

BlackRock Enhanced Government Fund, Inc.
Form N-Q
May 22, 2015

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 52nd Street, New York, NY 10055

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

Date of fiscal year end: 12/31/2015

Date of reporting period: 03/31/2015

Item 1 -Schedule of Investments

Schedule of Investments March 31, 2015 (Unaudited) **BlackRock Enhanced Government Fund, Inc. (EGF)**
(Percentages shown are based on Net Assets)

| Asset-Backed Securities | Par (000) | Value |
|---|--------------|------------|
| First Franklin Mortgage Loan Trust, Series 2005-FF2, Class M2, 0.83%, 3/25/35 (a) | \$496 | \$ 495,816 |
| Securitized Asset Backed Receivables LLC Trust (a): | | |
| Series 2005-OP1, Class M2, 0.85%, 1/25/35 | 1,349 | 1,268,919 |
| Series 2005-OP2, Class M1, 0.60%, 10/25/35 | 1,025 | 896,701 |
| | | 2,661,436 |
| Total Asset-Backed Securities — 2.2% | | 2,661,436 |

Corporate Bonds

| | | |
|---|-------|-----------|
| Diversified Telecommunication Services — 1.8% | | |
| Verizon Communications, Inc., 2.50%, 9/15/16 | 2,057 | 2,100,777 |

Non-Agency Mortgage-Backed Securities

| | | |
|--|-------|-----------|
| Collateralized Mortgage Obligations — 1.1% | | |
| Bank of America Mortgage Securities, Inc., Series 2003-J, Class 2A1, 2.79%, 11/25/33 (a) | 147 | 147,112 |
| Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.91%, 11/25/34 (a) | 211 | 209,532 |
| Homebanc Mortgage Trust, Series 2005-4, Class A1, 0.44%, 10/25/35 (a) | 1,132 | 1,003,319 |
| | | 1,359,963 |
| Interest Only Collateralized Mortgage Obligations — 0.1% | | |
| CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 5/25/37 | 292 | 77,385 |
| Total Non-Agency Mortgage-Backed Securities — 1.2% | | 1,437,348 |

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U.S. Government Sponsored Agency Securities

Agency Obligations — 3.4%

Federal Farm Credit Bank, 4.55%, 6/08/20 3,500 3,988,484

Collateralized Mortgage Obligations — 7.8%

Fannie Mae Mortgage-Backed Securities,
Series 2014-28, Class BD, 3.50%, 8/25/43 1,807 1,916,787

| U.S. Government Sponsored Agency Securities | Par (000) | Value |
|--|--------------|--------------|
| Collateralized Mortgage Obligations (concluded) | | |
| Ginnie Mae Mortgage-Backed Securities, Series 2006-3, Class C, 5.24%, 4/16/39 (a) | \$7,260 | \$ 7,413,199 |
| | | 9,329,986 |

Interest Only Collateralized Mortgage Obligations — 2.1%

Fannie Mae Mortgage-Backed Securities:

Series 2012-96, Class DI, 4.00%, 2/25/27 2,331 213,183

Series 2012-M9, Class X1, 4.20%, 12/25/17 (a) 5,239 443,984

Series 2012-47, Class NI, 4.50%, 4/25/42 1,966 335,912

Ginnie Mae Mortgage-Backed Securities (a):

Series 2006-30, Class IO, 1.09%, 5/16/46 957 63,978

Series 2009-78, Class SD, 6.02%, 9/20/32 2,028 356,409

Series 2009-116, Class KS, 6.30%, 12/16/39 735 95,207

Series 2011-52, Class NS, 6.50%, 4/16/41 5,398 964,764

2,473,437

Mortgage-Backed Securities — 65.2%

Fannie Mae Mortgage-Backed Securities:

2.50%, 4/01/28 7,455 7,671,909

3.00%, 6/01/42 - 4/01/43 8,128 8,330,537

3.50%, 8/01/26 - 8/01/44 16,337 17,308,202

4.00%, 4/01/24 - 2/01/41 15,454 16,579,110

4.50%, 4/01/39 - 8/01/40 10,330 11,389,870

5.00%, 11/01/33 - 2/01/40 5,959 6,669,110

5.50%, 10/01/23 - 4/14/45 (b) 7,197 8,125,834

6.00%, 2/01/36 - 3/01/38 995 1,134,840

Freddie Mac Mortgage-Backed Securities,

4.50%, 5/01/34 269 292,924

Ginnie Mae Mortgage-Backed Securities, 5.00%,
11/15/35 9 10,059

77,512,395

Total U.S. Government Sponsored Agency Securities — 93,304,302
78.5%

U.S. Treasury Obligations

U.S. Treasury Bonds:

| | | |
|--------------------|--------|------------|
| 3.88%, 8/15/40 (c) | 12,000 | 15,105,936 |
| 4.38%, 5/15/41 (c) | 10,000 | 13,629,690 |

