

SALOMON BROTHERS CAPITAL & INCOME FUND INC
Form N-Q
September 29, 2006

**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

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

Registrant's telephone number, including area code: 1-800-725-6666

Date of fiscal year end: October 31

Date of reporting period: July 31, 2006

ITEM 1.

SCHEDULE OF INVESTMENTS

SALOMON BROTHERS CAPITAL AND INCOME FUND INC.

FORM N-Q

July 31, 2006

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited)

July 31, 2006

| Shares | | Security | Value |
|--|--------------|---|-------------------|
| COMMON STOCKS | 44.1% | | |
| CONSUMER DISCRETIONARY | 4.4% | | |
| Hotels, Restaurants & Leisure | 0.7% | | |
| 176,500 | | McDonald's Corp. | \$ 6,246,335 |
| Household Durables | 0.0% | | |
| 1,226,577 | | Home Interiors of Gifts Inc. (a)(b)* | 12,266 |
| Media | 2.6% | | |
| 178,600 | | Comcast Corp., Special Class A Shares * | 6,122,408 |
| 172,400 | | EchoStar Communications Corp., Class A Shares * | 6,042,620 |
| 51,394 | | NTL Inc. | 1,174,353 |
| 311,600 | | SES Global SA, FDR | 4,215,734 |
| 328,314 | | Time Warner Inc. | 5,428,606 |
| | | Total Media | 22,983,721 |
| Specialty Retail | 1.1% | | |
| 266,000 | | Home Depot Inc. | 9,232,860 |
| | | TOTAL CONSUMER DISCRETIONARY | 38,475,182 |
| CONSUMER STAPLES | 5.1% | | |
| Food & Staples Retailing | 1.5% | | |
| 18,000 | | Sysco Corp. | 496,800 |
| 275,600 | | Wal-Mart Stores Inc. | 12,264,200 |
| | | Total Food & Staples Retailing | 12,761,000 |
| Food Products | 0.3% | | |
| 77,000 | | McCormick & Co. Inc., Non Voting Shares | 2,699,620 |
| Household Products | 1.9% | | |
| 45,400 | | Kimberly-Clark Corp. | 2,771,670 |
| 248,500 | | Procter & Gamble Co. | 13,965,700 |
| | | Total Household Products | 16,737,370 |
| Tobacco | 1.4% | | |
| 157,200 | | Altria Group Inc. | 12,571,284 |
| | | TOTAL CONSUMER STAPLES | 44,769,274 |
| ENERGY | 6.1% | | |
| Energy Equipment & Services | 2.0% | | |
| 112,700 | | ENSCO International Inc. | 5,208,994 |
| 37,200 | | GlobalSantaFe Corp. | 2,043,396 |
| 194,600 | | Halliburton Co. | 6,491,856 |
| 141,000 | | Pride International Inc. * | 4,211,670 |
| | | Total Energy Equipment & Services | 17,955,916 |
| Oil, Gas & Consumable Fuels | 4.1% | | |
| 82,500 | | Arlington Tankers Ltd. | 1,838,925 |
| 93,100 | | ConocoPhillips | 6,390,384 |
| 102,114 | | Nexen Inc. | 5,996,134 |
| 133,600 | | OPTI Canada Inc. * | 2,575,251 |
| 189,160 | | Total SA, Sponsored ADR | 12,906,387 |
| 252,200 | | Williams Cos. Inc. | 6,115,850 |

| | | |
|------------------------------|--|------------|
| | Total Oil, Gas & Consumable Fuels | 35,822,931 |
| | TOTAL ENERGY | 53,778,847 |
| FINANCIALS 11.6% | | |
| Commercial Banks 1.4% | | |
| 172,000 | Wells Fargo & Co. | 12,442,480 |
| Consumer Finance 2.9% | | |
| 302,800 | American Express Co. | 15,763,768 |
| 122,832 | Capital One Financial Corp. | 9,501,055 |
| | Total Consumer Finance | 25,264,823 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Shares | Security | Value |
|---|--|---------------|
| FINANCIALS 11.6% (continued) | | |
| Diversified Financial Services 2.8% | | |
| 237,852 | Bank of America Corp. | \$ 12,256,514 |
| 282,940 | JPMorgan Chase & Co. | 12,907,723 |
| | Total Diversified Financial Services | 25,164,237 |
| Insurance 1.1% | | |
| 124,100 | Chubb Corp. | 6,257,122 |
| 123,700 | Marsh & McLennan Cos. Inc. | 3,343,611 |
| | Total Insurance | 9,600,733 |
| Real Estate Investment Trusts (REITs) 3.2% | | |
| 45,300 | Archstone-Smith Trust | 2,376,891 |
| 31,900 | Avalonbay Communities Inc. | 3,729,748 |
| 50,200 | Equity Residential | 2,334,802 |
| 60,700 | General Growth Properties Inc. | 2,770,348 |
| 16,300 | Host Marriott Corp. | 345,886 |
| 26,200 | Liberty Property Trust | 1,227,470 |
| 49,100 | Maguire Properties Inc. | 1,836,831 |
| 46,700 | New Plan Excel Realty Trust Inc. | 1,210,464 |
| 44,000 | ProLogis | 2,435,400 |
| 34,500 | Simon Property Group Inc. | 2,950,785 |
| 41,300 | SL Green Realty Corp. | 4,720,590 |
| 25,000 | United Dominion Realty Trust Inc. | 696,250 |
| 14,900 | Vornado Realty Trust | 1,557,795 |
| | Total Real Estate Investment Trusts (REITs) | 28,193,260 |
| Thrifts & Mortgage Finance 0.2% | | |
| 112,700 | Hudson City Bancorp Inc. | 1,461,719 |
| | TOTAL FINANCIALS | 102,127,252 |
| HEALTH CARE 5.7% | | |
| Biotechnology 1.1% | | |
| 96,500 | Amgen Inc. * | 6,729,910 |
| 15,500 | Genzyme Corp. * | 1,058,340 |
| 50,000 | Vertex Pharmaceuticals Inc. * | 1,676,000 |
| | Total Biotechnology | 9,464,250 |
| Health Care Equipment & Supplies 1.6% | | |
| 758,900 | Boston Scientific Corp. * | 12,908,889 |
| 37,400 | DJ Orthopedics Inc. * | 1,476,178 |
| | Total Health Care Equipment & Supplies | 14,385,067 |
| Health Care Providers & Services 2.1% | | |
| 33,000 | DaVita Inc. * | 1,650,660 |
| 239,200 | UnitedHealth Group Inc. | 11,440,936 |
| 78,800 | WellPoint Inc. * | 5,870,600 |
| | Total Health Care Providers & Services | 18,962,196 |
| Pharmaceuticals 0.9% | | |
| 61,500 | Abbott Laboratories | 2,937,855 |
| 51,100 | Novartis AG, Sponsored ADR | 2,872,842 |
| 89,700 | Schering-Plough Corp. | 1,833,468 |

| | | |
|--------------------------------------|--------------------------------------|------------|
| | Total Pharmaceuticals | 7,644,165 |
| | TOTAL HEALTH CARE | 50,455,678 |
| INDUSTRIALS 3.3% | | |
| Aerospace & Defense 1.6% | | |
| 118,600 | Boeing Co. | 9,182,012 |
| 137,503 | Honeywell International Inc. | 5,328,241 |
| | Total Aerospace & Defense | 14,510,253 |
| Industrial Conglomerates 1.7% | | |
| 370,400 | General Electric Co. | 12,108,376 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Shares | Security | Value |
|--|---|--------------|
| Industrial Conglomerates 1.7% (continued) | | |
| 30,100 | Textron Inc. | \$ 2,706,291 |
| | Total Industrial Conglomerates | 14,814,667 |
| | TOTAL INDUSTRIALS | 29,324,920 |
| INFORMATION TECHNOLOGY 3.0% | | |
| Communications Equipment 1.6% | | |
| 345,400 | Cisco Systems Inc. * | 6,165,390 |
| 90,051 | Comverse Technology Inc. * | 1,745,188 |
| 279,200 | Motorola Inc. | 6,381,423 |
| | Total Communications Equipment | 14,292,001 |
| Software 1.4% | | |
| 497,100 | Microsoft Corp. | 11,945,313 |
| | TOTAL INFORMATION TECHNOLOGY | 26,237,314 |
| MATERIALS 0.9% | | |
| Metals & Mining 0.9% | | |
| 153,400 | Barrick Gold Corp. | 4,724,720 |
| 120,600 | Compass Minerals International Inc. | 3,221,226 |
| | TOTAL MATERIALS | 7,945,946 |
| TELECOMMUNICATION SERVICES 0.7% | | |
| Wireless Telecommunication Services 0.7% | | |
| 171,797 | American Tower Corp., Class A Shares * | 5,806,740 |
| UTILITIES 3.3% | | |
| Electric Utilities 0.4% | | |
| 109,700 | ITC Holdings Corp. | 3,412,767 |
| Independent Power Producers & Energy Traders 1.9% | | |
| 228,400 | Mirant Corp. * | 6,068,588 |
| 82,123 | NRG Energy Inc. * | 4,044,558 |
| 99,200 | TXU Corp. | 6,371,616 |
| | Total Independent Power Producers & Energy Traders | 16,484,762 |
| Multi-Utilities 1.0% | | |
| 181,000 | Sempra Energy | 8,735,060 |
| | TOTAL UTILITIES | 28,632,589 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$344,706,244) | 387,553,742 |
| CONVERTIBLE PREFERRED STOCKS 0.8% | | |
| CONSUMER DISCRETIONARY 0.1% | | |
| Hotels, Restaurants & Leisure 0.1% | | |
| 55,000 | Six Flags Inc., 7.250% | 1,191,850 |
| ENERGY 0.3% | | |
| Energy Equipment & Services 0.3% | | |
| 38,000 | Hanover Compressor Capital Trust, 7.250% | 2,156,500 |
| FINANCIALS 0.4% | | |
| Real Estate Investment Trusts (REITs) 0.2% | | |
| 26,000 | Simon Property Group Inc., 6.000% | 1,820,260 |
| Thrifts & Mortgage Finance 0.2% | | |
| 40,000 | Sovereign Capital Trust IV, 4.375% | 1,800,000 |

