

BlackRock Enhanced Government Fund, Inc.  
Form N-Q  
November 22, 2016

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: 12/31/2016

Date of reporting period: 09/30/2016

Item 1 Schedule of Investments

## Schedule of Investments September 30, 2016 (Unaudited)

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

(Percentages shown are based on Net Assets)

|  | Par          |              |
|--|--------------|--------------|
|  | (000)        | Value        |
| <b>Asset-Backed Securities</b>   |              |              |
| Securitized Asset Backed Receivables LLC Trust (a):                                      |              |              |
| Series 2005-OP1, Class M2, 1.20%, 1/25/35  | \$ 970       | \$ 892,458   |
| Series 2005-OP2, Class M1, 0.96%, 10/25/35   | 1,025        | 936,149      |
| <b>Total Asset-Backed Securities 1.8%</b>  |              | 1,828,607    |
| <b>Non-Agency Mortgage-Backed Securities</b>   |              |              |
| <b>Collateralized Mortgage Obligations 0.9%</b>  |              |              |
| Bank of America Mortgage Securities, Inc., Series 2003-J, Class 2A1, 3.04%, 11/25/33 (a) | 111          | 110,707      |
| Bear Stearns ALT-A Trust, Series 2004-13, Class A1, 1.27%, 11/25/34 (a)                  | 138          | 135,075      |
| Homebanc Mortgage Trust, Series 2005-4, Class A1, 0.80%, 10/25/35 (a)                    | 801          | 737,095      |
|  |              | 982,877      |
| <b>Interest Only Collateralized Mortgage Obligations 0.1%</b>                            |              |              |
| CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 5/25/37           | 226          | 60,514       |
| <b>Total Non-Agency Mortgage-Backed Securities 1.0%</b>                                  |              | 1,043,391    |
| <b>Preferred Securities</b>  |              |              |
| <b>Capital Trusts</b>  |              |              |
| <b>Diversified Financial Services 0.5%</b>   |              |              |
| ZFS Finance (USA) Trust V, 6.50%, 5/09/37 (a)(b)   | 504          | 508,763      |
| <b>Electric Utilities 1.7%</b>   |              |              |
| PPL Capital Funding, Inc., Series A, 6.70%, 3/30/67 (a)                                  | 2,000        | 1,765,000    |
| <b>Total Preferred Securities 2.2%</b>   |              | 2,273,763    |
| <b>U.S. Government Sponsored Agency Securities</b>                                       |              |              |
| <b>Agency Obligations 3.8%</b>   |              |              |
| Federal Farm Credit Bank, 4.55%, 6/08/20   | 3,500        | 3,926,405    |
|  | <b>Par</b>   |              |
|  | <b>(000)</b> | <b>Value</b> |
| <b>U.S. Government Sponsored Agency Securities</b>                                       |              |              |
| <b>Collateralized Mortgage Obligations 6.6%</b>  |              |              |
| Fannie Mae Mortgage-Backed Securities, Series 2014-28, Class BD, 3.50%, 8/25/43          | \$ 1,439     | \$ 1,533,189 |
| Freddie Mac Mortgage-Backed Securities, Series 4480, Class ZX, 4.00%, 11/15/44           | 657          | 741,260      |
| Ginnie Mae Mortgage-Backed Securities, Series 2006-3, Class C, 5.24%, 4/16/39 (a)        | 4,518        | 4,573,972    |
|  |              | 6,848,421    |
| <b>Interest Only Collateralized Mortgage Obligations 1.6%</b>                            |              |              |
| <b>Fannie Mae Mortgage-Backed Securities:</b>  |              |              |
| Series 2012-M9, Class X1, 4.20%, 12/25/17 (a)  | 3,415        | 97,916       |
| Series 2012-47, Class NI, 4.50%, 4/25/42   | 1,470        | 270,948      |
| Series 2012-96, Class DI, 4.00%, 2/25/27   | 1,509        | 112,137      |
| <b>Ginnie Mae Mortgage-Backed Securities (a):</b>  |              |              |
| Series 2006-30, Class IO, 2.16%, 5/16/46   | 399          | 27,607       |
| Series 2009-78, Class SD, 5.67%, 9/20/32   | 1,523        | 288,121      |
| Series 2009-116, Class KS, 5.94%, 12/16/39   | 481          | 74,366       |
| Series 2011-52, Class NS, 6.14%, 4/16/41   | 4,144        | 841,116      |
|  |              | 1,712,211    |
| <b>Mortgage-Backed Securities 54.1%</b>  |              |              |
| <b>Fannie Mae Mortgage-Backed Securities:</b>  |              |              |
| 2.50%, 4/01/28   | 5,936        | 6,157,550    |
| 3.00%, 6/01/42 4/01/43   | 6,777        | 7,080,968    |

