BLACKROCK INC /NY
Form 10-Q
August 09, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended June 30, 2006

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from ____________ to ____________.

Commission file number 001-15305

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	51-0380803 (I.R.S. Employer Identification No.)

40 East 52nd Street, New York, NY 10022

(Address of principal executive offices)

(Zip Code)

(212) 810-5300

(Registrant s telephone number, including area code)

____

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ____X____ No __________

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer __X__ Accelerated filer ______ Non-accelerated filer ______

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes __________ No ____X____

As of July 31, 2006, there were 19,891,531 shares of the registrant s class A common stock outstanding and 44,107,478 shares of the registrant s class B common stock outstanding.

BlackRock, Inc.

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PART I

FINANCIAL INFORMATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BlackRock, Inc.

Condensed Consolidated Statements of Financial Condition

(Dollar amounts in thousands)

(unaudited)

	June 30, 2006	December 31, 2005
Assets		
Cash and cash equivalents	$ 368,687	$ 484,223
Accounts receivable	420,249	310,423
Receivable from affiliates	18,027	29,155
Investments	347,253	298,668
Intangible assets, net	290,291	294,168
Goodwill	199,385	189,814
Property and equipment, net	142,526	129,451
Deferred taxes	59,452	43,498
Deferred mutual fund commissions	11,411	16,025
Other assets	66,640	52,575
Total assets	$ 1,923,921	$ 1,848,000
Liabilities		
Accrued compensation	$ 474,635	$ 522,637
Accounts payable and accrued liabilities	110,764	75,779
Purchase price contingencies		39,463
Long-term borrowings	253,170	253,791
Other liabilities	24,249	24,473
Total liabilities	862,818	916,143
Minority interest	19,953	9,614
Stockholders equity		
Common stock, class A, 20,033,283 and 19,975,305 shares issued, respectively	200	200
Common stock, class B, 44,914,146 and 45,117,284 shares issued, respectively	451	453
Additional paid-in capital	189,924	183,797
Retained earnings	878,335	794,177
Accumulated other comprehensive income	6,049	2,673
Treasury stock, class A, at cost, 0 and 285,104 shares held, respectively		(25,248)
Treasury stock, class B, at cost, 806,667 shares held	(33,809)	(33,809)
Total stockholders equity	1,041,150	922,243
Total liabilities, minority interest and stockholders equity	$ 1,923,921	$ 1,848,000

See accompanying notes to condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

BlackRock, Inc.

Condensed Consolidated Statements of Income

(Dollar amounts in thousands, except share data)

(unaudited)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenue				
Investment advisory and administration fees				
Separate accounts	$ 224,825	$ 154,224	$ 487,033	$ 296,109
Mutual funds	89,103	77,247	176,603	147,618
Other income	46,805	39,918	92,757	77,744
Total revenue	360,733	271,389	756,393	521,471
Expense				
Employee compensation and benefits	177,098	131,015	368,894	257,959
Fund administration and servicing costs	10,556	10,426	20,930	19,535
General and administration	74,367	46,397	131,351	92,564
Fee sharing payment			34,450	
Amortization of intangible assets	2,029	1,656	4,058	2,937
Total expense	264,050	189,494	559,683	372,995
Operating income	96,683	81,895	196,710	148,476
Non-operating income (expense)				
Investment income	6,845	6,027	21,909	15,814
Interest expense	(2,030)	(2,063)	(3,999)	(4,077)
Total non-operating income	4,815	3,964	17,910	11,737
Income before income taxes and minority interest	101,498	85,859	214,620	160,213
Income taxes	37,237	31,324	78,855	58,655
Income before minority interest	64,261	54,535	135,765	101,558
Minority interest	857	1,200	1,499	1,687
Net income	$ 63,404	$ 53,335	$ 134,266	$ 99,871
Earnings per share				
Basic	$ 0.99	$ 0.83	$ 2.09	$ 1.55
Diluted	$ 0.95	$ 0.80	$ 2.02	$ 1.49
Dividends paid per share	$ 0.42	$ 0.30	$ 0.84	$ 0.60
Weighted-average shares outstanding				
Basic	64,136,378	64,354,069	64,105,803	64,322,465
Diluted	66,653,479	66,796,087	66,520,436	66,844,720

See accompanying notes to condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

BlackRock, Inc.

Condensed Consolidated Statements of Cash Flows

(Dollar amounts in thousands)

(unaudited)

	Year to Date June 30, 2006	Year to Date June 30, 2005
Cash flows from operating activities		
Net income	$ 134,266	$ 99,871
Adjustments to reconcile net income to cash from operating activities:		
Depreciation and amortization	18,517	14,468
Minority interest	1,499	1,687
Stock-based compensation	53,256	35,251
Deferred income taxes	(15,954)	(8,312)
Net gain on investments	(7,414)	(3,856)
Amortization of bond issuance costs	604	403
Amortization of deferred mutual fund commissions	4,614	5,426
Dividends received from equity investees	397	
Tax benefit from stock-based compensation		2,503
Other adjustments	(3,009)	
Changes in operating assets and liabilities:		
Increase in accounts receivable	(109,826)	(20,575)
Increase (decrease) in investments, trading	(7,065)	(7,159)
Increase (decrease) in receivable from affiliates	11,128	(12,863)
Increase in other assets	(11,573)	(4,906)
Decrease in accrued compensation	(72,086)	(132,071)
(Decrease) increase in accounts payable and accrued liabilities	35,040	11,734
(Decrease) increase in other liabilities	(224)	8,152
Cash flows from operating activities	32,170	(10,247)
Cash flows from investing activities		
Purchase of investments	(47,044)	(13,572)
Sale of investments	9,915	28,129
Sale of real estate held for sale		112,184
Acquisitions, net of cash acquired and purchase price contingencies	(49,214)	(249,535)
Purchase of property and equipment	(27,535)	(29,138)
Cash flows from investing activities	(113,878)	(151,932)
Cash flows from financing activities		
Borrowings net of issuance costs		395,000
Principal repayment of borrowings		(150,000)
Repayment of short-term borrowings		(111,840)
Additions to minority interest	13,175	9,891
Transfer of cash to deconsolidated sponsored investment fund	(804)	(5,509)
Distributions paid to minority interest holders	(14)	