| | |
|---|-----------|
| TOTAL FINANCIALS | 3,620,260 |
| TOTAL CONVERTIBLE PREFERRED STOCKS | |
| (Cost \$6,584,495) | 6,968,610 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Shares | Security | Value |
|---|--|----------------|
| PREFERRED STOCKS 0.1% | | |
| CONSUMER DISCRETIONARY 0.1% | | |
| Auto Components 0.1% | | |
| 14,000 | Delphi Trust I, Cumulative Trust Preferred Securities, 8.250% | \$ 199,500 |
| Automobiles 0.0% | | |
| 300 | Ford Motor Co., 8.000% | 5,331 |
| | TOTAL CONSUMER DISCRETIONARY | 204,831 |
| ENERGY 0.0% | | |
| Oil, Gas & Consumable Fuels 0.0% | | |
| 575 | Chesapeake Energy Corp., 6.250% | 161,012 |
| FINANCIALS 0.0% | | |
| Diversified Financial Services 0.0% | | |
| 300 | Corporate-Backed Trust Certificates, Series 2001-8, Class A-1, 7.375% | 5,212 |
| 700 | Preferred Plus Series FMC1 Trust, Senior Debentures, Series LMG-3, 8.250% | 12,838 |
| 7,500 | Preferred Plus, Series FRD-1, 7.400% | 121,125 |
| 2,800 | Saturns, Series F 2003-5, 8.125% | 48,440 |
| | TOTAL FINANCIALS | 187,615 |
| | TOTAL PREFERRED STOCKS | |
| | (Cost \$701,892) | 553,458 |
| Face Amount | | |
| CORPORATE BONDS & NOTES 14.8% | | |
| Aerospace & Defense 0.1% | | |
| 195,000 | Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16 | 189,638 |
| 125,000 | Lockheed Martin Corp., Notes, 7.700% due 6/15/08 | 129,361 |
| 112,000 | Raytheon Co., Notes, 6.750% due 8/15/07 | 113,101 |
| | Total Aerospace & Defense | 432,100 |
| Airlines 0.1% | | |
| 410,000 | Continental Airlines Inc., Pass-Through Certificates, Series 2001-2, Class D, 7.568% due 12/1/06 | 409,391 |
| Auto Components 0.1% | | |
| 125,000 | Johnson Controls Inc., Senior Notes, 5.000% due 11/15/06 | 124,680 |
| 295,000 | Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13 | 282,462 |
| 510,000 | Visteon Corp., Senior Notes, 8.250% due 8/1/10 | 471,750 |
| | Total Auto Components | 878,892 |
| Automobiles 0.3% | | |
| 250,000 | Ford Motor Co.: Debentures, 6.625% due 10/1/28 | 181,250 |
| 1,575,000 | Notes, 7.450% due 7/16/31 | 1,165,500 |
| 1,280,000 | General Motors Corp., Senior Debentures: 8.250% due 7/15/23 | 1,062,400 |
| 70,000 | 8.375% due 7/15/33 | 57,750 |

| | | | |
|------------------|-------------|---|-----------|
| | | Total Automobiles | 2,466,900 |
| Beverages | 0.1% | | |
| | 100,000 | Bottling Group LLC, Senior Notes, 2.450% due 10/16/06 | 99,395 |
| | 500,000 | Constellation Brands Inc., Senior Subordinated Notes, Series B, 8.125% due 1/15/12 | 517,500 |
| | 100,000 | PepsiAmericas Inc., Senior Notes, 6.375% due 5/1/09 | 101,899 |
| | | Total Beverages | 718,794 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|--|--|------------------|
| CORPORATE BONDS & NOTES 14.8% (continued) | | |
| Biotechnology 0.0% | | |
| 35,000 | Angiotech Pharmaceuticals Inc., Senior Subordinated Notes, 7.750% due 4/1/14 (c) | \$ 34,038 |
| Building Products 0.2% | | |
| 540,000 | Associated Materials Inc., Senior Subordinated Notes, 9.750% due 4/15/12 | 531,900 |
| 230,000 | Jacuzzi Brands Inc., Secured Notes, 9.625% due 7/1/10 | 244,375 |
| 650,000 | Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14 | 611,000 |
| 280,000 | NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.044% due 9/1/09 | 197,400 |
| | Total Building Products | 1,584,675 |
| Capital Markets 0.1% | | |
| 125,000 | Amvescap PLC, Senior Notes, 5.900% due 1/15/07 | 125,136 |
| 325,000 | BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14 | 350,594 |
| 120,000 | E*TRADE Financial Corp., Senior Notes: 7.375% due 9/15/13 | 120,900 |
| 105,000 | 7.875% due 12/1/15 | 108,937 |
| 150,000 | Morgan Stanley, Notes, 5.800% due 4/1/07 | 150,213 |
| | Total Capital Markets | 855,780 |
| Chemicals 0.7% | | |
| 1,000,000 | Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11 | 1,080,000 |
| 650,000 | Hercules Inc., Senior Subordinated Notes, 6.750% due 10/15/29 | 611,000 |
| 1,000,000 | Huntsman International LLC, Senior Subordinated Notes, 10.125% due 7/1/09 | 1,020,000 |
| 1,000,000 | Lyondell Chemical Co., Senior Secured Notes, 11.125% due 7/15/12 | 1,093,750 |
| 1,116,000 | Millennium America Inc., Senior Notes, 9.250% due 6/15/08 | 1,146,690 |
| 50,000 | Monsanto Co., Notes, 4.000% due 5/15/08 | 48,696 |
| 75,000 | Potash Corp. of Saskatchewan, 7.125% due 6/15/07 | 75,936 |
| 6,000 | PPG Industries Inc., Notes, 6.500% due 11/1/07 | 6,042 |
| 125,000 | Praxair Inc., Notes, 2.750% due 6/15/08 | 119,113 |
| 500,000 | Rhodia SA, Senior Notes: 7.625% due 6/1/10 | 508,750 |
| 392,000 | 10.250% due 6/1/10 | 426,300 |
| | Total Chemicals | 6,136,277 |
| Commercial Banks 0.2% | | |
| 125,000 | American Express Centurion Bank, Notes, 5.460% due 8/21/06 (d) | 125,175 |
| 380,000 | Banesto Finance Ltd., 7.500% due 3/25/07 | 383,843 |
| 250,000 | Bank United Corp., Senior Notes, 8.875% due 5/1/07 | 255,916 |
| 300,000 | Corporacion Andina de Fomento, Notes, 5.840% due 10/26/06 (d) | 300,287 |
| 95,454 | Fifth Third Bank, Notes, 2.870% due 8/10/09 | 92,014 |
| 200,000 | SunTrust Bank, 4.550% due 5/25/09 | 194,963 |
| 150,000 | Wells Fargo & Co., Notes, 5.509% due 9/25/06 (d) | 150,133 |
| | Total Commercial Banks | 1,502,331 |
| Commercial Services & Supplies 0.3% | | |

| | | |
|---------|--|---------|
| | Allied Waste North America Inc.: | |
| | Senior Notes, Series B: | |
| 217,000 | 9.250% due 9/1/12 | 231,648 |
| 75,000 | 7.250% due 3/15/15 | 72,750 |
| 925,000 | Senior Secured Notes, Series B, 7.375% due 4/15/14 | 885,687 |
| 100,000 | Cendant Corp., Senior Notes, 6.875% due 8/15/06 | 100,030 |
| 350,000 | Corrections Corporation of America, Senior Subordinated Notes, 6.250% due 3/15/13 | 332,500 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|--|--|------------------|
| Commercial Services & Supplies 0.3% (continued) | | |
| 175,000 | DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, 9.500% due 2/15/13 | \$ 182,000 |
| 140,000 | NationsRent Inc., Senior Subordinated Notes, 9.500% due 5/1/15 | 163,986 |
| 555,000 | Windstream Corp., Senior Notes, 8.625% due 8/1/16 (c) | 579,975 |
| | Total Commercial Services & Supplies | 2,548,576 |
| Communications Equipment 0.2% | | |
| 1,500,000 | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 | 1,286,250 |
| Computers & Peripherals 0.0% | | |
| 125,000 | Hewlett-Packard Co., Senior Notes, 5.500% due 7/1/07 | 124,955 |
| 125,000 | IBM Canada Credit Services Co., Senior Notes, 3.750% due 11/30/07 (c) | 121,581 |
| | Total Computers & Peripherals | 246,536 |
| Consumer Finance 0.8% | | |
| 1,050,000 | Ford Motor Credit Co.: Notes, 7.000% due 10/1/13 | 923,486 |
| 559,000 | Senior Notes: 10.486% due 9/15/06 (c)(d) | 567,435 |
| 1,500,000 | 5.800% due 1/12/09 | 1,395,310 |
| 135,000 | 9.750% due 9/15/10 (c) | 133,727 |
| 156,000 | General Motors Acceptance Corp., Notes: 6.125% due 9/15/06 | 155,940 |
| 2,600,000 | 5.625% due 5/15/09 | 2,487,345 |
| 1,600,000 | 6.750% due 12/1/14 | 1,508,446 |
| 125,000 | SLM Corp., Medium-Term Notes, Series A, 5.685% due 10/25/06 (d) | 125,492 |
| | Total Consumer Finance | 7,297,181 |
| Containers & Packaging 0.4% | | |
| 500,000 | Berry Plastics Corp., Senior Subordinated Notes, 10.750% due 7/15/12 | 548,750 |
| 475,000 | Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14 | 464,313 |
| 90,000 | Graphic Packaging International Corp.: Senior Notes, 8.500% due 8/15/11 | 90,900 |
| 535,000 | Senior Subordinated Notes, 9.500% due 8/15/13 | 537,675 |
| 750,000 | JSG Funding PLC, Senior Notes, 9.625% due 10/1/12 | 780,000 |
| 900,000 | Owens-Illinois Inc., Debentures, 7.500% due 5/15/10 | 891,000 |
| 195,000 | Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (c) | 194,025 |
| 262,015 | Pliant Corp., Senior Secured Notes, 11.625% due 6/15/09 (e) | 289,854 |
| | Total Containers & Packaging | 3,796,517 |
| Diversified Consumer Services 0.1% | | |
| 1,005,000 | Hertz Corp., Senior Subordinated Notes, 10.500% due 1/1/16 (c) | 1,097,962 |
| Diversified Financial Services 2.1% | | |
| 125,000 | Bank of America Corp., Subordinated Notes, 6.375% due 2/15/08 | 126,678 |
| 125,000 | Bear Stearns Cos. Inc., Notes, 5.700% due 1/15/07 | 125,060 |
| 125,000 | Capital One Bank, Notes, 5.750% due 9/15/10 | 125,563 |

