

BlackRock Inc.  
Form 10-K  
February 28, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2007

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 No. 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**  
**40 East 52nd Street, New York, NY 10022** (I.R.S. Employer  
Identification No.)  
(Address of principal executive offices)  
**(212) 810-5300**  
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Name of each exchange on which registered
<b>Common Stock, \$.01 par value</b>	<b>New York Stock Exchange</b>

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known, seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one)

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2007 was approximately \$2.2 billion. There is no non-voting common stock of the registrant outstanding.

As of January 31, 2008, there were 117,282,558 shares of the registrant's common stock outstanding.

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**DOCUMENTS INCORPORATED BY REFERENCE**

The following documents are incorporated by reference herein:

Portions of the definitive Proxy Statement of BlackRock, Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2008 annual meeting of stockholders to be held on May 27, 2008 ( Proxy Statement ) are incorporated by reference into Part III of this Form 10-K.

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**BlackRock, Inc.**

**Index to Form 10-K**

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## Part I

## Item 1. BUSINESS

## Overview

BlackRock, Inc. ( BlackRock or the Company ) is one of the largest publicly traded investment management firms in the United States with \$1.357 trillion of assets under management ( AUM ) at December 31, 2007. 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 provides risk management, investment system outsourcing and financial advisory services globally to institutional investors.

BlackRock is independent in ownership and governance, with no single majority stockholder and a majority of directors are independent. At December 31, 2007, Merrill Lynch & Co., Inc. ( Merrill Lynch ) owned approximately 45.1% of the Company s voting common stock and approximately 49.0% of the Company s capital stock on a fully diluted basis. The PNC Financial Services Group, Inc. ( PNC ), owned approximately 33.5% of the Company s capital stock. Headquartered in New York City, the Company has 70 offices in 19 countries throughout the United States, Europe, Asia and Australia.

BlackRock closed 2007 with AUM of \$1.357 trillion, up \$232.0 billion or 21% over year-end 2006 levels. Over the past five years, BlackRock s AUM has had a compound annual growth rate of 37.8%.

<i>(Dollars in millions)</i>	Assets Under Management							5 Year CAGR
	By Product Type							
	Year ended December 31,							
	2007	2006	2005	2004	2003	2002		
Fixed income	\$ 513,020	\$ 448,012	\$ 303,928	\$ 240,709	\$ 214,356	\$ 175,586	23.9%	
Equity and balanced	459,182	392,708	37,303	14,792	13,721	13,464	102.6%	
Cash management	313,338	235,768	86,128	78,057	74,345	78,512	31.9%	
Alternative investments	71,104	48,139	25,323	8,202	6,934	5,279	68.2%	
<b>Total</b>	<b>\$ 1,356,644</b>	<b>\$ 1,124,627</b>	<b>\$ 452,682</b>	<b>\$ 341,760</b>	<b>\$ 309,356</b>	<b>\$ 272,841</b>	<b>37.8%</b>	

*CAGR = Compound Annual Growth Rate*

Growth in AUM over the past five years includes acquired AUM of \$660.8 billion. On September 29, 2006, Merrill Lynch contributed the entities and assets that constituted its investment management business (the MLIM Business, formerly named Merrill Lynch Investment Managers or MLIM ) to the Company (the MLIM Transaction ), adding \$589.2 billion in AUM. Acquired AUM also includes approximately \$21.9 billion in AUM acquired as a result of BlackRock s acquisition of the fund of funds business of Quellos Group, LLC (the Quellos Business or Quellos ) which closed on October 1, 2007 (the Quellos Transaction ) and approximately \$49.7 billion in AUM acquired as a result of BlackRock s acquisition of SSRM Holdings, Inc. from MetLife, Inc. in January 2005 (the SSR Transaction ).

**Item 1. BUSINESS (continued)****Overview (continued)**

	<b>Assets Under Management</b>				
	<b>By Product Mix</b>				
	<b>Year ended December 31,</b>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Fixed income	37.8%	39.8%	67.1%	70.4%	69.3%
Equity and balanced	33.9%	34.9%	8.3%	4.3%	4.4%
Cash management	23.1%	21.0%	19.0%	22.9%	24.0%
Alternative investments	5.2%	4.3%	5.6%	2.4%	2.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Through the MLIM, Quellos and SSR Transactions, BlackRock has enhanced the diversification of its products, offering a broad range of fixed income, equity and balanced, cash management and alternative investment products to institutional and retail clients worldwide. At December 31, 2007, fixed income products represented approximately 38%, equity and balanced products approximately 34%, cash management products approximately 23% and alternative investment products approximately 5% of BlackRock's total AUM. At year-end 2007, approximately 69% of assets were managed for institutions and approximately 31% for retail and high net worth investors. At December 31, 2007, approximately 64% of BlackRock's AUM was managed for U.S. investors and approximately 36% for international clients. In addition, the Company continued to expand its *BlackRock Solutions*® products and related services, which achieved year-over-year revenue growth of approximately 34% in 2007.

While BlackRock operates in a global marketplace characterized by market volatility and economic uncertainty, management believes the following factors position the Company to seek solid relative returns for stockholders over time:

The Company's diversification of product offerings, providing the firm with the ability to leverage capabilities to offer both traditional and alternative investment products, combined with its established commitment to risk management.

The Company's sustained competitive investment performance across products, with 58% of bond fund assets and 84% of equity fund assets in the top half of their respective peer groups and 87% of our money market fund assets over benchmark for the year ended December 31, 2007.

The continued development of, and increased interest in, *BlackRock Solutions* products and services.

The Company's expanded global presence, with nearly one-third of employees outside of the U.S. and clients in over 60 countries.

The growing recognition of the BlackRock brand, the strength of the Company's culture and the depth and breadth of its intellectual capital.

The Company's ability to increase revenue, earnings and stockholder value over time is predicated on its ability to generate net new business in investment management and *BlackRock Solutions* products and services. New business efforts are dependent on BlackRock's ability to achieve clients' investment objectives in a manner consistent with their risk preferences and to deliver excellent client service. All of these efforts require the commitment and contributions of BlackRock employees. Accordingly, the ability to retain and attract talented professionals to BlackRock is critical to its long-term success.



**Item 1. BUSINESS (continued)****Overview (continued)**

Selected financial results for the last six years are shown below:

<b>Selected GAAP Financial Results</b>							<b>5 Year CAGR</b>
<i>(Dollars in thousands, except per share amounts)</i>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	
Revenue	\$ 4,844,655	\$ 2,097,976	\$ 1,191,386	\$ 725,311	\$ 598,212	\$ 576,977	53.0%
Operating income	\$ 1,293,664	\$ 471,800	\$ 340,541	\$ 165,798	\$ 228,276	\$ 215,139	43.2%
Net income	\$ 995,272	\$ 322,602	\$ 233,908	\$ 143,141	\$ 155,402	\$ 133,249	49.5%
Diluted earnings per share	\$ 7.53	\$ 3.87	\$ 3.50	\$ 2.17	\$ 2.36	\$ 2.04	29.8%

<b>Selected Non-GAAP Financial Results<sup>2</sup></b>							<b>5 Year CAGR</b>
<i>(Dollars in thousands, except per share amounts)</i>	<b>2007<sup>1</sup></b>	<b>2006<sup>1</sup></b>	<b>2005<sup>1</sup></b>	<b>2004</b>	<b>2003</b>	<b>2002<sup>2</sup></b>	
Operating income, as adjusted	\$ 1,559,423	\$ 688,108	\$ 425,812	\$ 270,791	\$ 233,971	\$ 216,592	48.4%
Net income, as adjusted	\$ 1,079,694	\$ 444,703	\$ 269,622	\$ 177,709	\$ 155,402	\$ 133,249	52.0%
Diluted earnings per share, as adjusted	\$ 8.17	\$ 5.33	\$ 4.03	\$ 2.69	\$ 2.36	\$ 2.04	32.0%

<sup>1</sup> See reconciliation to GAAP measures in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations Overview.

<sup>2</sup> Prior year data reflects certain reclassifications to conform to the current year presentation.

See additional information in Item 6, Selected Financial Data.

While BlackRock reports its financial results using accounting principles generally accepted in the United States of America (GAAP), management believes that evaluating the Company's ongoing operating results may not be as useful if investors are limited to reviewing only GAAP financial measures. Management reviews non-GAAP financial measures to assess the Company's 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 year non-GAAP data has been restated to conform to current year presentation.



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**Item 1. BUSINESS (continued)**

**Overview (continued)**

Non-GAAP Operating Income Adjustments:

GAAP reported operating income includes all compensation related expenses associated with certain of BlackRock's long-term incentive plans ( LTIP ) which are partially funded by BlackRock common stock currently held by PNC, certain costs related to the integration of the MLIM Transaction, certain costs related to the integration of the assets acquired from Quellos in 2007, certain costs associated with the SSR Transaction in 2005, a termination fee for closed-end fund administration and servicing arrangements with Merrill Lynch, closed-end fund launch costs and commissions, compensation expense associated with appreciation / (depreciation) on assets related to BlackRock's deferred compensation plans and compensation charges, which the Company anticipates will be reimbursed by Merrill Lynch in the future.

Operating income, as adjusted (a non-GAAP measure), excludes the portion of the LTIP expense associated with awards met by the distribution to participants of shares of BlackRock common stock previously held by PNC because, exclusive of the impact related to LTIP participants' put options, these charges do not impact BlackRock's book value. A detailed discussion of the LTIP is included in Note 12 to the consolidated financial statements beginning on page F-1 of this Form 10-K. MLIM, Quellos and SSR integration costs consist principally of certain professional fees and compensation costs related to those transactions. Also included in MLIM Transaction costs are marketing costs associated with rebranding. MLIM, Quellos and SSR integration costs have been deemed non-recurring by management and have been excluded from operating income, as adjusted, to help ensure the comparability of this information to prior periods. The expense related to the termination of the closed-end fund administration and servicing arrangements with Merrill Lynch has been excluded from operating income, as adjusted, as the termination of the arrangements is deemed non-recurring by management. Closed-end fund launch costs and commissions have been excluded from operating income, as adjusted, because such costs fluctuate considerably and revenues associated with the expenditure of such costs will not fully impact the Company's results until future periods. Compensation expense associated with the appreciation / (depreciation) of assets related to certain of BlackRock's deferred compensation plans has been excluded from operating income, as adjusted, as investment returns on these assets are reported in non-operating income, net of the related impact on compensation expense, and results in a nominal impact on net income. Compensation charges to be reimbursed by Merrill Lynch have been excluded from operating income, as adjusted, because these charges are not expected to impact BlackRock's book value.

Non-GAAP Net Income Adjustments:

GAAP reported net income and GAAP diluted earnings per share include certain charges and gains, the after-tax impact of which management considers non-recurring and, therefore, are excluded in calculating net income, as adjusted.

Net income and diluted earnings per share, as adjusted (a non-GAAP measure), exclude the after-tax impact of the termination of closed-end fund administration and servicing arrangements with Merrill Lynch, LTIP expense to be funded by PNC and by an expected Merrill Lynch compensation contribution, MLIM, Quellos and SSR integration costs and the effect on deferred income tax expense attributable to corporate income tax rate reductions.

See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a detailed reconciliation of GAAP reported operating income, net income and diluted earnings per share to adjusted non-GAAP operating income, net income and diluted earnings per share.

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**Item 1. BUSINESS (continued)**

**Products\***

BlackRock offers a wide variety of fixed income, equity and balanced, cash management and alternative investment products. Revenue from these products primarily consists of advisory fees, typically structured as a percentage of AUM and, in some instances, performance fees expressed as a percentage of returns in excess of agreed targets. BlackRock also offers risk management, investment system outsourcing, financial advisory and transition management services to institutional investors under the *BlackRock Solutions* name.

BlackRock's bond portfolios are denominated in many currencies including U.S. dollars, pounds sterling, euros, yen and Australian dollars. The Company's equity platform spans global markets, styles and capitalization ranges. BlackRock's alternative investment capabilities include private equity, private equity funds of funds, real estate equity and debt, hedge funds of funds, single-strategy hedge funds, long-only absolute return strategies, commodities and structured products. The Company also manages sector-specific mandates across asset classes as well as multi-asset class strategies.

*Fixed Income*

BlackRock offers an array of fixed income products across various bond markets and sectors as well as various maturities along the yield curve. BlackRock tailors client portfolios to reflect specific investment guidelines and objectives with respect to interest rate exposure, sector allocation and credit quality. In 2007, BlackRock's fixed income AUM increased 15% year-over-year to \$513.0 billion at year-end.

All bond portfolios are managed by BlackRock's fixed income team, which is comprised of regional and sector specialists as well as credit and quantitative analysts, all of whom work closely together to share information, formulate investment themes and implement specific strategies in accordance with each portfolio's investment objectives and guidelines. They are supported by extensive analytical tools and a shared research database that includes reports from both equity and credit analysts throughout the Company.

Net new business in fixed income totaled \$27.2 billion in 2007, with flows representative of the trend toward more customized solutions and a broader array of investment strategies. Inflows demonstrated continued allocation of capital to global fixed income (\$9.6 billion into global portfolios), the growth of target date and target return funds (\$19.1 billion net new business in targeted duration portfolios), and the redefinition of traditional fixed income strategies to include a range of absolute return and structured products (\$10.4 billion net inflows into CDOs and the reclassification of \$14.0 billion of alternative assets to fixed income to better align with the evolution of the business). Along with moderate inflows in municipal bonds, the strong net inflows offset outflows in core, sector-specialty and equity plus mandates.

During 2007, BlackRock further diversified its fixed income client base geographically with 79% of net new business, or \$21.5 billion, from non-U.S. investors. At December 31, 2007, 35% of fixed income AUM was managed for non-U.S. investors, up from 31% at year-end 2006. Inflows were positive across all regions, with net new business of \$5.7 billion and \$21.5 billion from U.S. and international clients, respectively.

The fixed income business remains largely institutional, with 83% of total bond AUM and 93%, or \$25.3 billion, of net new business from institutional clients during the year. At December 31, 2007, 44% of fixed income AUM was from tax-exempt clients, with 79%, or \$21.6 billion, of net new fixed income business from tax-exempt institutions in 2007. Inflows through the retail and high net worth channels increased from a slight net outflow in 2006 to net inflows of \$1.9 billion in 2007.

\* See Product Performance Notes below.

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**Item 1. BUSINESS (continued)**

**Products (continued)**

*Fixed Income (continued)*

BlackRock's fixed income portfolio management team seeks competitive investment performance by consistently employing a disciplined process designed to add incremental returns in excess of benchmarks. While competitive performance is key, ensuring that portfolio risks are consistent with client objectives is paramount. For the one-, three- and five-year periods ended December 31, 2007, 58%, 74% and 64% of bond fund assets ranked in the top two quartiles of their peer groups.

*Equity and Balanced*

BlackRock manages a range of equity strategies that span the risk/return spectrum, along with several targeted opportunities in specific market sectors. BlackRock closed 2007 with equity and balanced AUM of \$459.2 billion, up 17% year-over-year.

The Company's equity and balanced products employ primarily either an active quantitative approach or an active fundamental approach, both of which seek to add value principally through stock selection. BlackRock's quantitative strategies employ sophisticated, proprietary models to drive the investment process. The firm's fundamental strategies emphasize in-depth company and industry research as well as macro-economic analysis as the basis for stock selection. Portfolios are managed by distinct teams that each invest according to their own philosophy, process and style and all benefit from shared information and a common trading, systems, operations, administration and compliance platform.

Despite market volatility in the latter half of 2007, net new business in the equity platform totaled \$23.5 billion in 2007. Concerns about the market drove investors to investments with more embedded advice and a broader global allocation, as evidenced by \$13.9 billion of net inflows into balanced and asset allocation funds over the year. The equity platform has also had strong inflows into U.S. equity, quantitative/enhanced index and sector funds, particularly natural resources, offsetting outflows from regional/country funds.

BlackRock's equity platform is diversified across its clients and channels. At December 31, 2007, 46% of the Company's total equity and balanced AUM, or \$211.1 billion, was managed for U.S. investors and 54%, or \$248.1 billion, was managed for non-U.S. investors. We continue to benefit from our global reach, expanding our presence in Asia and opening an investment center in Hong Kong in 2007. While net inflows in 2007 were heavily weighted from retail and high net worth investors (97% of net new business or \$22.7 billion), the channel mix at year-end remained well balanced with 42% of assets managed on behalf of institutions and 58% managed on behalf of retail and high net worth investors.

BlackRock's equity investment teams sustained strong performance track records, with 84%, 90% and 90% of equity fund assets ranked in the top two quartiles of their peer groups for the one-, three- and five-year periods ended December 31, 2007.

*Cash Management*

BlackRock cash management products cover the short end of the duration spectrum and reflect a firm focus on credit quality and risk management. BlackRock is a leading provider of cash management products with \$313.3 billion in global cash management AUM at December 31, 2007, including a variety of money market funds and customized portfolios. AUM in these strategies increased \$77.6 billion, or 33%, during 2007. Net new business totaled \$75.3 billion during the year.

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**Item 1. BUSINESS (continued)**

**Products (continued)**

*Cash Management (continued)*

Net inflows of \$52.4 billion into cash management products in the third and fourth quarters highlight the industry-wide reallocation of funds out of higher risk strategies and into money market funds in response to credit market concerns and reaction to Federal Reserve rate cuts. Although inflows had continued in early 2008, we anticipate outflows when overnight rates stabilize and investors return to more typical asset allocation strategies.

BlackRock's cash management activities are primarily conducted on behalf of U.S. clients, although there is increasing demand among international clients for similar products. At December 31, 2007, cash management AUM for U.S. investors reached \$286.4 billion and assets for international investors were \$26.9 billion. For 2007, net inflows from U.S. investors totaled \$71.0 billion and \$4.3 billion was raised from international investors. Institutional clients represent the largest percentage of BlackRock's cash management platform with \$248.4 billion of assets at December 31, 2007. Retail and high net worth client cash management assets have grown from \$53.6 billion at year-end 2006 to \$64.9 billion at year-end 2007.

For the one-, three- and five-year periods ended December 31, 2007, 100% of BlackRock's U.S. institutional money market fund assets outperformed their benchmarks.

*Alternative Investment Products*

BlackRock's alternative investment products capitalize on evolving capital market opportunities that benefit from the Company's resources in risk management, product development, client service and operational support. Strategies are designed to provide returns with low correlations to the broad equity and bond markets. BlackRock's capabilities include private equity, private equity funds of funds, real estate equity and debt, hedge funds of funds, single-strategy hedge funds, long-only absolute return strategies, commodities and structured products. Total assets managed in alternative investments increased by \$23.0 billion to \$71.1 billion at December 31, 2007. The increase accounts for \$21.9 billion of assets acquired in the Quellos Transaction and a reclassification of \$14.0 billion of structured products and absolute return products to fixed income earlier in the year.

In 2007, BlackRock launched BlackRock Alternative Advisors (BAA), created by the merger of the Quellos Business with our existing absolute return and private equity fund of funds business. BAA will continue to manage assets across absolute return, private capital and hybrid strategies, with emphasis on the Company's long-standing investment philosophy and process. AUM in these strategies totaled \$29.5 billion at year-end. We have already begun to realize the power of the combined businesses, with \$1.4 billion of net new business in the quarter since closing the transaction.

BlackRock real estate investments span a wide range of strategies, including core, value-add and opportunistic equity and high-yield debt for institutional and private investors. AUM on the real estate platform grew to \$29.4 billion at year-end, including \$7.3 billion of net new business in 2007. Notable accomplishments this year include the launch of the Company's first opportunity funds (Global Opportunity Fund and Retail Opportunity Fund), completion of funding for the Peter Cooper Village and Stuyvesant Town partnerships, and initiation of a broader global expansion.

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**Item 1. BUSINESS (continued)**

**Products (continued)**

*Alternative Investment Products (continued)*

BlackRock launched distressed credit and mortgage funds in 2007, leveraging market dislocations on behalf of the Company's clients and bringing \$1.1 billion of net new business in 2007, with additional commitments to follow in 2008. BlackRock's portable alpha business nearly doubled in 2007, with year-end assets under management of \$1.3 billion, including \$549 million of net inflows.

*BlackRock Solutions®*

Since its formation, BlackRock has developed and maintained proprietary investment systems to support its business. These capabilities are offered under the brand name, *BlackRock Solutions*. In 2007 *BlackRock Solutions* revenues from system outsourcing, risk management, advisory, transition and investment services increased by 34% in the aggregate to \$198.3 million. During the year, six net new assignments were added. By year-end 2007, *BlackRock Solutions* had completed six system implementations and had four implementations in process. In addition, the advisory team added 21 and completed 18 short-term assignments. Importantly, these increases in *BlackRock Solutions* business occurred concurrently with the continuing and extensive efforts to complete the conversion of MLIM's equity portfolios to the Aladdin platform.

*BlackRock Solutions* core products consist of tools that support the investment process. These include Aladdin and a variety of other proprietary analytical tools for clients that do not require all of the functionality of the enterprise system. In addition, *BlackRock Solutions* offers a variety of risk management and financial advisory services. In 2007, *BlackRock Solutions* was retained on seven net new Aladdin assignments and one net new long-term risk management and advisory assignment. *BlackRock Solutions* also provides investment accounting outsourcing, typically bundled with asset management services, as well as ancillary outsourcing services, such as performance measurement and middle and back office trade support, for clients who wish to extend their relationships. *BlackRock Solutions* added one new investment accounting relationship in 2007. *BlackRock Solutions* also offers transition management services.

At year-end 2007, *BlackRock Solutions* managed 115 distinct assignments for 98 clients, including 28 Aladdin assignments, 62 risk management and advisory assignments and 25 outsourcing assignments. *BlackRock Solutions* provided these services for a well-diversified list of clients including banks, insurance companies, broker-dealers, asset managers, hedge funds, pensions, endowments, foundations and other financial institutions.

