

BLACKSTONE GROUP L.P.

FORM 10-Q (Quarterly Report)

Filed 08/06/10 for the Period Ending 06/30/10

Address	345 PARK AVENUE NEW YORK, NY 10154
Telephone	212 583 5000
CIK	0001393818
Symbol	BX
SIC Code	6282 - Investment Advice
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 JUNE 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: 001-33551

The Blackstone Group L.P.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-8875684
(I.R.S. Employer
Identification No.)

345 Park Avenue
New York, New York 10154
(Address of principal executive offices)(Zip Code)
(212) 583-5000
(Registrant's telephone number, including area code)

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 ☒

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of the Registrant's voting common units representing limited partner interests outstanding as of July 30, 2010 was 254,485,146. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of July 30, 2010 was 109,083,468.

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
PART I	FINANCIAL INFORMATION
ITEM 1.	FINANCIAL STATEMENTS
	Unaudited Condensed Consolidated Financial Statements — June 30, 2010 and 2009:
	Condensed Consolidated Statements of Financial Condition as of June 30, 2010 and December 31, 2009
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2010 and 2009
	Condensed Consolidated Statement of Changes in Partners' Capital for the Six Months Ended June 30, 2010
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2010 and 2009
	Notes to Condensed Consolidated Financial Statements
ITEM 1A.	UNAUDITED SUPPLEMENTAL PRESENTATION OF STATEMENTS OF FINANCIAL CONDITION
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
ITEM 4.	CONTROLS AND PROCEDURES
PART II	OTHER INFORMATION
ITEM 1.	LEGAL PROCEEDINGS
ITEM 1A.	RISK FACTORS
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES
ITEM 4.	(REMOVED AND RESERVED)
ITEM 5.	OTHER INFORMATION
ITEM 6.	EXHIBITS
	SIGNATURES

Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2009 and in this report, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Table of Contents

In this report, references to “Blackstone,” the “Partnership,” “we,” “us” or “our” refer to The Blackstone Group L.P. and its consolidated subsidiaries. Unless the context otherwise requires, references in this report to the ownership of Mr. Stephen A. Schwarzman, our co-founder, and other Blackstone personnel include the ownership of personal planning vehicles and family members of these individuals.

“Blackstone Funds,” “our funds” and “our investment funds” refer to the private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligations (“CLO”), and closed-end mutual funds that are managed by Blackstone. “Our carry funds” refer to the private equity funds, real estate funds and certain of the credit-oriented funds (with multi-year drawdown, commitment-based structures that only receive carry on the realization of an investment) that are managed by Blackstone. “Our hedge funds” refer to our funds of hedge funds, certain of our real estate debt investment funds and certain other credit-oriented funds that are managed by Blackstone.

“Assets under management” refers to the assets we manage. Our assets under management equals the sum of:

- (a) the fair value of the investments held by our carry funds plus the capital that we are entitled to call from investors in those funds pursuant to the terms of their capital commitments to those funds (plus the fair value of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees or a carried interest allocation);
- (b) the net asset value of our funds of hedge funds, hedge funds and our closed-end mutual funds;
- (c) the fair value of assets we manage pursuant to separately managed accounts; and
- (d) the amount of capital raised for our CLOs.

Our carry funds are commitment-based drawdown structured funds that do not permit investors to redeem their interests at their election. Interests related to our funds of hedge funds and certain of our credit-oriented funds are generally subject to annual, semi-annual or quarterly withdrawal or redemption by investors upon advance written notice, with the majority of our funds requiring from 60 days up to 95 days’ notice, depending on the fund and the liquidity profile of the underlying assets. Investment advisory agreements related to separately managed accounts may generally be terminated by an investor on 30 to 90 days’ notice.

“Fee-earning assets under management” refers to the assets we manage on which we derive management and / or incentive fees. Our fee-earning assets under management equal the sum of:

- (a) for our Blackstone Capital Partners (“BCP”) and Blackstone Real Estate Partners (“BREP”) funds where the investment period has not expired, the amount of capital commitments;
- (b) for our BCP and BREP funds where the investment period has expired, the remaining amount of invested capital;
- (c) for our real estate debt investment funds, the remaining amount of invested capital;
- (d) for our credit-oriented carry funds, the amount of invested capital (which may be calculated to include leverage) or net asset value;
- (e) the invested capital of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees;
- (f) the net asset value of our funds of hedge funds, hedge funds and our closed-end mutual funds;
- (g) the fair value of assets we manage pursuant to separately managed accounts; and
- (h) the gross amount of assets of our CLOs at cost.

