BlackRock Enhanced Government Fund, Inc.
Form N-CSR/A
March 07, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

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: 01/01/2007 12/31/2007

Item 1 Report to Stockholders

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EQUITIES FIXED INCOME REAL ESTATE LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

# BlackRock Enhanced Government Fund, Inc. (EGF)

ANNUAL REPORT | DECEMBER 31, 2007

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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# A Letter to Shareholders

**Dear Shareholder**

Financial markets endured heightened volatility during 2007, culminating in mixed results for some of the major benchmark indexes:

| Total Returns as of December 31, 2007 | 6-month | 12-month |
|---|---|---|
| U.S. equities (S&P 500 Index) | 1.37% | + 5.49% |
| Small cap U.S. equities (Russell 2000 Index) | 7.53 | 1.57 |
| International equities (MSCI Europe, Australasia, Far East Index) | +0.39 | +11.17 |
| Fixed income (Lehman Brothers U.S. Aggregate Bond Index) | +5.93 | + 6.97 |
| Tax-exempt fixed income (Lehman Brothers Municipal Bond Index) | +3.22 | + 3.36 |
| High yield bonds (Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index) | 0.67 | + 2.27 |

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only. You cannot invest directly in an index.

Subprime mortgage woes dominated headlines for much of 2007, spawning a widespread liquidity and credit crisis with ramifications across global markets. The Federal Reserve Board (the Fed ) stepped in to inject liquidity into the markets and bolster investor confidence, cutting the federal funds rate by 0.50% in September, 0.25% in October and 0.25% in December, which brought the target short-term interest rate to 4.25% . In taking action, the central bankers, who had long deemed themselves inflation fighters, were seeking to stem the fallout from the credit crunch and forestall a wider economic unraveling.

Amid the volatility, equity markets displayed surprising resilience. Market fundamentals generally held firm, dividend payouts and share buybacks continued, and valuations remained attractive. To some extent, the credit turmoil dampened corporate merger-and-acquisition (M&A) activity, a key source of strength for equity markets, but 2007 remained a record year for global M&A nonetheless. As the returns indicate, the most recent six months were more trying, reflecting the slowing U.S. economy, a troubled housing market and a more difficult corporate earnings backdrop. Overall, large cap stocks outperformed small caps as investors grew increasingly risk averse. International markets fared better than their U.S. counterparts, benefiting from generally stronger economies.

In fixed income markets, mixed economic signals and subprime fallout resulted in a flight to quality. Investors shunned bonds associated with the housing and credit markets in favor of higher-quality Treasury issues. The yield on 10-year Treasury issues, which touched 5.30% in June (its highest level in five years), fell to 4.04% by year-end, while prices correspondingly rose. The tax-exempt bond market waffled amid the economic uncertainty and concerns around the credit worthiness of bond insurers, but set a new-issuance record in 2007. A drop in municipal bond prices created buying opportunities, and the heightened supply was generally well absorbed.

As you navigate the uncertainties inherent in the financial markets, we encourage you to start the year by reviewing your investment goals with your financial professional and making portfolio changes, as needed. For more reflection on 2007 and our 10 predictions for 2008, please ask your financial professional for a copy of What s Ahead in 2008: An Investment Perspective, or view it online at **www.blackrock.com/funds**. As always, we thank you for entrusting BlackRock with your investment assets, and we look forward to continuing to serve you in the new year and beyond.

THIS PAGE NOT PART OF YOUR FUND REPORT

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## Fund Summary as of December 31, 2007

### Investment Objective

**BlackRock Enhanced Government Fund, Inc. (EGF)** seeks to provide shareholders with current income and gains. The Fund seeks to achieve its investment objective by investing primarily in a portfoltio of U.S. Government securities and U.S. Government Agency securities, including U.S. Government mortgage-backed securities that pay interest in an attempt to generate current income and by employing a strategy of writing (selling) call options on individual or baskets of U.S. Government securities, U.S. Government Agency securities or other debt securities held by the Fund in an attempt to generate gains from option premiums.

### Fund Information

| | |
|---|---|
| Symbol on New York Stock Exchange | EGF |
| Initital Offering Date | October 31, 2005 |
| Yield on Closing Market Price as of December 31, 2007 ($15.84)* | 7.95% |
| Current Monthly Distribution per share of Common Stock** | $.105 |
| Current Annualized Distribution per share of Common Stock** | $1.26 |
| Leverage as of December 31, 2007*** | 9% |

* Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

Past performance does not guarantee future results.

** The distribution is not constant and is subject to change. A portion of the distribution may be deemed a tax return of capital or net realized gain at fiscal year end.

*** As a percentage of net assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage).

The table below summarizes the changes in the Fund s market price and net asset value per share:

| | 12/31/07 | 12/31/06 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $15.84 | $18.54 | (14.56%) | $20.06 | $15.53 |
| Net Asset Value | $17.42 | $18.50 | (5.84%) | $18.56 | $17.37 |

The following chart shows the portfolio composition of the Fund s long-term investments:

**Portfolio Composition**

| | 12/31/07 | 12/31/06 |
|---|---|---|
| Government Agency Mortgage-Backed Securities | 67% | 61% |
| Government Agency Mortgage-Backed Securities Collateralized Mortgage Obligations | 14 | |
| Non-Government Agency Mortgage-Backed Securities | 6 | 11 |
| Asset-Backed Securities | 4 | |
| Preferred Securities | 3 | |
| Corporate Bonds | 2 | |
| Government & Agency Obligations | 2 | 28 |
| Other* | 2 | |

* Includes portfolio holdings in options purchased.



## Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Issue | Face Amount | Interest Rate | Maturity Date(s) | Value |
|---|---|---|---|---|
| **Government & Agency Obligations 3.3%** | | | | |
| **Federal Farm Credit Bank** | $ 3,500,000 | 4.55 % | 6/08/2020 (h) | $ 3,453,506 |
| **Federal Home Loan Bank** | 3,525,000 | 5.40 | 10/27/2011 (h)(i) | 3,568,319 |
| **Total Government & Agency Obligations (Cost $6,844,719) 3.3%** | | | | 7,021,825 |
| **Government Agency Mortgage-Backed Securities** 92.7%** | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **Fannie Mae Guaranteed Pass Through Certificates** | | 8,400,000 | 4.50 | 1/15/2023 (f) | 8,266,121 |
| | | 1,904,425 | 4.66 | 7/01/2010 | 1,918,727 |
| | | 5,975,307 | 4.681 | 2/01/2013 | 6,070,058 |
| | | 59,200,344 | 5.00 | 11/01/2033 1/15/2038 (f)(h) | 57,795,045 |
| | | 7,939,300 | 5.24 | 4/01/2012 | 8,158,896 |
| | | 5,663,896 | 5.284 | 10/01/2035 (a) | 5,692,392 |
| | | 49,117,247 | 5.50 | 1/15/2023 1/15/2038 (f) | 49,123,620 |
| | | 2,651,727 | 5.707 | 2/01/2012 | 2,791,065 |
| | | 19,460,501 | 6.00 | 7/01/2036 1/15/2038 (f) | 19,763,010 |
| | | 5,342,865 | 6.60 | 1/01/2011 | 5,604,604 |
| **Freddie Mac Mortgage Participation Certificates** | | 1,089,434 | 4.50 | 5/01/2034 | 1,030,855 |
| | | 19,132,658 | 5.00 | 5/01/2020 8/01/2037 | 18,766,680 |
| | | 786,313 | 5.50 | 4/01/2037 | 784,690 |
| | | 2,500,000 | 6.00 | 1/15/2038 (f) | 2,536,720 |
| | | 4,200,000 | 6.50 | 1/15/2038 (f) | 4,316,811 |
| **Ginnie Mae MBS Certificates** | | 2,813,923 | 5.00 | 11/15/2035 | 2,773,608 |
| | | 2,578,981 | 5.50 | 11/15/2035 | 2,598,617 |
| **Total Government Agency Mortgage-Backed Securities (Cost $195,245,870) 92.7%** | | | | | 197,991,519 |

| | Face Amount | Issue | |
|---|---|---|---|
| **Asset-Backed Securities** 5.8%** | | | |
| | $ 2,794,967 | Asset-Backed Securities Corp. Home Equity Line Trust Series 2006-HE7 Class A2, 4.915% due 11/25/2036 (a) | 2,760,707 |
| | 3,220,000 | First Franklin Mortgage Loan Asset-Backed Certificates Series 2005-FF2 Class M2, 5.305% due 3/25/2035 (a) | 2,672,600 |
| | 2,240,927 | GSAA Home Equity Trust Series 2005-1 Class AF2, 4.316% due 11/25/2034 (a) | 2,134,371 |
| | | Securitized Asset-Backed Receivables LLC Trust (a): | |
| | 2,000,000 | Series 2005-0P1 Class M2, 5.315% due 1/25/2035 | 1,702,220 |
| | 1,025,000 | Series 2005-OP2 Class M1, 5.295% due 10/25/2035 | 922,500 |
| | 2,500,000 | Soundview Home Equity Loan Trust Series 2007-OPT5 Class 2A2, 5.815% due 10/25/2037 (a) | 2,296,094 |
| **Total Asset-Backed Securities (Cost $13,262,880) 5.8%** | | | 12,488,492 |

**Corporate Bonds 3.3%**

| | | | |
|---|---|---|---|
| **Diversified Financial Services 0.4%** | 1,000,000 | Citigroup, Inc., 8.30% due 12/21/2077 (a) | 1,044,191 |
| **Electric Utilities 0.9%** | 2,000,000 | PPL Capital Funding, 6.70% due 3/30/2067 (a) | 1,840,196 |
| **Insurance 2.0%** | 2,000,000 | The Allstate Corp., 6.50% due 5/15/2057 (a) | 1,861,354 |
| | | ZFS Finance (USA) (a)(b): | |
| | 500,000 | Trust IV, 5.875% due 5/09/2032 | 466,065 |
| | 2,000,000 | Trust V, 6.50% due 5/09/2067 | 1,846,376 |
| | | | 4,173,795 |
| **Total Corporate Bonds (Cost $7,434,129) 3.3%** | | | 7,058,182 |

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

DECEMBER 31, 2007

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## Schedule of Investments (continued)

(in U.S. dollars)

| | Face Amount | Issue | Value |
|---|---|---|---|
| **Government Agency Mortgage-Backed Securities** Collateralized Mortgage Obligations 19.1%** | | | |
| **Collateralized Mortgage Obligations 19.1%** | | Fannie Mae Trust: | |
| | $ 4,482,116 | Series 353 Class 2, 5% due 8/01/2034 (g) | $ 1,118,073 |
| | 4,151,653 | Series 367 Class 2, 5.50% due 1/25/2036 (g) | 1,005,906 |
| | 4,674,585 | Series 378 Class 5, 5% due 7/01/2036 (g) | 999,424 |
| | 3,787,586 | Series 2006-129 Class PA, 5.50% due 7/25/2028 | 3,832,506 |
| | | Ginnie Mae Trust (a): | |
| | 30,872,180 | Series 2005-47 Class SP, 0.853% due 8/20/2032 (g) | 1,338,837 |
| | 10,000,000 | Series 2005-87 Class C, 5.328% due 9/16/2034 | 10,066,274 |
| | 10,000,000 | Series 2006-3 Class C, 5.235% due 4/16/2039 | 9,645,262 |
| | 8,781,769 | Series 2006-30 Class IO, 0.80% due 5/16/2046 (g) | 354,427 |
| | | Freddie Mac Multiclass Certificates: | |
| | 4,798,750 | Series 232 Class IO, 5% due 8/01/2035 (g) | 1,174,641 |
| | 2,561,861 | Series 2369 Class SU, 3.248% due 10/15/2031 (a)(g) | 210,290 |
| | 610,263 | Series 2611 Class KT, 4.037% due 4/15/2017 (a) | 613,682 |
| | 6,995,600 | Series 2654 Class YD, 5% due 12/15/2026 (g) | 527,819 |
| | 1,116,848 | Series 2659 Class IA, 5% due 12/15/2021 (g) | 11,448 |
| | 5,000,000 | Series 2958 Class MD, 5.50% due 1/15/2031 | 5,056,924 |
| | 3,689,400 | Series 2996 Class SJ, 2.098% due 6/15/2035 (a)(g) | 137,318 |
| | 2,680,000 | Series 3042 Class EA, 4.50% due 9/15/2035 | 2,515,611 |

| | | | |
|---|---|---|---|
| | 1,674,840 | Series 3136 Class PD, 6% due 12/15/2034 | 1,706,834 |
| | 4,088,215 | Series 3183 Class KI, 6% due 12/15/2034 (g) | 363,142 |
| **Total Government Agency Mortgage-Backed Securities Collateralized Mortgage Obligations (Cost $40,757,110) 19.1%** | | | 40,678,418 |
| **Non-Government Agency Mortgage-Backed Securities** 7.7%** | | | |
| **Collateralized Mortgage Obligations 7.7%** | 965,660 | Banc of America Mortgage Securities Inc. Series 2003-J Class 2A1, 4.086% due 11/25/2033 (a) | 969,898 |
| | 1,715,892 | CS First Boston Mortgage Securities Corp. Series 2005-11 Class 6A5, 6% due 12/25/2035 | 1,720,196 |
| | 475,000 | Citigroup Commercial Mortgage Trust Series 2007-C6 Class A4, 5.888% due 6/10/2017 (a) | 488,435 |
| | 2,744,619 | Countrywide Alternative Loan Trust Series 2006-41CB Class 2A17, 6% due 1/25/2037 | 2,759,508 |
| | 23,845,000 | First Horizon Alternative Mortgage Securities Series 2007-FA2 Class 1A11, 1.245% due 4/25/2037 (a)(g) | 887,131 |
| | 1,500,000 | Greenwich Capital Commercial Funding Corp. Series 2006-GG7 Class A4, 6.111% due 7/10/2038 (a) | 1,567,558 |
| | | JPMorgan Chase Commercial Mortgage Securities Corp. Class A4 (a): | |
| | 2,500,000 | Series 2006-CB15, 5.814% due 6/12/2043 | 2,584,487 |
| | 2,000,000 | Series 2006-LDP7, 6.065% due 4/15/2045 | 2,080,925 |
| | 1,330,000 | Series 2007-CB20, 5.794% due 2/12/2051 | 1,370,046 |
| | 15,679,230 | Residential Asset Securitization Trust Series 2004-A9 Class A3, 1.83% due 12/25/2034 (a)(g) | 502,719 |
| | 1,490,725 | Residential Funding Mortgage Securities I Series 2006-S1 Class 1A5, 5.25% due 1/25/2036 | 1,490,907 |
| **Total Non-Government Agency Mortgage-Backed Securities (Cost $15,971,344) 7.7%** | | | 16,421,810 |

| **Industry** | | **Preferred Securities** | |
|---|---|---|---|
| **Capital Trusts 1.6%** | | | |
| **Consumer Finance 0.8%** | 2,000,000 | Capital One Capital III, 7.686% due 8/15/2036 | 1,626,326 |
| **Diversified Financial Services 0.8%** | 2,000,000 | JPMorgan Chase Capital XXII, 6.45% due 2/02/2037 | 1,780,378 |
| **Total Capital Trusts (Cost $4,174,657) 1.6%** | | | 3,406,704 |