Dividends paid	(54,112)	(38,434)
Reissuance of treasury stock	4,441	8,315
Purchase of treasury stock	(1,226)	(32,606)
Issuance of class A common stock	133	706
Tax benefit from stock-based compensation	1,875	
Acquired management contract obligation payment	(621)	(1,019)
Cash flows from financing activities	(37,153)	74,504
Effect of exchange rate changes on cash and cash equivalents	3,325	(2,612)
Net decrease in cash and cash equivalents	(115,536)	(90,287)
Cash and cash equivalents, beginning of period	484,223	457,673
Cash and cash equivalents, end of period	$ 368,687	$ 367,386

See accompanying notes to condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

BlackRock, Inc.

Notes to Condensed Consolidated Financial Statements

(Dollar amounts in thousands, except share data)

(unaudited)

BlackRock, Inc. (together, with its subsidiaries, BlackRock or the Company) is majority-owned indirectly by The PNC Financial Services Group, Inc. (PNC). BlackRock provides diversified investment management services to institutional clients, including certain subsidiaries of PNC and certain PNC-related accounts, and to individual investors through various investment vehicles. Institutional investment management services primarily consist of the active management of fixed income, equity and cash management client accounts, the management of the *BlackRock Liquidity Funds*, a money market mutual fund family serving the institutional market, and the management of alternative funds developed to serve various customer needs. BlackRock also offers risk management, investment system outsourcing and financial advisory services to institutional investors under the *BlackRock Solutions*® brand name. Individual investor services primarily consist of the management of the Company s sponsored open-end (*BlackRock Funds*) and closed-end mutual funds.

1. Significant Accounting Policies

Basis of Presentation

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of the Company and its controlled subsidiaries. All material accounts and transactions between consolidated entities have been eliminated.

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions. Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. These condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and notes related thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005, which was filed with the Securities and Exchange Commission (SEC) on March 8, 2006.

The interim financial data as of June 30, 2006 and for each of the three months and six months ended June 30, 2006 and 2005 are unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the Company s results for the periods presented. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year. Certain amounts in the Company s prior year condensed consolidated financial statements have been reclassified to conform to the 2006 presentation.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

1. Significant Accounting Policies (continued)

Stock-based Compensation

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment*. This statement is a revision of SFAS No. 123 and supersedes Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*. The statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. Entities are required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost is recognized over the period during which an employee is required to provide service (usually the vesting period) in exchange for the award. The grant-date fair value of employee share options and similar instruments is measured using option-pricing models. If an equity award is modified after the grant date, incremental compensation cost is recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

The Company adopted SFAS No. 123(R), using the modified-prospective transition method, effective January 1, 2006, with no cumulative effect on net income. Under the modified-prospective transition method, the Company is recognizing compensation cost for share-based awards to employees based on their grant-date fair value from January 1, 2006, as well as compensation cost for awards that were granted prior to, but not vested as of, the date of adoption. Prior periods remain unchanged and pro forma disclosures previously required by SFAS No. 123 continue to be required. The impact of SFAS No. 123(R) was to reduce net income for the three months ended June 30, 2006 by $1,978, or $0.03 per basic share and $0.02 per diluted share, and for the six months ended June 30, 2006 by $3,956, or $0.07 per basic share and $0.03 per diluted share. Pro forma basic and diluted earnings per share for the three months ended June 30, 2005, including the impact of stock options not expensed under SFAS No. 123(R) would have been $0.80 and $0.77, respectively, and for the six months ended June 30, 2005 would have been $1.49 and $1.43, respectively. Net income for the three months and six months ended June 30, 2005 would have been reduced by approximately $1,978 and $3,956, respectively.

Consolidation

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) on Issue 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). EITF 04-5 presumes that a general partner controls a limited partnership (including certain limited liability companies), and should therefore consolidate a limited partnership, unless the limited partners have the substantive ability to remove the general partner without cause based on a simple majority vote or can otherwise dissolve the limited partnership, or unless the limited partners have substantive participating rights over decision making. The guidance in EITF 04-5 was effective immediately for all newly formed partnerships and any modified limited partnership agreements. The guidance was effective for existing partnership agreements for financial reporting periods beginning after December 15, 2005. The adoption of EITF 04-5 on January 1, 2006 had no impact on the Company s condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

1. Significant Accounting Policies (continued)

Impairment of Investments

In November 2005, the FASB issued FASB Staff Position (FSP) FAS 115-1/124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, which provides guidance for determining when impairment charges should be taken on certain debt and equity securities. FSP FAS 115-1/124-1 requires that debt and equity securities subject to the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and equity securities subject to the provisions of APB No. 18, *The Equity Method of Accounting for Investments in Common Stock*, but which are not accounted for under the equity method (i.e., securities accounted for under the cost method) shall be reviewed for impairment when circumstances warrant. For securities subject to SFAS No. 115, a review for other-than-temporary impairments shall occur in each accounting period where the fair value of the security is less than its cost. For securities subject to APB No. 18, a review for other-than-temporary impairments shall occur in each accounting period where a) circumstances indicate that impairment may exist and b) the fair value of the security is less than its carrying value. The provisions of the FSP were required to be applied to reporting periods beginning after December 15, 2005. The adoption of FSP FAS 115-1/124-1 on January 1, 2006 had no material impact on the Company s condensed consolidated financial statements.

