

FORM 10-Q  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended June 30, 2000

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)

51-038-0803  
(I.R.S. Employer Identification No.)

345 Park Avenue, New York, NY 10154  
(Address of principal executive offices)  
(Zip Code)

(212) 754-5560  
(Registrant's telephone number, including area code)

\_\_\_\_\_  
(Former name or former address, 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

As of August 10, 2000, there were 9,002,841 shares of the registrant's class A common stock issued and outstanding and 54,886,382 shares of the registrant's class B common stock issued and 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.**  
**Consolidated Statements of Financial Condition**  
(Dollar amounts in thousands)

	<u>June 30,</u> <u>2000</u>	<u>December 31,</u> <u>1999</u>
	(unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$116,633	\$157,129
Accounts receivable	71,024	63,726
Investments, available for sale (cost: \$10,141 and \$2,486, respectively)	10,004	2,255
Property and equipment, net	28,661	22,677
Intangible assets, net	197,370	194,257
Receivable from affiliates	1,225	2,111
Other assets	8,812	5,427
Total assets	<u>\$433,729</u>	<u>\$447,582</u>
<b>Liabilities and stockholders' equity</b>		
Note payable to affiliate	\$ -	\$28,200
Accrued compensation	63,950	90,350
Accounts payable and accrued liabilities		
Affiliate	30,404	33,476
Other	9,357	10,474
Accrued interest payable to affiliates	-	705
Acquired management contract obligation	8,040	-
Other liabilities	791	3,851
Total liabilities	<u>112,542</u>	<u>167,056</u>
<b>Stockholders' equity</b>		
Common stock, class A, \$0.01 par value, 250,000,000 shares authorized and 9,001,419 and 9,000,000 shares outstanding, respectively	90	90
Common stock, class B, \$0.01 par value, 100,000,000 shares authorized and 54,864,382 shares outstanding	549	549
Additional paid-in capital	169,714	169,554
Retained earnings	152,757	112,703
Unearned compensation	(1,840)	(2,139)
Accumulated other comprehensive loss	(83)	(231)
Total stockholders' equity	<u>321,187</u>	<u>280,526</u>
Total liabilities and stockholders' equity	<u>\$433,729</u>	<u>\$447,582</u>

*See accompanying notes to consolidated financial statements.*

**BlackRock, Inc.**  
**Consolidated Statements of Income**  
(Dollar amounts in thousands, except share data)  
(unaudited)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
<b>Revenue</b>				
Investment advisory and administration fees				
Mutual funds	56,228	51,123	115,328	99,637
Separate accounts	51,204	35,968	93,974	71,334
BAI	-	(614)	-	(2,054)
Other income				
Affiliate	1,250	1,250	2,500	2,500
Other	3,889	4,490	8,829	8,675
Total revenue	<u>112,571</u>	<u>92,217</u>	<u>220,631</u>	<u>180,092</u>
<b>Expense</b>				
Employee compensation and benefits	42,680	32,731	83,350	65,963
BAI incentive compensation	-	(115)	-	(1,493)
Fund administration and servicing costs - affiliates	18,450	18,359	38,209	36,335
General and administration				
Affiliate	1,314	1,246	2,503	2,566
Other	13,291	10,663	25,202	21,268
Amortization of intangible assets	2,514	2,413	4,927	4,827
Total expense	<u>78,249</u>	<u>65,297</u>	<u>154,191</u>	<u>129,466</u>
Operating income	34,322	26,920	66,440	50,626
<b>Non-operating income (expense)</b>				
Interest and dividend income	1,417	675	2,467	1,293
Interest expense	(86)	(3,451)	(439)	(7,121)
Total non-operating income (expense)	<u>1,331</u>	<u>(2,776)</u>	<u>2,028</u>	<u>(5,828)</u>
Income before income taxes	35,653	24,144	68,468	44,798
Income taxes	14,796	10,377	28,414	18,813
Net income	<u>20,857</u>	<u>13,767</u>	<u>40,054</u>	<u>25,985</u>
<b>Earnings per share</b>				
Basic	\$0.33	\$0.25	\$0.63	\$0.47
Diluted	\$0.32	\$0.25	\$0.62	\$0.47
<b>Weighted-average shares outstanding</b>				
Basic	63,865,770	54,807,482	63,865,076	54,807,482
Diluted	64,492,447	54,982,635	64,423,376	54,982,635

*See accompanying notes to consolidated financial statements.*

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2000</b>	<b>1999</b>
<b>Cash flows from operating activities</b>		
Net income	\$40,054	\$25,985
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,535	9,456
Amortization of discount on issuance of class B common stock	299	-
Shares issued under the Nonemployee Directors Stock Compensation Plan	29	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(7,298)	4,198
Decrease (increase) in receivable from affiliates	886	(981)
Increase in other assets	(3,385)	(3,423)
Decrease in accrued compensation	(26,400)	(19,864)
(Decrease) increase in accounts payable and accrued liabilities	(4,189)	2,496
Decrease in accrued interest payable to affiliates	(705)	(470)
Decrease in other liabilities	(3,060)	(1,781)
Cash provided by operating activities	<u>5,766</u>	<u>15,616</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(10,592)	(9,114)
(Purchase) sale of investments	<u>(7,575)</u>	<u>110</u>
Cash used in investing activities	(18,167)	(9,004)
<b>Cash flows from financing activities</b>		
Repayment of note and loan payable to affiliates	(28,200)	(43,800)
Additional proceeds received from issuance of class A common stock	222	-
Expenses related to issuance of class A common stock	<u>(91)</u>	<u>-</u>
Cash used in financing activities	(28,069)	(43,800)
Effect of exchange rate changes on cash and cash equivalents	<u>(26)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(40,496)	(37,188)
Cash and cash equivalents, beginning of period	<u>157,129</u>	<u>113,450</u>
Cash and cash equivalents, end of period	<u><u>\$116,633</u></u>	<u><u>\$76,262</u></u>

