

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

BlackRock Enhanced Government Fund, Inc.
Form N-Q
November 29, 2007

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: Donald C. Burke, Chief Executive
Officer, BlackRock Enhanced Government Fund, Inc., 800 Scudders Mill
Road, Plainsboro, NJ, 08536. Mailing address: P.O. Box 9011,
Princeton, NJ, 08543-9011

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

Date of fiscal year end: 12/31/2007

Date of reporting period: 07/01/2007 - 09/30/2007

Item 1 - Schedule of Investments

BlackRock Enhanced Government Fund, Inc.

Schedule of Investments as of September 30, 2007 (Unaudited)

Issue	Face Amount	Interest Rate	
Government & Agency Obligations - 4.9%			
Federal Farm Credit Bank	\$ 3,500,000	4.55%	6
Federal Home Loan Bank System	3,525,000	5.40	1
U.S. Treasury Bonds	2,500,000	6.25	5
	1,500,000	4.50	2

Total Government & Agency Obligations (Cost - \$11,390,396) - 4.9%

Government Agency Mortgage-Backed Obligations - 96.5%

Fannie Mae Guaranteed Pass-Through Certificates	8,400,000	4.50	10/
	1,914,917	4.66	7
	6,345,035	4.681	2
	30,354,938	5.00	11/01/2033
	7,939,300	5.24	4
	6,148,744	5.307	10/
	49,828,657	5.50	10/15/2022

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		2,661,518	5.707	2
		26,718,195	6.00	10/01/2035
		5,401,684	6.60	1
Fannie Mae Trust	353-2	4,603,300	5.00	8/0
	367-2	4,287,889	5.50	1/2
	378-5	4,650,385	5.00	7/0
	2006-129-PA	4,081,094	5.50	7
Freddie Mac Mortgage Participation Certificates		1,095,022	4.50	5
		19,408,295	5.00	5/01/20
		4,340,102	5.014	10/
		797,341	5.50	4
		2,500,000	6.00	10/01/2035
		4,200,000	6.50	10/
Freddie Mac Multiclass Certificates	232-IO	4,950,226	5.00	8/0
	2654-YD	6,995,600	5.00	12/
	2659-IA	1,763,907	5.00	12/
	2958-MD	5,000,000	5.50	1
	3042-EA	2,680,000	4.50	9
	3136-PD	1,674,840	6.00	1
	3183-KI	4,287,428	6.00	12/
Ginnie Mae MBS Certificates		2,857,856	5.00	11
		2,666,647	5.50	11
Ginnie Mae Trust	2005-87-C	10,000,000	5.33	9/1
	2006-3-C	10,000,000	5.24	4/1
	2006-30-IO	8,900,154	0.80	5/16
Total Government Agency Mortgage-Backed Securities (Cost - \$219,730,951) - 96.5%				
Non-Government Agency Mortgage-Backed Securities** - 8.1%				
CS First Boston Mortgage Securities Corp.				
	Series 2005-11 Class 6A5	1,806,889	6.00	1
Citigroup Commercial Mortgage Trust				
	Series 2007-C6 Class A4	475,000	5.889	6/1
Countrywide Alternative Loan Trust				
	Series 2006-41CB Class 2A17	2,941,543	6.00	1
First Horizon Alternative Mortgage Securities				
	Series 2007-FA2 Class 1A11	25,100,000	1.245	4/25
Greenwich Capital Commercial Funding Corp.				
	Series 2006-GG7 Class A4	1,500,000	6.11	7/1
JPMorgan Chase Commercial Mortgage Securities Corp.				
	Series 2006-CB15 Class A4	2,500,000	5.814	6/1
JPMorgan Chase Commercial Mortgage Securities Corp.				
	Series 2006-LDP7 Class A4	2,000,000	5.88	4/1
JPMorgan Chase Commercial Mortgage Securities Corp.				
	Series 2007-CB20 Class A4	1,330,000	5.794	2/1
Residential Asset Securitization Trust				
	Series 2004-A9 Class A3	18,883,262	1.83	12/25
Residential Funding Mortgage Securities I				
	Series 2006-S1 Class 1A5	1,549,302	5.25	1
Wells Fargo Mortgage Backed Securities Trust				
	Series 2005-13 Class A1	2,456,452	5.00	1
Total Non-Government Agency Mortgage-Backed Securities (Cost - \$17,870,211) - 8.1%				