*Product Performance Notes*

Past performance is not indicative of future results. Investments in mutual funds are neither insured nor guaranteed by the U.S. government. Relative peer group performance is based on quartiles from Lipper Inc. for U.S. funds and Morningstar®, Inc. for non-U.S. funds. Rankings are based on total returns with dividends and distributions reinvested and do not reflect sales charges. BlackRock waives certain fees, without which performance would be lower. Funds with returns among the top 50% of a peer group of funds with comparable objectives are in the top two quartiles. Some funds have less than three years of performance.

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**Item 1. BUSINESS (continued)**

**Clients**

BlackRock serves a diverse client base of institutional and retail investors globally. Products are offered both directly and through financial intermediaries. BlackRock seeks to distinguish itself by using its enhanced global perspective and scale to benefit clients and help them creatively solve problems. At year-end, the Company's AUM had grown to \$1.357 trillion, up \$232.0 billion over year-end 2006, including \$21.9 billion of AUM acquired in the Quellos Transaction. In 2007, BlackRock was also retained on six net new *BlackRock Solutions* assignments, for a total of 115 distinct assignments for 98 clients. Increasingly, clients are turning to BlackRock for a variety of services. As of December 31, 2007, over 500 clients turned to BlackRock for investment solutions in more than one asset class or business.

During the year, the Company was awarded \$37.5 billion of net new business from non-U.S. investors in over 36 countries, bringing the total managed for international clients to \$483.3 billion at December 31, 2007. New business efforts encompass direct contact with institutional investors and their consultants, as well as wholesale distribution of funds and unit trusts through broker-dealers and other financial intermediaries. International clients are served by offices in over 29 cities outside the U.S.

BlackRock also serves a large and growing base of U.S. investors. In 2007, net new business from U.S. clients totaled \$100.1 billion across a wide range of products, increasing total assets managed for U.S. investors to \$873.3 billion at year-end. Client channels served include pension and other tax exempt clients, insurance and other taxable investors, institutional cash management and institutional and retail fund investors.

BlackRock's asset base is also diversified by the types of clients served. At December 31, 2007, BlackRock managed \$935.6 billion, or 69% of total AUM, on behalf of institutional investors and \$421.0 billion, or 31% of total AUM, on behalf of retail and high net worth clients globally. During the year, institutional investor AUM grew \$168.6 billion with \$100.4 billion from net new business across client segments, including \$9.4 billion from a single client. Institutional clients include pension funds, official institutions, foundations, endowments and charities, insurance companies, banks, sub-advisory relationships and private banks in more than 60 countries.

Assets managed for tax-exempt institutions, including defined benefit and defined contribution pension plans, foundations, endowments and other non-profit organizations, increased 21% to \$423.3 billion at December 31, 2007. For the year, net new business from these investors totaled \$25.3 billion. BlackRock works with pension plan sponsors and their consultants to address changing asset allocation strategies and to consider appropriate investment opportunities. Management believes that these clients increasingly demonstrate a preference for more services from fewer managers and that BlackRock can benefit from this trend. In addition, management believes a more robust mutual fund family should be of interest to defined contribution plans and smaller institutional investors, while expanded alternative investment offerings should appeal to foundations and endowments.

AUM for taxable institutions worldwide increased 13% during the year to \$255.0 billion at year-end 2007.

The Company's insurance business encompasses customized investment management, specialized risk management and accounting services. BlackRock is one of the largest managers of insurance assets worldwide, benefiting from an ongoing trend toward investment outsourcing. This business is, however, subject to event risk arising from insurance company mergers as well as client decisions to internalize asset management.

**Item 1. BUSINESS (continued)**

**Clients (continued)**

At year-end 2007, AUM in institutional cash management products was \$248.4 billion, up 36% from December 31, 2006, including \$64.2 billion of net new business. BlackRock continually seeks ways to provide innovative cash management solutions to clients. In 2007, these efforts focused on helping clients identify opportunities to successfully manage around the highly unsettled market conditions while maintaining competitive yields. BlackRock also focuses on providing flexible and responsive client service, which is conducted through its call center and online account management tools. Management believes that these efforts will continue to enable BlackRock to better withstand volatility in asset flows, build its client base and increase market share over time.

The investment and risk management expertise that BlackRock brings to the management of institutional products is also available globally through separate accounts, open-end and closed-end funds, offshore funds, unit trusts and alternative investment vehicles for individual investors. As of December 31, 2007, BlackRock managed \$421.1 billion on behalf of retail and high net worth investors worldwide, including \$273.1 billion for U.S. and \$148.0 billion for international investors, up 18% from year-end 2006. In 2007, \$37.3 billion of net new business from retail and high net worth clients was largely driven by \$23.3 billion of net inflows from U.S. investors and \$14.0 billion from investors internationally. These results reflect the growing strength of BlackRock's retail platform globally. The Company sustained the strength of its Merrill Lynch distribution and is seeing increased traction in the U.S. outside of Merrill Lynch, recording over 30 new wins on broker-dealer mutual fund and Separately Managed Account (SMA) platforms. The \$14.0 billion of net new business in international retail represents an annualized organic growth rate of 13% and includes \$9.6 billion of net inflows into equity and balanced mandates.

**Item 1. BUSINESS (continued)****Competition**

BlackRock competes with investment management firms, mutual fund complexes, insurance companies, banks, brokerage firms and other financial institutions that offer products that are similar to, or alternatives to, those offered by BlackRock. In order to grow its business, BlackRock must be able to compete effectively for AUM. Key competitive factors include investment performance track records, investment style and discipline, client service and brand name recognition. Historically, the Company has competed principally on the basis of its long-term investment performance track record, its investment process, its risk management and analytic capabilities and the quality of its client service. BlackRock has historically grown aggregate AUM and management believes that the Company will continue to do so by focusing on strong investment performance and client service and by developing new products and new distribution capabilities. Many of the Company's competitors, however, have greater marketing resources and better brand name recognition than BlackRock, particularly in retail channels and outside the United States. These factors may place BlackRock at a competitive disadvantage and there can be no assurance that the Company's strategies and efforts to maintain its existing AUM and to attract new business will be successful.

**Geographic Information**

BlackRock has clients in over 60 countries across the globe, including the United States, the United Kingdom and Japan.

The following chart shows the Company's revenues and long-lived assets, which includes goodwill and property and equipment for the years ended December 2007, 2006 and 2005. These amounts are aggregated on a legal entity basis and do not necessarily reflect, in all cases, where the customer is sourced or where the asset is physically located.

Revenues (in millions)	2007	% of total	2006	% of total	2005	% of total
North America	\$ 3,069.3	63.4%	\$ 1,715.2	81.7%	\$ 1,157.7	97.2%
Europe	1,536.9	31.7%	320.9	15.3%	24.4	2.0%
Asia-Pacific	238.5	4.9%	61.9	3.0%	9.3	0.8%
Total revenues	\$ 4,844.7	100%	\$ 2,098.0	100.0%	\$ 1,191.4	100%
<b>Long-Lived Assets (in millions)</b>						
North America	\$ 5,695.2	98.4%	\$ 5,408.1	98.8%	\$ 316.6	99.2%
Europe	34.6	0.6%	30.1	0.6%	2.1	0.7%
Asia-Pacific	56.4	1.0%	33.6	0.6%	0.6	0.1%
Total long-lived assets	\$ 5,786.2	100.0%	\$ 5,471.8	100.0%	\$ 319.3	100.0%

Revenues and long-lived assets in North America are primarily comprised of the United States, while Europe and Asia-Pacific are primarily comprised of the United Kingdom and Japan, respectively.

**Employees**

At December 31, 2007, BlackRock had a total of 5,952 full-time employees, including 435 Metric Property Management, Inc. ( Metric ) employees whose salaries are fully reimbursed by certain real estate funds. Of all full-time employees, 1,795 are located in offices outside the United States.



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**Item 1. BUSINESS (continued)**

**Regulation**

Virtually all aspects of BlackRock's business are subject to various laws and regulations both in and outside the United States, some of which are summarized below. These laws and regulations are primarily intended to protect investment advisory clients, stockholders of registered and unregistered investment companies and PNC's bank subsidiaries and their customers. Under these laws and regulations, agencies that regulate investment advisers, investment funds and bank holding companies and their subsidiaries, such as BlackRock and its subsidiaries, have broad administrative powers, including the power to limit, restrict or prohibit the regulated entity from carrying on business if it fails to comply with such laws and regulations. Possible sanctions for significant compliance failures include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines.

*U.S. Regulation*

Certain of BlackRock's U.S. subsidiaries are subject to regulation, primarily at the federal level, by the Securities and Exchange Commission (the SEC), the Department of Labor (the DOL), the Board of Governors of the Federal Reserve Bank (the FRB), the Financial Industry Regulatory Authority (FINRA), the Commodity Futures Trading Commission (the CFTC) and other government agencies and regulatory bodies. Certain BlackRock U.S. subsidiaries are also subject to various anti-money laundering regulations, including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the PATRIOT Act), the Bank Secrecy Act and regulations promulgated by the Office of Foreign Assets Control of the U.S. Treasury Department.

The Investment Advisers Act of 1940, as amended (the Advisers Act), imposes numerous obligations on registered investment advisers such as BlackRock, including record-keeping, operational and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act of 1940, as amended (the Investment Company Act), imposes stringent governance, operational, disclosure and related obligations on registered investment companies and on investment advisers to those companies and distributors, such as BlackRock. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act and the Investment Company Act, ranging from fines and censure to termination of an investment adviser's registration. Investment advisers also are subject to certain state securities laws and regulations. Non-compliance with certain provisions of the Advisers Act, the Investment Company Act or other federal and state securities laws and regulations could result in investigations, sanctions and reputational damage.

BlackRock's trading and investment activities for client accounts are regulated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as the rules of various U.S. and non-U.S. securities exchanges and self-regulatory organizations, including laws governing trading on inside information, market manipulation and a broad number of technical trading requirements (e.g., volume limitations, reporting obligations) and market regulation policies in the United States and globally. In addition, BlackRock manages a variety of investment funds listed on U.S. and non-U.S. exchanges, which are subject to the rules of such exchanges. Violation of these laws and regulations could result in restrictions on the Company's activities and in damage to its reputation. BlackRock manages a variety of private pools of capital, including hedge funds, funds of hedge funds, private equity funds, real estate funds, collective investment trusts, managed futures funds and hybrid funds. Congress, regulators, tax authorities and others continue to explore, on their own and in response to demands from the investment community, increased regulation related to private pools of capital, including changes with respect to investor eligibility, certain limitations on trading activities, the scope of anti-fraud protections and a variety of other matters. BlackRock may be adversely affected by new legislation or rule-making or changes in the interpretation or enforcement of existing rules and regulations imposed by various regulators.

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**Item 1. BUSINESS (continued)**

**Regulation (continued)**

*U.S. Regulation (continued)*

Certain BlackRock subsidiaries are subject to the Employee Retirement Income Security Act of 1974, as amended ( ERISA ), and to regulations promulgated thereunder by the DOL, insofar as they act as a fiduciary under ERISA with respect to benefit plan clients. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients and impose excise taxes for violations of these prohibitions, mandate certain required periodic reporting and disclosures and require BlackRock to carry bonds ensuring against losses caused by fraud or dishonesty. ERISA also imposes additional compliance, reporting and operational requirements on BlackRock that otherwise are not applicable to non-benefit plan clients.

BlackRock has two subsidiaries that are registered as commodity pool operators and commodity trading advisers, and one additional subsidiary registered as only a commodity pool operator, with the CFTC. All three of these subsidiaries are members of the National Futures Association (the NFA ). The CFTC and NFA each administer a comparable regulatory system covering futures contracts and various other financial instruments in which certain BlackRock clients may invest. One of BlackRock's other subsidiaries, BlackRock Investments, Inc. ( BII ), is registered with the SEC as a broker-dealer and is a member-firm of FINRA. BII's FINRA membership agreement limits its permitted activities to the sale of investment company securities, certain private placements of securities, and certain investment banking and financial consulting activities. Although BII has limited business activities, it is subject to the customer dealing, reporting and other requirements of FINRA, as well as the net capital and other requirements of the SEC. BII is also an approved person with the New York Stock Exchange ( NYSE ), which subjects its operations to NYSE regulation.

*U.S. Banking Regulation*

PNC is a bank holding company and a financial holding company regulated by the FRB under the Bank Holding Company Act of 1956, as amended, (the BHC Act ). Since PNC's ownership interest in BlackRock exceeds 25%, BlackRock is deemed to be a non-bank subsidiary of PNC and therefore subject to most banking laws, regulations and orders that are applicable to PNC and consequently to the supervision, regulation, and examination of the FRB. The supervision and regulation of PNC and its subsidiaries under the applicable banking laws is intended primarily for the protection of PNC's banking subsidiaries, their depositors, the deposit insurance funds of the Federal Deposit Insurance Corporation, and the banking system as a whole, rather than for the protection of stockholders, creditors or clients of PNC or BlackRock. PNC's relationships and good standing with its regulators are important to the conduct of BlackRock's business. BlackRock may also be subject to foreign banking laws and supervision that could affect its business.

BlackRock generally may conduct only activities that are authorized for a financial holding company under the BHC Act. Investment management is an authorized activity, but must be conducted within applicable regulatory requirements, which in some cases are more restrictive than those BlackRock faces under applicable securities laws. BlackRock may also invest in investment companies and private investment funds to which it provides advisory, administrative or other services, to the extent consistent with applicable law and regulatory interpretations. The FRB has broad powers to approve, deny or refuse to act upon applications or notices for BlackRock to conduct new activities, acquire or divest businesses or assets, or reconfigure existing operations. PNC and its subsidiaries are also subject to examination by various banking regulators, which results in examination reports and ratings that may adversely impact the conduct and growth of BlackRock's businesses.

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**Item 1. BUSINESS (continued)**

**Regulation (continued)**

*U.S. Banking Regulation (continued)*

The FRB has broad enforcement authority over BlackRock, including the power to prohibit BlackRock from conducting any activity that, in the FRB's opinion, is unauthorized or constitutes an unsafe or unsound practice in conducting its business, and to impose substantial fines and other penalties.

Any failure of PNC to maintain its status as a financial holding company could result in the imposition of substantial limitations on certain BlackRock activities and its growth. Such a change of status could be caused by any failure of PNC's bank subsidiaries to remain well capitalized, by an examination downgrade of PNC or its bank subsidiaries, or by any failure of PNC's bank subsidiaries to maintain a satisfactory rating under the Community Reinvestment Act.

*Non-U.S. Regulation*

BlackRock's international operations are subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies and bodies. As BlackRock continues to expand its international business, a number of its subsidiaries and international operations have become subject to regulatory systems comparable to those affecting its operations in the United States.

The Financial Services Authority (the "FSA") regulates BlackRock's subsidiaries in the United Kingdom. Authorization by the FSA is required to conduct any financial services related business in the United Kingdom pursuant to the Financial Services and Markets Act 2000. The FSA's rules govern a firm's capital resources requirements, senior management arrangements, conduct of business, interaction with clients and systems and controls. Breaches of these rules may result in a wide range of disciplinary actions against the Company's U.K.-regulated subsidiaries. In addition, these subsidiaries, and other European subsidiaries or branches, must comply with the pan-European regime established by the Markets in Financial Instruments Directive ("MiFID"), which came into effect on November 1, 2007 and regulates the provision of investment services throughout the European Economic Area, as well as the Capital Requirements Directive, which delineates regulatory capital requirements. MiFID replaced and expanded upon the Investment Services Directive (the "ISD"), which had been in place since 1995. MiFID sets out more detailed requirements governing the organization and conduct of business of investment firms and regulated markets. It also includes new pre- and post-trade transparency requirements for equity markets and more extensive transaction reporting requirements.

MiFID seeks to further harmonize the provision of financial services across Europe by implementing requirements for key areas such as senior management systems and controls. MiFID also attempts to clarify jurisdictional uncertainties that arose under the ISD to facilitate cross border services. The United Kingdom has adopted the new rules into national legislation. Implementation of the directive throughout the European Union is ongoing, however, and the introduction of further new regulations that will apply to BlackRock's European activities remains a possibility.

In addition to the FSA, the activities of certain BlackRock subsidiaries and investment funds are regulated by, among other regulators, the Irish Financial Services Regulatory Authority, the Cayman Islands Monetary Authority, the Commission de Surveillance du Secteur Financier in Luxembourg and the Financial Services Commission in Jersey. Regulators in these jurisdictions have authority with respect to financial services including, among other things, the authority to grant or cancel required licenses or registrations. In addition, these regulators may also subject certain BlackRock subsidiaries to net capital requirements.

**Item 1. BUSINESS (continued)**

**Regulation (continued)**

*Non-U.S. Regulation (continued)*

In Japan, certain BlackRock subsidiaries are subject to the Financial Instruments and Exchange Law (the FIEL ) and the Law Concerning Investment Trusts and Investment Corporations. These laws are administered and enforced by the Japanese Financial Services Agency (the JFSA ), which establishes standards for compliance with these laws including capital adequacy and financial soundness requirements, customer protection requirements and conduct of business rules. The JFSA is empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease and desist orders or the suspension or revocation of registrations and licenses granted under the FIEL.

BlackRock's Australian-based subsidiary is subject to various Australian federal and state laws and is regulated primarily by the Australian Securities and Investments Commission (the ASIC ). The ASIC regulates companies and financial services in Australia and is responsible for promoting investor, creditor and consumer protection. Failure to comply with applicable law and regulations could result in the cancellation, suspension or variation of this subsidiary's license in Australia.

There are parallel legal and regulatory arrangements in force in many other non-U.S. jurisdictions where BlackRock's subsidiaries are authorized to conduct business, including Taiwan, Hong Kong, Singapore, Germany and The Netherlands.

*Other Regulation*

Additional legislation, changes in rules promulgated by our regulators and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may directly affect the method of operation and profitability of BlackRock. The profitability of BlackRock also could be affected by rules and regulations that impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation and electronic commerce.

The rules governing the regulation of financial institutions and their holding companies and subsidiaries are very detailed and technical. Accordingly, the above discussion is general in nature and does not purport to be complete.

**Item 1. BUSINESS (continued)**

**Available Information**

BlackRock files annual, quarterly and current reports, proxy statements and all amendments to these reports and other information with the SEC. BlackRock makes available free-of charge, on or through its website at <http://www.blackrock.com>, the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and all amendments to those filings, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The Company also makes available on its website the charters for the Audit Committee, Management Development and Compensation Committee and Nominating and Governance Committee of the Board of Directors, its Code of Business Conduct and Ethics, its Code of Ethics for Chief Executive and Senior Financial Officers and its Corporate Governance Guidelines. Further, BlackRock will provide, without charge, upon written request, a copy of the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and all amendments to those filings as well as the committee charters, its Code of Business Conduct and Ethics, its Code of Ethics for Chief Executive and Senior Financial Officers and its Corporate Governance Guidelines. Requests for copies should be addressed to Investor Relations, BlackRock, Inc., 55 East 52nd Street, New York, New York 10055. Investors may read and copy any document BlackRock files at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Reports, proxy statements and other information regarding issuers that file electronically with the SEC, including BlackRock's filings, are also available to the public from the SEC's website at <http://www.sec.gov>.

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**Item 1A. RISK FACTORS**

As a leading investment management firm, risk is an inherent part of BlackRock's business. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. While BlackRock devotes significant resources across all of its operations to identify, measure, monitor, manage and analyze market and operating risks, BlackRock's business, financial condition or results of operations could be materially adversely affected, however, by any of the following risks.

**Risks Related to BlackRock's Business and Competition**

*Changes in the securities or other markets could lead to a decline in revenues.*

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 earned on AUM. Movements in equity market prices, interest rates, foreign exchange rates, or all three could cause the following, which would result in lower investment advisory and administration fees:

the value of AUM to decrease;

the returns realized on AUM to decrease;

clients to withdraw funds in favor of products in markets that they perceive offer greater opportunity and that BlackRock does not serve;

clients to rebalance assets away from products that BlackRock manages into products that it does not manage; and

clients to rebalance assets away from products that earn higher fees into products with lower fees.

*Poor investment performance could lead to the loss of clients and a decline in revenues.*

The Company's management believes that investment performance is one of the most important factors for the growth and retention of AUM. Poor investment performance relative to applicable portfolio benchmarks and to competitors could reduce revenues and growth because:

existing clients might withdraw funds in favor of better performing products, which could result in lower investment management fees;

the ability to attract funds from existing and new clients might diminish; or

the Company might earn minimal or no performance fees.

*BlackRock may elect to invest in or provide other support to its products from time to time.*

BlackRock may, at its option, from time to time support investment products through seed or follow-on investments, warehouse lending facilities or other forms of capital or credit support. See, for example, Management's Discussion and Analysis of Financial Condition and Results of Operations Other Operating Items and Liquidity and Capital Resources. Such investments or support utilize capital that would otherwise be available for other corporate purposes. Losses on such investments or support, or failure to have or devote sufficient capital to support products, could have an adverse impact on revenues and earnings.

*Changes in the securities or other markets could lead to a decline in the value of investments that BlackRock owns.*

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At December 31, 2007, BlackRock held approximately \$2.0 billion of investments that are reflected on its statement of financial condition. Approximately \$1.1 billion of this amount is the result of consolidation of certain sponsored investment funds. BlackRock's economic interest in these investments is the result of seed investments in its sponsored investment funds. A decline in the prices of stocks or bonds or value of real estate or other alternative investments within or outside the United States could lower the value of these investments and result in a decline of non-operating income.

**Item 1A. RISK FACTORS (continued)**

***Loss of key employees could lead to the loss of clients and a decline in revenues.***

The ability to attract and retain quality personnel has contributed significantly to BlackRock's growth and success and is important to attracting and retaining clients. The market for qualified fund managers, investment analysts, financial advisers and other professionals is competitive. Key employees may depart because of issues relating to the difficulties in integrating the MLIM or Quellos Businesses. There can be no assurance that the Company will be successful in its efforts to recruit and retain required personnel. Loss of key personnel could have an adverse effect on the Company.

