

BLACKROCK ENHANCED CAPITAL & INCOME FUND, INC  
Form N-CSRS  
July 06, 2011

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 52<sup>nd</sup> 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: 04/30/2011

Item 1 Report to Stockholders

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**April 30, 2011**

## **Semi-Annual Report (Unaudited)**

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 \$0.360 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 its financial highlights table.

The Board may amend, suspend or terminate the Fund's Plan without prior notice if it deems such action to be in the best interest 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

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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, com-

panies 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 [www.blackrock.com](http://www.blackrock.com).

## Dear Shareholder

Time and again, we have seen how various global events and developing trends can have significant influence on financial markets. I hope you find that the following review of recent market conditions provides additional perspective on the performance of your investments as you read this shareholder report.

Over the past 12 months, we have seen a sluggish, stimulus-driven economic recovery at long last gain real traction, accelerate, and transition into a consumption-driven expansion. For the most part, 2010 was plagued with widely fluctuating economic data, but as the year drew to a close, it became clear that cyclical stimulus had beaten out structural problems as economic data releases generally became more positive and financial markets showed signs of continuing improvement. Although the sovereign debt crisis in Europe and high inflation in developing markets that troubled the global economy in 2010 remain challenges today, overall investor confidence has improved considerably. During the first four months of 2011, that confidence was shaken by political turmoil in the Middle East/North Africa region, soaring prices of oil and other commodities, tremendous natural disasters in Japan and a change in the ratings outlook for US debt. However, strong corporate earnings prevailed and financial markets resumed their course while the global economy continued to garner strength.

Equity markets experienced uneven growth and high volatility in 2010, but ended the year with gains. Following a strong start to 2011, the series of confidence-shaking events brought spurts of heightened volatility to markets worldwide, but was not enough to derail the bull market. Overall, global equities posted strong returns over the past 12 months. Emerging market equities, which had outperformed developed markets earlier in the period, fell prey to heightened inflationary pressures and underperformed developed markets later in the period. In the United States, strong corporate earnings and positive signals from the labor market were sources of encouragement for equity investors, although the housing market did not budge from its slump. Early in 2011, the US Federal Reserve announced that it would continue its Treasury purchase program ("QE2") through to completion and keep interest rates low for an extended period. This compelled investors to continue buying riskier assets, furthering the trend of small cap stocks outperforming large caps.

While fixed income markets saw yields trend lower (pushing bond prices higher) through most of 2010, the abrupt reversal in investor sentiment and risk tolerance in the fourth quarter drove yields sharply upward. Global credit markets were surprisingly resilient in the face of recent headwinds and yields regained relative stability as the period came to a close. Yield curves globally remained steep by historical standards and higher-risk sectors continued to outperform higher-quality assets. The tax-exempt municipal market enjoyed a powerful rally during the period of low yields in 2010, but when that trend reversed, the market was dealt an additional blow as it became evident that the Build America Bond program would not be extended. Meanwhile, municipal finance troubles raised credit concerns among investors and tax-exempt mutual funds experienced heavy outflows, resulting in wider spreads and falling prices. The new year brought relief from these headwinds and a steady rebound in

the tax-exempt  
municipal market.

Cash investments, as represented by the 3-month Treasury bill, returned only a fraction over 0% for the 12-month period as short-term interest rates remained low. Yields on money market securities remain near all-time lows.

**Risk Assets Rallied on Growing Investor Confidence: Total Returns as of April 30, 2011**

	<b>6-month</b>	<b>12-month</b>
US large cap equities (S&P <sup>500</sup> ® Index)	16.36%	17.22%
US small cap equities (Russell <sup>2000</sup> ® Index)	23.73	22.20
International equities (MSCI Europe, Australasia, Far East Index)	12.71	19.18
Emerging market equities (MSCI Emerging Markets Index)	9.74	20.67
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.09	0.17
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	(3.85)	6.37
US investment grade bonds (Barclays Capital US Aggregate Bond Index)	0.02	5.36
Tax-exempt municipal bonds (Barclays Capital Municipal Bond Index)	(1.68)	2.20
US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	6.18	13.32

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

While no one can peer into a crystal ball and eliminate the uncertainties presented by the economic landscape and financial markets, BlackRock can offer investors the next best thing: partnership with the world's largest asset management firm that delivers consistent long-term investment results with fewer surprises. For additional market perspective and investment insight, visit [www.blackrock.com/shareholdermagazine](http://www.blackrock.com/shareholdermagazine), where you'll find the most recent issue of our award-winning Shareholder® magazine, as well as its quarterly companion newsletter, Shareholder Perspectives. As always, we thank you for entrusting BlackRock with your investments, and we look forward to your continued partnership in the months and years ahead.