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	Issue	
Asset-Backed Securities** - 2.1%		
	3,220,000	First Franklin Mortgage Certificates Series 2005-0P1 5.313% due 3/25/2035 (a)
	2,000,000	Securitized Asset Backed Trust Series 2005-0P1 due 1/25/2035 (a)
Total Asset-Backed Securities (Cost - \$4,959,000) - 2.1%		
Corporate Bonds - 3.4%		
Electric Utilities - 0.9%	2,000,000	PPL Capital Funding, 6.45% due 3/30/2067 (a)
Insurance - 2.5%	2,000,000	The Allstate Corp., 6.45% due 5/15/2057 (a)
	2,000,000	XL Capital Ltd. Series 2005-0P1 due 5/09/2037 (a) (d)
	2,000,000	ZFS Finance USA Trust due 5/09/2037 (a) (d)
Total Corporate Bonds (Cost - \$7,930,520) - 3.4%		
Preferred Securities		
Capital Trusts - 1.7%		
Consumer Finance - 0.9%	2,000,000	Capital One Capital II due 8/15/2036
Diversified Financial Services - 0.8%	2,000,000	JPMorgan Chase Capital due 2/02/2037
Total Capital Trusts (Cost - \$4,175,163) - 1.7%		
Trust Preferreds - 2.4%		
Capital Markets - 0.8%	2,000,000	Morgan Stanley Capital 6.45% due 4/15/2067
Commercial Banks - 0.8%	2,000,000	Wachovia Capital Trust due 6/01/2067
Media - 0.8%	2,000,000	Comcast Corp., 6.625% due 6/01/2067
Total Trust Preferreds (Cost - \$5,982,207) - 2.4%		
Total Preferred Securities (Cost - \$10,157,370) - 4.1%		

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	Number of Contracts +	Options Purchased
Options Purchased - 1.8%		
Call Options Purchased	9	Receive a fixed rate of 5.895% and pay a floating rate on 3-month LIBOR, expiring August 2011, Broker JPMorgan
	18	Receive a fixed rate of 5.495% and pay a floating rate on 3-month LIBOR, expiring May 2012, Broker Credit Suisse Boston International (e)
	18	Receive a fixed rate of 5.725% and pay a floating rate on 3-month LIBOR, expiring May 2012, Broker Lehman Brothers Special Financing (e)
Put Options Purchased	9	Pay a fixed rate of 5.895% and receive a floating rate on 3-month LIBOR, expiring August 2011, Broker JPMorgan
	18	Pay a fixed rate of 5.495% and receive a floating rate on 3-month LIBOR, expiring May 2012, Broker Credit Suisse Boston International (e)
	18	Pay a fixed rate of 5.725% and receive a floating rate on 3-month LIBOR, expiring May 2012, Broker Lehman Brothers Special Financing (e)

Total Options Purchased (Premiums Paid - \$3,573,570) - 1.8%

Total Investments Before TBA Sale Commitments and Options Written (Cost - \$275,612,018) - 120.9%

Face Amount	TBA Sale Commitments
\$ 30,200,000	Fannie Mae Guaranteed Pass-Through Certificates, 5% due 11/01/2033 - 10/15/2037
7,100,000	Fannie Mae Guaranteed Pass-Through Certificates, 6% due 10/01/2035 - 10/15/2037

Total TBA Sale Commitments (Premiums Received - \$36,301,403) - (15.8%)

	Number of Contracts +	Options Written
Options Written - (3.9%)		
Call Options Written	100	Pay a fixed rate of 4.795% and received a floating rate on 3-month LIBOR, expiring October 2007, Broker Deutsche Bank AG London (e)
	50	Pay a fixed rate of 4.805% and received a floating rate on 3-month LIBOR, expiring October 2007, Broker Lehman Brothers Special Financing (e)
	11	Pay a fixed rate of 5.685% and receive a floating rate on 3-month LIBOR, expiring May 2010, Broker Lehman Brothers Special Financing (e)