*See accompanying notes to consolidated financial statements.*

**BlackRock, Inc.**  
**Notes to Consolidated Financial Statements**  
**Quarter Ended June 30, 2000 and 1999**  
(Dollar amounts in thousands, except share data)  
(unaudited)

**1. Significant Accounting Policies**

**Basis of Presentation**

The consolidated interim financial statements of BlackRock, Inc. and its subsidiaries (“BlackRock” or the “Company”) included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. These consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 1999. The Company follows the same accounting policies in the preparation of interim reports. In the opinion of management, the consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations and cash flows of BlackRock for the interim periods presented and are not necessarily indicative of a full year’s results.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

**Intangible Assets**

Intangible assets are comprised of goodwill and management contract acquired. Goodwill is amortized on a straight-line basis over their estimated useful lives of twenty-five years. Management contract acquired is amortized in proportion to and over the period of contract revenue. This period is estimated to be ten years. The Company continually evaluates the carrying value of intangible assets. Any impairment would be recognized when the future operating cash flows derived from such intangible assets is less than their carrying value. In such instances, impairment, if any, is measured on a discounted future cash flow basis.

**Reclassification of Prior Period’s Statements**

Certain items previously reported have been reclassified to conform with the current year’s presentation.

**Recent Accounting Pronouncement**

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (“SAB”) No. 101, “Revenue Recognition in Financial Statements”. SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The Company has adopted SAB No. 101 as required in the first quarter of 2000. The adoption of SAB No. 101 has not had a material effect on the Company’s consolidated results of operations and financial position.

## 2. Property and Equipment

Property and equipment consists of the following:

	<u>June 30,</u> <u>2000</u>	<u>December 31,</u> <u>1999</u>
Equipment and Computer Software	\$31,353	\$26,778
Leasehold improvements	7,501	7,454
Furniture and fixtures	7,106	6,893
Land	3,564	3,564
Construction in progress	5,748	-
	<u>55,272</u>	<u>44,689</u>
Less accumulated depreciation	26,611	22,012
Property and equipment, net	<u>\$28,661</u>	<u>\$22,677</u>

Depreciation expense was approximately \$2,388 and \$1,688 for the three months ended June 30, 2000 and 1999, respectively and \$4,608 and \$4,629 for the six months ended June 30, 2000 and 1999, respectively.

During the fourth quarter of 1999, the Company purchased land in Wilmington, Delaware for \$3,564 and is presently constructing an 84,000 square foot office building at an estimated cost of approximately \$20,000.

Construction in progress reflects expenditures on capital projects located in Wilmington, Delaware and New York City, New York.

## 3. Intangible Assets

### a) *Goodwill*

The consolidated financial statements reflect the results of operations of BlackRock Financial Management, LP ("BFM") and BFM Advisory LP, which were acquired by The PNC Financial Services Group, Inc. on February 28, 1995. Goodwill recognized at acquisition approximated \$240,000 and is being amortized by the straight-line method over 25 years.

### b) *Management Contract Acquired*

On May 15, 2000, BlackRock entered into a contract in connection with the agreement and plan of merger of CORE Cap, Inc. with Anthracite Capital, Inc., a BlackRock managed REIT. This agreement assigns the managerial rights and duties of CORE Cap, Inc.'s former manager to BlackRock for consideration in the amount of \$12,500 to be paid by BlackRock over a ten-year period. The present value of the acquired contract using an imputed interest rate of 10 percent is \$8,040. This amount is recorded as an intangible asset and is being amortized over ten years.

#### 4. Note and Loan Payable to Affiliates

On February 29, 2000, the Company paid the remaining balance of \$28,200 on the unsecured note with B.P. Partners, L.P., an entity comprised of former partners of BFM, who received deferred notes on February 28, 1995 as part of the purchase price for BFM.

#### 5. Commitments

##### a) Lease Commitments

The Company leases its primary office space under agreements which expire in 2017. Future minimum commitments under these operating leases, net of rental reimbursements of \$1,831 through 2005 from a sublease arrangement, are as follows:

2000	\$3,624
2001	4,901
2002	8,774
2003	9,541
2004	9,541
Thereafter	114,693
	<u>\$151,074</u>

In connection with certain lease agreements, the Company is responsible for escalation payments.

Occupancy expense amounted to \$2,181 and \$1,911 for the three months ended June 30, 2000 and 1999, respectively and \$4,414 and \$3,843 for the six months ended June 30, 2000 and 1999, respectively.

On May 3, 2000, BlackRock signed a lease with 40 East 52<sup>nd</sup> Street L.P. for approximately 171,000 square feet of office space at 40 East 52<sup>nd</sup> Street, New York, New York. This location will house BlackRock's corporate headquarters and will accommodate all of BlackRock's current New York City based operations. Under the lease, BlackRock will occupy approximately 19,000 square feet in July, 2000 with the remaining 152,000 square feet to commence on or about September 1, 2001. The lease will terminate on February 28, 2017. Total rent payments over the lease term will approximate \$138,000. The 152,000 square feet of new space will be placed in service in early 2002 consistent with the termination of all other New York City leaseholds on February 28, 2002.

