BLACKROCK ENHANCED CAPITAL & INCOME FUND, INC
Form N-CSR
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21506

Name of Fund: BlackRock Enhanced Capital and Income Fund, Inc. (CII)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer,
BlackRock Enhanced Capital and Income Fund, Inc., 55 East 52nd Street, New York, NY 10055

Registrant’s telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 10/31/2011

Date of reporting period: 10/31/2011

Item 1 – Report to Stockholders

October 31, 2011

Annual Report

BlackRock Enhanced Capital and Income Fund, Inc. (CII)

Not FDIC Insured No Bank Guarantee May Lose Value

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Section 19(b) Disclosure

BlackRock Enhanced Capital and Income Fund, Inc. (CII) (the Fund), acting pursuant to a Securities and Exchange Commission (SEC) exemptive order and with the approval of the Fund s Board of Directors (the Board), has adopted a plan, consistent with its investment objectives and policies to support a level distribution of income, capital gains and/or return of capital (the Plan). In accordance with the Plan, the Fund currently distributes $0.36 per share on a quarterly basis.

The fixed amount distributed per share is subject to change at the discretion of the Fund s Board. Under the Plan, the Fund will distribute all available investment income to its shareholders, consistent with its primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the Code). If sufficient investment income is not available on a quarterly basis, the Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. Each quarterly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable the Fund to comply with the distribution requirements imposed by the Code.

Shareholders should not draw any conclusions about the Fund s investment performance from the amount of these distributions or from the terms of the Plan. The Fund s total return performance on net asset value is presented in the financial highlights table.

The Board may amend, suspend or terminate the Fund s Plan without prior notice if it deems such actions to be in the best interests of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund s stock is trading at or above net asset value) or widening an existing trading discount. The Fund is subject to risks that could have an adverse impact on its ability to maintain level distributions. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, decreased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code. Please refer to the Fund s prospectus for a more complete description of its risks.

Please refer to Additional Information for a cumulative summary of the Section 19(a) notices for the Fund s current fiscal period. Section 19(a) notices for the Fund, as applicable, are available on the BlackRock website http://www.blackrock.com.

Dear Shareholder

One year ago, the global economy appeared to solidly be in recovery mode and investors were optimistic as the US Federal Reserve launched its second round of quantitative easing. Stock markets rallied despite ongoing sovereign debt problems in Europe and inflationary pressures looming over emerging markets. Fixed income markets, however, saw yields move sharply upward (pushing prices down), especially on the long end of the historically steep yield curve. While high yield bonds benefited from the risk rally, most fixed income sectors declined in the fourth quarter of 2010. The tax-exempt municipal market faced additional headwinds as it became evident that the Build America Bond program would not be extended and municipal finance troubles burgeoned.

Early 2011 saw spikes of volatility as political turmoil swept across the Middle East/North Africa region and prices of oil and other commodities soared. Natural disasters in Japan disrupted industrial supply chains and concerns mounted regarding US debt and deficit issues. Nevertheless, equities generally performed well early in the year as investors chose to focus on the continuing stream of strong corporate earnings and positive economic data. Credit markets were surprisingly resilient in this environment and yields regained relative stability in 2011. The tax-exempt market saw relief from its headwinds and steadily recovered from its fourth-quarter lows. Equities, commodities and high yield bonds outpaced higher-quality assets as investors increased their risk tolerance.

However, the environment changed dramatically in the middle of the second quarter. Markets dropped sharply in May when fears mounted over the possibility of Greece defaulting on its debt, rekindling fears about the broader sovereign debt crisis. Concurrently, economic data signaled that the recovery had slowed in the United States and other developed nations. Confidence was further shaken by the prolonged debt ceiling debate in Washington, DC. On August 5th, Standard & Poor s downgraded the US government s credit rating and turmoil erupted in financial markets around the world. Extraordinary levels of volatility persisted in the months that followed as Greece teetered on the brink of default. Financial problems intensified in Italy and Spain and both countries faced credit rating downgrades. Debt worries spread to the core European nations of France and Germany, and the entire euro-zone banking system came under intense pressure. Late in the summer, economic data out of the United States and Europe grew increasingly bleak while China and other emerging economies began to show signs of slowing growth. By the end of the third quarter, equity markets had fallen nearly 20% from their April peak while safe-haven assets such as US Treasuries, gold and the Swiss franc skyrocketed.

October brought enough positive economic data to assuage fears of a double-dip recession in the United States and corporate earnings continued to be strong. Additionally, European policymakers demonstrated an increased willingness to unite in their struggle to resolve the region s debt and banking crisis. These encouraging developments brought many investors back from the sidelines and risk assets rallied through the month, albeit with large daily swings as investor reactions to news from Europe vacillated between faith and skepticism.