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	50	Pay a fixed rate of 4.625% and receive a floating rate on 3-month LIBOR, expiring March 2008, Broker Deutsche AG London (e)
	11	Pay a fixed rate of 5.4475% and receive a floating rate on 3-month LIBOR, expiring May 2010, Broker Credit Suisse Boston International (e)
	36	Pay a fixed rate of 5.88% and receive a floating rate on 3-month LIBOR, expiring June 2008, Broker Deutsche AG London (e)
	25	Pay a fixed rate of 5.9575% and receive a floating rate on 3-month LIBOR, expiring December 2007, Broker Deutsche AG London (e)
Put Options Written	35	Receive a fixed rate of 5.29% and pay a floating rate on 3-month LIBOR, expiring October 2007, Broker Deutsche AG London (e)
	50	Receive a fixed rate of 5.125% and pay a floating rate on 3-month LIBOR, expiring March 2008, Broker Deutsche AG London (e)
	11	Receive a fixed rate of 5.4475% and pay a floating rate on 3-month LIBOR, expiring May 2010, Broker Credit Suisse Boston International (e)
	11	Receive a fixed rate of 5.685% and pay a floating rate on 3-month LIBOR, expiring May 2010, Broker Lehman Brothers Special Financing (e)
	36	Receive a fixed rate of 5.88% and pay a floating rate on 3-month LIBOR, expiring June 2008, Broker Deutsche Bank
Total Options Written (Premiums Received - \$6,480,734) - (3.9%)		
Total Investments, Net of TBA Sale Commitments and Options Written (Cost - \$232,829,881*) - 101.2%		
Liabilities in Excess of Other Assets - (1.2%)		
Net Assets - 100.0%		

* The cost and unrealized appreciation (depreciation) of investments, net of TBA sale commitments and options written, as of September 30, 2007, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$	232,829,881
		=====
Gross unrealized appreciation	\$	4,037,024
Gross unrealized depreciation		(6,590,125)

Net unrealized depreciation	\$	(2,553,101)
		=====

** Asset-Backed and Mortgage-Backed Securities are subject to principal paydowns. As a result of prepayments or refinancing of the underlying instruments, the average life may be substantially less than the original maturity.

+ One contract represents a notional amount of \$1,000,000.

(a) Floating rate security.

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- (b) Represents or includes a "to-be-announced" transaction. The Fund has committed to purchasing securities for which all specific information is not available at this time.
- (c) Represents the interest only portion of a mortgage-backed security and has either a nominal or a notional amount of principal.
- (d) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (e) This European style swaption, which can be exercised only on the expiration date, represents a standby commitment whereby the writer of the option is obligated to enter into a predetermined interest rate swap contract upon exercise of the swaption.
- (f) The security is a perpetual bond and has no stated maturity date.
- o Investment in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity	Interest Income
BlackRock Liquidity Series, LLC Cash Sweep Series	\$ (10,517,087)	\$ 375,065
BlackRock Liquidity Series, LLC Money Market Series	-	\$ 195

- o Financial futures contracts purchased as of September 30, 2007 were as follows:

Number of Contracts	Issue	Expiration Date	Face Value	Unrealized Appreciation (Depreciation)
34	5-Year U.S. Treasury Notes	December 2007	\$ 3,626,844	\$ 12,219
409	10-Year U.S. Treasury Notes	December 2007	\$ 45,222,671	(488,296)
Total Unrealized Depreciation - Net				\$ (476,077)

- o Financial futures contracts sold as of September 30, 2007 were as follows:

Number of Contracts	Issue	Expiration Date	Face Value	Unrealized Depreciation
851	2-Year U.S. Treasury Notes	December 2007	\$ 176,165,620	\$ (71,161)
Total Unrealized Depreciation				\$ (71,161)

- o Swaps outstanding as of September 30, 2007 were as follows:

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	Notional Amount	Unrealized Depreciation
Receive a fixed rate of 4.6625% and pay a floating rate based on 3-month LIBOR		
Broker, Credit Suisse First Boston International Expires September 2010	\$ 351,000,000	\$ (703,657)
Pay a fixed rate of 5.705% and receive a floating rate based on 3-month LIBOR		
Broker, Deutsche Bank AG London Expires June 2017	\$ 50,000,000	(1,983,463)
Pay a fixed rate of 5.769% and receive a floating rate based on 3-month LIBOR		
Broker, Lehman Brothers Special Financing Expires July 2017	\$ 25,000,000	(1,103,724)
Pay a fixed rate of 5.773% and receive a floating rate based on 3-month LIBOR		
Broker, Lehman Brothers Special Financing Expires July 2017	\$ 25,000,000	(1,111,306)
Received a fixed rate of 5.005% and pay a floating rate based on 3-month LIBOR		
Broker, Deutsche Bank AG London Expires September 2017	\$ 25,000,000	(400,750)
Total		----- \$ (5,302,900) =====

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 and 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

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to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Enhanced Government Fund, Inc.

By: /s/ Donald C. Burke

Donald C. Burke,
Chief Executive Officer of
BlackRock Enhanced Government Fund, Inc.

Date: November 20, 2007

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/ Donald C. Burke

Donald C. Burke,
Chief Executive Officer (principal executive officer) of
BlackRock Enhanced Government Fund, Inc.

Date: November 20, 2007

By: /s/ Neal J. Andrews

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

Date: November 20, 2007