

BlackRock Enhanced Government Fund, Inc.  
Form N-Q  
May 27, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21793

Name of Fund: BlackRock Enhanced Government Fund, Inc. (EGF)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock  
Enhanced Government 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: 12/31/2011

Date of reporting period: 03/31/2011

Item 1 Schedule of Investments

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BlackRock Enhanced Government Fund, Inc. (EGF)

**Schedule of Investments** March 31, 2011 (Unaudited)

(Percentages shown are based on Net Assets)

|  | Par<br>(000) | Value        |
|--|--------------|--------------|
| Asset-Backed Securities (a)              |              |              |
| First Franklin Mortgage Loan             |              |              |
| Asset-Backed Certificates,               |              |              |
| Series 2005-FF2, Class M2,               |              |              |
| 0.69%, 3/25/35                           | \$ 3,220     | \$ 2,901,168 |
| GSAA Home Equity Trust,                  |              |              |
| Series 2005-1, Class AF2,                |              |              |
| 4.32%, 11/25/34                          | 293          | 294,137      |
| Securitized Asset-Backed Receivables     |              |              |
| LLC Trust:                               |              |              |
| Series 2005-0P1, Class M2,               |              |              |
| 0.70%, 1/25/35                           | 2,000        | 1,542,040    |
| Series 2005-OP2, Class M1,               |              |              |
| 0.68%, 10/25/35                          | 1,025        | 720,981      |
| Soundview Home Equity Loan               |              |              |
| Trust, Series 2007-OPT5,                 |              |              |
| Class 2A2, 1.20%, 10/25/37               | 2,500        | 1,505,218    |
| Total Asset-Backed Securities – 3.7%     |              | 6,963,544    |
| Non-Agency Mortgage-Backed               |              |              |
| Securities                               |              |              |
| <b>Collateralized Mortgage</b>           |              |              |
| <b>Obligations — 2.9%</b>                |              |              |
| Bank of America Mortgage                 |              |              |
| Securities Inc., Series 2003-J,          |              |              |
| Class 2A1, 3.22%, 11/25/33 (a)           | 314          | 306,750      |
| Bear Stearns Alt-A Trust,                |              |              |
| Series 2004-13, Class A1,                |              |              |
| 0.99%, 11/25/34 (a)                      | 415          | 378,784      |
| Countrywide Alternative Loan             |              |              |
| Trust, Series 2006-41CB,                 |              |              |
| Class 2A17, 6.00%, 1/25/37               | 1,011        | 828,967      |
| Homebanc Mortgage Trust,                 |              |              |
| Series 2005-4, Class A1, 0.52%,          |              |              |
| 10/25/35 (a)                             | 1,650        | 1,253,472    |
| Thornburg Mortgage Securities Trust (a): |              |              |

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|  |              |          |              |
|--|--------------|----------|--------------|
| Series 2006-6, Class A1,<br>0.37%, 11/25/46  |              | 1,462    | 1,442,692    |
| Series 2007-2, Class A2A,<br>0.38%, 6/25/37  |              | 1,006    | 981,568      |
| WaMu Mortgage Pass-Through<br>Certificates, Series 2005-AR7,<br>Class A1, 2.78%, 8/25/35 (a)           |              | 284      | 280,801      |
|  |              |          | 5,473,034    |
| <b>Commercial Mortgage-Backed<br/>Securities — 4.8%</b>  |              |          |              |
| Bear Stearns Commercial<br>Mortgage Securities,<br>Series 2001-T0P2, Class A2,<br>6.48%, 2/15/35       |              | 297      | 296,946      |
| Non-Agency Mortgage-Backed<br>Securities   | Par<br>(000) |          | Value        |
| <b>Commercial Mortgage-Backed<br/>Securities (concluded)</b>   |              |          |              |
| Commercial Mortgage Pass-<br>Through Certificates,<br>Series 2007-C9, Class A2,<br>5.81%, 12/10/49 (a) |              | \$ 3,250 | \$ 3,319,343 |
| Credit Suisse Mortgage Capital<br>Certificates, Series 2007-C5,<br>Class A2, 5.59%, 9/15/40            |              | 3,400    | 3,482,860    |
| LB-UBS Commercial Mortgage<br>Trust, Series 2007-C1, Class A2,<br>5.32%, 2/15/40                       |              | 2,000    | 2,037,173    |
|  |              |          | 9,136,322    |
| <b>Interest Only Collateralized<br/>Mortgage Obligations — 0.0%</b>                                    |              |          |              |
| CitiMortgage Alternative Loan<br>Trust, Series 2007-A5,<br>Class 1A7, 6.00%, 5/25/37                   |              | 510      | 48,990       |
| Total Non-Agency Mortgage-Backed<br>Securities – 7.7%  |              |          | 14,658,346   |
| Preferred Securities<br>Capital Trusts   |              |          |              |
| <b>Diversified Financial</b>   |              |          |              |

