

BlackRock Inc.  
Form 10-Q  
May 08, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from            to            .

Commission file number 001-33099

**BlackRock, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**32-0174431**  
(I.R.S. Employer  
Identification No.)

**40 East 52nd Street, New York, NY 10022**  
(Address of principal executive offices)

**(212) 810-5300**  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 30, 2009, there were 131,502,586 shares of the registrant's common stock outstanding.

**BlackRock, Inc.**

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**PART I**

**FINANCIAL INFORMATION**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****BlackRock, Inc.****Condensed Consolidated Statements of Financial Condition**

(Dollar amounts in millions, except per share data)

(unaudited)

|  | March 31,<br>2009 | December 31,<br>2008 |
|--|-------------------|----------------------|
| <b>Assets</b>  |                   |                      |
| Cash and cash equivalents  | \$ 1,793          | \$ 2,032             |
| Accounts receivable  | 953               | 901                  |
| Due from related parties   | 110               | 309                  |
| Investments  | 1,137             | 1,429                |
| Separate account assets  | 2,452             | 2,623                |
| Deferred mutual fund sales commissions, net  | 120               | 135                  |
| Property and equipment (net of accumulated depreciation of \$277 at March 31, 2009 and \$259 at December 31, 2008) | 256               | 260                  |
| Intangible assets (net of accumulated amortization of \$360 at March 31, 2009 and \$324 at December 31, 2008)      | 6,405             | 6,441                |
| Goodwill   | 5,736             | 5,533                |
| Other assets   | 261               | 261                  |
| <b>Total assets</b>  | <b>19,223</b>     | <b>19,924</b>        |
| <b>Liabilities</b>   |                   |                      |
| Accrued compensation and benefits  | \$ 221            | \$ 826               |
| Accounts payable and accrued liabilities   | 551               | 545                  |
| Due to related parties   | 116               | 103                  |
| Short-term borrowings  | 200               | 200                  |
| Convertible debentures   | 246               | 245                  |
| Long-term borrowings   | 697               | 697                  |
| Separate account liabilities   | 2,452             | 2,623                |
| Deferred tax liabilities   | 1,783             | 1,826                |
| Other liabilities  | 546               | 299                  |
| <b>Total liabilities</b>   | <b>6,812</b>      | <b>7,364</b>         |
| <b>Commitments and contingencies (Note 13)</b>   |                   |                      |
| <b>Temporary equity</b>  |                   |                      |
| Redeemable non-controlling interests   | 134               | 266                  |
| Convertible debentures   | 3                 |                      |
| <b>Total temporary equity</b>  | <b>137</b>        | <b>266</b>           |

**BlackRock, Inc.****Condensed Consolidated Statements of Financial Condition (continued)**

(Dollar amounts in millions, except per share data)

(unaudited)

|   | March 31,<br>2009 | December 31,<br>2008 |
|---|-------------------|----------------------|
| <b>Permanent Equity</b>   |                   |                      |
| BlackRock, Inc. stockholders' equity  |                   |                      |
| Common stock, \$0.01 par value;   |                   | 1                    |
| Shares authorized: 500,000,000 at March 31, 2009 and December 31, 2008;   |                   |                      |
| Shares issued: 48,301,735 at March 31, 2009 and 118,573,367 at December 31, 2008;                                       |                   |                      |
| Shares outstanding: 47,161,099 at March 31, 2009 and 117,291,110 at December 31, 2008                                   |                   |                      |
| Preferred stock (Note 12)   | 1                 |                      |
| Additional paid-in capital  | 10,471            | 10,473               |
| Retained earnings   | 1,961             | 1,982                |
| Accumulated other comprehensive (loss)  | (192)             | (186)                |
| Escrow shares, common, at cost (911,266 shares held at March 31, 2009 and December 31, 2008)                            | (143)             | (143)                |
| Treasury stock, common, at cost (229,370 and 370,991 shares held at March 31, 2009 and December 31, 2008, respectively) | (25)              | (58)                 |
| <b>Total BlackRock, Inc. stockholders' equity</b>   | <b>12,073</b>     | <b>12,069</b>        |
| Nonredeemable non-controlling interests   | 201               | 225                  |
| <b>Total permanent equity</b>   | <b>12,274</b>     | <b>12,294</b>        |
| <b>Total liabilities, temporary equity and permanent equity</b>   | <b>\$ 19,223</b>  | <b>\$ 19,924</b>     |

*See accompanying notes to condensed consolidated financial statements.*

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Income**

(Dollar amounts in millions, except per share data)

(unaudited)

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2009</b>                             | <b>2008</b> |
| <b>Revenue</b>   |   |             |
| Investment advisory and administration base fees                 |   |             |
| Related parties  | \$ 507                                  | \$ 802      |
| Other third parties  | 292                                     | 330         |
| Investment advisory performance fees                             | 11                                      | 42          |
| Investment advisory and administration base and performance fees | 810                                     | 1,174       |
| <i>BlackRock Solutions</i> and advisory                          | 140                                     | 60          |
| Distribution fees  | 25                                      | 35          |
| Other revenue  | 12                                      | 31          |
| Total revenue  | 987                                     | 1,300       |
| <b>Expenses</b>  |   |             |
| Employee compensation and benefits                               | 351                                     | 469         |
| Portfolio administration and servicing costs                     |   |             |
| Related parties  | 104                                     | 132         |
| Other third parties  | 25                                      | 24          |
| Amortization of deferred mutual fund sales commissions           | 27                                      | 30          |
| General and administration                                       | 151                                     | 212         |
| Restructuring charges  | 22                                      |             |
| Amortization of intangible assets                                | 36                                      | 37          |
| Total expenses   | 716                                     | 904         |
| Operating income   | 271                                     | 396         |
| <b>Non-operating income (expense)</b>                            |   |             |
| Net gain (loss) on investments                                   | (172)                                   | (20)        |
| Interest and dividend income                                     | 8                                       | 18          |
| Interest expense   | (15)                                    | (18)        |
| Total non-operating income (expense)                             | (179)                                   | (20)        |
| Income before income taxes                                       | 92                                      | 376         |

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|  |  |             |    |             |
|--|--|-------------|----|-------------|
| Income tax expense   |  | 30          |    | 130         |
| Net income   |  | 62          |    | 246         |
| Less: Net income (loss) attributable to non-controlling interests              |  | (22)        |    | 5           |
| Net income attributable to BlackRock, Inc.                                     |  | \$ 84       | \$ | 241         |
| <b>Earnings per share attributable to BlackRock, Inc. common stockholders:</b> |  |             |    |             |
| Basic  |  | \$ 0.63     | \$ | 1.81        |
| Diluted  |  | \$ 0.62     | \$ | 1.77        |
| Cash dividends declared and paid per share                                     |  | \$ 0.78     | \$ | 0.78        |
| <b>Weighted-average common shares outstanding:</b>                             |  |             |    |             |
| Basic  |  | 130,216,218 |    | 128,904,253 |
| Diluted  |  | 131,797,189 |    | 131,620,744 |
| <i>See accompanying notes to condensed consolidated financial statements.</i>  |  |             |    |             |

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Comprehensive Income**

(Dollar amounts in millions)

(unaudited)

|   | <b>Three Months Ended</b> |               |
|---|---------------------------|---------------|
|   | <b>March 31,</b>          |               |
|   | <b>2009</b>               | <b>2008</b>   |
| <b>Net income</b>   | \$ 62                     | \$ 246        |
| Other comprehensive income:   |                           |               |
| Change in net unrealized gain (loss) from available-for-sale investments, net of tax <sup>(1)</sup> | 7                         | (5)           |
| Minimum pension liability adjustment  | 1                         | (1)           |
| Foreign currency translation adjustments  | (14)                      | 26            |
| <b>Comprehensive income</b>   | 56                        | 266           |
| Comprehensive income attributable to non-controlling interests                                      |                           |               |
| <b>Comprehensive income attributable to BlackRock, Inc.</b>   | <b>\$ 56</b>              | <b>\$ 266</b> |

(1) The tax benefit (expense) on the change in net unrealized gain (loss) from available-for-sale investments was (\$3) and \$2 during three months ended March 31, 2009 and 2008, respectively.

See accompanying notes to condensed consolidated financial statements.



**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statement of Changes in Equity**

(Dollar amounts in millions)

(unaudited)

**BlackRock, Inc. Stockholders Equity**

|   | Common                              |                                  |                      |   |                                |                             | Nonredeemable           |                                  | Redeemable                   |   |
|---|-------------------------------------|----------------------------------|----------------------|---|--------------------------------|-----------------------------|-------------------------|----------------------------------|------------------------------|---|
|   | Common<br>and<br>Preferred<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Shares<br>Held<br>In<br>Escrow | Treasury<br>Common<br>Stock | Stockholders'<br>Equity | Non-<br>controlling<br>Interests | Total<br>Permanent<br>Equity | Non-<br>controlling<br>Interests<br>(Temporary<br>Equity) |
| December 31, 2008, as reported  | \$ 1                                | \$ 10,461                        | \$ 1,991             | \$ (186)  | \$ (143)                       | \$ (58)                     | \$ 12,066               | \$                               | \$ 12,066                    | \$  |
| January 1, 2009 initial recognition of APB 14-1, SFAS No. 160 and EITF Topic No. D-98 |                                     | 12                               | (9)                  |   |                                |                             | 3                       | 225                              | 228                          | 266   |
| December 31, 2008, as adjusted  | 1                                   | 10,473                           | 1,982                | (186)   | (143)                          | (58)                        | 12,069                  | 225                              | 12,294                       | 266   |
| Reclass to temporary equity - convertible debt  |                                     | (3)                              |                      |   |                                |                             | (3)                     |                                  | (3)                          |   |
| Net income  |                                     |                                  | 84                   |   |                                |                             | 84                      | (22)                             | 62                           |   |
| Dividends paid, net of dividend expense for unvested RSUs                             |                                     |                                  | (105)                |   |                                |                             | (105)                   |                                  | (105)                        |   |
| Stock-based compensation  |                                     | 82                               |                      |   |                                |                             | 82                      |                                  | 82                           |   |
| Treasury stock transactions   |                                     | (70)                             |                      |   |                                | 33                          | (37)                    |                                  | (37)                         |   |
| PNC capital contribution  |                                     | 6                                |                      |   |                                |                             | 6                       |                                  | 6                            |   |
| Net tax shortfall from stock-based awards   |                                     | (17)                             |                      |   |                                |                             | (17)                    |                                  | (17)                         |   |
| Minimum pension liability adjustment  |                                     |                                  |                      | 1   |                                |                             | 1                       |                                  | 1                            |   |
| Subscriptions/(redemptions/distributions) - non-controlling interest holders          |                                     |                                  |                      |   |                                |                             |                         | (2)                              | (2)                          | (132)   |
| Foreign currency translation adjustment   |                                     |                                  |                      | (14)  |                                |                             | (14)                    |                                  | (14)                         |   |
| Change in net unrealized gain (loss) from available-for sale investments, net of tax  |                                     |                                  |                      | 7   |                                |                             | 7                       |                                  | 7                            |   |
| March 31, 2009  | \$ 1                                | \$ 10,471                        | \$ 1,961             | \$ (192)  | \$ (143)                       | \$ (25)                     | \$ 12,073               | \$ 201                           | \$ 12,274                    | \$ 134  |

See accompanying notes to condensed consolidated financial statements

## PART I - FINANCIAL INFORMATION (continued)

## PART I - FINANCIAL INFORMATION (continued)

## Item 1. Financial Statements (continued)

## BlackRock, Inc.

## Condensed Consolidated Statement of Changes in Equity

(Dollar amounts in millions)

(unaudited)

|  | BlackRock, Inc. Stockholders Equity |                 |                    |                      |           |                |                           |                           |                        |                         |
|--|-------------------------------------|-----------------|--------------------|----------------------|-----------|----------------|---------------------------|---------------------------|------------------------|-------------------------|
|  | Common and Additional               |                 | Accumulated Shares |                      |           | Treasury Stock | Total Stockholders Equity | Nonredeemable             |                        | Redeemable              |
|  | Preferred Stock                     | Paid-in Capital | Retained Earnings  | Comprehensive Income | In Escrow |                |                           | Non-Controlling Interests | Total Permanent Equity | Non-Temporary Interests |
|  | \$                                  | \$              | \$                 | \$                   | \$        | \$             | \$                        | \$                        | \$                     |                         |
| December 31, 2007, as reported   | 1                                   | 10,274          | 1,622              | 71                   | (188)     | (184)          | 11,596                    | 549                       | 12,145                 | 29                      |
| Retrospective adoption of APB 14-1, SFAS No. 160 and EITF Topic No. D-98             |                                     | 12              | (6)                |                      |           |                | 6                         | 549                       | 555                    | 29                      |
| December 31, 2007, as adjusted   | 1                                   | 10,286          | 1,616              | 71                   | (188)     | (184)          | 11,602                    | 549                       | 12,151                 | 29                      |
| Net income   |                                     |                 | 241                |                      |           |                | 241                       | 8                         | 249                    | (3)                     |
| Dividends paid, net of dividend expense for unvested RSUs                            |                                     |                 | (104)              |                      |           |                | (104)                     |                           | (104)                  |                         |
| Stock-based compensation   |                                     | 70              |                    |                      |           |                | 70                        |                           | 70                     |                         |
| Treasury stock transactions  |                                     | (75)            |                    |                      |           | 40             | (35)                      |                           | (35)                   |                         |
| PNC capital contribution   |                                     | 5               |                    |                      |           |                | 5                         |                           | 5                      |                         |
| Net tax benefit from stock-based awards  |                                     | 20              |                    |                      |           |                | 20                        |                           | 20                     |                         |
| Minimum pension liability adjustment   |                                     |                 |                    | (1)                  |           |                | (1)                       |                           | (1)                    |                         |
| Subscriptions/(redemptions/distributions) - non-controlling interest holders         |                                     |                 |                    |                      |           |                |                           | 8                         | 8                      | (6)                     |
| Net deconsolidations of sponsored investment funds                                   |                                     |                 |                    |                      |           |                |                           |                           |                        | (6)                     |
| Foreign currency translation adjustment  |                                     |                 |                    | 26                   |           |                | 26                        |                           | 26                     |                         |
| Change in net unrealized gain (loss) from available-for sale investments, net of tax |                                     |                 |                    | (5)                  |           |                | (5)                       |                           | (5)                    |                         |
| March 31, 2008   | 1                                   | 10,306          | 1,753              | 91                   | (188)     | (144)          | 11,819                    | 565                       | 12,384                 | 14                      |

See accompanying notes to condensed consolidated financial statements

## Item 1. Financial Statements (continued)

## BlackRock, Inc.

## Condensed Consolidated Statements of Cash Flows

(Dollar amounts in millions)

(unaudited)

|  | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2009</b>               | <b>2008</b> |
| <b>Cash flows from operating activities</b>                                |                           |             |
| Net income   | \$ 62                     | \$ 246      |
| Adjustments to reconcile net income to cash from operating activities:     |                           |             |
| Depreciation and other amortization  | 57                        | 59          |
| Amortization of deferred mutual fund sales commissions                     | 27                        | 30          |
| Stock-based compensation   | 82                        | 70          |
| Deferred income tax expense (benefit)                                      | (44)                      | (42)        |
| Net (gains) losses on non-trading investments                              | 48                        | (10)        |
| Purchases of investments within consolidated funds                         | (21)                      | 7           |
| Proceeds from sale and maturities of investments within consolidated funds | 152                       | 34          |
| (Earnings) losses from equity method investees                             | 114                       | 10          |
| Distributions of earnings from equity method investees                     | 4                         | 10          |
| Other adjustments  | 2                         |             |
| Changes in operating assets and liabilities:                               |                           |             |
| Accounts receivable  | (51)                      | (245)       |
| Due from related parties   | 163                       | (79)        |
| Deferred mutual fund sales commissions                                     | (12)                      | (25)        |
| Investments, trading   | (74)                      | 110         |
| Other assets   | (13)                      | (20)        |
| Accrued compensation and benefits  | (599)                     | (667)       |
| Accounts payable and accrued liabilities                                   | (10)                      | 328         |
| Due to related parties   | 7                         | (3)         |
| Other liabilities  | (20)                      | 57          |
| Cash flows from operating activities                                       | (126)                     | (130)       |
| <b>Cash flows from investing activities</b>                                |                           |             |
| Purchases of investments   | (9)                       | (138)       |
| Proceeds from sales and maturities of investments                          | 126                       | 27          |
| Purchases of assets held for sale  | (1)                       |             |
| Return of capital from equity method investees                             | 4                         | 2           |
| Purchases of property and equipment  | (16)                      | (25)        |
| Cash flows from investing activities                                       | 104                       | (134)       |

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Cash Flows (continued)**

(Dollar amounts in millions)

(unaudited)

|  | <b>Three Months Ended<br/>March 31,</b> |                 |
|--|---|-----------------|
|  | <b>2009</b>                             | <b>2008</b>     |
| <b>Cash flows from financing activities</b>  |   |                 |
| Cash dividends paid  | (105)                                   | (104)           |
| Proceeds from of stock options exercised   | 1                                       | 5               |
| Reissuance of treasury stock   | 1                                       | 1               |
| Purchases of common stock  | (39)                                    | (36)            |
| Net (redemptions/distributions paid)/subscriptions received from non-controlling interests holders | (134)                                   | 2               |
| Excess tax benefit from stock-based compensation   | 3                                       | 20              |
| Net borrowings/(repayments of borrowings) by consolidated sponsored investment funds               | 72                                      | (93)            |
| <b>Cash flows from financing activities</b>  | <b>(201)</b>                            | <b>(205)</b>    |
| Effect of exchange rate changes on cash and cash equivalents                                       | (16)                                    | 7               |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(239)</b>                            | <b>(462)</b>    |
| Cash and cash equivalents, beginning of period   | 2,032                                   | 1,656           |
| <b>Cash and cash equivalents, end of period</b>  | <b>\$ 1,793</b>                         | <b>\$ 1,194</b> |
| <b>Supplemental cash flow information:</b>   |   |                 |
| Cash paid for interest   | \$ 26                                   | \$ 29           |
| Cash paid for income taxes   | \$ 133                                  | \$ 58           |
| <b>Supplemental non-cash flow information:</b>   |   |                 |
| Issuance of treasury stock   | \$ 62                                   | \$ 74           |

See accompanying notes to condensed consolidated financial statements.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**BlackRock, Inc.**

**Notes to Condensed Consolidated Financial Statements**

(Dollar amounts in millions, except per share data)

(unaudited)

BlackRock, Inc. and its subsidiaries ( BlackRock or the Company ) provide diversified investment management services to institutional clients and individual investors through various investment vehicles. Investment management services primarily consist of the active management of fixed income, cash management and equity client accounts, the management of a number of open-end and closed-end mutual fund families and other non-U.S. equivalent retail products serving the institutional and retail markets, and the management of alternative funds developed to serve various customer needs. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

In September 2006, Merrill Lynch & Co., Inc. ( Merrill Lynch ) contributed the entities and net assets that constituted its investment management business (the MLIM Business ) to BlackRock via a capital contribution, referred to as the MLIM Transaction , and in October 2007, BlackRock acquired certain assets and assumed certain liabilities of the fund of funds business of Quellos Group, LLC ( Quellos ), referred to as the Quellos Transaction .