## Fund Summary as of April 30, 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 six months ended April 30, 2011, the Fund returned 9.85% based on market price and 11.87% based on net asset value ("NAV"). For the same period, the benchmark S&P 500 Value Index returned 17.97%. All returns reflect reinvestment of dividends. The Fund's premium to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

- The main detractor from Fund performance relative to the S&P 500 Value Index was stock selection within health care. The Fund's underweight position in the energy sector also hampered returns. On an individual security basis, Eli Lilly & Co., Kimberly-Clark Corp. and Kraft Foods, Inc. detracted from performance.

- Contributing positively to performance was the Fund's underweight and stock selection in the financials sector. The Fund's slight overweight and stock selection within consumer discretionary aided returns as did stock selection within information technology ("IT"). On an individual security basis, overweight positions in Exxon Mobil Corp., MetLife, Inc. and The Travelers Cos., Inc. boosted returns.

Describe recent portfolio activity.

- During the six-month period, we increased the Fund's exposure to the health care, financials and industrials sectors, while reducing exposure to energy.

Describe Fund positioning at period end.

•At period end, the Fund is overweight in the IT, industrials and materials sectors, while underweight in financials, utilities, consumer discretionary, energy and consumer staples. The Fund is neutral in health care.

•The economy has improved, although it is behind the level of growth typically seen at this point in the economic cycle. Despite strong cyclical tailwinds, some macroeconomic headwinds remain which lend to caution on our part. Our caution stems from: the absolute level of unemployment remaining high; state, local and federal budget deficits being worrisome; the financial system remaining fragile; turmoil in the Middle East and North Africa which has impacted oil prices; and the earthquake in Japan which may cause supply disruptions. These concerns are somewhat offset by improving consumer confidence, equity markets continuing to be priced at reasonable valuations, US corporate balance sheets that are flush with cash and a more business-friendly tone from Washington DC. Given this backdrop, portfolio positioning is more balanced. Our IT exposure gives us a cyclical posture that is offset by more defensive positions in consumer staples and health care. We favor large-cap companies and companies that have a greater exposure to global growth.

•On June 1, 2011, the Fund announced the reduction of its quarterly distribution per share effective with its declaration that day. This dividend reduction takes into account the Fund's relatively high current distribution level, the current level of the Fund's net assets and current and projected levels of dividend income, option premiums and volatility in the market.

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	CII
Initial Offering Date	April 30, 2004
Yield on Closing Market Price as of April 30, 2011 (\$15.48) <sup>1</sup>	12.53%
Current Quarterly Distribution per share <sup>2</sup>	\$0.485
Current Annualized Distribution per share <sup>2</sup>	\$1.940

<sup>1</sup> 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.

<sup>2</sup> The Quarterly Distribution per Common Share, declared on June 1, 2011, was decreased to \$0.360 per share. The yield on Closing Market Price, Current Quarterly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to change in the future. 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:

	4/30/11	10/31/10	Change	High	Low
Market Price	\$15.48	\$15.03	2.99%	\$15.87	\$14.54
Net Asset Value	\$15.24	\$14.53	4.89%	\$15.39	\$14.20

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

### Ten Largest Holdings

	4/30/11
Maxim Integrated Products, Inc.	3%
The Travelers Cos., Inc.	3
Chevron Corp.	3
CenturyLink, Inc.	3
Bristol-Myers Squibb Co.	3
Pfizer, Inc.	3
Kraft Foods, Inc.	3
Unilever NV-ADR	3
Kimberly-Clark Corp.	3
Eli Lilly & Co.	3

### Sector Allocations

	4/30/11	10/31/10
Financials	16%	16%
Information Technology	14	14
Health Care	13	14

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Energy	11	10
Consumer Staples	10	11
Industrials	10	10
Consumer Discretionary	9	8
Telecommunication Services	8	8
Materials	5	5
Utilities	4	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 ratings group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine sector sub-classifications for reporting ease.

BLACKROCK ENHANCED CAPITAL AND INCOME FUND, INC.