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| | | |
|---------|--|---------|
| 240,000 | CCM Merger Inc., Notes, 8.000% due 8/1/13 (c) | 231,000 |
| 125,000 | CIT Group Inc., Senior Notes, 5.500% due 11/30/07 | 124,845 |
| | Citisteel USA Inc., Senior Secured Notes: | |
| 125,000 | 12.490% due 9/1/06 (d) | 130,313 |
| 110,000 | 15.000% due 10/1/10 (c)(f) | 114,675 |
| 113,579 | Core Investment Grade Bond Trust I, Pass-Through Certificates, 4.659% due 11/30/07 | 112,433 |
| 125,000 | Countrywide Home Loans Inc., Medium-Term Notes, Series M, 4.125% due 9/15/09 | 119,856 |
| 125,000 | General Electric Capital Corp., Medium-Term Notes, Series A, 5.497% due 9/22/06 (d) | 125,150 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|--|---|-------------------|
| Diversified Financial Services 2.1% (continued) | | |
| 162,000 | Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12 | \$ 172,125 |
| 30,000 | H&E Equipment Services LLC/H&E Finance Corp., Senior Notes, 11.125% due 6/15/12 | 32,933 |
| 500,000 | Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC, Second Priority, Senior Secured Notes, 9.000% due 7/15/14 | 513,750 |
| 125,000 | HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09 | 126,285 |
| 240,000 | Hughes Network Systems LLC/HNS Finance Corp., Senior Notes, 9.500% due 4/15/14 (c) | 240,000 |
| 125,000 | International Lease Finance Corp., Notes, 5.750% due 10/15/06 | 124,999 |
| 125,000 | John Deere Capital Corp., Medium-Term Notes, Series D, 4.400% due 7/15/09 | 121,486 |
| 150,000 | JPMorgan Chase & Co., Senior Notes, 5.350% due 3/1/07 | 149,837 |
| 125,000 | Nationwide Building Society, Medium-Term Notes, 2.625% due 1/30/07 (c) | 123,291 |
| 325,000 | Nell AF SARL, Senior Subordinated Notes, 8.375% due 8/15/15 (c) | 317,281 |
| 150,000 | Rio Tinto Finance USA Ltd., Notes, 2.625% due 9/30/08 | 141,431 |
| 523,000 | Sarawak International Inc., Senior Bonds, 5.500% due 8/3/15 | 492,690 |
| 13,922,000 | Targeted Return Index Securities (TRAINS), Secured Notes, Series HY-1-2006, 7.548% due 5/1/16 (c)(g) | 13,684,143 |
| 125,000 | TIAA Global Markets Inc., Notes, 4.125% due 11/15/07 (c) | 122,493 |
| 450,000 | TNK-BP Finance SA, 7.500% due 7/18/16 (c) | 455,824 |
| 160,000 | UGS Corp., Senior Subordinated Notes, 10.000% due 6/1/12 | 173,000 |
| 280,000 | Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 9.501% due 10/1/09 | 199,500 |
| 195,000 | Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14 | 189,638 |
| | Total Diversified Financial Services | 18,716,279 |
| Diversified Telecommunication Services 0.7% | | |
| 95,000 | Cincinnati Bell Inc.: Senior Notes, 7.000% due 2/15/15 | 90,488 |
| 310,000 | Senior Subordinated Notes, 8.375% due 1/15/14 | 305,350 |
| 315,000 | Citizens Communications Co., Senior Notes, 9.000% due 8/15/31 | 324,450 |
| 325,000 | Hawaiian Telcom Communications Inc., Senior Subordinated Notes, Series B, 12.500% due 5/1/15 | 344,500 |
| 750,000 | Insight Midwest LP/Insight Capital Inc., Senior Notes, 10.500% due 11/1/10 | 783,750 |
| 370,000 | Intelsat Bermuda Ltd., Senior Notes: 9.250% due 6/15/16 (c) | 380,175 |
| 680,000 | 11.250% due 6/15/16 (c) | 690,200 |
| 35,000 | Intelsat Ltd., Notes, 7.625% due 4/15/12 | 29,356 |
| | NTL Cable PLC, Senior Notes: | |

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|---------------------------|-------------|-----|--|------------------|
| | 50,000 | | 8.750% due 4/15/14 | 51,000 |
| | 165,000 | | 9.125% due 8/15/16 | 167,887 |
| | 190,000 | | PanAmSat Corp., Senior Notes, 9.000% due 8/15/14 | 194,037 |
| | | | Qwest Communications International Inc., Senior Notes: | |
| | 285,000 | | 7.500% due 2/15/14 | 280,725 |
| | 740,000 | | Series B, 7.500% due 2/15/14 | 728,900 |
| | 830,000 | | Qwest Corp., Debentures, 6.875% due 9/15/33 | 740,775 |
| | 605,000 | | Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (c) | 487,025 |
| | 9,000,000 | MXN | Telefonos de Mexico SA de CV, Senior Notes, 8.750% due 1/31/16 | 791,283 |
| | | | Total Diversified Telecommunication Services | 6,389,901 |
| Electric Utilities | 0.0% | | | |
| | 75,000 | | Entergy Gulf States Inc., First Mortgage Notes, 3.600% due 6/1/08 | 72,081 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|--|--|------------|
| Electric Utilities 0.0% (continued) | | |
| 137,742 | Midwest Generation LLC, Pass-Through Certificates, Series B, 8.560% due 1/2/16 | \$ 144,888 |
| | Total Electric Utilities | 216,969 |
| Energy Equipment & Services 0.1% | | |
| 75,000 | Cameron International Corp., Senior Notes, 2.650% due 4/15/07 | 73,449 |
| 529,000 | Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14 | 507,840 |
| 250,000 | Duke Energy Field Services LLC, Senior Notes, 5.750% due 11/15/06 | 249,991 |
| 55,000 | Pride International Inc., Senior Notes, 7.375% due 7/15/14 | 55,825 |
| | Total Energy Equipment & Services | 887,105 |
| Food & Staples Retailing 0.0% | | |
| 150,000 | Safeway Inc., Senior Unsecured Notes, 6.500% due 11/15/08 | 152,552 |
| Food Products 0.3% | | |
| 125,000 | Campbell Soup Co., Notes, 6.900% due 10/15/06 | 125,337 |
| 325,000 | Dean Foods Co., Senior Notes, 6.900% due 10/15/17 | 303,875 |
| 500,000 | Del Monte Corp., Senior Subordinated Notes, 8.625% due 12/15/12 | 521,250 |
| 350,000 | Dole Food Co. Inc.: Debentures, 8.750% due 7/15/13 | 315,000 |
| 125,000 | Senior Notes: 7.250% due 6/15/10 | 113,125 |
| 261,000 | 8.875% due 3/15/11 | 245,340 |
| 125,000 | Kellogg Co., Senior Notes, 2.875% due 6/1/08 | 119,415 |
| 200,000 | Kraft Foods Inc., Notes, 4.625% due 11/1/06 | 199,500 |
| 500,000 | Pinnacle Foods Holding Corp., Senior Subordinated Notes, 8.250% due 12/1/13 | 492,500 |
| | Total Food Products | 2,435,342 |
| Health Care Providers & Services 0.5% | | |
| 250,000 | AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13 | 264,375 |
| 500,000 | Extencicare Health Services Inc., Senior Subordinated Notes, 6.875% due 5/1/14 | 522,500 |
| 600,000 | Genesis HealthCare Corp., Senior Subordinated Notes, 8.000% due 10/15/13 | 628,500 |
| 345,000 | HCA Inc., Senior Notes: 6.300% due 10/1/12 | 290,662 |
| 295,000 | 6.375% due 1/15/15 | 237,475 |
| 345,000 | 6.500% due 2/15/16 | 276,431 |
| 925,000 | IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14 | 892,625 |
| 650,000 | Tenet Healthcare Corp., Senior Notes: 7.375% due 2/1/13 | 567,125 |
| 800,000 | 9.875% due 7/1/14 | 768,000 |
| 70,000 | 6.875% due 11/15/31 | 53,025 |
| 150,000 | UnitedHealth Group Inc., Senior Notes, 3.300% due 1/30/08 | 145,097 |

| Hotels, Restaurants & Leisure 1.1% | Total Health Care Providers & Services | |
|---|--|-----------|
| 1,000,000 | Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14 | 4,645,815 |
| 200,000 | Carnival Corp., Secured Notes, 3.750% due 11/15/07 | 942,500 |
| 125,000 | Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13 | 195,456 |
| 325,000 | Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (c) | 124,375 |
| 550,000 | Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 | 317,687 |
| 325,000 | Gaylord Entertainment Co., Senior Notes, 6.750% due 11/15/14 | 555,500 |
| 450,000 | Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14 | 305,906 |
| 290,000 | Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10 | 433,125 |
| | | 304,863 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|--|--|------------------|
| Hotels, Restaurants & Leisure | 1.1% (continued) | |
| 1,000,000 | Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due 3/1/14 | \$ 960,000 |
| 500,000 | Kerzner International Ltd., Senior Subordinated Notes, 6.750% due 10/1/15 | 528,750 |
| 550,000 | Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15 | 511,500 |
| 125,000 | McDonald's Corp., Medium-Term Notes, Series E, 5.950% due 1/15/08 | 125,756 |
| | MGM MIRAGE Inc.: | |
| | Senior Notes: | |
| 700,000 | 6.750% due 9/1/12 | 680,750 |
| 575,000 | 5.875% due 2/27/14 | 525,406 |
| 203,000 | Senior Subordinated Notes, 9.375% due 2/15/10 | 215,180 |
| | Mohegan Tribal Gaming Authority, Senior Subordinated Notes: | |
| 300,000 | 7.125% due 8/15/14 | 292,500 |
| 350,000 | 6.875% due 2/15/15 | 334,250 |
| 325,000 | Penn National Gaming Inc., Senior Subordinated Notes, 6.750% due 3/1/15 | 307,125 |
| 500,000 | Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12 | 501,250 |
| 40,000 | River Rock Entertainment Authority, Senior Notes, 9.750% due 11/1/11 | 42,200 |
| 625,000 | Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12 | 612,500 |
| 625,000 | Station Casinos Inc., Senior Subordinated Notes, 6.875% due 3/1/16 | 578,125 |
| 500,000 | Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (c) | 507,500 |
| | Total Hotels, Restaurants & Leisure | 9,902,204 |
| Household Durables | 0.4% | |
| | Beazer Homes USA Inc., Senior Notes: | |
| 35,000 | 6.875% due 7/15/15 | 31,325 |
| 190,000 | 8.125% due 6/15/16 (c) | 181,450 |
| 100,000 | Centex Corp., Notes, 4.750% due 1/15/08 | 98,239 |
| 125,000 | Fortune Brands Inc., Notes, 2.875% due 12/1/06 | 123,826 |
| 600,000 | Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14 | 618,000 |
| | K Hovnanian Enterprises Inc.: | |
| 140,000 | 6.250% due 1/15/16 | 120,400 |
| 685,000 | Senior Notes, 8.625% due 1/15/17 | 671,300 |
| 240,000 | Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11 | 246,000 |
| 45,000 | Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 8.678% due 9/1/08 | 36,450 |
| 600,000 | Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14 | 603,000 |
| 575,000 | Tempur-Pedic Inc./Tempur Production USA Inc., Senior Subordinated Notes, 10.250% due 8/15/10 | 605,188 |