##### b) Acquired Management Contract Obligation

In connection with the management contract acquired associated with the agreement and plan of merger of CORE Cap, Inc. with Anthracite Capital, Inc., a BlackRock managed REIT, the Company recorded an \$8,040 liability using an imputed interest rate of 10 percent. At June 30, 2000, the future minimum commitment under the agreement is as follows:

2001	\$1,500
2002	1,500
2003	1,500
2004	1,500
2005	1,500
Thereafter	5,000
	<u>\$12,500</u>
less:	
Imputed interest	4,460
Present value of Management Contract	<u>\$8,040</u>

## 6. Comprehensive Income

	Three months ended		Six months ended	
	June 30,		June 30,	
	2000	1999	2000	1999
Net income	\$20,857	\$13,767	\$40,054	\$25,985
Accumulated other comprehensive gain (loss):				
Unrealized gain (loss) from investments, available for sale, net	423	(99)	174	(99)
Foreign currency translation loss	(16)	-	(26)	-
Comprehensive income	<u>\$21,264</u>	<u>\$13,668</u>	<u>\$40,202</u>	<u>\$25,886</u>

## 7. Earnings Per Share

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2000	1999	2000	1999
Net income	<u>\$20,857</u>	<u>\$13,767</u>	<u>\$40,054</u>	<u>\$25,985</u>
Basic weighted-average shares outstanding	63,865,770	54,807,482	63,865,076	54,807,482
Dilutive potential shares from forward sales	175,153	175,153	175,153	175,153
Dilutive potential shares from stock options	451,524	-	383,147	-
Dilutive weighted-average shares outstanding	<u>64,492,447</u>	<u>54,982,635</u>	<u>64,423,376</u>	<u>54,982,635</u>
Basic earnings per share	<u>\$0.33</u>	<u>\$0.25</u>	<u>\$0.63</u>	<u>\$0.47</u>
Diluted earnings per share	<u>\$0.32</u>	<u>\$0.25</u>	<u>\$0.62</u>	<u>\$0.47</u>

Net income per common share is computed using the weighted-average number of common and common equivalent shares outstanding. Common and common equivalent shares from stock options are excluded from the computation if their effect is antidilutive, except that, pursuant to the Securities and Exchange Commission Staff Accounting Bulletin 98, "Earnings per share," common and common equivalent shares issued at prices below the public offering price during the twelve months immediately preceding the date of BlackRock's initial public offering have been included in the calculation as if they were outstanding for all periods presented using the treasury stock method and the options' exercise price of \$14.00.

**8. Supplemental Statements of Cash Flows Information**

Supplemental disclosure of cash flow information:

	<b>Six months ended June 30,</b>	
	<b>2000</b>	<b>1999</b>
Cash paid for interest	<u>\$1,058</u>	<u>\$7,591</u>
Cash paid for income taxes	<u>\$26,988</u>	<u>\$16,889</u>

Supplemental schedule of noncash transactions:

	<b>Six months ended June 30,</b>	
	<b>2000</b>	<b>1999</b>
Acquired management contract	<u>\$8,040</u>	<u>-</u>

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

BlackRock, Inc., a Delaware corporation (together with its subsidiaries "BlackRock" or the "Company"), is one of the 30 largest investment management firms in the United States with approximately \$177.3 billion of assets under management at June 30, 2000. BlackRock is a majority owned indirect subsidiary of The PNC Financial Services Group, Inc. ("PNC"), one of the largest diversified financial services organizations providing regional banking, corporate banking, real estate finance, asset-backed lending, asset management, global funds services and mortgage banking. PNC acquired BlackRock in 1995 and consolidated a substantial part of PNC's asset management businesses under the BlackRock name in 1998. On October 1, 1999, BlackRock offered 9 million shares of class A common stock in an initial public offering ("IPO"). As of June 30, 2000, PNC owns approximately 70%, the public owns approximately 14% and BlackRock employees own approximately 16% of BlackRock.

The following table summarizes BlackRock's operating performance for the three months ended and six months ended June 30, 2000 and June 30, 1999:

**BlackRock, Inc.**  
**Financial Highlights**  
(\$ in thousands, except share data)  
(unaudited)

	Three months ended		Variance	
	June 30,			
	2000	1999	Amount	%
Total revenue	\$112,571	\$92,217	\$20,354	22%
Total expense	\$78,249	\$65,297	\$12,952	20%
Operating income	\$34,322	\$26,920	\$7,402	27%
Net income	\$20,857	\$13,767	\$7,090	51%
Diluted earnings per share	\$0.32	\$0.25	\$0.07	28%
Diluted cash earnings per share (a)	\$0.37	\$0.30	\$0.07	23%
Average diluted shares outstanding	64,492,447	54,982,635	9,509,812	17%
EBITDA (b)	\$40,641	\$31,696	\$8,945	28%
Operating margin (c)	36.5%	36.4%		
Assets under management (\$ in millions)	\$177,337	\$141,801	\$35,536	25%
	Six months ended			
	June 30,		Variance	
	2000	1999	Amount	%
Total revenue	\$220,631	\$180,092	\$40,539	23%
Total expense	\$154,191	\$129,466	\$24,725	19%
Operating income	\$66,440	\$50,626	\$15,814	31%
Net income	\$40,054	\$25,985	\$14,069	54%
Diluted earnings per share	\$0.62	\$0.47	\$0.15	32%
Diluted cash earnings per share (a)	\$0.70	\$0.56	\$0.14	25%
Average diluted shares outstanding	64,423,376	54,982,635	9,440,741	17%
EBITDA (b)	\$78,442	\$61,375	\$17,067	28%
Operating margin (c)	36.4%	35.2%		
Assets under management (\$ in millions)	\$177,337	\$141,801	\$35,536	25%

(a) Net income plus amortization expense for the period divided by average diluted shares outstanding.