On January 1, 2009, Bank of America Corporation ( Bank of America ) acquired Merrill Lynch, which continues as a subsidiary of Bank of America. In connection with this transaction, BlackRock entered into exchange agreements with each of Merrill Lynch and The PNC Financial Services Group, Inc. ( PNC ) pursuant to which on February 27, 2009 each exchanged a portion of the BlackRock common stock it held for an equal number of shares of non-voting preferred stock. (See Note 12, Capital Stock, for more details on these transactions.)

**1. Significant Accounting Policies**

*Basis of Presentation*

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ( GAAP ) and include the accounts of the Company and its controlled subsidiaries. Non-controlling interests include the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. All significant accounts and transactions between consolidated entities have been eliminated.

The preparation of financial statements in conformity with GAAP 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 periods. Actual results could differ from those estimates. Certain financial information that normally is included in annual financial statements, including certain financial statement footnotes, is not required for interim reporting purposes and has been condensed or omitted herein. These financial statements should be read in conjunction with the Company's consolidated financial statements and notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the Securities and Exchange Commission ( SEC ) on March 2, 2009.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****1. Significant Accounting Policies (continued)***Basis of Presentation (continued)*

The interim financial information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited. However, in the opinion of management, the interim information includes all normal recurring adjustments necessary for the fair presentation of the Company's results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year. Certain prior year amounts have been restated or reclassified to conform to 2009 presentation including those required by the retrospective adoptions of Financial Accounting Standards Board (FASB) issued Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1), FSP Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, and Statement of Financial Accounting Standards (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* (SFAS No. 160). For more information please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the SEC on March 2, 2009.

Fair Value Measurements

BlackRock adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) as of January 1, 2008, which requires, among other things, enhanced disclosures about investments that are measured and reported at fair value. SFAS No. 157 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Level 1, 2, and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Additionally, companies are required to provide enhanced disclosure regarding instruments in the Level 3 category (which have inputs to the valuation techniques that are unobservable and require significant management judgment), including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

**Level 1 Inputs** - Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date. Level 1 assets include listed mutual funds, equities and certain debt securities.

**Level 2 Inputs** - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Assets which generally are included in this category may include short-term floating rate notes and asset-backed securities held by consolidated sponsored cash management funds, securities held within consolidated hedge funds, certain limited partnership interests in hedge funds in which the valuations for substantially all of the investments within the fund are based upon Level 1 or Level 2 inputs, as well as restricted public securities valued at a discount.

**Level 3 Inputs** - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Assets included in this category generally include general and limited partnership interests in private equity funds, funds of private equity funds, real estate funds, hedge funds, and funds of hedge funds and certain held for sale real estate assets.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

*Basis of Presentation (continued)*

Fair Value Measurements (continued)

Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity. The various partnerships are investment companies which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information, including independent appraisals, from third party sources, however, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third party source or fund management may conclude that the valuations that are available from third party sources are not reliable. In these instances fund management may perform model-based analytical valuations that may be used to value these investments.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Classification and Measurement of Redeemable Securities

EITF Topic No. D-98, *Classification and Measurement of Redeemable Securities*, requires temporary equity classification for instruments that are currently redeemable or convertible for cash or other assets at the option of the holder. At March 31, 2009 and December 31, 2008 the Company determined that \$134 and \$266, respectively, of non-controlling interests related to certain consolidated sponsored investment funds were redeemable for cash or other assets, resulting in temporary equity classification on the condensed consolidated statements of financial condition. The amount of temporary equity related to convertible instruments is measured as the excess of the amount of cash required to be exchanged in a hypothetical settlement, as of the balance sheet date, over the current carrying amount of the liability component. During the three months ended March 31, 2009, the 2.625% convertible debentures became convertible at the option of the holders into cash and shares of the Company's common stock. The amount of cash required to be paid out in a hypothetical settlement exceeded the current carrying amount of the liability component by \$3, which was classified as temporary equity - convertible debentures on the condensed consolidated statement of financial condition.

Assets and Liabilities to be Disposed of by Sale

In the course of the business of establishing real estate and private equity sponsored investment funds, the Company may purchase land, properties and third party private equity funds while incurring liabilities directly associated with the assets, together a disposal group, with the intention to sell the disposal group to sponsored investment funds upon their launch. In accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, the Company treats these assets and liabilities as a disposal group, measured at the lower of the carrying amount or fair value. Losses are recognized for any initial or subsequent write-down to fair value and gains are recognized for any subsequent increase in fair value, but not in excess of the cumulative loss previously recognized.

At March 31, 2009, the Company held disposal group assets of \$51 and related liabilities of \$50 in other assets and other liabilities, respectively, on its condensed consolidated statement of financial condition. Disposal group liabilities include approximately \$48 of borrowings directly associated with the disposal group assets. During the three months ended March 31, 2009, the Company recorded a net loss of \$1 within non-operating income (expense) on its condensed consolidated statement of income related to the disposal group.





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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

*Basis of Presentation (continued)*

*Accounting Policies Adopted in the Three Months Ended March 31, 2009*

Fair Value Measurements

In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* ( FSP FAS 157-2 ). FSP FAS 157-2 delays the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all non-financial assets and liabilities recognized or disclosed at fair value in the financial statements on a non-recurring basis. Non-recurring non-financial assets and liabilities include goodwill, indefinite-lived intangible assets, long-lived assets and finite-lived intangible assets each measured at fair value for purposes of impairment testing; asset retirement and guarantee obligations initially measured at fair value; and those assets and liabilities initially measured at fair value in a business combination or asset purchase. The adoption of the provisions of FSP FAS 157-2 on January 1, 2009 for non-recurring non-financial assets and liabilities did not have a material impact on Company's condensed consolidated financial statements.

Non-Controlling Interests

In December 2007, the FASB issued SFAS No. 160. SFAS No. 160 establishes accounting and reporting standards for a non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary and clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity, separate from the parent's equity, in the consolidated financial statements. In addition, consolidated net income should be adjusted to include the net income attributed to the non-controlling interests. The Company adopted SFAS No. 160 on January 1, 2009. SFAS No. 160 required retrospective adoption of the presentation and disclosure requirements for existing non-controlling interests. All other requirements of SFAS No. 160 are applied prospectively. The adoption of SFAS No. 160 did not impact the Company's stockholders' equity on the condensed consolidated statements of financial condition.

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised), *Business Combinations*, and in April 2009, the FASB issued FSP 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies*, together ( SFAS No. 141(R) ). SFAS No. 141(R) replaces SFAS No. 141, *Business Combinations* ( SFAS No. 141 ), while retaining the fundamental requirements of SFAS No. 141 that the acquisition method of accounting (the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. SFAS No. 141(R) further defines the acquirer, establishes the acquisition date and broadens the scope of transactions that qualify as business combinations.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

Accounting Policies Adopted in the Three Months Ended March 31, 2009

Business Combinations (continued)

Additionally, SFAS No. 141(R) changes the fair value measurement provisions for assets acquired, liabilities assumed and any non-controlling interest in the acquiree, provides guidance for the measurement of fair value in a step acquisition, changes the requirements for recognizing assets acquired and liabilities assumed subject to contingencies, provides guidance on recognition and measurement of contingent consideration and requires that acquisition-related costs of the acquirer generally be expensed as incurred. Liabilities for unrecognized tax benefits related to tax positions assumed in business combinations that settled prior to the adoption of SFAS No. 141(R), affected goodwill. If such liabilities reverse subsequent to the adoption of SFAS No. 141(R), such reversals will affect the income tax provision in the period of reversal. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted SFAS No. 141(R) on January 1, 2009. The adoption of SFAS No. 141(R) did not materially impact the Company's condensed consolidated financial statements.

Disclosures about Derivative Instruments

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of SFAS No. 133* ( SFAS No. 161 ). SFAS No. 161 expands the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 specifically requires enhanced disclosures addressing: a) how and why an entity uses derivative instruments, b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption on January 1, 2009 of the additional disclosure requirements of SFAS No. 161 did not materially impact the Company's condensed consolidated financial statements.

Useful Life of Intangible Assets

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* ( FSP FAS 142-3 ). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* ( SFAS No. 142 ). FSP FAS 142-3 requires that an entity shall consider its own experience in renewing similar arrangements. FSP FAS 142-3 is intended to improve the consistency between the useful life of an intangible asset determined under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other GAAP. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption on January 1, 2009 of FSP FAS 142-3 did not materially impact the Company's condensed consolidated financial statements.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

Accounting Policies Adopted in the Three Months Ended March 31, 2009

Meaning of Indexed to a Company's Own Stock

In June 2008, the FASB issued EITF No. 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock* (EITF 07-5). EITF 07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. To meet the definition of indexed to its own stock, an instrument's contingent exercise provisions must not be based on an observable market other than the market for the issuer's stock, and its settlement amount must be based only on those variables that are inputs to the fair value of a fixed-for-fixed forward or option on an entity's equity shares. EITF 07-5 was adopted on January 1, 2009 and did not change the classification or measurement of the Company's financial instruments.

Convertible Debt Instruments

In May 2008, the FASB issued FSP APB 14-1. FSP APB 14-1 specifies that for convertible debt instruments that may be settled in cash upon conversion, issuers of such instruments should separately account for the liability and equity components in the statement of financial condition. The excess of the initial proceeds of the convertible debt instrument over the amount allocated to the liability component creates a debt discount which should be amortized as interest expense over the expected life of the liability. FSP APB 14-1 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008 and is to be applied retrospectively. At December 31, 2008 the Company had \$249 principal amount of convertible debentures outstanding, which were issued in February 2005, bear interest at a rate of 2.625%, and are due in 2035. The Company retrospectively adopted FSP APB 14-1 on January 1, 2009. The effective borrowing rate for nonconvertible debt at the time of issuance of the 2.625% convertible debentures was estimated to be 4.3%, which resulted in \$18 of the \$250 aggregate principal amount of the debentures issued, or \$12 after taxes, being attributable to equity. At December 31, 2008, \$4 of the initial \$18 debt discount remained unamortized, and is expected to be amortized to the first put date of the convertible debentures in February 2010. The Company recognized approximately \$1 of additional interest expense in each of the three months ended March 31, 2009 and 2008. Upon adoption of FSP APB 14-1, the total cumulative impact to retained earnings at December 31, 2008 was a \$9 reduction.

See below for retrospective EPS impact for the three months ended March 31, 2008 of adopting FSP APB 14-1.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****1. Significant Accounting Policies (continued)**Accounting Policies Adopted in the Three Months Ended March 31, 2009Earnings Per Share

In June 2008, the FASB issued FSP EITF 03-6-1 which specifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends or dividend equivalents are considered participating securities and should be included in the computation of EPS pursuant to the two-class method as defined in SFAS No. 128, *Earnings per Share*. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. All prior period EPS data presented must be adjusted retrospectively. Prior to 2009, the Company awarded restricted stock and restricted stock units with nonforfeitable dividend equivalent rights. Restricted stock and restricted stock units awarded in 2009 are not considered participating securities as dividend equivalents are subject to forfeiture prior to vesting of the award. The Company adopted FSP EITF 03-6-1 on January 1, 2009. See below for the retrospective EPS impact for the three months ended March 31, 2008 of adopting FSP EITF 03-6-1.

EPS Impact of Adoption of FSP APB 14-1, FSP EITF 03-6-1 and SFAS No. 160

The following table illustrates the effect on net income attributable to BlackRock, Inc. and earnings per share upon retrospective application of FSP APB 14-1, FSP EITF 03-6-1 and SFAS No. 160 during the three months ended March 31, 2008.

|   | <b>Three Months<br/>Ended<br/>March 31, 2008</b> |
|---|--|
| Net income, as previously reported                                      | \$ 242   |
| Impact of FSP APB 14-1  | (1)  |
| Net income attributable to BlackRock, Inc., as currently reported       | \$ 241   |
| Earnings per share attributable to BlackRock, Inc. common stockholders: |  |
| Basic earnings per common share, as previously reported                 | \$ 1.87  |
| Basic earnings per common share, as currently reported                  | \$ 1.81  |
| Diluted earnings per common share, as previously reported               | \$ 1.82  |
| Diluted earnings per common share, as currently reported                | \$ 1.77  |

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

*Recent Accounting Developments*

Fair Value Measurements Disclosures and Impairments of Securities:

In April 2009, the FASB issued the following three FSPs intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities:

FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ( FSP FAS 115-2 and FAS 124-2 ) amends current other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. Under FSP FAS 115-2 and FAS 124-2, an other-than-temporary impairment is triggered if (1) an entity has the intent to sell the security, (2) it is more likely than not that an entity will be required to sell the security before recovery, or (3) an entity does not expect to recover the entire amortized cost basis of the security. If an entity does not intend to sell a security and it is not more likely than not that the entity will be required to sell the security, but the security has suffered a credit loss, the impairment charge will be separated into the credit loss component, which is recorded in earnings, and the remainder of the impairment charge, which is recorded in other comprehensive income. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FSP FAS 157-4 ), provides additional guidance on determining when the volume and level of activity for the asset or liability has significantly decreased. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly.

FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ( FSP FAS 107-1 and APB 28-1 ), amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to expand the required qualitative and quantitative disclosures about fair value of financial instruments to interim reporting periods for publicly traded entities. FSP FAS 107-1 and APB 28-1 also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods.

All three FSPs are effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company will adopt these FSPs in the second quarter 2009. The Company does not expect the impact of the three FSPs to have a material impact on its condensed consolidated financial statements.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****2. Investments**

A summary of the carrying value of total investments is as follows:

|   | Carrying Value    |                      |
|---|-------------------|----------------------|
|   | March 31,<br>2009 | December 31,<br>2008 |
| Available-for-sale investments                                      | \$ 97             | \$ 101               |
| Trading investments   | 195               | 122                  |
| Other investments:  |                   |                      |
| Consolidated sponsored investment funds (non cash management funds) | 296               | 349                  |
| Consolidated sponsored cash management funds                        | 126               | 326                  |
| Equity method investments   | 402               | 501                  |
| Deferred compensation plan hedge fund equity method investments     | 21                | 30                   |
| <br>Total other investments   | <br>845           | <br>1,206            |
| <br>Total investments   | <br>\$ 1,137      | <br>\$ 1,429         |

At March 31, 2009, the Company had \$558 of total investments held by consolidated sponsored investment funds of which \$136 and \$422 were classified as trading investments and other investments, respectively.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****2. Investments (continued)***Available-for-sale investments*

A summary of the cost and carrying value of investments classified as available-for-sale, is as follows:

|   | Cost          | Gross Unrealized |                | Carrying      |
|---|---------------|------------------|----------------|---------------|
|   |               | Gains            | Losses         | Value         |
| <b><u>March 31, 2009</u></b>                |               |                  |                |               |
| Available-for-sale investments:             |               |                  |                |               |
| Sponsored investment funds                  | \$ 46         | \$               | \$ (5)         | \$ 41         |
| Mortgage debt securities                    | 42            |                  | (1)            | 41            |
| Asset backed debt securities                | 7             | 2                | (2)            | 7             |
| Collateralized debt obligations ( CDOs )    | 6             |                  | (3)            | 3             |
| Corporate debt securities                   | 5             |                  | (2)            | 3             |
| Foreign government debt securities          | 2             |                  |                | 2             |
| <b>Total available-for-sale investments</b> | <b>\$ 108</b> | <b>\$ 2</b>      | <b>\$ (13)</b> | <b>\$ 97</b>  |
| <b><u>December 31, 2008</u></b>             |               |                  |                |               |
| Available-for-sale investments:             |               |                  |                |               |
| Sponsored investment funds                  | \$ 109        | \$               | \$ (16)        | \$ 93         |
| Collateralized debt obligations             | 6             |                  | (2)            | 4             |
| Other debt securities                       | 4             |                  |                | 4             |
| <b>Total available-for-sale investments</b> | <b>\$ 119</b> | <b>\$</b>        | <b>\$ (18)</b> | <b>\$ 101</b> |

The Company has reviewed the gross unrealized losses of \$13 as of March 31, 2009 related to available-for-sale investments, of which \$4 had been in a loss position for greater than twelve months, and determined that these unrealized losses were not other-than-temporary primarily because the Company has the ability and intent to hold the securities for a period of time sufficient to allow for recovery such unrealized losses. As a result, the Company recorded no additional impairments on such securities.

During the three months ended March 31, 2009 and 2008, the Company recorded other-than-temporary impairments of \$0 and \$1, related to debt securities and CDO available-for-sale investments.

Available-for-sale investments includes debt securities received upon closure of certain funds, in lieu of the Company's remaining investment in the funds.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****2. Investments (continued)***Trading and Other Investments*

A summary of the cost and carrying value of trading and other investments is as follows:

|   | March 31, 2009  |                | December 31, 2008 |                 |
|---|-----------------|----------------|-------------------|-----------------|
|   | Cost            | Carrying Value | Cost              | Carrying Value  |
| <b>Trading investments:</b>                                     |                 |                |                   |                 |
| Deferred compensation plan mutual fund investments              | \$ 32           | \$ 33          | \$ 32             | \$ 29           |
| Equity securities   | 103             | 59             | 109               | 75              |
| <b>Debt securities:</b>   |                 |                |                   |                 |
| Municipal debt  | 10              | 9              | 9                 | 7               |
| Foreign government debt   | 8               | 6              | 8                 | 7               |
| Corporate debt  | 1               | 1              | 1                 | 1               |
| U.S. government debt  | 2               | 2              | 3                 | 3               |
| Asset backed debt   | 85              | 85             |                   |                 |
| <b>Total trading investments</b>                                | <b>\$ 241</b>   | <b>\$ 195</b>  | <b>\$ 162</b>     | <b>\$ 122</b>   |
| <b>Other investments:</b>                                       |                 |                |                   |                 |
| Consolidated sponsored investment funds (non cash management)   | \$ 378          | \$ 296         | \$ 376            | \$ 349          |
| Consolidated sponsored cash management funds                    | 126             | 126            | 333               | 326             |
| Equity method   | 763             | 402            | 752               | 501             |
| Deferred compensation plan hedge fund equity method investments | 38              | 21             | 39                | 30              |
| <b>Total other investments</b>                                  | <b>\$ 1,305</b> | <b>\$ 845</b>  | <b>\$ 1,500</b>   | <b>\$ 1,206</b> |

Trading investments include certain deferred compensation plan mutual fund investments, equity and debt securities within certain consolidated sponsored investment funds and equity and debt securities held in separate accounts for the purpose of establishing an investment history in various investment strategies before being marketed to investors.