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|---|-------------|--|-----------|
| | | Total Household Durables | 3,335,178 |
| Household Products | 0.0% | | |
| | 195,000 | Nutro Products Inc., Senior Subordinated Notes, 10.750% due 4/15/14 (c) | 204,262 |
| | 213,000 | Spectrum Brands Inc., Senior Subordinated Notes, 7.375% due 2/1/15 | 161,348 |
| | | Total Household Products | 365,610 |
| Independent Power Producers & Energy Traders | 0.7% | | |
| | 45,000 | AES China Generating Co., Ltd., Class A, 8.250% due 6/26/10 | 44,359 |
| | 100,000 | AES Corp., Senior Notes: 9.500% due 6/1/09 | 106,000 |
| | 1,370,000 | 7.750% due 3/1/14 | 1,390,550 |
| | 175,000 | Calpine Generating Co. LLC, Senior Secured Notes, 14.120% due 10/1/06 (d)(e) | 184,625 |
| | 100,000 | Duke Energy Corp., Senior Notes, 4.200% due 10/1/08 | 97,177 |
| | 1,725,000 | Dynegy Holdings Inc., Senior Debentures, 7.125% due 5/15/18 | 1,518,000 |
| | 1,000,000 | Edison Mission Energy, Senior Notes: 7.730% due 6/15/09 | 1,020,000 |
| | 35,000 | 7.500% due 6/15/13 (c) | 34,737 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|---|---|------------------|
| Independent Power Producers & Energy Traders | 0.7% (continued) | |
| 340,000 | 7.750% due 6/15/16 (c) | \$ 337,450 |
| 110,000 | Mirant Americas Generation LLC, Senior Notes, 9.125% due 5/1/31 | 106,150 |
| 215,000 | Mirant North America LLC, Senior Notes, 7.375% due 12/31/13 | 207,744 |
| 250,000 | NRG Energy Inc., Senior Notes: 7.250% due 2/1/14 | 245,312 |
| 1,025,000 | 7.375% due 2/1/16 | 1,004,500 |
| | Total Independent Power Producers & Energy Traders | 6,296,604 |
| Industrial Conglomerates | 0.1% | |
| 237,000 | Koppers Inc., Senior Notes, 9.875% due 10/15/13 | 257,737 |
| 350,000 | Park-Ohio Industries Inc., Senior Subordinated Notes, 8.375% due 11/15/14 | 316,750 |
| | Total Industrial Conglomerates | 574,487 |
| Insurance | 0.2% | |
| 500,000 | Crum & Forster Holdings Corp., Senior Notes, 10.375% due 6/15/13 | 512,500 |
| 125,000 | Genworth Financial Inc., Notes, 4.750% due 6/15/09 | 122,845 |
| 75,000 | Marsh & McLennan Cos. Inc., Notes, 5.640% due 10/13/06 (d) | 74,989 |
| 500,000 | Nationwide Life Global Funding I, Notes, 5.580% due 9/28/06 (c)(d) | 500,852 |
| 150,000 | Protective Life Secured Trust, Senior Secured Notes, Medium-Term Notes, 5.580% due 10/13/06 (d) | 150,182 |
| 156,000 | Prudential Financial Inc., Medium-Term Notes, 3.750% due 5/1/08 | 151,444 |
| 75,000 | Unitrin Inc., Senior Notes, 5.750% due 7/1/07 | 74,835 |
| | Total Insurance | 1,587,647 |
| Internet & Catalog Retail | 0.0% | |
| 155,000 | FTD Inc., Senior Subordinated Notes, 7.750% due 2/15/14 | 149,963 |
| IT Services | 0.1% | |
| 400,000 | Sungard Data Systems Inc.: Senior Notes, 9.125% due 8/15/13 | 410,500 |
| 270,000 | Senior Subordinated Notes, 10.250% due 8/15/15 | 275,062 |
| | Total IT Services | 685,562 |
| Machinery | 0.2% | |
| 325,000 | Case New Holland Inc., Senior Notes, 7.125% due 3/1/14 | 317,687 |
| 412,000 | Caterpillar Inc., Senior Debentures, 7.250% due 9/15/09 | 434,435 |
| 309,000 | Invensys PLC, Senior Notes, 9.875% due 3/15/11 (c) | 333,720 |
| 146,000 | Mueller Group Inc., Senior Subordinated Notes, 10.000% due 5/1/12 | 158,410 |
| 504,000 | Mueller Holdings Inc., Discount Notes, step bond to yield 11.895% due 4/15/09 | 430,920 |
| 213,000 | Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14 | 212,468 |
| | Total Machinery | 1,887,640 |
| Media | 1.4% | |
| 365,000 | Affinion Group Inc., Senior Notes, 10.125% due 10/15/13 (c) | 375,950 |

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|---------|--|---------|
| | AMC Entertainment Inc.: | |
| 80,000 | Senior Note, Series B, 8.625% due 8/15/12 | 82,100 |
| 545,000 | Senior Subordinated Notes, 11.000% due 2/1/16 | 591,325 |
| 625,000 | CanWest Media Inc., Senior Subordinated Notes, 8.000% due 9/15/12 | 612,500 |
| 380,000 | CCH I Holdings LLC/CCH I Holding Capital Corp., Senior Accreting Notes, 11.750% due 5/15/14 | 258,400 |
| 550,000 | CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15 | 496,375 |
| 480,000 | CCH II LLC/CCH II Capital Corp., Senior Notes, 10.250% due 9/15/10 | 487,200 |
| | Charter Communications Holdings LLC/Charter Communications Holdings Capital Corp., Senior Notes: | |
| 160,000 | 8.625% due 4/1/09 | 134,400 |
| 110,000 | 10.750% due 10/1/09 | 95,150 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|---------------------------------|---|-------------------|
| Media 1.4% (continued) | | |
| 190,000 | Charter Communications Holdings LLC/Charter Communications Holdings II Capital Corp., Senior Notes, 9.625% due 11/15/09 | \$ 160,550 |
| 700,000 | Charter Communications Operating LLC, Second Lien Senior Notes, 8.375% due 4/30/14 (c) | 708,750 |
| 250,000 | Clear Channel Communications Inc., Senior Notes, 3.125% due 2/1/07 | 246,758 |
| 250,000 | COX Communications Inc., 7.750% due 8/15/06 | 250,130 |
| | CSC Holdings Inc.: | |
| 700,000 | Debentures, Series B, 8.125% due 8/15/09 | 720,125 |
| 160,000 | Senior Debentures, 7.625% due 7/15/18 | 159,600 |
| 375,000 | Senior Notes, Series B, 8.125% due 7/15/09 | 385,781 |
| 750,000 | Dex Media Inc., Discount Notes, step bond to yield 11.046% due 11/15/08 | 622,500 |
| 764,000 | DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13 | 804,110 |
| | EchoStar DBS Corp., Senior Notes: | |
| 1,000,000 | 6.625% due 10/1/14 | 967,500 |
| 365,000 | 7.125% due 2/1/16 (c) | 360,437 |
| 160,000 | Kabel Deutschland GMBH, Senior Notes, 10.625% due 7/1/14 (c) | 170,400 |
| 230,000 | Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15 | 214,763 |
| 500,000 | LodgeNet Entertainment Corp., Senior Subordinated Notes, 9.500% due 6/15/13 | 535,000 |
| 300,000 | Primedia Inc., Senior Notes, 8.875% due 5/15/11 | 287,250 |
| | R.H. Donnelley Corp.: | |
| | Senior Discount Notes: | |
| 175,000 | Series A-1, 6.875% due 1/15/13 | 159,688 |
| 300,000 | Series A-2, 6.875% due 1/15/13 | 273,750 |
| 450,000 | Senior Notes, Series A-3, 8.875% due 1/15/16 | 450,562 |
| | Rainbow National Services LLC: | |
| 100,000 | Senior Notes, 8.750% due 9/1/12 (c) | 106,250 |
| 50,000 | Senior Subordinated Debentures, 10.375% due 9/1/14 (c) | 56,125 |
| 125,000 | Reed Elsevier Capital Inc., Notes, 6.125% due 8/1/06 | 125,000 |
| 600,000 | Rogers Cable Inc., Senior Secured Notes, 7.875% due 5/1/12 | 623,250 |
| 520,000 | Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12 | 527,800 |
| 100,000 | Walt Disney Co., Medium-Term Notes, 5.500% due 12/29/06 | 100,055 |
| 365,000 | XM Satellite Radio Inc., Senior Notes, 9.750% due 5/1/14 (c) | 338,538 |
| | Total Media | 12,488,072 |
| Metals & Mining 0.3% | | |
| 475,000 | Aleris International Inc., Senior Secured Notes, 10.375% due 10/15/10 | 521,312 |
| 600,000 | Corporacion Nacional del Cobre-Codelco, Notes, 5.500% due 10/15/13 | 585,430 |
| 125,000 | IPSCO Inc., Senior Notes, 8.750% due 6/1/13 | 134,063 |

