December 15, 2010

Technical Director, File Reference No. 1850-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Exposure Draft - Leases (Topic 840)

BlackRock, Inc. ("BlackRock", the "Company") appreciates the opportunity to provide comments to the Financial Accounting Standards Board (the "FASB") and the International Accounting Standards Board ("IASB", collectively the "Boards") on the exposure draft, Leases (Topic 840) (the "Proposed Standard"). BlackRock is a global investment manager, overseeing $3.45 trillion of assets under management at September 30, 2010. BlackRock and its subsidiaries manage approximately 3,000 investment companies, including registered investment companies, hedge funds, private equity funds, exchange traded funds and collective investment trusts, in addition to separate accounts.

As an investment manager, BlackRock is in the position to provide commentary on the Proposed Standard from the perspectives of a) the corporate preparer, b) the investment company preparer, particularly BlackRock’s real estate investment funds, and c) the user (i.e., BlackRock’s research analysts). As such, our comments take into account these three distinct perspectives.

While BlackRock commends the Boards’ efforts to develop a single global, principles-based lease accounting standard, we do not believe that the Proposed Standard, if adopted, would necessarily provide better information than under current U.S. GAAP. BlackRock’s analysts generally are indifferent about the benefits of the Proposed Standard, while BlackRock’s preparers expect to incur significant additional time and cost to adopt and comply with the Proposed Standard.
In summary, we believe with regard to the Proposed Standard:

- The proposed accounting for lease extension options and service components within lease contracts are technically inconsistent with current accounting guidance for liabilities and contingencies.
- The fair value method of accounting is more appropriate than the guidance provided in the Proposed Standard.
- The Boards should undertake additional cost/benefit analyses before adopting the Proposed Standard, particularly with respect to non-core or immaterial leases and ancillary service components of lease contracts.

CORPORATE PREPARER PERSPECTIVE

BlackRock leases office space around the world. Certain of the leased premises are sublet under arrangements that generally do not relieve the Company of its primary lease obligation. Many of these leases contain extension clauses, incentive payments, contingent rentals, maintenance fees, real estate taxes, security service fees or other service provisions. In addition, BlackRock has numerous smaller lease contracts for copiers and other office equipment, furniture and fixtures.

- **Lease Term** - Under the Proposed Standard, the lease term is defined as the longest possible term that is more likely than not to occur. As a result, the lease term would include certain renewal option terms that, based upon management’s judgment, are more likely than not to be exercised. We believe that the lease term should include renewal options only if they are at least probable of occurring because to do otherwise would create an inconsistency with ASC 450, *Contingencies*, which requires liabilities to be recorded only when they are probable. We do not see the logical basis for recording a lease obligation that is more likely than not to occur but recording other obligations when they are probable of occurring.

In addition, many of BlackRock’s office leases contain renewal provisions after relatively short lease terms (i.e., two to six years). We believe that it is inherently difficult to determine the probability of renewing a leased property, even within such a short horizon, as the result of fluctuating market conditions, business acquisitions, reorganizations and restructurings. We believe the dynamic nature of business operations in many industries could cause significant inconsistencies in the accounting for very similar transactions and may lead to numerous adjustments causing income statement and balance sheet volatility. While we understand the Boards’ concern that entities may structure leases to avoid “on balance sheet” treatment, such opportunities ultimately will be limited by lessors’ desires to decrease uncertainty in their operating results (i.e., through contracting for the longest lease term that the market will bear).

We encourage the Boards to reconsider whether it is appropriate to include certain lease extensions at all within the definition of lease term in the Proposed Standard. If the Boards determine that inclusion of such extensions is warranted, we recommend changing the definition of lease term to “the longest possible term that is probable of occurring”.