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Services — 1.1%

JPMorgan Chase Capital XXII,

|                |       |           |
|----------------|-------|-----------|
| 6.45%, 1/15/87 | 2,000 | 2,012,798 |
|----------------|-------|-----------|

Electric Utilities — 1.1%

PPL Capital Funding, 6.70%,

|             |       |           |
|-------------|-------|-----------|
| 3/30/67 (a) | 2,000 | 1,972,500 |
|-------------|-------|-----------|

Insurance — 1.3%

The Allstate Corp., 6.50%,

|             |       |           |
|-------------|-------|-----------|
| 5/15/67 (a) | 2,000 | 2,032,500 |
|-------------|-------|-----------|

ZFS Finance (USA) Trust V, 6.50%,

|                |     |         |
|----------------|-----|---------|
| 5/09/67 (a)(b) | 504 | 505,260 |
|----------------|-----|---------|

2,537,760

Total Capital Trusts – 3.5%

6,523,058

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated

according to the following list:

|    |                          |       |                               |
|----|--------------------------|-------|-------------------------------|
| GO | General Obligation Bonds | LIBOR | London InterBank Offered Rate |
|----|--------------------------|-------|-------------------------------|

BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011 1

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BlackRock Enhanced Government Fund, Inc. (EGF)

## Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

|  | Shares   | Value        |
|--|----------|--------------|
| Trust Preferreds   |          |              |
| <b>Capital Markets — 1.0%</b>  |          |              |
| Morgan Stanley Capital Trust VIII,<br>6.45%, 4/15/67   | 80,000   | \$ 1,936,800 |
| <b>Media — 1.1%</b>  |          |              |
| Comcast Corp., 6.63%, 5/15/56  | 80,000   | 2,082,400    |
| Total Trust Preferreds – 2.1%  |          | 4,019,200    |
| Total Preferred Securities – 5.6%  |          | 10,542,258   |
|  | Par      |              |
|  | (000)    |              |
| Taxable Municipal Bonds  |          |              |
| State of California, GO, Various<br>Purpose 3, Mandatory Put<br>Bonds, 5.65%, 4/01/39 (a)        | \$ 1,680 | 1,761,799    |
| Total Taxable Municipal Bonds – 0.9%   |          | 1,761,799    |
| U.S. Government Sponsored Agency<br>Securities   |          |              |
| <b>Agency Obligations — 3.3%</b>   |          |              |
| Fannie Mae, 5.25%, 8/01/12   | 2,460    | 2,602,021    |
| Federal Farm Credit Bank, 4.55%,<br>6/08/20  | 3,500    | 3,699,367    |
|  |          | 6,301,388    |
| <b>Collateralized Mortgage<br/>Obligations — 11.2%</b>   |          |              |
| Ginnie Mae Mortgage-Backed<br>Securities, Class C (a):<br>Series 2005-87, 5.27%,<br>9/16/34      | 10,000   | 10,692,302   |
| Series 2006-3, 5.24%,<br>4/16/39   | 10,000   | 10,588,940   |
|  |          | 21,281,242   |
| <b>Interest Only Collateralized<br/>Mortgage Obligations — 0.4%</b>                              |          |              |
| Ginnie Mae Mortgage-Backed<br>Securities (a):<br>Series 2006-30, Class IO,<br>0.75%, 5/16/46 (a) | 8,015    | 279,112      |