***BlackRock's investment advisory contracts may be terminated or may not be renewed by clients and the liquidation of certain funds may be accelerated at the option of investors.***

Separate account clients may terminate their investment management contracts with BlackRock or withdraw funds on short notice. The Company has, from time to time, lost separate accounts and could, in the future, lose accounts or significant assets under management under various circumstances such as adverse market conditions or poor performance.

Additionally, BlackRock manages its U.S. mutual funds pursuant to management contracts with the funds that must be renewed and approved by the funds' boards of directors annually. A majority of the directors of each mutual fund are independent from BlackRock. Consequently, there can be no assurance that the board of directors of each fund that the Company manages will approve the fund's management contract each year, or will not condition its approval on the terms of the management contract being revised in a way that is adverse to the Company.

Further, the governing agreements of many of the Company's private investment funds generally provide that, subject to certain conditions, investors in those funds, and in some cases independent directors of those funds, may remove the investment adviser, general partner or the equivalent of the fund or liquidate the fund without cause by a simple majority vote, resulting in a reduction in the management or incentive fees as well as the total carried interest we would earn.

***Failure to comply with client contractual requirements and/or guidelines could result in damage awards against BlackRock and loss of revenues due to client terminations.***

When clients retain BlackRock to manage assets or provide products or services on their behalf, they specify guidelines or contractual requirements that the Company is required to observe in the provision of its services. A failure to comply with these guidelines or contractual requirements could result in damage to BlackRock's reputation or in its clients seeking to recover losses, withdrawing their AUM or terminating their contracts, any of which could cause the Company's earnings or stock price to decline.

***Competitive fee pressures could reduce revenues and profit margins.***

The investment management business is highly competitive and has relatively low barriers to entry. To the extent that the Company is forced to compete on the basis of price, it may not be able to maintain its current fee structure. Fee reductions on existing or future new business could cause revenues and profit margins to decline.

***Performance fees may increase earnings volatility, which could decrease BlackRock's stock price.***

A portion of the Company's revenues is derived from performance fees on investment and risk management advisory assignments. In most cases, performance fees are based on investment returns, although in some cases they are based on achieving specific service standards. Generally, the Company is entitled to performance fees only if the returns on the related portfolios exceed agreed-upon periodic or cumulative return targets. If these targets are not exceeded, performance fees for that period will not be earned and, if targets are based on cumulative returns, the Company may not earn performance fees in future periods. Performance fees will vary from period to period in relation to volatility in investment returns and the timing of revenue recognition, causing earnings to be more volatile than if assets were not managed on a performance fee basis. The volatility in earnings may decrease BlackRock's stock price. Performance fees represented \$350.2 million, or 7.2%, of total revenue for the year ended December 31, 2007.



**Item 1A. RISK FACTORS (continued)**

*Additional acquisitions may decrease earnings and harm the Company's competitive position.*

BlackRock employs a variety of strategies intended to enhance earnings and expand product offerings in order to improve profit margins. These strategies have included smaller-sized lift-outs of investment teams and acquisitions of investment management businesses, such as the MLIM and Quellos Transactions. In general, these strategies may not be effective and failure to successfully develop and implement these strategies may decrease earnings and harm the Company's competitive position in the investment management industry. In the event BlackRock pursues additional sizeable acquisitions, it may not be able to find suitable businesses to acquire at acceptable prices and it may not be able to successfully integrate or realize the intended benefits from these acquisitions.

**Risks Related to BlackRock's Operations**

*Failure to maintain adequate infrastructure could impede the ability to support business growth.*

BlackRock has experienced significant growth in its business activities as a result of the MLIM and Quellos Transactions and other efforts. The Company is in the process of building out its infrastructure to integrate the MLIM and Quellos Businesses and to support continued growth, including technological capacity, data centers, backup facilities and sufficient space for expanding staff levels. The failure to maintain an adequate infrastructure commensurate with expansion could impede the Company's growth, which could cause the Company's earnings or stock price to decline.

*Expansion into international markets increases BlackRock's operational, regulatory and other risks.*

BlackRock has increased its international business activities as a result of the MLIM Transaction and other efforts. As a result of such expansion, the Company faces increased operational, regulatory, reputation and foreign exchange rate risks. The failure of the Company's systems of internal control to properly mitigate such additional risks, or of its operating infrastructure to support such international expansion could result in operational failures and regulatory fines or sanctions, which could cause the Company's earnings or stock price to decline.

*Failure to maintain a technological advantage could lead to a loss of clients and a decline in revenues.*

A key element to BlackRock's continued success is the ability to maintain a technological advantage both in terms of operational efficiency and in providing the sophisticated risk analytics incorporated into BlackRock's operating systems that support investment advisory and *BlackRock Solutions* clients. Moreover, the Company's technological and software advantage is dependent on a number of third parties who provide various types of data. The failure of these third parties to provide such data or software could result in operational difficulties and adversely impact BlackRock's ability to provide services to its investment advisory and *BlackRock Solutions* clients. There can be no assurance that the Company will be able to maintain this technological advantage or be able to effectively protect and enforce its intellectual property rights in these systems and processes.

**Item 1A. RISK FACTORS (continued)**

*Failure to implement effective information security policies, procedures and capabilities could disrupt operations and cause financial losses that could result in a decrease in BlackRock's earnings or stock price.*

BlackRock is dependent on the effectiveness of its information security policies, procedures and capabilities to protect its computer and telecommunications systems and the data that reside on or are transmitted through them. An externally caused information security incident, such as a hacker attack or a virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential information and could result in material financial loss, regulatory actions, breach of client contracts, reputational harm or legal liability, which, in turn, could cause a decline in the Company's earnings or stock price.

*The continuing integration of the MLIM and Quellos businesses creates numerous risks and uncertainties that could adversely affect profitability.*

The MLIM and Quellos businesses and personnel are in the process of being integrated with BlackRock's previously existing business and personnel. These transition activities are complex and the Company may encounter unexpected difficulties or incur unexpected costs including:

the diversion of management's attention to integration matters;

difficulties in achieving expected synergies associated with the respective transactions;

difficulties in the integration of operations and systems;

difficulties in the assimilation of employees;

challenges in keeping existing clients and obtaining new clients, including potential conflicts of interest; and

challenges in attracting and retaining key personnel.

As a result, the Company may not be able to realize the expected revenue growth and other benefits that it hopes to achieve from the respective transactions. In addition, BlackRock may be required to spend additional time or money on integration that would otherwise be spent on the development and expansion of its business and services.

**Risks Related to Relationships with Merrill Lynch and PNC**

*Merrill Lynch is an important distributor of BlackRock's products, and the Company is therefore subject to risks associated with the business of Merrill Lynch.*

Under a global distribution agreement entered into with Merrill Lynch in connection with the MLIM Transaction, Merrill Lynch provides distribution, portfolio administration and servicing for certain BlackRock asset management products and services through its various distribution channels. The Company may not be successful in distributing products through Merrill Lynch or in distributing its products and services through other third party distributors. If BlackRock is unable to distribute its products and services successfully or if it experiences an increase in distribution-related costs, BlackRock's business, results of operations or financial condition may be adversely affected.

*Loss of market share with Merrill Lynch's Global Private Client Group could harm operating results.*

A significant portion of the revenue of the MLIM business has historically come from AUM generated by Merrill Lynch's Global Private Client Group (GPC). BlackRock's ability to maintain a strong relationship with GPC is material to the Company's future performance. If one of the

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Company's competitors gains significant additional market share within the GPC retail channel at the expense of BlackRock, then BlackRock's business, results of operations or financial condition may be negatively impacted.

**Item 1A. RISK FACTORS (continued)**

*For so long as Merrill Lynch and PNC maintain certain levels of stock ownership, Merrill Lynch and PNC will vote as stockholders in accordance with the recommendation of BlackRock's Board of Directors, and certain actions will require special board approval or the prior approval of Merrill Lynch and PNC.*

As a result of the stockholder agreements entered into with PNC and Merrill Lynch in connection with the MLIM Transaction, together with the Company's ownership structure, stockholders may have no effective power to influence corporate actions. As of December 31, 2007, Merrill Lynch owned approximately 45.1% of BlackRock's issued and outstanding common stock and approximately 49.0% of total capital stock on a fully-diluted basis, and PNC owned approximately 33.5% of BlackRock's total capital stock.

Merrill Lynch and PNC have agreed to vote all of their shares in accordance with the recommendation of BlackRock's Board of Directors to the extent consistent with the provisions of the Merrill Lynch stockholder agreement and the PNC implementation and stockholder agreement. As a consequence, matters submitted to a stockholder vote that require a majority or a plurality of votes for approval, including elections of directors, will be approved or disapproved solely in accordance with the determinations of the BlackRock Board of Directors, so long as the shares held by Merrill Lynch and PNC constitute a majority of the outstanding shares. This arrangement has the effect of concentrating control over BlackRock in its Board of Directors, whether or not stockholders agree with any particular determination of the Board.

**Legal and Regulatory Risks**

*BlackRock is subject to extensive regulation in the United States and internationally.*

BlackRock's business is subject to extensive regulation in the United States and around the world. See the discussion under the heading Business Regulation. Violation of applicable laws or regulations could result in fines, temporary or permanent prohibition of the engagement in certain activities, reputational harm, suspensions of personnel or revocation of their licenses, suspension or termination of investment adviser or broker-dealer registrations, or other sanctions, which could cause the Company's earnings or stock price to decline. Additionally, BlackRock's business may be adversely impacted by regulatory and legislative initiatives imposed by various U.S. and non-U.S. regulatory and exchange authorities, and industry participants that continue to review and, in many cases, adopt changes to their established rules and policies.

*Failure to comply with the Advisers Act and the Investment Company Act and related regulations could result in substantial harm to BlackRock's reputation and results of operations.*

Certain BlackRock subsidiaries are registered with the SEC under the Advisers Act and BlackRock's U.S. mutual funds are registered with the SEC under the Investment Company Act. The Advisers Act imposes numerous obligations and fiduciary duties on registered investment advisers, including record-keeping, operating and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act imposes similar obligations, as well as additional detailed operational requirements, on investment advisers to registered investment companies. The failure of any of BlackRock's subsidiaries to comply with the Advisers Act or the Investment Company Act could cause the SEC to institute proceedings and impose sanctions for violations of either of these acts, including censure, termination of an investment adviser's registration or prohibition to serve as adviser to SEC-registered funds, and could lead to litigation by investors in those funds or harm to the Company's reputation, any of which could cause its earnings or stock price to decline.

**Item 1A. RISK FACTORS (continued)**

*Failure to comply with ERISA regulations could result in penalties and cause the Company's earnings or stock price to decline.*

Certain BlackRock subsidiaries are subject to ERISA and to regulations promulgated thereunder, insofar as they act as a fiduciary under ERISA with respect to benefit plan clients. ERISA and applicable provisions of the Internal Revenue Code impose duties on persons who are fiduciaries under ERISA, prohibit specified transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions. The failure of any of BlackRock's subsidiaries to comply with these requirements could result in significant penalties that could reduce the Company's earnings or cause its stock price to decline.

*BlackRock is subject to banking regulations that may limit its business activities.*

Since PNC's ownership interest in BlackRock exceeds 25%, BlackRock is deemed to be a non-bank subsidiary of PNC, a financial holding company, which subjects BlackRock to general banking regulations that limit the activities and the types of businesses in which it may engage. Banking regulations may put BlackRock at a competitive disadvantage because most of its competitors are not subject to these limitations. As a non-bank subsidiary of PNC, BlackRock is subject to the supervision, regulation and examination of the FRB. The Company is also subject to the broad enforcement authority of the FRB, including the FRB's power to prohibit BlackRock from engaging in any activity that, in the FRB's opinion, constitutes an unsafe or unsound practice in conducting the Company's business. The FRB also may impose substantial fines and other penalties for violations of applicable banking regulations.

*Legal proceedings could adversely affect operating results and financial condition for a particular period.*

Many aspects of BlackRock's business involve substantial risks of legal liability. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with BlackRock's activities. While Merrill Lynch has agreed to indemnify the Company for certain of the pre-closing liabilities related to legal proceedings acquired in the MLIM Transaction, entities that BlackRock now owns may be named as defendants in these matters and the Company's reputation may be negatively impacted. Liability for legal actions for which no indemnification is available could reduce earnings and cash flows and cause BlackRock's stock price to decline. Additionally, the investment funds that the Company manages are subject to lawsuits, any of which could harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

**Item 1B. UNRESOLVED STAFF COMMENTS**

The Company has no unresolved comments from the SEC staff relating to BlackRock's periodic or current reports filed with the SEC pursuant to the Exchange Act of 1934.

**Item 2. PROPERTIES**

BlackRock's principal office, which is leased, is located at 40 East 52nd Street, New York, New York. BlackRock leases additional office space in New York City at 55 East 52nd Street and throughout the world, including Boston, Chicago, Edinburgh, Florham Park (New Jersey), Hong Kong, London, Melbourne, Munich, Plainsboro (New Jersey), San Francisco, Seattle, Singapore, Melbourne and Tokyo. The Company also owns an 84,500 square foot office building in Wilmington (Delaware).

**Item 3. LEGAL PROCEEDINGS**

BlackRock has received subpoenas from various U.S. federal and state governmental and regulatory authorities and various information requests from the SEC in connection with industry-wide investigations of U.S. mutual fund matters. BlackRock is continuing to cooperate fully in these matters. From time to time, BlackRock is also subject to other regulatory inquiries and proceedings.

The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations, class actions, and other litigation and regulatory proceedings arising in connection with BlackRock's activities. While Merrill Lynch has agreed to indemnify the Company for certain pre-closing liabilities related to legal and regulatory proceedings acquired in the MLIM Transaction, entities that BlackRock now owns may be named as defendants in these matters and the Company's reputation may be negatively impacted. 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, does not currently anticipate that the aggregate liability, if any, arising out of such 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.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of BlackRock's security holders during the fourth quarter of the year ended December 31, 2007.

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**Part II**
**Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

BlackRock's common stock is listed on the NYSE and is traded under the symbol "BLK". At the close of business on January 31, 2008, there were 582 common stockholders of record. Common stockholders include institutional or omnibus accounts that hold common stock for multiple underlying investors.

The following table sets forth for the periods indicated the high and low reported sale prices, period-end closing prices and dividends declared per share for the common stock as reported on the NYSE:

	Stock Price Ranges		Closing Price	Dividends Declared
	High	Low		
<b>2007</b>				
First Quarter	\$ 180.30	\$ 151.32	\$ 156.31	\$ 0.67
Second Quarter	\$ 162.83	\$ 143.69	\$ 156.59	\$ 0.67
Third Quarter	\$ 179.97	\$ 139.20	\$ 173.41	\$ 0.67
Fourth Quarter	\$ 224.54	\$ 172.18	\$ 216.80	\$ 0.67
<b>2006</b>				
First Quarter	\$ 161.49	\$ 105.74	\$ 140.00	\$ 0.42
Second Quarter	\$ 159.36	\$ 120.69	\$ 139.17	\$ 0.42
Third Quarter	\$ 152.34	\$ 123.04	\$ 149.00	\$ 0.42
Fourth Quarter	\$ 158.50	\$ 140.72	\$ 151.90	\$ 0.42

BlackRock's closing stock price as of February 27, 2008 was \$201.30.

**Dividends**

On February 15, 2008, the Board of Directors approved an increase of BlackRock's quarterly dividend to \$0.78 to be paid on March 24, 2008 to stockholders of record on March 7, 2008.

Merrill Lynch and its affiliates, as the sole holders of BlackRock's series A non-voting participating preferred stock, receive dividends on the preferred stock equivalent to the dividends received by common stockholders and may elect to receive such dividends in cash or BlackRock common stock, subject to the ownership limitations contained within the stockholders agreement with BlackRock.

**Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES (continued)**

**Issuer Purchases of Equity Securities**

During the three months ended December 31, 2007, the Company made the following purchases of its common stock, which are registered pursuant to Section 12(b) of the Exchange Act.

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>1</sup></b>
October 1, 2007 through October 31, 2007	17,314 <sub>2</sub>	\$ 173.30		751,400
November 1, 2007 through November 30, 2007	2,255 <sub>2</sub>	\$ 172.25		751,400
December 1, 2007 through December 31, 2007	42,415 <sub>2</sub>	\$ 208.96		751,400
Total	61,984	\$ 197.67		

<sup>1</sup> On August 2, 2006, the Company announced a 2.1 million share repurchase program with no stated expiration date.

<sup>2</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.



**Item 6. SELECTED FINANCIAL DATA**

The selected financial data presented below has been derived in part from, and should be read in conjunction with, the consolidated financial statements of BlackRock and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this Form 10-K. Prior year data reflects certain reclassifications to conform to the current year presentation.

<i>(Dollar amounts in thousands, except per share data)</i>	<b>Year Ended December 31,</b>				
	<b>2007</b>	<b>2006<sup>1</sup></b>	<b>2005<sup>2</sup></b>	<b>2004</b>	<b>2003</b>
<b><u>Income statement data:</u></b>					
Revenue					
Investment advisory and administration base fees	\$ 4,010,061	\$ 1,598,741	\$ 850,378	\$ 592,016	\$ 519,817
Investment advisory performance fees	350,188	242,282	167,994	41,607	8,875
Investment advisory and administration fees	4,360,249	1,841,023	1,018,372	633,623	528,692
Distribution fees	123,052	35,903	11,333		
Other revenue	361,354	221,050	161,681	91,688	69,520
Total revenue	4,844,655	2,097,976	1,191,386	725,311	598,212
Expenses					
Employee compensation and benefits	1,767,063	934,887	587,773	386,158	225,988
Portfolio administration and servicing costs	547,620	172,531	64,611	49,816	44,081
Amortization of deferred sales commissions	108,091	29,940	9,346		
General and administration <sup>3, 4</sup>	870,367	451,303	181,610	122,592	98,940
Termination of closed-end fund administration and servicing arrangements	128,114				
Amortization of intangible assets	129,736	37,515	7,505	947	927
Total expenses	3,550,991	1,626,176	850,845	559,513	369,936
Operating income	1,293,664	471,800	340,541	165,798	228,276
Non-operating income (expense)					
Net gain on investments	504,001	36,930	24,226	20,670	7,955
Interest and dividend income	74,466	29,419	18,912	14,805	15,391
Interest expense	(49,412)	(9,916)	(7,924)	(835)	(720)
Total non-operating income	529,055	56,433	35,214	34,640	22,626
Income before income taxes and non-controlling interest	1,822,719	528,233	375,755	200,438	250,902
Income tax expense	463,832	189,463	138,558	52,264	95,247
Income before non-controlling interest	1,358,887	338,770	237,197	148,174	155,655
Non-controlling interest	363,615	16,168	3,289	5,033	253
Net income	\$ 995,272	\$ 322,602	\$ 233,908	\$ 143,141	\$ 155,402
<b><u>Per share data<sup>5</sup>:</u></b>					
Basic earnings	\$ 7.75	\$ 4.00	\$ 3.64	\$ 2.25	\$ 2.40
Diluted earnings	\$ 7.53	\$ 3.87	\$ 3.50	\$ 2.17	\$ 2.36
Book value <sup>6</sup>	\$ 90.13	\$ 83.57	\$ 14.41	\$ 12.07	\$ 11.13
Common and preferred cash dividends per share	\$ 2.68	\$ 1.68	\$ 1.20	\$ 1.00	\$ 0.40



**Item 6. SELECTED FINANCIAL DATA (continued)**

<i>(Dollar amounts in thousands)</i>	<b>December 31,</b>				
	<b>2007</b>	<b>2006<sup>1</sup></b>	<b>2005<sup>2</sup></b>	<b>2004</b>	<b>2003</b>
<b>Balance sheet data:</b>					
Cash and cash equivalents	\$ 1,656,200	\$ 1,160,304	\$ 484,223	\$ 457,673	\$ 315,941
Investments	\$ 1,999,944	\$ 2,097,574	\$ 298,668	\$ 227,497	\$ 234,923
Goodwill and intangible assets, net	\$ 12,072,836	\$ 11,139,447	\$ 483,982	\$ 184,110	\$ 192,079
Total assets	\$ 22,561,515	\$ 20,469,492	\$ 1,848,000	\$ 1,145,235	\$ 967,223
Short-term borrowings	\$ 300,000	\$	\$	\$	\$
Long-term borrowings	\$ 947,021	\$ 253,167	\$ 253,791	\$ 4,810	\$ 5,736
Total liabilities	\$ 10,386,350	\$ 8,578,520	\$ 916,143	\$ 359,714	\$ 252,676
Non-controlling interest	\$ 578,210	\$ 1,109,092	\$ 9,614	\$ 17,169	\$ 1,239
Stockholders' equity	\$ 11,596,955	\$ 10,781,880	\$ 922,243	\$ 768,352	\$ 713,308

<i>(Dollar amounts in millions)</i>	<b>December 31,</b>				
	<b>2007</b>	<b>2006<sup>1</sup></b>	<b>2005<sup>2</sup></b>	<b>2004</b>	<b>2003</b>
<b>Assets under management:</b>					
Fixed income	\$ 513,020	\$ 448,012	\$ 303,928	\$ 240,709	\$ 214,356
Equity and balanced	459,182	392,708	37,303	14,792	13,721
Cash management	313,338	235,768	86,128	78,057	74,345
Alternative investments	71,104	48,139	25,323	8,202	6,934
Total assets under management	\$ 1,356,644	\$ 1,124,627	\$ 452,682	\$ 341,760	\$ 309,356

<sup>1</sup> Significant increases in 2006 are primarily the result of the closing of the MLIM Transaction on September 29, 2006.

<sup>2</sup> Significant increases in 2005 are partially due to the result of the closing of the SSR Transaction in January 2005.

<sup>3</sup> Includes a 2006 fee sharing payment to MetLife, Inc. of \$34,450 representing a one-time expense related to a large institutional real estate equity client account acquired in the SSR Transaction.