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• **Lease Component Versus Service Component** - BlackRock has concerns regarding the requirement in the Proposed Standard to bifurcate a leasing component from a distinct service component to the extent determinable. BlackRock has lease obligations where it is charged one fee that includes built-in service components (i.e., common area maintenance, security services, etc.), as well as real estate taxes. BlackRock also has lease obligations where such services are charged by the landlord over and above the contractual lease payment. Under the Proposed Standard for a one-year lease with one payment that includes the costs of common area maintenance and building security services, the Company would record separate obligations for the lease obligation and for the distinct service obligations on the balance sheet. However, if a conclusion was reached that the maintenance and security services were not distinct from the lease contract, the Company would record such services on the balance sheet as a single lease obligation. Further, a similar contract for the same common area maintenance and building security services entered into separately from the lease contract with a third party would not be recorded as a liability under ASC 405, *Liabilities*, until the services had been performed (i.e., monthly) regardless of whether there was a binding contractual arrangement for such services. We do not believe there is a justification for recording such services differently.

In addition, we believe the estimation and separate recording of the costs of distinct but ancillary services contained within a lease contract will result in a significant financial and human resource burden for many preparers because of the large number of property and equipment leases containing service components. We believe the bifurcation of these distinct service components will provide users with only minimal added benefit.

We encourage the Boards to reconsider the theoretical consistency between the Proposed Standard and ASC 405 with regard to recording on the balance sheet those non-distinct service components and service contracts entered into outside of a lease contract. We also encourage the Boards to perform further field testing with regard to the cost/benefit of applying the Proposed Standard to lease contracts containing distinct service components and to lease contracts with components that are ancillary to the lease obligation. Further, we request clarification regarding whether payments for real estate taxes would represent an additional “distinct service component” which would require bifurcation.
• **Non-Core and/or Immaterial Leases** - BlackRock has concerns regarding the significant efforts which will be required to comply with the provisions of the Proposed Standard for non-core and/or immaterial lease contracts. Most companies have office furniture and equipment leases that are neither a significant part of their core business, nor material, either individually or in the aggregate, to their financial statements. While we recognize the Board’s efforts to provide limited exceptions to the provisions of the Proposed Standard for leases with terms of one year or less, we do not believe this alleviates the compliance burden for most companies. Most companies will be required to expend significant resources to apply the Proposed Standard to non-core or immaterial lease contracts such as office furniture and equipment. Many such companies also may require systems upgrades.

We believe that the cost to apply the Proposed Standard to non-core or immaterial leases far outweighs the user benefits. While we understand that the provisions of the Proposed Standard would not apply to immaterial items, in order to ensure that such items are not material individually or in the aggregate, companies will need to develop additional review procedures which may be nearly as time consuming and costly as directly applying the Proposed Standard. Therefore, we encourage the Boards to re-evaluate through additional field testing the cost-benefit of including non-core or immaterial leases within the scope of the Proposed Standard.

**REAL ESTATE INVESTMENT FUND PREPARER AND USER PERSPECTIVES**

BlackRock manages numerous investment companies containing real estate properties that frequently are leased to third parties. In addition, certain BlackRock analysts specialize in the real estate industry for purposes of facilitating BlackRock’s investment strategies in that sector.

• **Investment Properties** - Real estate investment companies generally report their real estate investment holdings at fair value using guidelines provided by the National Council of Real Estate Investment Fiduciaries’ Accounting Committee (and supported by ASC 960, GASB 25 and ASC 946). The fair value of a real estate property generally is derived using a discounted cash flow analysis which incorporates rental income from existing leases. To the extent that the investment funds lease their properties, applying the guidance in the Proposed Standard would result in double counting the asset value of existing leases because balance sheet assets would reflect both the fair value of the owned property and the present value of future lease receipts. Further, in certain circumstances, impairment charges could be duplicated as they would reflect both a reduction in fair value of the owned property and an impairment charge on the underlying right to receive lease payments.
BlackRock’s real estate analysts do not believe that adoption of the Proposed Standard for entities holding investment properties (i.e., lessors) would improve financial reporting in the real estate industry. They generally agree that the Proposed Standard would require additional non-GAAP presentations to convey more meaningful operating metrics. For example, amortization of the right to receive rental income and related interest income recorded under the Proposed Standard in the statement of income generally would be reversed and replaced by the analysts with cash rentals received (i.e., as shown in the statement of cash flows). In addition, such amounts relating to interest income under the Proposed Standard generally would be included in operating income in analysts’ reviews.