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|  |              |                    |
|--|--------------|--------------------|
| Series 2010-162, Class WI,<br>4.50%, 6/16/39                   | 2,243        | 383,741<br>662,853 |
| <b>Mortgage-Backed</b>   |              |                    |
| <b>Securities — 60.5%</b>                                      |              |                    |
| Fannie Mae Mortgage-Backed                                     |              |                    |
| Securities:  |              |                    |
| 4.00%, 4/01/24 - 10/01/24                                      | 7,290        | 7,526,708          |
| 4.50%, 4/01/39 - 5/15/41 (c)                                   | 27,000       | 27,535,640         |
| 4.99%, 2/01/13   | 5,079        | 5,294,833          |
| 5.00%, 11/01/33 - 2/01/40 (d)                                  | 20,328       | 21,406,863         |
| 5.24%, 4/01/12 (d)   | 7,939        | 8,111,953          |
| 5.50%, 7/01/17 -<br>5/15/41 (c)(d)                             | 27,543       | 29,626,640         |
| 6.00%, 2/01/36 - 3/01/38                                       | 10,989       | 11,981,945         |
| 6.11%, 2/01/12   | 2,315        | 2,370,546          |
| U.S. Government Sponsored Agency<br>Securities                 | Par<br>(000) | Value              |
| <b>Mortgage-Backed Securities (concluded)</b>                  |              |                    |
| Freddie Mac Mortgage-Backed                                    |              |                    |
| Securities, 4.50%, 5/01/34                                     | \$ 791       | \$ 811,717         |
| Ginnie Mae Mortgage-Backed<br>Securities, 5.00%, 11/15/35      | 29           | 30,986             |
|  |              | 114,697,831        |
| Total U.S. Government Sponsored<br>Agency Securities — 75.4%   |              | 142,943,314        |
| U.S. Treasury Obligations                                      |              |                    |
| U.S. Treasury Bonds:   |              |                    |
| 4.38%, 5/15/40 (e)   | 10,000       | 9,776,600          |
| 3.88%, 8/15/40 (e)   | 12,000       | 10,738,128         |
| 4.25%, 11/15/40 (d)  | 6,500        | 6,216,639          |
| U.S. Treasury Notes:   |              |                    |
| 1.88%, 6/30/15 (e)   | 29,125       | 29,109,069         |
| 2.13%, 2/29/16   | 1,245        | 1,241,109          |
| 2.50%, 6/30/17 (d)(e)  | 18,000       | 17,803,125         |
| 2.63%, 11/15/20 (e)  | 8,940        | 8,342,137          |
| Total U.S. Treasury Obligations — 43.9%                        |              | 83,226,807         |
| Total Long-Term Investments<br>(Cost — \$259,313,585) — 137.2% |              | 260,096,068        |

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| Short-Term Securities   | Shares             |             |
|---|--------------------|-------------|
| BlackRock Liquidity Funds,<br>TempFund, Institutional Class,<br>0.14% (f)(g)  | 11,139,924         | 11,139,924  |
| Total Short-Term Securities<br>(Cost – \$11,139,924) – 5.9%   |                    | 11,139,924  |
| Total Investments Before Options Written<br>(Cost – \$270,453,509*) – 143.1%  |                    | 271,235,992 |
|   | Notional<br>Amount |             |
| Options Written   | (000)              |             |
| <a href="#">Over-the-Counter Call</a>   |                    |             |
| <a href="#">Swaptions — (0.2)%</a>  |                    |             |
| Pay a fixed rate of 0.81% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/27/11, Broker<br>Deutsche Bank AG | \$ 25,000          | (5,345)     |
| Pay a fixed rate of 0.90% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/27/11, Broker<br>UBS AG           | 25,000             | (14,800)    |
| Pay a fixed rate of 2.30% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/27/11, Broker<br>Citibank NA      | 10,000             | (22,821)    |