(b) Earnings before interest, taxes, depreciation and amortization.

(c) Operating income divided by total revenue less fund administration and servicing costs - affiliates.

## General

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 predetermined percentages of the market value of assets under management and are affected by changes in assets under management, 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, withdrawals of assets from and termination of client accounts and purchases and redemptions of mutual fund shares.

Investment advisory agreements for certain separate accounts and BlackRock's alternative investment products provide for performance fees in addition to fees based on assets under management. Performance fees are earned when investment performance exceeds a contractual threshold and, accordingly, may increase the volatility of BlackRock's revenue and earnings.

BlackRock provides a variety of risk management services to insurance companies, finance companies, pension funds, REITs, commercial and mortgage banks, savings institutions and government agencies. The services range from consulting assignments to actual execution of hedging transactions on behalf of BlackRock's clients. The fees earned on risk management advisory engagements are recorded as other income.

BlackRock Asset Investors ("BAI") was an alternative investment product created in 1994 in response to the opportunity that the Company perceived in the commercial real estate sector. Due to reduced opportunities to generate appropriate returns, BAI's Board of Trustees and shareholders approved management's recommendation in 1997 to liquidate the fund, which was completed on September 27, 1999. As a result of the liquidation, which involved the sale of BAI's assets, BAI generated an operating loss of \$0.5 million and \$0.6 million for the three months and six months ended June 30, 1999, respectively.

Operating revenue primarily consists of investment advisory and administration fees earned on separate account and mutual fund assets under management and other income. Revenue associated with BAI, which was liquidated in 1999, is reported separately and is included in total revenue.

Operating expense primarily consists of employee compensation and benefits, fund administration and servicing costs-affiliates, general and administration, and amortization of intangible assets. Employee compensation and benefit expense reflects salaries, deferred and incentive compensation, and related benefit costs. Fund administration and servicing costs-affiliates expense reflects payments made to PNC affiliated entities primarily associated with the administration and servicing of PNC client investments in the *BlackRock Funds*. BAI incentive compensation expense, which is reported separately and included in total expense, reflects compensation earned by investment advisory and other employees of BlackRock in accordance with various contractual and other arrangements with PNC and the fund. Intangible assets at June 30, 2000 and December 31, 1999, was \$197.4 million and \$194.3 million, respectively, with amortization expense of approximately \$2.5 million and \$2.4 million for the three months ended June 30, 2000 and 1999, respectively and \$4.9 million and \$4.8 million for the six months ended June 30, 2000 and 1999, respectively. Intangible assets reflect PNC's acquisition of BlackRock Financial Management, L.P. ("BFM") on February 28, 1995 and a management contract acquired in connection with the agreement and plan of merger of CORE Cap, Inc. with Anthracite Capital, Inc., a BlackRock managed REIT using a 10 percent imputed interest rate on May 15, 2000. This agreement assigns the managerial rights and duties of CORE Cap, Inc.'s external manager to BlackRock for consideration in the amount of \$12.5 million to be paid by BlackRock over a ten-year period. The present value of the acquired contract is \$8.0 million. This amount is recorded as an intangible asset and is being amortized over ten years.

## Assets Under Management

Assets under management (“AUM”) increased \$35.5 billion, or 25%, to \$177.3 billion at June 30, 2000, compared with \$141.8 billion at June 30, 1999. The growth in assets under management was attributable to increases of \$28.7 billion in separate accounts and \$6.9 billion in mutual fund assets. The increase in separate accounts was due to net subscriptions of \$25.3 billion and market appreciation of \$3.4 billion. Net subscriptions in fixed income, liquidity and equity accounts was \$15.4 billion, \$5.3 billion and \$4.6 billion, respectively. Market appreciation was \$2.7 billion and \$.6 billion in fixed income and equity accounts, respectively. The rise in liquidity separate accounts was largely attributable to a \$4.9 billion increase in cash collateral assets associated with client securities lending activities. The growth in equity assets was primarily the result of new business in the international sector, generated by BlackRock’s European equity team, of approximately \$5.0 billion. The \$6.9 billion increase in mutual fund assets reflected net subscriptions totaling \$6.0 billion and market appreciation of \$.9 billion. The rise in mutual fund assets was largely due to net subscriptions in the *BlackRock Funds* and *Provident Institutional Funds*, which increased \$3.0 billion or 12% and \$4.0 billion or 19%, respectively.

