

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

BlackRock Enhanced Government Fund, Inc.  
Form N-Q  
May 25, 2012  
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: 12/31/2012

Date of reporting period: 03/31/2012

Item 1 – Schedule of Investments

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Schedule of Investments March 31, 2012 (Unaudited)

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

|                                                                                                            | Par<br>(000) | Value        |
|------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Asset-Backed Securities (a)</b>                                                                         |              |              |
| First Franklin Mortgage Loan<br>Asset-Backed Certificates,<br>Series 2005-FF2, Class M2,<br>0.68%, 3/25/35 | \$ 3,220     | \$ 3,017,571 |
| Securitized Asset-Backed Receivables<br>LLC Trust:                                                         |              |              |
| Series 2005-OP1, Class M2,<br>0.69%, 1/25/35                                                               | 2,000        | 1,399,538    |
| Series 2005-OP2, Class M1,<br>0.67%, 10/25/35                                                              | 1,025        | 620,415      |
| Soundview Home Equity Loan<br>Trust, Series 2007-OPT5, Class<br>2A2, 1.19%, 10/25/37                       | 2,500        | 1,205,298    |
| <b>Total Asset-Backed Securities 3.5%</b>                                                                  |              | 6,242,822    |

|                                                                                                |       |           |
|------------------------------------------------------------------------------------------------|-------|-----------|
| <b>Non-Agency Mortgage-Backed Securities</b>                                                   |       |           |
| <b>Collateralized Mortgage Obligations 1.6%</b>                                                |       |           |
| Bank of America Mortgage<br>Securities, Inc., Series 2003-J,<br>Class 2A1, 2.84%, 11/25/33 (a) | 266   | 255,562   |
| Bear Stearns Alt-A Trust,<br>Series 2004-13, Class A1,<br>0.98%, 11/25/34 (a)                  | 356   | 335,847   |
| Countrywide Alternative Loan<br>Trust, Series 2006-41CB,<br>Class 2A17, 6.00%, 1/25/37         | 824   | 535,427   |
| Homebanc Mortgage Trust,<br>Series 2005-4, Class A1, 0.51%,<br>10/25/35 (a)                    | 1,515 | 1,063,526 |
| Thornburg Mortgage Securities<br>Trust, Series 2007-2, Class A2A,<br>0.37%, 6/25/37 (a)        | 713   | 713,747   |
|                                                                                                |       | 2,904,109 |

|                                                                                                        |       |           |
|--------------------------------------------------------------------------------------------------------|-------|-----------|
| <b>Commercial Mortgage-Backed Securities 3.8%</b>                                                      |       |           |
| Commercial Mortgage Pass-<br>Through Certificates, Series<br>2007-C9, Class A2, 5.81%,<br>12/10/49 (a) | 2,841 | 2,855,305 |
| Credit Suisse Mortgage Capital<br>Certificates, Series 2007-C5,<br>Class A2, 5.59%, 9/15/40            | 3,083 | 3,107,507 |
| LB-UBS Commercial Mortgage<br>Trust, Series 2007-C1, Class A2,<br>5.32%, 2/15/40                       | 696   | 696,168   |
|                                                                                                        |       | 6,649,980 |

|                                                                                      |              |           |
|--------------------------------------------------------------------------------------|--------------|-----------|
| <b>Non-Agency Mortgage-Backed Securities</b>                                         | Par<br>(000) | Value     |
| <b>Interest Only Collateralized Mortgage Obligations 0.0%</b>                        |              |           |
| CitiMortgage Alternative Loan<br>Trust, Series 2007-A5, Class<br>1A7, 6.00%, 5/25/37 | \$ 467       | \$ 86,877 |
| <b>Total Non-Agency Mortgage-Backed Securities 5.4%</b>                              |              | 9,649,966 |

**Preferred Securities****Capital Trusts****Diversified Financial Services 1.2%**

|                                                |       |           |
|------------------------------------------------|-------|-----------|
| JPMorgan Chase Capital XXII,<br>6.45%, 1/15/87 | 2,000 | 2,000,000 |
|------------------------------------------------|-------|-----------|

**Electric Utilities 1.1%**

|                                            |       |           |
|--------------------------------------------|-------|-----------|
| PPL Capital Funding, 6.70%,<br>3/30/67 (a) | 2,000 | 2,000,000 |
|--------------------------------------------|-------|-----------|

**Insurance 0.3%**

|                                                     |     |         |
|-----------------------------------------------------|-----|---------|
| ZFS Finance (USA) Trust V, 6.50%,<br>5/09/67 (a)(b) | 504 | 486,360 |
|-----------------------------------------------------|-----|---------|

