| <b>Contracts to Buy:</b>                         |                        |                    |                |                 |                           |
| U.S. Treasury 10-Year Notes                      | 2                      | 6/11               | \$ 237,991     | \$ 238,063      | \$ 72                     |
| U.S. Treasury 30-Year Bonds                      | 15                     | 6/11               | 1,790,322      | 1,802,812       | 12,490                    |
| U.S. Treasury Ultra Long-Term Bonds              | 1                      | 6/11               | 119,386        | 123,562         | 4,176                     |
|  |                        |                    |                |                 | 16,738                    |
| <b>Contracts to Sell:</b>                        |                        |                    |                |                 |                           |
| U.S. Treasury 2-Year Notes                       | 2                      | 6/11               | 436,775        | 436,250         | 525                       |
| U.S. Treasury 5-Year Notes                       | 81                     | 6/11               | 9,420,096      | 9,459,914       | (39,818)                  |
|  |                        |                    |                |                 | (39,293)                  |
| Net unrealized loss on open futures<br>contracts |                        |                    |                |                 | \$ (22,555)               |

At March 31, 2011, the Fund held TBA securities with a total cost of \$10,901,214.

At March 31, 2011, the Fund had the following open swap contracts:

Notes to Schedule of Investments (unaudited) (continued)

**TOTAL RETURN SWAPS**

| SWAP COUNTERPARTY         | NOTIONAL AMOUNT | TERMINATION DATE | PERIODIC PAYMENTS MADE BY THE FUND | PERIODIC PAYMENTS RECEIVED BY THE FUND | UPFRONT PREMIUMS PAID (RECEIVED) | UNREALIZED APPRECIATION (DEPRECIATION) |
|---------------------------|-----------------|------------------|------------------------------------|--|----------------------------------|--|
| Barclays Capital Inc.     | \$76,916        | 1/12/40          | 1-Month LIBOR                      | IOS.FN30.500.09                        |                                  | \$970                                  |
| Morgan Stanley & Co. Inc. | 25,000          | 1/1/12           | TRX-CMBS                           | TRX-CMBS Reset                         |                                  | (184)                                  |
| Total                     | \$101,916       |                  |                                    |  |                                  | \$786                                  |

Periodic payments made/received by the Fund are based on the total return of the referenced entity.

Markit Interest only Fannie Mae 30 year 5.00% fixed rate total return swap index.

**3. Derivative Instruments and Hedging Activities**

Financial Accounting Standards Board Codification Topic 815 requires enhanced disclosure about an entity's derivative and hedging activities.

The following is a summary of the Fund's derivative instruments categorized by risk exposure at March 31, 2011.

| Primary Underlying Risk Disclosure | Purchased Options, at value | Written Options, at value | Futures Contracts Unrealized Appreciation | Futures Contracts Unrealized Depreciation | Swap Contracts, at value | Total       |
|------------------------------------|-----------------------------|---------------------------|---|---|--------------------------|-------------|
| Interest Rate Contracts            | \$ 3,751                    | \$ (63)                   | \$ 17,263                                 | \$ (39,818)                               | \$ 970                   | \$ (17,897) |
| Credit Contracts                   |                             |                           |   |   | (184)                    | (184)       |
| Total                              | \$ 3,751                    | \$ (63)                   | \$ 17,263                                 | \$ (39,818)                               | \$ 786                   | \$ (18,081) |

During the period ended March 31, 2011, the volume of derivative activity for the Fund was as follows:

|                             | Average Market Value     |
|-----------------------------|--------------------------|
| Purchased options           | \$ 1,078                 |
| Written options             | 2,109                    |
| Futures contracts (to buy)  | 4,537,663                |
| Futures contracts (to sell) | 9,286,487                |
|                             | Average Notional Balance |
| Total return swap contracts | \$ 136,710               |



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.

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**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: May 25, 2011

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: May 25, 2011

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

Date: May 25, 2011

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