

BlackRock Inc.  
Form 10-Q  
November 08, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-33099

**BlackRock, Inc.**

(Exact name of registrant as specified in its charter)

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

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

**55 East 52nd Street, New York, NY 10055**  
(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 ☒ No ☐

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

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

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

As of October 31, 2010, there were 63,645,496 shares of the registrant's common stock outstanding.

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**BlackRock, Inc.**

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**PART I**

**FINANCIAL INFORMATION**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****BlackRock, Inc.****Condensed Consolidated Statements of Financial Condition****(Dollar amounts in millions, except per share data)****(unaudited)**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,636	\$ 4,708
Accounts receivable	2,052	1,718
Due from related parties	168	189
Investments	1,512	1,049
Separate account assets	116,667	119,629
Assets of consolidated variable interest entities		
Cash and cash equivalents	91	
Bank loans and other investments	1,293	
Collateral held under securities lending agreements	18,981	19,335
Deferred sales commissions, net	75	103
Property and equipment (net of accumulated depreciation of \$393 and \$303 at September 30, 2010 and December 31, 2009, respectively)	429	443
Intangible assets (net of accumulated amortization of \$575 and \$466 at September 30, 2010 and December 31, 2009, respectively)	17,546	17,666
Goodwill	12,641	12,638
Other assets	413	588
<b>Total assets</b>	<b>\$ 174,504</b>	<b>\$ 178,066</b>
<b>Liabilities</b>		
Accrued compensation and benefits	\$ 1,146	\$ 1,482
Accounts payable and accrued liabilities	1,234	850
Due to related parties	151	490
Short-term borrowings	100	2,234
Liabilities of consolidated variable interest entities		
Borrowings	1,237	
Other liabilities	7	
Convertible debentures	67	243
Long-term borrowings	3,191	3,191
Separate account liabilities	116,667	119,629
Collateral liability under securities lending agreements	18,981	19,335
Deferred tax liabilities	5,548	5,518
Other liabilities	495	492
<b>Total liabilities</b>	<b>148,824</b>	<b>153,464</b>

**Commitments and contingencies (Note 12)**

**Temporary equity**

Redeemable non-controlling interests	54	49
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**Table of Contents****PART I FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Financial Condition (continued)**

(Dollar amounts in millions, except per share data)

(unaudited)

	September 30, 2010	December 31, 2009
<b>Permanent Equity</b>		
BlackRock, Inc. stockholders' equity		
Common stock, \$0.01 par value;	1	1
Shares authorized: 500,000,000 at September 30, 2010 and December 31, 2009;		
Shares issued: 64,411,584 and 62,776,777 at September 30, 2010 and December 31, 2009, respectively;		
Shares outstanding: 62,759,519 and 61,896,236 at September 30, 2010 and December 31, 2009, respectively		
Preferred stock (Note 16)	1	1
Additional paid-in capital	22,400	22,127
Retained earnings	3,260	2,436
Appropriated retained earnings	94	
Accumulated other comprehensive loss	(95)	(96)
Escrow shares, common, at cost (868,940 shares held at September 30, 2010 and December 31, 2009)	(137)	(137)
Treasury stock, common, at cost (783,125 and 11,601 shares held at September 30, 2010 and December 31, 2009, respectively)	(124)	(3)
Total BlackRock, Inc. stockholders' equity	25,400	24,329
Nonredeemable non-controlling interests	180	224
Nonredeemable non-controlling interests of consolidated variable interest entities	46	
Total permanent equity	25,626	24,553
Total liabilities, temporary equity and permanent equity	\$ 174,504	\$ 178,066

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****PART I FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Income****(Dollar amounts in millions, except per share data)****(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenue</b>				
Investment advisory, administration fees and securities lending revenue				
Related parties	\$ 1,217	\$ 625	\$ 3,529	\$ 1,763
Other third parties	577	290	1,810	809
Investment advisory, administration fees and securities lending revenue	1,794	915	5,339	2,572
Investment advisory performance fees	114	49	214	77
<i>BlackRock Solutions</i> and advisory	101	122	328	369
Distribution fees	29	25	89	73
Other revenue	54	29	149	65
Total revenue	2,092	1,140	6,119	3,156
<b>Expenses</b>				
Employee compensation and benefits	774	444	2,256	1,185
Distribution and servicing costs				
Related parties	67	92	194	291
Other third parties	38	27	108	80
Amortization of deferred sales commissions	26	23	79	76
Direct fund expenses	124	15	359	43
General and administration	316	146	945	462
Restructuring charges				22
Amortization of intangible assets	40	36	120	108
Total expenses	1,385	783	4,061	2,267
Operating income	707	357	2,058	889
<b>Non-operating income (expense)</b>				
Net gain (loss) on investments	93	89	117	5
Net gain (loss) on consolidated variable interest entities	12		(16)	
Interest and dividend income	10	4	19	16