**Total Capital Trusts 2.6%**

|  |  |           |
|--|--|-----------|
|  |  | 4,486,360 |
|--|--|-----------|

**Trust Preferreds****Shares****Capital Markets 1.1%**

|                                                      |        |           |
|------------------------------------------------------|--------|-----------|
| Morgan Stanley Capital Trust VIII,<br>6.45%, 4/15/67 | 80,000 | 1,919,608 |
|------------------------------------------------------|--------|-----------|

**Media 1.1%**

|                               |        |           |
|-------------------------------|--------|-----------|
| Comcast Corp., 6.63%, 5/15/56 | 80,000 | 2,006,702 |
|-------------------------------|--------|-----------|

**Total Trust Preferreds 2.2%**

|  |  |           |
|--|--|-----------|
|  |  | 3,926,310 |
|--|--|-----------|

**Total Preferred Securities 4.8%**

|  |  |           |
|--|--|-----------|
|  |  | 8,412,670 |
|--|--|-----------|

**Taxable Municipal Bonds****Par  
(000)**

|                                                                                           |          |           |
|-------------------------------------------------------------------------------------------|----------|-----------|
| State of California, GO, Various<br>Purpose 3, Mandatory Put<br>Bonds, 5.65%, 4/01/39 (a) | \$ 1,220 | 1,280,744 |
|-------------------------------------------------------------------------------------------|----------|-----------|

**Total Taxable Municipal Bonds 0.7%**

|  |  |           |
|--|--|-----------|
|  |  | 1,280,744 |
|--|--|-----------|

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

MARCH 31, 2012

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## Schedule of Investments (continued)

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

|                                                                  | Par<br>(000) | Value        |
|------------------------------------------------------------------|--------------|--------------|
| <b>US Government Sponsored Agency Securities</b>                 |              |              |
| <b>Agency Obligations 14.4%</b>                                  |              |              |
| Fannie Mae:                                                      |              |              |
| 5.25%, 8/01/12 (c)                                               | \$ 2,460     | \$ 2,499,207 |
| 4.00%, 2/01/41                                                   | 18,034       | 18,920,036   |
| Federal Farm Credit Bank, 4.55%,<br>6/08/20 (d)                  | 3,500        | 4,147,941    |
|                                                                  |              | 25,567,184   |
| <b>Collateralized Mortgage Obligations 11.4%</b>                 |              |              |
| Ginnie Mae Mortgage-Backed<br>Securities, Class C (a):           |              |              |
| Series 2005-87, 5.13%,<br>9/16/34                                | 8,759        | 9,252,555    |
| Series 2006-3, 5.24%,<br>4/16/39                                 | 10,000       | 11,045,130   |
|                                                                  |              | 20,297,685   |
| <b>Interest Only Collateralized Mortgage Obligations 2.3%</b>    |              |              |
| Fannie Mae Mortgage-Backed<br>Securities:                        |              |              |
| Series 2010-126, Class UI,<br>5.50%, 10/25/40                    | 3,799        | 647,013      |
| Series 2012-47, Class NI,<br>4.50%, 4/25/42                      | 3,000        | 581,250      |
| Ginnie Mae Mortgage-Backed Securities (a):                       |              |              |
| Series 2006-30, Class, 0.57%,<br>5/16/46                         | 5,829        | 178,382      |
| Series 2009-78, Class SD,<br>5.96%, 9/20/32                      | 3,993        | 715,423      |
| Series 2011-52, Class NS,<br>6.43%, 4/16/41                      | 10,742       | 1,945,068    |
|                                                                  |              | 4,067,136    |
| <b>Mortgage-Backed Securities 69.4%</b>                          |              |              |
| Fannie Mae Mortgage-Backed<br>Securities:                        |              |              |
| 3.50%, 8/01/26 - 12/01/41                                        | 17,918       | 18,778,353   |
| 4.00%, 4/01/24 - 2/01/41                                         | 14,214       | 15,056,509   |
| 4.50%, 5/01/34 - 7/01/40                                         | 19,464       | 20,953,189   |
| 4.86%, 2/01/13                                                   | 3,968        | 4,007,114    |
| 5.00%, 11/01/33 - 2/01/40 (c)                                    | 15,612       | 16,969,924   |
| 5.24%, 4/01/12                                                   | 7,939        | 7,935,606    |
| 5.50%, 10/01/23 - 4/12/42 (c)                                    | 15,937       | 17,499,894   |
| 6.00%, 2/01/36 (e)                                               | 19,377       | 21,357,627   |
| Freddie Mac Mortgage-Backed<br>Securities, 4.50%, 5/01/34        | 520          | 552,908      |
| Ginnie Mae Mortgage-Backed<br>Securities, 5.00%, 11/15/35        | 23           | 25,216       |
|                                                                  |              | 123,136,340  |
| <b>Total US Government Sponsored Agency<br/>Securities 97.5%</b> |              | 173,068,345  |

|                                | Par<br>(000) | Value |
|--------------------------------|--------------|-------|
| <b>US Treasury Obligations</b> |              |       |