We understand that the FASB is pursuing a separate project that potentially would require (or allow the option for) investment properties to be reported at fair value. We support such an option.

- **Cost-Benefit** - BlackRock manages real estate investment funds that hold large commercial and residential apartment buildings. Tenant leases for such properties may range from month-to-month leases to leases with terms greater than one year. Renewal options also may be included. While our funds’ investment properties typically are accounted for at fair value, such fair value calculations generally are not derived on a lease by lease basis but rather as a pool of existing or potential future leases. The adoption of the Proposed Standard for BlackRock’s real estate funds’ investment properties and the continuous monitoring of such leases on a lease by lease basis would involve a significant financial and human resource burden on our real estate funds and also would require significant systems upgrades. We believe such additional costs are unwarranted for real estate investment properties, particularly in light of their more meaningful fair value accounting treatment under existing practice.

- **Operating Income** - The provisions of the Proposed Standard require that lease income from investment properties be bifurcated into a lease income component and an interest income component. Interest income frequently is shown by a property company as non-operating income on the statement of operations. We believe, however, that this is not the appropriate treatment for real estate investment property companies as the interest component of leases is within the normal operating activities of the company. To the extent that the fair value model for investment properties is not adopted by the FASB, we urge the FASB to clarify that the appropriate treatment of interest income for a company whose business is to lease investment properties would be to record lease-related interest income in operating activities.
• Lessor Perspective - BlackRock’s real estate investment funds have similar issues to those described in the “Lease Component Versus Service Component” section included in the Corporate Preparer Perspective above.

We understand the Boards have contemplated splitting the lease project into two separate projects: one for lessees and one for lessors. In light of the cost-benefit and the operating margin reporting issues noted above, we recommend the Boards defer the lessor portion of the project in order to perform a more extensive review.

USER PERSPECTIVE

From a user perspective, BlackRock’s research analysts extensively review financial statements of companies during the normal course of assisting in BlackRock’s investment management process. Analysts following the industries expected to be most significantly impacted by the Proposed Standard have the following comments:

From the perspective of certain of BlackRock’s research analysts, the Proposed Standard would not provide more meaningful information than under existing GAAP. Generally, retail industry analysts perform a lease vs. own adjustment to the balance sheet and income statement to standardize expense ratios between retail companies (e.g., by multiplying interest expense by an industry-standard factor, then amortizing that amount over the life of the “property” through the income statement instead of applying incurred interest expense). While we recognize that the Proposed Standard attempts to provide similar information through the inclusion of leased property on the balance sheet, we note that since the interest method results in higher interest expense in earlier years of leases and lower interest expense in later years, the net income of companies in the same industry would not be comparable. Our analysts noted the following related to their analyses under the Proposed Standard:

- The front-loading of interest expense for newer leases would likely be removed and replaced with an expense more akin to property depreciation.
- Right of use assets on the balance sheets of retail companies likely would be adjusted out and replaced with a more “standardized” property asset, as noted above.
- Retail lessees’ lease amortization expense and related lease interest expense likely would be reflected in operating income.
- Lease-related financing cash flows likely would be added back to operating cash flows.
- Information contained within the financial statements and disclosure provisions of the Proposed Standard would be sufficient to enable retail analysts to perform their analyses, but would not necessarily improve their analysis.
We appreciate the opportunity to express our views on the Proposed Standard and hope that the Boards will consider our comments in their deliberations. Please do not hesitate to contact me at (212) 810-3501 with any questions you may have regarding our comments.

Sincerely,

[Signature]

Steven E. Buller
Managing Director