Accounting Changes and Corrections

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented under the new accounting principle. SFAS No. 154 also requires that a change in the method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed restatements . SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 on January 1, 2006 had no impact on the Company s condensed consolidated financial statements.

Disclosure of Fair Value

SFAS No. 107, *Disclosure about Fair Value of Financial Instruments*, requires disclosure of estimated fair values of certain financial instruments, both on and off the balance sheet. The Company s methods and assumptions regarding the value of its financial instruments are set forth below:

Cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities are carried at cost which approximates fair value due to their short maturities.

The fair value of readily marketable investments is based on quoted market prices. If securities are not readily marketable, fair values are determined by the Company s management. At June 30, 2006, the carrying value of investments approximates their fair value.

At June 30, 2006, the estimated fair value of the Company s $250,000 aggregate principal amount of debentures is $346,475 compared with $288,125 at December 31, 2005.

At June 30, 2006, the estimated fair value of the acquired management contract obligation based on current rates offered to the Company for debt, assuming an investment rating of AAA or its equivalent, with a similar remaining maturity was approximately $3,526. The book value of this contract at June 30, 2006 was $3,170.

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PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

1. Significant Accounting Policies (continued)
Disclosure of Fair Value (continued)

The Company acts as the portfolio manager in a series of credit default swap transactions, referred to collectively as the Pillars Synthetic Collateralized Debt Obligation (Pillars) transaction. The Company has entered into a credit default swap with a major multi-national financial institution (the Counterparty), affording the Counterparty credit protection of approximately $16,667, representing the Company s maximum possible risk of loss. Pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, the Company carries the Pillars credit default swap at fair value based on the expected future cash flows under the arrangement. For the three and six months ended June 30, 2006, the Company recorded gains of $355 and $1,670, respectively, in non-operating income in the Condensed Consolidated Statement of Income related to changes in the fair value of the Pillars credit default swap. The fair value of the Pillars credit default swap was approximately $6,382 as of June 30, 2006, and is included in other assets on the Condensed Consolidated Statements of Financial Condition.

Recent Accounting Developments

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments*, which amends SFAS No. 133 and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The Statement provides, among other things, that:

- For embedded derivatives which would otherwise be required to be bifurcated from their host contracts and accounted for at fair value in accordance with SFAS No. 133, an irrevocable election may be made on an instrument-by-instrument basis, to be measured as hybrid financial instrument at fair value in its entirety, with changes in fair value recognized in earnings.

- Concentrations of credit risk in the form of subordination are not considered embedded derivatives.

SFAS No. 155 is effective for all financial instruments acquired, issued or subject to remeasurement after the beginning of an entity s first fiscal year that begins after September 15, 2006. Upon adoption, differences between the total carrying amount of the individual components of an existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument should be recognized as a cumulative effect adjustment to beginning retained earnings. Prior periods should not be restated. The Company intends to adopt the Statement on January 1, 2007 and does not expect the impact of adoption to be material to its consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets.* SFAS No. 156 amends SFAS No. 140 to require that all separately recognized servicing assets and liabilities be initially measured at fair value, if practicable. SFAS No. 156 also permits servicers to subsequently measure each separate class of servicing assets and liabilities at fair value rather than at the lower of cost or market. For companies that elect to measure their servicing assets and liabilities at fair value, SFAS No. 156 requires the difference between the carrying value and fair value at the date of adoption to be recognized as a cumulative effect of a change in accounting principle as of the beginning of the fiscal year in which the election is made. The Company is currently assessing the impact of adopting SFAS No. 156 and intends to adopt the Statement on January 1, 2007.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

1. Significant Accounting Policies (continued)
Recent Accounting Developments (continued)

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, and Related Implementation Issues* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a Company s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 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 a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective as of the beginning of fiscal years that begin after December 15, 2006. The Company is currently evaluating the effects of implementing this new standard.

2. Pending Acquisition
On February 15, 2006, BlackRock and two of its wholly-owned subsidiaries, New BlackRock Inc. (formerly New Boise, Inc., New BlackRock) and BlackRock Merger Sub, Inc. (formerly Boise Merger Sub, Inc., Merger Sub), entered into a Transaction Agreement and Plan of Merger (the Transaction Agreement) with Merrill Lynch & Co., Inc. (Merrill Lynch). Pursuant to the terms of the Transaction Agreement, New BlackRock will become the public holding company for BlackRock s businesses and Merrill Lynch will contribute its investment management business, Merrill Lynch Investment Managers (MLIM), via a capital contribution to New BlackRock (the Transaction). Upon closing of the Transaction, Merrill Lynch would own approximately 65 million shares, or 49%, (but in any event, not more than 49.8% on a fully diluted basis) of the combined company, including a 45% voting interest, PNC would maintain approximately 34% ownership in the combined company and the remainder would be held by employees and public shareholders. The Transaction, which has been approved by the boards of directors of BlackRock and Merrill Lynch, is subject to various regulatory approvals, client consents, approval by BlackRock shareholders and other customary closing conditions, and is expected to close around September 30, 2006.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