Table of Contents

Our calculations of assets under management and fee-earning assets under management may differ from the calculations of other asset managers, and as a result this measure may not be comparable to similar measures presented by other asset managers. In addition, our calculation of assets under management includes commitments to, and the fair value of, invested capital in our funds from Blackstone and our personnel, regardless of whether such commitments or invested capital are subject to fees. Our definitions of assets under management or fee-earning assets under management are not based on any definition of assets under management or fee-earning assets under management that is set forth in the agreements governing the investment funds that we manage.

For our carry funds, total assets under management includes the fair value of the investments held, whereas fee-earning assets under management includes the amount of capital commitments or the remaining amount of invested capital at cost, depending on whether the investment period has or has not expired. As such, fee-earning assets under management may be greater than total assets under management when the aggregate fair value of the remaining investments is less than the cost of those investments.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Financial Condition (Unaudited)
(Dollars in Thousands, Except Unit Data)

	June 30, 2010	December 31, 2009
Assets		
Cash and Cash Equivalents	\$ 506,739	\$ 952,096
Cash Held by Blackstone Funds and Other (\$339,072)	390,176	86,084
Investments (\$7,516,622)	10,501,480	3,565,483
Accounts Receivable (\$120,781)	411,316	306,307
Due from Affiliates (\$36,229)	753,229	759,907
Intangible Assets, Net	860,634	919,477
Goodwill	1,703,602	1,703,602
Other Assets (\$58,348)	259,965	172,556
Deferred Tax Assets	1,086,168	943,512
Total Assets	\$16,473,309	\$ 9,409,024
Liabilities and Partners' Capital		
Loans Payable (\$5,696,085)	\$ 6,352,671	\$ 657,623
Due to Affiliates (\$265,128)	1,748,093	1,410,066
Accrued Compensation and Benefits	574,665	488,945
Accounts Payable, Accrued Expenses and Other Liabilities (\$273,143)	671,300	308,857
Total Liabilities	9,346,729	2,865,491
Commitments and Contingencies		
Redeemable Non-Controlling Interests in Consolidated Entities	542,487	526,311
Partners' Capital		
Partners' Capital (common units: 355,111,330 issued and outstanding as of June 30, 2010; 319,939,772 issued and outstanding as of December 31, 2009)	3,465,288	3,376,707
Appropriated Partners' Capital	373,731	—
Accumulated Other Comprehensive Income	1,610	2,420
Non-Controlling Interests in Consolidated Entities	608,010	540,283
Non-Controlling Interests in Blackstone Holdings	2,135,454	2,097,812
Total Partners' Capital	6,584,093	6,017,222
Total Liabilities and Partners' Capital	\$16,473,309	\$ 9,409,024

Asset and liability amounts in parentheses represent the portion of the June 30, 2010 consolidated balance attributable to Blackstone Fund entities which are variable interest or voting interest entities.