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## Schedule of Investments (continued)

(in U.S. dollars)

| **Industry** | **Shares Held** | **Preferred Securities** | **Value** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Preferred Stocks 1.0%** | | | |
| | 40,000 | Fannie Mae, 8.25% | $ 1,030,000 |
| | 40,000 | Freddie Mac Series Z, 8.375% | 1,046,000 |
| **Total Preferred Stocks (Cost $2,000,000) 1.0%** | | | 2,076,000 |
| | **Face Amount** | | |
| **Trust Preferreds 2.2%** | | | |
| **Capital Markets 0.7%** | $2,000,000 | Morgan Stanley Capital Trust VIII, 6.45% due 4/15/2067 | 1,577,600 |
| **Commercial Banks 0.7%** | 2,000,000 | Wachovia Capital Trust IX, 6.375% due 6/01/2067 | 1,596,000 |
| **Media 0.8%** | 2,000,000 | Comcast Corp., 6.625% due 5/15/2056 | 1,647,200 |
| **Total Trust Preferreds (Cost $5,982,206) 2.2%** | | | 4,820,800 |
| **Total Preferred Securities (Cost $12,156,863) 4.8%** | | | 10,303,504 |
| | **Beneficial Interest** | | |
| **Short-Term Securities 8.0%** | | | |
| | $17,107,254 | BlackRock Liquidity Series, LLC Cash Sweep Series, 5.04% (c)(d) | 17,107,254 |
| **Total Short-Term Securities (Cost $17,107,254) 8.0%** | | | 17,107,254 |
| | **Number of Contracts** | **Options Purchased** | |
| **Options Purchased 2.2%** | | | |
| **Call Options Purchased** | 18 | Receive a fixed rate of 5.495% and pay a floating rate based on 3-month LIBOR, expiring May 2012, Broker Credit Suisse First Boston International (e) | 1,011,349 |
| | 18 | Receive a fixed rate of 5.725% and pay a floating rate based on 3-month LIBOR, expiring May 2012, Broker Lehman Brothers Special Financing (e) | 1,095,752 |
| | 9 | Receive a fixed rate of 5.895% and pay a floating rate based on 3-month, expiring August 2011, Broker JPMorgan Chase (e) | 591,617 |
| | | | 2,698,718 |
| **Put Options Purchased** | 18 | Pay a fixed rate of 5.495% and receive a floating rate based on 3-month LIBOR, | |

| | | | |
|---|---|---|---|
| | | expiring May 2012, Broker Credit Suisse First Boston International (e) | 834,714 |
| | 18 | Pay a fixed rate of 5.725% and receive a floating rate based on 3-month LIBOR, expiring May 2012, Broker Lehman Brothers Special Financing (e) | 737,830 |
| | 9 | Pay a fixed rate of 5.895% and receive a floating rate based on 3-month LIBOR, expiring August 2011, Broker JPMorgan Chase (e) | 322,448 |
| | | | 1,894,992 |
| **Total Options Purchased (Premiums Paid $3,573,570) 2.2%** | | | 4,593,710 |
| **Total Investments Before TBA Sale Commitments and Options Written (Cost $312,353,739*) 146.9%** | | | 313,664,714 |

| Issue | Face Amount | Interest Rate | Maturity Dates | |
|---|---|---|---|---|
| **TBA Sale Commitments (13.6%)** | | | | |
| **Fannie Mae Guaranteed Pass Through Certificates** | $29,700,000 | 5.00% | 11/01/2033 10/01/2035 | (28,977,904) |
| **Total TBA Sale Commitments (Proceeds $28,620,138) (13.6%)** | | | | (28,977,904) |

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

DECEMBER 31, 2007

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## Schedule of Investments (continued)

(in U.S. dollars)

| | Number of Contracts | Options Written | Value |
|---|---|---|---|
| **Options Written (3.7%)** | | | |
| **Call Options Written** | 11 | Pay a fixed rate of 5.685% and receive a floating rate based on 3-month LIBOR, expiring May 2010, Broker Lehman Brothers Special Financing (e) | $ (1,163,174) |
| | 50 | Pay a fixed rate of 4.625% and receive a floating rate based on 3-month LIBOR, expiring March 2008, Broker Deutsche Bank AG London (e) | (1,187,550) |
| | 11 | Pay a fixed rate of 5.4475% and receive a floating rate based on 3-month LIBOR, expiring May 2010, Broker Credit Suisse First Boston International (e) | (1,027,741) |
| | 36 | Pay a fixed rate of 5.88% and receive a floating rate based on 3-month LIBOR, expiring June 2008, Broker Deutsche Bank AG London (e) | (3,396,459) |
| | | | (6,774,924) |

| | | | |
|---|---|---|---|
| **Put Options Written** | 11 | Receive a fixed rate of 5.4475% and pay a floating rate based on 3-month LIBOR, expiring May 2010, Broker Credit Suisse First Boston International (e) | (675,708) |
| | 11 | Receive a fixed rate of 5.685% and pay a floating rate based on 3-month LIBOR, expiring May 2010, Broker Lehman Brothers Special Financing (e) | (557,524) |
| | | | (1,233,232) |
| **Total Options Written (Premiums Received $3,720,246) (3.7%)** | | | (8,008,156) |
| **Total Investments, Net of Options Written (Cost $280,013,355) 129.6%** | | | 276,678,654 |
| **Liabilities in Excess of Other Assets (29.6%)** | | | (63,163,738) |
| **Net Assets 100.0%** | | | $ 213,514,916 |

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

| | |
|---|---|
| Aggregate cost | $ 312,353,739 |
| Gross unrealized appreciation | $ 5,395,481 |
| Gross unrealized depreciation | (4,084,506) |
| Net unrealized appreciation | $ 1,310,975 |

** Asset-Backed and 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.

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

(a) Floating rate security.

(b) The security may be offered and sold to qualified institutional buyers under Rule 144A of the Securities Act of 1933.

(c) Represents the current yield as of December 31, 2007.

(d) 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:

| **Affiliate** | **Net Activity** | **Interest Income** |
|---|---|---|
| BlackRock Liquidity Series, LLC Cash Sweep Series | $6,590,167 | $216,044 |
| BlackRock Liquidity Series, LLC Money Market Series | | $ 195 |

(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) 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.

(g) Represents the interest-only portion of a mortgage-backed security and has either a nominal or notional amount of principal.

(h) All or a portion of security held as collateral in connection with open reverse repurchase agreement.

(i) All or a portion of security held as collateral in connection with open financial futures contracts.

Reverse repurchase agreements outstanding as of December 31,2007 were as follows:

| Counter-party | Interest Rate | Trade Date | Net Maturity Date | Closing Amount | Face Amount |
|---|---|---|---|---|---|
| Lehman Brothers, Inc | 4.75% | 12/13/07 | 1/08/08 | $ 5,565,486 | $ 5,547,188 |
| Lehman Brothers, Inc | 5.05% | 12/13/07 | 1/08/08 | $15,203,130 | $15,150,000 |

Financial futures contracts purchased as of December 31,2007 were as follows:

| Number of Contracts | Issue | Expiration Date | Face Value | Unrealized Appreciation (Depreciation) |
|---|---|---|---|---|
| 298 | U.S. Treasury Bonds (5 Year) | March 2008 | $33,022,206 | $(158,393) |
| 378 | U.S. Treasury Bonds (10 Year) | March 2008 | $42,737,286 | 124,370 |
| | **Total Unrealized Depreciation Net** | | | $ (34,023) |

## Schedule of Investments (concluded) (in U.S. dollars)

Financial futures contracts sold as of December 31, 2007 were as follows:

| Number of Contracts | Issue | Expiration Date | Face Value | Unrealized Depreciation |
|---|---|---|---|---|
| 25 | Euro Dollar Futures | March 2008 | $ 5,982,737 | $ (2,576) |
| 107 | UST Bonds (2 Year) | March 2008 | $22,475,495 | (21,255) |
| 25 | Euro Dollar Futures | June 2008 | $ 5,997,424 | (18,514) |
| 25 | Euro Dollar Futures | September 2008 | $ 6,003,361 | (28,514) |
| 20 | Euro Dollar Futures | December 2008 | $ 4,803,439 | (28,061) |
| 20 | Euro Dollar Futures | March 2009 | $ 4,799,189 | (32,311) |
| 20 | Euro Dollar Futures | June 2009 | $ 4,792,689 | (32,811) |
| 20 | Euro Dollar Futures | September 2009 | $ 4,786,439 | (31,061) |
| 13 | Euro Dollar Futures | December 2009 | $ 3,107,935 | (17,915) |
| 13 | Euro Dollar Futures | March 2010 | $ 3,104,686 | (16,127) |
| 13 | Euro Dollar Futures | June 2010 | $ 3,101,273 | (14,502) |
| 13 | Euro Dollar Futures | September 2010 | $ 3,098,348 | (13,202) |
| **Total Unrealized Depreciation** | | | | $ (256,849) |

Swaps outstanding as of December 31, 2007 were as follows:

| | Notional Amount | Unrealized Appreciation (Depreciation) |
|---|---|---|
| Pay a fixed rate of 4.68528% and receive a floating rate based on 3-month USD LIBOR Broker, Deutsche Bank AG London | | |

| | Notional Amount | Unrealized Appreciation (Depreciation) |
|---|---|---|
| Expires September 2009 | $130,000,000 | $(1,792,391) |
| Receive a fixed rate of 4.032% and pay a floating rate based on 3-month USD LIBOR Broker, Credit Suisse First Boston Expires December 2009 | $125,000,000 | 405,937 |
| Receive a fixed rate of 4.6625% and pay a floating rate based on 3-month USD LIBOR Broker, Credit Suisse First Boston Expires September 2010 | $201,000,000 | 3,882,004 |
| Pay a fixed rate of 4.795% and receive a floating rate based on 3-month USD LIBOR Broker, Deutsche Bank AG London Expires October 2010 | $100,000,000 | $ (2,376,039) |
| Pay a fixed rate of 4.805% and receive a floating rate based on 3-month USD LIBOR Broker, Lehman Brothers Inc. Expires October 2010 | $ 50,000,000 | (1,200,898) |
| Receive a fixed rate of 4.48% and pay a floating rate based on 3-month USD LIBOR Broker, Credit Suisse First Boston Expires October 2010 | $100,000,000 | 1,551,344 |
| 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 | (4,109,876) |
| Pay a fixed rate of 5.769% and receive a floating rate based on 3-month USD LIBOR Broker, Lehman Brothers Inc. Expires July 2017 | $ 25,000,000 | (2,186,115) |
| Pay a fixed rate of 5.773% and receive a floating rate based on 3-month USD LIBOR Broker, Lehman Brothers Inc. Expires July 2017 | $ 25,000,000 | (2,199,632) |
| Receive a fixed rate of 4.65% and pay a floating rate based on 3-month USD LIBOR Broker, Credit Suisse First Boston Expires December 2017 | $ 48,600,000 | (84,183) |

| | | |
|---|---|---|
| Pay a fixed rate of 5.9575% and receive a floating rate based on 3-month USD LIBOR Broker, Deutsche Bank AG London Expires December 2037 | $ 25,000,000 | (3,647,929) |
| **Total** | | $(11,757,778) |

See Notes to Financial Statements.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

DECEMBER 31, 2007

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## Statement of Assets and Liabilities

**As of December 31, 2007**

| | | |
|---|---|---|
| **Assets** | | |
| Investments in unaffiliated securities, at value (identified cost $291,672,915) | | $ 29 |
| Investments in affiliated securities, at value (identified cost $17,107,254) | | 1 |
| Unrealized appreciation on swaps | | |
| Options purchased, at value (premiums paid $3,573,570) | | |
| Receivables: | | |
| Securities sold | $ 28,620,138 | |
| Swaps | 2,377,081 | |
| Interest | 2,068,093 | |
| Variation margin | 211,950 | |
| Principal paydowns | 156,112 | 3 |
| Prepaid expenses and other assets | | |
| Total assets | | 35 |
| **Liabilities** | | |
| Unrealized depreciation on swaps | | 1 |
| Reverse repurchase agreements | | 2 |

| | | |
|---|---|---|
| TBA sale commitments, at value (proceeds $28,620,138) | | 2 |
| Options written, at value (premiums received $3,720,246) | | |
| Bank overdraft | | |
| Payables: | | |
| Securities purchased | 61,328,336 | |
| Dividends to shareholders | 1,286,920 | |
| Swaps | 1,169,581 | |
| Investment advisor | 164,045 | |
| Interest payable | 54,285 | |
| Other affiliates | 2,000 | 6 |
| Accrued expenses and other liabilities | | |
| Total liabilities | | 13 |
| **Net Assets** | | |
| Net assets | | $ 21 |
| **Capital** | | |
| Common Stock, par value $.10 per share; 200,000,000 shares authorized | | $ |
| Paid-in capital in excess of par | | 22 |
| Undistributed realized capital gains net | | |
| Unrealized depreciation net | | (15 |
| Total capital Equivalent to $17.42 per share based on 12,256,377 shares of capital stock outstanding (market value $15.84) | | $ 21 |

See Notes to Financial Statements.