3. Investments

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

		Gross Unrealized		Carrying
June 30, 2006	**Cost**	**Gains**	**Losses**	**Value**
Available-for-sale investments:				
Collateralized debt obligations	$ 22,489	$ 836	($ 60)	$ 23,265
Mutual funds	4,595	43	(195)	4,443
Other	1,671	199		1,870
Total available-for-sale investments	$ 28,755	$ 1,078	($ 255)	$ 29,578
December 31, 2005				
Available-for-sale investments:				
Collateralized debt obligations	$ 25,750	$ 773	($ 806)	$ 25,717
Mutual funds	4,442	20	(153)	4,309
Total available-for-sale investments	$ 30,192	$ 793	($ 959)	$ 30,026

At June 30, 2006 and December 31, 2005, the Company s available-for sale investments had an aggregate cost basis of $28,755 and $30,192 and an aggregate fair value of $29,578 and $30,026, respectively. During the six months ended June 30, 2006, the Company recorded impairments of $2,066 to certain collateralized debt obligations. Gross unrealized losses of $195 on mutual fund investments at June 30, 2006 includes unrealized losses from three mutual fund investments totaling $155, that have been in a loss position for greater than 12 consecutive months, and unrealized losses from four additional mutual funds that have been in a loss position for less than 12 months. Management has reviewed the Company s portfolio of available-for-sale mutual fund investments at June 30, 2006 and has concluded that the $195 gross unrealized loss in fair value is not other-than-temporary as defined by FSP FAS 115-1/124-1. Management s review considered such factors as the current and expected future economic environment as it relates to the mutual funds, historical fund performance, stage of growth of the fund, materiality of the loss in proportion to the cost value of the securities, dividend payments being received on the investments and the Company s ability and intent to hold the securities until the losses are recovered.

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

3. Investments (continued)

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

June 30, 2006	**Cost**	**Carrying Value**
Trading investments:		
Mutual funds	$ 18,999	$ 21,673
Equity securities	16,197	19,948
Mortgage-backed securities	6,592	6,344
Corporate notes and bonds	11,005	10,614
Municipal debt securities	119	112
Total trading investments	52,912	58,691
Other investments:		
Other fund investments	217,687	236,085
Deferred compensation plans	17,744	21,442
Other	972	1,457
Total other investments	236,403	258,984
Total trading and other investments	$ 289,315	$ 317,675

December 31, 2005		
Trading investments:		
Mutual funds	$ 19,699	$ 22,319
Equity securities	15,964	18,425
Mortgage-backed securities	13,345	13,069
Corporate notes and bonds	8,146	7,946
Municipal debt securities	119	123
Total trading investments	57,273	61,882
Other investments:		
Other fund investments	167,593	181,292
Deferred compensation plans	20,976	24,495
Other	193	973
Total other investments	188,762	206,760
Total trading and other investments	$ 246,035	$ 268,642

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

3. Investments (continued)

Included in other investments is $91,367 of investments accounted for using the cost method. FSP FAS 115-1/124-1 requires that a company review cost method investments for other-than-temporary impairments whenever management estimates a fair value for such investments or when events or changes in circumstances have occurred that may have a significant adverse effect on the fair value of the investment. At June 30, 2006, management reviewed $45,880 in carrying value of other investments and estimated an aggregate fair value of $49,912. One such security had a gross loss of $299, which was approximately 5.7% of its original cost. Management reviewed this security and concluded that this impairment is not other-than-temporary. Management s review considered such factors as the current and expected future economic environment as it relates to the investment, historical fund performance, stage of growth of the fund, materiality of the loss in proportion to its carrying value and the Company s ability and intent to hold the investment until the loss is recovered.

In addition, $45,487 in cost basis investments were not reviewed for other-than-temporary impairment because management s review concluded that no events had occurred that indicated a potentially significant adverse impact on the fair value of the investment.

4. Goodwill

In January 2005, the Company closed its acquisition of SSRM Holdings Inc. and subsidiaries (SSR) from MetLife Inc. (MetLife) for adjusted consideration of approximately $265,089, including cash and 550,000 shares of BlackRock restricted class A common stock, but excluding certain additional contingent payments. The Company has recorded the assets acquired and liabilities assumed in the acquisition at fair value and, in the second quarter of 2005, recognized a contingent liability for additional payments to MetLife in the amount of $55,332, which represented the excess of the fair value of net assets acquired over the cost of the acquired entity. Contingent payments settled subsequent to January 31, 2005 but prior to December 31, 2005 reduced this contingent liability to $39,463 at December 31, 2005.

The SSR stock purchase agreement provides for an additional payment to MetLife based on the Company achieving specified assets under management (AUM) retention levels and run-rate revenue levels for the 12 months ended January 31, 2006. Based on AUM levels and run-rate revenue as of January 31, 2006, the Company s additional liability on this contingency was approximately $50,000. This $50,000 additional purchase price eliminated the contingent liability balance. As of June 30, 2006, the excess of the purchase price over the fair value of net assets acquired has been recorded as goodwill in the Condensed Consolidated Statement of Financial Condition.

5. Fee Sharing Payment

The SSR stock purchase agreement provides that BlackRock pay a fee sharing payment to MetLife equal to 32.5% of any performance fees earned, as of March 31, 2006, on a large institutional real estate client. As of June 30, 2006, the Company had recorded a liability of $35,994, primarily representing the fee sharing payment due to MetLife related to the SSR acquisition. This amount is included in accounts payable and accrued liabilities in the Condensed Consolidated Statement of Financial Condition.