	June 30,		% Change	
	2000	1999	Amount	Percent
	(\$ in millions)		(\$ in millions)	
<b>Separate Accounts</b>				
Fixed income *	\$86,344	\$68,286	\$18,058	26.4%
Liquidity	17,707	12,362	5,345	43.2
Equity	7,621	2,353	5,268	223.9
Subtotal	<u>\$111,672</u>	<u>\$83,001</u>	<u>\$28,671</u>	<u>34.5</u>
<b>Mutual Funds</b>				
Fixed income	13,919	13,617	302	2.2
Liquidity	35,944	31,921	4,023	12.6
Equity	15,802	13,262	2,540	19.2
Subtotal	<u>65,665</u>	<u>58,800</u>	<u>\$6,865</u>	<u>11.7</u>
<b>Total</b>	<u>\$177,337</u>	<u>\$141,801</u>	<u>\$35,536</u>	<u>25.1%</u>

\*Includes alternative investment products.

**BlackRock, Inc**  
**Component Changes in Assets Under Management**  
**(unaudited)**

The following tables present the component changes in BlackRock's assets under management for the three month and six month periods ended June 30, 2000 and 1999. The data reflects certain reclassifications between net subscriptions (redemptions) and market appreciation (depreciation) from amounts previously reported.

For the three months and six months ended June 30, 2000, net subscriptions represented 106% and 75%, respectively, of the total increase in assets under management. Net subscriptions were \$5.1 billion and \$9.6 billion for the three months and six months ended June 30, 2000, respectively.

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	(\$ in millions)		(\$ in millions)	
<b>Separate Accounts*</b>				
Beginning assets under management	\$105,349	\$80,477	\$99,220	\$69,112
Net subscriptions	5,815	2,903	9,622	14,527
Market appreciation (depreciation)	508	(379)	2,830	(638)
Ending assets under management	<u>111,672</u>	<u>83,001</u>	<u>111,672</u>	<u>83,001</u>
<b>Mutual Funds</b>				
Beginning assets under management	67,224	59,749	65,297	61,530
Net redemptions	(762)	(1,546)	(2)	(3,452)
Market appreciation (depreciation)	(797)	597	370	722
Ending assets under management	<u>65,665</u>	<u>58,800</u>	<u>65,665</u>	<u>58,800</u>
<b>Total</b>	<u><u>\$177,337</u></u>	<u><u>\$141,801</u></u>	<u><u>\$177,337</u></u>	<u><u>\$141,801</u></u>
Net subscriptions	\$5,053	\$1,357	\$9,620	\$11,075
% of Change in AUM from net subscriptions	106.1%	86.2%	75.0%	99.2%

\*Includes alternative investment products.

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

(Dollar amounts in millions)  
(unaudited)

	Quarter Ended					Six months ended June 30, 2000
	June 30	1999 September 30	December 31	2000 March 31	June 30	
<b>Separate Accounts *</b>						
<b>Fixed Income</b>						
Beginning assets under management	\$64,381	\$68,286	\$69,266	\$75,206	\$79,825	\$75,206
Net subscriptions	4,509	886	6,106	2,541	5,851	8,392
Market appreciation (depreciation)	(604)	94	(166)	2,078	668	2,746
Ending assets under management	<u>68,286</u>	<u>69,266</u>	<u>75,206</u>	<u>79,825</u>	<u>86,344</u>	<u>86,344</u>
<b>Liquidity</b>						
Beginning assets under management	13,975	12,362	17,310	20,934	19,110	20,934
Net subscriptions (redemptions)	(1,626)	4,933	3,602	(1,847)	(1,423)	(3,270)
Market appreciation	13	15	22	23	20	43
Ending assets under management	<u>12,362</u>	<u>17,310</u>	<u>20,934</u>	<u>19,110</u>	<u>17,707</u>	<u>17,707</u>
<b>Equity</b>						
Beginning assets under management	2,121	2,353	2,454	3,080	6,414	3,080
Net subscriptions	20	94	35	3,113	1,387	4,500
Market appreciation (depreciation)	212	7	591	221	(180)	41
Ending assets under management	<u>2,353</u>	<u>2,454</u>	<u>3,080</u>	<u>6,414</u>	<u>7,621</u>	<u>7,621</u>
<b>Total Separate Accounts</b>						
Beginning assets under management	80,477	83,001	89,030	99,220	105,349	99,220
Net subscriptions	2,903	5,913	9,743	3,807	5,815	9,622
Market appreciation (depreciation)	(379)	116	447	2,322	508	2,830
Ending assets under management	<u>\$83,001</u>	<u>\$89,030</u>	<u>\$99,220</u>	<u>\$105,349</u>	<u>\$111,672</u>	<u>\$111,672</u>
<b>Mutual Funds</b>						
<b>BlackRock Funds</b>						
Beginning assets under management	\$24,757	\$25,255	\$24,453	\$27,339	\$29,280	\$27,339
Net subscriptions (redemptions)	(259)	(172)	1,577	994	(168)	826
Market appreciation (depreciation)	757	(630)	1,309	947	(850)	97
Ending assets under management	<u>25,255</u>	<u>24,453</u>	<u>27,339</u>	<u>29,280</u>	<u>28,262</u>	<u>28,262</u>
<b>PIF</b>						
Beginning assets under management	22,978	21,578	22,387	25,554	25,755	25,554
Net subscriptions (redemptions)	(1,400)	809	3,167	201	(140)	61
Market appreciation	-	-	-	-	-	-
Ending assets under management	<u>21,578</u>	<u>22,387</u>	<u>25,554</u>	<u>25,755</u>	<u>25,615</u>	<u>25,615</u>
<b>Closed End</b>						
Beginning assets under management	7,668	7,507	7,579	7,340	7,560	7,340
Net subscriptions (redemptions)	(1)	121	(130)	-	(30)	(30)
Market appreciation (depreciation)	(160)	(49)	(109)	220	53	273
Ending assets under management	<u>7,507</u>	<u>7,579</u>	<u>7,340</u>	<u>7,560</u>	<u>7,583</u>	<u>7,583</u>
<b>Short Term Investment Funds (STIF)</b>						
Beginning assets under management	4,346	4,460	4,653	5,064	4,629	5,064
Net subscriptions (redemptions)	114	193	411	(435)	(424)	(859)
Market appreciation	-	-	-	-	-	-
Ending assets under management	<u>4,460</u>	<u>4,653</u>	<u>5,064</u>	<u>4,629</u>	<u>4,205</u>	<u>4,205</u>
<b>Total Mutual Funds</b>						
Beginning assets under management	59,749	58,800	59,072	65,297	67,224	65,297
Net subscriptions (redemptions)	(1,546)	951	5,025	760	(762)	(2)
Market appreciation (depreciation)	597	(679)	1,200	1,167	(797)	370
Ending assets under management	<u>\$58,800</u>	<u>\$59,072</u>	<u>\$65,297</u>	<u>\$67,224</u>	<u>\$65,665</u>	<u>\$65,665</u>