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|                                      |               |        |              |
|--------------------------------------|---------------|--------|--------------|
| US Treasury Bonds (d):               |               |        |              |
| 6.63%, 2/15/27                       | \$            | 4,000  | \$ 5,870,000 |
| 3.88%, 8/15/40                       |               | 12,000 | 13,273,128   |
| 4.38%, 5/15/41                       |               | 10,000 | 12,021,880   |
| 3.75%, 8/15/41                       |               | 12,000 | 12,973,128   |
| US Treasury Notes:                   |               |        |              |
| 0.25%, 1/31/14                       |               | 300    | 299,567      |
| 0.88%, 11/30/16 (d)                  |               | 16,735 | 16,664,395   |
| 3.13%, 5/15/21 (d)                   |               | 10,000 | 10,884,380   |
| 2.13%, 8/15/21 (c)                   |               | 2,000  | 1,998,594    |
| 2.00%, 2/15/22                       |               | 2,000  | 1,961,562    |
| <b>Total US Treasury Obligations</b> | <b>42.8%</b>  |        | 75,946,634   |
| <b>Total Long-Term Investments</b>   |               |        |              |
| <b>(Cost \$267,681,493)</b>          | <b>154.7%</b> |        | 274,601,181  |

**Short-Term Securities**

|                                                                              |               |               |             |
|------------------------------------------------------------------------------|---------------|---------------|-------------|
| <b>Money Market Funds</b>                                                    | <b>1.2%</b>   | <b>Shares</b> |             |
| BlackRock Liquidity Funds,<br>TempFund, Institutional Class,<br>0.14% (f)(g) |               | 2,168,228     | 2,168,228   |
| <b>Total Short-Term Securities</b>                                           |               |               |             |
| <b>(Cost \$2,168,228)</b>                                                    | <b>1.2%</b>   |               | 2,168,228   |
| <b>Total Investments Before TBA Sale</b>                                     |               |               |             |
| <b>Commitments and Options Written</b>                                       |               |               |             |
| <b>(Cost \$269,849,721*)</b>                                                 | <b>155.9%</b> |               | 276,769,409 |

|                                                                      |                  |              |
|----------------------------------------------------------------------|------------------|--------------|
| <b>TBA Sale Commitments (e)</b>                                      | <b>Par (000)</b> |              |
| Fannie Mae Mortgage-Backed<br>Securities, 5.50%, 10/01/23<br>4/12/42 | \$ 15,000        | (16,342,968) |
| <b>Total TBA Sale Commitments</b>                                    |                  |              |
| <b>(Proceeds \$16,345,313)</b>                                       | <b>(9.2)%</b>    | (16,342,968) |

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

MARCH 31, 2012

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## Schedule of Investments (continued)

**BlackRock Enhanced Government Fund, Inc. (EGF)**  
(Percenrages shown are based on Net Assets)

## Options Written

|                                                                                                                                  | Notional<br>Amount<br>(000) | Value                 |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------|
| <b>Over-the-Counter Interest Rate Call Swaptions (0.2)%</b>                                                                      |                             |                       |
| Pay a fixed rate of 0.55% and receive<br>a floating rate based on 6-month<br>LIBOR, Expires 4/30/12, Broker<br>Barclays Bank Plc | \$ 50,000                   | \$ (15,000)           |
| Pay a fixed rate of 1.20% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/30/12, Broker<br>Barclays Bank Plc | 25,000                      | (50,000)              |
| Pay a fixed rate of 2.15% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/30/12, Broker<br>Barclays Bank Plc | 30,000                      | (141,000)             |
| Pay a fixed rate of 2.90% and receive<br>a floating rate based on 3-month<br>LIBOR, Expires 4/30/12, Broker<br>Barclays Bank Plc | 10,000                      | (131,000)             |
| <b>Total Options Written</b>                                                                                                     |                             |                       |
| (Premiums Received \$337,000) (0.2)%                                                                                             |                             | (337,000)             |
| <b>Total Investments, Net of TBA Sale Commitments and<br/>Options Written 146.5%</b>                                             |                             | 260,089,441           |
| <b>Liabilities in Excess of Other Assets (46.5)%</b>                                                                             |                             | (82,572,597)          |
| <b>Net Assets 100.0%</b>                                                                                                         |                             | <b>\$ 177,516,844</b> |

