

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

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

Fund Address: P.O. Box 9011  
 Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., 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: (609) 282-2800

Date of fiscal year end: 12/31/2007

Date of reporting period: 01/01/07 - 03/31/07

Item 1 - Schedule of Investments

BlackRock Enhanced Government Fund, Inc.

Schedule of Investments as of March 31, 2007

Issue	Face Amount	Interest Rate	
Government & Agency Obligations - 67.3%			
Federal Farm Credit Bank	\$ 3,500,000	4.55 %	6
Federal Home Loan Bank System	3,525,000	5.40	10/
U.S. Treasury Bonds	789,000	8.125	8
	1,220,000	8.50	2
	2,500,000	6.25	5
	1,500,000	4.50	2
U.S. Treasury Notes	75,000	4.875	8
	100,000,000	4.75	2
	25,000,000	4.625	2
	4,800,000	8.75	5
	11,700,000	4.75	2

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Total Government & Agency Obligations (Cost - \$157,928,719) - 67.3%

Government Agency Mortgage-Backed Securities\*\* - 81.0%

Fannie Mae Guaranteed Pass-Through Certificates		8,596,925	4.50	4/01/20
		1,935,469	4.66	7
		6,400,038	4.681	2
		7,939,300	5.24	4
		7,448,128	5.315	10/
		50,835,793	5.50	12/01/2
		2,679,590	5.707	2
		20,238,508	6.00	10/01/203
		5,516,000	6.60	1
Fannie Mae Trust	353-2	4,819,621	5.00	8/0
	378-5	4,857,661	5.00	7/0
	2006-129-PA	4,386,153	5.50	7
	367-2	4,546,596	5.50	1/2
Freddie Mac Mortgage Participation Certificates		1,105,990	4.50	5
		19,658,730	5.00	5/01/20
		4,512,836	5.015	10/
		660,965	5.50	1
		2,495,519	6.00	1
		4,460,910	6.50	9/01/20
Freddie Mac Multiclass Certificates	232-IO	5,232,315	5.00	8/0
	2958-MD	5,000,000	5.50	1
	3042-EA	2,680,000	4.50	9
	3081-CP	1,600,000	5.50	1
	3136-PD	1,674,840	6.00	1
Ginnie Mae MBS Certificates		2,994,120	5.00	1
		3,041,799	5.50	1
Government Agency Mortgage-Backed Securities**				
Ginnie Mae Trust	2005-87-C	10,000,000	5.328	9/1
	2006-3-C	10,000,000	5.235	4/1
	2006-30-IO	8,937,063	0.80	5/16

Total Government Agency Mortgage-Backed Securities (Cost - \$189,519,471) - 81.0%

Non-Government Agency Mortgage-Backed Securities\*\* - 8.4%

CS First Boston Mortgage Securities Corp.				
Series 2005-11 Class 6A5		1,918,888	6.00	1
Countrywide Alternative Loan Trust				
Series 2006-41CB Class 2A17		3,187,697	6.00	1
Greenwich Capital Commercial Funding Corp.				
Series 2006-GG7 Class A4		1,500,000	6.11	7/1
JPMorgan Mortgage Trust Series 2005-A2 Class 4A1		4,197,636	5.21	4/2
JPMorgan Mortgage Trust Series 2006-CB15 Class 4A		2,500,000	5.814	6/1
JPMorgan Mortgage Trust Series 2006-LDP7 Class 4A		2,000,000	5.875	4/1
Residential Funding Mortgage Securities I				
Series 2006-S1 Class 1A5		1,644,481	5.25	1
Wells Fargo Mortgage Backed Securities Trust				
Series 2005-13Class A1		2,595,214	5.00	1

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Total Non-Government Agency Mortgage-Backed Securities (Cost - \$19,395,526) - 8.4%

Short-Term Securities - 8.5%

Government Agency Obligations***	200,000	Federal Home Loan Bank Sys due 4/02/2007
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Repurchase Agreements	19,695,375	Lehman Brothers, Inc., pur 3/30/2007 to yield 4.75% t repurchase price \$19,710,9 by U.S. Treasury Bonds, 5.
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Total Short-Term Securities (Cost - \$19,895,375) - 8.5%

	Number of Contracts	Options Purchased
Options Purchased - 0.5%		
Call Options Purchased - 0.3%		
	1+	Euro \$1 YR MID-CRV, expiring September 2007 at US
	1+	Euro \$1 YR MID-CRV, expiring September 2007 at US
	1+	Euro \$1 YR MID-CRV, expiring September 2007 at US
	8+	Receive a fixed rate of 5.575% and pay a floating based on 3-month LIBOR, expiring January 2007 (d)
Put Options Purchased - 0.2%		
	8+	Pay a fixed rate of 5.575% and receive a floating based on 3-month LIBOR, expiring January 2007 (d)
	90,000	U.S. Treasury Bonds, expiring May 2007 at USD 110
Total Options Purchased (Premiums Paid - \$1,119,909) - 0.5%		
Total Investments (Cost - \$387,859,000) - 165.7%		