\*Includes alternative investment products.

**Operating Results For The Three Months Ended June 30, 2000 Compared With The Three Months Ended June 30, 1999.**

**Revenue**

Total revenue for the three months ended June 30, 2000 increased \$20.4 million or 22% to \$112.6 million compared with the three months ended June 30, 1999. Investment advisory and administration fees increased \$21.0 million or 24% to \$107.4 million for the three months ended June 30, 2000, compared with the three months ended June 30, 1999. The growth in investment advisory and administration fees was primarily due to increases in assets under management, which totaled \$177.3 billion at June 30, 2000, a 25% increase compared with June 30, 1999.

	<b>Three months ended</b>		<b>Change</b>	
	<b>June 30,</b>		<b>Amount</b>	<b>Percent</b>
	<b>2000</b>	<b>1999</b>		
	(\$ in thousands)		(\$ in thousands)	
<b>Investment advisory and administration fees:</b>				
Mutual funds	\$56,228	\$51,123	\$5,105	10.0%
Separate accounts	51,204	35,968	15,236	42.4
BAI revenue	-	(614)	614	NM
<b>Total investment advisory and administration fees:</b>	<b>107,432</b>	<b>86,477</b>	<b>20,955</b>	<b>24.2</b>
Other income	5,139	5,740	(601)	(10.5)
<b>Total revenue</b>	<b>\$112,571</b>	<b>\$92,217</b>	<b>\$20,354</b>	<b>22.1%</b>

NM-Not meaningful

Mutual fund advisory and administration fees increased \$5.1 million or 10% to \$56.2 million for the three months ended June 30, 2000 compared with the three months ended June 30, 1999, primarily due to an increase in assets under management in the *BlackRock Funds* and the *Provident Institutional Funds* of \$3.0 billion and \$4.0 billion, respectively. Separate account advisory fees increased \$15.2 million or 42%, primarily due to a \$28.7 billion or 35% increase in assets under management and higher performance fees. The increase in separate account assets was driven by continued strong growth in fixed income and liquidity assets (26% and 43%, respectively) and a \$5 billion increase in international equity assets. The \$.6 million change in BAI advisory fees was due to the discontinuance of any further business activity together with reversals of previously accrued performance fees associated with the fund's liquidation in 1999.

## Expense

Total expense increased \$13.0 million to \$78.2 million for the three months ended June 30, 2000, compared with \$65.2 million for the three months ended June 30, 1999. The change was primarily the result of increases in employee compensation and benefits and general and administration expenses.

	Three months ended June 30,		Change	
	2000	1999	Amount	Percent
	(\$ in thousands)		(\$ in thousands)	
Employee compensation and benefits	\$42,680	\$32,731	\$9,949	30.4%
BAI incentive compensation	-	(115)	115	NM
Fund administration and servicing costs-affiliates	18,450	18,359	91	0.5
General and administration	14,605	11,909	2,696	22.6
Amortization of intangible assets	2,514	2,413	101	4.2
Total expense	<u>\$78,249</u>	<u>\$65,297</u>	<u>\$12,952</u>	<u>19.8%</u>

NM-Not meaningful

Employee compensation and benefits increased \$9.9 million or 30% due to additional expenses of \$5.3 million for incentive compensation primarily based on operating profit growth and \$4.6 million related to salary and benefits. Salary and benefit cost increases were the result of a 16% increase in full-time employees to support business growth. The change in BAI incentive compensation was due to the discontinuance of any further business activity together with reversals of previously accrued incentive compensation for the three months ended June 30, 1999 associated with the fund's liquidation. General and administration expenses increased \$2.7 million or 23% due to a \$1.2 million increase in marketing and promotional costs associated with the *BlackRock Funds* and international business expansion, a \$8 million increase in portfolio and related services, a \$4 million increase in technology and related services, and a \$3 million increase in office and related services. Amortization of intangible assets increased \$.1 million or 4% primarily due to the management contract entered into on May 15, 2000 in connection with the agreement and plan of merger of CORE Cap, Inc. with Anthracite Capital, Inc., a BlackRock managed REIT.