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in Thousands, Except Unit and Per Unit Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues				
Management and Advisory Fees	\$ 406,062	\$ 340,829	\$ 760,882	\$ 682,001
Performance Fees and Allocations				
Realized	51,750	4,810	105,799	5,456
Unrealized	(19,299)	66,361	112,480	(148,533)
Total Performance Fees and Allocations	32,451	71,171	218,279	(143,077)
Investment Income (Loss)				
Realized	10,225	1,346	15,951	1,277
Unrealized	95,043	(12,295)	244,263	(94,679)
Total Investment Income (Loss)	105,268	(10,949)	260,214	(93,402)
Interest and Dividend Revenue	6,952	2,294	15,847	4,421
Other	(645)	3,071	(3,895)	1,387
Total Revenues	550,088	406,416	1,251,327	451,330
Expenses				
Compensation and Benefits				
Base Compensation	967,711	962,082	1,892,661	1,882,295
Performance Fee Related				
Realized	22,879	(463)	30,620	1,726
Unrealized	(892)	(23,868)	53,708	(133,923)
Total Compensation and Benefits	989,698	937,751	1,976,989	1,750,098
General, Administrative and Other	121,183	112,276	227,562	217,876
Interest Expense	7,682	87	14,867	1,486
Fund Expenses	9,203	1,592	9,062	4,604
Total Expenses	1,127,766	1,051,706	2,228,480	1,974,064
Other Income (Loss)				
Net Gains (Losses) from Fund Investment Activities	(59,250)	58,304	112,554	23,541
Income (Loss) Before Provision for Taxes	(636,928)	(586,986)	(864,599)	(1,499,193)
Provision for Taxes	19,392	10,885	29,027	28,616
Net Income (Loss)	(656,320)	(597,871)	(893,626)	(1,527,809)
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(421)	37,638	23,548	40,234
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	(57,873)	3,959	78,093	(37,072)
Net Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(404,706)	(475,184)	(680,570)	(1,135,113)
Net Income (Loss) Attributable to The Blackstone Group L.P.	\$ (193,320)	\$ (164,284)	\$ (314,697)	\$ (395,858)
Net Loss Attributable to The Blackstone Group L.P. Per Common Unit — Basic and Diluted				
Common Units	\$ (0.55)		\$ (0.91)	
Common Units Entitled to Priority Distributions		\$ (0.60)		\$ (1.44)
Common Units Not Entitled to Priority Distributions		\$ (0.90)		\$ (2.04)
Weighted-Average Common Units Outstanding — Basic and Diluted				
Common Units	354,399,780		344,084,390	
Common Units Entitled to Priority Distributions		275,199,027		274,416,111
Common Units Not Entitled to Priority Distributions		385,796		1,003,238
Revenues Earned from Affiliates				
Management and Advisory Fees	\$ 37,347	\$ 25,181	\$ 76,114	\$ 45,465

See notes to condensed consolidated financial statements.

[Table of Contents](#)

THE BLACKSTONE GROUP L.P.
Condensed Consolidated Statement of Changes in Partners' Capital (Unaudited)
(Dollars in Thousands, Except Unit Data)

	Common Units	Partners' Capital	Appropriated Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interests in Consolidated Entities	Non- Controlling Interests in Blackstone Holdings	Total Partners' Capital	Redeemable Non- Controlling Interests in Consolidated Entities	Comprehensive Income (Loss)
Balance at December 31, 2009	319,939,772	\$3,376,707	\$ —	\$ 2,420	\$ 540,283	\$2,097,812	\$6,017,222	\$ 526,311	<u>\$ (2,387,985)</u>
Transition and Acquisition Adjustments Relating to Consolidation of CLO Entities	—	—	400,006	—	53	—	400,059	—	—
Net Income (Loss)	—	(314,697)	(17,189)	—	95,282	(680,570)	(917,174)	23,548	(893,626)
Currency Translation Adjustment	—	—	(9,086)	(810)	—	—	(9,896)	—	(9,896)
Net Unrealized Gain on Investment Activity	—	—	—	—	—	—	—	641	—
Reclassification of Capital Due to Non- Controlling Interest Holders	—	—	—	—	(60,197)	—	(60,197)	—	—
Capital Contributions	—	—	—	—	78,007	—	78,007	32,099	—
Capital Distributions	—	(134,512)	—	—	(28,743)	(244,782)	(408,037)	(42,577)	—
Transfer of Non- Controlling Interests in Consolidated Entities	—	—	—	—	(16,675)	16,675	—	—	—
Purchase of Interests from Certain Non- Controlling Interest Holders	—	(138)	—	—	—	—	(138)	—	—
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non- Controlling Interest Holders	—	25,211	—	—	—	—	25,211	—	—