**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****2. Investments (continued)***Maturity Dates*

The carrying value of debt securities, classified as available-for-sale, trading investments and other investments, by maturity at March 31, 2009 and December 31, 2008 is as follows:

| Maturity date | Carrying Value    |                      |
|---------------|-------------------|----------------------|
|               | March 31,<br>2009 | December 31,<br>2008 |
| <1 year       | \$ 163            | \$ 329               |
| >1-5 years    | 94                | 2                    |
| >5-10 years   | 6                 | 3                    |
| > 10 years    | 19                | 14                   |
| <b>Total</b>  | <b>\$ 282</b>     | <b>\$ 348</b>        |

At March 31, 2009 and December 31, 2008, the debt securities in the table above primarily consisted of floating rate notes and asset backed securities held by consolidated sponsored cash management funds and mortgage, asset backed, municipal, corporate, U.S. and foreign government debt securities a portion of which are consolidated in the Company's condensed consolidated statements of financial condition.

*Impact of Consolidated Sponsored Investment Funds*

The Company consolidates certain sponsored investment funds primarily because it is deemed to control such investments in accordance with GAAP. The investments that are owned by these consolidated sponsored investment funds are classified as other or trading investments. At March 31, 2009 and December 31, 2008, the following balances related to these funds were consolidated in the condensed consolidated statements of financial condition:

|   | March 31,<br>2009 | December 31,<br>2008 |
|---|-------------------|----------------------|
| Cash and cash equivalents                                   | \$ 53             | \$ 61                |
| Investments   | 558               | 728                  |
| Other net assets (liabilities)                              | (72)              | 12                   |
| Non-controlling interests                                   | (335)             | (491)                |
| <b>Total net interests in consolidated investment funds</b> | <b>\$ 204</b>     | <b>\$ 310</b>        |

BlackRock's total exposure to consolidated sponsored investment funds of \$204 and \$310 at March 31, 2009 and December 31, 2008, respectively, represents the fair value of the Company's economic ownership interest in these sponsored investment funds. Valuation changes associated with these consolidated investment funds are reflected in non-operating income and non-controlling interests. Approximately \$78 and \$6 of borrowings by consolidated sponsored investment funds at March 31, 2009 and December 31, 2008, respectively, are included in other liabilities on the condensed consolidated statements of financial condition.



**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****2. Investments (continued)***Impact of Consolidated Sponsored Investment Funds (continued)*

The Company may not be readily able to access cash and cash equivalents held by consolidated sponsored investment funds to use in its operating activities. In addition, the Company may not be readily able to sell investments held by consolidated sponsored investment funds in order to obtain cash for use in its operations.

**3. Equity Method Investments**

BlackRock invests in hedge funds, funds of hedge funds, real estate funds and private equity funds to establish a performance track record or for co-investment purposes. BlackRock accounts for certain of these investments under the equity method of accounting. BlackRock's ownership percentage in its equity method investees range up to 50%.

Substantially all of BlackRock's equity method investments are investment companies which record their underlying investments at fair value. BlackRock's share of the investee's underlying net income or loss is recorded as non-operating income (expense). The Company's maximum exposure to loss is generally limited to its equity interest.

As required by SEC Regulation S-X, the following table includes summarized consolidated financial information of PCV/ST JV LLC, an equity method real estate investment of the Company:

|  | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2009</b>               | <b>2008</b> |
| Income                                 | \$ 2                      | \$ 3        |
| Expenses                               | 2                         | 3           |
| Operating loss                         |                           |             |
| Net investment loss                    | (82)                      | (63)        |
| Net loss attributable to PCV/ST JV LLC | \$ (82)                   | \$ (63)     |

At March 31, 2009 and 2008, BlackRock's ownership interest in PCV/ST JV LLC was 50%. BlackRock's share of the investee's underlying net income or loss is adjusted for certain items.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****4. Fair Value Disclosures**

Assets measured at fair value on a recurring basis at March 31, 2009 were as follows:

|   | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Other Assets<br>Not Held<br>at<br>Fair Value <sup>(1)</sup> | March 31, 2009 |
|---|---|---|--|---|----------------|
| <b>Assets:</b>  |   |   |  |   |                |
| Investments:  |   |   |  |   |                |
| Available-for-sale  | \$ 43   | \$ 51   | \$ 3   | \$  | \$ 97          |
| Trading   | 100   | 95  |  |   | 195            |
| Other investments:  |   |   |  |   |                |
| Consolidated sponsored investment funds (non cash management funds) |   | 8   | 288  |   | 296            |
| Consolidated sponsored cash management fund                         |   | 126   |  |   | 126            |
| Equity method   | 9   |   | 362  | 31  | 402            |
| Deferred compensation plan hedge fund equity method investments     |   | 8   | 13   |   | 21             |
| Total investments   | 152   | 288   | 666  | 31  | 1,137          |
| Separate account assets   | 2,335   | 86  |  | 31  | 2,452          |
| Other assets <sup>(2)</sup>   |   | 9   | 51   |   | 60             |
| Total assets measured at fair value                                 | \$ 2,487  | \$ 383  | \$ 717   | \$ 62   | \$ 3,649       |
| <b>Liabilities:</b>   |   |   |  |   |                |
| Other liabilities <sup>(3)</sup>                                    |   | \$ 2  | \$ 76  |   | \$ 78          |

<sup>(1)</sup> Comprised of equity method investments, which include investment companies, and other assets which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and financial liabilities under fair value measures; therefore, the Company's investment in such equity method investee may not represent fair value.

<sup>(2)</sup> Includes disposal group assets and company-owned and split-dollar life insurance policies.

<sup>(3)</sup> Includes borrowings held at fair value by a consolidated sponsored investment fund and the fair value of outstanding total return swaps for the Company's seed capital hedging program.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****4. Fair Value Disclosures (continued)**

Assets measured at fair value on a recurring basis at December 31, 2008 were as follows:

|   | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Other Assets<br>Not Held<br>at<br>Fair Value <sup>(1)</sup> | December 31,<br>2008 |
|---|---|---|--|---|----------------------|
| <b>Assets:</b>  |   |   |  |   |                      |
| <u>Investments:</u>   |   |   |  |   |                      |
| Available-for-sale  | \$ 63   | \$ 34   | \$ 4   | \$  | \$ 101               |
| Trading   | 113   | 9   |  |   | 122                  |
| <u>Other investments:</u>   |   |   |  |   |                      |
| Consolidated sponsored investment funds (non cash management funds) |   | 21  | 328  |   | 349                  |
| Consolidated sponsored cash management funds                        |   | 326   |  |   | 326                  |
| Equity method   |   |   | 461  | 40  | 501                  |
| Deferred compensation plan hedge fund investments                   |   | 10  | 20   |   | 30                   |
| Total investments   | 176   | 400   | 813  | 40  | 1,429                |
| Separate account assets   | 2,461   | 85  | 4  | 73  | 2,623                |
| Other assets <sup>(2)</sup>   |   | 9   | 64   |   | 73                   |
| Total assets measured at fair value                                 | \$ 2,637  | \$ 494  | \$ 881   | \$ 113  | \$ 4,125             |

<sup>(1)</sup> Comprised of equity method investments, which include investment companies, and other assets which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and financial liabilities under fair value measures; therefore, the Company's investment in such equity method investee may not represent fair value.

<sup>(2)</sup> Includes disposal group assets and company-owned and split-dollar life insurance policies.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****4. Fair Value Disclosures (continued)***Fair Value Measurements (continued)*

A wholly-owned subsidiary of the Company is a registered life insurance company that maintains separate account assets, representing segregated funds held for purposes of funding individual and group pension contracts, and equal and offsetting separate account liabilities. At March 31, 2009 and December 31, 2008, the Level 3 separate account assets were approximately \$0 and \$4, respectively. The changes in Level 3 assets primarily relate to purchases, sales and gains/(losses). The net investment income and net gains and losses attributable to separate account assets accrue directly to the contract owner and are not reported as non-operating income (expense) on the condensed consolidated statements of income.

Level 3 assets, which include equity method investments and consolidated investments of real estate funds, private equity funds and funds of private equity funds, are valued based upon valuations received from internal as well as third party fund managers. Fair valuations at the underlying funds are based on a combination of methods which may include third-party independent appraisals and discounted cash flow techniques. Direct investments in private equity companies held by funds of private equity funds are valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third party financing, changes in valuations of comparable peer companies, the business environment of the companies and market indices, among other factors.

*Changes in Level 3 Investments Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2009*

|   | <b>Investments</b> | <b>Other<br/>Assets</b> | <b>Other<br/>Liabilities</b> |
|---|--------------------|-------------------------|------------------------------|
| December 31, 2008   | \$ 813             | \$ 64                   | \$                           |
| Realized and unrealized gains / (losses), net   | (118)              | (14)                    |                              |
| Purchases, sales, other settlements and issuances, net  | (10)               | 1                       | 76                           |
| Net transfers in and/or out of Level 3  | (19)               |                         |                              |
| March 31, 2009  | \$ 666             | \$ 51                   | \$ 76                        |
| Total net (losses) for the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date | \$ (116)           | \$ (14)                 |                              |

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****4. Fair Value Disclosures (continued)***Fair Value Measurements (continued)**Changes in Level 3 Investments Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2008*

|  | <b>Investments</b> |
|--|--------------------|
| December 31, 2007                                      | \$ 1,240           |
| Realized and unrealized gains / (losses), net          | 7                  |
| Purchases, sales, other settlements and issuances, net | 42                 |
| Net transfers in and/or out of Level 3                 |                    |
| <b>March 31, 2008</b>                                  | <b>\$ 1,289</b>    |

Total net (losses) for the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date \$ (6)

Realized and unrealized gains and losses recorded for Level 3 investments are reported in non-operating income (expense) on the condensed consolidated statements of income. Non-controlling interest expense is recorded for consolidated investments to reflect the portion of gains and losses not attributable to the Company.

The Company transfers assets in and/or out of Level 3 as of the beginning of the period when significant inputs, including performance attributes, used for the fair value measurement become observable or when the book value of certain equity method investments no longer represent fair value as determined under fair value methodologies.

**5. Variable Interest Entities ( VIEs )**

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including collateralized debt obligations and sponsored investment funds, which may be considered VIEs. The Company receives management fees or other incentive related fees for its services and may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company engages in these variable interests principally to address client needs through the launch of such investment vehicles. The VIEs are primarily financed via capital contributed by equity and debt holders. The Company's involvement in financing the operations of the VIEs is limited to its equity interests, unfunded capital commitments for certain sponsored investment funds and two capital support agreements for two enhanced cash funds at December 31, 2008 and one capital support agreement at March 31, 2009, due to the closure of one of the funds in January 2009.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****5. Variable Interest Entities ( VIEs ) (continued)**

The primary beneficiary of a VIE is the enterprise that has a variable interest (or combination of variable interests, including those of related parties) that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns or both. In order to determine whether the Company is the primary beneficiary of a VIE, management must make significant estimates and assumptions of probable future cash flows and assign probabilities to different cash flow scenarios. Assumptions made in such analyses include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, gain realization, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes.

VIEs in which BlackRock is the Primary Beneficiary

At March 31, 2009 and December 31, 2008, the Company's carrying value of assets and its maximum risk of loss related to VIEs in which it the Company was the primary beneficiary, was as follows:

*As of March 31, 2009*

|   | Maximum Risk of Loss                                     |                     |                                 |              |
|---|--|---------------------|---------------------------------|--------------|
|   | VIE Net<br>Assets That<br>the<br>Company<br>Consolidates | Equity<br>Interests | Capital<br>Support<br>Agreement | Total        |
| Sponsored enhanced cash management fund | \$ 126   | \$                  | \$ 20                           | \$ 20        |
| Other sponsored investment funds        | 58   |                     |                                 |              |
| <b>Total</b>                            | <b>\$ 184</b>  | <b>\$</b>           | <b>\$ 20</b>                    | <b>\$ 20</b> |

As a result of consolidating three private investment funds, at March 31, 2009, the Company recorded \$184 of net assets, primarily investments and cash and cash equivalents. These net assets were offset by \$190 of non-controlling interests which reflect the equity ownership of third parties, on the Company's condensed consolidated statements of financial condition. For the period ended March 31, 2009, the Company recorded a non-operating expense of \$12 offset by a \$12 net loss attributable to non-controlling interests on its condensed consolidated statements of income.

The maximum risk of loss related to the capital support agreement in the table above reflects the Company's total obligation under the capital support agreement with one enhanced cash fund. The fair value of the Company's obligation related to the remaining capital support agreement recorded at March 31, 2009 was \$6.



**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****5. Variable Interest Entities (continued)**

As of December 31, 2008

|  | Maximum Risk of Loss  |                     |                                  |               |
|--|---|---------------------|----------------------------------|---------------|
|  | VIE Net<br>Assets<br>That<br>the<br>Company<br>Consolidates | Equity<br>Interests | Capital<br>Support<br>Agreements | Total         |
| Sponsored enhanced cash management funds | \$ 328  | \$ 88               | \$ 45                            | \$ 133        |
| Other sponsored investment funds         | 55  |                     |                                  |               |
| <b>Total</b>                             | <b>\$ 383</b>   | <b>\$ 88</b>        | <b>\$ 45</b>                     | <b>\$ 133</b> |

As a result of consolidating three private investment funds, at December 31, 2008, the Company recorded \$383 of net assets, primarily investments and cash and cash equivalents. These net assets were offset by \$319 of non-controlling interests which reflect the equity ownership of third parties, on its condensed consolidated statements of financial condition.

The maximum risk of loss related to the capital support agreements in the table above reflect the Company's total obligation under the capital support agreements with the two enhanced cash funds. The fair value of the Company's obligation related to the two capital support agreements recorded at December 31, 2008 was \$18.

VIEs in which BlackRock holds significant variable interests or is the sponsor that holds a variable interest but is not the Primary Beneficiary of the VIE

At March 31, 2009 and December 31, 2008, the Company's carrying value of assets and liabilities and its maximum risk of loss related to VIEs in which it holds a significant variable interest or is the sponsor that holds a variable interest, but for which it was not the primary beneficiary, was as follows:

As of March 31, 2009

|                                 | Variable Interests on the<br>Condensed<br>Statement of Financial Condition |  |             |             |   |                            |
|---------------------------------|--|--|-------------|-------------|---|----------------------------|
|                                 | VIE Assets<br>That the<br>Company<br>Does Not<br>Consolidate               | VIE<br>Liabilities<br>That the<br>Company<br>Does Not<br>Consolidate | Investments | Receivables | Other<br>Net<br>Assets<br>(Liabilities) | Maximum<br>Risk of<br>Loss |
| CDOs                            | \$ 5,822   | \$ 14,210  | \$ 3        | \$ 4        | \$ (1)                                  | \$ 23                      |
| Sponsored cash management funds | 1,149  |  |             |             |   |                            |

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|                                  |           |           |       |       |        |       |
|----------------------------------|-----------|-----------|-------|-------|--------|-------|
| Other sponsored investment funds | 5,719     | 456       | 12    | 10    | 22     |       |
| Total                            | \$ 12,690 | \$ 14,666 | \$ 15 | \$ 14 | \$ (1) | \$ 45 |

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**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****5. Variable Interest Entities (continued)**

The assets of the VIEs are primarily comprised of cash and cash equivalents and investments and the liabilities are primarily comprised of debt obligations (CDO debt holders) and various accruals.

At March 31, 2009, BlackRock's maximum risk of loss associated with these VIEs primarily relates to: (i) BlackRock's equity investments, (ii) management fee receivables and (iii) the credit protection sold by BlackRock in a synthetic CDO transaction.

*As of December 31, 2008*

|                                  | <b>Variable Interests on the<br/>Condensed<br/>Statement of Financial Condition</b> |  |                                |       |   | <b>Maximum<br/>Risk of<br/>Loss</b> |
|----------------------------------|---|--|--------------------------------|-------|---|-------------------------------------|
|                                  | <b>VIE Assets<br/>That the<br/>Company<br/>Does Not<br/>Consolidate</b>             | <b>VIE<br/>Liabilities<br/>That the<br/>Company<br/>Does Not<br/>Consolidate</b> | <b>Investments Receivables</b> |       | <b>Other<br/>Net<br/>Assets<br/>(Liabilities)</b> |                                     |
|                                  |   |  | \$                             | \$    | \$  |                                     |
| CDOs                             | \$ 6,660  | \$ 14,487  | \$ 4                           | \$ 5  | \$ (1)  | \$ 25                               |
| Sponsored cash management funds  | 733   |  |                                |       |   |                                     |
| Other sponsored investment funds | 5,813   | 440  | 9                              | 9     | (6)   | 18                                  |
| Total                            | \$ 13,206   | \$ 14,927  | \$ 13                          | \$ 14 | \$ (7)  | \$ 43                               |

The assets of the VIEs are primarily comprised of cash and cash equivalents and investments and the liabilities are primarily comprised of debt obligations (CDO debt holders) and various accruals.

At December 31, 2008, BlackRock's maximum risk of loss associated with these VIEs primarily relates to: (i) BlackRock's equity investments, (ii) management fee receivables and (iii) the credit protection sold by BlackRock in a synthetic CDO transaction.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**6. Derivatives and Hedging**

For the three months ended March 31, 2009 and 2008, the Company did not hold any derivatives designated in a formal hedge relationship under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

During first quarter 2009 and 2008, the Company was a counterparty to a series of total return swaps to economically hedge against changes in fair value of certain investments in sponsored investment products. At March 31, 2009, the outstanding total return swaps had an aggregate notional value of approximately \$39 and net realized and change in unrealized gains of approximately \$5 and \$9 for the three months ended March 31, 2009 and 2008, respectively, which were included in non-operating income (expense) in the Company's condensed consolidated statements of income. At March 31, 2009, a \$2 unrealized loss is included in other liabilities on the condensed consolidated statement of financial condition.

In December 2007, BlackRock entered into capital support agreements, up to \$100, with two enhanced cash funds. These capital support agreements were backed by letters of credit issued under BlackRock's revolving credit facility. In December 2008, the capital support agreements were modified to be up to \$45 and were no longer backed by the letters of credit. In January 2009, one capital support agreement was terminated, due to the closure of the related fund, leaving only one capital support agreement, with a total \$20 potential obligation outstanding. During the three months ended March 31, 2009, the Company provided approximately \$3 of capital contributions to the remaining fund under the capital support agreement. At March 31, 2009 and December 31, 2008, the derivative liability for the fair value of the capital support agreements for two funds totaled approximately \$6 and \$18, respectively. The fair value of these liabilities will increase or decrease as BlackRock's obligation under the guarantee fluctuates based on the fair value of the derivative. Upon the closure of one fund, the liability decreased \$6, while the change in the remaining liability is included in general and administration expenses. Due to consolidation of the one fund at March 31, 2009, the derivative liability was eliminated against the receivable recorded by the fund on the condensed consolidated statements of financial condition.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****7. Goodwill**

Goodwill at March 31, 2009 and changes during the three months ended March 31, 2009 were as follows:

|                                  |          |
|----------------------------------|----------|
| December 31, 2008                | \$ 5,533 |
| Goodwill adjustments related to: |          |
| Quellos                          | 203      |
| March 31, 2009                   | \$ 5,736 |

During the three months ended March 31, 2009, the Company increased goodwill by \$203. The increase relates to the \$208 accrual of a purchase price liability, recorded in other liabilities, related to the first contingent payment in connection with the Quellos Transaction, offset by a \$5 decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill. At March 31, 2009, the balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately \$400. Goodwill will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill.