## Statement of Operations

| For the Year Ended December 31, 2007 | | |
|---|---|---|
| **Investment Income** | | |
| Interest (including $216,044 from affiliates) | | $ 14,131,915 |

| | | |
|---|---|---|
| Securities lending net | | 195 |
| Total income | | 14,132,110 |
| **Expenses** | | |
| Investment advisory fees | $ 1,952,261 | |
| Interest expense | 930,455 | |
| Short sale expense | 181,688 | |
| Accounting services | 74,889 | |
| Professional fees | 62,050 | |
| Printing and shareholder reports | 40,486 | |
| Transfer agent fees | 33,163 | |
| Custodian fees | 30,936 | |
| Repurchase offer | 29,014 | |
| Directors fees and expenses | 21,580 | |
| Pricing services | 11,349 | |
| Listing fees | 9,583 | |
| Other | 31,095 | |
| Total expenses | | 3,408,549 |
| Investment income net | | 10,723,561 |
| **Realized & Unrealized Gain (Loss) Net** | | |
| Realized gain on: | | |
| Investments net | (661,549) | |
| Financing futures contracts and swaps net | 5,460,328 | |
| Options written net | 4,919,297 | |
| TBA sale commitments net | 196,281 | 9,914,357 |
| Change in unrealized appreciation/depreciation on: | | |
| Investments net | 2,058,857 | |
| Financing futures contracts and swaps net | (12,875,569) | |
| Options written net | (4,543,620) | |
| TBA sale commitments net | (357,766) | (15,718,098) |
| Total realized and unrealized loss net | | (5,803,741) |
| **Net Increase in Net Assets Resulting from Operations** | | $ 4,919,820 |

See Notes to Financial Statements.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

DECEMBER 31, 2007

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# Statements of Changes in Net Assets

| Increase (Decrease) in Net Assets: | F<br>Year Ende<br>2007 |
|---|---|
| **Operations** | |
| Investment income net | $ 10,723,56 |
| Realized gain (loss) net | 9,914,35 |
| Change in unrealized appreciation/depreciation net | (15,718,09 |
| Net increase in net assets resulting from operations | 4,919,82 |
| **Dividends & Distributions to Shareholders** | |
| Investment income net | (8,505,07 |
| Realized gain net | (10,461,36 |
| Tax return of capital | |
| Net decrease in net assets resulting from dividends and distributions to shareholders | (18,966,44 |
| **Capital Stock Transactions** | |
| Value of shares issued to Common Stock shareholders in reinvestment of dividends | 2,604,86 |
| Net redemption of Common Stock resulting from a repurchase offer (including $219,324 and $8,789 of repurchase fees, respectively) . | (11,017,83 |
| Offering costs, including adjustments, resulting from the issuance of Common Stock | |
| Net increase (decrease) in net assets resulting from capital stock transactions | (8,412,97 |
| **Net Assets** | |
| Total decrease in net assets | (22,459,59 |
| Beginning of year | 235,974,50 |
| End of year | $ 213,514,91 |

See Notes to Financial Statements.



# Financial Highlights

| The following per share data and ratios have been derived from information provided in the financial statements. | For the Year Ended December 31, 2007 | 2006 | For the Period October 31, 2005 to December 31, 2005 |
|---|---|---|---|
| **Per Share Operating Performance** | | | |
| Net asset value, beginning of period | $ 18.50 | $ 19.18 | $ 19.10 |
| Investment income net** | .84 | .78 | .13 |
| Realized and unrealized gain (loss) net | (.54) | (.06) | .10 |
| Total from investment operations | .30 | .72 | .23 |
| Less dividends and distributions: | | | |
| Investment income net | (.62) | (.81) | (.10) |
| Realized gain net | (.76) | (.03) | (.02) |
| Tax return of capital | | (.56) | |
| Total dividends and distributions | (1.38) | (1.40) | (.12) |
| Offering costs, including adjustments, resulting from the issuance of Common Stock | | | (.03) |
| Net asset value, end of period | $ 17.42 | $ 18.50 | $ 19.18 |
| Market price per share, end of period | $ 15.84 | $ 18.54 | $ 18.09 |
| **Total Investment Return*** ** | | | |
| Based on net asset value per share | 2.39% | 4.08% | 1.06% |
| Based on market price per share | (7.10%) | 10.59% | (8.97%) |
| **Ratios to Average Net Assets** | | | |

| | | | |
|---|---|---|---|
| Expenses, excluding interest expense | 1.00% | 1.01% | .94%* |
| Expenses | 1.48% | 1.01% | .94%* |
| Investment income net | 4.67% | 4.18% | 3.89%* |
| **Supplemental Data** | | | |
| Net assets, end of period (in thousands) | $ 213,515 | $ 235,975 | $ 243,690 |
| Portfolio turnover | 254% | 76% | 20% |

* Annualized.

** Based on average shares outstanding.

*** Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different re

Total investment returns exclude the effects of sales charges.

Commencement of operations.

Amount is less than $(.01) per share.

Aggregate total investment return.

See Notes to Financial Statements.



# Notes to Financial Statements

**1. Significant Accounting Policies:**

BlackRock Enhanced Government Fund, Inc. (the Fund ) is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The Fund s financial statements are prepared in conformity with accounting principles generally accepted in the United States. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund s Common Stock shares are listed on the New York Stock Exchange ( NYSE ) under the symbol EGF.

The following is a summary of significant accounting policies followed by the Fund.

**Valuation of Investments:** The Fund values most of their investments on the basis of last available bid price or current market quotations provided by dealers or pricing services selected under the supervision of the Fund s Board of Directors (the Directors or a Board ). In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, market transactions in comparable investments, various relationships observed in the market between investments, and calculated yield measures based on valuation technology commonly employed in the market for such investments. Effective September 4, 2007, exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade and previously were valued at the last sales price as of the close of options trading on applicable exchanges. In the case of options traded in the OTC market, valuation is the last asked price (options written) or the last bid price (options purchased). Swap agreements are valued based upon quoted fair valuations received daily by the Fund from a pricing service or counterparty. Financial futures contracts are traded on exchanges and are valued at their last sale price. Repurchase agreements are valued at cost plus accrued interest. Investments in open-end investment companies are valued at their net asset value each business day. Short-term securities may be valued at amortized cost.

In the event that application of these methods of valuation results in a price for an investment which is deemed not to be representative of the market value of such investment, the investment will be valued by, under the direction of or in accordance with a method approved by the Board as reflecting fair value ( Fair Value Assets ). When determining the price for Fair Value Assets, the investment advisor and/or sub-advisor shall seek to determine the price that the Fund might reasonably expect to receive from the current sale of that asset in an arms-length transaction. Fair value determinations shall be based upon all available factors that the advisor and/or sub-advisor deems relevant. The pricing of all Fair Value Assets shall be subsequently reported to the Board or a committee thereof.

Generally, trading in foreign securities, as well as U.S. government securities, money market instruments and certain fixed income securities is substantially completed each day at various times prior to the close of business on the NYSE. The values of such securities used in computing the net asset value of the Fund s shares are determined as of such times. Foreign currency exchange rates generally will be determined as of the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund s net asset value. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Fund s Board or by BlackRock Advisors, LLC (the Advisor ), an indirect, wholly owned subsidiary of BlackRock, Inc., using a pricing service and/or procedures approved by the Fund s Board.

**Derivative Financial Instruments:** The Fund may engage in various portfolio investment strategies both to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise due to changes in the value of the contract due to an unfavorable change in the price of the underlying security or index, or if the counterparty does not perform under the contract.

**Options:** The Fund may write and purchase call and put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent lia- bility. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received). Written and purchased options are non-income produc- ing investments.

**Swaps:** The Fund may enter into swap agreements, which are OTC contracts in which the Fund and a counterparty agree to make peri- odic net payments on a specified notional amount. The net payments can be made for a set period of time or may be triggered by a prede- termined credit event. The net periodic payments may be based on a fixed or variable interest rate; the change in market value of a speci- fied security, basket of securities, or index; or the return generated by a security. These periodic payments received or made by the Fund are recorded in the accompanying Statement of Operations as real- ized gains or losses, respectively. Gains or losses are realized upon termination of the swap agreements. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation



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## Notes to Financial Statements (continued)

(depreciation). Risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts terms and the possible lack of liquidity with respect to the swap agreements.

Swap options are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate swap agreement at any time before the expiration of the option. Premiums received or paid from writing or purchasing options are recorded as liabilities or assets and are subsequently adjusted to the current market value of the option written or purchased. Premiums received or paid from writing or purchasing options which expire unexercised are treated by a Fund on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on effecting a closing purchase or sale transaction, including brokerage commission, is also treated as a realized gain or loss. If an option is exercised, the premium paid or received is added to the cost of the purchase or the proceeds from the sale in determining whether a Fund has realized a gain or loss on investment transactions.

The main risk that is associated with purchasing swap options is that the swap option expires without being exercised. In this case, the option expires worthless and the premium paid for the swap option is considered the loss. The main risk that is associated with the writing of a swap option is the market risk of an unfavorable change in the value of the interest rate swap underlying the written swap option. Swap options may be used by the Fund to manage the duration of the Fund s portfolio in a manner similar to more generic options described above.

**Financial Futures Contracts:** The Fund may purchase or sell financial futures contracts and options on such financial futures contracts. Financial futures contracts are contracts for delayed delivery of secu-rities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits, and maintains as collateral, such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The Fund may utilize futures for the purpose of reducing the interest rate sensitivity of the portfolio and decreasing the Fund s exposure to interest rate risk.

**Segregation:** In cases in which the 1940 Act, and the interpretive positions of the Securities and Exchange Commission (the SEC ) require that the Fund segregate assets in connection with certain investments (e.g., when-issued securities or swap agreements), the Fund will, consistent with certain interpretive letters issued by the SEC, designate on its books and records cash or other liquid securities having a market value at least equal to the amount that would otherwise be required to be physically segregated.

**Income Taxes**: It is the Fund s policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Effective June 29, 2007, the Fund implemented Financial Accounting Standards Board ( FASB ) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN 48 ). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including investment companies, before being measured and recognized in the financial statements. Management has evaluated the application of FIN 48 to the Fund, and has determined that the adoption of FIN 48 does not have a material impact on the Fund s financial statements. The Fund files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Fund s U.S. federal tax returns remains open for the years ended December 31, 2005 through December 31, 2006. The statute of limitations on the Fund s state and local tax returns may remain open for an additional year depending upon the jurisdiction.

**Investment Transactions and Investment Income:** Investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis. The Fund amortizes all premiums and discounts on debt securities.

**Dividends and Distributions:** Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. If the total dividends and distributions made in any tax year exceed net investment income and accumulated realized capital gains, a portion of the total distribution may be treated as a tax return of capital.

**Offering Expenses:** Direct expenses relating to the public offering of the Fund s Common Stock were charged to capital at the time of issuance of the shares. Any adjustments to estimates of offering costs were recorded to capital.

**Securities Lending:** The Fund may lend securities to financial institutions that provide cash or securities issued or guaranteed by the U.S. govern-

## Notes to Financial Statements (continued)

ment as collateral, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The market value of the loaned securities is detemined at the close of business of the Funds and any additional required collateral is delivered to the Fund on the next business day. The Fund typically receives the income on the loaned securities but does not receive the income on the collateral. Where the Fund receives cash collateral, it may invest such collateral and retain the amount earned on such investment, net of any amount rebated to the borrower. The Fund may receive a flat fee for their loans. Loans of securities are terminable at any time and the borrower, after notice, is required to return the borrowed securities within the standard time period for settlement of securities transactions.

The Fund may pay reasonable lending agent, administrative and custodial fees in connection with its loans. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Fund could experience delays and costs in gaining access to the collateral. The Fund also could suffer a loss where the value of the collateral falls below the market value of the borrowed securities, in the event of borrower default or in the event of losses on investments made with cash collateral.

**Mortgage Dollar Rolls:** The Fund may sell mortgage-backed securities for delivery in the current month and simultaneously contract to repurchase substantially similar (same type, coupon and maturity) securities on a specific future date. The Fund receives compensation as consideration for entering into the commitment to repurchase. The Fund must maintain liquid securities having a value not less than the repurchase price (including accrued interest) for such dollar rolls. The market value of the securities that the Fund is required to purchase may decline below the agreed upon repurchase price of those securities.

**Short Sales:** When the Fund engages in a short sale, an amount equal to the proceeds received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the market value of the short sale. The Fund maintains a segregated account of securities as collateral for the short sales. The Fund is exposed to market risk based on the amount, if any, that the market value of the stock exceeds the market value of the securities in the segregated account. The Fund is required to repay the counterparty any dividends or interest received on the security sold short.

A gain, limited to the price at which a Fund sold the security short, or a loss, unlimited as to the dollar amount, will be recognized upon the terminiation of a short sale if the market price is greater or less than the proceeds originally received.

**TBA Commitments:** The Fund may enter into to be announced ( TBA ) commitments to purchase or sell securities for a fixed price at a future date. TBA commitments are considered securities in themselves, and involve a risk of loss if the value of the security to be purchased/sold declines/increases prior to settlement date, which is in addition to the risk of decline in the value of a Fund s other assets. Unsettled TBA commitments are valued at the current market value of the underlying securities, according to the procedures described under Valuation of investments.

**Bank Overdraft:** The Fund recorded a bank overdraft, which resulted from management estimates of available cash.

**Asset-Backed Securites:** The Fund invests a significant portion of its assets in securites backed by commercial or residential mortgage loans or in issuers that hold mortgage and other asset-backed securities. Please see the Schedule of Investments for these securities. Changes in economic conditions, including delinquencies and/or defaults or assets underlying these securities can affect the value, income and/or liquidity of such positions.

**Reverse Repurchase Agreements:** The Fund may enter into reverse repurchase agreements with qualified third party broker-dealers. Interest on the value of the reverse repurchase agreements issued and outstanding is based upon competitive market rates at the time of issuance and is included within the related liability on the Statements of Assets and Liabilities. At the time the Fund enters into a reverse repurchase agreement, it identifies for segregation certain liquid securities having a value not less than the repurchase price, including accrued interest, of the reverse repurchase agreement. The Fund may utilize reverse repurchase agreements when it is anticipated that the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and such differences may be material.