Overall, lower-risk investments including US Treasuries, municipal securities and investment grade credits posted gains for the 6- and 12-month periods ended October 31, 2011. Risk assets, including equities and high yield debt, broadly declined over the six months; however, US stocks and high yield bonds remained in positive territory on a 12-month basis. Continued low short-term interest rates kept yields on money market securities near their all-time lows. While markets remain volatile and uncertainties abound, BlackRock remains dedicated to finding opportunities and managing risk in this environment.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

While markets remain volatile and uncertainties abound, BlackRock remains dedicated to finding opportunities and managing risk in this environment.

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of October 31, 2011

	6-month	12-month
US large cap equities (S&P 500® Index)	(7.11)%	8.09 %
US small cap equities (Russell 2000® Index)	(13.76)	6.71
International equities (MSCI Europe, Australasia, Far East Index)	(14.90)	(4.08)
Emerging market equities (MSCI Emerging Markets Index)	(15.91)	(7.72)
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.04	0.13
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	12.11	7.79
US investment grade bonds (Barclays Capital US Aggregate Bond Index)	4.98	5.00
Tax exempt municipal bonds (Barclays Capital Municipal Bond Index)	5.56	3.78
US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	(0.95)	5.16

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Fund Summary as of October 31, 2011

Fund Overview

BlackRock Enhanced Capital and Income Fund, Inc. s (CII) (the Fund) investment objective is to provide investors with a combination of current income and capital appreciation. The Fund seeks to achieve its investment objective by investing in a portfolio of equity and debt securities of US and foreign issuers. The Fund may invest directly in such securities or synthetically through the use of derivatives. The Fund utilizes an option writing (selling) strategy to enhance dividend yield.

No assurance can be given that the Fund s investment objective will be achieved.

Portfolio Management Commentary

How did the Fund perform?

For the 12 months ended October 31, 2011, the Fund returned (7.11)% based on market price and 7.56% based on net asset value (NAV). For the same period, the benchmark S&P 500® Value Index returned 5.61%. All returns reflect reinvestment of dividends. The Fund moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on market price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

The largest contributor to Fund performance relative to the S&P 500® Value Index was the Fund s option writing strategy, as relatively low volatility for the majority of the trailing 12 months benefited the collection of call premium. The Fund s underweight position in the diversified financial services industry proved particularly beneficial, as did stock selection within the capital markets industry. The Fund s slight overweight to consumer staples as well as the Fund s cash position also added to performance during the period.

Detracting from performance was the Fund s underweight and stock selection in the energy sector, particularly among the large integrated oil names such as Exxon Mobil Corp., Chevron Corp. and ConocoPhillips. Stock selection in industrials had a negative impact on performance as the Fund s aerospace & defense holdings and a position in General Electric Co. hurt relative returns. Elsewhere in the portfolio, stock selection in pharmaceuticals and semiconductors detracted from performance during the period.

Describe recent portfolio activity.

During the 12-month period, the Fund increased exposure to the energy, health care and consumer discretionary sectors while reducing exposure to financials.

Describe portfolio positioning at period end.

At period end, the Fund held sector overweights relative to the S&P 500® Value Index in IT, health care, telecommunication services (telecom), consumer discretionary, materials and consumer staples. The Fund was underweight financials, energy, industrials and utilities.

Fund management believes valuations of many companies are reflecting a repeat of the 2008 financial crisis, a scenario management does not expect to unfold in the United States. As such, the portfolio is being managed to take advantage of price dislocations, which have recently occurred mostly in financials and IT, while at the same time maintaining overweight positions in sectors that exhibit greater stability and less sensitivity to economic cycles, such as health care and telecom. Consistent with the Fund s investment objective, the portfolio continues to be positioned to provide investors with a combination of current income and capital appreciation.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange (NYSE)	CII
Initial Offering Date	April 30, 2004
Yield on Closing Market Price as of October 31, 2011 ($12.39)[1]	11.62 %
Current Quarterly Distribution per share[2]	$0.36
Current Annualized Distribution per share[2]	$1.44

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 The distribution rate is not constant and is subject to change. A portion of the distribution may be deemed a tax return of capital or net realized gain.