Equity-Based Compensation	—	456,466	—	—	—	1,023,813	1,480,279	—	—
Relinquished in Deconsolidation of Partnership	—	—	—	—	—	—	—	2,465	—
Net Delivery of Vested Common Units	5,270,608	(20,045)	—	—	—	—	(20,045)	—	—
Repurchase of Common Units and Blackstone Holdings Partnership Units	(84,888)	(1,198)	—	—	—	—	(1,198)	—	—
Change in The Blackstone Group L.P.'s Ownership Interest	—	(5,393)	—	—	—	5,393	—	—	—
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	29,985,838	82,887	—	—	—	(82,887)	—	—	—
Balance at June 30, 2010	<u><u>355,111,330</u></u>	<u><u>\$3,465,288</u></u>	<u><u>\$ 373,731</u></u>	<u><u>\$ 1,610</u></u>	<u><u>\$ 608,010</u></u>	<u><u>\$2,135,454</u></u>	<u><u>\$6,584,093</u></u>	<u><u>\$ 542,487</u></u>	<u><u>\$ (3,291,507)</u></u>

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P. Condensed Consolidated Statements of Cash Flows (Unaudited) (Dollars in Thousands)

	For the Six Months Ended June 30,	
	2010	2009
Operating Activities		
Net Income (Loss)	\$ (893,626)	\$(1,527,809)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Blackstone Funds Related:		
Unrealized Depreciation (Appreciation) on Investments Allocable to Non-Controlling Interests in Consolidated Entities	(125,290)	39,431
Net Realized (Gains) Losses on Investments	(99,565)	91,559
Changes in Unrealized (Gains) Losses on Investments Allocable to Blackstone Group	(234,015)	92,976
Unrealized Depreciation on Hedge Activities	32,935	—
Non-Cash Performance Fees and Allocations	(92,215)	12,271
Non-Cash Performance Fee Related Compensation	84,328	(132,198)
Equity-Based Compensation Expense	1,466,979	1,500,566
Amortization of Intangibles	80,334	79,024
Other Non-Cash Amounts Included in Net Income	12,678	12,032
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Cash Held by Blackstone Funds and Other	(61,739)	836,410
Cash Relinquished with Deconsolidation of Partnership	2,465	—
Accounts Receivable	(45,883)	66,762
Due from Affiliates	(129,431)	500,106
Other Assets	(104,221)	72,459
Accrued Compensation and Benefits	2,167	(105,830)
Accounts Payable, Accrued Expenses and Other Liabilities	220,984	(906,952)
Due to Affiliates	(17,285)	(251,064)
Short Term Investments Purchased	(722,882)	—
Cash Proceeds from Sale of Investments	448,340	—
Blackstone Funds Related:		
Investments Purchased	(1,595,325)	(261,084)
Cash Proceeds from Sale of Investments	1,797,107	573,927
Net Cash Provided by Operating Activities	26,840	692,586
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(18,807)	(12,893)
Net Cash Paid for Acquisition of Management Contracts	(21,492)	—
Changes in Restricted Cash	26	1,399
Net Cash Used in Investing Activities	(40,273)	(11,494)
Financing Activities		
Distributions to Non-Controlling Interest Holders in Consolidated Entities	(71,320)	(45,373)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	89,938	99,049

continued...

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P. Condensed Consolidated Statements of Cash Flows (Unaudited)—(Continued) (Dollars in Thousands)