**Other:** Expenses that are directly related to the Fund are charged directly to the Fund. Other operating expenses are generally pro-rated to the Fund on the basis of relative net assets of all the BlackRock Closed-End Funds.

**Recent Accounting Pronouncements:** In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The impact on the Fund s financial statement disclosures, if any, is currently being assessed.

In addition, in February 2007, Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and



## Notes to Financial Statements (concluded)

Financial Liabilities ( FAS 159 ), was issued and is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The impact on the Fund s financial statement disclosures, if any, is currently being assessed.

**Reclassifications:** Accounting principles generally accepted in the U.S. require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. Accordingly, during the current year, $2,247,498 has been reclassified between undistributed net investment income and undistributed net realized gains and $29,014 has been reclassified between paid-in capital in excess of par and undistributed net investment income as a result of permanent differences attributable to accounting for swap agreements, accounting for paydowns and non-deductible expenses. These reclassifications have no effect on net assets or net asset values per share.

**2. Investment Advisory Agreement and Other Transactions with Affiliates:**

The Fund has entered into an Investment Advisory Agreement with the Advisor. Merrill Lynch & Co., Inc. ( Merrill Lynch ) and The PNC Financial Services Group, Inc. are the principal owners of BlackRock, Inc.

The Advisor is responsible for the management of each Fund s portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of .85% of the aggregate of the Fund s average daily net assets and the proceeds of any outstanding debt securities or borrowings used for leverage. In addition, the Advisor has entered into a sub-advisory agreement with BlackRock Financial Management, Inc., an affiliate of the Advisor, under which the Advisor pays the sub-advisor for its sub-advisory services.

The Fund has received an exemptive order from the Securities and Exchange Commission permitting it to lend portfolio securities to Merrill Lynch, Pierce, Fenner & Smith Incorporated, a wholly owned subsidiary of Merrill Lynch, or its affiliates. Pursuant to that order, the Fund also has retained BlackRock Investment Management, LLC. ( BIM ), an affiliate of the Advisor, as the securities lending agent for a fee based on a share of the returns on investment of cash collateral. BIM may, on behalf of the Fund, invest cash collateral received by the Fund for such loans, among other things, in a private investment company managed by the Advisor or in registered money market funds advised by the Advisor or its affiliates.

For the year ended December 31, 2007, BIM received $84 in securities lending agent fees.

For the year ended December 31, 2007, the Fund reimbursed the Advisor $4,249 for certain accounting services.

Certain officers and/or directors of the Fund are officers and/or directors of BlackRock, Inc. or its affiliates.

**3. Investments:**

Purchases and sales of investments, excluding short-term securities and dollar rolls, for the year ended December 31, 2007 were $745,377,163 and $710,519,747, respectively.

Transactions in options written for the year ended December 31, 2007 were as follows:

| | Number of Contracts | Premiums Received |
|---|---|---|
| Outstanding call options written, beginning of year | 128 | $ 508,030 |
| Options written | 900 | 8,498,523 |
| Options expired | (690) | (4,237,625) |
| Options closed | (230) | (2,306,811) |
| Outstanding call options written, end of year | 108 | $ 2,462,117 |

One contract includes a notional amout of $1,000,000.

| | Number of Contracts | Premiums Received |
|---|---|---|
| Outstanding put options written, beginning of year | 50 | $ 30,000 |
| Options written | 1,179 | 5,195,092 |
| Options expired | (520) | (924,540) |
| Options closed | (687) | (3,042,423) |
| Outstanding put options written, end of year | 22 | $1,258,129 |

One contract includes a notional amout of $1,000,000.

**4. Capital Share Transactions:**

The Fund is authorized to issue 200,000,000 shares of capital stock, par value $.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to classify and reclassify any unissued shares of capital stock without approval of the holders of Common Stock. Shares issued and outstanding during the year ended December 31, 2007 increased by 143,199 as a result of dividend reinvestment and decreased by 645,072 as a result of a repurchase offer. Shares issued and outstanding during the year ended December 31, 2006 increased by 77,011 as a result of dividend reinvestment and decreased by 23,997 as a result of a repurchase offer.

The Fund will make offers to repurchase its shares at annual (approximately 12-month) intervals. The shares tendered in the repurchase offer may be subject to a repurchase fee retained by the Fund to compensate the Fund for expenses directly related to the repurchase offer.



## Notes to Financial Statements (concluded)

**5. Reverse Repurchase Agreement:**

For the year ended December 31, 2007, the Fund s average amount borrowed was approximately $17,823,000 and the daily weighted average interest rate was 5.22% .

**6. Distributions to Shareholders:**

The tax character of distributions paid by the Fund during the year ended December 31, 2007 and December 31, 2006 was as follows:

| | 12/31/2007 | 12/31/2006 |
|---|---|---|
| Distributions paid from: | | |
| Ordinary income | $ 18,966,443 | $ 10,275,940 |
| Net long-term capital gains | | 395,749 |
| Tax return of capital | | 7,129,386 |
| Total distributions | $ 18,966,443 | $ 17,801,075 |

As of December 31, 2007, the components of accumulated losses on a tax basis were as follows:

| | |
|---|---|
| Undistributed ordinary income net | $ 1,427,394 |
| Unrealized losses net | (15,598,422)* |
| Total accumulated losses net | $ (14,171,028) |

* The difference between book-basis and tax-basis net unrealized losses is attributable primarily to the realization for tax purposes of unrealized gains (losses) on certain futures contracts and the deferral of post-October capital losses for tax purposes.

**7. Subsequent Event:**

The Fund paid a dividend in the amount of $.105000 per share on January 9, 2008 to shareholders of record on December 31, 2007.

## Report of Independent Registered Public Accounting Firm

**To the Shareholders and Board of Directors of BlackRock Enhanced Government Fund, Inc.:**

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of BlackRock Enhanced Government Fund, Inc. (the Fund ) as of December 31, 2007, and the related statement of operations for the year then ended, and the statement of changes in net assets and financial highlights for each of the two years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial highlights of the Fund for the period October 31, 2005 (commencement of operations) to December 31, 2005, were audited by other auditors whose report, dated February 8, 2006, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of express-

ing an opinion on the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BlackRock Enhanced Government Fund, Inc. as of December 31, 2007, the results of its operations for the year then ended and the changes in its net assets. and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Princeton, New Jersey

February 26, 2008



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# Automatic Dividend Reinvestment Plan

**How the Plan Works** The Fund offers a Dividend Reinvestment Plan (the Plan ) under which income and capital gains dividends paid by the Fund are automatically reinvested in additional shares of Common Stock of the Fund. The Plan is administered on behalf of the shareholders by The Bank of New York Mellon (the Plan Agent ). Under the Plan, whenever the Fund declares a dividend, participants in the Plan will receive the equivalent in shares of Common Stock of the Fund. The Plan Agent will acquire the shares for the participant s account either (i) through receipt of additional unissued but authorized shares of the Fund ( newly issued shares ) or (ii) by purchase of outstanding shares of Common Stock on the open market on the New York Stock Exchange or elsewhere. If, on the dividend payment date, the Fund s net asset value per share is equal to or less than the market price per share plus estimated brokerage commissions (a condition often referred to as a market premium ), the Plan Agent will invest the dividend amount in newly issued shares. If the Fund s net asset value per share is greater than the market price per share (a condition often referred to as a market discount ), the Plan Agent will invest the dividend amount by purchasing on the open market additional shares. If the Plan Agent is unable to invest the full dividend amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any uninvested portion in newly issued shares. The shares acquired are credited to each shareholder s account. The amount credited is determined by dividing the dollar amount of the dividend by either (i) when the shares are newly issued, the net asset value per share on the date the shares are issued or (ii) when shares are purchased in the open market, the average purchase price per share.

**Participation in the Plan** Participation in the Plan is automatic, that is, a shareholder is automatically enrolled in the Plan when he or she purchases shares of Common Stock of the Fund unless the shareholder specifically elects not to participate in the Plan. Shareholders who elect not to participate will receive all dividend distributions in cash. Shareholders who do not wish to participate in the Plan must advise the Plan Agent in writing (at the address set forth below) that they elect not to participate in the Plan. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by writing to the

Plan Agent.

**Benefits of the Plan** The Plan provides an easy, convenient way for shareholders to make additional, regular investments in the Fund. The Plan promotes a long-term strategy of investing at a lower cost. All shares acquired pursuant to the Plan receive voting rights. In addition, if the market price plus commissions of the Fund s shares is above the net asset value, participants in the Plan will receive shares of the Fund for less than they could otherwise purchase them and with a cash value greater than the value of any cash distribution they would have received.

However, there may not be enough shares available in the market to make distributions in shares at prices below the net asset value. Also, since the Fund does not redeem shares, the price on resale may be more or less than the net asset value.

**Plan Fees** There are no enrollment fees or brokerage fees for participating in the Plan. The Plan Agent s service fees for handling the reinvestment of distributions are paid for by the Fund. However, brokerage commissions may be incurred when the Fund purchases shares on the open market and shareholders will pay a pro rata share of any such commissions.

**Tax Implications** The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Therefore, income and capital gains may still be realized even though shareholders do not receive cash. Participation in the Plan generally will not affect the tax-exempt status of exempt interest dividends paid by the Fund. If, when the Fund s shares are trading at a market premium, the Fund issues shares pursuant to the Plan that have a greater fair market value than the amount of cash reinvested, it is possible that all or a portion of the discount from the market value (which may not exceed 5% of the fair market value of the Fund s shares) could be viewed as a taxable distribution. If the discount is viewed as a taxable distribution, it is also possible that the taxable character of this discount would be allocable to all the shareholders, including shareholders who do not participate in the Plan. Thus, shareholders who do not participate in the Plan might be required to report as ordinary income a portion of their distributions equal to their allocable share of the discount.

**Contact Information** All correspondence concerning the Plan, including any questions about the Plan, should be directed to the Plan Agent at The Bank of New York Mellon, One Wall Street, New York, NY 10286, Telephone: 800-432-8224.



## Officers and Directors

| Name, Address and Year of Birth | Position(s) Held with Fund | Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of BlackRock-Advised Fu and Portfol Overseen |
|---|---|---|---|---|
| **Non-Interested Directors*** | | | | |
| **G. Nicholas Beckwith, III**<br>40 East 52nd Street<br>New York, NY 10022<br>1945 | Director | 2007 to present | Chairman and Chief Executive Officer, Arch Street Management, LLC since 2005; Chairman and CEO, Beckwith Blawnox Property LLC since 2005; Chairman and CEO, Beckwith Clearfield Property LLC since 2005; Chairman and CEO, Beckwith Delmont Property LLC since 2005; Chairman and CEO, Beckwith Erie Property LLC since 2005; Chairman, Penn West Industrial Trucks LLC since 2005; Chairman, President and Chief Executive Officer, Beckwith Machinery Company | 111 Funds<br>108 Portfolio |

| | | | | |
|---|---|---|---|---|
| | | | from 1969 to 2005; Chairman of the Board of Directors, University of Pittsburgh Medical Center since 2002; Board of Directors, Shady Side Hospital Foundation since 1977; Beckwith Institute for Innovation In Patient Care since 1991; Member, Advisory Council on Biology and Medicine, Brown University since 2002; Trustee, Claude Worthington Benedum Foundation since 1977; Board of Trustees, Chatham College, University of Pittsburgh since 2003; Emeritus Trustee, Shady Side Academy since 1977. | |
| **Richard E. Cavanagh**<br>40 East 52nd Street<br>New York, NY 10022<br>1946 | Director and Chairman of the Board of Directors | 2007 to present | Trustee, Aircraft Finance Trust (AFT) since 1999; Director, The Guardian Life Insurance Company of America since 1998; Chairman and Trustee, Educational Testing Service (ETS) since 1997; Director, the Fremont Group since 1996; President and Chief Executive Officer of The Conferences Board, Inc. (global business research) from 1995 to 2007. | 112 Funds<br>109 Portfolio |
| **Kent Dixon**<br>40 East 52nd Street<br>New York, NY 10022<br>1937 | Director and Member of the Audit Committee | 2007 to present | Consultant/Investor since 1988. | 112 Funds<br>109 Portfolio |
| **Frank J. Fabozzi**<br>40 East 52nd Street<br>New York, NY 10022<br>1948 | Director and Member of the Audit Committee | 2007 to present | Consultant/Editor of The Journal of Portfolio Management; Yale University, School of Management, Professor in the Practice of Finance and Becton Fellow since 2006; Adjunct Professor of Finance and Becton Fellow from 2005 to 2006; Professor in the practice of Finance from 2003 to 2005; Adjunct Professor of Finance from 1994 to 2003; Author and Editor. | 112 Funds<br>109 Portfolio |
| **Kathleen F. Feldstein**<br>40 East 52nd Street<br>New York, NY 10022<br>1941 | Director | 2007 to present | President of Economic Studies, Inc. (a Belmont MA-based private economic consulting firm) since 1987; Chair, Board of Trustees, McLean Hospital since 2000; Member of the Board of Partners Community Healthcare, Inc. since 2005; Member of the Board of Partners HealthCare and Sherrill House since 1990; Trustee, Museum of Fine Arts, Boston since 1992 and a Member of the Visiting Committee to the Harvard University Art Museum since 2003; Trustee, The Committee for Economic Development (research organization of business leaders and educators) since 1990; Member of the Advisory Board to the International School of Business, Brandeis University since 2002. | 112 Funds<br>109 Portfolio |
| **James T. Flynn**<br>40 East 52nd Street<br>New York, NY 10022<br>1939 | Director, and Member of the Audit Committee | 2004 to present | Chief Financial Officer of JP Morgan & Co., Inc. from 1990 to 1995 and an employee of JP Morgan in various capacities from 1967 to 1995. | 111 Funds<br>108 Portfolio |
| **Jerrold B. Harris** | Director | 2007 to | President and Chief Executive Officer, VWR Scientific Products | 111 Funds |

| | | | |
|---|---|---|---|
| 40 East 52nd Street<br>New York, NY 10022<br>1942 | present | Corporation from 1989 to 1999; Trustee, Ursinus College (education) since 2000; Director, Troemner LLC (scientific equipment) since 2000. | 108 Portfolio |

*Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.