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|  |              |        |            |
|--|--------------|--------|------------|
| 3.50%, 8/01/26   | 8/01/44      | 12,607 | 13,395,866 |
| 4.00%, 4/01/24   | 2/01/41      | 10,896 | 11,702,134 |
| 4.50%, 4/01/39   | 8/01/40      | 7,510  | 8,291,007  |
| 5.00%, 11/01/33  | 2/01/40      | 4,140  | 4,662,152  |
| 5.50%, 10/01/23  | 10/01/46 (d) | 3,621  | 4,108,622  |
| 6.00%, 2/01/36   | 3/01/38      | 637    | 731,264    |
| Freddie Mac Mortgage-Backed Securities, 4.50%, 5/01/34 |              | 159    | 173,468    |

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2016

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## Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

|   | Par           | Value                 |
|---|---------------|-----------------------|
|   | (000)         |                       |
| <b>U.S. Government Sponsored Agency Securities</b>                        |               |                       |
| <b>Mortgage-Backed Securities (continued)</b>                             |               |                       |
| Ginnie Mae Mortgage-Backed Securities, 5.00%, 11/15/35                    | \$ 5          | \$ 5,717              |
|   |               | 56,308,748            |
| <b>Total U.S. Government Sponsored Agency Securities 66.1%</b>            |               | <b>68,795,785</b>     |
| <b>U.S. Treasury Obligations</b>  |               |                       |
| U.S. Treasury Bonds, 4.38%, 5/15/41 (e)                                   | 6,000         | 8,427,654             |
| U.S. Treasury Notes:  |               |                       |
| 0.75%, 4/30/18  | 6,000         | 6,000,702             |
| 1.38%, 4/30/20 (e)  | 17,000        | 17,221,136            |
| 1.50%, 5/31/20  | 1,300         | 1,322,292             |
| 3.13%, 5/15/21  | 6,500         | 7,072,306             |
| 2.00%, 11/30/22   | 4,500         | 4,675,779             |
| 2.00%, 2/15/25 (e)  | 6,000         | 6,213,282             |
| 2.25%, 11/15/25   | 2,800         | 2,955,750             |
| 1.63%, 2/15/26  | 2,800         | 2,804,813             |
| <b>Total U.S. Treasury Obligations 54.5%</b>                              |               | <b>56,693,714</b>     |
| <b>Total Long-Term Investments</b>  |               |                       |
| <b>(Cost \$124,761,734) 125.6%</b>  |               | <b>130,635,260</b>    |
| <b>Short-Term Securities 4.6%</b>   |               |                       |
|   | <b>Shares</b> |                       |
| BlackRock T-Fund, Institutional Class, 0.20% (f)(g)                       | 4,768,738     | 4,768,738             |
| <b>Total Short-Term Securities</b>  |               |                       |
| <b>(Cost \$4,768,738) 4.6%</b>  |               | <b>4,768,738</b>      |
|   |               | <b>Value</b>          |
| <b>Options Purchased</b>  |               |                       |
| <b>(Cost \$176,199) 0.2%</b>  |               | <b>\$ 166,238</b>     |
| <b>Total Investments Before TBA Sale Commitments and Options Written</b>  |               |                       |
| <b>(Cost \$129,706,671) 130.4%</b>  |               | <b>135,570,236</b>    |
| <b>TBA Sale Commitments</b>   |               |                       |
|   | <b>Par</b>    |                       |
|   | <b>(000)</b>  |                       |
| Fannie Mae Mortgage-Backed Securities, 5.50%, 10/01/46 (d)                | \$ 3,460      | (3,898,988)           |
| <b>Total TBA Sale Commitments</b>   |               |                       |
| <b>(Proceeds \$3,894,016) (3.8)%</b>                                      |               | <b>(3,898,988)</b>    |
| <b>Options Written</b>  |               |                       |
| <b>(Premiums Received \$472,841) (0.4)%</b>                               |               | <b>(425,239)</b>      |
| <b>Total Investments, Net of TBA Sale Commitments and Options Written</b> |               |                       |
| <b>(Cost \$125,339,814*) 126.2%</b>                                       |               | <b>131,246,009</b>    |
| <b>Liabilities in Excess of Other Assets (26.2)%</b>                      |               | <b>(27,240,621)</b>   |
| <b>Net Assets 100.0%</b>  |               | <b>\$ 104,005,388</b> |