\* As of March 31, 2012, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

|                               |                |
|-------------------------------|----------------|
| Tax cost                      | \$ 269,849,721 |
| Gross unrealized appreciation | \$ 10,263,577  |
| Gross unrealized depreciation | (3,343,889)    |
| Net unrealized appreciation   | \$ 6,919,688   |

- (a) Variable rate security. Rate shown is as of report date.
- (b) Security exempt from registration pursuant to Rule 144a under the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) All or a portion of security has been pledged as collateral in connection with swaps.
- (d) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
- (e) Represents or includes a TBA transaction. Unsettled TBA transactions as of March 31, 2012 were as follows:

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| Counterparty        | Value      | Unrealized<br>Appreciation |
|---------------------|------------|----------------------------|
| Goldman Sachs & Co. | \$ 182,814 | \$ 2                       |

- (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<br>Held at<br>December 31,<br>2011 | Net<br>Activity | Shares<br>Held at<br>March 31,<br>2012 | Income   |
|-------------------------------------------------------------------------|-------------------------------------------|-----------------|----------------------------------------|----------|
| BlackRock<br>Liquidity<br>Funds,<br>TempFund,<br>Institutional<br>Class | 7,261,074                                 | (5,092,846)     | 2,168,228                              | \$ 1,889 |

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

## 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 |
| TBA   | To Be Announced               |

Reverse repurchase agreements outstanding as of March 31, 2012 were as follows:

| Counterparty                          | Interest<br>Rate | Trade<br>Date | Maturity<br>Date <sup>1</sup> | Net Closing<br>Amount | Face<br>Amount |
|---------------------------------------|------------------|---------------|-------------------------------|-----------------------|----------------|
| Credit Suisse Securities<br>(USA) LLC | 0.00%            | 1/09/12       | Open                          | \$ 15,037,500         | \$ 15,037,500  |
| Deutsche Bank AG                      | 0.16%            | 1/19/12       | Open                          | 6,212,062             | 6,210,000      |
| Deutsche Bank AG                      | 0.18%            | 1/19/12       | Open                          | 12,879,446            | 12,875,000     |
| Deutsche Bank AG                      | 0.18%            | 1/19/12       | Open                          | 4,133,457             | 4,130,000      |
| Credit Suisse Securities<br>(USA) LLC | 0.10%            | 1/31/12       | Open                          | 14,027,376            | 14,025,000     |
| Merrill Lynch & Co., Inc.             | 0.15%            | 2/16/12       | Open                          | 11,239,649            | 11,237,500     |
| Credit Suisse Securities<br>(USA) LLC | 0.20%            | 3/20/12       | Open                          | 13,005,867            | 13,005,000     |
| <b>Total</b>                          |                  |               |                               | \$ 76,535,357         | \$ 76,520,000  |

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



## Schedule of Investments (continued)

## BlackRock Enhanced Government Fund, Inc. (EGF)

Financial futures contracts sold as of March 31, 2012 were as follows:

| Contracts    | Issue              | Exchange           | Expiration     | Notional Value | Unrealized Depreciation |
|--------------|--------------------|--------------------|----------------|----------------|-------------------------|
| 9            | 90-Day Euro-Dollar | Chicago Mercantile | June 2012      | \$ 2,239,425   | \$ (250)                |
| 9            | 90-Day Euro-Dollar | Chicago Mercantile | September 2012 | \$ 2,238,975   | (475)                   |
| 9            | 90-Day Euro-Dollar | Chicago Mercantile | December 2012  | \$ 2,238,300   | (925)                   |
| 9            | 90-Day Euro-Dollar | Chicago Mercantile | March 2013     | \$ 2,237,625   | (1,487)                 |
| 7            | 90-Day Euro-Dollar | Chicago Mercantile | June 2013      | \$ 1,739,413   | (1,235)                 |
| 7            | 90-Day Euro-Dollar | Chicago Mercantile | September 2013 | \$ 1,738,100   | (1,469)                 |
| 7            | 90-Day Euro-Dollar | Chicago Mercantile | December 2013  | \$ 1,736,350   | (1,507)                 |
| 7            | 90-Day Euro-Dollar | Chicago Mercantile | March 2014     | \$ 1,734,600   | (1,635)                 |
| 5            | 90-Day Euro-Dollar | Chicago Mercantile | June 2014      | \$ 1,237,375   | (1,264)                 |
| 5            | 90-Day Euro-Dollar | Chicago Mercantile | September 2014 | \$ 1,235,563   | (1,451)                 |
| 5            | 90-Day Euro-Dollar | Chicago Mercantile | December 2014  | \$ 1,233,312   | (1,451)                 |
| 5            | 90-Day Euro-Dollar | Chicago Mercantile | March 2015     | \$ 1,231,125   | (1,576)                 |
| <b>Total</b> |                    |                    |                |                | <b>\$ (14,725)</b>      |