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## 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 instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market, equity and/or foreign currency exchange rate risks. Such derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative instrument. The Fund's ability to use a derivative 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 April 30, 2011 (Unaudited)

(Percentages shown are based on Net Assets)

Common Stocks	Shares	Value
<b>Aerospace &amp; Defense — 5.4%</b>		
Honeywell International, Inc. (a)	276,500	\$ 16,930,095
Northrop Grumman Corp. (a)	164,900	10,489,298
Raytheon Co. (a)	177,700	8,627,335
		36,046,728
<b>Capital Markets — 3.5%</b>		
Invesco Ltd. (a)	590,900	14,695,683
Morgan Stanley (a)	332,613	8,697,830
		23,393,513
<b>Chemicals — 2.7%</b>		
E.I. du Pont de Nemours & Co. (a)	321,200	18,240,948
<b>Commercial Banks — 1.2%</b>		
Wells Fargo & Co. (a)	273,100	7,949,941
<b>Communications Equipment — 0.5%</b>		
Nokia Oyj - ADR (a)	389,100	3,591,393
<b>Diversified Financial Services — 3.9%</b>		
Citigroup, Inc. (a)(b)	2,289,300	10,507,887
JPMorgan Chase & Co. (a)	340,600	15,541,578
		26,049,465
<b>Diversified Telecommunication Services — 7.8%</b>		
AT&T Inc. (a)	448,800	13,966,656
CenturyLink, Inc. (a)	512,845	20,913,811
Verizon Communications, Inc. (a)	465,900	17,601,702
		52,482,169
<b>Electric Utilities — 2.6%</b>		
NextEra Energy, Inc. (a)	132,600	7,501,182
The Southern Co. (a)	258,900	10,107,456
		17,608,638
<b>Electrical Equipment — 2.2%</b>		
Emerson Electric Co. (a)	247,800	15,056,328
<b>Energy Equipment &amp; Services — 3.3%</b>		
EnSCO Plc - ADR (a)	240,600	14,344,572
Halliburton Co. (a)	150,600	7,602,288
		21,946,860
<b>Food Products — 7.6%</b>		
General Mills, Inc. (a)	320,800	12,376,464

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Kraft Foods, Inc. (a)	596,700	20,037,186
Unilever NV - ADR (a)	574,800	18,968,400
		51,382,050
<b>Household Products — 2.8%</b>		
Kimberly-Clark Corp. (a)	284,000	18,761,040
<b>IT Services — 1.5%</b>		
International Business Machines Corp. (a)	59,300	10,115,394
<b>Industrial Conglomerates — 1.9%</b>		
General Electric Co. (a)	639,700	13,081,865
<b>Insurance — 6.9%</b>		
ACE Ltd. (a)	161,400	10,854,150
MetLife, Inc. (a)	284,400	13,307,076
The Travelers Cos., Inc. (a)	346,930	21,953,730
		46,114,956

**Common Stocks**

**Shares**

**Value**

**Media — 5.0%**

Comcast Corp., Special Class A (a)	665,800	\$ 16,345,390
Time Warner, Inc. (a)	451,100	17,078,646
		33,424,036

**Metals & Mining — 2.4%**

Nucor Corp. (a)	341,100	16,018,056
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**Multi-Utilities — 1.4%**

Dominion Resources, Inc.	206,700	9,595,014
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**Oil, Gas & Consumable Fuels — 7.6%**

Chevron Corp. (a)	198,100	21,680,064
Exxon Mobil Corp. (a)	200,900	17,679,200
Marathon Oil Corp.	224,200	12,115,768
		51,475,032

**Pharmaceuticals — 12.9%**

Bristol-Myers Squibb Co. (a)	742,200	20,855,820
Eli Lilly & Co. (a)	503,400	18,630,834
Johnson & Johnson (a)	143,000	9,397,960
Merck & Co., Inc. (a)	480,300	17,266,785
Pfizer, Inc. (a)	986,800	20,683,328
		86,834,727

**Semiconductors & Semiconductor Equipment — 9.5%**

Analog Devices, Inc. (a)	433,000	17,454,230
Intel Corp. (a)	727,500	16,870,725
LSI Corp. (b)	1,033,900	7,578,487

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Maxim Integrated Products, Inc. (a)	809,300	22,126,262
		64,029,704
<b>Software — 1.8%</b>		
Microsoft Corp. (a)	464,300	12,081,086
<b>Specialty Retail — 3.9%</b>		
Home Depot, Inc. (a)	371,100	13,782,654
Limited Brands, Inc.	295,800	12,175,128
		25,957,782
<b>Total Long-Term Investments</b>		
<b>(Cost \$653,597,838) — 98.3%</b>		661,236,725
<b>Short-Term Securities</b>		
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.10% (c)(d)	25,699,907	25,699,907
<b>Total Short-Term Securities</b>		
<b>(Cost — \$25,699,907) — 3.8%</b>		25,699,907
<b>Total Investments Before Options Written</b>		
<b>(Cost — \$679,297,745*) — 102.1%</b>		686,936,632

**Portfolio Abbreviation**

**ADR** American Depositary Receipts

See Notes to Financial Statements.