\* As of September 30, 2016, gross unrealized appreciation and depreciation based on cost for federal income tax purposes were as follows:

|          |                |
|----------|----------------|
| Tax cost | \$ 129,706,671 |
|----------|----------------|

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|                                    |           |                  |
|------------------------------------|-----------|------------------|
| Gross unrealized appreciation      | \$        | 6,602,197        |
| Gross unrealized depreciation      |           | (738,632)        |
| <b>Net unrealized appreciation</b> | <b>\$</b> | <b>5,863,565</b> |

### Notes to Schedule of Investments

- (a) Variable rate security. Rate as of period end.
  
- (b) 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.
  
- (c) When-issued security.
  
- (d) Represents or includes a TBA transaction. As of period end, unsettled TBA transactions were as follows:

| Counterparty                       | Value          | Unrealized<br>Depreciation |
|------------------------------------|----------------|----------------------------|
| Credit Suisse Securities (USA) LLC | \$ (2,907,338) | \$ (4,059)                 |
| Goldman Sachs & Co                 | \$ (878,963)   | \$ (975)                   |

- (e) All or a portion of security has been pledged as collateral in connection with outstanding reverse repurchase agreements.
  
- (f) Current yield as of period end.

## Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

(g) During the period ended September 30, 2016, investments in issuers considered to be affiliates 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          | Net Activity | Shares Held           | Value at           |           |
|--|----------------------|--------------|-----------------------|--------------------|-----------|
|  | at December 31, 2015 |              | at September 30, 2016 | September 30, 2016 | Income    |
| BlackRock Liquidity Funds, TempFund, Institutional Class | 2,705,612            | (2,705,612)  |                       |                    | \$ 10,508 |
| BlackRock T-Fund, Institutional Class                    |                      | 4,768,738    | 4,768,738             | \$ 4,768,738       | 1,533     |
| <b>Total</b>   |                      |              |                       | \$ 4,768,738       | \$ 12,041 |

## Reverse Repurchase Agreements

| Counterparty                       | Interest Rate | Trade Date | Maturity Date <sup>1</sup> | Face Value    | Face Value Including Accrued Interest | Type of Underlying Collateral | Remaining Contractual Maturity of the Agreements <sup>1</sup> |
|------------------------------------|---------------|------------|----------------------------|---------------|---------------------------------------|-------------------------------|---|
| Deutsche Bank Securities, Inc.     | 0.52%         | 06/19/15   | Open                       | \$ 3,925,000  | \$ 3,942,199                          | U.S. Treasury Obligations     | Open/Demand   |
| Deutsche Bank Securities, Inc.     | 0.26%         | 08/25/15   | Open                       | 1,985,000     | 1,990,777                             | U.S. Treasury Obligations     | Open/Demand   |
| Credit Suisse Securities (USA) LLC | 0.47%         | 03/15/16   | Open                       | 8,047,500     | 8,068,408                             | U.S. Treasury Obligations     | Open/Demand   |
| Credit Suisse Securities (USA) LLC | 0.47%         | 03/15/16   | Open                       | 6,022,500     | 6,038,147                             | U.S. Treasury Obligations     | Open/Demand   |
| Credit Suisse Securities (USA) LLC | 0.47%         | 03/15/16   | Open                       | 11,041,250    | 11,069,936                            | U.S. Treasury Obligations     | Open/Demand   |
| <b>Total</b>                       |               |            |                            | \$ 31,021,250 | \$ 31,109,467                         |                               |   |