2 BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011

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BlackRock Enhanced Government Fund, Inc. (EGF)

## Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

|   | Notional<br>Amount<br>(000) | Value          |
|---|-----------------------------|----------------|
| Options Written   |                             |                |
| Over-the-Counter Call Swaptions<br>(concluded)  |                             |                |
| Pay a fixed rate of 2.30% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/27/11, Broker<br>UBS AG | \$ 40,000                   | \$ (91,284)    |
| Pay a fixed rate of 3.45% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/27/11, Broker<br>UBS AG | 20,000                      | (94,586)       |
| Pay a fixed rate of 4.20% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/27/11, Broker<br>UBS AG | 5,000                       | (47,729)       |
| Total Options Written<br>(Premiums Received – \$269,100) – (0.2)%   |                             | (276,565)      |
| Total Investments, Net of Options Written – 142.9%  |                             | 270,959,427    |
| Liabilities in Excess of Other Assets – (42.9)%   |                             | (81,377,403)   |
| Net Assets – 100.0%   |                             | \$ 189,582,024 |

\* The cost and unrealized appreciation (depreciation) of investments as of March 31, 2011, as computed for federal income tax purposes were as follows:

|                               |                    |
|-------------------------------|--------------------|
| Aggregate cost                | \$ 270,454,574     |
| Gross unrealized appreciation | \$ 6,792,924       |
| Gross unrealized depreciation | <u>(6,011,506)</u> |
| Net unrealized appreciation   | \$ 781,418         |

(a) Variable rate security. Rate shown is as of report date.

(b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(c) Represents or includes a to-be-announced ("TBA") transaction. Unsettled TBA transactions as of report date were as follows:  
Unrealized



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| Counterparty                       | Market Value | Appreciation (Depreciation) |
|------------------------------------|--------------|-----------------------------|
| CitiGroup Global Markets, Inc.     | \$ 853,000   | \$ 3,000                    |
| Credit Suisse Securities (USA) LLC | \$ 4,766,829 | \$(35,983)                  |
| Deutsche Bank Securities, Inc.     | \$ 1,919,250 | \$ 6,469                    |
| JP Morgan Securities, Inc.         | \$ 959,625   | \$ 3,515                    |
| Morgan Stanley & Co., Inc.         | \$ 1,066,250 | \$ 3,750                    |

(d) All or a portion of security has been pledged as collateral in connection with swaps.

(e) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.

(f) Investments in companies considered to be an affiliate of the Fund during the period, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| Affiliate  | Shares Held at December 31, 2010 | Net Activity | Shares Held at March 31, 2011 | Income   |
|--|----------------------------------|--------------|-------------------------------|----------|
| BlackRock Liquidity Funds, TempFund, Institutional Class | 13,611,942                       | (2,472,018)  | 11,139,924                    | \$ 3,666 |

(g) Represents the current yield as of report date.

BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011 3

BlackRock Enhanced Government Fund, Inc. (EGF)

**Schedule of Investments** (continued)

- Reverse repurchase agreements outstanding as of March 31, 2011 were as follows:

| Counterparty                       | Interest Rate | Trade Date | Maturity Date | Net Closing Amount | Face Amount          |
|------------------------------------|---------------|------------|---------------|--------------------|----------------------|
| Barclays Capital, Inc.             | 0.24%         | 11/01/10   | Open          | \$                 | \$30,399,219         |
| Credit Suisse Securities (USA) LLC | 0.16%         | 1/25/11    | Open          |                    | 10,875,000           |
| Credit Suisse Securities (USA) LLC | 0.17%         | 1/25/11    | Open          |                    | 9,800,000            |
| Barclays Capital, Inc.             | 0.19%         | 3/01/11    | Open          | 7,502,477          | 7,471,875            |
| <b>Total</b>                       |               |            |               | <b>\$</b>          | <b>\$ 58,546,094</b> |