## Operating Income and Net Income

Operating income was \$34.3 million for the three months ended June 30, 2000 representing a \$7.4 million or 28% increase compared with the three months ended June 30, 1999. Non-operating income increased \$4.1 million to \$1.3 million for the three months ended June 30, 2000 as compared with \$2.8 million of non-operating expense for the three months ended June 30, 1999. The significant improvement largely reflects reduced interest expense due to the repayment of \$153.2 million in debt since June 30, 1999 of which approximately \$115 million represented net proceeds from the IPO. Income tax expense was \$14.8 million and \$10.4 million representing effective tax rates of 41.5% and 43.0% for the three months ended June 30, 2000 and 1999, respectively. Net income totaled \$20.9 million for the three months ended June 30, 2000 compared with \$13.8 million for the three months ended June 30, 1999, representing an increase of 51%.

**Operating Results For The Six Months Ended June 30, 2000 Compared With The Six Months Ended June 30, 1999.**

**Revenue**

Total revenue for the six months ended June 30, 2000 increased \$40.5 million or 23% to \$220.6 million compared with the six months ended June 30, 1999. Investment advisory and administration fees increased \$40.4 million or 24% to \$209.3 million for the six months ended June 30, 2000, compared with the six months ended June 30, 1999. The growth in investment advisory and administration fees was primarily due to increases in assets under management, which totaled \$177.3 billion at June 30, 2000, a 25% increase compared with June 30, 1999.

	Six months ended		Change	
	June 30, 2000	1999	Amount	Percent
	(\$ in thousands)		(\$ in thousands)	
<b>Investment advisory and administration fees:</b>				
Mutual funds	\$115,328	\$99,637	\$15,691	15.7%
Separate accounts	93,974	71,334	22,640	31.7
BAI revenue	-	(2,054)	2,054	NM
<b>Total investment advisory and administration fees:</b>	<u>209,302</u>	<u>168,917</u>	<u>40,385</u>	<u>23.9</u>
Other income	11,329	11,175	154	1.4
<b>Total revenue</b>	<u><u>\$220,631</u></u>	<u><u>\$180,092</u></u>	<u><u>\$40,539</u></u>	<u><u>22.5%</u></u>

NM-Not meaningful

Mutual fund advisory and administration fees increased \$15.7 million or 16% to \$115.3 million for the six months ended June 30, 2000 compared with the six months ended June 30, 1999, primarily due to a \$3.0 billion increase in assets under management in the *BlackRock Funds*. Separate account advisory fees increased \$22.6 million or 32%, primarily due to a \$28.7 billion or 35% increase in assets under management and higher performance fees. The \$2.1 million change in BAI advisory fees was due to the discontinuance of any further business activity together with reversals of previously accrued performance fees associated with the fund's liquidation in 1999.

## Expense

Total expense increased \$24.7 million or 19% to \$154.2 million for the six months ended June 30, 2000, compared with \$129.5 million for the six months ended June 30, 1999. The change was primarily the result of increases in employee compensation and benefits, fund administration and servicing costs-affiliates and general and administration expenses.

	Six months ended		Change	
	2000	1999	Amount	Percent
	June 30,			
	(\$ in thousands)		(\$ in thousands)	
Employee compensation and benefits	\$83,350	\$65,963	\$17,387	26.4%
BAI incentive compensation	-	(1,493)	1,493	NM
Fund administration and servicing costs-affiliates	38,209	36,335	1,874	5.2
General and administration	27,705	23,834	3,871	16.2
Amortization of goodwill	4,927	4,827	100	2.1
Total expense	<u>\$154,191</u>	<u>\$129,466</u>	<u>\$24,725</u>	<u>19.1%</u>

NM-Not meaningful

Employee compensation and benefits increased \$17.4 million due to additional expenses of \$10.3 million related to salary and benefits and \$7.1 million for incentive compensation primarily based on operating profit growth. Salary and benefit cost increases were the result of a 16% increase in full-time employees to support business growth. The change in BAI incentive compensation was due to the discontinuance of any further business activity together with reversals of previously accrued incentive compensation in the six months ended June 30, 1999 associated with the fund's liquidation. Fund administration and servicing costs-affiliates increased \$1.9 million due to higher levels of PNC client assets invested in the *BlackRock Funds*. General and administration expenses increased \$3.9 million or 16% primarily due to a \$2.3 million increase in marketing and promotional costs associated with the *BlackRock Funds* and international business expansion, a \$1.3 million increase in portfolio and related services and a \$.7 million increase in office and related services. The increases were partially offset by a reduction in professional fees of \$.5 million.

## Operating Income and Net Income

Operating income was \$66.4 million for the six months ended June 30, 2000, representing a \$15.8 million or 31% increase compared with the six months ended June 30, 1999. Non-operating income increased \$7.8 million to \$2.0 million for the six months ended June 30, 2000 as compared with \$5.8 million of non-operating expense for the six months ended June 30, 1999. The significant improvement largely reflects reduced interest expense due to the repayment of \$153.2 million in debt since June 30, 1999 of which approximately \$115 million represented net proceeds from the IPO. Income tax expense was \$28.4 million and \$18.8 million representing effective tax rates of 41.5% and 42.0% for the six months ended June 30, 2000 and 1999, respectively. Net income totaled \$40.1 million for the six months ended June 30, 2000 compared with \$26.0 million for the six months ended June 30, 1999, representing an increase of \$14.1 million or 54%.