<sup>4</sup> Includes a \$6,097 impairment of intangible assets in 2004 which represented the write-off of an intangible management contract related to certain funds in which the portfolio manager resigned and the funds were subsequently liquidated.

<sup>5</sup> Series A non-voting participating preferred stock is considered to be common stock for purposes of per share calculations.

<sup>6</sup> At December 31 of the respective year-end.

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**Item 7. 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 factors previously disclosed in BlackRock's SEC reports and those identified elsewhere in this report, including the Risk Factors section of Item 1A. of 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 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, 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, and 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 advisory and administration fees earned by BlackRock and 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) BlackRock's ability to successfully integrate the MLIM and Quellos Businesses with its existing business; (17) the ability of BlackRock to effectively manage the former MLIM and Quellos assets along with its historical assets under management; and (18) BlackRock's success in maintaining the distribution of its products.

**Item 7. 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 \$1.357 trillion of assets under management (AUM) at December 31, 2007. 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 provides risk management, strategic advisory and enterprise investment system services to a broad base of clients.

On September 29, 2006, BlackRock and Merrill Lynch & Co., Inc. (Merrill Lynch) closed a transaction pursuant to which Merrill Lynch contributed its investment management business, Merrill Lynch Investment Managers (MLIM), to BlackRock in exchange for an aggregate of 65 million shares of newly issued BlackRock common and non-voting participating preferred stock (the MLIM Transaction). On October 1, 2007, BlackRock acquired certain assets and assumed certain liabilities of the fund of funds business of Quellos Group, LLC (Quellos) for up to \$1.719 billion in a combination of cash and common stock (the Quellos Transaction). At December 31, 2007, Merrill Lynch owned approximately 45.1% of the Company's voting common stock and approximately 49.0% of the capital stock on a fully diluted basis of the Company and The PNC Financial Services Group, Inc. (PNC) owned approximately 33.5% of the capital stock.

The following table summarizes BlackRock's operating performance for the years ended December 31, 2007, 2006 and 2005:

**BlackRock, Inc.**

**Financial Highlights**

(Dollar amounts in thousands, except per share data)

	Year ended December 31,			2007 vs. 2006		2006 vs. 2005	
	2007	2006	2005	Amount	%	Amount	%
Total revenue	\$ 4,844,655	\$ 2,097,976	\$ 1,191,386	\$ 2,746,679	130.9%	\$ 906,590	76.1%
Total expenses	\$ 3,550,991	\$ 1,626,176	\$ 850,845	\$ 1,924,815	118.4%	\$ 775,331	91.1%
Operating income	\$ 1,293,664	\$ 471,800	\$ 340,541	\$ 821,864	174.2%	\$ 131,259	38.5%
Operating income, as adjusted <sup>(a)</sup>	\$ 1,559,423	\$ 688,108	\$ 425,812	\$ 871,315	126.6%	\$ 262,296	61.6%
Net income	\$ 995,272	\$ 322,602	\$ 233,908	\$ 672,670	208.5%	\$ 88,694	37.9%
Net income, as adjusted <sup>(b)</sup>	\$ 1,079,694	\$ 444,703	\$ 269,622	\$ 634,991	142.8%	\$ 175,081	64.9%
Diluted earnings per share <sup>(c)</sup>	\$ 7.53	\$ 3.87	\$ 3.50	\$ 3.66	94.6%	\$ 0.37	10.6%
Diluted earnings per share, as adjusted <sup>(b)</sup> <sup>(c)</sup>	\$ 8.17	\$ 5.33	\$ 4.03	\$ 2.84	53.3%	\$ 1.30	32.3%
Weighted average diluted shares outstanding <sup>(c)</sup>	132,088,810	83,358,394	66,875,149	48,730,416	58.5%	16,483,245	24.6%
Operating margin, GAAP basis	26.7%	22.5%	28.6%				
Operating margin, as adjusted <sup>(a)</sup>	37.5%	36.7%	38.9%				

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)**
**Overview (continued)**

- (a) BlackRock reports its financial results on a GAAP basis, however management believes that evaluating the Company's ongoing operating results may not be as useful if investors are limited to reviewing only GAAP 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.

Operating margin, as adjusted, equals operating income, as adjusted, divided by revenue used for operating margin measurement, as indicated in the table below. As a result of recent changes in BlackRock's business, management has altered the way it views its operating margin, as adjusted. As such, the calculation of operating income, as adjusted, and operating margin, as adjusted, were modified in the second quarter 2007 primarily to adjust for costs associated with closed-end fund issuances and amortization of deferred sales costs, as shown below. Revenue used for operating margin, as adjusted, for all periods presented includes affiliated and unaffiliated portfolio administration and servicing costs. Certain prior period non-GAAP data has been reclassified to conform to current presentation. Computations for all years are derived from the Company's consolidated statements of income as follows:

	2007	Year ended 2006	2005
Operating income, GAAP basis	\$ 1,293,664	\$ 471,800	\$ 340,541
Non-GAAP adjustments:			
Termination of closed-end fund administration and servicing arrangements	128,114		
PNC LTIP funding obligation	53,517	50,031	48,587
Merrill Lynch compensation contribution	10,000	1,848	
MLIM integration costs	20,201	141,932	
Quellos integration costs	460		
SSR integration costs			8,873
Closed-end fund launch costs	35,594	11,586	13,259
Closed-end fund launch commissions	6,029	3,374	4,105
Compensation expense related to appreciation on deferred compensation plans	11,844	7,537	10,447
Operating income, as adjusted	\$ 1,559,423	\$ 688,108	\$ 425,812
Revenue, GAAP basis	\$ 4,844,655	\$ 2,097,976	\$ 1,191,386
Non-GAAP adjustments:			
Portfolio administration and servicing costs	(547,620)	(172,531)	(64,611)
Amortization of deferred sales costs	(108,091)	(29,940)	(9,346)
Reimbursable property management compensation	(26,811)	(22,618)	(23,376)
Revenue used for operating margin measurement, as adjusted	\$ 4,162,133	\$ 1,872,887	\$ 1,094,053
Operating margin, GAAP basis	26.7%	22.5%	28.6%
Operating margin, as adjusted	37.5%	36.7%	38.9%

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**Item 7. 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 management's ability to effectively employ BlackRock's resources. As such, management believes that operating income, as adjusted, and operating margin, as adjusted, provide useful disclosure to investors.

Non-GAAP Operating Income Adjustments:

The expense related to the termination of the closed-end fund administration and servicing arrangements with Merrill Lynch has been excluded from operating income, as adjusted, as the termination of the arrangements is deemed non-recurring by management. The portion of the Long-Term Incentive Plan (LTIP) expense associated with awards funded through the distribution to participants of shares of BlackRock common stock held by PNC and the anticipated Merrill Lynch compensation contribution have been excluded because, exclusive of the impact related to LTIP participants' put options, these charges do not impact BlackRock's book value. MLIM and Quellos integration costs, as well as SSR acquisition costs consist principally of certain professional fees, rebranding costs and compensation costs related to the integration which were reflected in GAAP operating income. Integration and acquisition costs have been deemed non-recurring by management and have been excluded from operating income, as adjusted, to help ensure the comparability of this information to prior periods. Closed-end fund launch costs and commissions have been excluded from operating income, as adjusted, because such costs can fluctuate considerably and revenues associated with the expenditure of such costs will not fully impact the Company's results until future periods. As such, management believes that operating margins exclusive of these costs are more representative of the operating performance for the respective periods. Compensation expense associated with appreciation (depreciation) on assets related to certain BlackRock deferred compensation plans has been excluded as returns on investments for these plans are reported in non-operating income.

Non-GAAP Revenue Adjustments:

Portfolio administration and servicing costs have been excluded from revenue used for operating margin, as adjusted, because the Company receives offsetting revenue and expense for these services. Amortization of deferred sales costs are excluded from revenue used for operating margin measurement, as adjusted, because such costs offset distribution fee revenue earned by the Company. Reimbursable property management compensation represents compensation and benefits paid to certain BlackRock Realty Advisors, Inc. (Realty) personnel. These employees are retained on Realty's payroll when certain properties are acquired by Realty's clients. The related compensation and benefits are 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.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**Overview (continued)**

- (b) BlackRock reports its financial results on a GAAP basis, however management believes that evaluating the Company's ongoing operating results may not be as useful if investors are limited to reviewing only 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.

	2007	Year ended December 31, 2006	2005
Net income, GAAP basis	\$ 995,272	\$ 322,602	\$ 233,908
Non-GAAP adjustments, net of tax:			
Termination of closed-end fund administration and servicing arrangements	81,993		
PNC's LTIP funding obligation	34,251	31,520	30,610
Merrill Lynch compensation contribution	6,400	1,164	
MLIM integration costs	12,929	89,417	
Quellos integration costs	294		
SSR integration costs			5,590
Corporate deferred income tax rate changes	(51,445)		
Impact of Trepp sale			(486)
Net income, as adjusted	\$ 1,079,694	\$ 444,703	\$ 269,622
Diluted weighted average shares outstanding <sup>(c)</sup>	132,088,810	83,358,394	66,875,149
Diluted earnings per share, GAAP basis <sup>(c)</sup>	\$ 7.53	\$ 3.87	\$ 3.50
Diluted earnings per share, as adjusted <sup>(c)</sup>	\$ 8.17	\$ 5.33	\$ 4.03

Management believes that net income, as adjusted, and diluted earnings per share, as adjusted, are effective measurements of BlackRock's profitability and financial performance. The termination of the closed-end fund administration and servicing arrangements with Merrill Lynch has been excluded from net income, as adjusted, as the termination of the arrangements is deemed non-recurring by management. The portion of the LTIP expense associated with awards funded through the distribution to participants of shares of BlackRock common stock held by PNC and the anticipated Merrill Lynch compensation contribution have been excluded from net income, as adjusted, and diluted earnings per share, as adjusted, because, exclusive of the impact related to LTIP participants' put options, these charges do not impact BlackRock's book value. MLIM, Quellos and SSR integration costs, reflected in GAAP net income have been deemed non-recurring by management and have been excluded from net income, as adjusted, and diluted earnings per share, as adjusted, to help ensure the comparability of this information to prior reporting periods. Integration costs consist principally of compensation costs, professional fees and rebranding costs incurred in conjunction with the integrations. The United Kingdom and Germany, during third quarter 2007, enacted legislation reducing corporate income taxes, effective in April and January of 2008, respectively, which resulted in a revaluation of certain deferred tax liabilities. The resulting decrease in deferred income taxes has been excluded from net income, as adjusted, as it is non-recurring and to ensure comparability to prior reporting periods. The gain on the sale of the Company's equity interest in Trepp, LLC reflected in GAAP net income, has been deemed non-recurring by management and has been excluded from net income, as adjusted, to help ensure the comparability of this information to subsequent reporting periods.

- (c) Series A non-voting participating preferred stock is considered to be common stock for purposes of earnings per share calculations.





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**Item 7. 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 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 to 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 primary retail fund group offered outside the United States is the Merrill Lynch International Investment Funds ( MLIIF ), which is authorized for distribution in more than 35 jurisdictions worldwide. In the United States, the primary retail offerings include a wide variety of 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 certain of its products and services through Merrill Lynch.

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 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 in addition to fees based on AUM. 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 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* and include a wide array of risk management services and enterprise investment system outsourcing to clients. Fees earned for *BlackRock Solutions* services are based on a number of factors including pre-determined percentages of the market value of assets subject to the services and the number of individual investment accounts, or fixed fees. Fees earned on risk management, investment analytic and investment system assignments are recorded as other revenue in the consolidated statements of income.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)**
**Overview (continued)**

Operating expenses consist of employee compensation and benefits, portfolio administration and servicing costs, amortization of deferred mutual fund sales commissions, general and administration expense 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 reflect payments made to Merrill Lynch-affiliated entities and PNC-affiliated entities, as well as third parties, primarily associated with the administration and servicing of client investments in certain BlackRock products.

**Assets Under Management**

AUM increased approximately \$232.0 billion, or 20.6%, to \$1.357 trillion at December 31, 2007, compared with \$1.125 trillion at December 31, 2006. The growth in AUM was attributable to \$137.6 billion in net subscriptions, \$60.1 billion in net market appreciation, \$21.9 billion acquired in the Quellos Transaction and \$12.4 billion in net foreign exchange gains.

**BlackRock, Inc.**
**Assets Under Management**

<i>(Dollar amounts in millions)</i>	Year ended December 31,			Variance	
	2007	2006	2005	2007 vs. 2006	2006 vs. 2005
Fixed income	\$ 513,020	\$ 448,012	\$ 303,928	14.5%	47.4%
Equity and balanced	459,182	392,708	37,303	16.9%	NM
Cash management	313,338	235,768	86,128	32.9%	173.7%
Alternative investments	71,104	48,139	25,323	47.7%	90.1%
<b>Total</b>	<b>\$ 1,356,644</b>	<b>\$ 1,124,627</b>	<b>\$ 452,682</b>	<b>20.6%</b>	<b>148.4%</b>

NM Not Meaningful

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**Assets Under Management (continued)**

Net subscriptions of \$137.6 billion for the year ended December 31, 2007 were primarily the result of net new business of \$75.3 billion in cash management products, \$27.2 billion in fixed income products, \$23.5 billion in equity and balanced products and \$11.7 billion in alternative investment products. Market appreciation of \$60.1 billion largely reflected appreciation in equity and balanced products of \$35.0 billion, as equity markets improved during the year ended December 31, 2007 and market appreciation on fixed income products of \$20.1 billion due to current income and changes in market interest rates. BlackRock acquired \$21.9 billion in alternative investment products from the Quellos Transaction.

The following table presents the component changes in BlackRock's AUM for the years ended December 31, 2007, 2006 and 2005. Prior year data reflects certain reclassifications to conform to the current year presentation.

**BlackRock, Inc.**

**Component Changes in Assets Under Management**

<i>(Dollar amounts in millions)</i>	<b>Year ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Beginning assets under management	\$ 1,124,627	\$ 452,682	\$ 341,760
Net subscriptions	137,639	32,814	50,155
Acquisitions	21,868	589,158	49,966
Market appreciation	60,132	42,196	13,238
Foreign exchange	12,378	7,777	(2,437)
Ending assets under management	\$ 1,356,644	\$ 1,124,627	\$ 452,682
Percent change in change in AUM from net subscriptions and acquisitions	68.7%	92.6%	90.3%
Percent change in total AUM	20.6%	148.4%	32.5%

The following table presents the component changes in BlackRock's AUM for 2007.

<i>(Dollar amounts in millions)</i>	<b>December 31, 2006</b>	<b>Net subscriptions (redemptions)</b>	<b>Acquisitions/ reclassifications <sup>1</sup></b>	<b>Market appreciation (depreciation)</b>	<b>Foreign Exchange <sup>2</sup></b>	<b>December 31, 2007</b>
Fixed income	\$ 448,012	\$ 27,196	\$ 14,037	\$ 20,091	\$ 3,684	\$ 513,020
Equity and balanced	392,708	23,489		35,016	7,969	459,182
Cash management	235,768	75,272		1,933	365	313,338
Alternative investments	48,139	11,682	7,831	3,092	360	71,104
<b>Total</b>	<b>\$ 1,124,627</b>	<b>\$ 137,639</b>	<b>\$ 21,868</b>	<b>\$ 60,132</b>	<b>\$ 12,378</b>	<b>\$ 1,356,644</b>

<sup>1</sup> Data reflects reclassification of \$14.0 billion of fixed income oriented absolute return and structured products to fixed income from alternative investments, as well as the \$21.9 billion of net assets acquired in the Quellos Transaction on October 1, 2007.

<sup>2</sup> Foreign exchange reflects the impact of converting non-dollar denominated AUM into U.S. dollars for reporting.



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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)**

**Business Outlook**

As fiscal 2008 began, domestic and international markets generally reflected mixed economic and market performance due to a downturn in the United States housing market and ongoing credit market concerns. Low interest rates and a weaker dollar suggest increased allocations outside the United States over time, as well as faster adoption of new strategies, including liability driven investing, the increased use of multiple asset class products and the mainstreaming of alternatives. The timing and direction of market changes, investment performance and new client asset flows will impact the revenue the Company recognizes.

The Company notes that the liquidity crunch and associated market disruption have impacted our business, which may be affected by further market changes during the remainder of 2008.

The build-up of institutional liquidity assets experienced in the fourth quarter of 2007 may be temporary, as these assets are expected to be redeployed to longer-dated strategies as market conditions stabilize. The Company's strategic focus on performance, globalization and product diversification, client service and independent advice may enable retention of a portion of these assets.

The liquidity crunch and associated market disruption have given rise to greater demand for our advisory services, marrying our extensive capital markets and structuring expertise with rigorous modeling and analytical capabilities. While we anticipate demand for these services to remain high through the volatile markets, demand may return to historical levels should market concerns ease.

In early 2008, returns on many major equity indices have declined from year-end 2007, which may impact the Company's revenue in future periods.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**Operating results for the year ended December 31, 2007, as compared with the year ended December 31, 2006**

Operating results for the year ended December 31, 2007 reflect the full year impact of the MLIM Transaction, which closed on September 29, 2006. With the exception of *BlackRock Solutions*, the magnitude of the acquired business is the primary driver of most line item variances in the analysis below comparing the year ended December 31, 2007 to the year ended December 31, 2006. Certain prior year amounts have been reclassified to conform to the current presentation.

**Revenue**

(Dollar amounts in thousands)	Year ended		Variance	
	December 31, 2007	December 31, 2006	Amount	%
<b>Investment advisory and administration fees:</b>				
Fixed income	\$ 917,390	\$ 590,225	\$ 327,165	55.4%
Equity and balanced	2,202,076	625,390	1,576,686	252.1%
Cash management	519,733	202,515	317,218	156.6%
Alternative investments	370,862	180,611	190,251	105.3%
Investment advisory and administration base fees	4,010,061	1,598,741	2,411,320	150.8%
Investment advisory performance fees	350,188	242,282	107,906	44.5%
Total investment advisory and administration fees	4,360,249	1,841,023	2,519,226	136.8%
<b>Distribution fees</b>	123,052	35,903	87,149	242.7%
<b>Other revenue:</b>				
<i>BlackRock Solutions</i>	198,262	147,987	50,275	34.0%
Other revenue	163,092	73,063	90,029	123.2%
Total other revenue	361,354	221,050	140,304	63.5%
Total revenue	\$ 4,844,655	\$ 2,097,976	\$ 2,746,679	130.9%

Total revenue for the year ended December 31, 2007 increased \$2,746.7 million, or 130.9%, to \$4,844.7 million, compared with \$2,098.0 million for the year ended December 31, 2006. Total investment advisory and administration fees increased \$2,519.2 million to \$4,360.2 million for the year ended December 31, 2007, compared with \$1,841.0 million for the year ended December 31, 2006. Distribution fees increased by \$87.1 million to \$123.1 million for the year ended December 31, 2007 compared with \$35.9 million for the year ended December 31, 2006. Other revenue increased by \$140.3 million, or 63.5%, to \$361.4 million for the year ended December 31, 2007 compared with \$221.1 million for the year ended December 31, 2006.

*Investment advisory and administration fees*

The increase in investment advisory and administration fees of \$2,519.2 million, or 136.8%, was the result of an increase in investment advisory and administration base fees of \$2,411.3 million, or 150.8%, to \$4,010.1 million for the year ended December 31, 2007, compared with \$1,598.7 million for the year ended December 31, 2006 along with an increase of \$107.9 million in performance fees. Investment advisory and administration base fees increased for the year ended December 31, 2007 primarily due to the MLIM Transaction which added \$589.2 billion in AUM on September 29, 2006 and additional increased AUM of \$232.0 billion during 2007.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)**

**Operating results for the year ended December 31, 2007, as compared with the year ended December 31, 2006 (continued)**

**Revenue (continued)**

*Investment advisory and administration fees (continued)*

The increase in investment advisory and administration base fees of \$2,411.3 million for the year ended December 31, 2007, compared with the year ended December 31, 2006 consisted of increases of \$1,576.7 million in equity and balanced products, \$327.2 million in fixed income products, \$317.2 million in cash management products and \$190.3 million in alternative products. The increase in investment advisory and administration fees for equity and balanced, fixed income, cash management and alternative investment products was driven by AUM acquired in the MLIM Transaction on September 29, 2006, as well as increases in AUM of \$66.5 billion, \$65.0 billion, \$77.6 billion and \$23.0 billion, respectively, over the past twelve months, which includes the \$21.9 billion of alternative investment AUM acquired in the Quellos Transaction.

Performance fees increased by \$107.9 million, or 44.5%, to \$350.2 million for the year ended December 31, 2007, compared to \$242.3 million for the year ended December 31, 2006 primarily due to higher performance fees on equity and fixed income hedge funds, as well as real estate equity products.

*Distribution Fees*

Distribution fees increased by \$87.1 million to \$123.1 million for the year ended December 31, 2007, as compared to \$35.9 million for the year ended December 31, 2006. The increase in distribution fees is primarily the result of the acquisition of distribution financing arrangements from the MLIM Transaction in third quarter 2006 and from PNC in second quarter 2007.

*Other Revenue*

Other revenue of \$361.4 million for the year ended December 31, 2007 increased \$140.3 million compared with the year ended December 31, 2006. Other revenue primarily represents fees earned on *BlackRock Solutions* products and services of \$198.3 million, property management fees of \$38.2 million earned on real estate products (primarily related to reimbursement of salaries and benefits of certain Realty employees from certain real estate products), fees for fund accounting of \$27.2 million, fees related to securities lending of \$27.1 million and \$13.9 million for other advisory service fees.

The increase in other revenue of \$140.3 million, or 63.5%, for the year ended December 31, 2007 as compared to \$221.1 million for the year ended December 31, 2006 was primarily the result of an increase of \$50.3 million from *BlackRock Solutions* products and services driven by new Aladdin<sup>®</sup> and advisory valuation assignments, an increase of \$24.6 million in unit trust sales commissions, an increase of \$20.8 million in fees earned related to securities lending, \$14.6 million in fund accounting services, and \$13.7 million for other advisory service fees.