**8. Intangible Assets**

The carrying amounts of identifiable intangible assets are summarized as follows:

|                      | Indefinite-lived<br>intangible assets | Finite-lived<br>intangible assets | Total    |
|----------------------|---------------------------------------|-----------------------------------|----------|
| December 31, 2008    | \$ 5,378                              | \$ 1,063                          | \$ 6,441 |
| Amortization expense |                                       | (36)                              | (36)     |
| March 31, 2009       | \$ 5,378                              | \$ 1,027                          | \$ 6,405 |

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****9. Borrowings***Short-Term Borrowings*

In August 2007, the Company entered into a five-year \$2,500 unsecured revolving credit facility ( the 2007 facility ), which permits the Company to request an additional \$500 of borrowing capacity, subject to lender approval, up to a maximum of \$3,000. The 2007 facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less domestic unrestricted cash) of 3 to 1, which was satisfied at March 31, 2009.

At March 31, 2009, the Company had \$200 outstanding under the 2007 facility with an interest rate of 0.67% and a maturity date during April 2009. During April 2009, the Company rolled over the \$200 in borrowings to an interest rate of 0.59% and a maturity date during May 2009.

Lehman Commercial Paper, Inc. has a \$140 participation under the 2007 facility; however, BlackRock does not expect that Lehman Commercial Paper, Inc. will honor its commitment to fund additional amounts.

Bank of America, a related party, has a \$140 participation under the 2007 facility.

In June 2008, BlackRock Japan Co., Ltd., a wholly owned subsidiary of the Company, entered into a five billion Japanese yen commitment-line agreement with a banking institution (the Japan Commitment-line ). The term of the Japan Commitment-line is one year and interest will accrue at the applicable Japanese short-term prime rate. The Japan Commitment-line is intended to provide liquidity flexibility for operating requirements in Japan. At March 31, 2009, the Company had no borrowings outstanding under the Japan Commitment-line.

*Convertible Debentures*

The carrying value of the convertible debentures included the following:

|  | March 31,<br>2009 | December 31,<br>2008 |
|--|-------------------|----------------------|
| <u>2.625% Convertible debentures due in 2035</u> |                   |                      |
| Maturity amount                                  | \$ 249            | \$ 249               |
| Unamortized discount                             | (3)               | (4)                  |
| Total  | \$ 246            | \$ 245               |

In the three months ended March 31, 2009 and March 31, 2008, the Company recognized \$3 and \$3, respectively of interest expense, comprised in both periods of \$2 related to the coupon and \$1 related to amortization of the discount.

At March 31, 2009, the estimated fair value of the convertible debentures was \$338, which was estimated using a market price at March 31, 2009.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****9. Borrowings (continued)***Long-Term Borrowings*

The carrying value of long-term borrowings included the following:

|                                       | March 31,<br>2009 | December 31,<br>2008 |
|---------------------------------------|-------------------|----------------------|
| <u>6.25% Senior notes due in 2017</u> |                   |                      |
| Maturity amount                       | \$ 700            | \$ 700               |
| Unamortized discount                  | (5)               | (5)                  |
| Total long-term senior notes          | 695               | 695                  |
| Other long-term borrowings            | 2                 | 2                    |
| Total long-term borrowings            | \$ 697            | \$ 697               |

At March 31, 2009, the estimated fair value of the senior notes was \$609, which was estimated using an applicable bond index at March 31, 2009.

**10. Related Party Transactions**

At March 31, 2009, the Company was committed to provide financing of up to \$60, until March 2010, to Anthracite Capital, Inc. ( Anthracite ), a specialty commercial real estate finance company that is managed by a subsidiary of BlackRock. The financing is collateralized by Anthracite pledging its ownership interest in an investment fund which is also managed by a subsidiary of BlackRock. At March 31, 2009, \$33.5 of financing was outstanding at an interest rate of 4.6% which matures in July 2009 and may be repaid and reborrowed and was included in due from related parties on the Company's condensed consolidated statement of financial condition. Based on the value of the collateral and the borrowings outstanding of such date, the Company has no obligation to loan new amounts to Anthracite under this facility. The Company and other creditors of Anthracite have granted temporary waivers for certain breaches of financial covenants of Anthracite's credit facilities.

In July 2008, the Company entered into an amended and restated stockholder agreement and an amended and restated global distribution agreement with Merrill Lynch.

These changes to the stockholder agreement with Merrill Lynch, among other items, (i) provide Merrill Lynch with additional flexibility to form or acquire asset managers substantially all of the business of which is devoted to non-traditional investment management strategies such as short selling, leverage, arbitrage, specialty finance and quantitatively-driven structured trades; (ii) expand the definition of change in control of Merrill Lynch to include the disposition of two-thirds or more of its Global Private Client business; (iii) extend the general termination date to the later of July 16, 2013 or the date Merrill Lynch's beneficial ownership of BlackRock voting securities falls below 20%; and (iv) clarify certain other provisions in the agreement.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****10. Related Party Transactions (continued)**

The changes in the global distribution agreement in relation to the prior agreement, among other things, (i) provide for an extension of the term to five years from the date of a change in control of Merrill Lynch (to January 1, 2014 following Bank of America's acquisition of Merrill Lynch) and one automatic 3-year extension if certain conditions are satisfied; (ii) strengthen the obligations of Merrill Lynch to achieve revenue neutrality across the range of BlackRock products distributed by Merrill Lynch if the pricing or structure of particular products is required to be changed; (iii) obligate Merrill Lynch to seek to obtain distribution arrangements for BlackRock products from buyers of any portion of its distribution business on the same terms as the global distribution agreement for a period of at least 3 years; and (iv) restrict the manner in which products managed by alternative asset managers in which Merrill Lynch has an interest may be distributed by Merrill Lynch.

In connection with the closings under the exchange agreements, see Note 12, Capital Stock, on February 27, 2009 BlackRock entered into a second amended and restated stockholder agreement with Merrill Lynch and an amended and restated implementation and stockholder agreement with PNC, and a third amendment to the share surrender agreement with PNC.

The changes contained in the amended and restated stockholder agreement with Merrill Lynch, in relation to the prior agreement, among other things, (i) revised the definitions of Fair Market Value, Ownership Cap and Significant Stockholder; and (ii) amended or supplemented certain other definitions and provisions therein to incorporate series B preferred stock and series C preferred stock, respectively. The changes contained in the amended and restated stockholder agreement with PNC, in relation to the prior agreement, among other things, (i) revised the definitions of Fair Market Value, Ownership Cap, Ownership Percentage, Ownership Threshold and Significant Stockholder; and (ii) amended or supplemented certain other provisions therein to incorporate series B preferred stock and series C preferred stock, respectively.

The amendment to the share surrender agreement provides for the substitution of series C preferred stock for the shares of common stock currently subject to the share surrender agreement.

**11. Restructuring Charges**

During the three months ended March 31, 2009 the Company continued to reduce its workforce globally. This action was the result of a business reengineering efforts designed to streamline operations, enhance competitiveness and better position the Company in the asset management marketplace. The Company recorded a pre-tax restructuring charge of \$22 (\$14 after-tax) for the three months ended March 31, 2009. This charge was comprised of \$15 of severance and associated outplacement costs, \$4 of property costs associated with the lease payments for the remaining term in excess of the estimated sublease proceeds and \$3 of expenses related to the accelerated amortization of previously granted stock-based compensation awards.

The following table presents a rollforward of the Company's restructuring liability, which is included within other liabilities on the Company's condensed consolidated statements of financial condition.

|                                    |           |
|------------------------------------|-----------|
| Liability as of December 31, 2008  | \$ 21     |
| Additions                          | 22        |
| Cash payments                      | (16)      |
| Non-cash charges                   | (3)       |
| <br>Liability as of March 31, 2009 | <br>\$ 24 |



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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**12. Capital Stock**

On January 1, 2009, Bank of America acquired Merrill Lynch. In connection with this transaction, BlackRock entered into exchange agreements with each of Merrill Lynch and PNC pursuant to which each agreed to exchange a portion of the BlackRock common stock it held for an equal number of shares of non-voting participating preferred stock. On February 27, 2009, Merrill Lynch exchanged (i) 49,865,000 shares of BlackRock's common stock for a like number of shares of BlackRock's series B non-voting participating preferred stock, and (ii) 12,604,918 shares of BlackRock's series A preferred stock for a like number of shares of series B preferred stock, and PNC exchanged (i) 17,872,000 shares of BlackRock's common stock for a like number of shares of series B preferred stock and (ii) 2,889,467 shares of BlackRock's common stock for a like number of shares of BlackRock's series C non-voting participating preferred stock. On March 31, 2009, Bank of America/Merrill Lynch owned approximately 4.8% of BlackRock's voting common stock and 47.4% of BlackRock's capital stock on a fully diluted basis, and PNC owned approximately 46.4% of BlackRock's voting common stock and 31.5% of BlackRock's capital stock on a fully diluted basis.

Below is a summary description of the series B and C preferred stock issued in the exchanges.

The series B non-voting participating preferred stock:

is non-voting except as otherwise provided by applicable law;

participates in dividends on a basis generally equal to the common stock;

benefits from a liquidation preference of \$0.01 per share; and

is mandatorily convertible to BlackRock common stock upon transfer to an unrelated party.

The series C non-voting participating preferred stock:

is non-voting except as otherwise provided by applicable law;

participates in dividends on a basis generally equal to the common stock;

benefits from a liquidation preference of \$40.00 per share; and

is only convertible to BlackRock common stock upon the termination of the obligations of PNC under its share surrender agreement with BlackRock.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****12. Capital Stock (continued)**

At March 31, 2009 and December 31, 2008, BlackRock had 20,000,000 series A non-voting participating preferred shares, \$0.01 par value, authorized. At March 31, 2009, BlackRock had 150,000,000 series B non-voting participating preferred shares, \$0.01 par value, authorized. At March 31, 2009, BlackRock had 6,000,000 series C non-voting participating preferred shares, \$0.01 par value, authorized.

The Company's common and preferred shares issued and outstanding and related activity consist of the following:

|   | Shares Issued    |                  |                    |                                 |                                 |                                 | Shares Outstanding |                                 |                                 |                                 |
|---|------------------|------------------|--------------------|---------------------------------|---------------------------------|---------------------------------|--------------------|---------------------------------|---------------------------------|---------------------------------|
|   | Common<br>Shares | Escrow<br>Shares | Treasury<br>Shares | Preferred<br>Shares<br>Series A | Preferred<br>Shares<br>Series B | Preferred<br>Shares<br>Series C | Common<br>Shares   | Preferred<br>Shares<br>Series A | Preferred<br>Shares<br>Series B | Preferred<br>Shares<br>Series C |
| December 31, 2008   | 118,573,367      | (911,266)        | (370,991)          | 12,604,918                      |                                 |                                 | 117,291,110        | 12,604,918                      |                                 |                                 |
| Issuance of common stock  | 354,835          |                  |                    |                                 |                                 |                                 | 354,835            |                                 |                                 |                                 |
| Exchange of preferred shares series A for preferred shares series B |                  |                  |                    | (12,604,918)                    | 12,604,918                      |                                 |                    | (12,604,918)                    | 12,604,918                      |                                 |
| Exchange of common stock for preferred shares series B              | (67,737,000)     |                  |                    |                                 | 67,737,000                      |                                 | (67,737,000)       |                                 | 67,737,000                      |                                 |
| Exchange of common stock for preferred shares series C              | (2,889,467)      |                  |                    |                                 |                                 | 2,889,467                       | (2,889,467)        |                                 |                                 | 2,889,467                       |
| PNC capital contribution  |                  |                  | (51,399)           |                                 |                                 |                                 | (51,399)           |                                 |                                 |                                 |
| Treasury stock transactions   |                  |                  | 193,020            |                                 |                                 |                                 | 193,020            |                                 |                                 |                                 |
| March 31, 2009  | 48,301,735       | (911,266)        | (229,370)          |                                 | 80,341,918                      | 2,889,467                       | 47,161,099         |                                 | 80,341,918                      | 2,889,467                       |

**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**13. Commitments and Contingencies**

*Commitments*

Investment / Loan Commitments

At March 31, 2009, the Company had approximately \$280 of investment commitments relating primarily to funds of private equity funds, real estate funds and hedge funds. Amounts to be funded generally are callable at any point prior to the expiration of the commitment.

Legal Proceedings

From time to time, BlackRock receives subpoenas or other requests for information from various U.S. federal, state governmental and regulatory authorities in connection with certain industry-wide or other investigations or proceedings. It is BlackRock's policy to fully cooperate with such inquiries. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock's activities. Additionally, certain of the investment funds that the Company manages are subject to lawsuits, any of which could potentially harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability, if any, arising out of regulatory matters or lawsuits will have a material adverse effect on BlackRock's earnings, financial position, or cash flows although, at the present time, management is not in a position to determine whether any such pending or threatened matters will have a material adverse effect on BlackRock's results of operations in any future reporting period.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 1. Financial Statements (continued)**

**13. Commitments and Contingencies (continued)**

Indemnifications

In the ordinary course of business, BlackRock enters into contracts pursuant to which it may agree to indemnify third parties in certain circumstances. The terms of these indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined.

Under the Transaction Agreement in the MLIM Transaction, the Company has agreed to indemnify Merrill Lynch for losses it may incur arising from (1) any alleged or actual breach, failure to comply, violation or other deficiency with respect to any regulatory or fiduciary requirements relating to the operation of BlackRock's business, (2) any fees or expenses incurred or owed by BlackRock to any brokers, financial advisors or comparable other persons retained or employed by BlackRock in connection with the MLIM Transaction, and (3) certain specified tax covenants.

Management believes that the likelihood of any liability arising under these indemnification provisions is remote. Management cannot estimate any potential maximum exposure due both to the remoteness of any potential claims and the fact that items that would be included within any such calculated claim would be beyond the control of BlackRock. Consequently, no liability has been recorded on the condensed consolidated statements of financial condition.

Contingent Payments Related to Quellos Transaction

On October 1, 2007, the Company acquired the fund of funds business of Quellos. Quellos may be entitled to receive two contingent payments upon achieving certain investment advisory revenue measures through December 31, 2010, totaling up to an additional \$969 in a combination of cash and stock. The first contingent payment, of up to \$374, is payable in 2009, up to 25% in BlackRock common stock and the remainder in cash. The second contingent payment, of up to \$595 is payable in cash in 2011. Quellos may also be entitled to a catch-up payment if certain performance measures are met in 2011 to the extent that the value of the first contingent payment is less than \$374.

At March 31, 2009, the Company estimated the first contingent payment to be \$228, of which \$11 was paid in cash during 2008. Of the remaining \$217, \$163 will be paid in cash and \$54 in common stock, or approximately 345,000 shares converted at a price of \$157.33, the 10 trading day average prior to the announcement of the Quellos Transaction. At March 31, 2009, the Company recorded a liability of \$208 equal to the \$163 to be paid in cash and \$45 to be paid in common shares, which represents the fair value of the shares at March 31, 2009.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****14. Stock-Based Compensation**

The components of the Company's stock-based compensation expense are comprised of the following:

|  | <b>Three Months Ended<br/>March 31,</b> |              |
|--|---|--------------|
|  | <b>2009</b>                             | <b>2008</b>  |
| Stock-based compensation:                            |   |              |
| Restricted stock and restricted stock units ( RSUs ) | \$ 64                                   | \$ 51        |
| Stock options  | 3                                       | 4            |
| Long-term incentive plans funded by PNC              | 15                                      | 15           |
| <b>Total stock-based compensation</b>                | <b>\$ 82</b>                            | <b>\$ 70</b> |

*Stock Options*

Options outstanding at March 31, 2009 and changes during the three months ended March 31, 2009 were as follows:

|                       | <b>Shares</b>           | <b>Weighted<br/>Average</b> |
|-----------------------|-------------------------|-----------------------------|
|                       | <b>Under<br/>Option</b> | <b>Exercise<br/>Price</b>   |
| <b>Outstanding at</b> |                         |                             |
| December 31, 2008     | 3,140,517               | \$ 88.82                    |
| Exercised             | (47,900)                | \$ 30.80                    |
| <b>March 31, 2009</b> | <b>3,092,617</b>        | <b>\$ 89.72</b>             |

The aggregate intrinsic value of options exercised during the three months ended March 31, 2009 was \$4.

At March 31, 2009, the Company had \$29 in unrecognized stock-based compensation expense related to unvested stock options. The unrecognized compensation cost is expected to be recognized over a remaining weighted-average period of 2.5 years.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****14. Stock-Based Compensation (continued)***Restricted Stock and RSUs*

Restricted stock and RSU activity at March 31, 2009 and changes during the three months ended March 31, 2009 were as follows:

|                       | <b>Unvested<br/>Restricted<br/>Stock and<br/>Units</b> | <b>Weighted<br/>Average<br/>Grant Date<br/>Fair Value</b> |
|-----------------------|--|---|
| <b>Outstanding at</b> |  |   |
| December 31, 2008     | 4,603,953  | \$ 174.24   |
| Granted               | 1,819,352  | \$ 117.26   |
| Converted             | (803,835)  | \$ 179.65   |
| Forfeited             | (39,654)   | \$ 171.28   |
| <b>March 31, 2009</b> | <b>5,579,816</b>                                       | <b>\$ 154.90</b>  |

The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price.

In January 2009, the Company granted 23,417 RSUs as long-term incentive compensation, which will be partially funded by shares currently held by PNC (see *Long-Term Incentive Plans Funded by PNC* below). The awards cliff vest five years from the date of grant.

In January 2009, the Company granted 1,789,685 RSUs to employees as part of annual incentive compensation under the BlackRock, Inc. 1999 Stock Award and Incentive Plan (the Award Plan) that vest ratably over three years from the date of grant.

At March 31, 2009, there was \$530 in total unrecognized compensation cost related to unvested restricted stock and RSUs. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 2.2 years.

*Long-Term Incentive Plans Funded by PNC*

Under a share surrender agreement, PNC committed to provide up to 4,000,000 shares of BlackRock common stock, held by PNC, to fund certain BlackRock long-term incentive plans (LTIP).