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

## Derivative Financial Instruments Outstanding as of Period End

## Forward Foreign Currency Exchange Contracts

| Currency Purchased | Currency Sold  | Counterparty                           | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|----------------|--|-----------------|--|
| EUR 400,000        | JPY 44,885,880 | UBS AG                                 | 10/07/16        | \$ 6,709                               |
| JPY 45,666,000     | EUR 400,000    | Morgan Stanley & Co. International PLC | 10/07/16        | 985                                    |
| NOK 4,381,496      | USD 520,000    | Citibank N.A.                          | 10/07/16        | 28,061                                 |
| USD 520,000        | NOK 4,383,058  | Goldman Sachs International            | 10/07/16        | (28,257)                               |
| AUD 345,000        | CAD 338,379    | BNP Paribas S.A.                       | 10/24/16        | 5,975                                  |
| CAD 335,396        | AUD 340,000    | BNP Paribas S.A.                       | 10/24/16        | (4,423)                                |
| CAD 342,433        | USD 260,000    | Citibank N.A.                          | 10/25/16        | 1,055                                  |
| CHF 96,305         | USD 100,000    | Goldman Sachs International            | 10/25/16        | (748)                                  |
| CHF 106,612        | USD 110,000    | JPMorgan Chase Bank N.A.               | 10/25/16        | (125)                                  |
| SEK 2,183,119      | USD 260,000    | Citibank N.A.                          | 10/25/16        | (5,252)                                |
| SEK 2,205,967      | USD 260,000    | Goldman Sachs International            | 10/25/16        | (2,585)                                |
| USD 260,000        | CAD 341,749    | Barclays Bank PLC                      | 10/25/16        | (534)                                  |
| USD 210,000        | CHF 203,729    | Goldman Sachs International            | 10/25/16        | 36                                     |





## Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

## Forward Foreign Currency Exchange Contracts (concluded)

| Currency Purchased | Currency Sold  | Counterparty                | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|----------------|-----------------------------|-----------------|--|
| USD 260,000        | SEK 2,179,355  | Barclays Bank PLC           | 10/25/16        | \$ 5,691                               |
| USD 260,000        | SEK 2,172,453  | Goldman Sachs International | 10/25/16        | 6,496                                  |
| NOK 2,150,000      | SEK 2,210,544  | Citibank N.A.               | 11/14/16        | 10,771                                 |
| NOK 3,000,000      | SEK 3,149,910  | Goldman Sachs International | 11/14/16        | 7,387                                  |
| USD 260,000        | CAD 340,900    | BNP Paribas S.A.            | 11/14/16        | 77                                     |
| AUD 275,000        | NZD 283,473    | HSBC Bank USA PLC           | 11/21/16        | 4,235                                  |
| EUR 10,000         | SEK 95,838     | HSBC Bank USA PLC           | 11/21/16        | 60                                     |
| SEK 3,112,011      | EUR 325,000    | BNP Paribas S.A.            | 11/21/16        | (2,267)                                |
| SEK 2,678,116      | EUR 280,000    | JPMorgan Chase Bank N.A.    | 11/21/16        | (2,304)                                |
| CAD 344,179        | AUD 350,000    | JPMorgan Chase Bank N.A.    | 12/15/16        | (4,962)                                |
| MXN 1,882,781      | USD 100,000    | Citibank N.A.               | 2/03/17         | (4,200)                                |
| USD 170,000        | MXN 3,124,165  | HSBC Bank USA PLC           | 2/03/17         | 11,035                                 |
| USD 600,000        | MXN 11,551,308 | JPMorgan Chase Bank N.A.    | 2/03/17         | 12,243                                 |
| <b>Total</b>       |                |                             |                 | \$ 45,159                              |

## OTC Options Purchased

| Description  | Put/Call | Counterparty               | Expiration Date | Strike Price | Notional Amount (000) | Value      |
|--------------|----------|----------------------------|-----------------|--------------|-----------------------|------------|
| AUD Currency | Call     | HSBC Bank PLC              | 11/17/16        | NZD 1.05     | AUD 2,080             | \$ 23,682  |
| AUD Currency | Call     | HSBC Bank PLC              | 11/17/16        | NZD 1.06     | AUD 2,065             | 15,631     |
| AUD Currency | Call     | Barclays Bank PLC          | 11/25/16        | CAD 1.04     | AUD 2,040             | 4,006      |
| EUR Currency | Call     | JPMorgan Chase Bank N.A.   | 11/25/16        | ZAR 16.00    | EUR 930               | 21,268     |
| AUD Currency | Call     | Deutsche Bank AG           | 12/13/16        | CAD 1.01     | AUD 1,385             | 12,248     |
| EUR Currency | Call     | Deutsche Bank AG           | 12/22/16        | ZAR 16.20    | EUR 930               | 25,644     |
| USD Currency | Put      | HSBC Bank PLC              | 10/21/16        | CHF 0.94     | USD 1,560             | 697        |
| USD Currency | Put      | UBS AG                     | 10/21/16        | SEK 8.25     | USD 1,560             | 513        |
| NOK Currency | Put      | Citibank N.A.              | 11/10/16        | SEK 1.01     | NOK 12,890            | 216        |
| EUR Currency | Put      | JPMorgan Chase Bank N.A.   | 11/17/16        | SEK 9.45     | EUR 1,395             | 3,412      |
| GBP Currency | Put      | HSBC Bank PLC              | 12/22/16        | USD 1.28     | GBP 1,195             | 17,390     |
| CAD Currency | Put      | BNP Paribas S.A.           | 12/23/16        | JPY 75.10    | CAD 2,055             | 27,596     |
| GBP Currency | Put      | Royal Bank of Scotland PLC | 12/29/16        | USD 1.26     | GBP 800               | 7,796      |
| USD Currency | Put      | JPMorgan Chase Bank N.A.   | 2/01/17         | MXN 17.06    | USD 2,400             | 6,139      |
| <b>Total</b> |          |                            |                 |              |                       | \$ 166,238 |

## Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

## OTC Interest Rate Swaptions Written

| Description                | Counterparty      | Put/<br>Call | Exercise<br>Rate | Pay/<br>Receive | Floating Rate<br>Index | Expiration<br>Date | Notional |        | Value        |
|----------------------------|-------------------|--------------|------------------|-----------------|------------------------|--------------------|----------|--------|--------------|
|                            |                   |              |                  |                 |                        |                    | Amount   | (000)  |              |
| 2-Year Interest Rate Swap  | Barclays Bank PLC | Call         | 1.01%            | Pay             | 3-Month LIBOR          | 10/28/16           | USD      | 35,000 | \$ (25,237)  |
| 5-Year Interest Rate Swap  | Barclays Bank PLC | Call         | 1.17%            | Pay             | 3-Month LIBOR          | 10/28/16           | USD      | 30,000 | (73,263)     |
| 10-Year Interest Rate Swap | Barclays Bank PLC | Call         | 1.44%            | Pay             | 3-Month LIBOR          | 10/28/16           | USD      | 15,000 | (70,528)     |
| 30-Year Interest Rate Swap | Barclays Bank PLC | Call         | 1.75%            | Pay             | 3-Month LIBOR          | 10/28/16           | USD      | 5,000  | (57,750)     |
| <b>Total</b>               |                   |              |                  |                 |                        |                    |          |        | \$ (226,778) |

## OTC Options Written

| Description  | Put/<br>Call | Counterparty               | Expiration<br>Date | Strike<br>Price | Notional |        | Value        |
|--------------|--------------|----------------------------|--------------------|-----------------|----------|--------|--------------|
|              |              |                            |                    |                 | Amount   | (000)  |              |
| NOK Currency | Call         | Citibank N.A.              | 11/10/16           | SEK 1.05        | NOK      | 12,890 | \$ (35,205)  |
| AUD Currency | Call         | HSBC Bank PLC              | 11/17/16           | NZD 1.06        | AUD      | 4,160  | (25,191)     |
| AUD Currency | Call         | HSBC Bank PLC              | 11/17/16           | NZD 1.05        | AUD      | 2,065  | (23,511)     |
| EUR Currency | Call         | JPMorgan Chase Bank N.A.   | 11/25/16           | ZAR 16.50       | EUR      | 930    | (12,753)     |
| EUR Currency | Call         | Deutsche Bank AG           | 12/22/16           | ZAR 16.60       | EUR      | 930    | (18,538)     |
| GBP Currency | Call         | Royal Bank of Scotland PLC | 12/29/16           | USD 1.35        | GBP      | 800    | (7,250)      |
| USD Currency | Call         | JPMorgan Chase Bank N.A.   | 2/01/17            | MXN 21.22       | USD      | 2,400  | (39,974)     |
| USD Currency | Put          | UBS AG                     | 10/21/16           | CHF 0.94        | USD      | 1,560  | (803)        |
| EUR Currency | Put          | JPMorgan Chase Bank N.A.   | 11/17/16           | SEK 9.40        | EUR      | 2,790  | (4,194)      |
| GBP Currency | Put          | HSBC Bank PLC              | 12/22/16           | USD 1.26        | GBP      | 1,195  | (11,386)     |
| CAD Currency | Put          | BNP Paribas S.A.           | 12/23/16           | JPY 73.60       | CAD      | 2,055  | (19,656)     |
| <b>Total</b> |              |                            |                    |                 |          |        | \$ (198,461) |