- Interest rate swaps outstanding as of March 31, 2011 were as follows:

| Fixed Rate         | Floating Rate | Counterparty     | Expiration Date | Notional Amount (000) | Unrealized Depreciation |
|--------------------|---------------|------------------|-----------------|-----------------------|-------------------------|
| 4.63% <sup>1</sup> | 3-month LIBOR | Deutsche Bank AG | 3/18/13         | \$ 50,000             | \$ (3,596,436)          |
| 5.71% <sup>1</sup> | 3-month LIBOR | Deutsche Bank AG | 6/22/17         | \$ 25,000             | (4,183,661)             |
| 5.96% <sup>1</sup> | 3-month LIBOR | Deutsche Bank AG | 12/27/37        | \$ 23,900             | (6,619,496)             |
| <b>Total</b>       |               |                  |                 |                       | <b>\$ (14,399,593)</b>  |

<sup>1</sup>Pays fixed interest rate and receives floating rate.

•Fair Value Measurements - Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are summarized in three broad levels for financial reporting purposes as follows:

•Level 1 — price quotations in active markets/exchanges for identical assets and liabilities

•Level 2 — other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

•Level 3 — unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to the Fund's most recent financial statements as contained in its annual report.

The following tables summarize the inputs used as of March 31, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

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| Valuation Inputs                            | Level 1       | Level 2 | Level 3           | Total          |
|---|---------------|---------|-------------------|----------------|
| Assets:                                     |               |         |                   |                |
| Investments:                                |               |         |                   |                |
| Long-Term Investments:                      |               |         |                   |                |
| Asset-Backed Securities                     |               | --      | \$ 6,963,544 --   | \$ 6,963,544   |
| Non-Agency Mortgage-Backed Securities       |               | --      | 14,658,346 --     | 14,658,346     |
| Preferred Securities                        | \$ 4,019,200  |         | 6,523,058 --      | 10,542,258     |
| Taxable Municipal Bonds                     |               | --      | 1,761,799 --      | 1,761,799      |
| U.S. Government Sponsored Agency Securities |               | --      | 142,943,314 --    | 142,943,314    |
| U.S. Treasury Obligations                   |               | --      | 83,226,807 --     | 83,226,807     |
| Short-Term Securities:                      |               |         |                   |                |
| Money Market Funds                          | 11,139,924    |         | -- --             | 11,139,924     |
| Total                                       | \$ 15,159,124 |         | \$ 256,076,868 -- | \$ 271,235,992 |

4 BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011

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BlackRock Enhanced Government Fund, Inc. (EGF)

**Schedule of Investments**(concluded)

| Valuation Inputs                              | Level 1 | Level 2         | Level 3 | Total           |
|---|---------|-----------------|---------|-----------------|
| Derivative Financial Instruments <sup>1</sup> |         |                 |         |                 |
| Liabilities:                                  |         |                 |         |                 |
| Interest rate contracts                       | --      | \$ (14,676,158) | --      | \$ (14,676,158) |

<sup>1</sup> Derivative financial instruments are swaps and options. Swaps are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011 5

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Item 2 Controls and Procedures

2(a) The registrant's principal executive and principal financial officers or persons performing similar functions 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 of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(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 reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 Exhibits

Certifications Attached hereto

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.

BlackRock Enhanced Government Fund, Inc.

By: /S/ John M. Perlowski

John M. Perlowski

Chief Executive Officer of

BlackRock Enhanced Government Fund, Inc.

Date: May 25, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /S/ John M. Perlowski

John M. Perlowski

Chief Executive Officer (principal executive officer) of

BlackRock Enhanced Government Fund, Inc.

Date: May 25, 2011

By: /S/ Neal J. Andrews

Neal J. Andrews

Chief Financial Officer (principal financial officer) of

BlackRock Enhanced Government Fund, Inc.

Date: May 25, 2011