PART I FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

6. Variable Interest Entities

The Company is involved with various entities in the normal course of business that are considered to be variable interest entities (VIEs) and holds interests therein, including investment advisory agreements and equity securities, which are considered variable interests. The Company engages in these transactions principally to address client needs through the launch of collateralized debt obligations (CDOs) and private investment funds. At June 30, 2006 and December 31, 2005, the aggregate assets, debt and BlackRock s maximum risk of loss in VIEs in which BlackRock is not the primary beneficiary were as follows:

June 30, 2006	**Assets**	**Debt**	**BlackRock s Maximum Risk of Loss**
Collateralized debt obligations	$ 6,362,171	$ 5,887,940	$ 39,931
Private investment funds	5,740,226	1,179,990	19,215
Total	$ 12,102,397	$ 7,067,930	$ 59,146
December 31, 2005			
Collateralized debt obligations	$ 6,289,500	$ 5,491,200	$ 42,383
Private investment funds	5,185,500	1,051,400	18,944
Total	$ 11,475,000	$ 6,542,600	$ 61,327

7. Earnings Per Share

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

	Three months ended June 30,		**Six months ended June 30,**	
	2006	**2005**	**2006**	**2005**
Net income	$ 63,404	$ 53,335	$ 134,266	$ 99,871
Basic weighted-average shares outstanding	64,136,378	64,354,069	64,105,803	64,322,465
Dilutive potential shares from stock options and stock units	2,187,667	2,442,018	2,078,017	2,522,255
Dilutive potential shares from convertible debt	329,434		336,616	
Dilutive weighted-average shares outstanding	66,653,479	66,796,087	66,520,436	66,844,720
Basic earnings per share	$ 0.99	$ 0.83	$ 2.09	$ 1.55
Diluted earnings per share	$ 0.95	$ 0.80	$ 2.02	$ 1.49

PART I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued)

8. Other Comprehensive Income (Loss)

	Three months ended June 30,		Six months ended June 30,	
	2006	**2005**	**2006**	**2005**
Net Income	$ 63,404	$ 53,335	$ 134,266	$ 99,871
Unrealized (loss) gain from investments, net of tax	(325)	41	51	(962)
Foreign currency gain (loss), net of tax	2,914	(1,984)	3,326	(2,612)
Comprehensive income	$ 65,993	$ 51,392	$ 137,643	$ 96,297

9. Supplemental Statements of Cash Flow Information

Supplemental disclosure of cash flow information:

	Six months ended June 30,	
	2006	**2005**
Cash paid for interest	$ 3,595	$ 484
Cash paid for income taxes	$ 104,489	$ 67,034

Supplemental schedule of non-cash transactions:

	Six months ended June 30,	
	2006	**2005**
Reissuance of treasury stock, class A, at a discount to its cost basis	$ 3,293	$ 774
Mark-to-market on available-for-sale securities	$ 51	($ 962)
Dividend reinvestment	$ 325	$ 209
Decrease in investment due to deconsolidation of sponsored investment fund	$ 3,538	$ 13,758
Decrease in minority interest due to deconsolidation of sponsored investment fund	$ 4,321	$ 18,170
Short-term borrowings assumed in SSR acquisition	$	$ 111,840
Stock issued in SSR acquisition	$	$ 37,212
Convertible debt issuance costs	$	$ 5,000

PART I - FINANCIAL INFORMATION (continued)

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This report, and other statements that BlackRock may make, including statements about the benefits and effects of the transaction with Merrill Lynch, 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, positi continue, remain, maintain, sustain, seek, achieve, and similar expressions, or future or conditional verbs such as would, should, c 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, 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, including its separately managed accounts and the MLIM business pending completion of the MLIM transaction; (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 or PNC; (11) terrorist activities and international hostilities, which may adversely affect the general economy, domestic and global financial and capital markets, specific industries, and BlackRock; (12) the ability to attract and retain highly talented professionals; (13) fluctuations in foreign currency exchange rates, which may adversely affect the value of advisory fees earned by BlackRock; (14) the impact of changes to tax legislation and, generally, the tax position of the Company; (15) BlackRock s success in maintaining the distribution of its products; (16) BlackRock s ability to complete the MLIM transaction; (17) BlackRock s ability to successfully integrate the MLIM business with its existing business; and (18) the ability of BlackRock to effectively manage the MLIM assets subsequent to the MLIM transaction along with its historical assets under management.

PART I - FINANCIAL INFORMATION (continued)

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

BlackRock is one of the largest publicly traded investment management firms in the United States with $464.1 billion of AUM at June 30, 2006. BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of fixed income, cash management, equity and alternative investment separate accounts and mutual funds, including the *BlackRock Funds* and the *BlackRock Liquidity Funds*. In addition, BlackRock provides risk management, investment system outsourcing and financial advisory services to institutional investors. BlackRock is a majority-owned indirect subsidiary of PNC, which is one of the nation s largest diversified financial services organizations operating businesses engaged in retail banking, corporate and institutional banking, asset management and global fund processing services. As of June 30, 2006, PNC indirectly owned approximately 69% of BlackRock.

The following table summarizes BlackRock s operating performance for each of the three months ended June 30, 2006, March 31, 2006 and June 30, 2005 and the six months ended June 30, 2006 and June 30, 2005:

BlackRock, Inc.