**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

Operating results for the year ended December 31, 2007, as compared with the year ended December 31, 2006 (continued)

**Expenses**

<i>(Dollar amounts in thousands)</i>	Year ended December 31,		Variance	
	2007	2006	Amount	%
<b>Expenses:</b>				
Employee compensation and benefits	\$ 1,767,063	\$ 934,887	\$ 832,176	89.0%
Portfolio administration and servicing costs	547,620	172,531	375,089	217.4%
Amortization of deferred sales commissions	108,091	29,940	78,151	261.0%
General and administration	870,367	416,853	453,514	108.8%
Termination of closed-end fund administration and servicing arrangements	128,114		128,114	NM
Fee sharing payment		34,450	(34,450)	(100.0)%
Amortization of intangible assets	129,736	37,515	92,221	245.8%
<b>Total expenses</b>	<b>\$ 3,550,991</b>	<b>\$ 1,626,176</b>	<b>\$ 1,924,815</b>	<b>118.4%</b>

*NM Not Meaningful*

Total expenses, which reflect the impact of the MLIM Transaction on September 29, 2006, increased \$1,924.8 million, or 118.4%, to \$3,551.0 million for the year ended December 31, 2007, compared with \$1,626.2 million for the year ended December 31, 2006. Total expense included integration charges related to the MLIM Transaction of \$20.2 million and \$141.9 million in 2007 and 2006, respectively. The year ended December 31, 2007 included \$20.2 million of total MLIM integration charges primarily in general and administration, compared to integration charges of \$45.0 million related to employee compensation and benefits and \$96.9 million related to general and administration, respectively in the year ended December 31, 2006.

*Employee Compensation and Benefits*

Employee compensation and benefits increased by \$832.2 million, or 89.0%, to \$1,767.1 million, at December 31, 2007 compared to \$934.9 million for the year ended December 31, 2006. The increase in employee compensation and benefits was primarily attributable to increases in incentive compensation, salaries and benefits and stock-based compensation of \$405.7 million, \$368.4 million and \$66.3 million, respectively. The \$405.7 million, increase in incentive compensation is primarily attributable to higher operating income and direct incentives associated with higher performance fees earned on the Company's alternative investment products. The \$368.4 million increase in salaries and benefits was primarily attributable to higher staffing levels associated with the MLIM and Quellos Transactions and business growth. Employees (including employees of Metric Property Management, Inc. ( Metric )) at December 31, 2007 totaled 5,952 as compared to 5,113 at December 31, 2006.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)**

Operating results for the year ended December 31, 2007, as compared with the year ended December 31, 2006 (continued)

**Expenses (continued)**

*Portfolio Administration and Servicing Costs*

Portfolio administration and servicing costs increased \$375.1 million to \$547.6 million during the year ended December 31, 2007, compared to \$172.5 million for the year ended December 31, 2006. These costs include payments to third parties, including Merrill Lynch and PNC, primarily associated with the administration and servicing of client investments in certain BlackRock products. Portfolio administration and servicing costs included \$436.9 million of expense for the year ended December 31, 2007 payable to Merrill Lynch and affiliates and \$23.2 million of expense for the year ended December 31, 2007 payable to PNC and other affiliates.

*Amortization of Deferred Sales Commissions*

Amortization of deferred sales commissions increased by \$78.2 million to \$108.1 million for the year ended December 31, 2007, as compared to \$29.9 million for the year ended December 31, 2006. The increase in amortization of deferred sales commissions was primarily the result of the acquisition of distribution financing arrangements from MLIM at the end of third quarter 2006 and from PNC in second quarter 2007.

*General and Administration Expense*

<i>(Dollar amounts in thousands)</i>	Year ended		Variance	
	2007	2006	Amount	%
<b>General and administration expense:</b>				
Portfolio services	\$ 169,676	\$ 51,694	\$ 117,982	228.2%
Marketing and promotional	169,206	100,089	69,117	69.1%
Occupancy	130,089	64,086	66,003	103.0%
Technology	117,597	61,040	56,557	92.7%
Professional services	94,282	72,740	21,542	29.6%
Closed-end fund launch costs	35,594	11,586	24,008	207.2%
Other general and administration	153,923	55,618	98,305	176.8%
<b>Total general and administration expense</b>	<b>\$ 870,367</b>	<b>\$ 416,853</b>	<b>\$ 453,514</b>	<b>108.8%</b>

General and administration expense increased \$453.5 million, or 108.8%, for the year ended December 31, 2007 to \$870.4 million, compared to \$416.9 million for the year ended December 31, 2006.

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)****Operating results for the year ended December 31, 2007, as compared with the year ended December 31, 2006 (continued)****Expenses (continued)**

Portfolio services costs increased by \$118.0 million to \$169.7 million, relating to supporting higher AUM levels and increased trading activities. Marketing and promotional expense increased \$69.1 million, or 69.1%, to \$169.2 million for the year ended December 31, 2007, compared to \$100.1 million for the year ended December 31, 2006 primarily due to increased marketing activities, including \$84.8 million related to domestic and international marketing efforts, partially offset by a decrease of \$15.7 million related to BlackRock's advertising and rebranding campaign in 2006. Occupancy costs for the year ended December 31, 2007 totaled \$130.1 million, representing a \$66.0 million, or 103.0%, increase from \$64.1 million for the year ended December 31, 2006. The increase in occupancy costs primarily reflects costs related to the expansion of corporate facilities as a result of the MLIM and Quellos Transactions and business growth. Technology expenses increased \$56.6 million, or 92.7%, to \$117.6 million compared to \$61.0 million for the year ended December 31, 2006 primarily due to a \$13.0 million increase in technology consulting expenses, a \$19.4 million increase in hardware depreciation expense and a \$14.7 million increase in software licensing and maintenance costs. Closed-end fund launch costs totaled \$35.6 million for the year ended December 31, 2007 relating to three new closed-end funds launched during the year, generating approximately \$3.0 billion in AUM. Closed-end fund launch costs for the year ended December 31, 2006 totaled \$11.6 million relating to three new closed-end funds launched during the period, generating \$2.2 billion in AUM. Professional services increased \$21.5 million, or 29.6%, to \$94.3 million compared to \$72.7 million for the year ended December 31, 2006 primarily due to increased accounting, tax and legal services necessary to support business growth. Other general and administration costs increased by \$98.3 million to \$153.9 million from \$55.6 million, including \$23.9 million of capital contributions to two enhanced cash funds in support of fund net asset values and a \$12 million charge reflecting the valuation of capital support agreements covering certain securities remaining in the funds and \$32.4 million in office related expenses.

*Termination of Closed-end Fund Administration and Servicing Arrangements*

For the year ended December 31, 2007, BlackRock recorded an expense of \$128.1 million, related to the termination of administration and servicing arrangements with Merrill Lynch on 40 closed-end funds with original terms of 30-40 years.

*Fee Sharing Payment*

For the year ended December 31, 2006, BlackRock recorded a fee sharing payment of \$34.5 million, representing a payment related to a large institutional real estate equity client account acquired in the SSR Transaction in January 2005.

*Amortization of Intangible Assets*

The \$92.2 million increase in the amortization of intangible assets to \$129.7 million for the year ended December 31, 2007, compared to \$37.5 million for the year ended December 31, 2006, primarily reflects amortization of finite-lived intangible assets acquired in the MLIM and Quellos Transactions.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

Operating results for the year ended December 31, 2007, as compared with the year ended December 31, 2006 (continued)

**Non-Operating Income, Net of Non-Controlling Interest**

Non-operating income, net of non-controlling interest, for the years ended December 31, 2007 and 2006 was as follows:

<i>(Dollar amounts in thousands)</i>	Year ended December 31,		Variance	
	2007	2006	Amount	%
Total non-operating income	\$ 529,055	\$ 56,433	\$ 472,622	NM
Non-controlling interest	(363,615)	(16,168)	(347,447)	NM
<b>Total non-operating income, net of non-controlling interest</b>	<b>\$ 165,440</b>	<b>\$ 40,265</b>	<b>\$ 125,175</b>	<b>310.9%</b>

NM Not Meaningful

The components of non-operating income, net of non-controlling interest, for the year ended December 31, 2007 and 2006 were as follows:

<i>(Dollar amounts in thousands)</i>	Year ended December 31,		Variance	
	2007	2006	Amount	%
<b>Non-operating income, net of non-controlling interest:</b>				
Net gain on investments, net of non-controlling interest:				
Private equity <sup>1</sup>	\$ 64,971	\$ 64	\$ 64,907	NM
Real estate	36,756	1,030	35,726	NM
Other alternative products	30,800	7,369	23,431	NM
Other <sup>2</sup>	9,859	12,353	(2,494)	NM
<b>Total net gain on investments, net of non-controlling interest</b>	<b>142,386</b>	<b>20,816</b>	<b>121,570</b>	<b>NM</b>
Other non-controlling interest <sup>3</sup>	(2,000)	(54)	(1,946)	NM
Interest and dividend income	74,466	29,419	45,047	153.1%
Interest expense	(49,412)	(9,916)	(39,496)	398.3%
<b>Total non-operating income, net of non-controlling interest</b>	<b>\$ 165,440</b>	<b>\$ 40,265</b>	<b>\$ 125,175</b>	<b>310.9%</b>

NM Not Meaningful

<sup>1</sup> Includes earnings on BlackRock's limited partnership investments in private equity funds.

<sup>2</sup> Includes investment income related to equity and fixed income investments, collateralized debt obligations, deferred compensation arrangements and BlackRock's seed capital hedging program.

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<sup>3</sup> Includes non-controlling interest related to non-investment activities.

Non-operating income, net of non-controlling interest, increased \$125.2 million to \$165.4 million for the year ended December 31, 2007, compared to \$40.3 million for the year ended December 31, 2006 as a result of a \$121.6 million increase in net gain on investments, net of non-controlling interest, and a \$45.0 million increase in interest and dividend income, partially offset by a \$39.5 million increase in interest expense primarily related to borrowings under BlackRock's revolving credit agreement and the \$700 million issuance of long-term debt in September 2007. The increase in net gain on investments, net of non-controlling interest, was primarily due to market appreciation and investment gains from seed investments in private equity products, real estate equity products and other alternative products including hedge funds and funds of funds, partially offset by \$14.2 million of increased impairments related to seed investments in collateralized debt obligations.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)****Operating results for the year ended December 31, 2007, as compared with the year ended December 31, 2006 (continued)****Income Taxes**

Income tax expense was \$463.8 million and \$189.5 million for the years ended December 31, 2007 and 2006, respectively, representing effective income tax rates of 31.8% and 37.0%, respectively. The reduction in the effective tax rate is primarily the result of a one-time deferred income tax benefit of \$51.4 million, recognized in the third quarter of 2007, due to tax legislation changes enacted in third quarter 2007 in the United Kingdom and Germany that will reduce corporate income tax rates in those jurisdictions in 2008. Accordingly, BlackRock revalued its deferred tax liabilities in these jurisdictions. Absent this deferred income tax benefit, the 2007 effective tax rate would have been 35.3%.

**Net Income**

Net income totaled \$995.3 million, or \$7.53 per diluted share, for the year ended December 31, 2007, which was an increase of \$672.7 million, or \$3.66 per diluted share, compared to the year ended December 31, 2006. Net income for the year ended December 31, 2007 includes \$82.0 million related to the after-tax impacts of the termination of closed-end fund administration and servicing arrangements with Merrill Lynch, \$34.3 million related to the portion of certain LTIP awards to be funded through a capital contribution of BlackRock common stock held by PNC, \$12.9 million related to integration costs associated with the MLIM and Quellos Transactions and \$6.4 million related to an expected contribution by Merrill Lynch to fund certain compensation of former MLIM employees. In addition, the United Kingdom and Germany enacted legislation reducing corporate income tax rates resulting in a one-time decrease of \$51.4 million in income tax expense which is included in net income. MLIM and Quellos integration costs primarily include compensation costs, professional fees and rebranding costs.

Net income of \$322.6 million during the year ended December 31, 2006 included the after-tax impacts of the portion of certain LTIP awards to be funded through a capital contribution of \$31.5 million of BlackRock common stock held by PNC, MLIM integration costs of \$89.4 million and an expected contribution by Merrill Lynch of \$1.2 million to fund certain compensation of former MLIM employees. Exclusive of these items, fully diluted earnings per share, as adjusted, for the year ended December 31, 2007 increased \$2.84, or 53.3%, to \$8.17 compared to \$5.33 for the year ended December 31, 2006.

**Operating Margin**

The Company's operating margin was 26.7% for the year ended December 31, 2007 compared to 22.5% for the year ended December 31, 2006. Operating margin for the year ended December 31, 2007 includes the impacts of \$128.1 million for the termination of closed-end fund administration and servicing arrangements with Merrill Lynch, \$41.6 million of closed-end fund launch costs and commissions and \$20.7 million of integration costs. Operating margin for the year ended December 31, 2006 includes the impact of \$15.0 million of closed-end fund launch costs and commissions and \$141.9 million of integration costs. Including the impact of a \$92 million increase in amortization of intangible assets associated with the MLIM and Quellos acquisitions, operating margin improved 4.2% primarily due to the reduction of integration costs as well as operating leverage associated with the growth in revenue, partially offset by the impact of the termination of certain closed-end fund administration and servicing agreements.

Operating margin, as adjusted, was 37.5% and 36.7% for the years ended December 31, 2007 and 2006, respectively. Operating margin, as adjusted, is described in more detail in the Overview to Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**Operating results for the year ended December 31, 2006, as compared with the year ended December 31, 2005**

The following table presents the component changes in BlackRock's AUM for 2006.

<i>(Dollar amounts in millions)</i>	December 31, 2005	Net subscriptions (redemptions)	Acquisition <sup>1</sup>	Foreign Exchange <sup>2</sup>	Market appreciation (depreciation)	December 31, 2006
Fixed income	\$ 303,928	\$ 3,157	\$ 124,886	\$ 2,184	\$ 13,857	\$ 448,012
Equity and balanced	37,303	10,675	314,419	5,166	25,145	392,708
Cash management	86,128	12,224	135,630	169	1,617	235,768
Alternative investments	25,323	6,758	14,223	258	1,577	48,139
<b>Total</b>	<b>\$ 452,682</b>	<b>\$ 32,814</b>	<b>\$ 589,158</b>	<b>\$ 7,777</b>	<b>\$ 42,196</b>	<b>\$ 1,124,627</b>

<sup>1</sup> Reflects net assets acquired in the MLIM Transaction on September 29, 2006. Amount includes \$27.7 billion of net new business related to MLIM in the first nine months of 2006, prior to the MLIM Transaction.

<sup>2</sup> Foreign exchange reflects the impact of converting non-dollar denominated AUM into U.S. dollars for reporting.

Operating results for the year ended December 31, 2006 reflect the impact of the MLIM Transaction, subsequent to closing on September 29, 2006. With the exception of *BlackRock Solutions*, the magnitude of the acquired business is the primary driver of most line item variances in the analysis below comparing the year ended December 31, 2006 to the year ended December 31, 2005. Certain prior year amounts have been reclassified to conform to the current presentation.

**Revenue**

<i>(Dollar amounts in thousands)</i>	Year ended December 31,		Variance	
	2006	2005	Amount	%
<b>Investment advisory and administration fees:</b>				
Fixed income	\$ 590,225	\$ 453,742	\$ 136,483	30.1%
Equity and balanced	625,390	176,278	449,112	254.8%
Cash management	202,515	105,406	97,109	92.1%
Alternative investments	180,611	114,952	65,659	57.1%
Investment advisory and administration base fees	1,598,741	850,378	748,363	88.0%
Investment advisory performance fees	242,282	167,994	74,288	44.2%
Total investment advisory and administration fees	1,841,023	1,018,372	822,651	80.8%
<b>Distribution fees</b>	<b>35,903</b>	<b>11,333</b>	<b>24,570</b>	<b>216.8%</b>
<b>Other revenues:</b>				
<i>BlackRock Solutions</i>	147,987	123,623	24,364	19.7%
Other revenue	73,063	38,058	35,005	92.0%
Total other revenues	221,050	161,681	59,369	36.7%
Total revenue	\$ 2,097,976	\$ 1,191,386	\$ 906,590	76.1%





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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)****Operating results for the year ended December 31, 2006, as compared with the year ended December 31, 2005 (continued)****Revenue (continued)**

Total revenue for the year ended December 31, 2006 increased \$906.6 million, or 76.1%, to \$2,098.0 million, compared with \$1,191.4 million for the year ended December 31, 2005. Total Investment advisory and administration fees increased \$822.7 million to \$1,841.0 million for the year ended December 31, 2006, compared with \$1,018.4 million for the year ended December 31, 2005. Distribution fees increased by \$24.6 million to \$35.9 million for the year ended December 31, 2006 compared with \$11.3 million for the year ended December 31, 2005. Other revenue increased by \$59.4 million, or 36.7%, to \$221.1 million for the year ended December 31, 2006, compared with \$161.7 million for the year ended December 31, 2005.

*Investment advisory and administration fees*

The increase in total investment advisory and administration fees of \$822.7 million, or 80.8%, was the result of an increase in investment advisory and administration base fees of \$748.4 million, or 88.0%, to \$1,598.7 million for the year ended December 31, 2006, compared with \$850.4 million for the year ended December 31, 2005 along with an increase of \$74.3 million in performance fees. Investment advisory and administration base fees increased in the year ended December 31, 2006 primarily due to increased AUM of \$671.9 billion, including \$589.2 billion of AUM acquired in the MLIM Transaction.

The increase in investment advisory and administration base fees of \$748.4 million for the year ended December 31, 2006 compared with the year ended December 31, 2005 consisted of increases of \$449.1 million in equity and balanced products, \$136.5 million in fixed income products, \$97.1 million in cash management products and \$65.7 million in alternative investment products. The increase in investment advisory and administration fees for equity and balanced, fixed income, cash management and alternative investment products was driven by increases in AUM of \$355.4 billion, \$149.6 billion, \$144.1 billion and \$22.8 billion, respectively, over the past twelve months, which included the AUM acquired in the MLIM Transaction on September 29, 2006.

Performance fees increased by \$74.3 million, or 44.2%, to \$242.3 million for the year ended December 31, 2006 compared to \$168.0 million for the year ended December 31, 2005 primarily due to fees earned on a large institutional real estate client account and the Company's other alternative products.

*Distribution Fees*

Distribution fees increased by \$24.6 million to \$35.9 million for the year ended December 31, 2006, as compared to \$11.3 million for the year ended December 31, 2005. The increase in distribution fees was primarily the result of the acquisition of distribution financing arrangements from the MLIM Transaction in the third quarter 2006.

*Other Revenue*

Other revenue of \$221.1 million for the year ended December 31, 2006 increased \$59.4 million compared with the year ended December 31, 2005 and primarily represents fees earned on *BlackRock Solutions* products and services of \$148.0 million, property management fees of \$32.1 million earned on real estate products (primarily related to reimbursement of salaries and benefits of certain Realty employees from certain real estate products), fees for fund accounting of \$12.6 million and fees related to securities lending of \$6.3 million.

The increase in other revenue of \$59.4 million, for the year ended December 31, 2006 as compared to \$161.7 million for the year ended December 31, 2005 was primarily the result of an increase of \$24.4 million from *BlackRock Solutions* products and services primarily driven by new Aladdin assignments, and increases of \$12.6 million in fund accounting services and \$6.3 million in fees earned related to securities lending.



**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)**

Operating results for the year ended December 31, 2006, as compared with the year ended December 31, 2005 (continued)

**Expenses**

<i>(Dollar amounts in thousands)</i>	Year ended		Variance	
	2006	2005	Amount	%
<b>Expenses:</b>				
Employee compensation and benefits	\$ 934,887	\$ 587,773	\$ 347,114	59.1%
Portfolio administration and servicing costs	172,531	64,611	107,920	167.0%
Amortization of deferred sales commissions	29,940	9,346	20,594	220.3%
General and administration	416,853	181,610	235,243	129.5%
Fee sharing payment	34,450		34,450	NM
Amortization of intangible assets	37,515	7,505	30,010	399.9%
Total expenses	\$ 1,626,176	\$ 850,845	\$ 775,331	91.1%

*NM Not Meaningful*

Total expenses, which reflects the impact of the MLIM Transaction on September 29, 2006 and includes \$141.9 million of integration charges, increased \$775.3 million, or 91.1%, to \$1,626.2 million for the year ended December 31, 2006, compared with \$850.8 million for the year ended December 31, 2005. The increase was attributable to increases in employee compensation and benefits, portfolio administration and servicing costs, general and administration expense, a fee sharing payment, and amortization of intangible assets. Integration charges related to the MLIM Transaction included \$45.0 million in employee compensation and benefits and \$96.9 million in general and administration expense.

*Employee Compensation and Benefits*

Employee compensation and benefits expense increased by \$347.1 million, or 59.1%, to \$934.9 million, at December 31, 2006 compared to \$587.8 million for the year ended December 31, 2005. The increase in employee compensation and benefits was primarily attributable to increases in salaries and benefits and incentive compensation of \$193.6 million and \$142.8 million, respectively. The \$193.6 million, increase in salaries and benefits was primarily attributable to higher staffing levels associated with business growth and the MLIM Transaction. Employees (including employees of Metric) at December 31, 2006 totaled 5,113 as compared to 2,148 at December 31, 2005. The \$142.8 million, increase in incentive compensation is primarily attributable to growth in operating income and higher incentive compensation associated with performance fees earned on the Company's alternative investment products and \$45.0 million of MLIM integration costs.