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| | | | |
|-------------------------|-------------|---|------------------|
| | 435,000 | Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15 (c) | 480,675 |
| | 240,000 | RathGibson Inc., Senior Notes, 11.250% due 2/15/14 (c) | 249,600 |
| | 525,000 | Vale Overseas Ltd., Notes, 6.250% due 1/11/16 | 520,275 |
| | 150,000 | WMC Finance USA, 6.750% due 12/1/06 | 150,533 |
| | | Total Metals & Mining | 2,641,888 |
| Multi-Utilities | 0.0% | | |
| | 125,000 | Keyspan Gas East Corp., Medium-Term Notes, 6.900% due 1/15/08 | 127,196 |
| | 155,000 | United Utilities PLC, Notes, 6.450% due 4/1/08 | 156,846 |
| | | Total Multi-Utilities | 284,042 |
| Multiline Retail | 0.1% | | |
| | 300,000 | Harry & David Operations, Senior Notes, 9.000% due 3/1/13 | 272,250 |
| | 490,000 | Neiman Marcus Group Inc., Senior Subordinated Notes, 10.375% due 10/15/15 | 522,462 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|---|---|------------|
| Multiline Retail 0.1% (continued) | | |
| 125,000 | Target Corp., Senior Notes, 5.500% due 4/1/07 | \$ 124,994 |
| | Total Multiline Retail | 919,706 |
| Oil, Gas & Consumable Fuels 1.1% | | |
| 440,000 | Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12 | 449,900 |
| 255,000 | Burlington Resources Finance Corp., Senior Notes, 5.600% due 12/1/06 | 255,075 |
| 775,000 | Chesapeake Energy Corp., Senior Notes: 6.375% due 6/15/15 | 732,375 |
| 75,000 | 6.625% due 1/15/16 | 71,812 |
| 425,000 | 6.500% due 8/15/17 | 397,375 |
| 45,000 | Compagnie Generale de Geophysique SA, 7.500% due 5/15/15 | 44,213 |
| 1,000,000 | El Paso Corp., Medium-Term Notes: 7.800% due 8/1/31 | 995,000 |
| 1,050,000 | 7.750% due 1/15/32 | 1,050,000 |
| 500,000 | EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11 | 490,000 |
| 325,000 | Holly Energy Partners, L.P., Senior Notes, 6.250% due 3/1/15 | 299,000 |
| 570,000 | International Coal Group Inc., Senior Notes, 10.250% due 7/15/14 (c) | 577,125 |
| 125,000 | Norsk Hydro ASA, Notes, 6.360% due 1/15/09 | 127,629 |
| 240,000 | Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13 (c) | 246,600 |
| 1,550,000 | Petronas Capital Ltd., Notes, 7.875% due 5/22/22 (c) | 1,816,453 |
| 310,000 | Pogo Producing Co., Senior Subordinated Notes, 7.875% due 5/1/13 (c) | 316,975 |
| 100,000 | Vintage Petroleum Inc., Senior Notes, 8.250% due 5/1/12 | 105,805 |
| 1,500,000 | Williams Cos. Inc., Senior Notes, 7.750% due 6/15/31 | 1,481,250 |
| 520,000 | XTO Energy Inc., Senior Notes, 7.500% due 4/15/12 | 560,289 |
| | Total Oil, Gas & Consumable Fuels | 10,016,876 |
| Paper & Forest Products 0.2% | | |
| 545,000 | Appleton Papers Inc., Senior Subordinated Notes, Series B, 9.750% due 6/15/14 | 545,000 |
| 10,000 | NewPage Corp.: Senior Secured Notes, 11.399% due 8/1/06 (d) | 10,850 |
| 220,000 | Senior Subordinated Notes, 12.000% due 5/1/13 | 230,450 |
| 1,000,000 | Norske Skog Canada Ltd., Senior Notes, 7.375% due 3/1/14 | 895,000 |
| 120,000 | Verso Paper Holdings LLC: Senior Secured Notes, 9.125% due 8/1/14 (c) | 120,600 |
| 95,000 | Senior Subordinated Notes, 11.375% due 8/1/16 (c) | 95,000 |
| | Total Paper & Forest Products | 1,896,900 |
| Personal Products 0.0% | | |
| 150,000 | Gillette Co., Notes, 3.500% due 10/15/07 | 146,340 |
| 175,000 | Playtex Products Inc., Senior Secured Notes, 8.000% due 3/1/11 | 182,219 |
| | Total Personal Products | 328,559 |
| Pharmaceuticals 0.1% | | |
| 425,000 | Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12 | 402,687 |

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| | | |
|---|--|-----------|
| 350,000 | Warner Chilcott Corp., Senior Subordinated Notes, 8.750% due 2/1/15 | 349,125 |
| | Total Pharmaceuticals | 751,812 |
| Real Estate Investment Trusts (REITs) 0.2% | | |
| 1,000,000 | Felcor Lodging LP, Senior Notes, 8.500% due 6/1/11 | 1,057,500 |
| 15,000 | Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15 | 15,150 |
| 185,000 | Host Marriott LP, Senior Notes, 6.750% due 6/1/16 (c) | 178,063 |
| 75,000 | iStar Financial Inc., Senior Notes, Series B, 4.875% due 1/15/09 | 73,451 |
| 205,000 | Kimball Hill Inc., Senior Subordinated Notes, 10.500% due 12/15/12 | 187,062 |
| 50,000 | Simon Property Group LP, Notes, 6.375% due 11/15/07 | 50,220 |
| 85,000 | Ventas Realty LP/Ventas Capital Corp., Senior Notes, 6.500% due 6/1/16 | 81,813 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|---|---|------------|
| Real Estate Investment Trusts (REITs) 0.2% (continued) | | |
| 200,000 | Vornado Realty LP, Senior Notes, 5.625% due 6/15/07 | \$ 199,493 |
| | Total Real Estate Investment Trusts (REITs) | 1,842,752 |
| Road & Rail 0.1% | | |
| 75,000 | Burlington Northern Santa Fe Corp., Notes, 7.875% due 4/15/07 | 76,135 |
| 420,000 | Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes, 9.375% due 5/1/12 | 448,350 |
| | Total Road & Rail | 524,485 |
| Semiconductors & Semiconductor Equipment 0.0% | | |
| 460,000 | MagnaChip Semiconductor, Senior Subordinated Notes, 8.000% due 12/15/14 | 307,050 |
| Software 0.1% | | |
| 375,000 | UGS Capital Corp. II, Senior Notes, 10.380% due 6/1/11 (c)(f) | 373,125 |
| Specialty Retail 0.2% | | |
| 235,000 | Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12 | 222,075 |
| 500,000 | Buffets Inc., Senior Subordinated Notes, 11.250% due 7/15/10 | 530,000 |
| 85,000 | EPL Finance Corp., Senior Notes, 11.750% due 11/15/13 (c) | 97,325 |
| 165,000 | Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15 | 177,788 |
| 275,000 | Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13 | 261,937 |
| | Total Specialty Retail | 1,289,125 |
| Textiles, Apparel & Luxury Goods 0.2% | | |
| 950,000 | Levi Strauss & Co., Senior Notes, 9.750% due 1/15/15 | 978,500 |
| 300,000 | Oxford Industries Inc., Senior Notes, 8.875% due 6/1/11 | 303,000 |
| 250,000 | Simmons Bedding Co., Senior Subordinated Notes, 7.875% due 1/15/14 | 236,875 |
| | Total Textiles, Apparel & Luxury Goods | 1,518,375 |
| Thrifts & Mortgage Finance 0.0% | | |
| 100,000 | GreenPoint Financial Corp., Senior Notes, 3.200% due 6/6/08 | 95,774 |
| Tobacco 0.0% | | |
| 75,000 | Altria Group Inc., Notes, 7.200% due 2/1/07 | 75,389 |
| Trading Companies & Distributors 0.1% | | |
| 100,000 | H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16 (c) | 101,500 |
| 410,000 | Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (c) | 425,375 |
| 280,000 | Transdigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (c) | 280,700 |
| | Total Trading Companies & Distributors | 807,575 |
| Wireless Telecommunication Services 0.5% | | |
| 1,000,000 | American Tower Corp., Senior Notes, 7.500% due 5/1/12 | 1,025,000 |
| 1,450,000 | Nextel Communications Inc., Senior Notes, Series E, 6.875% due 10/31/13 | 1,467,610 |
| 625,000 | Rogers Wireless Inc., Secured Notes, 7.500% due 3/15/15 | 643,750 |
| 355,000 | Rural Cellular Corp., Senior Notes, 9.875% due 2/1/10 | 369,200 |