Financial Highlights

(Dollar amounts in thousands, except share data)

(unaudited)

	Three months ended June 30, 2006	Three months ended June 30, 2005	March 31, 2006	Variance vs. June 30, 2005 Amount	Variance vs. June 30, 2005 %	Variance vs. March 31, 2006 Amount	Variance vs. March 31, 2006 %
Total revenue	$ 360,733	$ 271,389	$ 395,660	$ 89,344	32.9%	($ 34,927)	(8.8%)
Total expense	$ 264,050	$ 189,494	$ 295,633	$ 74,556	39.3%	($ 31,583)	(10.7%)
Operating income [(a)]	$ 96,683	$ 81,895	$ 100,027	$ 14,788	18.1%	($ 3,344)	(3.3%)
Operating margin [(a)]	26.8%	30.2%	25.3%				
Net income [(b)]	$ 63,404	$ 53,335	$ 70,862	$ 10,069	18.9%	($ 7,458)	(10.5%)
Diluted earnings per share [(b)]	$ 0.95	$ 0.80	$ 1.06	$ 0.15	18.8%	($ 0.11)	(10.4%)
Average diluted shares outstanding	66,653,479	66,796,087	66,731,560	(142,608)	(0.2%)	(78,081)	(0.1%)
Assets under management ($ in millions)	$ 464,070	$ 414,411	$ 463,060	$ 49,659	12.0%	$ 1,010	0.2%

	Six months ended June 30, 2006	Six months ended June 30, 2005	Variance Amount	Variance %
Total revenue	$ 756,393	$ 521,471	$ 234,922	45.0%
Total expense	$ 559,683	$ 372,995	$ 186,688	50.1%
Operating income [(a)]	$ 196,710	$ 148,476	$ 48,234	32.5%
Operating margin [(a)]	26.0%	28.5%		
Net income [(b)]	$ 134,266	$ 99,871	34,395	34.4%
Diluted earnings per share [(b)]	$ 2.02	$ 1.49	$ 0.53	35.6%
Average diluted shares outstanding	66,520,436	66,844,720	(324,284)	(0.5%)
Assets under management ($ in millions)	$ 464,070	$ 414,411	$ 49,659	12.0%

PART I - FINANCIAL INFORMATION (continued)

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

Overview (continued)

BlackRock, Inc.

Financial Highlights

(continued)

(a) While BlackRock reports its financial results on a GAAP basis, management believes that evaluating its 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.

Operating margin, as adjusted, equals operating income, as adjusted, divided by revenue used for operating margin measurement, as indicated in the table below. Computations for all periods presented include affiliated and unaffiliated fund administration and servicing expense reported as a separate income statement line item and are derived from the Company s consolidated financial statements as follows:

	Three months ended June 30,		**March 31,**	**Six months ended June 30,**	
	2006	**2005**	**2006**	**2006**	**2005**
Operating income, GAAP basis	$ 96,683	$ 81,895	$ 100,027	$ 196,710	$ 148,476
Non-GAAP adjustments:					
Fee sharing payment			34,450	34,450	
PNC LTIP funding obligation	12,347	12,247	11,676	24,023	23,983
MLIM transaction costs	12,547		6,579	19,126	
Appreciation on deferred compensation plans	1,044	191	4,542	5,586	2,289
SSR acquisition costs					8,873
Operating income, as adjusted	122,621	94,333	157,274	279,895	183,621
Revenue, GAAP basis	360,733	271,389	395,660	756,393	521,471
Non-GAAP adjustments:					
Fund administration and servicing costs	(10,556)	(10,426)	(10,374)	(20,930)	(19,535)
Reimbursable property management compensation	(5,879)	(6,239)	(5,598)	(11,477)	(10,298)
Revenue used for operating margin measurement, as adjusted	$ 344,298	$ 254,724	$ 379,688	$ 723,986	$ 491,638
Operating margin, GAAP basis	26.8%	30.2%	25.3%	26.0%	28.5%
Operating margin, as adjusted	35.6%	37.0%	41.4%	38.7%	37.3%

Management believes that operating income, as adjusted, and operating margin, as adjusted, are effective indicators of management s ability to, and useful to management in deciding how 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. The 2006 fee sharing payment has been excluded because it represents a non-recurring payment (based upon a performance fee) pursuant to the SSR acquisition agreement. The portion of the BlackRock Long-Term Retention and Incentive Plan (LTIP) expense associated with awards to be met by the distribution to participants of shares of BlackRock stock currently held by PNC has been excluded because, exclusive of the potential impact related to LTIP participants put options, these charges will not impact BlackRock s book value. Compensation expense associated with appreciation on assets related to BlackRock s deferred compensation plans has been excluded because investment returns on these assets reported in non-operating income, net of the related impact on compensation expense, result in a nominal impact on net income. MLIM transaction costs consist primarily of professional fees incurred in 2006 related to the pending MLIM transaction. SSR acquisition costs consist of compensation costs and professional fees incurred in 2005.

PART I - FINANCIAL INFORMATION (continued)

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

Overview (continued)

BlackRock, Inc.

Financial Highlights

(continued)

(a) (continued)

Fund administration and servicing costs have been excluded from revenue used for operating margin measurement, as adjusted, because the Company receives offsetting revenue and expense for these services. Reimbursable property management compensation represents compensation and benefits paid to 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 measurement, as adjusted, because they bear no economic cost to BlackRock.

(b) While BlackRock reports its financial results on a GAAP basis, 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.