Interest rate swaps outstanding as of March 31, 2012 were as follows:

| Fixed Rate         | Floating Rate | Counterparty     | Expiration Date | Notional Amount (000) | Unrealized Depreciation |
|--------------------|---------------|------------------|-----------------|-----------------------|-------------------------|
| 5.96% <sup>1</sup> | 3-Month LIBOR | Deutsche Bank AG | 12/27/37        | \$ 23,900             | \$ (13,009,470)         |

<sup>1</sup> Fund pays a fixed interest rate and receives a floating rate.

Fair Value Measurements - Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes as follows:

Level 1 unadjusted 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)

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. 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. 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.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

MARCH 31, 2012

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## Schedule of Investments (concluded)

## BlackRock Enhanced Government Fund, Inc. (EGF)

The following tables summarize the inputs used as of March 31, 2012 in determining the fair valuation of the Fund's investments and derivative financial instruments:

| Valuation Inputs                          | Level 1      | Level 2        | Level 3 | Total          |
|-------------------------------------------|--------------|----------------|---------|----------------|
| <b>Assets:</b>                            |              |                |         |                |
| Investments                               |              |                |         |                |
| Long Term Investments:                    |              |                |         |                |
| Asset-Backed Securities                   |              | \$ 6,242,822   |         | \$ 6,242,822   |
| Non-Agency Mortgage-Backed Securities     |              | 9,649,966      |         | 9,649,966      |
| Preferred Securities                      | \$ 3,926,310 | 4,486,360      |         | 8,412,670      |
| Taxable Municipal Bonds                   |              | 1,280,744      |         | 1,280,744      |
| US Government Sponsored Agency Securities |              | 173,068,345    |         | 173,068,345    |
| US Treasury Obligations                   |              | 75,946,634     |         | 75,946,634     |
| Short-Term Securities:                    |              |                |         |                |
| Money Market Funds                        | 2,168,228    |                |         | 2,168,228      |
| <b>Liabilities:</b>                       |              |                |         |                |
| Long Term Investments:                    |              |                |         |                |
| TBA Sale Commitments                      |              | (16,342,968)   |         | (16,342,968)   |
| <b>Total</b>                              | \$ 6,094,538 | \$ 254,331,903 |         | \$ 260,426,441 |

| Valuation Inputs                                    | Level 1     | Level 2         | Level 3 | Total           |
|-----------------------------------------------------|-------------|-----------------|---------|-----------------|
| <b>Derivative Financial Instruments<sup>1</sup></b> |             |                 |         |                 |
| <b>Liabilities:</b>                                 |             |                 |         |                 |
| Interest rate contracts                             | \$ (14,725) | \$ (13,346,470) |         | \$ (13,361,195) |

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

Certain of the Fund's assets and liabilities are held at carrying or face amount which approximates fair value. Such assets and liabilities are categorized within the disclosure hierarchy as follows:

| Valuation Inputs                                           | Level 1      | Level 2         | Level 3 | Total           |
|------------------------------------------------------------|--------------|-----------------|---------|-----------------|
| <b>Assets:</b>                                             |              |                 |         |                 |
| Cash pledged as collateral for financial futures contracts | \$ 6,743,000 |                 |         | \$ 6,743,000    |
| <b>Liabilities:</b>                                        |              |                 |         |                 |
| Reverse repurchase agreements                              |              | \$ (76,520,000) |         | (76,520,000)    |
| <b>Total</b>                                               | \$ 6,743,000 | \$ (76,520,000) |         | \$ (69,777,000) |

There were no transfers between levels during the period ended March 31, 2012.



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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 23, 2012

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 23, 2012

By: /s/ Neal J. Andrews

Neal J. Andrews

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

Date: May 23, 2012