# Officers and Directors (continued)

| Name, Address and Year of Birth | Position(s) Held with Fund | Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of BlackRock-Advised Funds and Portfolios Overseen | F<br>D |
|---|---|---|---|---|---|
| **Non-Interested Directors* (concluded)** | | | | | |
| **R. Glenn Hubbard**<br>40 East 52nd Street<br>New York, NY 10022<br>1958 | Director | 2007 to present | Dean of Columbia Business School since 2004; Columbia faculty member since 1988; Co-director of Columbia Business School's Entrepreneurship Program 1997 to 2004; Visiting Professor at the John F. Kennedy School of Government at Harvard University and the Harvard Business School since 1985, as well as the University of Chicago since 1994; Deputy Assistant Secretary of the U.S. Treasury Department for Tax Policy from 1991 to 1993; Chairman of the U.S. Council of Economic Advisers under the President of the United States from 2001 to 2003. | 112 Funds<br>109 Portfolios | A<br>i<br>K<br>C<br>F<br>L<br>C |
| **W. Carl Kester**<br>40 East 52nd Street<br>New York, NY 10022<br>1951 | Director and Member of the Audit Committee | 2004 to present | Deputy Dean for Academic Affairs, Harvard Business School since 2006; Mizuho Financial Group, Professor of Finance, Harvard Business School; Unit Head, Finance from 2005 to 2006; Senior Associate Dean and Chairman of the MBA Program of Harvard Business School from 1999 to 2005, Member of the faculty of Harvard Business School since 1981. Independent Consultant since 1978. | 111 Funds<br>108 Portfolios | N |
| **Karen P. Robards**<br>40 East 52nd Street<br>New York, NY 10022<br>1950 | Director and Chairperson of the Audit Committee | 2004 to present | Partner of Robards & Company, LLC (financial advisory firm) since 1987; Formerly an investment banker with Morgan Stanley for more than ten years; Director of Enable Medical Corp. from 1996 to 2005; Director of AtriCure, Inc. (medical devices) since 2000; Director of Care Investment Trust, Inc. (healthcare REIT) since 2007; Co-founder and Director of the Cooke Center for Learning and Development (not-for-profit organization) since 1987. | 111 Funds<br>108 Portfolios | A<br>(<br>C<br>T<br>( |

| | | | | | |
|---|---|---|---|---|---|
| **Robert S. Salomon, Jr.**<br>40 East 52nd Street<br>New York, NY 10022<br>1936 | Director, and Member of the Audit Committee | 2007 to present | Principal of STI Management (investment adviser) from 1994 to 2005; Chairman and CEO of Salomon Brothers Asset Management Inc. from 1992 to 1995; Chairman of Salomon Brothers Equity Mutual Funds from 1992 to 1995; regular columnist with Forbes Magazine from 1992 to 2002; Director of Stock Research and U.S. Equity Strategist at Salomon Brothers Inc. from 1975 to 1991; Trustee, Commonfund from 1980 to 2001. | 111 Funds<br>108 Portfolios | N |
| | *Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72. | | | | |

**Interested Directors***

| | | | | | |
|---|---|---|---|---|---|
| **Richard S. Davis**<br>40 East 52nd Street<br>New York, NY 10022<br>1945 | Director | 2007 to present | Managing Director, BlackRock, Inc. since 2005; Chief Executive Officer, State Street Research & Management Company from 2000 to 2005; Chairman of the Board of Trustees, State Street Research mutual funds ("SSR Funds") from 2000 to 2005; Senior Vice President, Metropolitan Life Insurance Company from 1999 to 2000; Chairman SSR Realty from 2000 to 2004. | 184 Funds<br>289 Portfolios | N |
| **Henry Gabbay**<br>40 East 52nd Street<br>New York, NY 10022<br>1947 | Director | 2007 to present | Consultant, BlackRock since 2007; Managing Director, BlackRock, Inc. from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Bond Allocation Target Shares from 2005 to 2007; Treasurer of certain closed-end funds in the Fund complex from 1989 to 2006. | 183 Funds<br>288 Portfolios | N |

* Messrs. Davis and Gabbay are both interested persons, as defined in the Investment Company Act of 1940, of the Fund based on their positions with BlackRock, Inc. and its affiliates. Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.



## Officers and Directors (concluded)

| Name, Address and Year of Birth | Position(s) Held with Fund | Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of BlackRock-Advised Funds and Portfolios Overseen | Public Dire |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **Advisory Board Member** | | | | | |
| **Roscoe S. Suddarth***<br>40 East 52nd Street<br>New York, NY 10022<br>1935 | Member of the Advisory Board | 2007 | President, Middle East Institute, from 1995 to 2001; Foreign Service Officer, United States Foreign Service, from 1961 to 1995 and Career Minister from 1989 to 1995; Deputy Inspector General, U.S. Department of State, from 1991 to 1994; U.S. Ambassador to the Hashemite Kingdom of Jordan from 1987 to 1990. | 111 Funds<br>108 Portfolios | None |
| | * Roscoe Suddarth resigned from the Advisory Board of the Fund, effective December 31, 2007. | | | | |
| **Fund Officers*** | | | | | |
| **Donald C. Burke**<br>40 East 52nd Street<br>New York, NY 10022<br>1960 | Fund President and Chief Executive Officer | 2007 to present | Managing Director of BlackRock, Inc. since 2006; Formerly Managing Director of Merrill Lynch Investment Managers, L ( MLIM ) and Fund Asset Management, L ( FAM ) in 2006; First Vice Presiden 1997 to 2005; Treasurer thereof from 1999 to 2006 and Vice President thereof from 1990 to 1 | | |
| **Anne F. Ackerley**<br>40 East 52nd Street<br>New York, NY 10022<br>1962 | Vice President | 2007 to present | Managing Director of BlackRock, Inc. since 2000 and First Vice President and Chief Operating Mergers and Acquisitions Group from 1997 to 2000; First Vice President and Chief Operating Officer o Finance Group thereof from 1995 to 1997; Formerly First Vice President of Emerging Markets Fixed In Research of Merrill Lynch & Co., Inc. from 1994 to 1995. | | |
| **Neal J. Andrews**<br>40 East 52nd Street<br>New York, NY 10022<br>1966 | Chief Financial Officer | 2007 to present | Managing Director of BlackRock, Inc. since 2006; Formerly Senior Vice President and Line of Head of Fund Accounting and Administration at PFPC Inc. from 1992 to 2006. | | |
| **Jay M. Fife**<br>40 East 52nd Street<br>New York, NY 10022<br>1970 | Treasurer | 2007 to present | Managing Director of BlackRock, Inc. since 2007 and Director in 2006; Formerly Assistant Tre the MLIM/FAM advised funds from 2005 to 2006; Director of MLIM Fund Services Group from 200 2006. | | |
| **Brian P. Kindelan**<br>40 East 52nd Street<br>New York, NY 10022 | Chief Compliance Officer | 2007 to present | Chief Compliance Officer of the Funds since 2007; Managing Director and Senior Counsel the 2005; Director and Senior Counsel of BlackRock Advisors, Inc. from 2001 to 2004 and Vice Preside Senior Counsel thereof from 1998 to 2000; Senior Counsel of The PNC Bank Corp. from 1995 to 199 | | |

1959

| | | | |
|---|---|---|---|
| **Howard Surloff**<br>40 East 52nd Street<br>New York, NY 10022<br>1965 | Secretary | 2007 to present | Managing Director of BlackRock, Inc. and General Counsel of U.S. Funds at BlackRock, Inc. s 2006; Formerly General Counsel (U.S.) of Goldman Sachs Asset Management, L from 1993 to 2006. |

* Officers of the Fund serve at the pleasure of the Board of Directors.

| Custodian | Transfer Agent | Accounting Agent | Independent Registered Public Accounting Firm | Legal Counse |
|---|---|---|---|---|
| State Street Bank and Trust Company<br>Boston, MA 02101 | The Bank of New York Mellon<br>New York, NY 10286 | State Street Bank and Trust Company<br>Princeton, NJ 08540 | Deloitte & Touche LLP<br>Princeton, NJ 08540 | Skadden, Arps<br>Meagher & Flo<br>New York, NY |



# Important Tax Information

The following information is provided with respect to the ordinary income distributions paid by BlackRock Enhanced Government Fund, Inc. during the fiscal year ended December 31, 2007:

| | |
|---|---|
| Federal Obligation Interest* | 7.99% |
| **Interest-Related Dividends for Non-U.S. Residents** | |
| Month Paid: January 2007 December 2007 | 41.65%** |
| Short-Term Capital Gain Dividends for Non-U.S. Residents | 58.35%** |

* The law varies in each state as to whether and what percentage of dividend income attributable to federal obligations is exempt from state income tax. We recommend that you consult your tax advisor to determine if any portion of the dividends you received is exempt from state income taxes

** Represents the portion of the taxable ordinary income dividends eligible for tax exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

# Additional Information

## Fund Certification

In November 2007, the Fund filed its Chief Executive Officer Certification for the prior year with the New York Stock Exchange pursuant to Section 303A.12(a) of the New York Sock Exchange Corporate Governance Listing Standards.

The Fund s Chief Executive Officer and Chief Financial Officer Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Fund s Form N-CSR and are available on the Security and Exchange Commission s website at http://www.sec.gov.

## Fundamental Periodic Repurchase Policy

The Board of Directors approved a fundamental policy whereby the Fund has adopted an interval fund structure pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended (the 1940 Act ). As an interval fund, the Fund will make annual repurchase offers at net asset value (less repurchase fee not to exceed 2%) to all Fund shareholders. The percentage of outstanding shares that the Fund can repurchase in each offer will be established by the Fund s Board of Directors shortly before the commencement of each offer, and will be between 5% and 25% of the Fund s then outstanding shares.

The Fund has adopted the following fundamental policy regarding periodic repurchases:

(a) The Fund will make repurchase offers at periodic intervals pursuant to Rule 23c-3 under the 1940 Act.

(b) The periodic interval between repurchase request deadlines will be approximately 12 months.

(c) The repurchase request deadline for each repurchase offer will be 14 days prior to the second Friday in December; provided, that in the event that such day is not a business day, the repurchase request deadline will be the subsequent business day.

(d) The maximum number of days between a repurchase request deadline and the next repurchase pricing date will be 14 days; provided that if the 14th day after a repurchase request deadline is not a business day, the repurchase pricing date shall be the next business day.

The Board of Directors may place such conditions and limitations on a repurchase offer as may be permitted under Rule 23c-3. Repurchase offers may be suspended or postponed under certain circumstances, as provided in Rule 23c-3.

During the fiscal year ended December 31, 2007, the Fund conducted a repurchase offer for its shares pursuant to Rule 23c-3 under the 1940 Act as summarized in the following table:

| Number of Repurchase Offers | Amount of Repurchase Offer | Number of Shares Tendered |
|---|---|---|
| 1 | 645,072 | 645,072 |

For additional information, see Note 4 in the Notes to Financial Statements.

## Proxy Results

During the six-month period ended December 31, 2007, the shareholders of BlackRock Enhanced Government Fund, Inc. voted on the following proposal, which was approved at an annual shareholders meeting on August 16, 2007. This proposal was part of the reorganization of the Fund s Board of Directors which took effect on November 1, 2007. A description of the proposal and number of shares voted are as follows:

| | | Shares Voted For | Shares Withheld From Voting |
|---|---|---|---|
| To elect the Fund s Directors: | G. Nicholas Beckwith, III | 11,326,925 | 145,424 |
| | Richard E. Cavanagh | 11,326,575 | 145,774 |
| | Richard S. Davis | 11,326,775 | 145,574 |
| | Kent Dixon | 11,326,725 | 145,624 |
| | Frank J. Fabozzi | 11,331,225 | 141,124 |
| | Kathleen F. Feldstein | 11,324,190 | 148,159 |
| | James T. Flynn | 11,331,225 | 141,124 |
| | Henry Gabbay | 11,326,575 | 145,774 |
| | Jerrold B. Harris | 11,326,925 | 145,424 |
| | R. Glenn Hubbard | 11,325,540 | 146,809 |
| | W. Carl Kester | 11,330,225 | 142,124 |
| | Karen . Robards | 11,329,425 | 142,924 |
| | Robert S. Salomon, Jr. | 11,330,625 | 141,724 |

## Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ( SEC ) for the first and third quarters of each fiscal year on Form N-Q. The Fund s Forms N-Q are available on the SEC s website at http://www.sec.gov. The Fund s Forms N-Q may also be reviewed and copied at the SEC s Public Reference Room

in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The Fund s Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

## Electronic Delivery

Electronic copies of most financial reports are available on the Fund s website. Shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports and prospectuses by enrolling in the Fund s electronic delivery program.

**Shareholders Who Hold Accounts with Investment Advisors, Banks or Brokerages:**

Please contact your financial advisor. Please note that not all investment advisors, banks or brokerages may offer this service.

### General Information

The Fund does not make available copies of its Statements of Additional Information because the Fund s shares are not continuously offered, which means that the Statement of Additional Information of the Fund has not been updated after completion of the Fund s offering and the information contained in the Fund s Statement of Additional Information may have become outdated.

During the period, there were no material changes in the Fund s investment objective or policies or to the Fund s character or by-laws that were not approved by the shareholders or in the principal risk factors associated with investment in the Fund. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Fund s portfolio.



## Additional Information (concluded)

### BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, Clients ) and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal nonpublic information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to nonaffiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These nonaffiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to nonpublic personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the nonpublic personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

26 BLACKROCK ENHANCED GOVERNMENT FUND, INC.

DECEMBER 31, 2007

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This report, including the financial information herein, is transmitted to shareholders of BlackRock Enhanced Government Fund, Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free (800) 441-7762; (2) at www.blackrock.com; and (3) on the Securities and Exchange Commission s website at http://www.sec.gov. Information about how the Fund voted proxies relating to securities held in the Fund s portfolio during the most recent 12-month period ended June 30 is available upon request and without charge (1) at www.blackrock.com or by calling (800) 441-7762 and (2) on the Securities and Exchange Commission s website at http://www.sec.gov.