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Interest expense	(37)	(15)	(115)	(45)
Total non-operating income (expense)	78	78	5	(24)
Income before income taxes	785	435	2,063	865
Income tax expense	201	101	662	225
Net income	584	334	1,401	640
Less:				
Net income (loss) attributable to redeemable non-controlling interests		1	2	2
Net income (loss) attributable to nonredeemable non-controlling interests	33	16	(7)	19
Net income attributable to BlackRock, Inc.	\$ 551	\$ 317	\$ 1,406	\$ 619

**Earnings per share attributable to BlackRock, Inc. common stockholders:**

Basic	\$ 2.85	\$ 2.31	\$ 7.28	\$ 4.58
Diluted	\$ 2.83	\$ 2.27	\$ 7.21	\$ 4.50
<b>Cash dividends declared and paid per share</b>	<b>\$ 1.00</b>	<b>\$ 0.78</b>	<b>\$ 3.00</b>	<b>\$ 2.34</b>

**Weighted-average common shares outstanding:**

Basic	190,494,905	133,266,379	190,385,046	131,481,677
Diluted	192,326,841	135,902,241	192,280,679	134,001,799

See accompanying notes to condensed consolidated financial statements.



**Table of Contents****PART I FINANCIAL INFORMATION (continued)****Item 1. Financial Statements (continued)****BlackRock, Inc.****Condensed Consolidated Statements of Comprehensive Income****(Dollar amounts in millions)****(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Net income</b>	<b>\$ 584</b>	<b>\$ 334</b>	<b>\$ 1,401</b>	<b>\$ 640</b>
Other comprehensive income:				
Change in net unrealized gains (losses) from available-for-sale investments, net of tax				
Unrealized holding gains (losses), net of tax	1	3	4	4
Less: reclassification adjustment included in net income		2	2	(12)
Net change from available-for-sale investments, net of tax <sup>(1)</sup>	1	1	2	16
Minimum pension liability adjustment	1			1
Foreign currency translation adjustments	89	(8)	(1)	81
Comprehensive income	675	327	1,402	738
Less: Comprehensive income attributable to non-controlling interests	33	17	(5)	21
Comprehensive income attributable to BlackRock, Inc.	\$ 642	\$ 310	\$ 1,407	\$ 717

<sup>(1)</sup> The tax benefit (expense) on unrealized holding gains (losses) was (\$1) million and (\$2) million during the three months ended September 30, 2010 and 2009, respectively, and (\$2) million and (\$7) million during the nine months ended September 30, 2010 and 2009, respectively.

See accompanying notes to condensed consolidated financial statements.

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

(Dollar amounts in millions)

(unaudited)

	Additional Paid-in Capital <sup>(1)</sup>	Retained Earnings	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholder Equity	Nonredeemable Non-controlling Interests	Nonredeemable of Consolidated VIEs	Total Permanent Equity	Redeemable Non-controlling Interests / Temporary Equity
December 31, 2009	\$ 22,129	\$ 2,436	\$	(\$ 96)	(\$ 137)	(\$ 3)	\$ 24,329	\$ 224	\$	\$ 24,553	\$ 49
January 1, 2010 initial recognition of ASU 2009-17			114				114	(49)	49	114	
Net income		1,406					1,406	11	(18)	1,399	2
Allocation of losses of consolidated collateralized loan obligations				(20)			(20)		20		
Dividends paid, net of dividend expense for unvested RSUs		(582)					(582)			(582)	
Stock-based compensation	334					1	335			335	
PNC LTIP capital contribution	5						5			5	
Merrill Lynch capital contribution	10						10			10	
Exchange of common stock for preferred shares series B	128					(128)					
Net issuance of common shares related to employee stock transactions	(194)					(60)	(254)			(254)	
Convertible debt conversions, net of tax	(53)					66	13			13	
Net tax benefit (shortfall) from stock-based compensation	43						43			43	
Subscriptions/(redemptions/distributions) - non-controlling interest holders								(4)	(5)	(9)	97
Net consolidations (deconsolidations) of sponsored investment funds											(94)
Other changes in non-controlling interests								(2)		(2)	
Foreign currency translation adjustments				(1)			(1)			(1)	
Change in net unrealized gains (losses) from available-for-sale investments, net of tax				2			2			2	
September 30, 2010	\$ 22,402	\$ 3,260	\$ 94	(\$ 95)	(\$ 137)	(\$ 124)	\$ 25,400	\$ 180	\$ 46	\$ 25,626	\$ 54

(1) Includes \$1 million of common stock and \$1 million of preferred stock at September 30, 2010 and December 31, 2009, respectively.  
See accompanying notes to condensed consolidated financial statements.



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**PART I FINANCIAL INFORMATION (continued)**

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

**BlackRock, Inc.**

**Condensed Consolidated Statements of Changes in Equity**

**(Dollar amounts in millions)**

**(unaudited)**

<b>Additional Paid-in Capital<sup>(1)</sup></b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Common Shares Held in Escrow</b>
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