		Options Written
Call Options Written - (0.3%)		
	50+	Pay a fixed rate of 4.85% and pay a floating rate 3-month LIBOR, expiring April 2007 (d)
	40+	Pay a fixed rate of 5.074% and receive a floating on 3-month LIBOR, expiring April 2007 (d)
	50+	Pay a fixed rate of 5.1275% and receive a floatin on 3-month LIBOR, expiring April 2007 (d)
	15+	Pay a fixed rate of 5.2825% and receive a floatin on 3-month LIBOR, expiring April 2007 (d)
	50+	Pay a fixed rate of 4.625% and receive a floating on 3-month LIBOR, expiring March 2008 (d)
Put Options Written - (0.4%)		
	50+	Receive a fixed rate of 5.35% and pay a floating

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on 3-month LIBOR, expiring April 2007 (d)  
 50+ Receive a fixed rate of 5.125% and pay a floating  
 on 3-month LIBOR, expiring March 2008 (d)  
 1+ Euro \$1 YR MID-CRV, expiring September 2007 at US

Total Options Written (Premiums Received - \$2,107,407) - (0.7%)

Total Investments, Net of Options Written (Cost - \$385,751,593\*) - 165.0%

Liabilities in Excess of Other Assets - (65.0%)

Net Assets - 100.0%

\* The cost and unrealized appreciation (depreciation) of investments, net of options written, as of March 31, 2007, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$	385,751,593
		=====
Gross unrealized appreciation	\$	1,778,906
Gross unrealized depreciation		(1,180,748)
		-----
Net unrealized appreciation	\$	598,158
		=====

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

\*\*\* Certain Short-Term Government Agency Obligations are traded on a discount basis; the interest rates shown are the range of discount rates paid at the time of purchase.

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

(a) Floating rate security.

(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 securities and has either a nominal or a notional amount of principal.

(d) 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.

(e) All or a portion of the security is on hold as collateral in connection with open financial futures contracts.

o Investments 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:

	Net Activity	Interest Income
Affiliate		

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BlackRock Liquidity Series, LLC				
Cash Sweep Series	\$	(10,517,087)	\$	74,819
BlackRock Liquidity Series, LLC				
Money Market Series		-	\$	195

o Short sales entered into as of March 31, 2007 were as follows:

Shares	Issue	Value
18,300,000	U.S. Treasury Bond	\$ (19,567,418)
		-----
Total (Proceeds - \$19,567,418)		\$ (19,567,418)
		=====

o Swaps outstanding as of March 31, 2007 were as follows:

	Notional Amount	Unrealized Appreciation (Depreciation)
Receive a fixed rate of 4.8825% and pay a floating rate based 3-month LIBOR		
Broker, UBS Warburg Expires December 2013	\$ 20,000,000	\$ (196,421)
Pay a fixed rate of 5.14% and receive a floating rate based 3-month LIBOR		
Broker, UBS Warburg Expires March 2010	\$ 40,000,000	(208,585)
Receive a fixed rate of 4.926% and pay a floating rate based 3-month LIBOR		
Broker, Credit Suisse First Boston International Expires August 2011	\$ 50,000,000	(99,100)
Pay a fixed rate of 5.4075% and receive a floating rate based 3-month LIBOR		
Broker, Credit Suisse First Boston International Expires February 2017	\$ 25,000,000	(452,411)
Pay a fixed rate of 5.24% and receive a floating rate based 3-month LIBOR		
Broker, UBS Warburg Expires March 2017	\$ 15,000,000	(76,204)
Pay a fixed rate of 5.21336% and		

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receive a floating rate based  
3-month LIBOR

Broker, Credit Suisse First Boston  
International

Expires March 2037	\$ 12,500,000	330,279 -----
Total		\$ (702,442) =====

Item 2 - Controls and Procedures

2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

2(b) - As of September 29, 2006, with the conclusion of the combination of Merrill Lynch's asset management business with BlackRock, the registrant was migrated to BlackRock's trading and compliance monitoring systems, and various personnel changes occurred. In conjunction with these business improvements, there were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to 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/ Robert C. Doll, Jr.  
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Robert C. Doll, Jr.  
Chief Executive Officer  
BlackRock Enhanced Government Fund, Inc.

Date: May 21, 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.

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By: /s/ Robert C. Doll, Jr.  
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Robert C. Doll, Jr.  
Chief Executive Officer  
BlackRock Enhanced Government Fund, Inc.

Date: May 21, 2007

By: /s/ Donald C. Burke  
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Donald C. Burke  
Chief Financial Officer  
BlackRock Enhanced Government Fund, Inc.

Date: May 21, 2007