During 2007, the Company granted additional long-term incentive awards, out of the Award Plan of approximately 1,600,000 RSUs that will be settled using BlackRock shares held by PNC in accordance with the share surrender agreement. The RSU awards vest on September 29, 2011 provided that BlackRock has actual GAAP earnings per share of at least \$5.20 in 2009, \$5.52 in 2010 or \$5.85 in 2011 or has attained an alternative performance hurdle based on the Company's earnings per share growth rate versus certain peers over the term of the awards. The value of the RSUs was calculated using BlackRock's closing stock price on the date of grant. The grant date fair value of the RSUs is being amortized as an expense on the straight-line method over the vesting period, net of expected forfeitures. The maximum value of awards that may be funded by PNC, prior to the earlier of September 29, 2011 or the date the performance criteria are met is approximately \$271, all of which has been granted as of March 31, 2009.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****15. Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share:

|   | Three Months Ended March 31, |             |             |             |
|---|------------------------------|-------------|-------------|-------------|
|   | 2009                         |             | 2008        |             |
|   | Basic                        | Diluted     | Basic       | Diluted     |
| Net income attributable to BlackRock, Inc.  | \$ 84                        | \$ 84       | \$ 241      | \$ 241      |
| Net income attributable to BlackRock, Inc. allocated to:                                  |                              |             |             |             |
| Common shares   | \$ 82                        | \$ 82       | \$ 233      | \$ 233      |
| Participating RSUs  | 2                            | 2           | 8           | 8           |
| Total net income attributable to BlackRock, Inc.  | \$ 84                        | \$ 84       | \$ 241      | \$ 241      |
| Weighted-average common shares outstanding  | 130,216,218                  | 130,216,218 | 128,904,253 | 128,904,253 |
| Dilutive potential shares from stock options and non-participating restricted stock units |                              | 845,382     |             | 1,345,446   |
| Dilutive potential shares from convertible debt   |                              | 379,270     |             | 793,917     |
| Dilutive potential shares from acquisition-related contingent stock payments              |                              | 356,319     |             | 577,128     |
| Total weighted-average shares outstanding   |                              | 131,797,189 |             | 131,620,744 |
| Earnings per share attributable to BlackRock, Inc., common stockholders:                  | \$ 0.63                      | \$ 0.62     | \$ 1.81     | \$ 1.77     |

Due to the similarities in terms between BlackRock series A, B and C non-voting participating preferred stock and the Company's common stock, the Company considers the series A, B and C non-voting participating preferred stock to be common stock equivalents for purposes of earnings per share calculations. As such, the Company has included the outstanding series A, B and C non-voting participating preferred stock in the calculation of average basic and diluted shares outstanding for the three months ended March 31, 2009 and 2008.

For the three months ended March 31, 2009, 2,603,582 RSUs and stock options were excluded from the calculation of diluted earnings per share because to include them would have an anti-dilutive effect.

*Shares issued in acquisition*

On October 1, 2007, the Company acquired the fund of funds business of Quellos. The Company issued 1,191,785 shares of newly-issued BlackRock common stock that were placed into an escrow account. The shares issued had no dilutive effect for the three months ended March 31, 2008. In April 2008, 280,519 common shares were released to Quellos in accordance with the Quellos asset purchase agreement, which resulted in an adjustment to the recognized purchase price and had a dilutive effect in 2008. The remaining 911,266 common shares may have a dilutive effect in future periods based on the timing of the release of shares from the escrow account in accordance with the Quellos asset purchase agreement. The release of the remaining escrow shares could begin to occur in 2009 and be completed in 2010.

**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****16. Segment Information**

The Company's management directs BlackRock's operations as one business, the asset management business. As such, the Company believes it operates in one business segment in accordance with SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*.

The following table illustrates investment advisory and administration base and performance fees, *BlackRock Solutions* and advisory, distribution fees and other revenue for the three months ended March 31, 2009 and 2008, respectively.

|  | Three Months Ended<br>March 31, |                 |
|--|---------------------------------|-----------------|
|  | 2009                            | 2008            |
| Fixed income   | \$ 202                          | \$ 223          |
| Cash management  | 175                             | 175             |
| Equity and balanced                                      | 343                             | 640             |
| Alternative investment products                          | 90                              | 136             |
| <b>Total investment advisory and administration fees</b> | <b>810</b>                      | <b>1,174</b>    |
| <i>BlackRock Solutions</i> and advisory                  | 140                             | 60              |
| Distribution fees  | 25                              | 35              |
| Other revenue  | 12                              | 31              |
| <b>Total revenue</b>                                     | <b>\$ 987</b>                   | <b>\$ 1,300</b> |

The following table illustrates the Company's total revenue for the three months ended March 31, 2009 and 2008 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer is sourced.

| Revenues              | Three Months Ended<br>March 31, |               |                 |               |
|-----------------------|---------------------------------|---------------|-----------------|---------------|
|                       | 2009                            | % of<br>total | 2008            | % of<br>total |
| North America         | \$ 767                          | 78%           | \$ 829          | 64%           |
| Europe                | 191                             | 19%           | 417             | 32%           |
| Asia-Pacific          | 29                              | 3%            | 54              | 4%            |
| <b>Total revenues</b> | <b>\$ 987</b>                   | <b>100%</b>   | <b>\$ 1,300</b> | <b>100%</b>   |



**PART I - FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****16. Segment Information (continued)**

The following table shows the Company's long-lived assets, including goodwill and property and equipment at March 31, 2009 and December 31, 2008 and does not necessarily reflect where the asset is physically located.

| <b>Long-Lived Assets</b>    | <b>March 31,</b> |          | <b>December 31,</b> |          |
|-----------------------------|------------------|----------|---------------------|----------|
|                             | <b>2009</b>      |          | <b>2008</b>         |          |
| North America               | \$ 5,913         | 99%      | \$ 5,714            | 99%      |
| Europe                      | 26               | 0%       | 27                  | 0%       |
| Asia-Pacific                | 53               | 1%       | 52                  | 1%       |
| <br>Total long-lived assets | <br>\$ 5,992     | <br>100% | <br>\$ 5,793        | <br>100% |

North America primarily is comprised of the United States, while Europe primarily is comprised of the United Kingdom and Asia-Pacific primarily is comprised of Japan, Australia and Hong Kong.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**Forward-looking Statements**

This report, and other statements that BlackRock may make, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act, with respect to BlackRock's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as trend, potential, opportunity, pipeline, believe, comfortable, expect, anticipate, current, intention, estimate, position, assume, outlook, continue, remain, maintain, sustain, seek, expressions, or future or conditional verbs such as will, would, should, could, may or similar expressions.

BlackRock cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and BlackRock assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to risk factors previously disclosed in BlackRock's SEC reports and those identified elsewhere in this report the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes and volatility in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management; (3) the relative and absolute investment performance of BlackRock's investment products; (4) the impact of increased competition; (5) the impact of capital improvement projects; (6) the impact of future acquisitions or divestitures; (7) the unfavorable resolution of legal proceedings; (8) the extent and timing of any share repurchases; (9) the impact, extent and timing of technological changes and the adequacy of intellectual property protection; (10) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to BlackRock, Bank of America, Merrill Lynch or PNC; (11) terrorist activities and international hostilities, which may adversely affect the general economy, domestic and local financial and capital markets, specific industries or BlackRock; (12) the ability to attract and retain highly talented professionals; (13) fluctuations in the carrying value of BlackRock's investments; (14) fluctuations in foreign currency exchange rates, which may adversely affect the value of investment advisory and administration fees earned by BlackRock or the carrying value of certain assets and liabilities denominated in foreign currencies; (15) the impact of changes to tax legislation and, generally, the tax position of the Company; (16) the ability of BlackRock to effectively manage the former Quellos business along with its historical operations; (17) BlackRock's success in maintaining the distribution of its products; (18) the impact of BlackRock electing to provide support to its products from time to time; and (19) the impact of problems at other financial institutions or the failure or negative performance of products at other financial institutions.

**PART I - FINANCIAL INFORMATION (continued)**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Overview**

BlackRock, Inc. (BlackRock or the Company) is one of the largest publicly traded investment management firms in the United States with \$1.283 trillion of assets under management (AUM) at March 31, 2009. BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of fixed income, cash management, equity and balanced and alternative investment separate accounts and funds. In addition, *BlackRock Solutions*<sup>®</sup> provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation of illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

On January 1, 2009, Bank of America Corporation (Bank of America) acquired Merrill Lynch & Co., Inc. (Merrill Lynch). In connection with this transaction, BlackRock entered into exchange agreements with each of Merrill Lynch and The PNC Financial Services Group, Inc. (PNC) pursuant to which each agreed to exchange a portion of the BlackRock voting common stock they held for non-voting preferred stock. On March 31, 2009, Bank of America/Merrill Lynch owned approximately 4.8% of BlackRock's voting common stock and 47.4% of BlackRock's capital stock on a fully diluted basis, and PNC owned approximately 46.4% of BlackRock's voting common stock and 31.5% of BlackRock's capital stock on a fully diluted basis.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Overview (continued)**

The following table summarizes BlackRock's operating performance for each of the three months ended March 31, 2009 and 2008 and December 31, 2008. Certain prior year amounts have been restated or reclassified to conform to 2009 presentation including those required by the retrospective adoptions of FASB Staff Positions ( FSP ) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ( FSP APB 14-1 ), FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ( FSP EITF 03-6-1 ) and Statement of Financial Accounting Standards ( SFAS ) No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51*. For more information please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the Securities and Exchange Commission on March 2, 2009.

**BlackRock, Inc.****Financial Highlights****(Dollar amounts in millions, except per share data)**

(unaudited)

|  | Three Months Ended |          |              | Variance vs. Three Months Ended |          |                   |          |
|--|--------------------|----------|--------------|---------------------------------|----------|-------------------|----------|
|  | March 31,          |          | December 31, | March 31, 2008                  |          | December 31, 2008 |          |
|  | 2009               | 2008     | 2008         | Amount                          | % Change | Amount            | % Change |
| <b>GAAP basis:</b>   |                    |          |              |                                 |          |                   |          |
| Total revenue  | \$ 987             | \$ 1,300 | \$ 1,064     | \$ (313)                        | (24)%    | \$ (77)           | (7)%     |
| Total expenses   | \$ 716             | \$ 904   | \$ 725       | \$ (188)                        | (21)%    | \$ (9)            | (1)%     |
| Operating income   | \$ 271             | \$ 396   | \$ 339       | \$ (125)                        | (32)%    | \$ (68)           | (20)%    |
| Operating margin   | 27.5%              | 30.5%    | 31.9%        | (3)%                            | (10)%    | (4)%              | (14)%    |
| Non-operating income<br>(expense), less net income (loss)<br>attributable to non-controlling<br>interests                | \$ (157)           | \$ (25)  | \$ (294)     | \$ (132)                        | NM       | \$ 137            | 47%      |
| Net income attributable to<br>BlackRock, Inc.  | \$ 84              | \$ 241   | \$ 53        | \$ (157)                        | (65)%    | \$ 31             | 58%      |
| Diluted common earnings per<br>share <sup>(e)</sup>  | \$ 0.62            | \$ 1.77  | \$ 0.39      | \$ (1.15)                       | (65)%    | \$ 0.23           | 59%      |
| <b>As adjusted:</b>  |                    |          |              |                                 |          |                   |          |
| Operating income <sup>(a)</sup>  | \$ 307             | \$ 413   | \$ 371       | \$ (106)                        | (26)%    | \$ (64)           | (17)%    |
| Operating margin <sup>(a)</sup>  | 37.3%              | 37.6%    | 41.6%        | (0)%                            | (1)%     | (4)%              | (10)%    |
| Non-operating income<br>(expense), less net income (loss)<br>attributable to non-controlling<br>interests <sup>(b)</sup> | \$ (153)           | \$ (24)  | \$ (271)     | \$ (129)                        | NM       | \$ 118            | 44%      |
| Net income attributable to<br>BlackRock, Inc. <sup>(c), (d)</sup>  | \$ 110             | \$ 252   | \$ 91        | \$ (142)                        | (56)%    | \$ 19             | 21%      |
|  | \$ 0.81            | \$ 1.86  | \$ 0.66      | \$ (1.05)                       | (56)%    | \$ 0.15           | 23%      |

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Diluted earnings attributable to  
BlackRock, Inc. common  
stockholders per share<sup>(c), (d), (e)</sup>

**Other:**

|  |              |              |              |             |      |             |      |
|--|--------------|--------------|--------------|-------------|------|-------------|------|
| Diluted weighted-average<br>common shares outstanding <sup>(e)</sup> | 131,797,189  | 131,620,744  | 131,605,739  | 176,445     | 0%   | 191,450     | 0%   |
| Assets under management  | \$ 1,283,355 | \$ 1,364,436 | \$ 1,307,151 | \$ (81,081) | (6)% | \$ (23,796) | (2)% |

*NM - Not Meaningful*

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Overview (continued)****BlackRock, Inc.****Financial Highlights**

(continued)

BlackRock reports its financial results on a GAAP basis; however, management believes that evaluating the Company's ongoing operating results may be enhanced if investors have additional non-GAAP basis financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of BlackRock's financial performance over time. BlackRock's management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Certain prior period non-GAAP data has been reclassified to conform to the current presentation. Computations for all periods are derived from the Company's condensed consolidated statements of income as follows:

(a) Operating income, as adjusted, and operating margin, as adjusted:

Operating income, as adjusted, equals operating income, GAAP basis, excluding certain items deemed non-recurring by management or transactions that ultimately will not impact BlackRock's book value, as indicated in the table below. Operating income used for operating margin measurement equals operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Operating margin, as adjusted, equals operating income used for operating margin measurement, divided by revenue used for operating margin measurement, as indicated in the table below.

|  | Three Months Ended |               |                      |
|--|--------------------|---------------|----------------------|
|  | March 31,<br>2009  | 2008          | December 31,<br>2008 |
| <b>Operating income, GAAP basis</b>  | <b>\$ 271</b>      | <b>\$ 396</b> | <b>\$ 339</b>        |
| Non-GAAP adjustments:  |                    |               |                      |
| Restructuring charges  | 22                 |               | 38                   |
| PNC LTIP funding obligation  | 15                 | 15            | 14                   |
| Merrill Lynch compensation contribution  | 3                  | 3             | 3                    |
| Compensation expense related to (depreciation) appreciation on deferred compensation plans | (4)                | (1)           | (23)                 |
| <b>Operating income, as adjusted</b>   | <b>307</b>         | <b>413</b>    | <b>371</b>           |
| Closed-end fund launch costs   | 2                  | 4             |                      |
| Closed-end fund launch commissions   | 1                  |               |                      |
| <br>Operating income used for operating margin measurement                                 | <br>\$ 310         | <br>\$ 417    | <br>\$ 371           |
| <br>Revenue, GAAP basis  | <br>\$ 987         | <br>\$ 1,300  | <br>\$ 1,064         |
| Non-GAAP adjustments:  |                    |               |                      |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| Portfolio administration and servicing costs           | (129)        | (156)        | (138)        |
| Amortization of deferred mutual fund sales commissions | (27)         | (30)         | (32)         |
| Reimbursable property management compensation          |              | (6)          | (3)          |
| Revenue used for operating margin measurement          | \$ 831       | \$ 1,108     | \$ 891       |
| <b>Operating margin, GAAP basis</b>                    | <b>27.5%</b> | <b>30.5%</b> | <b>31.9%</b> |
| <b>Operating margin, as adjusted</b>                   | <b>37.3%</b> | <b>37.6%</b> | <b>41.6%</b> |

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Overview (continued)**

**BlackRock, Inc.**

**Financial Highlights**

(continued)

(a) (continued)

Management believes that operating income, as adjusted, and operating margin, as adjusted, are effective indicators of BlackRock's performance over time. As such, management believes that operating income, as adjusted, and operating margin, as adjusted, provide useful disclosure to investors.

Operating income, as adjusted:

Restructuring charges recorded in 2008 and 2009 consist of compensation costs, occupancy costs and professional fees and have been deemed non-recurring by management and thus have been excluded from operating income, as adjusted, to help ensure the comparability of this information to prior periods. As such, management believes that operating margins exclusive of these costs are useful measures in evaluating BlackRock's operating performance for the respective periods.

The portion of compensation expense associated with certain long-term incentive plans ( LTIP ) that will be funded through the distribution to participants of shares of BlackRock stock held by PNC and the anticipated Merrill Lynch compensation contribution have been excluded because these charges ultimately do not impact BlackRock's book value.

Compensation expense associated with appreciation (depreciation) on assets related to certain BlackRock deferred compensation plans has been excluded as returns on investments set aside for these plans, which substantially offset this expense, are reported in non-operating income.

Operating margin, as adjusted:

Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of closed-end fund launch costs and commissions. Management believes that excluding such costs and commissions is useful because these costs can fluctuate considerably and revenues associated with the expenditure of these costs will not fully impact the Company's results until future periods.

Operating margin, as adjusted, allows the Company to compare performance from year-to-year by adjusting for items that may not recur, recur infrequently or may fluctuate based on market movement, such as restructuring charges, integration costs, closed-end fund launch costs and fluctuations in compensation expense based on mark-to-market movements in investments held to fund certain compensation plans. The Company also uses operating margin, as adjusted, to monitor corporate performance and efficiency and as a benchmark to compare its performance to other companies. Management uses both the GAAP and non-GAAP financial measures. The non-GAAP measure by itself may pose limitations because it does not include all of the Company's revenues and expenses.

Revenue used for operating margin, as adjusted, excludes portfolio administration and servicing costs paid to related parties and to other third parties. Management believes that excluding such costs is useful because the Company receives offsetting revenue for these services. Amortization of deferred mutual fund sales commissions is excluded from revenue used for operating margin measurement, as adjusted, because such costs, over time, offset distribution fee revenue earned by the Company. Reimbursable property management compensation represented



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compensation and benefits paid to personnel of Metric Property Management, Inc. ( Metric ), a subsidiary of BlackRock Realty Advisors, Inc. ( Realty ). These employees were retained on Metric s payroll when certain properties were acquired by Realty s clients. The related compensation and benefits were fully reimbursed by Realty s clients and have been excluded from revenue used for operating margin, as adjusted, because they bear no economic cost to BlackRock. For each of these items, BlackRock excludes from revenue used for operating margin, as adjusted, the costs related to each of these items.