	Three months ended			Six months ended	
	June 30,		March 31,	June 30,	
	2006	2005	2006	2006	2005
Net income, GAAP basis	$ 63,404	$ 53,335	$ 70,862	$ 134,266	$ 99,871
Non-GAAP adjustments, net of tax					
PNC s LTIP funding requirement	7,779	7,716	7,356	15,135	15,110
MLIM transaction costs	7,905		4,145	12,050	
Impact of Trepp sale		(486)			(486)
SSR acquisition costs					5,590
Net income, as adjusted	$ 79,088	$ 60,565	$ 82,363	$ 161,451	$ 120,085
Diluted weighted average shares outstanding	66,653,479	66,796,087	66,731,560	66,520,436	66,844,720
Diluted earnings per share, GAAP basis	$ 0.95	$ 0.80	$ 1.06	$ 2.02	$ 1.49
Diluted earnings per share, as adjusted	$ 1.19	$ 0.91	$ 1.23	$ 2.43	$ 1.80

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 portion of LTIP expense associated with awards to be met by PNC s funding requirement has been excluded from net income, as adjusted, and diluted earnings per share, as adjusted, because, exclusive of the potential impact related to LTIP participants put options, these charges will not impact BlackRock s book value. SSR acquisition costs consist of compensation costs and professional fees in 2005. Compensation reflected in this amount represents direct performance incentives paid to SSR employees assumed in conjunction with the acquisition and settled by BlackRock with no future service requirement. Net income, as adjusted, and diluted earnings per share, as adjusted, exclude this amount because it does not relate to the current period s operations. MLIM transaction costs consist of compensation costs and professional fees incurred in 2006 in conjunction with the pending MLIM transaction. Professional fees related to the SSR acquisition and the MLIM transaction 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.

PART I - FINANCIAL INFORMATION (continued)

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

Overview (continued)

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 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 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, which may increase the volatility of BlackRock s revenue and earnings.

BlackRock provides a variety of risk management, investment analytic and investment system services to insurance companies, finance companies, pension funds, asset managers, foundations, consultants, mutual fund sponsors, real estate investment trusts, commercial and mortgage banks, savings institutions 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 income in the Condensed Consolidated Statements of Income.

Operating expense primarily consists of employee compensation and benefits, fund administration and servicing costs, general and administration expense and amortization of intangible assets. Employee compensation and benefits expense reflects salaries, deferred and incentive compensation, vesting of awards granted under the LTIP plan and related benefit costs. Fund administration and servicing costs reflect payments made to PNC-affiliated entities and third parties, primarily associated with the administration and servicing of client investments in certain BlackRock mutual funds.

PART I - FINANCIAL INFORMATION (continued)

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

Assets Under Management

BlackRock, Inc.

Assets Under Management

(Dollar amounts in millions)

(unaudited)

	June 30,		December 31,	Variance vs. June 30, 2005		Variance vs. December 31, 2005	
	2006	2005	2005	$	%	$	%
(Dollar amounts in millions)							
All Accounts:							
Fixed income	$ 307,640	$ 284,082	$ 303,928	$ 23,558	8.3%	$ 3,712	1.2%
Cash management	88,431	75,183	86,128	13,248	17.6%	2,303	2.7%
Equity	40,872	32,378	37,303	8,494	26.2%	3,569	9.7%
Alternative investment products	27,127	22,768	25,323	4,359	19.1%	1,804	7.1%
Total	$ 464,070	$ 414,411	$ 452,682	$ 49,659	12.0%	$ 11,388	2.5%
Separate Accounts:							
Fixed income	$ 283,235	$ 258,411	$ 279,368	$ 24,824	9.6%	$ 3,867	1.4%
Cash management-Securities lending	11,295	7,368	5,294	3,927	53.3%	6,001	113.4%
Cash management	9,956	8,164	7,275	1,792	22.0%	2,681	36.9%
Equity	22,702	18,525	20,832	4,177	22.5%	1,870	9.0%
Alternative investment products	27,127	22,768	25,323	4,359	19.1%	1,804	7.1%
Total separate accounts	354,315	315,236	338,092	39,079	12.4%	16,223	4.8%
Mutual Funds:							
Fixed income	24,405	25,671	24,560	(1,266)	(4.9%)	(155)	(0.6%)
Cash management	67,180	59,651	73,559	7,529	12.6%	(6,379)	(8.7%)
Equity	18,170	13,853	16,471	4,317	31.2%	1,699	10.3%
Total mutual funds	109,755	99,175	114,590	10,580	10.7%	(4,835)	(4.2%)
Total all accounts	$ 464,070	$ 414,411	$ 452,682	$ 49,659	12.0%	$ 11,388	2.5%

AUM increased approximately $49.7 billion, or 12.0%, to $464.1 billion at June 30, 2006, compared with $414.4 billion at June 30, 2005. The growth in AUM was attributable to $41.8 billion in net subscriptions and $7.9 billion in market appreciation.

PART I - FINANCIAL INFORMATION (continued)

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

Assets Under Management (continued)

Separate Account Assets Under Management

AUM for separate accounts at June 30, 2006 increased $39.1 billion, or 12.4%, to $354.3 billion as compared with $315.2 billion at June 30, 2005, as a result of net subscriptions of $31.3 billion and market appreciation of $7.8 billion. Net subscriptions were primarily attributable to new fixed income client sales and increased fundings from existing fixed income clients of $23.1 billion, $5.5 billion in net new business in cash management products as a result of customer reallocations of funds due to changes in prevailing economic policy and $2.1 billion from net new business in alternative products. Market appreciation of $7.8 billion in separate accounts largely reflected appreciation in equity assets of $3.6 billion as equity markets improved during the twelve months ended June 30, 2006, $2.3 billion of market appreciation on alternative investment products and market appreciation on fixed income products of $1.8 billion due to current income and changes in market interest rates.