## Portfolio Abbreviations

|       |                               |
|-------|-------------------------------|
| AUD   | Australian Dollar             |
| CAD   | Canadian Dollar               |
| CHF   | Swiss Franc                   |
| EUR   | Euro                          |
| GBP   | British Pound                 |
| IO    | Interest Only                 |
| JPY   | Japanese Yen                  |
| LIBOR | London Interbank Offered Rate |
| MXN   | Mexican Peso                  |
| NOK   | Norwegian Krone               |
| NZD   | New Zealand Dollar            |
| OTC   | Over-the-Counter              |
| SEK   | Swedish Krona                 |
| USD   | U.S. Dollar                   |
| ZAR   | South African Rand            |



## Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

**Fair Value Hierarchy as of Period End**

Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation methodologies are categorized into a fair value hierarchy consisting of three broad levels for financial reporting purposes as follows:

Level 1 unadjusted price quotations 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)

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. Investments classified within Level 3 have significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments. Level 3 Investments include equity or debt issued by privately-held companies. There may not be a secondary market, and/or there are a limited number of investors. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Global Valuation Committee in the absence of market information.

Changes in valuation methodologies may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value 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 investments and derivative financial instruments 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, refer to the Fund's most recent financial statements as contained in its semi-annual report.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy:

|   | Level 1             | Level 2               | Level 3 | Total                 |
|---|---------------------|-----------------------|---------|-----------------------|
| <b>Assets:</b>                              |                     |                       |         |                       |
| Investments:                                |                     |                       |         |                       |
| Long-Term Investments:                      |                     |                       |         |                       |
| Asset-Backed Securities                     |                     | \$ 1,828,607          |         | \$ 1,828,607          |
| Non-Agency Mortgage-Backed Securities       |                     | 1,043,391             |         | 1,043,391             |
| Preferred Securities                        |                     | 2,273,763             |         | 2,273,763             |
| U.S. Government Sponsored Agency Securities |                     | 68,795,785            |         | 68,795,785            |
| U.S. Treasury Obligations                   |                     | 56,693,714            |         | 56,693,714            |
| Short-Term Securities                       | \$ 4,768,738        |                       |         | 4,768,738             |
| Options Purchased:                          |                     |                       |         |                       |
| Foreign currency exchange contracts         |                     | 166,238               |         | 166,238               |
| <b>Liabilities:</b>                         |                     |                       |         |                       |
| Investments:                                |                     |                       |         |                       |
| TBA Sale Commitments                        |                     | (3,898,988)           |         | (3,898,988)           |
| <b>Total</b>                                | <b>\$ 4,768,738</b> | <b>\$ 126,902,510</b> |         | <b>\$ 131,671,248</b> |



## Schedule of Investments (concluded)

BlackRock Enhanced Government Fund, Inc. (EGF)

|   | Level 1 | Level 2      | Level 3 | Total        |
|---|---------|--------------|---------|--------------|
| Derivative Financial Instruments <sup>1</sup> |         |              |         |              |
| <b>Assets:</b>                                |         |              |         |              |
| Foreign currency exchange contracts           |         | \$ 100,816   |         | \$ 100,816   |
| <b>Liabilities:</b>                           |         |              |         |              |
| Foreign currency exchange contracts           |         | (254,118)    |         | (254,118)    |
| Interest rate contracts                       |         | (226,778)    |         | (226,778)    |
| <b>Total</b>                                  |         | \$ (380,080) |         | \$ (380,080) |

<sup>1</sup> Derivative financial instruments are forward foreign currency exchange contracts and options written. Forward foreign currency exchange contracts 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 period end, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

|   | Level 1    | Level 2         | Level 3 | Total           |
|---|------------|-----------------|---------|-----------------|
| <b>Assets:</b>  |            |                 |         |                 |
| Cash  | \$ 314     |                 |         | \$ 314          |
| Foreign currency at value                                     | 170,507    |                 |         | 170,507         |
| <b>Liabilities:</b>   |            |                 |         |                 |
| Cash received as collateral for reverse repurchase agreements |            | \$ (835,000)    |         | (835,000)       |
| Reverse repurchase agreements                                 |            | (31,109,467)    |         | (31,109,467)    |
| <b>Total</b>  | \$ 170,821 | \$ (31,944,467) |         | \$ (31,773,646) |

During the period ended September 30, 2016, there were no transfers between levels.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2016

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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: November 22, 2016

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: November 22, 2016

By: /s/ Neal J. Andrews  
Neal J. Andrews  
Chief Financial Officer (principal financial officer) of

BlackRock Enhanced Government Fund, Inc.

Date: November 22, 2016