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Schedule of Investments (continued) **BlackRock Enhanced Government Fund, Inc. (EGF)**
(Percentages shown are based on Net Assets)

| U.S. Treasury Obligations | Par (000) | Value |
|--|--------------|-------------------|
| U.S. Treasury Bonds (continued): | | |
| 2.50%, 2/15/45 | \$3,000 | \$ 2,972,343 |
| U.S. Treasury Notes: | | |
| 3.13%, 5/15/21 (c) | 6,500 | 7,076,368 |
| 2.00%, 2/15/25 | 10,000 | 10,063,280 |
| Total U.S. Treasury Obligations — 41.1% | | 48,847,617 |

Preferred Securities

Capital Trusts

| | | |
|--|-------|------------------|
| Diversified Financial Services — 0.5% | | |
| ZFS Finance (USA) Trust V, 6.50%, 5/09/37 (a)(d) | 504 | 530,460 |
| Electric Utilities — 1.6% | | |
| PPL Capital Funding, Inc., 6.70%, 3/30/67 (a) | 2,000 | 1,934,000 |
| Total Capital Trusts — 2.1% | | 2,464,460 |

Trust Preferred — 1.7%
Shares

| | | |
|---|--------|-----------|
| Capital Markets — 1.7% | | |
| Morgan Stanley Capital Trust VIII, 6.45%, 4/15/67 | 80,000 | 2,019,167 |

Total Preferred Securities — 3.8%
4,483,627

**Total Long-Term
Investments** 152,835,107

(Cost — \$143,621,251) —
128.6%

Short-Term
Securities (000) Value

U.S. Treasury Obligations —
3.3%

U.S.
Treasury
Bills,
\$ 4,000\$ 3,992,962
0.21%,
2/04/16
(e)

**Total
Short-Term
Securities** 3,992,962
(Cost —
\$3,992,962) —
3.3%

**Total
Investments
Before TBA
Sale
Commitments
and Options** 156,828,069
Written
(Cost —
\$147,614,213*)
— 131.9%

TBA Sale
Commitments

Fannie Mae
Mortgage-Backed
Securities,
5.50%,
USD 6,900 (7,771,688)

4/1/45
 – 5/1/45
 (b)

**Total TBA
 Sale
 Commitments
 (Proceeds —** (7,771,688)
**\$7,745,609) —
 6.5%**

**Options
 Written
 (Premiums
 Received —** (1,026,049)
**\$960,000) —
 (0.9)%**

**Total
 Investments,
 Net of TBA
 Sale
 Commitments
 and Options** 148,030,332
**Written
 (Cost —
 \$138,908,604)
 — 124.5%**
**Liabilities in
 Excess of
 Other Assets —** (29,163,353)
(24.5)%

Net Assets — \$ 118,866,979
100.0%

* As of March 31, 2015, gross unrealized appreciation and depreciation based on cost for federal income tax purposes were as follows:

| | |
|-------------------------------|---------------|
| Tax cost | \$147,614,213 |
| Gross unrealized appreciation | \$9,906,555 |
| Gross unrealized depreciation | (692,699) |
| Net unrealized appreciation | \$9,213,856 |

Notes to Schedule of Investments

- (a) Variable rate security. Rate shown is as of report date. Represents or includes a TBA transaction.
- (b) Unsettled TBA transactions as of March 31, 2015 were as follows:

| Counterparty | Value | Unrealized Appreciation/Depreciation |
|------------------------------------|----------------|---|
| Bank of America N.A. | \$ 112,672 | \$ 484 |
| Credit Suisse Securities (USA) LLC | \$ 2,672 | \$ (183) |
| Goldman Sachs & Co. | \$ (5,633,594) | \$ (25,000) |

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

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Schedule of Investments (continued) **BlackRock Enhanced Government Fund, Inc. (EGF)**

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

(e) Rates shown are discount rates or a range of discount rates paid at the time of purchase.

During the period ended March 31, 2015, investments in issuers considered to be an affiliate of the Fund 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, 2014 | Net Activity | Shares Held at March 31, 2015 | Income |
|--|----------------------------------|--------------|-------------------------------|--------|
| BlackRock Liquidity Funds, TempFund, Institutional Class | 1,848,337 | (1,848,337)— | | \$572 |

Portfolio Abbreviation

| | |
|-------|-----------------------------|
| LIBOR | London Interbank Offer Rate |
| OTC | Over-The-Counter |
| TBA | To Be Announced |
| USD | U.S. Dollar |

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As of March 31, 2015, reverse repurchase agreements outstanding were as follows:

| Counterparty | Interest Rate | Trade Date | Maturity Date ¹ | Face Value | Face Value Including Accrued Interest |
|---|---------------|------------|----------------------------|--------------|---------------------------------------|
| Credit Suisse Securities (USA) LLC | 0.28% | 2/27/15 | Open | \$4,072,500 | \$4,073,135 |
| Credit Suisse Securities (USA) LLC | 0.28% | 12/18/14 | Open | 13,804,000 | 13,810,334 |
| Credit Suisse Securities (USA) LLC | 0.28% | 3/2/15 | Open | 9,458,750 | 9,460,011 |
| Merrill Lynch, Pierce, Fenner & Smith, Inc. | 0.30% | 3/31/15 | Open | 7,141,875 | 7,141,935 |
| Total | | | | \$34,477,125 | \$34,485,415 |

¹ Certain agreements have no stated maturity and can be terminated by either party at any time.