*Portfolio Administration and Servicing Costs*

Portfolio administration and servicing costs increased \$107.9 million to \$172.5 million during the year ended December 31, 2006. These costs include payments to third parties, including Merrill Lynch and PNC, primarily associated with the administration and servicing of client investments in certain BlackRock products. Portfolio administration and servicing costs included \$96.4 million of expense in the fourth quarter 2006 payable to Merrill Lynch and affiliates and \$24.1 million of expense for the year ended December 31, 2006 payable to PNC and affiliates.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

Operating results for the year ended December 31, 2006, as compared with the year ended December 31, 2005 (continued)

**Expenses (continued)**

*Amortization of Deferred Sales Commissions*

Amortization of deferred sales commissions increased by \$20.6 million to \$29.9 million for the year ended December 31, 2006 as compared to \$9.3 million for the year ended December 31, 2005. The increase in amortization of deferred sales commissions is primarily the result of the acquisition of distribution financing arrangements from MLIM.

*General and Administration Expense*

<i>(Dollar amounts in thousands)</i>	Year ended		Variance	
	December 31, 2006	2005	Amount	%
<b>General and administration expense:</b>				
Portfolio services	\$ 51,694	\$ 14,046	\$ 37,648	268.0%
Marketing and promotional	100,089	37,565	62,524	166.4%
Occupancy	64,086	36,190	27,896	77.1%
Technology	61,040	22,662	38,378	169.3%
Professional services	72,740	18,360	54,380	296.2%
Closed-end fund launch costs	11,586	13,259	(1,673)	(12.6)%
Other general and administration	55,618	39,528	16,090	40.7%
<b>Total general and administration expense</b>	<b>\$ 416,853</b>	<b>\$ 181,610</b>	<b>\$ 235,243</b>	<b>129.5%</b>

General and administration expense increased \$235.2 million, or 129.5%, for the year ended December 31, 2006 to \$416.9 million, compared to \$181.6 million for the year ended December 31, 2005. The increase in general and administration expense was primarily due to increases in marketing and promotional expense of \$62.5 million, professional services of \$54.4 million, technology expense of \$38.4 million, portfolio services expense of \$37.6 million, occupancy expense of \$27.9 million and other general and administration expense of \$16.1 million, partially offset by a reduction in closed-end fund launch costs of \$1.7 million. The increase in general and administration expense included \$96.9 million of integration costs primarily related to marketing and promotional and professional services in connection with the MLIM Transaction.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**Operating results for the year ended December 31, 2006, as compared with the year ended December 31, 2005 (continued)**

*General and Administration (continued)*

Marketing and promotional expense increased \$62.5 million, or 166.4%, to \$100.1 million for the year ended December 31, 2006, compared to \$37.6 million for the year ended December 31, 2005 primarily due to increased marketing activities, including \$29.6 million related to domestic and international marketing efforts and \$32.9 million related to BlackRock's advertising and rebranding campaign. Professional services expenses increased \$54.4 million, or 296.2%, to \$72.7 million compared to \$18.4 million for the year ended December 31, 2005 primarily related to the MLIM Transaction. Technology expenses increased \$38.4 million, to \$61.0 million compared to \$22.7 million for the year ended December 31, 2005 primarily related to the integration of the MLIM business. Portfolio services increased by \$37.6 million to \$51.7 million, relating to supporting higher AUM levels and increased trading activities of the combined Company. Occupancy costs for the year ended December 31, 2006 totaled \$64.1 million, representing a \$27.9 million increase from \$36.2 million for the year ended December 31, 2005. The increase in occupancy costs primarily reflects costs related to the expansion of corporate facilities as a result of the MLIM Transaction and business growth. Closed-end fund launch costs totaled \$11.6 million for the year ended December 31, 2006 related to three new closed-end funds launched during the period, generating approximately \$2.2 billion in AUM. Closed-end fund launch costs for the year ended December 31, 2005 totaled \$13.3 million relating to four new closed-end funds launched during the period, generating \$2.1 billion in AUM. Other general and administration costs increased by \$16.1 million to \$55.6 million from \$39.5 million, as a result of increased operating growth and the MLIM Transaction.

*Fee Sharing Payment*

For the year ended December 31, 2006, BlackRock recorded a fee sharing payment of \$34.5 million, representing a payment related to a large institutional real estate equity client account acquired in the SSRM Holdings, Inc. acquisition in January 2005.

*Amortization of Intangible Assets*

The \$30.0 million increase in amortization of intangible assets to \$37.5 million for the year ended December 31, 2006, compared to \$7.5 million for the year ended December 31, 2005, primarily reflects amortization of finite-lived intangible assets acquired in the MLIM Transaction.

**Non-Operating Income, Net of Non-Controlling Interest**

Non-operating income, net of non-controlling interest, for the years ended December 31, 2006 and 2005 was as follows:

<i>(Dollar amounts in thousands)</i>	Year ended December 31,		Variance	
	2006	2005	Amount	%
Total non-operating income	\$ 56,433	\$ 35,214	\$ 21,219	60.3%
Non-controlling interest	(16,168)	(3,289)	(12,879)	391.6%
Total non-operating income, net of non-controlling interest	\$ 40,265	\$ 31,925	\$ 8,340	26.1%

NM Not Meaningful

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

Operating results for the year ended December 31, 2006, as compared with the year ended December 31, 2005 (continued)

**Non-Operating Income, Net of Non-Controlling Interest (continued)**

The components of non-operating income, net of non-controlling interest, for the years ended December 31, 2006 and 2005 were as follows:

<i>(Dollar amounts in thousands)</i>	Year ended December 31,		Variance	
	2006	2005	Amount	%
<b>Non-operating income, net of non-controlling interest:</b>				
Net gain (loss) on investments, net of non-controlling interest:				
Private equity <sup>1</sup>	\$ 64	\$	\$ 64	NM
Real estate	1,030	2,303	(1,273)	(55.3)%
Other alternative products	7,369	13,904	(6,535)	(47.0)%
Other <sup>2</sup>	12,353	7,515	4,838	64.4%
<b>Total net gain on investments, net of non-controlling interest</b>	<b>20,816</b>	<b>23,722</b>	<b>(2,906)</b>	<b>(12.3)%</b>
Other non-controlling interest <sup>3</sup>	(54)	(2,785)	2,731	(98.1)%
Interest and dividend income	29,419	18,912	10,507	55.6%
Interest expense	(9,916)	(7,924)	(1,992)	25.1%
<b>Total non-operating income, net of non-controlling interest</b>	<b>\$ 40,265</b>	<b>\$ 31,925</b>	<b>\$ 8,340</b>	<b>26.1%</b>

NM Not Meaningful

<sup>1</sup> Includes earnings on BlackRock's limited partnership investments in private equity funds.

<sup>2</sup> Includes investment income related to equity and fixed income investments, collateralized debt obligations, deferred compensation arrangements and BlackRock's seed capital hedging program.

<sup>3</sup> Includes non-controlling interest related to non-investment activities.

Non-operating income, net of non-controlling interest, increased \$8.3 million to \$40.3 million for the year ended December 31, 2006 compared to \$31.9 million for the year ended December 31, 2005 as a result of a \$10.5 million increase in interest and dividend income, partially offset by a \$2.0 million increase in interest expense primarily related to interest owed to Merrill Lynch on certain liabilities assumed in the MLIM Transaction and a \$2.9 million decrease in net gain on investments, net of non-controlling interest. The decrease in the net gain on investments, net of non-controlling interest, was primarily due to a decrease in net investment gains on seed investments in real estate and other alternative products, partially offset by significant growth of the Company's investments in sponsored investment products.

**Income Taxes**

Income tax expense was \$189.5 million and \$138.6 million for the years ended December 31, 2006 and 2005, representing effective tax rates of 37.0% and 37.2%, respectively.



**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)****Operating results for the year ended December 31, 2006, as compared with the year ended December 31, 2005 (continued)****Net Income**

Net income totaled \$322.6 million, or \$3.87 per diluted share, for the year ended December 31, 2006 an increase of \$88.7 million, or \$0.37 per diluted share, compared to the year ended December 31, 2005. Net income for the year ended December 31, 2006 included the after-tax impacts of integration costs related to the MLIM Transaction, the portion of certain LTIP awards to be funded through a capital contribution of BlackRock common stock held by PNC, and an expected contribution by Merrill Lynch to fund certain compensation of former MLIM employees, of \$89.4 million, \$31.5 million and \$1.2 million, respectively. MLIM integration costs primarily include compensation costs, professional fees and rebranding costs.

Net income of \$233.9 million during the year ended December 31, 2005 included the after-tax impacts of the portion of LTIP awards funded by a capital contribution of BlackRock stock held by PNC and SSR integration costs of \$30.6 million and \$5.6 million, respectively. SSR integration costs included acquisition-related payments to continuing employees of BlackRock and professional fees. Exclusive of these items, fully diluted earnings per share, as adjusted, for the year ended December 31, 2006 increased \$1.30, or 32.3%, compared to the year ended December 31, 2005.

**Other Operating Items***Support of Two Enhanced Cash Funds*

At December 31, 2007, BlackRock managed approximately \$313 billion in cash management assets. Of this amount, approximately \$1.7 billion was held by two private placement enhanced cash funds. During the third and fourth quarters, market events reduced the liquidity of certain securities, including those issued by asset-backed structured investment vehicles, held by these two funds.

During 2007 BlackRock made investments in the funds to enhance fund liquidity and to facilitate redemptions. At December 31, 2007, BlackRock's total net investment in these two funds was approximately \$89 million. BlackRock also provided capital contributions totaling \$24 million during 2007 to help preserve a one dollar net asset value per share for these two funds. The capital contributions resulted in an increase to general and administration expense of \$24 million for 2007.

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 has 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. The terms of the capital support agreements expire in December 2008 unless renewed by BlackRock. In addition, due to continuing market illiquidity, BlackRock suspended cash redemptions from these two funds in December 2007. As of February 2008, subsequent to the suspension of cash redemptions, the funds distributed approximately \$930 million in aggregate to investors as a result of security sales and maturities.

In addition, BlackRock recorded \$12 million in general and administration expense in the fourth quarter and a corresponding liability at December 31, 2007 related to the fair value of the capital support agreements with the two funds. The fair value of the potential liability related to the capital support agreements will fluctuate in subsequent periods based principally on projected cash flows of the specified securities covered by the capital support agreements and market liquidity.

In addition, BlackRock may, at its option, from time to time, purchase securities from the funds at the greater of the funds' amortized cost or fair value. In the event securities are purchased at amortized cost, a loss would be recorded based on its difference from fair value.



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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)****Other Operating Items (continued)***Support of Two Enhanced Cash Funds (continued)*

Under FASB Interpretation No. 46(R) ( FIN 46(R) ) these two funds meet the definition of variable interest entities. In applying the provisions of FIN 46(R) the Company applies an expected loss model to the funds to determine the primary beneficiary of the funds. As a result of the application of the model, BlackRock has concluded that it is not the primary beneficiary of either fund. The Company will perform the expected loss model calculation quarterly to determine whether BlackRock is the primary beneficiary.

*Exposure to Collateralized Debt Obligations*

In the normal course of business, BlackRock manages various collateralized debt obligations ( CDOs ). A CDO is a managed investment vehicle that purchases a portfolio of assets or enters into swaps. A CDO funds its activities, through the issuance of several tranches of debt and equity, the repayment and return of which are linked to the performance of the assets in the CDO. Typically, BlackRock's role is as collateral manager. The Company also may invest in a percentage of the debt or equity issued. These entities meet the definition of a variable interest entity under FIN 46(R). BlackRock has concluded that it is not the primary beneficiary of these CDOs, and as a result it does not consolidate these CDOs in its consolidated financial statements. At December 31, 2007, BlackRock's carrying value on the statement of financial condition, of investments in these CDOs was approximately \$10.5 million, of which approximately \$9.3 million was in CDOs backed by leveraged finance assets and approximately \$1.2 million backed by structured finance securities.

In addition, BlackRock manages a series of credit default swap transactions, referred to collectively as the Pillars synthetic CDO transaction, which is backed by a portfolio of both investment grade corporate and structured finance exposures. In connection with the transaction, BlackRock has entered into a credit default swap with a counterparty to provide credit protection of \$16.7 million, which represents the Company's maximum risk of loss with respect to the provision of credit protection. Under the terms of its credit default swap, the Company is entitled to an annual coupon of 4% of the swap's notional balance of \$16.7 million and 25% of the structure's residual balance at its expected termination date of December 23, 2009. Management has performed an assessment of the Company's variable interest under FIN 46(R) and has concluded the Company is not the primary beneficiary of the CDO transaction. At December 31, 2007, the fair value of the credit default swap was approximately \$4.9 million and was included on the Company's consolidated statement of financial condition in other assets.

At December 31, 2007, BlackRock's maximum risk of loss related to CDOs was approximately \$32.1 million.

**Liquidity and Capital Resources***Capital Resources*

The Company manages its consolidated financial condition and funding to maintain appropriate liquidity for the business. At December 31, 2007, the Company had total cash and cash equivalents on its consolidated statements of financial condition of \$1,656.2 million. Cash and cash equivalents, net of amounts in consolidated sponsored investment funds of \$67.0 million and net of regulatory capital requirements (\$217.4 million, partially met with cash and cash equivalents) was \$1,371.8 million. In addition, at December 31, 2007, the Company had committed access to \$2,100 million of undrawn cash via its 2007 five-year credit facility, resulting in cash, net of cash in consolidated sponsored investment funds and regulatory capital requirements, plus credit capacity of \$3,471.8 million.

Approximately \$67.0 million in cash and cash equivalents and \$1,054.2 million in investments included in the Company's consolidated statement of financial condition at December 31, 2007 are held by sponsored investment funds that are consolidated by BlackRock in accordance with GAAP. The Company may not be able to access such cash or investments to use in its operating activities. In addition, a significant portion of the Company's investments are illiquid in nature and, as such, are not readily convertible to cash.

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)****Liquidity and Capital Resources (continued)***Operating Activities*

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

*Investment Activities*

At December 31, 2007, the Company had \$513.9 million of various capital commitments to fund sponsored investment funds and unfunded commitments related to one private equity warehouse facility. 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 seed additional investment products for and with clients.

At December 31, 2007, the Company had loaned approximately \$79.5 million to certain funds of funds managed by the Company and warehouse entities established for such funds. At December 31, 2007, the Company had committed to make additional loans of approximately \$89.6 million under the agreements. The Company anticipates making additional commitments under these facilities from time to time, but is not obligated to do so.

*Borrowings*

In December 2006, the Company entered into an unsecured revolving credit facility with a syndicate of banking institutions. This facility, as amended in February 2007 (the 2006 facility), permitted the Company to borrow up to \$800 million.

In August 2007, the Company terminated the 2006 facility and entered into a new 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 credit approval, up to a maximum of \$3.0 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 at December 31, 2007.

The 2007 facility was used to refinance the 2006 facility and will provide back-up liquidity, fund ongoing working capital for general corporate purposes and fund investment opportunities. At December 31, 2007, the Company had \$300 million outstanding under the 2007 facility with interest rates between 5.105% to 5.315% and maturity dates between March 2008 and September 2008 in addition to the \$100 million of letters of credit outstanding related to the capital support agreements for the two enhanced cash funds.

In September 2007, the Company issued \$700 million in aggregate principal amount of 6.25% senior unsecured notes maturing on September 15, 2017 (the Notes). The Notes were issued at a discount of \$5.6 million, which is being amortized over the ten-year term. A portion of the net proceeds of the Notes was used to fund the initial cash payment for the acquisition of the fund of funds business of Quellos and the remainder was used for general corporate purposes.

At December 31, 2007, long-term borrowings were \$947.0 million. Debt service and repayment requirements, assuming the convertible debentures (discussed later) are repaid at BlackRock's option in 2010, are \$51.0 million in 2008 and 2009, \$297.7 million in 2010 and \$43.8 million in 2011 and 2012.

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)**

**Liquidity and Capital Resources (continued)**

*Capital Activities*

In June 2007, the Company announced that it had entered into an asset purchase agreement under which it would acquire certain assets of the fund of funds business of Quellos for up to \$1.719 billion. This transaction closed on October 1, 2007, and BlackRock paid Quellos \$562.5 million in cash and \$187.5 million in BlackRock common stock. The common stock will be held in escrow for up to three years and is available to satisfy certain indemnification obligations of Quellos under the asset purchase agreement. In addition, Quellos may receive up to an additional \$969 million in a combination of cash and stock contingent upon achieving certain operating measures through December 31, 2010.

On August 2, 2006, BlackRock announced that its Board of Directors had authorized a share repurchase program to purchase an additional 2.1 million shares of BlackRock common stock. Pursuant to this repurchase program, BlackRock may make repurchases from time to time, as market conditions warrant, in the open market or in privately negotiated transactions at the discretion of management. The Company repurchased 1,348,600 shares under the program in open market transactions for approximately \$200.9 million through December 31, 2007. As a result, the Company is currently authorized to repurchase an additional 751,400 shares under its share repurchase program.

In 2007, under the terms of the 2002 LTIP Awards, employees elected to put approximately 95% of the stock portion of the awards back to BlackRock at a total fair market value of approximately \$166 million.

During 2007, BlackRock paid cash dividends of \$353.5 million, or 35.5% of its net income. BlackRock announced an increase to the quarterly dividend rate, effective with the March 24, 2008 payment, to \$0.78 per share from \$0.67 per share paid in 2007.

*Net Capital Requirements*

The Company is required to maintain net capital in certain international 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, transfer of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers. At December 31, 2007, the Company was required to maintain approximately \$217.4 million in net capital at these subsidiaries and is in compliance with all applicable regulatory minimum net capital requirements.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**Contractual Obligations, Commitments and Contingencies**

The following table sets forth contractual obligations, commitments and contingencies by year of payment as of December 31, 2007:

<i>(Dollar amounts in thousands)</i>	2008	2009	2010	2011	2012	Thereafter	Total
<b>Contractual obligations and commitments:</b>							
<i>Long-term borrowings<sup>1</sup></i>							
Long-term notes	\$ 43,750	\$ 43,750	\$ 43,750	\$ 43,750	\$ 43,750	\$ 918,750	\$ 1,137,500
Convertible debentures	6,563	6,563	253,278				266,404
Other	684	684	684				2,052
Short-term borrowings <sup>1</sup>	309,086						309,086
Operating leases	71,696	65,463	62,919	60,576	54,944	216,982	532,580
Purchase obligations	48,310	32,270	14,180	9,537	6,164		110,461
Investment / loan commitments	98,795	89,642	49,548	643		364,927	603,555
<b>Total contractual obligations and commitments</b>	<b>578,884</b>	<b>238,372</b>	<b>424,359</b>	<b>114,506</b>	<b>104,858</b>	<b>1,500,659</b>	<b>2,961,638</b>
<b>Contingent obligations:</b>							
Contingent distribution obligations	409,363	307,022					716,385
Contingent payments related to business acquisitions		295,000	10,000	595,000			900,000
<b>Total contractual obligations, commitments and contingent obligations<sup>2</sup></b>	<b>\$ 988,247</b>	<b>\$ 840,394</b>	<b>\$ 434,359</b>	<b>\$ 709,506</b>	<b>\$ 104,858</b>	<b>\$ 1,500,659</b>	<b>\$ 4,578,023</b>

<sup>1</sup> Amounts include principal repayments and interest payments.

<sup>2</sup> The table above does not include: (a) approximately \$61.8 million of uncertain tax positions and potential interest on such positions in accordance with FIN No. 48 and (b) \$100 million related to capital support agreements for the two enhanced cash funds as the Company is unable to estimate the timing of the ultimate outcome.

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)**

**Contractual Obligations, Commitments and Contingencies (continued)**

*Long-term Notes*

In September 2007, the Company issued \$700.0 million in aggregate principal amount of 6.25% senior unsecured notes maturing on September 15, 2017. Interest is payable semi-annually on March 15 and September 15 of each year. The Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a make-whole premium. The Notes were issued at a discount of \$5.6 million, which is being amortized over their ten-year term.

*Convertible Debentures*

In February 2005, the Company issued \$250.0 million aggregate principal amount of convertible debentures due in 2035 and bearing interest at a rate of 2.625% per annum. Interest is payable semi-annually in arrears on February 15 and August 15 of each year, or approximately \$6.6 million per year. The convertible debentures are callable by the Company at any time on or after February 20, 2010. In addition, the convertible debentures contain certain put and conversion provisions. On the contractual obligations table above, the principal balance of the convertible debentures is assumed to be repaid at BlackRock's option in 2010, and the related interest has been included through the call date. However, beginning in February 2009 the convertible debentures may be converted at the option of the holders.

*Short-term Borrowings*

At December 31, 2007, the Company had \$300.0 million outstanding under the 2007 facility with interest rates between 5.105% to 5.315% and maturity dates between March 2008 and September 2008.

*Operating Leases*

The Company leases its primary office space and certain office equipment under agreements that currently expire through 2023. In connection with certain lease agreements, the Company is responsible for escalation payments. The contractual obligations table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases and, as such, are not recorded as liabilities on the consolidated statements of financial condition.

*Purchase Obligations*

In the ordinary course of business, BlackRock enters into contracts or purchase obligations with third parties whereby the third parties provide services to or on behalf of BlackRock. Purchase obligations included in the contractual obligations table above represent executory contracts which are either non-cancelable or cancelable with a penalty. At December 31, 2007, the Company's obligations primarily reflect standard service contracts for portfolio, market data and office related services. Purchase obligations are recorded on the Company's financial statements only after the goods or services have been received and, as such, obligations for services not received are not included in the Company's consolidated statement of financial condition at December 31, 2007.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)****Contractual Obligations, Commitments and Contingencies (continued)***Investment /Loan Commitments*

The Company has various capital commitments to fund companies or investment funds in which it has an ownership stake as well as loan commitments to certain funds of funds managed by the Company and warehouse entities established for such funds. Generally, the timing of the funding of these commitments is unknown. Therefore, amounts are shown to be paid upon the expiration date of the commitment. Actual payments could be made at any time prior to such date and, if not called by that date, such commitments would expire. These commitments have not been recorded on the Company's consolidated statements of financial condition at December 31, 2007. The above schedule does not include potential future commitments approved by the Company's Capital Committee, but which are not yet legally binding commitments.