BlackRock Enhanced Government Fund, Inc.
100 Bellevue Parkway
Wilmington, DE 19809

#EGF-12/07

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Item 2 Code of Ethics The registrant (or the Fund ) has adopted a code of ethics, as of the end of the period covered by this report, applicable to the registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. During the period covered by this report, there have been no amendments to or waivers granted under the code of ethics. A copy of the code of ethics is available without charge at www.blackrock.com.

Item 3 Audit Committee Financial Expert The registrant's board of directors or trustees, as applicable (the board of directors ) has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent:
independent:
David O. Beim (term ended effective November 1, 2007)
W. Carl Kester
James T. Flynn
Karen P. Robards
Robert S. Salomon, Jr. (term began effective November 1, 2007)

Kent Dixon (term began effective November 1, 2007)
Frank J. Fabozzi (term began effective November 1, 2007)

The registrant's board of directors has determined that W. Carl Kester and Karen P. Robards qualify as financial experts pursuant to Item 3(c)(4) of Form N-CSR.

Prof. Kester has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Prof. Kester has been involved in providing valuation and other financial consulting services to corporate clients since 1978. Prof. Kester s financial consulting services present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant s financial statements.

Ms. Robards has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Ms. Robards has been President of Robards & Company, a financial advisory firm, since 1987. Ms. Robards was formerly an investment banker for more than 10 years where she was responsible for evaluating and assessing the performance of companies based on their financial results. Ms. Robards has over 30 years of experience analyzing financial statements. She also is a member of the audit committee of one publicly held company and a non-profit organization.

Under applicable securities laws, a person determined to be an audit committee financial expert will not be deemed an expert for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification.

Item 4 Principal Accountant Fees and Services

| | **(a) Audit Fees** | | **(b) Audit-Related Fees[1]** | | **(c) Tax Fees[2]** | | **(d) All Other Fees[3]** | |
|---|---|---|---|---|---|---|---|---|
| **Entity Name** | **Current Fiscal Year End** | **Previous Fiscal Year End** | **Current Fiscal Year End** | **Previous Fiscal Year End** | **Current Fiscal Year End** | **Previous Fiscal Year End** | **Current Fiscal Year End** | **Previous Fiscal Year End** |
| BlackRock Enhanced Government Fund, Inc. | $33,500 | $33,500 | $0 | $0 | $6,100 | $6,000 | $1,042 | $0 |

1 The nature of the services include assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.

2 The nature of the services include tax compliance, tax advice and tax planning.

3 The nature of the services include a review of compliance procedures and attestation thereto.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The registrant s audit committee (the Committee ) has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant s affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC s auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ( general pre-approval ). However, such services will only be deemed pre-approved provided that any individual project does not exceed $5,000 attributable to the registrant or $50,000 for all of the registrants the Committee oversees. Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting.

(e)(2) None of the services described in each of Items 4(b) through (d) were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

(g) Affiliates Aggregate Non-Audit Fees:

| Entity Name | Current Fiscal Year End | Previous Fiscal Year End |
|---|---|---|
| BlackRock Enhanced Government Fund, Inc. | $291,642 | $3,077,450 |

(h) The registrant s audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant s investment adviser (not including any non-affiliated sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by the registrant s investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant s independence.

Regulation S-X Rule 2-01(c)(7)(ii) $284,500, 0%

Item 5 Audit Committee of Listed Registrants The following individuals are members of the registrant s separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)):

David O. Beim (term ended effective November 1, 2007)
W. Carl Kester
James T. Flynn
Karen P. Robards
Robert S. Salomon, Jr. (term began effective November 1, 2007)
Kent Dixon (term began effective November 1, 2007)
Frank J. Fabozzi (term began effective November 1, 2007)

Item 6 Schedule of Investments The registrant s Schedule of Investments is included as part of the Report to

Stockholders filed under Item 1 of this form.

Item 7 Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies
The registrant has delegated the voting of proxies relating to Fund portfolio securities to its investment adviser, BlackRock Advisors, LLC and its sub-adviser, as applicable. The Proxy Voting Policies and Procedures of the adviser and sub-adviser are attached hereto as Exhibit 99.PROXYPOL.

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# Proxy Voting Policies and Procedures

## For BlackRock Advisors, LLC
## And Its Affiliated SEC Registered Investment Advisers

September 30, 2006

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## Table of Contents

Notice to Clients

# Proxy Voting Policies and Procedures

These Proxy Voting Policies and Procedures ( Policy ) for BlackRock Advisors, LLC and its affiliated U.S. registered investment advisers[1] ( BlackRock ) reflect our duty as a fiduciary under the Investment Advisers Act of 1940 (the Advisers Act ) to vote proxies in the best interests of our clients. BlackRock serves as the investment manager for investment companies, other commingled investment vehicles and/or separate accounts of institutional and other clients. The right to vote proxies for securities held in such accounts belongs to BlackRock s clients. Certain clients of BlackRock have retained the right to vote such proxies in general or in specific circumstances.[2] Other clients, however, have delegated to BlackRock the right to vote proxies for securities held in their accounts as part of BlackRock s authority to manage, acquire and dispose of account assets.

When BlackRock votes proxies for a client that has delegated to BlackRock proxy voting authority, BlackRock acts as the client s agent. Under the Advisers Act, an investment adviser is a fiduciary that owes each of its clients a duty of care and loyalty with respect to all services the adviser undertakes on the client s behalf, including proxy voting. BlackRock is therefore subject to a fiduciary duty to vote proxies in a manner BlackRock believes is consistent with the client s best interests,[3] whether or not the client s proxy voting is subject to the fiduciary standards of the Employee Retirement Income Security Act of 1974 ( ERISA ).[4] When voting proxies for client accounts (including investment companies), BlackRock s primary objective is to make voting decisions solely in the best interests of clients and ERISA clients plan beneficiaries and participants. In fulfilling its obligations to clients, BlackRock will seek to act in a manner that it believes is most likely to enhance the economic value of the underlying securities held in client accounts.[5] It is imperative that BlackRock considers the interests of its clients, and not the interests of BlackRock, when voting proxies and that real (or

1 The Policy does not apply to BlackRock Asset Management U.K. Limited and BlackRock Investment Managers International Limited, which are U.S. registered investment advisers based in the United Kingdom.

2 In certain situations, a client may direct BlackRock to vote in accordance with the client s proxy voting policies. In these situations, BlackRock will seek to comply with such policies to the extent it would not be inconsistent with other BlackRock legal responsibilities.

3 Letter from Harvey L. Pitt, Chairman, SEC, to John P.M. Higgins, President, Ram Trust Services (February 12, 2002) (Section 206 of the Investment Advisers Act imposes a fiduciary responsibility to vote proxies fairly and in the best interests of clients); SEC Release No. IA-2106 (February 3, 2003).

4 DOL Interpretative Bulletin of Sections 402, 403 and 404 of ERISA at 29 C.F.R. 2509.94 -2

5 Other considerations, such as social, labor, environmental or other policies, may be of interest to particular clients. While BlackRock is cognizant of the importance of such considerations, when voting proxies it will generally take such matters into account only to the extent that they have a direct bearing on the economic value of the underlying securities. To the extent that a BlackRock client desires to pursue a particular social, labor, environmental or other agenda through the proxy votes made for its securities held through BlackRock as investment adviser, BlackRock encourages the client to consider retaining direct proxy voting authority or to appoint independently a special proxy voting fiduciary other than BlackRock.

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perceived) material conflicts that may arise between BlackRock s interest and those of BlackRock s clients are properly addressed and resolved.

Advisers Act Rule 206(4)-6 was adopted by the SEC in 2003 and requires, among other things, that an investment adviser that exercises voting authority over clients proxy voting adopt policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interests of clients, discloses to its clients information about those policies and procedures and also discloses to clients how they may obtain information on how the adviser has voted their proxies.

In light of such fiduciary duties, the requirements of Rule 206(4)-6, and given the complexity of the issues that may be raised in connection with proxy votes, BlackRock has adopted these policies and procedures. BlackRock s Equity Investment Policy Oversight Committee, or a sub-committee thereof (the Committee ), addresses proxy voting issues on behalf of BlackRock and its clients.[6] The Committee is comprised of senior members of BlackRock s Portfolio Management Group and advised by BlackRock s Legal and Compliance Department.

[6] Subject to the Proxy Voting Policies of Merrill Lynch Bank & Trust Company FSB, the Committee may also function jointly as the Proxy Voting Committee for Merrill Lynch Bank & Trust Company FSB trust accounts managed by personnel dually-employed by BlackRock.

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# I. Scope of Committee Responsibilities

The Committee shall have the responsibility for determining how to address proxy votes made on behalf of all BlackRock clients, except for clients who have retained the right to vote their own proxies, either generally or on any specific matter. In so doing, the Committee shall seek to ensure that proxy votes are made in the best interests of clients, and that proxy votes are determined in a manner free from unwarranted or inappropriate influences. The Committee shall also oversee the overall administration of proxy voting for BlackRock accounts.[7]

The Committee shall establish BlackRock s proxy voting guidelines, with such advice, participation and research as the Committee deems appropriate from portfolio managers, proxy voting services or other knowledgeable interested parties. As it is anticipated that there will not necessarily be a right way to vote proxies on any given issue applicable to all facts and circumstances, the Committee shall also be responsible for determining how the proxy voting guidelines will be applied to specific proxy votes, in light of each issuer s unique structure, management, strategic options and, in certain circumstances, probable economic and other anticipated consequences of alternative actions. In so doing, the Committee may determine to vote a particular proxy in a manner contrary to its generally stated guidelines.

The Committee may determine that the subject matter of certain proxy issues are not suitable for general voting guidelines and requires a case-by-case determination, in which case the Committee may elect not to adopt a specific voting guideline applicable to such issues. BlackRock believes that certain proxy voting issues such as approval of mergers and other significant corporate transactions require investment analysis akin to investment decisions, and are therefore not suitable for general guidelines. The Committee may elect to adopt a common BlackRock position on certain proxy votes that are akin to investment decisions, or determine to permit portfolio managers to make individual decisions on how best to maximize economic value for the accounts for which they are responsible (similar to normal buy/sell investment decisions made by such portfolio managers).[8]

While it is expected that BlackRock, as a fiduciary, will generally seek to vote proxies over which BlackRock exercises voting authority in a uniform manner for all BlackRock clients, the Committee, in conjunction with the portfolio manager of an account, may determine that the specific circumstances of such account require that such account s proxies be voted differently due to such account s investment objective or other factors that differentiate it from other accounts. In addition, on proxy votes that are akin

7 The Committee may delegate day-to-day administrative responsibilities to other BlackRock personnel and/or outside service providers, as appropriate.

8 The Committee will normally defer to portfolio managers on proxy votes that are akin to investment decisions *except for* proxy votes that involve a material conflict of interest, in which case it will determine, in its discretion, the appropriate voting process so as to address such conflict.



to investment decisions, BlackRock believes portfolio managers may from time to time legitimately reach differing but equally valid views, as fiduciaries for BlackRock s clients, on how best to maximize economic value in respect of a particular investment.

The Committee will also be responsible for ensuring the maintenance of records of each proxy vote, as required by Advisers Act Rule 204-2.[9] All records will be maintained in accordance with applicable law. Except as may be required by applicable legal requirements, or as otherwise set forth herein, the Committee s determinations and records shall be treated as proprietary, nonpublic and confidential.

The Committee shall be assisted by other BlackRock personnel, as may be appropriate. In particular, the Committee has delegated to the BlackRock Operations Department responsibility for monitoring corporate actions and ensuring that proxy votes are submitted in a timely fashion. The Operations Department shall ensure that proxy voting issues are promptly brought to the Committee s attention and that the Committee s proxy voting decisions are appropriately disseminated and implemented.

To assist BlackRock in voting proxies, the Committee may retain the services of a firm providing such services. BlackRock has currently retained Institutional Shareholder Services ( ISS ) in that role. ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to BlackRock may include, but are not limited to, in-depth research, voting recommendations (which the Committee is not obligated to follow), vote execution, and recordkeeping.

[9] The Committee may delegate the actual maintenance of such records to an outside service provider. Currently, the Committee has delegated the maintenance of such records to Institutional Shareholder Services.

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# II. Special Circumstances

**Routine Consents**. BlackRock may be asked from time to time to consent to an amendment to, or grant a waiver under, a loan agreement, partnership agreement, indenture or other governing document of a specific financial instrument held by BlackRock clients. BlackRock will generally treat such requests for consents not as proxies subject to these Proxy Voting Policies and Procedures but as investment matters to be dealt with by the responsible BlackRock investment professionals would, provided that such consents (i) do not relate to the election of a board of directors or appointment of auditors of a public company, and (ii) either (A) would not otherwise materially affect the structure, management or control of a public company, or (B) relate to a company in which BlackRock clients hold only interests in bank loans or debt securities and are consistent with customary standards and practices for such instruments.

**Securities on Loan**. Registered investment companies that are advised by BlackRock as well as certain of our advisory clients may participate in securities lending programs. Under most securities lending arrangements, securities on loan may not be voted by the lender (unless the loan is recalled). BlackRock believes that each client has the right to determine whether participating in a securities lending program enhances returns, to contract with the securities lending agent of its choice and to structure a securities lending program, through its lending agent, that balances any tension between loaning and voting securities in a matter that satisfies such client. If client has decided to participate in a securities lending program, BlackRock will therefore defer to the client s determination and not attempt to seek recalls solely for the purpose of voting routine proxies as this could impact the returns received from securities lending and make the client a less desirable lender in a marketplace. Where a client retains a lending agent that is unaffiliated with BlackRock, BlackRock will generally not seek to vote proxies relating to securities on loan because BlackRock does not have a contractual right to recall such loaned securities for the purpose of voting proxies. Where BlackRock or an affiliate acts as the lending agent, BlackRock will also generally not seek to recall loaned securities for proxy voting purposes, unless the portfolio manager responsible for the account or the Committee determines that voting the proxy is in the client s best interest and requests that the security be recalled.