The table below summarizes the changes in the Fund s market price and NAV per share:

	10/31/11	10/31/10	Change	High	Low
Market Price	$12.39	$15.03	(17.56)%	$15.87	$10.85
Net Asset Value	$13.87	$14.53	(4.54)%	$15.39	$12.45

The following charts show the ten largest holdings and sector allocations of the Fund s long-term investments:

Ten Largest Holdings

	10/31/11
Bristol-Myers Squibb Co.	4 %
Chevron Corp.	3
The Travelers Cos., Inc.	3
Kraft Foods, Inc.	3
Maxim Integrated Products, Inc.	3
Kimberly-Clark Corp.	3
Pfizer, Inc.	3
CenturyLink, Inc.	3
Eli Lilly & Co.	3
Verizon Communications, Inc.	3

Sector Allocations

	10/31/11	10/31/10
Health Care	15 %	14 %
Financials	14	16
Information Technology	13	14
Energy	12	10

Consumer Staples	11	11
Consumer Discretionary	9	8
Industrials	9	10
Telecommunication Services	7	8
Materials	5	5
Utilities	5	4

For Fund compliance purposes, the Fund s sector classifications refer to any one or more of the sector sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

Derivative Financial Instruments

The Fund may invest in various derivative financial instruments, including options as specified in Note 2 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market and/or equity risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Fund s ability to use a derivative financial instrument successfully depends on the investment advisor s ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require the Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation the Fund can realize on an investment, may result in lower dividends paid to shareholders or may cause the Fund to hold an investment that it might otherwise sell. The Fund s investments in these instruments are discussed in detail in the Notes to Financial Statements.

Schedule of Investments October 31, 2011 **(Percentages shown are based on Net Assets)**

Common Stocks	Shares	Value
Aerospace & Defense 5.0%		
Honeywell International, Inc. (a)	265,800	$13,927,920
Northrop Grumman Corp. (a)	154,500	8,922,375
Raytheon Co. (a)	172,500	7,622,775
		30,473,070
Capital Markets 2.9%		
Invesco Ltd. (a)	590,900	11,859,363
Morgan Stanley (a)	332,613	5,867,293
		17,726,656
Chemicals 2.5%		
E.I. du Pont de Nemours & Co. (a)	314,700	15,127,629
Commercial Banks 1.1%		
Wells Fargo & Co. (a)	266,500	6,905,015
Communications Equipment 0.4%		
Nokia Oyj ADR (a)	389,100	2,618,643
Diversified Financial Services 3.1%		
Citigroup, Inc. (a)	228,930	7,231,899
JPMorgan Chase & Co. (a)	340,600	11,839,256
		19,071,155
Diversified Telecommunication Services 7.7%		
AT&T, Inc. (a)	437,000	12,808,470
CenturyLink, Inc. (a)	506,700	17,866,242
Verizon Communications, Inc. (a)	441,200	16,315,576
		46,990,288
Electric Utilities 2.9%		
NextEra Energy, Inc.	128,000	7,219,200
The Southern Co. (a)	242,500	10,476,000
		17,695,200
Electrical Equipment 1.9%		
Emerson Electric Co.	244,000	11,741,280
Energy Equipment & Services 4.6%		
Ensco Plc ADR (a)	232,800	11,560,848
Halliburton Co. (a)	140,400	5,245,344
Noble Corp. (a)	322,000	11,572,680
		28,378,872
Food Products 7.7%		
General Mills, Inc. (a)	309,800	11,936,594
Kraft Foods, Inc. (a)	560,800	19,728,944
Unilever NV ADR	455,800	15,738,774
		47,404,312
Health Care Equipment & Supplies 1.7%		
Medtronic, Inc. (a)	301,900	10,488,006
Household Products 3.1%		
Kimberly-Clark Corp. (a)	275,000	19,170,250
Industrial Conglomerates 2.2%		

General Electric Co. (a)	638,400	10,667,664
Tyco International Ltd. (a)	64,100	2,919,755
		13,587,419

Common Stocks	Shares	Value
Insurance 7.5%		
ACE Ltd. (a)	217,400	$15,685,410
MetLife, Inc. (a)	284,100	9,988,956
The Travelers Cos., Inc. (a)	345,000	20,130,750
		45,805,116
IT Services 1.2%		
International Business Machines Corp. (a)	41,000	7,569,830
Media 5.6%		
Comcast Corp., Special Class A (a)	630,900	14,510,700
Time Warner, Inc. (a)	428,700	15,000,213
Walt Disney Co. (a)	134,900	4,705,312
		34,216,225
Metals & Mining 2.7%		
Freeport-McMoRan Copper & Gold, Inc., Class B	84,000	3,381,840
Nucor Corp. (a)	341,100	12,886,758
		16,268,598
Multi-Utilities 2.2%		
Dominion Resources, Inc. (a)		