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**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Overview (continued)****BlackRock, Inc.****Financial Highlights**

(continued)

**(b) Non-operating income (expense), less income (loss) attributable to non-controlling interests, as adjusted:**

Non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted, equals non-operating income (expense), GAAP basis, less net income (loss) attributable to non-controlling interests, GAAP basis, adjusted for compensation expense associated with depreciation (appreciation) on assets related to certain BlackRock deferred compensation plans. The compensation expense offset is recorded in operating income. This compensation expense has been included in non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted, to offset returns on investments set aside for these plans, which are reported in non-operating income (expense), GAAP basis.

|  | Three Months Ended |                |                      |
|--|--------------------|----------------|----------------------|
|  | March 31,<br>2009  | 2008           | December 31,<br>2008 |
| Non-operating income (expense), GAAP basis   | \$ (179)           | \$ (20)        | \$ (413)             |
| Net income (loss) attributable to non-controlling interests, GAAP basis  | (22)               | 5              | (119)                |
| Non-operating income (expense), less net income (loss) attributable to non-controlling interests                     | (157)              | (25)           | (294)                |
| Compensation expense related to depreciation on deferred compensation plans  | 4                  | 1              | 23                   |
| <b>Non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted</b> | <b>\$ (153)</b>    | <b>\$ (24)</b> | <b>\$ (271)</b>      |

Management believes that non-operating income (expense), as adjusted, provides for comparability of this information to prior periods and is an effective measure for reviewing BlackRock's non-operating contribution to its results. As compensation expense on the deferred compensation plans, which is included in operating income, offsets the gain/(loss) on the investments set aside for these plans, management believes that non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted, provides useful measures to investors of BlackRock's non-operating results.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Overview (continued)**(c) Net income attributable to BlackRock, Inc., as adjusted:

Management believes that net income attributable to BlackRock, Inc., as adjusted, and diluted common earnings per share, as adjusted, are useful measures of BlackRock's profitability and financial performance. Net income attributable to BlackRock, Inc., as adjusted, equals net income attributable to BlackRock, Inc., GAAP basis, adjusted for significant non-recurring items as well as charges that ultimately will not impact BlackRock's book value.

|  | Three Months Ended |                   |                      |
|--|--------------------|-------------------|----------------------|
|  | 2009               | March 31,<br>2008 | December 31,<br>2008 |
| <b>Net income attributable to BlackRock, Inc., GAAP basis</b>              | \$ 84              | \$ 241            | \$ 53                |
| Non-GAAP adjustments, net of tax: (d)                                      |                    |                   |                      |
| Restructuring charges  | 14                 |                   | 26                   |
| PNC LTIP funding obligation  | 10                 | 9                 | 10                   |
| Merrill Lynch compensation contribution                                    | 2                  | 2                 | 2                    |
| <b>Net income attributable to BlackRock, Inc., as adjusted</b>             | \$ 110             | \$ 252            | \$ 91                |
| Allocation of net income attributable to BlackRock, Inc., as adjusted: (f) |                    |                   |                      |
| Common shares  | \$ 107             | \$ 245            | \$ 87                |
| Participating RSUs   | 3                  | 7                 | 4                    |
| <b>Net income attributable to BlackRock, Inc., as adjusted</b>             | \$ 110             | \$ 252            | \$ 91                |
| Diluted weighted average shares outstanding (e)                            | 131,797,189        | 131,620,744       | 131,605,739          |
| <b>Diluted earnings per common share, GAAP basis (e)</b>                   | \$ 0.62            | \$ 1.77           | \$ 0.39              |
| <b>Diluted earnings per common share, as adjusted (e)</b>                  | \$ 0.81            | \$ 1.86           | \$ 0.66              |

The restructuring charges reflected in GAAP net income attributable to BlackRock, Inc. have been deemed non-recurring by management and have been excluded from net income attributable to BlackRock, Inc., as adjusted, to help ensure the comparability of this information to prior reporting periods.

The portion of the compensation expense associated with LTIP awards that will be funded through the distribution to participants of shares of BlackRock stock held by PNC and the anticipated Merrill Lynch compensation contribution have been excluded from net income, as adjusted, because these charges ultimately do not impact BlackRock's book value.

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(d) The tax rates used represent BlackRock's corporate effective tax rates in the respective periods, which exclude certain adjustments that were recorded. For the quarters ended March 31, 2009, March 31, 2008 and December 31, 2008, non-GAAP adjustments were tax effected at 35%, 35% and 33%, respectively.

(e) Series A, B and C non-voting participating preferred stock are considered to be common stock equivalents for purposes of determining basic and diluted earnings per share calculations. Certain unvested restricted stock units are not included in this number as they are deemed participating securities in accordance with FSP EITF 03-6-1.

(f) Allocation of net income attributable to BlackRock, Inc., as adjusted, to common shares and participating RSUs is calculated pursuant to the two-class method as defined in SFAS No. 128, *Earnings per Share*.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Overview (continued)**

BlackRock has portfolio managers located around the world, including the United States, the United Kingdom, the Netherlands, Japan, Hong Kong and Australia. The Company provides a wide array of taxable and tax-exempt fixed income, equity and balanced mutual funds and separate accounts, as well as a wide assortment of index-based equity and alternative investment products for a diverse global clientele. BlackRock provides global advisory services for mutual funds and other non-U.S. equivalent retail products. The Company's non-U.S. mutual funds are based in a number of domiciles and cover a range of asset classes, including cash management, fixed income and equities. The Merrill Lynch International Investment Funds, the Company's primary retail fund group offered outside the United States, were rebranded in April 2008 as the BlackRock Global Funds. The BlackRock Global Funds are authorized for distribution in more than 37 jurisdictions worldwide. In the United States, the primary retail offerings include various open-end and closed-end funds. Additional fund offerings include structured products, real estate funds, hedge funds, hedge funds of funds, private equity funds and funds of funds, managed futures funds and exchange funds. These products are sold to both U.S. and non-U.S. high net worth, retail and institutional investors in a wide variety of active and passive strategies covering both equity and fixed income assets.

BlackRock's client base consists of financial institutions and other corporate clients, pension funds, high net worth individuals and retail investors around the world. BlackRock maintains a significant sales and marketing presence both inside and outside the United States that is focused on establishing and maintaining retail and institutional investment management relationships by marketing its services to retail and institutional investors directly and through financial professionals, pension consultants and establishing third-party distribution relationships. BlackRock also distributes its products and services through Merrill Lynch under the global distribution agreement, which, following Bank of America's acquisition of Merrill Lynch, runs through January 2014. After such term, the agreement will renew for one automatic three-year extension if certain conditions are met.

BlackRock derives a substantial portion of its revenue from investment advisory and administration fees, which are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM, percentages of committed capital during investment periods of certain products, or, in the case of certain real estate equity separate accounts, net operating income generated by the underlying properties, and are affected by changes in AUM, including market appreciation or depreciation, foreign exchange gains or losses and net subscriptions or redemptions. Net subscriptions or redemptions represent the sum of new client assets, additional fundings from existing clients (including dividend reinvestment), withdrawals of assets from, and termination of, client accounts and purchases and redemptions of mutual fund shares. Market appreciation or depreciation includes current income earned on, and changes in the fair value of, securities held in client accounts.

Investment advisory agreements for certain separate accounts and BlackRock's alternative investment products provide for performance fees, based upon relative and/or absolute investment performance, in addition to base fees based on AUM. Investment advisory performance fees generally are earned after a given period of time or when investment performance exceeds a contractual threshold. As such, the timing of recognition of performance fees may increase the volatility of BlackRock's revenue and earnings.

BlackRock provides a variety of risk management, investment analytic and investment system and advisory services to financial institutions, pension funds, asset managers, foundations, consultants, mutual fund sponsors, real estate investment trusts and government agencies. These services are provided under the brand name *BlackRock Solutions*<sup>®</sup> and include a wide array of risk management services, valuation services related to illiquid securities, disposition and workout assignments (including long-term portfolio liquidation assignments), strategic planning and execution, and enterprise investment system outsourcing to clients. Fees earned for *BlackRock Solutions* and advisory services are determined using some, or all, of the following methods: (i) fixed fees, (ii) percentages of various attributes of advisory assets under management and (iii) performance fees if contractual thresholds are met.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Overview (continued)**

Operating expenses reflect employee compensation and benefits, portfolio administration and servicing costs, amortization of deferred mutual fund sales commissions, general and administration expenses and amortization of intangible assets. Employee compensation and benefits expense reflects salaries, deferred and incentive compensation, stock-based compensation and related benefit costs. Portfolio administration and servicing costs include payments made to Merrill Lynch-affiliated entities under a global distribution agreement and to PNC-affiliated entities, as well as third parties, primarily associated with the administration and servicing of client investments in certain BlackRock products.

BlackRock holds investments primarily in sponsored investment products that invest in a variety of asset classes, including real estate, private equity, and hedge funds. Investments generally are made for co-investment purposes, to establish a performance track record to hedge exposure to certain deferred compensation plans. Non-operating income (expense) includes the impact of changes in the valuations of these investments.

**Assets Under Management**

AUM for reporting purposes is generally based upon how investment advisory and administration fees are calculated for each portfolio. Net asset values, total assets, committed assets or other measures may be used to determine portfolio AUM.

**BlackRock, Inc.****Assets Under Management Summary****(Dollar amounts in millions)**

|                                 | March 31,<br>2009 | December 31,<br>2008 | March 31,<br>2008 | Variance vs.<br>December 31,<br>2008 |       |
|---------------------------------|-------------------|----------------------|-------------------|--------------------------------------|-------|
|                                 |                   |                      |                   | March 31,<br>2008                    |       |
| Fixed income                    | \$ 474,284        | \$ 483,173           | \$ 514,673        | (2)%                                 | (8)%  |
| Cash management                 | 322,485           | 338,439              | 349,208           | (5)%                                 | (8)%  |
| Equity and balanced             | 265,748           | 280,821              | 426,935           | (5)%                                 | (38)% |
| Alternative investment products | 51,693            | 59,723               | 73,620            | (13)%                                | (30)% |
| <b>Sub Total</b>                | 1,114,210         | 1,162,156            | 1,364,436         | (4)%                                 | (18)% |
| Advisory AUM <sup>1</sup>       | 169,145           | 144,995              |                   | 17%                                  | NM    |
| <b>Total</b>                    | \$ 1,283,355      | \$ 1,307,151         | \$ 1,364,436      | (2)%                                 | (6)%  |

NM - Not Meaningful

<sup>1</sup> Advisory AUM represents long-term portfolio liquidation assignments.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Assets Under Management (continued)**

AUM decreased approximately \$24 billion, or 2%, to \$1.283 trillion at March 31, 2009, compared to \$1.307 trillion at December 31, 2008. The decline in AUM was attributable to \$23 billion in net market depreciation and \$7 billion in foreign exchange translation, partially offset by \$6 billion in net subscriptions. Net market depreciation of \$23 billion included \$17 billion of depreciation in equity and balanced assets, due to a decline in global equity markets, primarily in U.S. equity and global balanced products and \$5 billion in alternative products including real estate. The \$7 billion reduction in AUM from foreign exchange was across all asset classes due to the strengthening of the U.S. dollar, which resulted in foreign exchange translation from converting non-dollar denominated AUM into U.S. dollars. Net subscriptions of \$6 billion for the three months ended March 31, 2009 were the result of net subscriptions of \$25 billion in long-term advisory liquidation assignments and \$6 billion in equity and balanced products including index and sector funds, partially offset by \$16 billion in cash management net outflows primarily in government money market funds, where interest rates are hovering near zero, the majority of which occurred toward the end of the quarter, \$6 billion in fixed income products primarily related to net outflows in U.S. core and U.S. mortgage products and \$3 billion of net outflows in alternative investment products.

AUM decreased approximately \$81 billion, or 6%, to \$1.283 trillion at March 31, 2009, compared with \$1.364 trillion at March 31, 2008. The decline in AUM was attributable to \$174 billion in net market depreciation and \$45 billion in foreign exchange losses, partially offset by \$138 billion in net subscriptions. Market depreciation of \$174 billion was primarily due to the depreciation in equity and balanced assets of \$140 billion, as equity markets declined during the twelve months ended March 31, 2009, depreciation in fixed income products of \$19 billion and \$17 billion in alternative products. The \$45 billion reduction in AUM from foreign exchange was across all asset classes due to the strengthening of the U.S. dollar, which resulted in foreign exchange translation from converting non-dollar denominated AUM into U.S. dollars. Net subscriptions of \$138 billion for the twelve months ended March 31, 2009 were attributable to net new business of \$169 billion in long-term advisory liquidation assignments, \$7 billion in equity and balanced products primarily related to asset allocation products, partially offset by \$25 billion of net outflows in cash management products primarily related to prime funds and securities lending portfolios, \$10 billion in fixed income products and \$3 billion in alternative products.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Assets Under Management (continued)**

The following table presents the component changes in BlackRock's AUM for the three months ended March 31, 2009.

**BlackRock, Inc.****Component Changes in Assets Under Management**

**For the Quarter Ended March 31, 2009**

**(Dollar amounts in millions)**

|                                 | <b>December 31,<br/>2008</b> | <b>Net<br/>subscriptions<br/>(redemptions)</b> | <b>Market<br/>appreciation<br/>(depreciation)</b> | <b>Foreign<br/>Exchange <sup>1</sup></b> | <b>March 31,<br/>2009</b> |
|---------------------------------|------------------------------|--|---|--|---------------------------|
| Fixed income                    | \$ 483,173                   | \$ (6,404)                                     | \$ (296)  | \$ (2,189)                               | \$ 474,284                |
| Cash management                 | 338,439                      | (15,642)                                       | (152)   | (160)                                    | 322,485                   |
| Equity and balanced             | 280,821                      | 5,769  | (17,118)  | (3,724)                                  | 265,748                   |
| Alternative investment products | 59,723                       | (2,595)  | (5,198)   | (237)                                    | 51,693                    |
| <b>Sub Total</b>                | <b>1,162,156</b>             | <b>(18,872)</b>                                | <b>(22,764)</b>                                   | <b>(6,310)</b>                           | <b>1,114,210</b>          |
| Advisory AUM <sup>2</sup>       | 144,995                      | 24,520   | (111)   | (259)                                    | 169,145                   |
| <b>Total</b>                    | <b>\$ 1,307,151</b>          | <b>\$ 5,648</b>                                | <b>\$ (22,875)</b>                                | <b>\$ (6,569)</b>                        | <b>\$ 1,283,355</b>       |

<sup>1</sup> Foreign exchange reflects the impact of converting non-dollar denominated AUM into U.S. dollars for reporting.

<sup>2</sup> Advisory AUM represents long-term portfolio liquidation assignments.



**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Assets Under Management (continued)**

The following table presents the component changes in BlackRock's AUM for the twelve months ended March 31, 2009.

**BlackRock, Inc.****Component Changes in Assets Under Management**

**For the Twelve Months Ended March 31, 2009**

**(Dollar amounts in millions)**

|                                 | <b>March 31,<br/>2008</b> | <b>Net<br/>subscriptions<br/>(redemptions)</b> | <b>Market<br/>appreciation<br/>(depreciation)</b> | <b>Foreign<br/>Exchange <sup>1</sup></b> | <b>March 31,<br/>2009</b> |
|---------------------------------|---------------------------|--|---|--|---------------------------|
| Fixed income                    | \$ 514,673                | \$ (10,064)                                    | \$ (18,672)                                       | \$ (11,653)                              | \$ 474,284                |
| Cash management                 | 349,208                   | (25,116)                                       | 762   | (2,369)                                  | 322,485                   |
| Equity and balanced             | 426,935                   | 6,957  | (139,512)   | (28,632)                                 | 265,748                   |
| Alternative investment products | 73,620                    | (3,016)  | (16,915)  | (1,996)                                  | 51,693                    |
| <b>Sub Total</b>                | <b>1,364,436</b>          | <b>(31,239)</b>                                | <b>(174,337)</b>                                  | <b>(44,650)</b>                          | <b>1,114,210</b>          |
| Advisory AUM <sup>2</sup>       |                           | 169,276  | 128   | (259)                                    | 169,145                   |
| <b>Total</b>                    | <b>\$ 1,364,436</b>       | <b>\$ 138,037</b>                              | <b>\$ (174,209)</b>                               | <b>\$ (44,909)</b>                       | <b>\$ 1,283,355</b>       |

<sup>1</sup> Foreign exchange reflects the impact of converting non-dollar denominated AUM into U.S. dollars for reporting.

<sup>2</sup> Advisory AUM represents long-term portfolio liquidation assignments.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008.

*Revenue*

| (Dollar amounts in millions)  | Three Months Ended |                 | Variance vs.    |              |
|---|--------------------|-----------------|-----------------|--------------|
|   | 2009               | 2008            | Amount          | % Change     |
| <b>Investment advisory and administration fees:</b>                           |                    |                 |                 |              |
| Fixed income  | \$ 199             | \$ 221          | \$ (22)         | (10)%        |
| Cash management   | 175                | 175             |                 | 0%           |
| Equity and balanced   | 337                | 602             | (265)           | (44)%        |
| Alternative investment products   | 88                 | 134             | (46)            | (34)%        |
| <b>Investment advisory and administration base fees</b>                       |                    |                 |                 |              |
| Fixed income  | 799                | 1,132           | (333)           | (29)%        |
| Equity and balanced   | 3                  | 2               | 1               | 50%          |
| Alternative investment products   | 6                  | 38              | (32)            | (84)%        |
| Investment advisory performance fees  | 2                  | 2               |                 | 0%           |
| Investment advisory performance fees  | 11                 | 42              | (31)            | (74)%        |
| <b>Total investment advisory and administration base and performance fees</b> |                    |                 |                 |              |
|   | 810                | 1,174           | (364)           | (31)%        |
| <i>BlackRock Solutions</i> and advisory                                       | 140                | 60              | 80              | 133%         |
| Distribution fees   | 25                 | 35              | (10)            | (29)%        |
| Other revenue   | 12                 | 31              | (19)            | (61)%        |
| <b>Total revenue</b>  | <b>\$ 987</b>      | <b>\$ 1,300</b> | <b>\$ (313)</b> | <b>(24)%</b> |

Total revenue for the three months ended March 31, 2009 decreased \$313 million, or 24%, to \$987 million, compared with \$1,300 million for the three months ended March 31, 2008. The \$313 million decrease was the result of a \$364 million decrease in total investment advisory and administration fees, a \$19 million decrease in other revenue and a \$10 million decrease in distribution fees, partially offset by an \$80 million increase in *BlackRock Solutions* and advisory revenue.

*Investment Advisory and Administration Fees*

The decrease in investment advisory and administration fees of \$364 million, or 31%, was the result of a decrease in investment advisory and administration base fees of \$333 million, or 29%, to \$799 million for the three months ended March 31, 2009, compared with \$1,132 million for the three months ended March 31, 2008 and a decrease of \$31 million in performance fees.

The decrease in investment advisory and administration base fees of \$333 million for the three months ended March 31, 2009, compared with the three months ended March 31, 2008 consisted of decreases in base fees of \$265 million in equity and balanced products, \$46 million in alternative products and \$22 million in fixed income products as a result of decreased average AUM in 2009 compared to 2008 for all asset classes.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)**

*Revenue (continued)*

*Investment Advisory and Administration Fees (continued)*

Investment advisory performance fees decreased by \$31 million, or 74%, to \$11 million for the three months ended March 31, 2009, as compared to \$42 million for the three months ended March 31, 2008, primarily due to a reduction in performance fees in equity separate accounts.