BlackRock is also obligated to maintain specified ownership levels in certain investment products, which may result in additional required contributions or distributions of capital. These amounts are inherently uncertain and have been excluded from the contractual obligations schedule above. In addition, as a general partner in certain private equity partnerships, the Company receives certain carried interest distributions from the partnerships according to the provisions of the partnership agreements. The Company may, from time to time, be required to return all or a portion of such distributions to the limited partners in the event the limited partners do not achieve a certain return as specified in the various partnership agreements.

*Contingent Distribution Obligations*

BlackRock has entered into a global distribution agreement with Merrill Lynch which requires the Company to make payments to Merrill Lynch contingent upon sales of products and level of assets under management maintained in BlackRock products. The economic terms of the agreement will remain in effect until September 30, 2009. After such term, the agreement will renew for additional one-year terms, subject to certain conditions.

*Contingent Payments Related to Business Acquisitions*

Amounts included in the table above are additional contingent payments to be paid in cash related to its acquisitions of: (i) SSRM Holdings, Inc., and (ii) certain assets of Quellos. As the remaining contingent obligations are primarily dependent upon achievement of certain operating measures, the ultimate liabilities are not certain as of December 31, 2007 and have not been recorded on the Company's consolidated statements of financial condition. The amount of contingent payments reflected for any year represents the maximum amount of cash that could be payable at the earliest possible date under the terms of the business purchase agreements.

In January 2005, the Company closed its acquisition of SSRM Holdings, Inc. from MetLife for adjusted consideration of approximately \$265.1 million in cash and 550,000 restricted shares of BlackRock common stock and certain additional contingent payments. On the fifth anniversary of the closing of the SSR Transaction, MetLife may be entitled to receive an additional payment of up to a maximum of \$10.0 million based on the Company's retained AUM associated with the MetLife defined benefit and defined contribution plans.

In connection with the Quellos Transaction, 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 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. At December 31, 2007, the Company believes it is likely that the first contingent payment will be paid in full, however the ultimate outcome is not certain.

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)**

**Contractual Obligations, Commitments and Contingencies (continued)**

The following items have not been included in the contractual obligations, commitments and contingencies table:

*Compensation and benefit obligations*

The Company has various compensation and benefit obligations, including bonuses, commissions and incentive payments payable, defined contribution plan matching contribution obligations, and deferred compensation arrangements, that are excluded from the table above primarily due to uncertainties in their payout periods. These arrangements are discussed in more detail in Notes 12 and 13 to the consolidated financial statements contained herein. Accrued compensation and benefits at December 31, 2007 totaled \$1,086.6 million and included incentive compensation of \$834.6 million, deferred compensation of \$133.0 million and other compensation and benefits related obligations of \$119.0 million. Incentive compensation was primarily paid in the first quarter of 2008, while the deferred compensation obligations are generally payable over periods up to five years.

*Separate Account Liabilities*

The Company's wholly-owned registered life insurance company in the United Kingdom maintains separate account assets representing segregated funds held for purposes of funding individual and group pension contracts. The net investment income and net realized and unrealized gains and losses attributable to these separate account assets accrue to the contract owner and, as such, an offsetting separate account liability is recorded. At December 31, 2007, the Company had \$4.7 billion of assets and offsetting liabilities on the consolidated statement of financial condition. The payment of these contractual obligations is inherently uncertain and varies by customer. As such, these liabilities have been excluded from the contractual obligations table above.

*Indemnifications*

In many of the Company's contracts, including the MLIM and Quellos Transaction agreements, BlackRock agrees to indemnify third parties under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in the Company's consolidated statement of financial condition at December 31, 2007. See further discussion in Note 11 to the consolidated financial statements beginning on F-1 of this Form 10-K.

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)**

**Critical Accounting Policies**

The preparation of the 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. Management considers the following critical accounting policies important to understanding our consolidated financial statements. For a summary of these and additional accounting policies see Note 2 to the consolidated financial statements beginning on page F-1 of this Form 10-K.

*Investments*

Consolidation of Investments

The accounting method used for the Company's investments generally is dependent upon the influence the Company has on its investee. For investments where BlackRock can exert control over the financial and operating policies of the investee, which generally exists if BlackRock has a 50% or greater voting interest, the investee is consolidated into BlackRock's financial statements. For certain investments where the risks and rewards of ownership are not directly linked to voting interests (variable interest entities or VIEs), an investee may be consolidated if BlackRock is considered the primary beneficiary of the investee.

Significant judgment is required in the determination of whether the Company is the primary beneficiary of a VIE. If the Company, with its related parties, is determined to be the primary beneficiary of a VIE, the entity will be consolidated within BlackRock's consolidated financial statements. 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.

The Company, as general partner or managing member of its funds, is generally presumed to control funds that are limited partnerships or limited liability companies. The Company reviews such investment vehicles to determine if such a presumption can be overcome by determining if other non-related party partners or members of the limited partnership or limited liability company have the substantive ability to dissolve (liquidate) the investment vehicle, or otherwise to remove BlackRock as the general partner or managing member without cause, or have substantive participating rights. If the investment vehicle is not a VIE and the presumption of control is not overcome, the investment vehicle will be consolidated into BlackRock's financial statements.

BlackRock acts as general partner or managing member for consolidated private equity funds of funds. In December 2007, BlackRock took necessary steps to grant additional rights to the third party investors in approximately 14 funds with net assets at December 31, 2007 of approximately \$1 billion. The granting of these rights resulted in the deconsolidation of such investment funds from the consolidated financial statements as of December 31, 2007.



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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)****Critical Accounting Policies (continued)**Fair Value of Investments

BlackRock records substantially all investments on its consolidated statements of financial condition at fair value or amounts that approximate fair value. For certain investments, including investments classified as trading investments and consolidated sponsored investment funds, changes in fair value affect net income in the period of the change. For other investments classified as available-for-sale securities, changes in fair value are recorded as a component of stockholders' equity and generally do not directly impact BlackRock's net income until such investments are sold or are considered impaired (see below). Marketable securities are priced using publicly available market data. Non-marketable securities, however, generally are priced using a variety of methods and resources, including the most currently available net asset values or capital accounts of the investment, internal valuation models which utilize available market data and management assumptions or in the absence of other methods and resources the fair value for an investment is estimated in good faith by the Company's management based on a number of factors including the liquidity, financial condition and current and projected operating performance of the investment.

At December 31, 2007, BlackRock had approximately \$2.0 billion in investments. Changes in fair value on approximately \$1.736 billion of such investments will impact the Company's consolidated statements of income and approximately \$264 million will impact accumulated other comprehensive income. As of December 31, 2007, approximately \$1.054 billion of such investments related to investments within consolidated funds whereby changes in fair value of such investments will impact BlackRock's investment income and non-controlling interest expense on the consolidated statements of income. BlackRock's net exposure to changes in fair value of such consolidated investment funds is \$325 million.

Equity Method Investments

For equity investments where BlackRock does not control the investee, and where the Company is not the primary beneficiary of a VIE, but can exert significant influence over the financial and operating policies of the investee, the Company uses the equity method of accounting. The evaluation of whether the Company exerts control or significant influence over the financial and operational policies of its investees requires significant judgment based on the facts and circumstances surrounding each individual investment. Factors considered in these evaluations may include the type of investment, the legal structure of the investee, the terms and structure of the investment agreement including investor voting or other rights, the terms of BlackRock's advisory agreement or other agreements with the investee, any influence BlackRock may have on the governing board of the investee, the legal rights of other investors in the entity pursuant to the fund's operating documents and the relationship between BlackRock and other investors in the entity.

Under the equity method of accounting, BlackRock's share of the investee's underlying net income, based upon the most currently available information, is recorded as non-operating income.

At December 31, 2007 and 2006 the Company had \$554.0 million and \$326.5 million, respectively, of equity method investees reflected within investments.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)**

**Critical Accounting Policies (continued)**

Impairment of Investments

The Company's management periodically assesses impairment on its investments. If circumstances indicate that impairment may exist, investments are evaluated using market values, where available, or the expected future cash flows of the investment. If the undiscounted expected future cash flows are lower than the Company's carrying value of the investment, an impairment charge is recorded to the consolidated statements of income.

When the fair value of an available-for-sale security is lower than its cost or amortized cost value, the Company evaluates the security to determine whether the impairment is considered other-than-temporary. In making this determination, the Company considers, among other factors, the length of time the security has been in a loss position, the extent to which the security's market value is less than its cost, the financial condition and near-term prospects of the security's issuer and the Company's ability and intent to hold the security for a length of time sufficient to allow for recovery. If the impairment is considered other-than-temporary, a charge is recorded to the consolidated statements of income. There were no impairments of investments, other than CDOs (see below), for the years ended December 31, 2007, 2006 or 2005.

The Company evaluates its CDO investments for impairment quarterly throughout the term of the investment. The Company reviews cash flow estimates throughout the life of each CDO investment. If the net present value of the estimated future cash flows is lower than the carrying value of the investment and also is lower than the net present value of the previous estimate of cash flows, an impairment is considered other-than-temporary. The impairment loss is then recognized based on the excess of the carrying amount of the investment over its estimated fair value. CDO impairments were \$16.4 million, \$2.3 million and \$0.8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Evaluations of impairments of securities involve significant assumptions and management judgments, which could differ from actual results and these differences could have a material impact on the Company's consolidated statements of income.

Goodwill and Intangible Assets

At December 31, 2007, the carrying amounts of the Company's goodwill and intangible assets were as follows:

<i>(Dollar amounts in thousands)</i>	<b>December 31, 2007</b>
Goodwill	\$ 5,519,714
Intangible assets	
Indefinite lived	5,351,132
Finite lived, net of accumulated amortization	1,201,990
<b>Total goodwill and intangible assets</b>	<b>\$ 12,072,836</b>

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)****Critical Accounting Policies (continued)***Goodwill and Intangible Assets (continued)*

The value of contracts to manage assets in proprietary open-end funds and closed-end funds without a specified termination date is classified as an indefinite-lived intangible asset. The assignment of indefinite lives to such mutual fund contracts is based upon the assumption that there is no foreseeable limit on the contract period to manage these funds due to the likelihood of continued renewal at little or no cost. Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, indefinite-lived intangible assets and goodwill are not amortized. Finite-lived management contracts are amortized over their expected useful lives, which, at December 31, 2007, ranged from less than 1 year to 20 years with a weighted average remaining estimated useful life of 8.7 years.

The Company assesses its indefinite-lived management contracts and goodwill for impairment at least annually, considering factors such as AUM, product mix, projected cash flows, average base fees by product and revenue multiples to determine whether the values of each asset are impaired and whether the indefinite-life classification is still appropriate. The fair value of indefinite-lived intangible assets and goodwill is determined based on the discounted value of expected future cash flows. The fair value of finite-lived intangible assets is reviewed at least annually to determine whether circumstances exist which indicate there may be a potential impairment. If such circumstances are considered to exist, the Company will perform an impairment test, using an undiscounted cash flow analysis. If the asset is determined to be impaired, the difference between the book value of the asset and its current fair value is recognized as an expense in the period in which the impairment is determined.

Expected future cash flows are estimated using many variables which require significant management judgment, including market interest rates, equity prices, credit default ratings, discount rates, revenue multiples, inflation rates and AUM growth rates. Actual results could differ from these estimates, which could materially impact the impairment conclusion. No such impairments were recorded in 2007, 2006 or 2005. In addition, management judgment is required to estimate the period over which intangible assets will contribute to the Company's cash flows and the pattern in which these assets will be consumed. A change in the remaining useful life of any of these assets, or the reclassification of an indefinite-lived intangible asset to a finite-lived intangible asset, could have a significant impact on the Company's amortization expense, which was \$129.7 million, \$37.5 million and 7.5 million for the years ended December 31, 2007, 2006 and 2005, respectively.

*Income Taxes*

The Company accounts for income taxes under the asset and liability method prescribed by SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases using currently enacted tax rates. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

BlackRock adopted the provisions of FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109. FIN No. 48 prescribes a threshold and measurement attribute for recognition in the financial statements of an asset or liability resulting from a tax position taken or expected to be taken in an income tax return. FIN No. 48 also provides guidance on, among other things, de-recognition of deferred tax assets and liabilities and interest and penalties on uncertain tax positions.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**(continued)****Critical Accounting Policies (continued)***Income Taxes (continued)*

The application of SFAS No. 109 and FIN No. 48 requires management to make estimates of the ranges of possible outcomes, the probability of favorable or unfavorable tax outcomes and potential interest and penalties related to such unfavorable outcomes, which require significant management judgment. Actual future tax consequences of uncertain tax positions may be materially different than the Company's current estimates. At December 31, 2007, BlackRock had \$66.3 million of unrecognized tax benefits, of which \$40.6 million, if recognized, would affect the effective tax rate.

In accordance with SFAS No. 109, management is required to estimate the timing of the recognition of deferred tax assets and liabilities, make assumptions about the future deductibility of deferred tax assets and assesses deferred tax liabilities based on enacted tax rates for the appropriate tax jurisdictions to determine the amount of such deferred tax assets and liabilities. Changes in the calculated deferred tax assets and liabilities may occur in certain circumstances, including statutory income tax rate changes, statutory tax law changes, changes in the anticipated timing of recognition of deferred tax assets and liabilities or changes in the structure or tax status of the Company. Such changes in circumstance would cause the Company to revalue its deferred tax balances with the resulting change impacting the income statement in the period of the change. Such changes may be material to the Company's consolidated financial statements. At December 31, 2007, the Company had deferred tax assets of \$9.1 million and deferred tax liabilities of approximately \$2.1 billion.

Further, the Company records its income taxes based upon its estimated income tax liability or benefit. The Company's actual tax liability or benefit may differ from the estimated income tax liability or benefit. The Company had current income taxes receivable of approximately \$47.1 million and current income taxes payable of \$228.4 million at December 31, 2007.

*Revenue Recognition*

Investment advisory and administration fees are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM or, in the case of certain real estate separate accounts, net operating income generated by the underlying properties, and are affected by changes in AUM, including market appreciation or depreciation and net subscriptions or redemptions. Investment advisory and administration fees for mutual funds are shown net of fees waived pursuant to expense limitations or voluntary waivers. Certain real estate fees are earned upon the acquisition or disposition of properties in accordance with applicable investment management agreements and are generally recognized at the closing of the respective real estate transactions.

The Company contracts with third parties, as well as related parties, for various mutual fund administration and shareholder servicing to be performed on behalf of certain funds managed by the Company. Such arrangements generally are priced as a portion of the Company's management fee paid by the fund. In certain cases, the fund takes on the primary responsibility for payment for services such that BlackRock bears no credit risk to the third party. The Company accounts for such retrocession arrangements in accordance with Emerging Issues Task Force (EITF) No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and records its investment advisory and administration fees net of retrocessions. Retrocessions for the year ended December 31, 2007 and 2006 were \$780.4 million and \$156.0 million, respectively.

The Company also receives performance fees or incentive allocations from alternative investment products and certain separate accounts. These performance fees generally are earned upon exceeding specified investment return thresholds. Such fees are recorded upon completion of the measurement period. For the years ended December 31, 2007, 2006 and 2005, performance fee revenue totaled \$350.2 million, \$242.3 million and \$168.0 million, respectively.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)**

**Critical Accounting Policies and Estimates (continued)**

*Revenue Recognition (continued)*

The Company receives carried interest from certain alternative investment funds upon exceeding performance thresholds. BlackRock may be required to return all, or part, of such carried interest depending upon future performance of these investments. BlackRock records carried interest subject to such claw-back provisions as revenue on its consolidated statements of income upon the earlier of the termination of the alternative investment fund or when the likelihood of claw-back is mathematically improbable. The Company records a deferred carried interest liability to the extent it receives cash or capital allocations prior to meeting the revenue recognition criteria. At December 31, 2007 and 2006 the Company had \$28.6 million and \$0, respectively of deferred carried interest recorded in other liabilities on the consolidated statements of financial condition.

Adjustments to revenue arising from initial estimates historically have been immaterial since the majority of BlackRock's investment advisory and administration revenue is calculated on the fair value of AUM and since the Company does not record revenues until performance thresholds have been exceeded and the likelihood of claw-back of carried interest is mathematically improbable. Management can give no assurance, however, that these estimates would not result in a material adjustment in the future.

**Related Party Transactions**

See related party transactions discussion in Note 14 to the consolidated financial statements beginning on page F-1 of this Form 10-K.

**Recent Accounting Developments**

Recent accounting developments are discussed in Note 2 to the consolidated financial statements beginning on page F-1 of this Form 10-K.

**Item 7A. 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 over prescribed thresholds receive prior approval from the Audit Committee or the Board of Directors depending on the circumstances.

**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 December 31, 2007, the majority of our investment advisory and administration fees were based on AUM of the applicable mutual funds or separate accounts. Movements in equity market prices, interest rates, foreign exchange rates, or all three could cause the following, which would result in lower investment advisory and administration fees:

the value of AUM to decrease;

the returns realized on AUM to decrease;

clients to withdraw funds in favor of products in markets that they perceive to offer greater opportunity and that BlackRock does not serve;

clients to rebalance assets away from products that BlackRock manages into products that BlackRock does not manage; and

clients to reallocate assets away from products that earn higher fees into products with lower fees.

**Corporate Investments Portfolio Risks**

In the normal course of its business, BlackRock is exposed to equity market price risk, interest rate 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. Investments generally are made to establish a performance track record, for co-investment purposes 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 December 31, 2007, the outstanding total return swaps had an aggregate notional value of approximately \$94 million.

At December 31, 2007, approximately \$1,054 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. The Company's net economic exposure to its investment portfolio is as follows:

<i>(Dollar amounts in millions)</i>	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Total investments	\$ 2,000	\$ 2,098
Consolidated sponsored investments funds	(1,054)	(1,470)
Net exposure to consolidated investment funds	325	325
 Total net economic investment exposure	 \$ 1,271	 \$ 953



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**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (continued)**

Equity Market Price Risk

At December 31, 2007, the Company's net exposure to equity price risk is approximately \$835 million (net of \$94 million of certain equity investments that are hedged via total return swaps) of the Company's net economic investment exposure. The Company estimates that a 10% adverse change in equity prices would result in a decrease of approximately \$83.5 million in the carrying value of such investments.

Interest Rate Risk

At December 31, 2007, the Company was exposed to interest-rate risk as a result of approximately \$342 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 and estimates that the impact of such a fluctuation on these investments, in the aggregate, would result in a decrease, or increase, of approximately \$5.1 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 and the Euro, was \$93 million. A 10% adverse change in foreign exchange rates would result in approximately a \$9.3 million decline in the carrying value of such investments.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

The report of the independent registered public accounting firm and financial statements listed in the accompanying index are included in Item 15 of this report. See Index to the consolidated financial statements on page F-1 of this Form 10-K.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There have been no disagreements on accounting and financial disclosure matters. BlackRock has not changed accountants in the two most recent fiscal years.

**Item 9A. 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) as of December 31, 2007. Based on this evaluation, BlackRock's Chief Executive Officer and Chief Financial Officer have concluded that BlackRock's disclosure controls and procedures were effective as of December 31, 2007.

*Internal Control and Financial Reporting*

Other than system conversion activities related to the transition of support from Merrill Lynch to BlackRock, there have been no changes in internal control over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting. The Company has completed an evaluation of its internal control over financial reporting in light of the MLIM Transaction and expects to make additional integration related modifications.



**Item 9A. CONTROLS AND PROCEDURES (continued)**

**Management's Report on Internal Control Over Financial Reporting**

Management of BlackRock, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal controls over financial reporting include those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with the authorization of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*.

Based on this assessment, management concluded that, as of December 31, 2007, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm has issued an attestation report on the effectiveness of the Company's internal control over financial reporting. This report begins on page 67.

February 28, 2008

**Item 9A. CONTROLS AND PROCEDURES (continued)**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of BlackRock, Inc.:

We have audited the internal control over financial reporting of BlackRock, Inc. and subsidiaries (the Company) as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition as of December 31, 2007 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended of the Company and our report dated February 28, 2008 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

New York, New York  
February 28, 2008

**Item 9B. OTHER INFORMATION**

The Company is furnishing no other information in this Form 10-K.

**Part III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information regarding directors and executive officers set forth under the captions Item 1: Election of Directors Information Concerning the Nominees and Directors and Item 1: Election of Directors Other Executive Officers of the Proxy Statement in connection with the 2008 Annual Meeting of Stockholders (the Proxy Statement ) is incorporated herein by reference.

The information regarding compliance with Section 16(a) of the Exchange Act set forth under the caption Item 1: Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement is incorporated herein by reference.

The information regarding BlackRock's Code of Ethics for Chief Executive and Senior Financial Officers under the caption Item 1: Corporate Governance Guidelines and Code of Business Conduct and Ethics in the Proxy Statement is incorporated herein by reference.

**Item 11. EXECUTIVE COMPENSATION**

The information contained in the sections captioned Item 1: Compensation of Executive Officers and Item 1: 2007 Director Compensation of the Proxy Statement is incorporated herein by reference.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information contained in the sections captioned Item 1: Ownership of BlackRock Common and Preferred Stock and Equity Compensation Plan Information of the Proxy Statement is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information contained in the sections captioned Item 1: Certain Relationships and Related Transactions and Item 1: Director Independence of the Proxy Statement is incorporated herein by reference.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information regarding BlackRock's independent auditor fees and services in the section captioned Item 2: Ratification of Appointment of Independent Registered Public Accounting Firm of the Proxy Statement is incorporated herein by reference.

**Part IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

1. Financial Statements

The Company's consolidated financial statements are included herein on pages F-1 through F-73.

2. Financial Statement Schedules

Ratio of Earnings to Fixed Charges has been included as Exhibit 12.1. All other schedules have been omitted because they are not applicable, not required or the information required is included in the Company's consolidated financial statements or notes thereto.