As of March 31, 2015, financial futures contracts outstanding were as follows:

| Contracts Long | Issue | Exchange | Expiration | Notional Value | Unrealized Appreciation |
|----------------|---------------------------|------------------------|------------|----------------|-------------------------|
| 37 | 5-Year U.S. Treasury Note | Chicago Board of Trade | June 2015 | \$4,447,805 | \$8,284 |

As of March 31, 2015, OTC interest rate swaptions written were as follows:

| Description | Counterparty | Put/Call | Exercise Rate | Pay/Receive Exercise Rate | Floating Rate Index | Expiration Date | Notional Amount (000) | Market Value |
|----------------------------|------------------|----------|---------------|---------------------------|---------------------|-----------------|-----------------------|--------------|
| 2-Year Interest Rate Swap | Deutsche Bank AG | Call | 100% | Pay | 3-Month Libor | 4/29/15 | \$ 37,500 | \$(51,690) |
| 5-Year Interest Rate Swap | Deutsche Bank AG | Call | 60% | Pay | 3-Month Libor | 4/29/15 | 37,500 | (197,066) |
| 10-Year Interest Rate Swap | Deutsche Bank AG | Call | 100% | Pay | 3-Month Libor | 4/29/15 | 32,500 | (320,917) |
| 30-Year Interest Rate Swap | | Call | 100% | Pay | | 4/29/15 | 21,300 | (456,376) |

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Deutsche Bank
AG

3-Month
Libor

Total

\$(1,026,049)

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Schedule of Investments (continued) **BlackRock Enhanced Government Fund, Inc. (EGF)**

Fair Value Measurements — Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

Level 1 — unadjusted quoted prices in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access

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)

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, refer to the Fund's most recent financial statements as contained in its annual report.

As of March 31, 2015, the following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|-------------|---------|-------------|
| Assets: | | | | |
| Investments: | | | | |
| Long-Term Investments: | | | | |
| Asset-Backed Securities | — | \$2,661,436 | — | \$2,661,436 |
| Corporate Bonds | — | 2,100,777 | — | 2,100,777 |
| Non-Agency Mortgage-Backed Securities | — | 1,437,348 | — | 1,437,348 |
| Preferred Securities | \$2,019,167 | 2,464,460 | — | 4,483,627 |
| U.S. Government Sponsored Agency Securities | — | 93,304,302 | — | 93,304,302 |

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| | | | | |
|---------------------------|---|-------------|---------------|---------------|
| U.S. Treasury Obligations | — | 48,847,617 | — | 48,847,617 |
| Short-Term Securities: | | | | |
| U.S. Treasury Obligations | — | 3,992,962 | — | 3,992,962 |
| Liabilities: | | | | |
| Investments: | | | | |
| TBA Sale Commitments | — | (7,771,688) | — | (7,771,688) |
| Total | | \$2,019,167 | \$147,037,214 | — |
| | | | | \$149,056,381 |

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Schedule of Investments (concluded) **BlackRock Enhanced Government Fund, Inc. (EGF)**

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------|---------------|---------|---------------|
| Derivative Financial Instruments ¹ | | | | |
| Assets: | | | | |
| Interest rate contracts | \$8,284 | — | — | \$8,284 |
| Liabilities: | | | | |
| Interest rate contracts | — | \$(1,026,049) | — | (1,026,049) |
| Total | \$8,284 | \$(1,026,049) | — | \$(1,017,765) |

¹ Derivative financial instruments are financial futures contracts and options written, which are valued at the unrealized appreciation/depreciation on the instrument and options written are shown at value.

The Fund may hold assets and/or liabilities in which the fair value approximates the carrying amount or face value, including accrued interest, for financial reporting purposes. As of March 31, 2015, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|----------------|---------|----------------|
| Assets: | | | | |
| Cash pledged as collateral for OTC derivatives | \$1,560,000 | — | — | \$1,560,000 |
| Cash pledged as collateral for reverse repurchase agreements | — | — | — | — |
| Foreign currency at value | 295 | — | — | 295 |
| Liabilities: | | | | |
| Bank overdraft | — | \$(173,924) | — | (173,924) |
| Cash received for financial futures contracts | — | (34,000) | — | (34,000) |
| Cash received as collateral for reverse repurchase agreements | — | (1,710,000) | — | (1,710,000) |
| Reverse repurchase agreements | — | (34,485,415) | — | (34,485,415) |
| Total | \$1,560,295 | \$(36,403,339) | — | \$(34,843,044) |

During the period ended March 31, 2015, there were no transfers between levels.

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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 (principal executive officer) of
BlackRock Enhanced Government Fund, Inc.

Date: May 22, 2015

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 22, 2015

By: /s/ Neal J. Andrews

Neal J. Andrews

Chief Financial Officer (principal financial officer) of
BlackRock Enhanced Government Fund, Inc.

Date: May 22, 2015