**Voting Proxies for Non-US Companies**. While the proxy voting process is well established in the United States, voting proxies of non-US companies frequently involves logistical issues which can affect BlackRock s ability to vote such proxies, as well as the desirability of voting such proxies. These issues include (but are not limited to): (i) untimely notice of shareholder meetings, (ii) restrictions on a foreigner s ability to exercise votes, (iii) requirements to vote proxies in person, (iv) shareblocking (requirements that investors who exercise their voting rights surrender the right to dispose of their holdings for some specified period in proximity to the shareholder meeting), (v) potential difficulties in translating the proxy, and (vi) requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions.

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As a consequence, BlackRock votes proxies of non-US companies only on a best-efforts basis. In addition, the Committee may determine that it is generally in the best interests of BlackRock clients **not** to vote proxies of companies in certain countries if the Committee determines that the costs (including but not limited to opportunity costs associated with shareblocking constraints) associated with exercising a vote generally are expected to outweigh the benefit the client will derive by voting on the issuer s proposal. If the Committee so determines in the case of a particular country, the Committee (upon advice from BlackRock portfolio managers) may override such determination with respect to a particular issuer s shareholder meeting if the Committee believes the benefits of seeking to exercise a vote at such meeting outweighs the costs, in which case BlackRock will seek to vote on a best-efforts basis.

**Securities Sold After Record Date**. With respect to votes in connection with securities held on a particular record date but sold from a client account prior to the holding of the related meeting, BlackRock may take no action on proposals to be voted on in such meeting.

**Conflicts of Interest.** From time to time, BlackRock may be required to vote proxies in respect of an issuer that is an affiliate of BlackRock (a BlackRock Affiliate ), or a money management or other client of BlackRock (a BlackRock Client ).[10] In such event, provided that the Committee is aware of the real or potential conflict, the following procedures apply:

§ The Committee intends to adhere to the voting guidelines set forth herein for all proxy issues including matters involving BlackRock Affiliates and BlackRock Clients. The Committee may, in its discretion for the purposes of ensuring that an independent determination is reached, retain an independent fiduciary to advise the Committee on how to vote or to cast votes on behalf of BlackRock s clients; and

§ if the Committee determines not to retain an independent fiduciary, or does not desire to follow the advice of such independent fiduciary, the Committee shall determine how to vote the proxy after consulting with the BlackRock Legal and Compliance Department and concluding that the vote cast is in the client s best interest notwithstanding the conflict.

10 Such issuers may include investment companies for which BlackRock provides investment advisory, administrative and/or other services.



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# III. Voting Guidelines

The Committee has determined that it is appropriate and in the best interests of BlackRock s clients to adopt the following voting guidelines, which represent the Committee s usual voting position on certain recurring proxy issues that are not expected to involve unusual circumstances. With respect to any particular proxy issue, however, the Committee may elect to vote differently than a voting guideline if the Committee determines that doing so is, in the Committee s judgment, in the best interest of its clients. The guidelines may be reviewed at any time upon the request of any Committee member and may be amended or deleted upon the vote of a majority of voting Committee members present at a Committee meeting for which there is a quorum.



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## A. Boards of Directors

These proposals concern those issues submitted to shareholders relating to the composition of the Board of Directors of companies other than investment companies. As a general matter, the Committee believes that a company s Board of Directors (rather than shareholders) is most likely to have access to important, nonpublic information regarding a company s business and prospects, and is therefore best-positioned to set corporate policy and oversee management. The Committee therefore believes that the foundation of good corporate governance is the election of qualified, independent corporate directors who are likely to diligently represent the interests of shareholders and oversee management of the corporation in a manner that will seek to maximize shareholder value over time. In individual cases, the Committee may look at a Director nominee s history of representing shareholder interests as a director of other companies, or other factors to the extent the Committee deems relevant.

The Committee s general policy is to vote:

| # | VOTE and DESCRIPTION |
|---|---|
| A.1 | FOR nominees for director of United States companies in uncontested elections, *except for* nominees who<br>§ have missed at least two meetings and, as a result, attended less than 75% of meetings of the Board of Directors and its committees the previous year, unless the nominee missed the meeting(s) due to illness or company business<br>§ voted to implement or renew a dead-hand poison pill<br>§ ignored a shareholder proposal that was approved by either a majority of the shares outstanding in any year or by the majority of votes cast for two consecutive years<br>§ failed to act on takeover offers where the majority of the shareholders have tendered their shares<br>§ are corporate insiders who serve on the audit, compensation or nominating committees or on a full Board that does not have such committees composed exclusively of independent directors<br>§ on a case-by-case basis, have served as directors of other companies with allegedly poor corporate governance<br>§ sit on more than six boards of public companies |
| A.2 | FOR nominees for directors of non-U.S. companies in uncontested elections, *except for* nominees from whom the Committee determines to withhold votes due to the nominees poor records of representing shareholder interests, on a case-by-case basis |
| A.3 | FOR proposals to declassify Boards of Directors, except where there exists a legitimate purpose for classifying boards |
| A.4 | AGAINST proposals to classify Boards of Directors, except where there exists a legitimate purpose for classifying boards |

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|---|---|
| A.5 | AGAINST proposals supporting cumulative voting |

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|---|---|
| A.6 | FOR proposals eliminating cumulative voting |
| A.7 | FOR proposals supporting confidential voting |
| A.8 | FOR proposals seeking election of supervisory board members |
| A.9 | AGAINST shareholder proposals seeking additional representation of women and/or minorities generally (i.e., not specific individuals) to a Board of Directors |
| A.10 | AGAINST shareholder proposals for term limits for directors |
| A.11 | FOR shareholder proposals to establish a mandatory retirement age for directors who attain the age of 72 or older |
| A.12 | AGAINST shareholder proposals requiring directors to own a minimum amount of company stock |
| A.13 | FOR proposals requiring a majority of independent directors on a Board of Directors |
| A.14 | FOR proposals to allow a Board of Directors to delegate powers to a committee or committees |
| A.15 | FOR proposals to require audit, compensation and/or nominating committees of a Board of Directors to consist *exclusively* of independent directors |
| A.16 | AGAINST shareholder proposals seeking to prohibit a single person from occupying the roles of chairman and chief executive officer |
| A.17 | FOR proposals to elect account inspectors |
| A.18 | FOR proposals to fix the membership of a Board of Directors at a specified size |
| A.19 | FOR proposals permitting shareholder ability to nominate directors directly |
| A.20 | AGAINST proposals to eliminate shareholder ability to nominate directors directly |
| A.21 | FOR proposals permitting shareholder ability to remove directors directly |
| A.22 | AGAINST proposals to eliminate shareholder ability to remove directors directly |

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## B. Auditors

These proposals concern those issues submitted to shareholders related to the selection of auditors. As a general matter, the Committee believes that corporate auditors have a responsibility to represent the interests of shareholders and provide an independent view on the propriety of financial reporting decisions of corporate management. While the Committee will generally defer to a corporation s choice of auditor, in individual cases, the Committee may look at an auditors history of representing shareholder interests as auditor of other companies, to the extent the Committee deems relevant.

The Committee s general policy is to vote:

| | | |
|---|---|---|
| B.1 | FOR approval of independent auditors, *except for* | |
| | § | auditors that have a financial interest in, or material association with, the company they are auditing, and are therefore believed by the Committee not to be independent |
| | § | auditors who have rendered an opinion to any company which in the Committee s opinion is either not consistent with best accounting practices or not indicative of the company s financial situation |
| | § | on a case-by-case basis, auditors who in the Committee s opinion provide a significant amount of non-audit services to the company |
| B.2 | FOR proposals seeking authorization to fix the remuneration of auditors | |
| B.3 | FOR approving internal statutory auditors | |
| B.4 | FOR proposals for audit firm rotation, *except for* proposals that would require rotation after a period of less than 5 years | |

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## C. Compensation and Benefits

These proposals concern those issues submitted to shareholders related to management compensation and employee benefits. As a general matter, the Committee favors disclosure of a company s compensation and benefit policies and opposes excessive compensation, but believes that compensation matters are normally best determined by a corporation s board of directors, rather than shareholders. Proposals to micro-manage a company s compensation practices or to set arbitrary restrictions on compensation or benefits will therefore generally not be supported.

The Committee s general policy is to vote:

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|---|---|
| C.1 | IN ACCORDANCE WITH THE RECOMMENDATION OF ISS on compensation plans if the ISS recommendation is based solely on whether or not the company s plan satisfies the allowable cap as calculated by ISS. If the recommendation of ISS is based on factors other than whether the plan satisfies the allowable cap the Committee will analyze the particular proposed plan. This policy applies to amendments of plans as well as to initial approvals. |
| C.2 | FOR proposals to eliminate retirement benefits for outside directors |
| C.3 | AGAINST proposals to establish retirement benefits for outside directors |
| C.4 | FOR proposals approving the remuneration of directors or of supervisory board members |
| C.5 | AGAINST proposals to reprice stock options |
| C.6 | FOR proposals to approve employee stock purchase plans that apply to all employees. This policy applies to proposals to amend ESPPs if the plan as amended applies to all employees. |
| C.7 | FOR proposals to pay retirement bonuses to directors of Japanese companies unless the directors have served less than three years |
| C.8 | AGAINST proposals seeking to pay outside directors only in stock |
| C.9 | FOR proposals seeking further disclosure of executive pay or requiring companies to report on their supplemental executive retirement benefits |
| C.10 | AGAINST proposals to ban all future stock or stock option grants to executives |
| C.11 | AGAINST option plans or grants that apply to directors or employees of related companies without adequate disclosure of the corporate relationship and justification of the option policy |
| C.12 | FOR proposals to exclude pension plan income in the calculation of earnings used in determining executive bonuses/compensation |

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## D. Capital Structure

These proposals relate to various requests, principally from management, for approval of amendments that would alter the capital structure of a company, such as an increase in authorized shares. As a general matter, the Committee will support requests that it believes enhance the rights of common shareholders and oppose requests that appear to be unreasonably dilutive.

The Committee s general policy is to vote:

| | |
|---|---|
| D.1 | AGAINST proposals seeking authorization to issue shares without preemptive rights except for issuances up to 10% of a non-US company s total outstanding capital |
| D.2 | FOR management proposals seeking preemptive rights or seeking authorization to issue shares with preemptive rights |
| D.3 | FOR management proposals approving share repurchase programs |
| D.4 | FOR management proposals to split a company s stock |
| D.5 | FOR management proposals to denominate or authorize denomination of securities or other obligations or assets in Euros |
| D.6 | FOR proposals requiring a company to expense stock options (unless the company has already publicly committed to do so by a certain date). |



## E. Corporate Charter and By-Laws

These proposals relate to various requests for approval of amendments to a corporation s charter or by-laws, principally for the purpose of adopting or redeeming poison pills . As a general matter, the Committee opposes poison pill provisions.

The Committee s general policy is to vote:

| | |
|---|---|
| E.1 | AGAINST proposals seeking to adopt a poison pill |
| E.2 | FOR proposals seeking to redeem a poison pill |
| E.3 | FOR proposals seeking to have poison pills submitted to shareholders for ratification |
| E.4 | FOR management proposals to change the company s name |

## F. Corporate Meetings

These are routine proposals relating to various requests regarding the formalities of corporate meetings.

The Committee s general policy is to vote:

| | |
|---|---|
| F.1 | AGAINST proposals that seek authority to act on any other business that may arise |
| F.2 | FOR proposals designating two shareholders to keep minutes of the meeting |
| F.3 | FOR proposals concerning accepting or approving financial statements and statutory reports |
| F.4 | FOR proposals approving the discharge of management and the supervisory board |
| F.5 | FOR proposals approving the allocation of income and the dividend |
| F.6 | FOR proposals seeking authorization to file required documents/other formalities |
| F.7 | FOR proposals to authorize the corporate board to ratify and execute approved resolutions |
| F.8 | FOR proposals appointing inspectors of elections |
| F.9 | FOR proposals electing a chair of the meeting |
| F.10 | FOR proposals to permit virtual shareholder meetings over the Internet |
| F.11 | AGAINST proposals to require rotating sites for shareholder meetings |

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## G. Investment Companies

These proposals relate to proxy issues that are associated solely with holdings of shares of investment companies, including, but not limited to, investment companies for which BlackRock provides investment advisory, administrative and/or other services. As with other types of companies, the Committee believes that a fund s Board of Directors (rather than its shareholders) is best-positioned to set fund policy and oversee management. However, the Committee opposes granting Boards of Directors authority over certain matters, such as changes to a fund s investment objective, that the Investment Company Act of 1940 envisions will be approved directly by shareholders.

The Committee s general policy is to vote:

| | |
|---|---|
| G.1 | FOR nominees for director of mutual funds in uncontested elections, *except for* nominees who<br>§ have missed at least two meetings and, as a result, attended less than 75% of meetings of the Board of Directors and its committees the previous year, unless the nominee missed the meeting due to illness or fund business<br>§ ignore a shareholder proposal that was approved by either a majority of the shares outstanding in any year or by the majority of votes cast for two consecutive years<br>§ are interested directors who serve on the audit or nominating committees or on a full Board that does not have such committees composed exclusively of independent directors<br>§ on a case-by-case basis, have served as directors of companies with allegedly poor corporate governance |
| G.2 | FOR the establishment of new series or classes of shares |
| G.3 | AGAINST proposals to change a fund s investment objective to nonfundamental |
| G.4 | FOR proposals to establish a master-feeder structure or authorizing the Board to approve a master-feeder structure without a further shareholder vote |
| G.5 | AGAINST a shareholder proposal for the establishment of a director ownership requirement |
| G.6 | FOR classified boards of closed-end investment companies |



## H. Environmental and Social Issues

These are shareholder proposals to limit corporate conduct in some manner that relates to the shareholder s environmental or social concerns. The Committee generally believes that annual shareholder meetings are inappropriate forums for the discussion of larger social issues, and opposes shareholder resolutions micromanaging corporate conduct or requesting release of information that would not help a shareholder evaluate an investment in the corporation as an economic matter. While the Committee is generally supportive of proposals to require corporate disclosure of matters that seem relevant and material to the economic interests of shareholders, the Committee is generally not supportive of proposals to require disclosure of corporate matters for other purposes.