*BlackRock Solutions and Advisory*

*BlackRock Solutions* and advisory revenue for the three months ended March 31, 2009 increased \$80 million, or 133%, compared with the three months ended March 31, 2008. The increase in *BlackRock Solutions* and advisory revenue was primarily the result of additional advisory assignments during the period. Revenue earned on advisory assignments was comprised of advisory and portfolio structuring assignment fees and ongoing fees based on AUM of the respective portfolio assignments.

*Distribution Fees*

Distribution fees decreased by \$10 million to \$25 million for the three months ended March 31, 2009, as compared to \$35 million for the three months ended March 31, 2008. The decrease in distribution fees was primarily the result of a lower sales and redemptions in certain share classes of open-end funds.

*Other Revenue*

Other revenue of \$12 million for the quarter ended March 31, 2009 decreased \$19 million compared with the quarter ended March 31, 2008. Other revenue represents \$4 of unit trust sales commissions, \$2 million of net interest related to securities lending and \$6 million of other revenue.

The decrease in other revenue of \$19 million, or 61%, for the three months ended March 31, 2009, as compared to the three months ended March 31, 2008, was primarily the result of a \$9 million decline in property management fees primarily related to the outsourcing in the fourth quarter of 2008 of Metric contracts with BlackRock real estate clients, a \$5 million decrease in net interest earned related to securities lending and a \$3 million decline in unit trust sales commissions.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)

*Expenses*

| (Dollar amounts in millions)                           | Three Months Ended |               | Variance vs.    |              |
|--|--------------------|---------------|-----------------|--------------|
|  | 2009               | 2008          | Amount          | % Change     |
| <b>Expenses:</b>                                       |                    |               |                 |              |
| Employee compensation and benefits                     | \$ 351             | \$ 469        | \$ (118)        | (25)%        |
| Portfolio administration and servicing costs           | 129                | 156           | (27)            | (17)%        |
| Amortization of deferred mutual fund sales commissions | 27                 | 30            | (3)             | (10)%        |
| General and administration                             | 151                | 212           | (61)            | (29)%        |
| Restructuring charges                                  | 22                 |               | 22              | NM           |
| Amortization of intangible assets                      | 36                 | 37            | (1)             | (3)%         |
| <b>Total expenses</b>                                  | <b>\$ 716</b>      | <b>\$ 904</b> | <b>\$ (188)</b> | <b>(21)%</b> |

*NM - Not Meaningful*

Total expenses decreased \$188 million, or 21%, to \$716 million for the three months ended March 31, 2009, compared with \$904 million for the three months ended March 31, 2008. Excluding the restructuring charges of \$22 million, expenses decreased \$210 million, or 23%, primarily attributable to decreases in employee compensation and benefits, general and administration expenses and portfolio and administration and servicing costs.

*Employee Compensation and Benefits*

Employee compensation and benefits expense decreased by \$118 million, or 25%, to \$351 million, at March 31, 2009, compared to \$469 million for the three months ended March 31, 2008. The decrease in employee compensation and benefits expense was primarily attributable to a \$72 million reduction in incentive compensation associated with the decrease in operating income and performance fees and a \$39 million decrease in salaries, benefits and commissions due to lower headcount as a result of the Company's cost control efforts and outsourcing of Metric services. Employees at March 31, 2009 totaled 5,244 as compared to 6,024 (including 419 Metric employees) and 5,605 (excluding Metric employees) at March 31, 2008.

*Portfolio Administration and Servicing Costs*

Portfolio administration and servicing costs decreased \$27 million to \$129 million during the three months ended March 31, 2009, compared to \$156 million for the three months ended March 31, 2008. These costs include payments to Merrill Lynch under a global distribution agreement, and payments to PNC as well as other third parties, primarily associated with the administration and servicing of client investments in certain BlackRock products. The \$27 million decrease primarily related to lower levels of average AUM serviced by third parties across all asset classes.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)

*Expenses (continued)**Portfolio Administration and Servicing Costs (continued)*

Portfolio administration and servicing costs for the three months ended March 31, 2009 included \$99 million of costs attributable to Merrill Lynch and affiliates and \$5 million of costs attributable to PNC and affiliates as compared to \$122 million and \$8 million, respectively, in the three months ended March 31, 2008.

*Amortization of Deferred Mutual Fund Sales Commissions*

Amortization of deferred mutual fund sales commissions decreased by \$3 million to \$27 million for the three months ended March 31, 2009, as compared to \$30 million for the three months ended March 31, 2008. The decrease in amortization of deferred mutual fund sales commissions was primarily the result of lower sales and redemptions in certain share classes of open-end funds.

*General and Administration Expenses*

| (Dollar amounts in millions)                     | Three Months Ended |               | Variance vs.   |              |
|--|--------------------|---------------|----------------|--------------|
|  | 2009               | 2008          | Amount         | % Change     |
| General and administration expenses:             |                    |               |                |              |
| Marketing and promotional                        | \$ 14              | \$ 41         | \$ (27)        | (66)%        |
| Professional services                            | 13                 | 22            | (9)            | (41)%        |
| Portfolio services                               | 32                 | 39            | (7)            | (18)%        |
| Technology                                       | 25                 | 31            | (6)            | (19)%        |
| Closed-end fund launch costs                     | 2                  | 4             | (2)            | (50)%        |
| Occupancy  | 35                 | 33            | 2              | 6%           |
| Other general and administration                 | 30                 | 42            | (12)           | (29)%        |
| <b>Total general and administration expenses</b> | <b>\$ 151</b>      | <b>\$ 212</b> | <b>\$ (61)</b> | <b>(29)%</b> |

General and administration expenses decreased \$61 million, or 29%, for the three months ended March 31, 2009 compared with the three months ended March 31, 2008. Marketing and promotional expenses decreased \$27 million, or 66%, primarily due to a decline in travel and promotional expenses. Professional services decreased \$9 million, or 41%, to \$13 million compared to \$22 million for the three months ended March 31, 2008 primarily due to decreases in accounting, tax, legal and other professional services. Portfolio service costs decreased by \$7 million to \$32 million, or 18%. Technology expenses decreased \$6 million, or 19%, to \$25 million compared to \$31 million for the three months ended March 31, 2008 primarily due to a decrease in software licensing and maintenance costs and technology consulting. Other general and administration expenses decreased \$12 million, or 29%, to \$30 million from \$42 million, primarily related to declines in foreign currency remeasurement, recruiting and communication costs partially offset by an expense for potentially uncollectible receivables.



**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)

*Expenses (continued)**Restructuring Charges*

For the three months ended March 31, 2009 BlackRock recorded pre-tax restructuring charges of \$22 million, primarily related to severance, outplacement costs, occupancy costs and accelerated amortization of certain previously granted stock awards associated with a reduction in work force and reengineering efforts. See discussion in Note 11, Restructuring Charges, to the Company's condensed consolidated financial statements contained in Part I, Item 1 of this filing.

**Non-Operating Income (Expense), Less Net Income (Loss) Attributable to Non-Controlling Interests**

Non-operating income (expense), less net income (loss) attributable to non-controlling interests for the three months ended March 31, 2009 and 2008 was as follows:

| (Dollar amounts in millions)   | Three Months Ended<br>March 31, |         | Variance vs. |          |
|--|---------------------------------|---------|--------------|----------|
|  | 2009                            | 2008    | Amount       | % Change |
| Total non-operating income (expense)   | \$ (179)                        | \$ (20) | \$ (159)     | NM       |
| Net income (loss) attributable to non-controlling interests  | (22)                            | 5       | (27)         | NM       |
| Total non-operating income (expense), less net income (loss) attributable to non-controlling interests | \$ (157)                        | \$ (25) | \$ (132)     | NM       |

*NM - Not Meaningful*

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)

**Non-Operating Income (Expense), Less Net Income (Loss) Attributable to Non-Controlling Interests (continued)**

The components of non-operating income (expense), less net income (loss) attributable to non-controlling interests, for the three months ended March 31, 2009 and 2008 were as follows:

| (Dollar amounts in millions)  | Three Months Ended<br>March 31, |         | Variance vs. |          |
|---|---------------------------------|---------|--------------|----------|
|   | 2009                            | 2008    | Amount       | % Change |
| Non-operating income (expense), less net income (loss) attributable to non-controlling interests:             |                                 |         |              |          |
| Net gain (loss) on investments, less net income (loss) attributable to non-controlling interests:             |                                 |         |              |          |
| Private equity  | \$ (20)                         | \$ 8    | \$ (28)      | (350)%   |
| Real estate   | (93)                            | (14)    | (79)         | NM       |
| Distressed hedge funds  | (12)                            | (3)     | (9)          | (300)%   |
| Hedge funds/funds of hedge funds  | (6)                             | (13)    | 7            | 54%      |
| Other investments <sup>1</sup>  | (15)                            | (2)     | (13)         | NM       |
| Sub-total   | (146)                           | (24)    | (122)        | NM       |
| Investments related to deferred compensation plans  | (4)                             | (1)     | (3)          | (300)%   |
| Total net gain (loss) on investments, less net income (loss) attributable to non-controlling interests        | (150)                           | (25)    | (125)        | (500)%   |
| Interest and dividend income  | 8                               | 18      | (10)         | (56)%    |
| Interest expense  | (15)                            | (18)    | 3            | (17)%    |
| Total non-operating income (expense), less net income (loss) attributable to non-controlling interests        | (157)                           | (25)    | (132)        | NM       |
| Compensation expense related to depreciation on deferred compensation plans                                   | 4                               | 1       | 3            | 300%     |
| Non-operating income (expense), less net income (loss) attributable to non-controlling interests, as adjusted | \$ (153)                        | \$ (24) | \$ (129)     | NM       |

NM - Not Meaningful

<sup>1</sup> Includes net gains/(losses) related to equity and fixed income investments, collateralized debt obligations ( CDOs ) and BlackRock's seed capital hedging program.

Non-operating income (expense), less net income (loss) attributable to non-controlling interests, decreased \$132 million to \$157 million for the three months ended March 31, 2009, as compared to \$25 million for the three months ended March 31, 2008. The \$157 million non-operating expense, less non-controlling interests, related to valuation declines on the Company's co-investment and seed investments, including \$93 million from real estate products, \$20 million from private equity products, \$18 million in hedge funds/funds of hedge funds (including the impact of



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distressed credit products) and \$19 million related to other investments, including investments associated with certain deferred compensation plans. In addition, net interest income declined \$7 million primarily due to a decline in interest rates.

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**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)

**Net Economic Investment Portfolio**

The Company reviews its net economic exposure to its investment portfolio by reducing its GAAP investments by the net assets attributable to non-controlling interests of consolidated sponsored investment funds. Changes in the investment portfolio are due to purchases, sales, maturities, distributions as well as the impact of valuations. The following table represents the percentage ranges, by asset type, of the net economic investment portfolio at March 31, 2009 and 2008:

|                                  | March 31, 2009<br>% Ranges | March 31, 2008<br>% Ranges |
|----------------------------------|----------------------------|----------------------------|
| Private equity                   | 20-30%                     | 15-25%                     |
| Real estate                      | <10%                       | 15-25%                     |
| Distressed hedge funds           | 15-25%                     | 5-15%                      |
| Hedge funds/funds of hedge funds | 15-25%                     | 15-25%                     |
| Other investments                | 15-25%                     | 20-30%                     |

**Income Tax Expense**

Income tax expense was \$30 million and \$130 million for the three months ended March 31, 2009 and 2008, respectively. The effective income tax rate for the three months ended March 31, 2009 was 26.3%, as compared to 35.0% for the three months ended March 31, 2008. Excluding a \$10 million tax benefit related to a decrease in unrecognized tax benefits related to the final resolution of an outstanding tax matter in the first quarter 2009, the effective income tax rate was 35%.

**Operating Income and Operating Margin***GAAP*

Operating income totaled \$271 million for the three months ended March 31, 2009, which was a decrease of \$125 million compared to the three months ended March 31, 2008. The Company's operating margin was 27.5% for the three months ended March 31, 2009, compared to 30.5% for the three months ended March 31, 2008. Operating income and operating margin for the three months ended March 31, 2009 included the impact of a \$333 million decrease in investment advisory and administration base fees, associated with a market driven reduction in AUM, a \$31 million decrease in performance fees revenue, and a \$19 million reduction in other revenue, partially offset by \$80 million increase in *BlackRock Solutions* and advisory revenue. The decrease in revenue is partially offset by a \$188 million decrease in operating expenses primarily due to declines in employee compensation and benefits, general and administration expenses and portfolio administration and servicing costs offset by \$22 million of restructuring charges.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)

**Operating Income and Operating Margin (continued)***As Adjusted*

Operating income, as adjusted, totaled \$307 million for the three months ended March 31, 2009, which was a decrease of \$106 million compared to the three months ended March 31, 2008. Operating margin, as adjusted, was 37.3% and 37.6% for the three months ended March 31, 2009 and 2008, respectively. The decline of operating income, as adjusted, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008 is primarily related to the impact of the \$313 million decrease in revenue offset by a \$207 million decrease in operating expenses primarily due to employee compensation and benefits and general and administration.

Operating income, as adjusted, and operating margin, as adjusted, are described in more detail in the Overview to Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Net Income Attributable to BlackRock, Inc.**

The components of net income attributable to BlackRock, Inc. and net income attributable to BlackRock, Inc., as adjusted, for the three months ended March 31, 2009 and 2008 are as follows:

|  | Three Months Ended<br>March 31, |             |               | % | Three Months Ended<br>March 31, |                    |               | % |
|--|---------------------------------|-------------|---------------|---|---------------------------------|--------------------|---------------|---|
|  | 2009                            | 2008        |               |   | 2009                            | 2008               |               |   |
| <b>(Dollar amounts in millions, except per share data)</b>                                       | <b>GAAP</b>                     | <b>GAAP</b> | <b>Change</b> |   | <b>As adjusted</b>              | <b>As adjusted</b> | <b>Change</b> |   |
| Operating income   | \$ 271                          | \$ 396      | (32)%         |   | \$ 307                          | \$ 413             | (26)%         |   |
| Non-operating income (expense), less net income (loss) attributable to non-controlling interests | (157)                           | (25)        | NM            |   | (153)                           | (24)               | NM            |   |
| Income tax expense   | (30)                            | (130)       | (77)%         |   | (44)                            | (137)              | (68)%         |   |
| Net income attributable to BlackRock, Inc.   | \$ 84                           | \$ 241      | (65)%         |   | \$ 110                          | \$ 252             | (56)%         |   |
| Net income allocated to:   |                                 |             |               |   |                                 |                    |               |   |
| Common shares  | \$ 82                           | \$ 233      | (65)%         |   | \$ 107                          | \$ 245             | (56)%         |   |
| Participating RSUs   | 2                               | 8           | (75)%         |   | 3                               | 7                  | (57)%         |   |
| Net income attributable to BlackRock, Inc.   | \$ 84                           | \$ 241      | (65)%         |   | \$ 110                          | \$ 252             | (56)%         |   |
| Total weighted-average common shares outstanding   | 131,797,189                     | 131,620,744 | 0%            |   | 131,797,189                     | 131,620,744        | 0%            |   |
|  | \$ 0.62                         | \$ 1.77     | (65)%         |   | \$ 0.81                         | \$ 1.86            | (56)%         |   |

Diluted earnings attributable to  
BlackRock, Inc. common  
shareholders per share

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Operating results for the three months ended March 31, 2009, as compared with the three months ended March 31, 2008. (continued)**

**Net Income Attributable to BlackRock, Inc. (continued)**

Net income attributable to BlackRock, Inc. for the three months ended March 31, 2009 includes operating income of \$271 million, or \$1.30 per diluted common share, non-operating losses, less net income (loss) attributable to non-controlling interests, of \$157 million, or \$0.75 loss per diluted common share and \$0.07 per diluted common share benefit related to the final resolution of an outstanding tax matter. Net income attributable to BlackRock, Inc. totaled \$84 million, or \$0.62 per diluted common share, for the three months ended March 31, 2009, which was a decrease of \$157 million, or \$1.15 per diluted common share, compared to the three months ended March 31, 2008.

Net income attributable to BlackRock, Inc. for the three months ended March 31, 2009 included the after-tax impact of restructuring charges of \$14 million, the portion of LTIP awards which will be funded through a capital contribution of BlackRock stock held by PNC of \$10 million and an expected contribution by Merrill Lynch of \$2 million to fund certain compensation of former MLIM employees.

Net income attributable to BlackRock, Inc. of \$241 million for the three months ended March 31, 2008 included the after-tax impact of the portion of certain LTIP awards which will be funded through a capital contribution of BlackRock stock held by PNC of \$9 million and an expected contribution by Merrill Lynch of \$2 million to fund certain compensation of former MLIM employees.

Exclusive of these items in both periods, diluted earnings per common share, as adjusted, for the three months ended March 31, 2009 decreased \$1.05, or 56%, to \$0.81 compared to the three months ended March 31, 2008. Diluted earnings per common share, as adjusted, is described in more detail in the Overview to Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Liquidity and Capital Resources**

*Operating Activities*

Sources of BlackRock's operating cash include investment advisory and administration fees, revenues from *BlackRock Solutions* and advisory products and services, mutual fund distribution fees and realized earnings and distributions on the Company's investments. BlackRock primarily uses its cash to pay compensation and benefits, portfolio administration and servicing costs, general and administration expenses, interest on the Company's borrowings, purchases of co-investments and seed investments, capital expenditures, income taxes and dividends on BlackRock's capital stock.

*BlackRock Cash Flows Excluding the Impact of Consolidated Sponsored Investment Funds*

In accordance with GAAP, certain BlackRock sponsored investment funds are consolidated into the condensed consolidated financial statements of BlackRock, notwithstanding the fact that BlackRock may only have a minority economic interest in these funds. As a result, BlackRock's condensed consolidated statements of cash flows include the cash flows of consolidated sponsored investment funds. The Company uses an adjusted cash flow, which excludes the impact of consolidated sponsored investment funds, as a supplemental non-GAAP measure to assess liquidity and capital requirements. The Company believes that its cash flows, excluding the impact of the consolidated sponsored investment funds, provide investors with useful information on the cash flows of BlackRock relating to our ability to fund additional operating, investing and financing activities. BlackRock's management does not advocate that investors consider such non-GAAP measures in isolation from, or as a substitute for its cash flow presented in accordance with GAAP.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Liquidity and Capital Resources (continued)***BlackRock Cash Flows Excluding the Impact of Consolidated Sponsored Investment Funds (continued)*

The following tables present a reconciliation of the Company's condensed consolidated statements of cash flows presented on a GAAP basis to the Company's condensed consolidated statements of cash flows, excluding the impact of the cash flows of consolidated sponsored investment funds:

| <i>(Dollar amounts in millions)</i>                          | GAAP Basis      | Three Months Ended<br>March 31, 2009   |  |
|--|-----------------|--|--|
|  |                 | Impact on<br>Cash Flows of<br>Consolidated<br>Sponsored<br>Investment<br>Funds | Cash Flows<br>Excluding<br>Impact of<br>Consolidated<br>Sponsored<br>Investment<br>Funds |
| Cash flows from operating activities                         | \$ (126)        | \$ 44  | \$ (170)   |
| Cash flows from investing activities                         | 104             | 10   | 94   |
| Cash flows from financing activities                         | (201)           | (62)   | (139)  |
| Effect of exchange rate changes on cash and cash equivalents | (16)            |  | (16)   |
| <b>Net change in cash and cash equivalents</b>               | <b>(239)</b>    | <b>(8)</b>   | <b>(231)</b>   |
| Cash and cash equivalents, beginning of period               | 2,032           | 61   | 1,971  |
| <b>Cash and cash equivalents, end of period</b>              | <b>\$ 1,793</b> | <b>\$ 53</b>   | <b>\$ 1,740</b>  |

Cash and cash equivalents, excluding cash held by consolidated sponsored investment funds, at March 31, 2009 decreased \$231 million from December 31, 2008, primarily resulting from \$170 million of cash outflows from operating activities, \$139 million of cash outflows from financing activities, offset by \$94 million of cash inflows from investing activities and a \$16 million decrease due to the effect of foreign exchange rate changes.