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| | | | |
|--------------------------------|-------------|---|-------------|
| | 250,000 | Sprint Capital Corp., Notes, 6.000% due 1/15/07 | 250,485 |
| | 650,000 | UbiquiTel Operating Co., Senior Notes, 9.875% due 3/1/11 | 710,125 |
| | | Total Wireless Telecommunication Services | 4,466,170 |
| | | TOTAL CORPORATE BONDS & NOTES | |
| | | (Cost \$132,150,854) | 130,148,733 |
| ASSET-BACKED SECURITIES | 4.4% | | |
| Home Equity | 4.4% | | |
| | 1,000,000 | ACE Securities Corp., Series 2004-OP1, Class M3, 6.635% due 4/25/34 (d) | 1,002,575 |
| | 1,250,000 | Aegis Asset-Backed Securities Trust, Series 2004-5, Class M2, 6.605% due 12/25/34 (d) | 1,264,762 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|-------------------------------------|---|--------------|
| Home Equity 4.4% (continued) | | |
| \$ 1,000,000 | Ameriquest Mortgage Securities Inc.: | |
| 1,000,000 | Series 2003-12, Class M2, 7.085% due 11/25/33 (d) | \$ 1,020,332 |
| 1,000,000 | Series 2004-R11, Class M5, 6.585% due 11/25/34 (d) | 1,021,047 |
| | Amortizing Residential Collateral Trust, Series 2004-1, Class M4, 6.435% due 10/25/34 (d) | 1,022,844 |
| 13,490 | Ameriquest Finance Net Interest Margin Trust, Series 2004-RN5, Class A, 5.193% due 6/25/34 (c) | 13,459 |
| 2,000,000 | Argent Securities Inc., Series 2004-W8, Class M04, 6.685% due 5/25/34 (d) | 2,019,691 |
| 750,000 | Asset-Backed Funding Certificates, Series 2004-FF1, Class M2, 6.835% due 1/25/34 (d) | 760,131 |
| | Bear Stearns Asset-Backed Securities Inc.: | |
| 2,000,000 | Series 2004-HE5, Class M1, 5.955% due 7/25/34 (d) | 2,001,209 |
| 1,075,163 | Series 2005-AC4, Class M2, 6.055% due 7/25/35 (d) | 1,078,653 |
| | Countrywide Asset-Backed Certificates: | |
| 750,000 | Series 2003-03, Class M4, 6.785% due 3/25/33 (d) | 753,795 |
| 26,490 | Series 2004-02N, Class N1, 5.000% due 2/25/35 (c) | 26,235 |
| 410,000 | Series 2004-05, Class M4, 6.635% due 6/25/34 (d) | 416,484 |
| 2,000,000 | Series 2004-BC4, Class M2, 6.235% due 10/25/34 (d) | 2,014,694 |
| 73,417 | Finance America Net Interest Margin Trust, Series 2004-01, Class A, 5.250% due 6/27/34 (c) | 44,845 |
| 750,000 | First Franklin Mortgage Loan Asset Backed Certificates, Series 2004-FF2, Class M4, 6.285% due 3/25/34 (d) | 754,655 |
| | Fremont Home Loan Trust: | |
| 1,000,000 | Series 2004-01, Class M5, 6.485% due 2/25/34 (d) | 1,005,033 |
| 2,000,000 | Series 2004-B, Class M4, 6.555% due 5/24/34 (d) | 2,003,427 |
| 875,000 | Series 2004-D, Class M5, 6.385% due 11/25/34 (d) | 883,428 |
| 1,005,000 | GSAMP Trust, Series 2004-OPT, Class M3, 6.535% due 11/25/34 (d) | 1,014,722 |
| 750,000 | Long Beach Mortgage Loan Trust, Series 2004-06, Class M2, 6.535% due 11/25/34 (d) | 755,201 |
| 1,000,000 | MASTR Asset-Backed Securities Trust, Series 2004-OPT2, Class M4, 6.385% due 9/25/34 (d) | 1,010,231 |
| | Merrill Lynch Mortgage Investors Inc.: | |
| 45,872 | Series 2004-WM2N, Class N1, 4.500% due 12/25/34 (c) | 45,123 |
| 30,845 | Series 2005-WM1N, Class N1, 5.000% due 9/25/35 (c) | 30,683 |
| | Morgan Stanley Asset-Backed Securities Capital I: | |
| 1,400,000 | Series 2004-HE4, Class M2, 6.685% due 5/25/34 (d) | 1,400,843 |
| 1,000,000 | Series 2004-NC8, Class M4, 6.385% due 9/25/34 (d) | 1,015,064 |
| 1,000,000 | Series 2004-OP1, Class M5, 6.435% due 11/25/34 (d) | 1,015,320 |
| | New Century Home Equity Loan Trust: | |
| 1,250,000 | Series 2001-NC1, Class M2, 6.917% due 6/20/31 (d) | 1,251,802 |
| 1,500,000 | Series 2003-04, Class M2, 7.143% due 10/25/33 (d) | 1,515,631 |
| | Novastar Home Equity Loan: | |

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| | | |
|-----------|---|-----------|
| 1,000,000 | Series 2004-01, Class M4, 6.298% due 6/25/34 (d) | 1,008,707 |
| 1,250,000 | Series 2004-02, Class M5, 6.823% due 9/25/34 (d) | 1,264,752 |
| 1,000,000 | Series 2004-04, Class M4, 6.423% due 3/25/35 (d) | 1,006,055 |
| 750,000 | Series 2005-02, Class M10, 8.323% due 10/25/35 (d) | 707,108 |
| | Option One Mortgage Loan Trust: | |
| 284,161 | Series 2002-02, Class M2, 7.048% due 6/25/32 (d) | 284,590 |
| 462,876 | Series 2002-04, Class M2, 7.018% due 7/25/32 (d) | 463,631 |
| 1,500,000 | Series 2004-02, Class M2, 6.373% due 5/25/34 (d) | 1,500,911 |
| 1,000,000 | Renaissance Home Equity Loan Trust, Series 2003-4, Class M3, 7.223% due 3/25/34 (d) | 1,011,178 |
| 1,000,000 | Residential Asset Securities Corp., Series 2004-KS10, Class M2, 6.473% due 11/25/34 (d) | 1,016,341 |
| 911,387 | SACO I Trust, Series 2005-02, Class A, 5.523% due 4/25/35 (c)(d) | 911,827 |
| 141,210 | Sail Net Interest Margin Notes: Series 2003-BC2A, Class A, 7.750% due 4/27/33 (c) | 49,274 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|--|--|------------|
| Home Equity 4.4% (continued) | | |
| \$ 72,574 | Series 2004-2A, Class A, 5.500% due 3/27/34 (c) | \$ 22,100 |
| 51,676 | Series 2004-BN2A, Class A, 5.000% due 12/27/34 (c) | 51,562 |
| 89,286 | Sharp SP I LLC, Net Interest Margin Trust, Series 2005-HE1N, 5.190% due 2/25/35 (c) | 88,926 |
| 1,500,000 | Structured Asset Investment Loan Trust, Series 2003-BC10, Class M2, 7.173% due 10/25/33 (d) | 1,507,411 |
| | TOTAL ASSET-BACKED SECURITIES | |
| | (Cost \$39,006,457) | 39,056,292 |
| COLLATERALIZED MORTGAGE OBLIGATIONS(d) 0.8% | | |
| 260,000 | American Home Mortgage Investment Trust, Series 2005-4, Class M3, 6.185% due 11/25/45 | 260,079 |
| 186,860 | Commercial Mortgage Pass-Through Certificates, Series 2003-FL9, Class E, 6.369% due 11/15/15 (c) | 187,060 |
| | Federal Home Loan Mortgage Corp. (FHLMC): | |
| 150,780 | Series 2764, Class DT, 6.000% due 3/15/34 | 137,180 |
| 649,508 | Series 2780, Class SL, PAC, 6.000% due 4/15/34 | 644,201 |
| 748,354 | Harborview Mortgage Loan Trust, Series 2005-10, Class B6, 6.440% due 11/19/35 | 755,253 |
| 1,043,117 | Impac CMB Trust, Series 2004-04, Class 2M2, 6.885% due 9/25/34 | 1,051,634 |
| 832,644 | Merit Securities Corp., Series 11PA, Class B2, 6.841% due 9/28/32 (c) | 712,958 |
| | MLCC Mortgage Investors Inc.: | |
| 641,990 | Series 2004-A, Class B2, 6.305% due 4/25/29 | 643,809 |
| 865,484 | Series 2004-B, Class B2, 6.265% due 5/25/29 | 871,728 |
| 1,981,102 | Washington Mutual Inc., Series 2006-AR6, Class 2A1, 5.997% due 8/25/36 | 1,981,224 |
| | TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS | |
| | (Cost \$7,294,566) | 7,245,126 |
| CONVERTIBLE BONDS & NOTES 6.7% | | |
| Airlines 0.4% | | |
| 2,000,000 | Continental Airlines Inc., Series B, 4.500% due 2/1/07 | 2,007,500 |
| 2,000,000 | JetBlue Airways Corp., 3.500% due 7/15/33 | 1,807,500 |
| | Total Airlines | 3,815,000 |
| Biotechnology 2.4% | | |
| | BioMarin Pharmaceuticals Inc.: | |
| 500,000 | 2.500% due 3/29/13 | 562,500 |
| 5,100,000 | Subordinated Notes, 3.500% due 6/15/08 | 5,463,375 |
| 1,500,000 | Genzyme Corp., Senior Notes, 1.250% due 12/1/23 | 1,655,625 |
| 4,000,000 | Incyte Corp., 3.500% due 2/15/11 | 3,120,000 |
| | InterMune Inc.: | |
| 170,000 | 0.250% due 3/1/11 | 152,363 |
| 3,330,000 | Senior Notes, 0.250% due 3/1/11 (c) | 2,984,512 |
| 2,150,000 | Isis Pharmaceuticals Inc., 5.500% due 5/1/09 | 1,959,187 |
| 4,000,000 | NPS Pharmaceuticals Inc., Senior Notes, 3.000% due 6/15/08 | 3,395,000 |
| 3,250,000 | Oscient Pharmaceutical Corp., 3.500% due 4/15/11 | 2,193,750 |

| | | | |
|------------------------------------|-------------|--|------------|
| Communications Equipment | 1.4% | Total Biotechnology | 21,486,312 |
| | 9,000,000 | Ciena Corp., Senior Notes, 3.750% due 2/1/08 | 8,673,750 |
| | 2,000,000 | Nortel Networks Corp., Senior Notes, 4.250% due 9/1/08 | 1,885,000 |
| | 1,600,000 | UTStarcom Inc., 0.875% due 3/1/08 | 1,430,000 |
| | | Total Communications Equipment | 11,988,750 |
| Computers & Peripherals | 0.1% | Silicon Graphics Inc., Senior Notes, 6.500% due 6/1/09 (e) | 976,875 |
| | 1,500,000 | | |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|--|--|-------------------|
| CONVERTIBLE BONDS & NOTES 6.7% (continued) | | |
| Diversified Telecommunication Services 0.4% | | |
| \$ 1,585,000 | Level 3 Communications Inc., Subordinated Notes, 6.000% due 3/15/10 | \$ 1,349,231 |
| 2,500,000 | Logix Communications Enterprises, 1.500% due 10/1/25 | 2,384,375 |
| | Total Diversified Telecommunication Services | 3,733,606 |
| Electrical Equipment 0.1% | | |
| 1,250,000 | GrafTech International Ltd, Senior Debentures, 1.625% due 1/15/24 | 914,063 |
| Life Sciences Tools & Services 0.2% | | |
| 1,500,000 | SFBC International Inc., Senior Notes, 2.250% due 8/15/24 | 1,295,625 |
| Media 0.7% | | |
| 2,810,000 | Charter Communications Inc., Senior Notes, Class A Shares: 5.875% due 11/16/09 | 2,360,400 |
| 690,000 | 5.875% due 11/16/09 (c) | 579,600 |
| 4,500,000 | Liberty Media Corp., Senior Debentures, 4.000% due 11/15/29 (h) | 2,919,375 |
| | Total Media | 5,859,375 |
| Real Estate Investment Trusts (REITs) 0.4% | | |
| 3,000,000 | Host Marriott LP, 3.250% due 4/15/24 (c) | 3,903,750 |
| Semiconductors & Semiconductor Equipment 0.0% | | |
| 330,000 | Amkor Technology Inc., Senior Subordinated Bond, 2.500% due 5/15/11 | 265,650 |
| Software 0.3% | | |
| 2,000,000 | Mentor Graphics Corp., 6.250% due 3/1/26 (c) | 2,292,500 |
| Specialty Retail 0.3% | | |
| 3,000,000 | Pier 1 Imports Inc., 6.375% due 2/15/36 (c) | 2,745,000 |
| | TOTAL CONVERTIBLE BONDS & NOTES | |
| | (Cost \$62,668,898) | 59,276,506 |
| LOAN PARTICIPATION 0.1% | | |
| 1,000,000 | UPC Broadband Holding B.V. Term Loan, 7.640% due 3/15/13 (Toronto Dominion)(d)(i) (Cost \$1,000,000) | 999,071 |
| MORTGAGE-BACKED SECURITIES 6.9% | | |
| FHLMC 3.1% | | |
| 4,132,246 | Federal Home Loan Mortgage Corp. (FHLMC): 5.125% due 6/1/35 (d) | 4,072,289 |
| 1,176,830 | Gold: 7.000% due 6/1/17 | 1,206,111 |
| 428,975 | 8.500% due 9/1/25 | 460,856 |
| 20,953,422 | 6.000% due 2/1/26-2/1/36 | 20,914,801 |
| 865,178 | 6.500% due 8/1/29 | 881,262 |
| | TOTAL FHLMC | 27,535,319 |
| FNMA 3.8% | | |
| | Federal National Mortgage Association (FNMA): | |