The Committee s general policy is to vote:

| | |
|---|---|
| H.1 | AGAINST proposals seeking to have companies adopt international codes of conduct |
| H.2 | AGAINST proposals seeking to have companies provide non-required reports on:<br>§ environmental liabilities;<br>§ bank lending policies;<br>§ corporate political contributions or activities;<br>§ alcohol advertising and efforts to discourage drinking by minors;<br>§ costs and risk of doing business in any individual country;<br>§ involvement in nuclear defense systems |
| H.3 | AGAINST proposals requesting reports on Maquiladora operations or on CERES principles |
| H.4 | AGAINST proposals seeking implementation of the CERES principles |

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[11] Such request may be made to the client s portfolio or relationship manager or addressed in writing to Secretary, BlackRock Equity Investment Policy Oversight Committee, Legal and Compliance Department, BlackRock Inc., 40 East 52nd Street, New York, New York 10022.

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# Notice to Clients

BlackRock will make records of any proxy vote it has made on behalf of a client available to such client upon request.[11] BlackRock will use its best efforts to treat proxy votes of clients as confidential, except as it may decide to best serve its clients interests or as may be necessary to effect such votes or as may be required by law.

BlackRock encourage clients with an interest in particular proxy voting issues to make their views known to BlackRock, provided that, in the absence of specific written direction from a client on how to vote that client s proxies, BlackRock reserves the right to vote any proxy in a manner it deems in the best interests of its clients, as it determines in its sole discretion.

These policies are as of the date indicated on the cover hereof. The Committee may subsequently amend these policies at any time, without notice.

Information about how the Fund voted proxies relating to securities held in the Fund s portfolio during the most recent 12 month period ended June 30 is available without charge (1) at www.blackrock.com and (2) on the Commission s web site at http://www.sec.gov.

Item 8 Portfolio Managers of Closed-End Management Investment Companies as of December 31, 2007.

(a)(1) BlackRock Enhanced Government Fund, Inc. is managed by a team of investment professionals comprised of Stuart Spodek, Managing Director at BlackRock, Eric Pellicciaro, Managing Director at BlackRock, Andrew Phillips, Managing Director at BlackRock, Colm J. Murtagh, Director at BlackRock and Jack Hattem, Director at BlackRock. Each is a member of BlackRock s fixed income portfolio management group. Messrs. Spodek and Phillips are responsible for setting overall investment strategy and overseeing management of the Fund. Mr. Hattem is responsible for setting the Fund s derivatives strategy. Messrs. Pellicciaro and Murtagh are responsible for the mortgage sector investment of the Fund s portfolio. Messrs. Pellicciaro, Hattem and Murtagh are the Fund s co-portfolio managers and are responsible for the day-to-day management of the Fund s portfolio and the selection of its investments. Each member of the team has been working with the Fund since 2006.

Mr. Pellicciaro is a Managing Director and portfolio manager with BlackRock and is a member of the Fixed Income Portfolio Management Group and the lead mortgage sector specialist. His primary responsibility is managing client portfolios, with a sector emphasis on fixed-rate mortgage securities, including pass-throughs and CMOs. Mr. Pellicciaro has been with BlackRock since 1999.

Mr. Murtagh is a Director and portfolio manager with BlackRock and is a member of the Fixed Income Portfolio Management Group. His primary responsibility is managing client portfolios, with sector emphasis on fixed-income rate mortgage securities, including pass-throughs and CMOs. Mr. Murtagh has been with BlackRock since 1997.

Mr. Hattem is a Vice President and portfolio manager with BlackRock and is a member of the Fixed Income Portfolio Management Group. His primary responsibility is the management of fixed income portfolios with a sector emphasis on interest rate derivatives. He also works on the implementation and management of hedging strategies across global portfolios. Mr. Hattem has been with BlackRock since 2000.

Mr. Phillips is a Managing Director and portfolio manager with BlackRock and is Co-Chair of the Fixed Income Operating Committee and also a member of the Fixed Income Portfolio Management Group. His primary responsibility is the consistent implementation of investment strategies across all total return accounts. He is Chairman of the monthly Account Review Meeting which examines performance, compliance, and operations for all client portfolios. Mr. Phillips is also a member of the mortgage securities team. Mr. Phillips has been with BlackRock since 1991.

Mr. Spodek is a Managing Director and portfolio manager with BlackRock and is a member of the Fixed Income Portfolio Management Group. His primary responsibility is managing fixed income portfolios, with a sector emphasis on global government bonds, derivative instruments, and implementing yield curve strategy across global portfolios. Mr. Spodek has been with BlackRock since 1993.

(a)(2) As of December 31, 2007:

| | **(ii) Number of Other Accounts Managed and Assets by Account Type** | | | **(iii) Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based** | |
|---|---|---|---|---|---|

| (i) Name of Portfolio Manager | Other Registered Investment Companies | Other Pooled Investment Vehicles | Other Accounts | Other Registered Investment Companies | Other Pooled Investment Vehicles | Other Accounts |
|---|---|---|---|---|---|---|
| Stuart Spodek | 12 | 15 | 234 | 0 | 2 | 20 |
| | $4,304,401,984 | $6,976,771,822 | $89,688,080,987 | $0 | $2,465,098,152 | $7,429,053,718 |
| Andrew Phillips | 31 | 22 | 294 | 0 | 2 | 16 |
| | $27,712,619,688 | $7,967,177,230 | $121,684,681,893 | $0 | $1,745,461,117 | $6,753,708,076 |
| Eric Pellicciaro | 7 | 4 | 38 | 0 | 1 | 4 |
| | $2,966,206,391 | $1,373,483,155 | $22,633,728,384 | $0 | $108,488,386 | $941,279,785 |
| Jack Hattem | 0 | 4 | 12 | 0 | 0 | 2 |
| | $0 | $76,791,700 | $2,309,911,457 | $0 | $0 | $1,028,665,851 |
| Colm J. Murtagh | 6 | 3 | 36 | 0 | 0 | 4 |
| | $2,472,439,351 | $1,264,994,769 | $16,440,350,211 | $0 | $0 | $941,279,785 |

(iv) Potential Material Conflicts of Interest

BlackRock, Inc. and its affiliates (collectively, herein BlackRock ) has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, its affiliates and any officer, director, stockholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, or any of its affiliates, or any officer, director, stockholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock s (or its affiliates ) officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for the Fund. In this connection, it should be noted that certain portfolio managers, including Messrs. Spodek, Phillips, Pellicciaro, Hattem and Murtagh, currently manage certain accounts that are subject to performance fees. In addition, certain portfolio managers, including Messrs. Spodek and Pellicciaro, assist in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned on such funds and a portion of such incentive fees may be voluntarily or involuntarily deferred. Additional portfolio managers may in the future manage other such accounts or funds and may be entitled to receive incentive fees.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock has adopted a policy that is intended to ensure that investment opportunities are allocated fairly and equitably among client accounts over time. This policy also seeks to achieve reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base.

(a)(3) As of December 31, 2007:

**Portfolio Manager Compensation Overview**

BlackRock s financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources.

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Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock such as its Long-Term Retention and Incentive Plan and Restricted Stock Program.

**Base compensation.** Generally, portfolio managers receive base compensation based on their seniority and/or their position with the firm. Senior portfolio managers who perform additional management functions within the portfolio management group or within BlackRock may receive additional compensation for serving in these other capacities.

**Discretionary Incentive Compensation**

Discretionary incentive compensation is a function of several components: the performance of BlackRock, Inc., the performance of the portfolio manager s group within BlackRock, the investment performance, including risk-adjusted returns, of the firm s assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual s seniority, role within the portfolio management team, teamwork and contribution to the overall performance of these portfolios and BlackRock. In most cases, including for the portfolio managers of the Fund, these benchmarks are the same as the benchmark or benchmarks against which the performance of the Fund or other accounts managed by the portfolio managers are measured. BlackRock s Chief Investment Officers determine the benchmarks against which to compare the performance of funds and other accounts managed by each portfolio manager and the period of time over which performance is evaluated. With respect to the portfolio managers, such benchmarks for the Fund include the following:

| Portfolio Manager | Benchmarks Applicable to Each Manager |
|---|---|

| | |
|---|---|
| Stuart Spodek | A combination of market-based indices (e.g., Citigroup 1-Year Treasury Index, Merrill Lynch 1-3 Year Treasury Index, Lehman Brothers Global Real: U.S. Tips Index), certain customized indices and certain fund industry peer groups. |
| Andrew Phillips | A combination of market-based indices (e.g., Custom 50% Lehman Brothers Mortgage /50% Merrill Lynch 10-Year Treasury Index, Lehman GNMA MBS Index, Lehman Brothers Intermediate Government Index, Lehman Brothers Intermediate Government/Credit Index, Lehman Brothers U.S. Aggregate Index), certain customized indices and certain fund industry peer groups. |
| Eric Pellicciaro | A combination of market-based indices (e.g., custom 50% Lehman Brothers Mortgage /50% Merrill Lynch 10-Year Treasury Index, Lehman GNMA MBS Index), certain customized indices and certain fund industry peer groups. |
| Jack Hattem | A combination of market-based indices (e.g., Citigroup 1-Year Treasury Index, Merrill Lynch 1-3 Year Treasury Index, Lehman Brothers Aggregate Index), certain customized indices and certain fund industry peer groups. |
| Colm Murtagh | A combination of market-based indices (e.g., custom 50% Lehman Brothers Mortgage /50% Merrill Lynch 10-Year Treasury Index, Lehman GNMA MBS Index), certain customized indices and certain fund industry peer groups. |

BlackRock s Chief Investment Officers make a subjective determination with respect to the portfolio manager s compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks noted above. Performance is measured on both a pre-tax and after-tax basis over various time periods including 1, 3, 5 and 10-year periods, as applicable.

**Distribution of Discretionary Incentive Compensation**

Discretionary incentive compensation is distributed to portfolio managers in a combination of cash and BlackRock, Inc. restricted stock units which vest ratably over a number of years. The BlackRock, Inc. restricted stock units, if properly vested, will be settled in BlackRock, Inc. common stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year at risk based on the Company s ability to sustain and improve its performance over future periods.

**Other compensation benefits.** In addition to base compensation and discretionary incentive compensation, portfolio managers may be eligible to receive or participate in one or more of the following:

*Long-Term Retention and Incentive Plan ( LTIP )* The LTIP is a long-term incentive plan that seeks to reward certain key employees. Prior to 2006, the plan provided for the grant of awards that were expressed as an amount of cash that, if properly vested and subject to the attainment of certain performance goals, will be settled in cash and/or in BlackRock, Inc. common stock. Beginning in 2006, awards are granted under the LTIP in the form of BlackRock, Inc. restricted stock units that, if properly vested and subject to the attainment of certain performance goals, will be settled in BlackRock, Inc. common stock. Each portfolio manager has received awards under the LTIP.

*Deferred Compensation Program* A portion of the compensation paid to each portfolio manager may be voluntarily deferred by the portfolio manager into an account that tracks the performance of certain of the firm s investment products. Each portfolio manager is permitted to allocate his deferred amounts among various options, including to certain of the firm s hedge funds and other unregistered products. In addition, prior to 2005, a portion of the annual compensation of certain senior managers, including Messrs. Phillips and Spodek, was mandatorily deferred in a similar manner for a number of years. Every portfolio manager is eligible to participate in the deferred compensation program.

*Options and Restricted Stock Awards* Prior to mandatorily deferring a portion of a portfolio manager s annual bonus in BlackRock, Inc. restricted stock units, the Company granted stock options to key employees, including certain portfolio managers who may still hold unexercised or unvested options. BlackRock, Inc. also granted restricted stock awards designed to reward certain key employees as an incentive to contribute to the long-term success of BlackRock. These awards vest over a period of years. Each portfolio manager except Mr. Hattem has been granted stock options and/or restricted stock in prior years.

*Incentive Savings Plans* BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP) and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 6% of eligible pay contributed to the plan capped at $4,000 per year, and a company retirement contribution equal to 3% of eligible compensation, plus an additional contribution of 2% for any year in which BlackRock has positive net operating income. The RSP offers a range of investment options, including registered investment companies managed by the firm. Company contributions follow the investment direction set by participants for their own contributions or absent, employee investment direction, are invested into a balanced portfolio. The ESPP allows for investment in BlackRock common stock at a 5% discount on the fair market value of the stock on the purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares or a dollar value of $25,000. Each portfolio manager is eligible to participate in these plans.

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(a)(4) *Beneficial Ownership of Securities.* As of December 31, 2007, none of Messrs. Spodek, Phillips, Pellicciaro, Hattem or Murtagh beneficially owned any stock issued by the Fund.

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approx. Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| July 1-31, 2007 | | | | |
| August 1-31, 2007 | | | | |
| September 1-30, 2007 | | | | |
| October 1-31, 2007 | | | | |
| November 1-30, 2007 | | | | |
| December 1-31, 2007 | 645,072 | $17.42 [1] | 645,072[2] | 0 |
| **Total:** | 645,072 | $17.42 [1] | 645,072[2] | 0 |

1 Subject to a repurchase fee of up to 2% of the net asset value per share.

2 On October 26, 2007, the repurchase offer was announced to repurchase up to 5% of outstanding shares. The expiration date of the offer was November 30, 2007. The registrant may conduct annual repurchases for between 5% and 25% of its outstanding shares pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended.

Item 10 Submission of Matters to a Vote of Security Holders The registrant s Nominating and Governance Committee will consider nominees to the Board recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and set forth the qualifications of the proposed nominee to the registrant s Secretary. There have been no material changes to these procedures.

Item 11 Controls and Procedures

11(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.

11(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 second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 12 Exhibits attached hereto

12(a)(1) Code of Ethics See Item 2

12(a)(2) Certifications Attached hereto

12(a)(3) Not Applicable

12(b) 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/ Donald C. Burke

Donald C. Burke

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

Date: February 21, 2008

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: February 21, 2008

By: /s/ Neal J. Andrews
Neal J. Andrews

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

Date: February 21, 2008