Cash outflows from operating activities, excluding the impact of consolidated sponsored investment funds, for the three months ended March 31, 2009, primarily include the receipt of investment advisory and administration fees and other revenue offset by the payment of operating expenses incurred in the normal course of business. Cash outflows from operating activities, excluding the impact of consolidated sponsored investment funds, in the three months ended March 31, 2009 included cash payments related to year end incentive compensation that was paid in the first quarter. Cash inflows from investing activities, excluding the impact of consolidated sponsored investment funds, for the three months ended March 31, 2009 primarily include net proceeds from sales and maturities of investments. Cash outflows from financing activities, excluding the impact of consolidated sponsored investment funds, for the three months ended March 31, 2009 primarily include \$105 million of payments for cash dividends.

**PART I - FINANCIAL INFORMATION (continued)****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Liquidity and Capital Resources (continued)***Capital Resources*

The Company manages its financial condition and funding to maintain appropriate liquidity for the business. Capital resources at March 31, 2009 and December 31, 2008 were as follows:

| <i>(Dollar amounts in millions)</i>  | <b>March 31,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|--|---------------------------|------------------------------|
| Cash and cash equivalents  | \$ 1,793                  | \$ 2,032                     |
| Cash and cash equivalents held by consolidated sponsored investment funds <sup>1</sup> | (53)                      | (61)                         |
| Regulatory capital <sup>2</sup>  | (176)                     | (172)                        |
| 2007 credit facility undrawn <sup>3</sup>  | 2,171                     | 2,171                        |
| <b>Committed access</b>  | <b>\$ 3,735</b>           | <b>\$ 3,970</b>              |

<sup>1</sup> The Company may not be able to access such cash to use in its operating activities.

<sup>2</sup> Partially met with cash and cash equivalents.

<sup>3</sup> Excludes \$129 million of undrawn amounts at March 31, 2009 and December 31, 2008 related to Lehman Commercial Paper, Inc.

In addition, a significant portion of the Company's \$783 million of net economic investments are illiquid in nature and, as such, may not be readily convertible to cash.

*Investment/Loan Commitments*

At March 31, 2009, the Company had \$280 million of various capital commitments to fund sponsored investment funds. Generally, the timing of the funding of capital commitments is uncertain and such commitments could expire before funding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

During the first quarter 2009, approximately \$174 million of loans outstanding were repaid from a warehouse entity established for certain private equity funds of funds.

At March 31, 2009, the Company was committed to provide financing of up to \$60 million, until March 2010, to Anthracite Capital, Inc. (Anthracite), a specialty commercial real estate finance company that is managed by a subsidiary of BlackRock. The financing is collateralized by Anthracite pledging its ownership interest in an investment fund which is also managed by a subsidiary of BlackRock. At March 31, 2009, \$33.5 million of financing was outstanding at an interest rate of 4.6% which matures in July 2009 and may be repaid and reborrowed and was included in due from related parties on the Company's condensed consolidated statement of financial condition. Based on the value of the collateral and the borrowings outstanding of such date, the Company has no obligation to loan new amounts to Anthracite under this facility. The Company and other creditors of Anthracite have granted temporary waivers for certain breaches of financial covenants of Anthracite's credit facilities.

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**PART I - FINANCIAL INFORMATION (continued)**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Liquidity and Capital Resources (continued)**

*Short-Term Borrowings*

In August 2007, the Company entered into a five-year \$2.5 billion unsecured revolving credit facility (the 2007 facility), which permits the Company to request an additional \$500 million of borrowing capacity, subject to lender approval, up to a maximum of \$3 billion. The 2007 facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to EBITDA, where net debt equals total debt less domestic unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 0.5 to 1 at March 31, 2009.

At March 31, 2009, the Company had \$200 million outstanding under the 2007 facility with an interest rate of 0.67% and a maturity date during April 2009. During April 2009, the Company rolled over the \$200 million in borrowings with an interest rate of 0.59% and a maturity date during May 2009.

Lehman Commercial Paper, Inc. has a \$140 million participation under the 2007 facility; however, BlackRock does not expect that Lehman Commercial Paper, Inc. will honor its commitment to fund additional amounts.

In June 2008, BlackRock Japan Co., Ltd., a wholly owned subsidiary of the Company, entered into a five billion Japanese yen commitment-line agreement with a banking institution (the Japan Commitment-line). The term of the Japan Commitment-line is one year and interest will accrue at the applicable Japanese short-term prime rate. The Japan Commitment-line is intended to provide liquidity flexibility for operating requirements in Japan. At March 31, 2009, the Company had no borrowings outstanding under the Japan Commitment-line.

*Convertible Debentures and Long-Term Borrowings*

At March 31, 2009, convertible debentures and long-term borrowings were \$943 million. Debt service and repayment requirements, assuming the Company's 2.625% convertible debentures due 2035 (the convertible debentures) are converted for cash equal to the principal at the option of the holders in second quarter 2009, are \$277 million for the remainder of 2009, \$45 million in 2010 and \$44 million in each of 2011, 2012 and 2013.

*Contingent Payments Related to Quellos Transaction*

On October 1, 2007, the Company acquired the fund of funds business of Quellos. Quellos may be entitled to receive two contingent payments upon achieving certain investment advisory revenue measures through December 31, 2010, totaling up to an additional \$969 million in a combination of cash and stock. The first contingent payment, of up to \$374 million, is payable in 2009, up to 25% in BlackRock common stock and the remainder in cash. The second contingent payment, of up to \$595 million is payable in cash in 2011. Quellos may also be entitled to a catch-up payment if certain performance measures are met in 2011 to the extent that the value of the first contingent payment is less than \$374 million.

At March 31, 2009, the Company estimated the first contingent payment to be \$228 million, of which \$11 million was paid in cash during 2008. Of the remaining \$217 million, \$163 million will be paid in cash and \$54 million in common stock, or approximately 345,000 shares converted at a price of \$157.33. At March 31, 2009, the Company recorded a liability of \$208 million, within other liabilities on the condensed consolidated statement of financial condition, equal to the \$163 million to be paid in cash and \$45 million to be paid in common shares, which represents the fair value of the shares at March 31, 2009.



**PART I - FINANCIAL INFORMATION (continued)**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Liquidity and Capital Resources (continued)**

*Support of Two Enhanced Cash Funds*

In December 2007, BlackRock entered into capital support agreements with the two funds, backed by letters of credit drawn under BlackRock's existing credit facility. Pursuant to the capital support agreements, BlackRock agreed to make subsequent capital contributions to the funds to cover realized losses, up to \$100 million, related to specified securities held by the funds. In December 2008, BlackRock's maximum potential obligation under the capital support agreements was reduced to \$45 million, and in January 2009, one capital support agreement was terminated, due to the closure of the related fund, leaving only one capital support agreement, with a total \$20 million potential obligation outstanding. BlackRock provided approximately \$3 million of capital contributions to this fund for the three months ended March 31, 2009 under the capital support agreement.

In the first quarter 2009, upon the closure of one of the funds, BlackRock received securities in lieu of its remaining investment in the fund, of which one security of approximately \$30 million remained at March 31, 2009 and is expected to mature at par in 2009. At March 31, 2009, BlackRock's investment in the remaining enhanced cash fund was less than \$1 million. In applying the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN 46(R)), BlackRock concluded that it was the primary beneficiary of the two enhanced cash funds at December 31, 2008, as well as the one remaining fund at March 31, 2009, which resulted in consolidation of the funds on its condensed consolidated statements of financial condition.

*Net Capital Requirements*

The Company is required to maintain net capital in certain jurisdictions, which is met in part by retaining cash and cash equivalent investments in those jurisdictions. As a result, the Company may be restricted in its ability to transfer cash between different jurisdictions. Additionally, transfers of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers. At March 31, 2009, the Company was required to maintain approximately \$176 million in net capital at these subsidiaries and is in compliance with all applicable regulatory minimum net capital requirements.

**PART I - FINANCIAL INFORMATION (continued)****Liquidity and Capital Resources (continued)****Critical Accounting Policies**

The preparation of the condensed consolidated financial statements in conformity with GAAP 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 condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. In addition to Fair Value Measurements, discussed below, see Note 2 and the Company's Significant Accounting Policies in Management's Discussion and Analysis of Financial Condition and Results of Operations in BlackRock's 2008 Annual Report on Form 10-K filed with the SEC on March 2, 2009 for details on Significant Accounting Policies.

**Fair Value Measurements**

BlackRock reports its investments on a GAAP basis, which includes investment balances which are owned by sponsored investment funds that are deemed to be controlled by BlackRock in accordance with GAAP and therefore are consolidated even though BlackRock may not own a majority of such funds. As a result, management reviews its investments on an economic basis, which eliminates the portion of investments that do not impact BlackRock's book value. BlackRock's management does not advocate that investors consider such non-GAAP measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

The following table represents investments measured at fair value on a recurring basis at March 31, 2009:

| <i>(Dollar amounts in millions)</i>   | Quoted Prices<br>in Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Other<br>Investments<br>Not Held<br>at<br>Fair Value <sup>(3)</sup> | Investments at<br>March 31,<br>2009 |
|---|--|---|--|---|-------------------------------------|
| Total investments, GAAP   | \$ 152   | \$ 288  | \$ 666   | \$ 31   | \$ 1,137                            |
| Net assets for which the Company does not bear economic exposure <sup>(1)</sup> | (4)  | (216)   | (134)  |   | (354)                               |
| Net economic investments <sup>(2)</sup>   | \$ 148   | \$ 72   | \$ 532   | \$ 31   | \$ 783                              |

<sup>(1)</sup> Consists of net assets attributable to non-controlling investors of consolidated sponsored investment funds.

<sup>(2)</sup> Includes BlackRock's portion of cash and cash equivalents, other assets, accounts payable and accrued liabilities, and other liabilities that are consolidated from sponsored investment funds.

<sup>(3)</sup> Comprised of equity method investments, which include investment companies, and other assets which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and financial liabilities under fair value measures, therefore the Company's investment in such equity method investee may not represent fair value.

**PART I - FINANCIAL INFORMATION (continued)**

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a leading investment management firm, BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring, managing and analyzing market and operating risks, including the management and oversight of its own investment portfolio. The Board of Directors of the Company has adopted guidelines for the review of investments to be made by the Company, requiring, among other things, that all investments be reviewed by the Company's Capital Committee, which consists of senior officers of the Company, and that certain investments may be referred to the Audit Committee or the Board of Directors depending on the circumstances for approval.

**AUM Market Price Risk**

BlackRock's investment management revenues are primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees expressed as a percentage of the returns realized on AUM. At March 31, 2009, the majority of our investment advisory and administration fees were based on average or period end AUM of the applicable mutual funds or separate accounts. Movements in equity market prices, interest rates/credit spreads, foreign exchange rates, or all three could cause the value of AUM to decline, which would result in lower investment advisory and administration fees.

**PART I - FINANCIAL INFORMATION (continued)****Item 3. Quantitative and Qualitative Disclosures About Market Risk (continued)****Corporate Investments Portfolio Risks**

In the normal course of its business, BlackRock is exposed to equity market price risk, interest rate/credit spread risk and foreign exchange rate risk associated with its corporate investments.

BlackRock has investments primarily in sponsored investment products that invest in a variety of asset classes including real estate, private equity and hedge funds. Investments generally are made for co-investment purposes, to establish a performance track record or to hedge exposure to certain deferred compensation plans. Currently, the Company has a seed capital hedging program in which it enters into total return swaps to hedge exposure to certain equity investments. At March 31, 2009, the outstanding total return swaps had an aggregate notional value of approximately \$39 million.

At March 31, 2009, approximately \$558 million of BlackRock's total investments were maintained in sponsored investment funds that are deemed to be controlled by BlackRock in accordance with GAAP and therefore are consolidated even though BlackRock may not own a majority of such funds. Including the impact of the seed capital hedging program, the Company's net economic exposure to its investment portfolio is as follows:

| <i>(Dollar amounts in millions)</i>           | <b>March 31, 2009</b> | <b>December 31, 2008</b> |
|---|-----------------------|--------------------------|
| Total investments                             | \$ 1,137              | \$ 1,429                 |
| Consolidated sponsored investments funds      | (558)                 | (728)                    |
| Net exposure to consolidated investment funds | 204                   | 310                      |
| <br>  |                       |                          |
| Total net economic investments                | 783                   | 1,011                    |
| Hedged investments                            | (39)                  | (49)                     |
| <br>  |                       |                          |
| Total net economic investment exposure        | \$ 744                | \$ 962                   |

The net economic investment exposure of the portfolio is presented in either the market price or the interest rate/credit spread risk disclosures below:

**Market Price Risk**

At March 31, 2009, the Company's net exposure to price risk in its investment portfolio is approximately \$478 million of the Company's net economic investment exposure. Investments that are subject to market price risk include public equity and real estate investments as well as certain hedge funds. The Company estimates that a 10% adverse change in market prices would result in a decrease of approximately \$47.8 million in the carrying value of such investments.

**Interest Rate/Credit Spread Risk**

At March 31, 2009, the Company was exposed to interest-rate risk and credit spread risks as a result of approximately \$266 million of investments in debt securities and sponsored investment products that invest primarily in debt securities. Management considered a hypothetical 100 basis point fluctuation in interest rates or credit spreads and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately \$2.2 million in the carrying value of such investments.

**Foreign Exchange Rate Risk**

As discussed above, the Company invests in sponsored investment products that invest in a variety of asset classes. The carrying value of the net economic investment exposure denominated in foreign currencies, primarily the British pound sterling, Australian dollars and the Euro, was \$38 million. A 10% adverse change in foreign exchange rates would result in approximately a \$3.8 million decline in the carrying value of such

investments.

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**PART I - FINANCIAL INFORMATION (continued)****Item 4. Controls and Procedures***Disclosure Controls and Procedures*

Under the direction of BlackRock's Chief Executive Officer and Chief Financial Officer, BlackRock evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) at March 31, 2009. Based on this evaluation, BlackRock's Chief Executive Officer and Chief Financial Officer have concluded that BlackRock's disclosure controls and procedures were effective at March 31, 2009.

*Internal Control and Financial Reporting*

There have been no changes in internal control over financial reporting during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

**PART II - OTHER INFORMATION****Item 1. Legal Proceedings**

See Note 13, Commitments and Contingencies, to the Company's condensed consolidated financial statements contained in Part I, Item 1 of this filing.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the three months ended March 31, 2009, the Company made the following purchases of its common stock, which are registered pursuant to Section 12(b) of the Exchange Act.

|  | Total Number of<br>Shares<br>Purchased | Average Price<br>Paid per Share | Total Number of<br>Shares<br>Purchased as<br>Part of Publicly<br>Announced Plans<br>of Programs | Maximum<br>Number of<br>Shares that May<br>Yet Be<br>Purchased<br>Under the Plans<br>or Programs <sup>1</sup> |
|--|--|---------------------------------|---|---|
| January 1, 2009 through January 31, 2009   | 49,266 <sup>2,3</sup>                  | \$ 112.73                       |   | 751,400   |
| February 1, 2009 through February 28, 2009 | 304,136 <sup>3</sup>                   | \$ 108.76                       |   | 751,400   |
| March 1, 2009 through March 31, 2009       | 4,857 <sup>3</sup>                     | \$ 96.71                        |   | 751,400   |
| Total                                      | 358,259                                | \$ 109.14                       |   |   |

<sup>1</sup> On August 2, 2006, the Company announced a 2.1 million share repurchase program with no stated expiration date. An additional indeterminable number of shares may be repurchased under the 2002 Long-Term Incentive Plan ( 2002 LTIP ).

<sup>2</sup> Includes 44,146 shares purchased by the Company from employees in January pursuant to a put feature available in connection with the payment of certain 2002 LTIP awards.

<sup>3</sup> Reflects purchases made by the Company primarily to satisfy income tax withholding obligations of employees related to the vesting of certain restricted stock or restricted stock unit awards. All such purchases were made outside of the publicly announced share repurchase program.



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**PART II - OTHER INFORMATION (continued)**

**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 3.1(1)             | Certificate of the Designations, Powers, Preferences and Rights of Series B Convertible Participating Preferred Stock of BlackRock, Inc., as filed with the Delaware Secretary of State on February 26, 2009. |
| 3.2(1)             | Certificate of the Designations, Powers, Preferences and Rights of Series C Convertible Participating Preferred Stock of BlackRock, Inc., as filed with the Delaware Secretary of State on February 26, 2009. |
| 10.1               | Second Amended and Restated Stockholder Agreement, dated as of February 27, 2009, between BlackRock, Inc., Merrill Lynch & Co., Inc. and Merrill Lynch Group, Inc.  |
| 10.2(1)            | Amended and Restated Implementation and Stockholder Agreement, dated as of February 27, 2009, between The PNC Financial Services Group, Inc. and BlackRock, Inc.  |
| 10.3(1)            | Third Amendment to Share Surrender Agreement, dated as of February 27, 2009, between The PNC Financial Services Group, Inc. and BlackRock, Inc.   |
| 12.1               | Computation of Ratio of Earnings to Fixed Charges.  |
| 31.1               | Section 302 Certification of Chief Executive Officer.   |
| 31.2               | Section 302 Certification of Chief Financial Officer.   |
| 32.1               | Section 906 Certification of Chief Executive Officer and Chief Financial Officer.   |

(1) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on February 27, 2009.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BLACKROCK, INC.**

(Registrant)

By: /s/ Ann Marie Petach  
Ann Marie Petach  
Managing Director & Chief Financial Officer

Date: May 8, 2009

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**EXHIBIT INDEX**

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