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| | | |
|------------|---------------------------|-----------|
| 1,404,581 | 8.000% due 12/1/12 | 1,437,397 |
| 2,255,587 | 5.500% due 1/1/14-4/1/35 | 2,204,050 |
| 2,199,037 | 7.000% due 3/15/15-6/1/32 | 2,264,712 |
| 2,895,057 | 4.135% due 4/1/35 (d) | 2,897,376 |
| 4,041,315 | 5.651% due 4/1/36 (d) | 4,055,460 |
| 10,000,000 | 5.000% due 8/6/36 (j)(k) | 9,465,620 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | | Security | Value |
|------------------------------|--|--|---------------|
| FNMA 3.8% (continued) | | | |
| 11,000,000 | | 6.500% due 8/6/36 (j)(k) | \$ 11,130,625 |
| | | TOTAL FNMA | 33,455,240 |
| | | TOTAL MORTGAGE-BACKED SECURITIES | |
| | | (Cost \$61,538,586) | 60,990,559 |
| SOVEREIGN BONDS 13.9% | | | |
| Argentina 0.6% | | | |
| | | Republic of Argentina: | |
| 1,100,000 EUR | | 9.500% due 3/4/04 (e) | 424,706 |
| 1,680,000 | | 0.000% due 3/29/05 (d)(e) | 453,600 |
| 837,000 EUR | | 10.250% due 1/26/07 (e) | 333,845 |
| 1,133,125 | | 4.889% due 8/3/12 (d) | 1,052,144 |
| 4,971,175 ARS | | Discount Bonds, 5.830% due 12/31/33 (d) | 1,860,478 |
| | | GDP Linked Securities: | |
| 16,879,931 ARS | | 0.000% due 12/15/35 (d)(e) | 466,240 |
| 1,175,000 EUR | | 0.000% due 12/15/35 (d)(e) | 138,723 |
| 800,000 | | 0.000% due 12/15/35 (d)(e) | 75,600 |
| 2,200,000 EUR | | Medium-Term Notes, 7.000% due 3/18/04 (e) | 852,921 |
| | | Total Argentina | 5,658,257 |
| Brazil 2.0% | | | |
| | | Federative Republic of Brazil: | |
| 1,428,000 | | 11.000% due 8/17/40 | 1,832,838 |
| | | Collective Action Securities: | |
| 2,815,000 | | 8.750% due 2/4/25 | 3,254,844 |
| 11,580,000 | | Notes, 8.000% due 1/15/15 (g) | 12,555,615 |
| | | Total Brazil | 17,643,297 |
| Bulgaria 0.2% | | | |
| 1,460,000 | | Republic of Bulgaria, 8.250% due 1/15/15 (c) | 1,682,650 |
| Chile 0.3% | | | |
| 2,300,000 | | Republic of Chile, 5.500% due 1/15/13 | 2,273,860 |
| Colombia 0.8% | | | |
| | | Republic of Colombia: | |
| 1,365,000 | | 11.750% due 2/25/20 | 1,883,700 |
| 4,300,000 | | 8.125% due 5/21/24 | 4,611,750 |
| 145,000 | | 10.375% due 1/28/33 | 191,400 |
| | | Total Colombia | 6,686,850 |
| Ecuador 0.4% | | | |
| 3,275,000 | | Republic of Ecuador, 9.000% due 8/15/30 (c)(d) | 3,324,125 |
| El Salvador 0.3% | | | |
| | | Republic of El Salvador: | |
| 1,980,000 | | 7.750% due 1/24/23 (c) | 2,138,400 |
| 370,000 | | 8.250% due 4/10/32 (c) | 398,675 |
| | | Total El Salvador | 2,537,075 |
| Indonesia 0.1% | | | |
| 575,000 | | Republic of Indonesia, 8.500% due 10/12/35 (c) | 650,986 |
| Malaysia 0.2% | | | |

| | | |
|---------|-------------------------|---------|
| | Federation of Malaysia: | |
| 197,000 | 8.750% due 6/1/09 | 213,590 |
| 896,000 | 7.500% due 7/15/11 | 966,698 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | Security | Value |
|----------------------------------|--|------------|
| Malaysia 0.2% (continued) | | |
| 471,000 | Penerbangan Malaysia Berhad, Bonds, 5.625% due 3/15/16 (c) | \$ 460,584 |
| | Total Malaysia | 1,640,872 |
| Mexico 2.8% | | |
| 1,170,000 | United Mexican States: 11.375% due 9/15/16 | 1,640,925 |
| 7,770,000 | 8.125% due 12/30/19 (g) | 9,075,360 |
| 7,400,000 | Medium-Term Notes: 5.625% due 1/15/17 | 7,109,550 |
| 988,000 | Series A: 6.375% due 1/16/13 | 1,017,146 |
| 425,000 | 5.875% due 1/15/14 | 424,894 |
| 3,080,000 | 6.625% due 3/3/15 | 3,217,830 |
| 1,925,000 | 8.000% due 9/24/22 | 2,230,112 |
| 265,000 | 7.500% due 4/8/33 | 294,945 |
| | Total Mexico | 25,010,762 |
| Panama 0.5% | | |
| 700,000 | Republic of Panama: 7.250% due 3/15/15 | 724,325 |
| 1,075,000 | 8.875% due 9/30/27 | 1,273,875 |
| 562,000 | 9.375% due 4/1/29 | 692,665 |
| 1,802,000 | 6.700% due 1/26/36 | 1,716,405 |
| | Total Panama | 4,407,270 |
| Peru 0.8% | | |
| 1,955,000 | Republic of Peru: 9.875% due 2/6/15 | 2,350,888 |
| 560,000 | 8.750% due 11/21/33 | 649,600 |
| 2,352,250 | FLIRB, 5.000% due 3/7/17 (d) | 2,299,324 |
| 300,000 | Global Bonds: 8.375% due 5/3/16 | 334,125 |
| 1,630,000 | 7.350% due 7/21/25 | 1,666,675 |
| | Total Peru | 7,300,612 |
| Philippines 0.7% | | |
| 2,625,000 | Republic of the Philippines: 9.000% due 2/15/13 | 2,917,031 |
| 375,000 | 8.250% due 1/15/14 | 402,188 |
| 1,975,000 | 10.625% due 3/16/25 | 2,535,357 |
| 625,000 | 9.500% due 2/2/30 | 740,625 |
| | Total Philippines | 6,595,201 |
| Russia 1.9% | | |
| 1,840,000 | Russian Federation: 11.000% due 7/24/18 (c) | 2,589,800 |
| 385,000 | 12.750% due 6/24/28 (c) | 669,900 |
| 12,215,000 | 5.000% due 3/31/30 (c)(d)(g) | 13,302,746 |
| | Total Russia | 16,562,446 |
| South Africa 0.2% | | |

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| | | |
|-----------|---------------------------|-----------|
| 250,000 | Republic of South Africa: | 271,250 |
| 1,825,000 | 9.125% due 5/19/09 | 1,879,750 |
| | 6.500% due 6/2/14 | 2,151,000 |
| | Total South Africa | |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Face Amount | | Security | Value |
|---|--------------------------|---|------------------|
| SOVEREIGN BONDS | 13.9% (continued) | | |
| Turkey 1.1% | | | |
| | 200,000 | Republic of Turkey: 11.750% due 6/15/10 | \$ 232,000 |
| | 1,172,000 | 11.500% due 1/23/12 | 1,400,540 |
| | 4,217,000 | 11.000% due 1/14/13 | 5,007,687 |
| | 900,000 | 7.250% due 3/15/15 | 897,750 |
| | 104,000 | 7.000% due 6/5/20 | 99,970 |
| | 800,000 | 11.875% due 1/15/30 | 1,164,500 |
| | 109,000 | 8.000% due 2/14/34 | 110,908 |
| | 313,000 | Collective Action Securities, Notes, 9.500% due 1/15/14 | 351,734 |
| | | Total Turkey | 9,265,089 |
| Ukraine 0.2% | 1,400,000 | Republic of Ukraine, 7.650% due 6/11/13 (c) | 1,449,000 |
| Uruguay 0.1% | | | |
| | 575,000 | Republic of Uruguay, Benchmark Bonds: 7.250% due 2/15/11 | 583,625 |
| | 750,000 | 7.500% due 3/15/15 | 766,125 |
| | | Total Uruguay | 1,349,750 |
| Venezuela 0.7% | | | |
| | 2,750,000 | Bolivarian Republic of Venezuela: 5.375% due 8/7/10 | 2,657,187 |
| | 1,050,000 | 8.500% due 10/8/14 | 1,152,375 |
| | 209,000 | 5.750% due 2/26/16 | 191,548 |
| | 89,000 | 7.650% due 4/21/25 | 93,762 |
| | 1,900,000 | Collective Action Securities, 10.750% due 9/19/13 | 2,309,925 |
| | | Total Venezuela | 6,404,797 |
| | | TOTAL SOVEREIGN BONDS | |
| | | (Cost \$118,683,661) | 122,593,899 |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS | 0.2% | | |
| U.S. Government Agency 0.0% | 100,000 | Federal Home Loan Bank (FHLB), Global Bonds, 5.500% due 7/15/36 | 100,071 |
| U.S. Government Obligations 0.2% | 150,000 | U.S. Treasury Bonds, 4.500% due 2/15/36 | 136,957 |
| | 575,000 | U.S. Treasury Notes: 4.875% due 4/30/08 | 573,899 |
| | 650,000 | 4.500% due 11/15/15 | 627,149 |
| | | Total U.S. Government Obligations | 1,338,005 |
| | | TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS | |
| | | (Cost \$1,427,349) | 1,438,076 |
| Warrants | | | |
| WARRANTS 0.1% | 2,935 | Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20* | 104,192 |