Mutual Fund Assets Under Management

The $10.6 billion increase in mutual fund AUM to $109.8 billion at June 30, 2006, compared with $99.2 billion at June 30, 2005, primarily reflected net subscriptions of $10.5 billion and market appreciation of $0.1 billion. During the year, net subscriptions in *BlackRock Liquidity Funds,* other commingled funds, the BlackRock Closed-End Funds and *BlackRock Funds* totaled $6.2 billion, $2.2 billion, $1.6 billion and $0.6 billion, respectively, all of which was partially offset by net redemptions in *BlackRock Global Series plc* of $0.1 billion. Net new business in *BlackRock Liquidity Funds* was primarily due to $6.2 billion of net subscriptions, driven by strong investment performance, and was partially offset by net redemptions attributable to increases in the Federal Funds rate, resulting in a temporary yield advantage for direct investments in money market investments versus mutual funds during that period. Net subscriptions of $2.2 billion in other commingled funds resulted from the continued growth of an enhanced cash management strategy product launched in 2004. Net subscriptions of $1.6 billion in the BlackRock Closed-End Funds primarily reflects new funds launched since June 30, 2005, partially offset by term trust maturities. Net subscriptions totaled $0.6 billion in *BlackRock Funds* as equity markets improved during the twelve months ended June 30, 2006.

PART I - FINANCIAL INFORMATION (continued)

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

Assets Under Management (continued)

The following tables present the component changes in BlackRock s AUM for each of the three months ended June 30, 2006 and 2005 and March 2006. Prior year financial information reflects certain reclassifications to conform to the current year presentation.

BlackRock, Inc.

Component Changes in Assets Under Management

(Dollar amounts in millions)

(Unaudited)

	Three months ended			Variance vs.			
	June 30,		March 31,	June 30, 2005		March 31, 2006	
	2006	2005	2006	$	%	$	%
All Accounts:							
Beginning assets under management	$ 463,060	$ 391,328	$ 452,682	$ 71,732	18.3%	$ 10,378	2.3%
Net (redemptions) subscriptions	(447)	15,559	7,719	(16,006)	(102.9%)	(8,166)	(105.8%)
Acquisitions		89		(89)	(100.0%)		NM
Market appreciation	1,457	7,435	2,659	(5,978)	(80.4%)	(1,202)	(45.2%)
Ending assets under management	$ 464,070	$ 414,411	$ 463,060	$ 49,659	12.0%	$ 1,010	0.2%
Percent change in AUM from net subscriptions and acquisitions	NM	67.8%	74.4%				
Separate Accounts:							
Beginning assets under management	$ 352,107	$ 292,186	$ 338,092	$ 59,921	20.5%	$ 14,015	4.1%
Net subscriptions	161	16,069	12,286	(15,908)	(99.0%)	(12,125)	(98.7%)
Market appreciation	2,047	6,981	1,729	(4,934)	(70.7%)	318	18.4%
Ending assets under management	354,315	315,236	352,107	39,079	12.4%	2,208	0.6%
Mutual Funds:							
Beginning assets under management	110,953	99,142	114,590	11,811	11.9%	(3,637)	(3.2%)
Net redemptions	(608)	(510)	(4,567)	(98)	(19.2%)	3,959	86.7%
Acquisitions		89		(89)	(100.0%)		NM
Market (depreciation) appreciation	(590)	454	930	(1,044)	(230.0%)	(1,520)	(163.4)%
Ending assets under management	109,755	99,175	110,953	10,580	10.7%	(1,198)	(1.1%)
Total All Accounts	$ 464,070	$ 414,411	$ 463,060	$ 49,659	12.0%	$ 1,010	0.2%

NM Not Meaningful

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

Assets Under Management (continued)

The following tables present the component changes in BlackRock s AUM for each of the six months ended June 30, 2006 and 2005, respectively. Prior year financial information reflects certain reclassifications to conform to the current year presentation.

BlackRock, Inc.

Component Changes in Assets Under Management

(Dollar amounts in millions)

(unaudited)

	Six months ended June 30, 2006	Six months ended June 30, 2005	Variance vs. June 30, 2005 $	Variance vs. June 30, 2005 %
All Accounts:				
Beginning assets under management	$ 452,682	$ 341,760	$ 110,922	32.5%
Net subscriptions	7,272	15,664	(8,392)	(53.6%)
Acquisitions		49,966	(49,966)	(100.0%)
Market appreciation	4,116	7,021	(2,905)	(41.4%)
Ending assets under management	$ 464,070	$ 414,411	$ 49,659	12.0%
Percent change in AUM from net subscriptions and acquisitions	63.9%	90.3%		
Separate Accounts:				
Beginning assets under management	$ 338,092	$ 247,927	$ 90,165	36.4%
Net subscriptions	12,447	20,591	(8,144)	(39.6%)
Acquisitions		40,181	(40,181)	(100.0%)
Market appreciation	3,776	6,537	(2,761)	(42.2%)
Ending assets under management	354,315	315,236	39,079	12.4%
Mutual Funds:				
Beginning assets under management	114,590	93,833	20,757	22.1%
Net redemptions	(5,175)	(4,927)	(248)	(5.0%)
Acquisitions		9,785	(9,785)	(100.0%)
Market appreciation	340	484	(144)	(29.8%)
Ending assets under management	109,755	99,175	10,580	10.7%
Total All Accounts	$ 464,070	$ 414,411	$ 49,659	12.0%

PART I - FINANCIAL INFORMATION (continued)

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

Assets Under Management (continued)

BlackRock, Inc.

Assets Under Management

Quarterly Trend

(Dollar amounts in millions)

(unaudited)

	2006		Six months ended	2005		
	June 30	March 31	June 30, 2006	December 31	September 30	June 30
Separate Accounts						
Fixed Income						
Beginning assets under management	$ 284,418	$ 279,368	$ 279,368	$ 264,704	$ 258,411	$ 239,912
Net subscriptions (redemptions)	(3,016)	5,892	2,876	13,288	6,891	12,855
Market (depreciation) appreciation	1,833	(842)	991	1,376	(598)	5,644
Ending assets under management	283,235	284,418	283,235	279,368	264,704	258,411
Cash Management						