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (continued)**

## 3. Exhibits

As used in this exhibit list, BlackRock refers to BlackRock, Inc. (formerly named New BlackRock, Inc. and previously, New Boise, Inc.) (Commission File No. 001-15305) and Old BlackRock refers to BlackRock Holdco 2, Inc. (formerly named BlackRock, Inc.) (Commission File No. 001-33099), which is the predecessor of BlackRock. The following exhibits are filed as part of this Annual Report on Form 10-K:

<b>Exhibit No.</b>	<b>Description</b>
2.1(1)	Transaction Agreement and Plan of Merger, dated as of February 15, 2006, by and among Merrill Lynch & Co., Inc., BlackRock, Boise Merger Sub, Inc. and Old BlackRock.
3.1(2)	Amended and Restated Certificate of Incorporation of BlackRock.
3.2(2)	Amended and Restated Bylaws of BlackRock.
3.3(2)	Certificate of Designations of Series A Convertible Participating Preferred Stock of BlackRock.
4.1(3)	Specimen of Common Stock Certificate.
4.2(4)	Indenture, dated as of February 23, 2005, between Old BlackRock and The Bank of New York (as successor-in-interest to JPMorgan Chase Bank, N.A.), as trustee, relating to the 2.625% Convertible Debentures due 2035.
4.3(4)	Form of 2.625% Convertible Debenture due 2035 (included as Exhibit A in Exhibit 4.2).
4.4(2)	First Supplemental Indenture, dated September 29, 2006, relating to the 2.625% Convertible Debentures due 2035.
4.5(5)	Indenture, dated September 17, 2007, between BlackRock and The Bank of New York, as trustee, relating to senior debt securities.
4.6(6)	Form of 6.25% Notes due 2017.
10.1(7)	Tax Disaffiliation Agreement, dated October 6, 1999, among Old BlackRock, PNC Asset Management, Inc. and The PNC Financial Services Group, Inc., formerly PNC Bank Corp.
10.2(3)	BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.3(3)	Amendment No. 1 to the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.4(3)	Amendment No. 2 to the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.5(3)	Amendment No. 3 to the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.6(3)	Amendment No. 4 to the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.7(3)	BlackRock, Inc. 2002 Long-Term Retention and Incentive Program.+
10.8(3)	Amendment No. 1 to 2002 Long-Term Retention and Incentive Program.+
10.9(3)	Amendment No. 2 to 2002 Long-Term Retention and Incentive Program.+
10.10(3)	BlackRock, Inc. Nonemployee Directors Stock Compensation Plan.+
10.11(3)	BlackRock, Inc. Voluntary Deferred Compensation Plan.+

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (continued)**

3. Exhibits (continued)

<b>Exhibit No.</b>	<b>Description</b>
10.12(3)	BlackRock, Inc. Involuntary Deferred Compensation Plan.+
10.13(2)	Form of Stock Option Agreement expected to be used in connection with future grants of Stock Options under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.14(2)	Form of Restricted Stock Agreement expected to be used in connection with future grants of Restricted Stock under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.15(2)	Form of Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.16(2)	Form of Directors Restricted Stock Unit Agreement expected to be used in connection with future grants of Restricted Stock Units under the BlackRock, Inc. 1999 Stock Award and Incentive Plan.+
10.17(8)	BlackRock International, Ltd. Amended and Restated Long-Term Deferred Compensation Plan.+
10.18(9)	Amendment No. 1 to the BlackRock International, Ltd. Amended and Restated Long-Term Deferred Compensation Plan.+
10.19(2)	Registration Rights Agreement, dated as of September 29, 2006, among BlackRock, Merrill Lynch & Co., Inc. and the PNC Financial Service Group, Inc.
10.20(10)	Agreement of Lease, dated May 3, 2000, between 40 East 52nd Street L.P. and Old BlackRock.
10.21(11)	Agreement of Lease, dated September 4, 2001, between 40 East 52nd Street L.P. and Old BlackRock.
10.22(12)	Share Surrender Agreement, dated October 10, 2002, among Old BlackRock, PNC Asset Management, Inc. and The PNC Financial Services Group, Inc.+
10.23(1)	First Amendment, dated as of February 15, 2006, to the Share Surrender Agreement, dated as of October 10, 2002, among PNC Bancorp, Inc., The PNC Financial Services Group, Inc. and Old BlackRock.+
10.24(13)	Second Amendment, dated as of June 11, 2007, to the Share Surrender Agreement, dated October 10, 2002, among Old BlackRock, PNC Asset Management, Inc. and The PNC Financial Services Group, Inc.+
10.25(14)	Amended and Restated, BlackRock, Inc. 1999 Annual Incentive Performance Plan. +
10.26(15)	Amendment No. 1 to the BlackRock, Inc. Amended and Restated 1999 Annual Incentive Performance Plan+
10.27(16)	Agreement of Lease, dated July 29, 2004, between Park Avenue Plaza Company L.P. and Old BlackRock.
10.28(16)	Letter Agreement, dated July 29, 2004, amending the Agreement of Lease between Park Avenue Plaza Company L.P. and Old BlackRock.

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (continued)**

3. Exhibits (continued)

<b>Exhibit No.</b>	<b>Description</b>
10.29(17)	Stock Purchase Agreement among MetLife, Inc., Metropolitan Life Insurance Company, SSRM Holdings, Inc. Old BlackRock and BlackRock Financial Management, Inc., dated August 25, 2004.
10.30(4)	Registration Rights Agreement, dated as of February 23, 2005, between Old BlackRock and Morgan Stanley & Co. Incorporated, as representative of the initial purchasers named therein, relating to the 2.625% Convertible Debentures due 2035.
10.31(1)	Implementation and Stockholder Agreement, dated as of February 15, 2006, among The PNC Financial Services Group, Inc., BlackRock and Old BlackRock.
10.32(1)	Stockholder Agreement, dated as of February 15, 2006, between Merrill Lynch & Co., Inc. and BlackRock.
10.33(18)	Global Distribution Agreement, dated as of September 29, 2006, by and between BlackRock and Merrill Lynch & Co., Inc.
10.34(18)	Transition Services Agreement, dated as of September 29, 2006, by and between Merrill Lynch & Co., Inc. and BlackRock.
10.35(19)	Asset Purchase Agreement, dated as of June 26, 2007, by and among BlackRock, Inc., BAA Holdings, LLC and Quellos Holdings, LLC.
10.36(20)	Five-Year Revolving Credit Agreement, dated as of August 22, 2007, by and among BlackRock, Inc., Wachovia Bank, National Association, as administrative agent, swingline lender and issuing lender, Sumitomo Mitsui Banking Corporation, as Japanese Yen lender, a group of lenders, Wachovia Capital Markets, LLC and Citigroup Global Markets Inc., as joint lead arrangers and joint book managers, Citigroup Global Markets Inc., as syndication agent, and HSBC Bank USA, N.A., JPMorgan Chase Bank, N.A., and Morgan Stanley Bank, as documentation agents.
12.1	Computation of Ratio of Earnings to Fixed Charges.
23.1	Deloitte & Touche LLP Consent
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 Old BlackRock's Current Report on Form 8-K filed on February 22, 2006
- (2) Incorporated by Reference to BlackRock's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006.
- (3) Incorporated by Reference to BlackRock's Registration Statement on Form S-8 (Registration No. 333-137708) filed with the Securities and Exchange Commission on September 29, 2006
- (4) Incorporated by Reference to Old BlackRock's Annual Report on Form 10-K for the year ended December 31, 2004.
- (5) Filed herewith.
- (6) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on September 17, 2007.
- (7) Incorporated by Reference to Old BlackRock's Registration Statement on Form S-1 (Registration No. 333-78367), as amended, originally filed with the Securities and Exchange Commission on May 13, 1999.
- (8) Incorporated by Reference to Old BlackRock's Registration Statement on Form S-8 (Registration No. 333-32406), originally filed with the Securities and Exchange Commission on March 14, 2000.

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (continued)**

3. Exhibits (continued)

- (9) Incorporated by Reference to Old BlackRock's Quarterly Report on Form 10-Q, for the quarter ended September 30, 2000.
  - (10) Incorporated by Reference to Old BlackRock's Quarterly Report on Form 10-Q, for the quarter ended March 31, 2000.
  - (11) Incorporated by Reference to Old BlackRock's Quarterly Report on Form 10-Q, for the quarter ended September 30, 2001.
  - (12) Incorporated by Reference to Old BlackRock's Quarterly Report on Form 10-Q, for the quarter ended September 30, 2002.
  - (13) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on June 15, 2007.
  - (14) Incorporated by Reference to Old BlackRock's Annual Report on Form 10-K, for the year ended December 31, 2002.
  - (15) Incorporated by reference to Old BlackRock's Current Report on Form 8-K, filed on May 24, 2006.
  - (16) Incorporated by Reference to Old BlackRock's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2004.
  - (17) Incorporated by reference to Old BlackRock's Current Report on Form 8-K filed on August 30, 2004.
  - (18) Incorporated by Reference to BlackRock's Registration Statement on Form S-4, as amended, originally filed with the Securities and Exchange Commission on June 9, 2006.
  - (19) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on July 2, 2007.
  - (20) Incorporated by reference to BlackRock's Current Report on Form 8-K filed on August 27, 2007.
- + Denotes compensatory plans or arrangements



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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Laurence D. Fink  
 Laurence D. Fink  
 Chairman, Chief Executive Officer and Director  
 February 28, 2008

Each of the officers and directors of BlackRock, Inc. whose signature appears below, in so signing, also makes, constitutes and appoints Laurence D. Fink, Paul L. Audet and Robert P. Connolly, his true and lawful attorneys-in-fact, with full power and substitution, for him in any and all capacities, to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to the Annual Report on Form 10-K, with exhibits thereto and other documents connected therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Laurence D. Fink Laurence D. Fink	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2008
/s/ Paul L. Audet Paul L. Audet	Managing Director and Acting Chief Financial Officer (Principal Financial Officer)	February 28, 2008
/s/ Joseph Feliciani, Jr. Joseph Feliciani, Jr.	Managing Director and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2008
/s/ William O. Albertini William O. Albertini	Director	February 28, 2008
/s/ Mathis Cabiallavetta Mathis Cabiallavetta	Director	February 28, 2008
/s/ Dennis D. Dammerman Dennis D. Dammerman	Director	February 28, 2008
/s/ William S. Demchak William S. Demchak	Director	February 28, 2008
/s/ Robert C. Doll Robert C. Doll	Director	February 28, 2008
/s/ Kenneth B. Dunn Kenneth B. Dunn	Director	February 28, 2008
/s/ Gregory J. Fleming Gregory J. Fleming	Director	February 28, 2008
/s/ Murry S. Gerber Murry S. Gerber	Director	February 28, 2008
/s/ James Grosfeld James Grosfeld	Director	February 28, 2008
/s/ Robert S. Kapito	Director	February 28, 2008

Robert S. Kapito

**SIGNATURES (continued)**

/s/ David H. Komansky David H. Komansky	Director	February 28, 2008
/s/ Sir Deryck Maughan Sir Deryck Maughan	Director	February 28, 2008
/s/ Thomas H. O'Brien Thomas H. O'Brien	Director	February 28, 2008
/s/ Linda Gosden Robinson Linda Gosden Robinson	Director	February 28, 2008
/s/ James E. Rohr James E. Rohr	Director	February 28, 2008
/s/ John A. Thain John A. Thain	Director	February 28, 2008

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of BlackRock, Inc.:

We have audited the accompanying consolidated statements of financial condition of BlackRock, Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of BlackRock, Inc. and subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

New York, New York

February 28, 2008

**BlackRock, Inc.****Consolidated Statements of Financial Condition**

(Dollar amounts in thousands, except per share data)

	December 31,	
	2007	2006
<b>Assets</b>		
Cash and cash equivalents	\$ 1,656,200	\$ 1,160,304
Accounts receivable	1,235,940	964,366
Due from related parties	174,853	113,184
Investments	1,999,944	2,097,574
Separate account assets	4,669,874	4,299,879
Deferred mutual fund sales commissions	174,849	177,242
Property and equipment, net	266,460	214,784
Intangible assets, net	6,553,122	5,882,430
Goodwill	5,519,714	5,257,017
Other assets	310,559	302,712
<b>Total assets</b>	<b>\$ 22,561,515</b>	<b>\$ 20,469,492</b>
<b>Liabilities</b>		
Accrued compensation and benefits	\$ 1,086,590	\$ 1,051,273
Accounts payable and accrued liabilities	788,968	753,839
Due to related parties	114,347	243,836
Short-term borrowings	300,000	
Long-term borrowings	947,021	253,167
Separate account liabilities	4,669,874	4,299,879
Deferred tax liabilities	2,059,980	1,738,670
Other liabilities	419,570	237,856
<b>Total liabilities</b>	<b>10,386,350</b>	<b>8,578,520</b>
<b>Non-controlling interest</b>	<b>578,210</b>	<b>1,109,092</b>
<b>Commitments and Contingencies (Note 11)</b>		
<b>Stockholders equity</b>		
Common stock (\$0.01 par value, 500,000,000 shares authorized, 118,573,367 and 117,381,582 shares issued and 116,059,560 and 116,408,897 shares outstanding at December 31, 2007 and 2006, respectively)	1,186	1,174
Series A participating preferred stock (\$0.01 par value, 500,000,000 shares authorized and 12,604,918 shares issued and outstanding at December 31, 2007 and 2006)	126	126
Additional paid-in capital	10,274,096	9,799,447
Retained earnings	1,622,041	993,821
Accumulated other comprehensive income, net	71,020	44,666
Escrow shares, common, at cost (1,191,785 and 0 shares held at December 31, 2007 and 2006, respectively)	(187,500)	
Treasury stock, common, at cost (1,322,022 and 972,685 shares held at December 31, 2007 and 2006, respectively)	(184,014)	(57,354)
<b>Total stockholders equity</b>	<b>11,596,955</b>	<b>10,781,880</b>
<b>Total liabilities, non-controlling interest and stockholders equity</b>	<b>\$ 22,561,515</b>	<b>\$ 20,469,492</b>

*See accompanying notes to consolidated financial statements.*



## BlackRock, Inc.

## Consolidated Statements of Income

(Dollar amounts in thousands, except per share data)

	2007	Year ended December 31, 2006	2005
<b>Revenue</b>			
Investment advisory and administration base fees			
Related parties	\$ 2,640,275	\$ 864,998	\$ 344,943
Other	1,369,786	733,743	505,435
Investment advisory performance fees	350,188	242,282	167,994
Investment advisory and administration fees	4,360,249	1,841,023	1,018,372
Distribution fees	123,052	35,903	11,333
Other revenue			
Other	338,278	212,450	156,111
Related parties	23,076	8,600	5,570
Total revenue	4,844,655	2,097,976	1,191,386
<b>Expenses</b>			
Employee compensation and benefits	1,767,063	934,887	587,773
Portfolio administration and servicing costs			
Other	77,879	46,358	41,552
Related parties	469,741	126,173	23,059
Amortization of deferred sales commissions	108,091	29,940	9,346
General and administration			
Other	777,697	399,103	179,130
Related parties	92,670	17,750	2,480
Termination of closed-end fund administration and servicing arrangements	128,114		
Fee sharing payment		34,450	
Amortization of intangible assets	129,736	37,515	7,505
Total expenses	3,550,991	1,626,176	850,845
Operating income	1,293,664	471,800	340,541
<b>Non-operating income (expense)</b>			
Net gain on investments	504,001	36,930	24,226
Interest and dividend income	74,466	29,419	18,912
Interest expense	(49,412)	(9,916)	(7,924)
Total non-operating income	529,055	56,433	35,214
Income before income taxes and non-controlling interest	1,822,719	528,233	375,755
Income tax expense	463,832	189,463	138,558
Income before non-controlling interest	1,358,887	338,770	237,197
Non-controlling interest	363,615	16,168	3,289
Net income	\$ 995,272	\$ 322,602	\$ 233,908



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**Earnings per share**

Basic	\$	7.75	\$	4.00	\$	3.64
Diluted	\$	7.53	\$	3.87	\$	3.50

<b>Dividends declared and paid per share</b>	\$	2.68	\$	1.68	\$	1.20
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**Weighted-average shares outstanding**

Basic	128,488,561	80,638,167	64,182,766
Diluted	132,088,810	83,358,394	66,875,149

*See accompanying notes to consolidated financial statements.*

**BlackRock, Inc.**

**Consolidated Statements of Comprehensive Income**

(Dollar amounts in thousands)

	Year ended December 31,		
	2007	2006	2005
<b>Net income</b>	\$ 995,272	\$ 322,602	\$ 233,908
Other comprehensive income:			
Net unrealized gain (loss) from available-for-sale investments, net of tax	(2,784)	5,081	(1,046)
Minimum pension liability adjustment		379	(202)
Foreign currency translation adjustments	29,138	36,533	(4,333)
<b>Comprehensive income</b>	<b>\$ 1,021,626</b>	<b>\$ 364,595</b>	<b>\$ 228,327</b>

*See accompanying notes to consolidated financial statements.*

## BlackRock, Inc.

## Consolidated Statements of Changes in Stockholders' Equity

*(Dollar amounts in thousands)*

	Common Stock	Class A & B	Participating Preferred Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Common Shares held in Escrow	Treasury Stock Common	Class A & B	Total Equity
December 31, 2004	\$	\$ 647	\$	\$ 160,789	\$ 650,016	\$ 8,254	\$	\$	(\$ 51,354)	\$ 768,352
Net income					233,908					233,908
Dividends paid					(77,040)					(77,040)
Conversion of class B common stock to class A common stock		(2)		(27,393)					27,395	
Issuance of class A common stock		8		24,812					17,618	42,438
Amortization of discount on issuance of class B common stock				12,052						12,052
Stock based compensation				1,597						1,597
Treasury stock transactions				(5,734)					(52,716)	(58,450)
Tax benefits from stock-based awards				4,967						4,967
Minimum pension liability adjustment						(202)				(202)
Foreign currency translation loss						(4,333)				(4,333)
Unrealized loss on investments, net of tax						(1,046)				(1,046)
December 31, 2005		653		171,090	806,884	2,673			(59,057)	922,243
Net income					322,602					322,602
Dividends paid					(135,665)					(135,665)
Conversion of class B common stock to class A common stock		(2)		(14,337)					14,339	
Issuance of common stock to Merrill Lynch	523			7,719,366						7,719,889
Issuance of series A participating preferred shares to Merrill Lynch			126	1,857,082						1,857,208
Conversion of class A and B stock to common stock in connection with MLIM Transaction	651	(651)								

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Conversion of treasury stock in connection with MLIM Transaction						(52,035)	52,035	
Stock based compensation		61,361						61,361
Treasury stock transactions		33				(5,319)	(7,317)	(12,603)
Tax benefits from stock-based awards		4,852						4,852
Minimum pension liability adjustment				379				379
Foreign currency translation gain				36,533				36,533
Unrealized gain on investments, net of tax				5,081				5,081
December 31, 2006	1,174	126	9,799,447	993,821	44,666	(57,354)		10,781,880
January 1, 2007								
Adjustment to initially apply FIN No. 48				(13,589)				(13,589)
Net income				995,272				995,272
Dividends paid				(353,463)				(353,463)
Issuance of common stock to escrow agent in connection with Quellos Transaction	12		187,488		(187,500)			
Stock based compensation			182,168			570		182,738
PNC capital contribution			174,932					174,932
Treasury stock transactions			(186,259)			(127,230)		(313,489)
Tax benefits from stock-based awards			118,574					118,574
Other costs associated with common stock			(2,254)					(2,254)
Foreign currency translation gain					29,138			29,138
Unrealized loss on investments, net of tax					(2,784)			(2,784)
December 31, 2007	\$ 1,186	\$ 126	\$ 10,274,096	\$ 1,622,041	\$ 71,020	(\$ 187,500)	(\$ 184,014)	\$ 11,596,955

See accompanying notes to consolidated financial statements.

**BlackRock, Inc.****Consolidated Statements of Cash Flows***(Dollar amounts in thousands)*

	Year ended December 31,		
	2007	2006	2005
<b>Cash flows from operating activities</b>			
Net income	\$ 995,272	\$ 322,602	\$ 233,908
Adjustments to reconcile net income to cash from operating activities:			
Depreciation and amortization	198,824	72,809	30,902
Amortization of deferred mutual fund sales commissions	108,091	29,940	9,346
Non-controlling interest	363,615	16,168	3,289
Stock-based compensation	188,256	120,436	69,450
Deferred income tax expense	(104,654)	(42,509)	18,895
Tax benefit from stock-based compensation			4,967
Net gains on non-trading investments	(442,082)	(3,730)	(3,965)
Purchases of investments within consolidated funds	(870,310)		
Proceeds from sale of investments within consolidated funds	596,898		
Earnings from equity method investees	(83,894)	(5,659)	(11,526)
Distributions of earnings from equity method investees	16,443	1,939	2,620
Other adjustments	1,334	(4,233)	3,842
Changes in operating assets and liabilities:			
Accounts receivable	(273,199)	(8,670)	(138,868)
Due from related parties	(3,699)	(75,436)	(6,614)
Deferred mutual fund sales commissions	(71,702)	(2,666)	
Investments, trading	(44,713)	(86,637)	(6,188)
Other assets	(80,172)	(15,066)	(52,907)
Accrued compensation and benefits	171,828	226,373	51,579
Accounts payable and accrued liabilities	(33,273)	754	28,010
Due to related parties	(137,524)	174,785	8,261
Other liabilities	92,110	(316)	9,936
 Cash flows from operating activities	 587,449	 720,884	 254,937
<b>Cash flows from investing activities</b>			
Purchases of investments	(521,226)	(212,629)	(51,579)
Proceeds from sale of investments	265,561	25,662	57,681
Escrow deposits			(7,700)
Sales of real estate held for sale			112,184
Distributions of capital from equity method investees	7,017		
Net consolidations (deconsolidations) of sponsored investment funds	(117,102)	2,172	
Acquisitions, net of cash acquired and purchase price contingencies	(591,765)	272,353	(275,218)
Purchases of property and equipment	(111,317)	(83,993)	(55,154)
 Cash flows from investing activities			