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| | | |
|--------|---|---------|
| 28,000 | United Mexican States, Series XW05, Expires 11/9/06* | 98,000 |
| 22,750 | United Mexican States, Series XW10, Expires 10/10/06* | 85,313 |
| 21,000 | United Mexican States, Series XW20, Expires 9/1/06* | 147,000 |
| | TOTAL WARRANTS | |
| | (Cost \$302,360) | 434,505 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

| Contracts | Security | Value |
|------------------------------------|--|----------------|
| PURCHASED OPTION 0.2% | | |
| 1,488 | S & P 500 Index, Put @ 1,235, expires 9/06 (Cost \$1,551,984) | \$ 1,636,800 |
| | TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS | |
| | (Cost \$777,617,346) | 818,895,377 |
| Face Amount | | |
| SHORT-TERM INVESTMENTS 6.9% | | |
| U.S. Government Agency 0.0% | | |
| \$ 100,000 | Federal National Mortgage Association (FNMA), Discount Notes, 5.077% due 9/25/06 (1) (Cost \$99,238) | 99,238 |
| Repurchase Agreements 6.9% | | |
| 36,023,000 | Interest in \$467,344,000 joint tri-party repurchase agreement dated 7/31/06 with Deutsche Bank Securities Inc., 5.270% due 8/1/06, Proceeds at maturity - \$36,028,273; (Fully collateralized by various U.S. government agency obligations, 0.000% to 22.305% due 1/15/18 to 7/15/36; Market value - \$36,743,460) | 36,023,000 |
| 24,282,000 | Merrill Lynch, Pierce, Fenner & Smith Inc. repurchase agreement dated 7/31/06, 5.250% due 8/1/06, Proceeds at maturity - \$24,285,541; (Fully collateralized by U.S. Treasury Note, 4.500% due 11/15/15; Market value - \$24,768,495) | 24,282,000 |
| | Total Repurchase Agreements (Cost \$60,305,000) | 60,305,000 |
| | TOTAL SHORT-TERM INVESTMENTS (Cost \$60,404,238) | 60,404,238 |
| | TOTAL INVESTMENTS 100.0% (Cost \$838,021,584#) | \$ 879,299,615 |

* Non-income producing security.

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

- (a) Security is valued in good faith at fair value by or under the direction of the Board of Directors (See Note 1).
- (b) Illiquid security.
- (c) Security 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.
- (d) Variable rate security. Interest rate disclosed is that which is in effect at July 31, 2006.
- (e) Security is currently in default.
- (f) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (g) All or a portion of this security is segregated for open futures contracts and mortgage dollar rolls.
- (h) This security is exchangeable for Sprint Nextel Corp. common stock.
- (i) Participation interest was acquired through the financial institution indicated parenthetically.
- (j) This security is traded on a to-be-announced (TBA) basis (See Note 1).
- (k) All or a portion of this security is acquired under a mortgage dollar roll agreement.

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- (l) Rate shown represents yield-to-maturity.
- # Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ADR - American Depositary Receipt
ARS - Argentine Peso
EUR - Euro
FDR - Foreign Depositary Receipt
FLIRB - Front-Loaded Interest Reduction Bonds
GDP - Gross Domestic Product
MASTR - Mortgage Asset Securitization Transactions Inc.
MXN - Mexican Peso
PAC - Planned Amortization Cost

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2006

Schedule of Options Written

| CONTRACTS | SECURITY | EXPIRATION DATE | STRIKE PRICE | VALUE |
|--------------------------------|--|--------------------|-----------------|------------------|
| 21 | U.S. Treasury 10 Year Future Notes, Call | 11/21/06 | \$ 107 | \$ 11,813 |
| 47 | U.S. Treasury 10 Year Future Notes, Call | 11/21/06 | 108 | 13,953 |
| 8 | U.S. Treasury 10 Year Future Notes, Put | 11/21/06 | 101 | 375 |
| 8 | U.S. Treasury 10 Year Future Notes, Put | 11/21/06 | 102 | 750 |
| TOTAL OPTIONS WRITTEN | | | | |
| (Premiums received - \$20,143) | | | | \$ 26,891 |

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

The Salomon Brothers 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 seeks total return with an emphasis on income by investing primarily in a portfolio consisting of a broad range of equity and fixed income securities of both U.S. and foreign issues.

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

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

(b) Financial Futures Contracts. The Fund may enter into financial futures contracts typically to hedge a portion of the portfolio. Upon entering into a financial futures contract, the Fund is required to deposit cash or securities as initial margin. Additional securities are also segregated up to the current market value of the financial futures contracts. Subsequent payments, known as variation margin, are made or received by the Fund each day, depending on the daily fluctuation in the value of the underlying financial instruments. The Fund recognizes an unrealized gain or loss equal to the daily variation margin. When the financial futures contracts are closed, a realized gain or loss is recognized equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contracts.

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

(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 Fund realizes a gain from investments equal to the amount of the premium received. When a written call option is exercised, the difference between the premium and the amount for effecting a closing purchase transaction, including brokerage commission, is also treated as a realized gain or loss. When a written put option is exercised, the amount of the premium received reduces the cost of the security purchased by the Fund.

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

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

Notes to Schedule of Investments (unaudited) (continued)

(e) Loan Participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

(f) Securities Traded on a To-Be-Announced Basis. The Fund may trade securities on a to-be-announced (TBA) basis. In a TBA transaction, the Fund commits to purchasing or selling securities which have not yet been issued by the issuer and for which specific information is not known, such as the face amount and maturity date and the underlying pool of investments in U.S. government agency mortgage pass-through transactions. Securities purchased on a TBA basis are not settled until they are delivered to the Fund, normally 15 to 45 days later. 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 transactions are subject to market fluctuations and their current value is determined in the same manner as for other securities.

(g) Mortgage Dollar Rolls. The Fund enters into dollar rolls in which the Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities to settle on a specified future date. During the roll period, the Fund forgoes principal and interest paid on the securities. The Fund is compensated by a fee paid by the counterparty, often in the form of a drop in the repurchase price of the securities. Dollar rolls are accounted for as financing arrangements; the fee is accrued into interest income ratably over the term of the dollar roll and any gain or loss on the roll is deferred and realized upon disposition of the rolled security.

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

(h) 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 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.

(i) Credit and Market Risk. The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically 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. The Fund's investment in non-dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

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

Notes to Schedule of Investments (unaudited) (continued)

records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was extinguished.

The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

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

2. Investments

At July 31, 2006, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

| | | |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 57,700,046 |
| Gross unrealized depreciation | | (16,422,015) |
| Net unrealized appreciation | \$ | 41,278,031 |

At July 31, 2006, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration Date | Basis Value | Market Value | Unrealized Loss |
|--|------------------------|--------------------|----------------|-----------------|--------------------|
| Contracts to Buy: | | | | | |
| U.S. Treasury 2 Year Notes | 72 | 9/06 | \$ 14,650,111 | \$ 14,649,750 | \$ (361) |
| Contracts to Sell: | | | | | |
| U.S. Treasury 5 Year Notes | 15 | 9/06 | \$ 1,560,393 | \$ 1,563,281 | \$ (2,888) |
| U.S. Treasury 10 Year Notes | 41 | 9/06 | 4,344,514 | 4,347,281 | (2,767) |
| | | | | | (5,655) |
| Net Unrealized Loss on Open Futures Contracts | | | | | \$ (6,016) |

During the period ended July 31, 2006, written option transactions for the Fund were as follows:

| | Number of Contracts | Premiums |
|---|---------------------|----------|
| Options written, outstanding October 31, 2005 | | |

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| | | | |
|--|-------|----|----------|
| Options written | 278 | \$ | 65,908 |
| Options closed | (194) | | (45,765) |
| Options expired | | | |
| Options written, outstanding July 31, 2006 | 84 | \$ | 20,143 |

At July 31, 2006, the Fund held loan participations with a total cost of \$1,000,000 and a total market value of \$999,071.

At July 31, 2006, the Fund had outstanding mortgage dollar rolls with a total cost of \$20,620,703.

At July 31, 2006, the Fund had open forward foreign currency contracts as described below:

Notes to Schedule of Investments (unaudited) (continued)

| Foreign Currency Contracts to Sell: | Local Currency | \$ | Market Value | Settlement Date | Unrealized Loss | \$ |
|---|-------------------|----|-----------------|--------------------|--------------------|---------|
| Euro | 201,376 | | 257,082 | 8/3/06 | (29) | |
| Euro | 65,978 | | 84,229 | 8/3/06 | (8) | |
| Net Unrealized Loss on Open Forward Foreign Currency Contracts | | | | | | \$ (37) |

3. Loan

At July 31, 2006, the Fund had a \$220,000,000 loan pursuant to a revolving credit and security agreement with Crown Point Capital Company LLC and Citicorp North America, Inc. (CNA). In addition, CNA acts as administrative agent of the credit facility. The loan generally bear interest at a variable rate based on the weight average interest rates of the underlying commercial paper or LIBOR plus any applicable margin. Securities held by the Fund are subject to a lien, granted to the lenders, to the extent of the borrowings outstanding and any additional expenses.

ITEM 2. CONTROLS AND PROCEDURES.

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

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

ITEM 3. EXHIBITS.

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

SIGNATURES

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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.

Salomon Brothers Capital and Income Fund Inc.

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

Date September 29, 2006

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: September 29, 2006

By: */s/ Frances M. Guggino*
Frances M. Guggino
Chief Financial Officer

Date: September 29, 2006