BLACKROCK ENHANCED CAPITAL AND INCOME FUND, INC.

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## Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Options Written	Contracts	Value
<b>Exchange-Traded Call Options — (1.3)%</b>		
ACE Ltd., Strike Price \$62, Expires 5/05/11	100	\$ (52,727)
AT&T Inc., Strike Price \$30.80, Expires 5/21/11	1,470	(83,220)
Analog Devices, Inc., Strike Price \$38, Expires 5/21/11	1,515	(393,900)
Bristol-Myers Squibb Co., Strike Price \$26, Expires 5/21/11	4,080	(893,520)
Citigroup, Inc., Strike Price \$4.50, Expires 5/21/11	8,000	(108,000)
Comcast Corp., Special Class A: Strike Price \$23.50, Expires 5/18/11	375	(44,086)
Strike Price \$23, Expires 5/21/11	700	(113,750)
Eli Lilly & Co.: Strike Price \$36, Expires 5/21/11	1,370	(143,850)
Strike Price \$35.50, Expires 5/26/11	1,400	(216,334)
Ensco Plc - ADR, Strike Price \$60, Expires 6/18/11	1,325	(291,500)
Exxon Mobil Corp., Strike Price \$82.50, Expires 5/21/11	755	(421,470)
General Electric Co., Strike Price \$20.25, Expires 5/26/11	2,400	(123,557)
General Mills, Inc.: Strike Price \$36, Expires 5/21/11	685	(179,470)
Strike Price \$37, Expires 5/21/11	660	(112,530)
Halliburton Co.: Strike Price \$46, Expires 5/21/11	360	(171,000)
Strike Price \$48, Expires 5/21/11	110	(33,550)
Home Depot, Inc., Strike Price \$37, Expires 5/21/11	2,785	(242,295)
Honeywell International, Inc., Strike Price \$60, Expires 5/21/11	755	(134,390)
Intel Corp., Strike Price \$20.25, Expires 5/26/11	350	(101,500)
International Business Machines Corp.: Strike Price \$160, Expires 5/21/11	35	(37,188)
Strike Price \$165, Expires 5/21/11	290	(171,825)
Invesco Ltd., Strike Price \$25.25, Expires 5/10/11	1,050	(30,089)
JPMorgan Chase & Co., Strike Price \$45, Expires 5/21/11	1,195	(144,595)
Johnson & Johnson, Strike Price \$60, Expires 5/21/11	1,070	(615,250)

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Maxim Integrated Products, Inc.:		
Strike Price \$25, Expires 5/21/11	2,145	(525,525)
Strike Price \$26, Expires 5/21/11	695	(109,463)
Merck & Co., Inc.:		
Strike Price \$34, Expires 5/21/11	1,320	(270,600)
Strike Price \$34, Expires 5/31/11	1,320	(261,646)
MetLife, Inc.:		
Strike Price \$44, Expires 5/21/11	395	(120,475)
Strike Price \$45, Expires 5/21/11	600	(132,300)
Microsoft Corp.:		
Strike Price \$26, Expires 5/21/11	2,250	(88,875)
Strike Price \$26, Expires 6/18/11	1,250	(78,750)
Morgan Stanley, Strike Price \$28, Expires 5/21/11	1,160	(8,700)
NextEra Energy, Inc., Strike Price \$55, Expires 5/21/11	995	(174,125)
Nokia Oyj - ADR, Strike Price \$8.35, Expires 5/21/11	825	(72,600)
Northrop Grumman Corp., Strike Price \$62.50, Expires 5/21/11	1,235	(213,038)
Nucor Corp.:		
Strike Price \$46, Expires 5/21/11	1,090	(172,765)
Strike Price \$47, Expires 5/21/11	100	(9,800)
Pfizer, Inc., Strike Price \$20, Expires 5/21/11	3,825	(405,450)
Raytheon Co.:		
Strike Price \$51, Expires 5/10/11	665	(1,539)
Strike Price \$49, Expires 5/21/11	670	(40,200)
The Southern Co., Strike Price \$38, Expires 5/21/11	4	(456)

**Options Written**

**Contracts Value**

**Exchange-Traded Call Options (concluded)**

Time Warner, Inc., Strike Price \$36, Expires 5/21/11	2,480	\$ (536,920)
The Travelers Cos., Inc., Strike Price \$60, Expires 5/21/11	610	(207,400)
Wells Fargo &		