## **Liquidity and Capital Resources**

BlackRock has historically met its working capital requirements through cash generated by its operating activities and borrowings from PNC Bank, N.A. (“PNC Bank”) under a \$175.0 million revolving credit facility. Cash provided by operating activities totaled \$5.7 million and \$15.6 million for the six months ended June 30, 2000 and 1999, respectively.

Net cash flow used in investing activities was \$18.2 million and \$9.0 million for the six months ended June 30, 2000 and 1999, respectively. Capital expenditures for property and equipment were \$10.6 million and \$9.1 million for the six months ended June 30, 2000 and 1999, respectively. Capital expenditures in 2000 includes \$5.3 million in construction costs incurred to date on a new office building in Wilmington, Delaware as well as higher technology investments associated with risk management activities and increased office and related costs to support personnel growth. Net investments were \$7.6 million for the six months ended June 30, 2000 and represented investments made in the new BlackRock Funds and alternative investment products, which were launched during the second quarter.

Net cash used in financing activities was \$28.0 million and \$43.8 million for the six months ended June 30, 2000 and 1999, respectively. Debt repayments totaled \$28.2 million and \$43.8 million for the six months ended June 30, 2000 and 1999, respectively.

Total capital at June 30, 2000 was \$321.2 million and was comprised solely of stockholders’ equity.

## **Seasonality**

BlackRock does not believe its operations are subject to significant seasonal fluctuations.

## **Interest Rates**

The value of assets under management is affected by changes in interest rates. Since BlackRock derives the majority of its revenue from investment advisory and administration fees based on assets under management, BlackRock’s revenue may be adversely affected by changing interest rates. In a period of rapidly rising interest rates, BlackRock’s assets under management would likely be negatively affected by reduced asset values and increased redemptions.

## **Inflation**

The majority of BlackRock’s revenue is based on the value of assets under management. There is no predictable relationship between the rate of inflation and the value of assets under management, except that inflation may affect interest rates. BlackRock does not believe inflation will significantly affect its compensation costs, as they are substantially variable in nature. However, the rate of inflation may affect BlackRock’s expenses such as information technology and occupancy costs. To the extent inflation results in rising interest rates and has other effects upon the securities markets, it may adversely affect BlackRock’s results of operations by reducing BlackRock’s assets under management, revenue or otherwise.

## **Forward-Looking Statements**

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to financial performance and other financial and business matters. Forward-looking statements are typically identified by words or phrases such as "likely," "believe," "expect" "anticipate," "intend," "estimate," "position," and variations of such words and similar expressions, or future or conditional verbs such as "will", "would," "should," "could," "may" or similar expressions. BlackRock cautions that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, all of which change over time, and BlackRock assumes no duty to update forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements and future results could differ materially from historic performance.

The following factors, among others, could cause actual results to differ materially from forward-looking statements or historic performance: the introduction, withdrawal, success and timing of business initiatives and strategies; economic conditions; changes in interest rates and financial and capital markets; the investment performance of BlackRock's sponsored investment products and separately managed accounts; competitive conditions; capital improvement projects; future acquisitions; and the impact, extent and timing of technological changes and legislative and regulatory actions and reforms.

Reference is made to BlackRock's Annual Report on Form 10-K for the year ended December 31, 1999 and subsequent reports filed with the Securities and Exchange Commission which identify additional factors that can affect forward-looking statements.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings.

No material developments have occurred during the second quarter regarding previously reported legal proceedings.

### Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
27.1	Financial data schedule

(b) Reports on Form 8-K

Since March 31, 2000, the Company has filed the following Current Reports on Form 8-K:

Form 8-K dated as of April 11, 2000, reporting the Company's results of operations for the three months ended March 31, 2000, filed pursuant to Item 5.

Form 8-K dated as of July 12, 2000, reporting the Company's results of operations for the three months and six months ended June 30, 2000, filed pursuant to Item 5.

SIGNATURES

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

BLACKROCK, INC.  
(Registrant)

Date: August 11, 2000

By: /s/ Paul L. Audet  
Paul L. Audet  
Managing Director &  
Chief Financial Officer

## EXHIBIT 27.1

PERIOD-TYPE	6 MOS.
FISCAL-YEAR-END	6/30/00
PERIOD-START	1/1/00
PERIOD-END	6/30/00
CASH	116,633
SECURITIES	10,004
RECEIVABLES	71,024
ALLOWANCES	
INVENTORY	
CURRENT-ASSETS	
PP&E	28,661
DEPRECIATION	26,611
TOTAL-ASSETS	433,729
CURRENT-LIABILITIES	
BONDS	
PREFERRED-MANDATORY	
PREFERRED-MANDATORY	
COMMON	170,353
OTHER-SE	150,834
TOTAL-LIABILITY-AND-EQUITY	433,729
SALES	220,631
TOTAL-REVENUES	220,631
CGS	
TOTAL-COSTS	
OTHER-EXPENSES	154,191
LOSS-PROVISION	
INTEREST-EXPENSE	439
INCOME-PRETAX	68,468
INCOME-TAX	28,414
INCOME-CONTINUING	40,054
DISCONTINUED	
EXTRAORDINARY	
CHANGES	
NET-INCOME	40,054
EPS-PRIMARY	0.63
EPS-DILUTED	0.62