	For the Six Months Ended June 30,	
	2010	2009
Purchase of Interests from Certain Non-Controlling Interest Holders	\$ (140)	\$ (6,258)
Net Settlement of Vested Common Units and Repurchase of Common and Holdings Units	(21,243)	(56,142)
Proceeds from Loans Payable	3,312	1,218
Repayment of Loans Payable	(53,177)	(310,172)
Distributions to Unitholders	(379,294)	(82,572)
Net Cash Provided by (Used in) Financing Activities	(431,924)	(400,250)
Net Increase (Decrease) in Cash and Cash Equivalents	(445,357)	280,842
Cash and Cash Equivalents, Beginning of Period	952,096	503,737
Cash and Cash Equivalents, End of Period	<u>\$ 506,739</u>	<u>\$ 784,579</u>
Supplemental Disclosure of Cash Flows Information		
Payments for Interest	\$ 1,366	\$ 1,456
Payments for Income Taxes	\$ 42,813	\$ 27,726
Supplemental Disclosure of Non-Cash Financing Activities		
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	\$ 4,794	\$ 3,936
Net Assets Related to the Consolidation of CLO Vehicles	\$ 400,059	\$ —
Reclassification of Capital Due to Non-Controlling Interest Holders	\$ (60,197)	\$ —
Reduction of Due to Limited Partners Account to Fund Sidepocket Investment	\$ 1	\$ (5)
Contributions Related to Transfers by Affiliated Partners	\$ (1)	\$ 5
In-kind Redemption of Capital	\$ (14,862)	\$ (907)
In-kind Contribution of Capital	\$ 41,053	\$ 907
Transfer of Interests to Non-Controlling Interest Holders	\$ (16,675)	\$ 15,438
Change in The Blackstone Group L.P.'s Ownership Interest	\$ (5,393)	\$ —
Net Settlement of Vested Common Units	\$ 116,610	\$ 135,491
Conversion of Blackstone Holdings Units to Common Units	\$ 82,887	\$ 11,306
Exchange of Founders' and Non-Controlling Interest Holders' Interests in Blackstone Holdings:		
Deferred Tax Asset	\$ (145,080)	\$ (15,674)
Due to Affiliates	\$ 119,869	\$ 13,323
Partners' Capital	\$ 25,211	\$ 2,351

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.**Notes to Condensed Consolidated Financial Statements****(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)****1. ORGANIZATION**

The Blackstone Group L.P., together with its subsidiaries, (“Blackstone” or the “Partnership”) is a leading global manager of private capital and provider of financial advisory services. The alternative asset management business includes the management of private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, separately managed accounts and publicly traded closed-end mutual funds (collectively referred to as the “Blackstone Funds”). Blackstone also provides various financial advisory services, including financial advisory, restructuring and reorganization advisory and fund placement services. Blackstone’s business is organized into four segments: private equity; real estate; credit and marketable alternatives; and financial advisory.

The Partnership was formed as a Delaware limited partnership on March 12, 2007. The Partnership is managed and operated by its general partner, Blackstone Group Management L.L.C., which is in turn wholly-owned and controlled by one of Blackstone’s founders, Stephen A. Schwarzman (the “Founder”), and Blackstone’s other senior managing directors.

The activities of the Partnership are conducted through its holding partnerships: Blackstone Holdings I L.P.; Blackstone Holdings II L.P.; Blackstone Holdings III L.P. and Blackstone Holdings IV L.P. (collectively, “Blackstone Holdings”, “Blackstone Holdings Partnerships” or the “Holding Partnerships”). On June 18, 2007, in preparation for an initial public offering (“IPO”), the predecessor owners (“Predecessor Owners”) of the Blackstone business completed a reorganization (the “Reorganization”) whereby, with certain limited exceptions, the operating entities of the predecessor organization and the intellectual property rights associated with the Blackstone name were contributed (“Contributed Businesses”) to five holding partnerships (Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. and Blackstone Holdings V L.P.) either directly or indirectly via a sale to certain wholly-owned subsidiaries of the Partnership and then a contribution to the Holding Partnerships. The Partnership, through its wholly-owned subsidiaries, is the sole general partner in each of these Holding Partnerships. The reorganization was accounted for as an exchange of entities under common control for the component of interests contributed by the Founders and the other senior managing directors (collectively, the “Control Group”) and as an acquisition of non-controlling interests using the purchase method of accounting for all the predecessor owners other than the Control Group.

On January 1, 2009, the number of Holding Partnerships was reduced from five to four through the transfer of assets and liabilities of Blackstone Holdings III L.P. to Blackstone Holdings IV L.P. In connection therewith, Blackstone Holdings IV L.P. was renamed Blackstone Holdings III L.P. and Blackstone Holdings V L.P. was renamed Blackstone Holdings IV L.P. Blackstone Holdings refers to the five holding partnerships prior to the January 2009 reorganization and the four holding partnerships subsequent to the January 2009 reorganization.

Holders of the limited partner interests in the four Holding Partnerships may, up to four times each year, exchange their limited partnership interests (“Partnership Units”) for Blackstone Common Units, on a one-to-one basis, exchanging one Partnership Unit in each of the four Holding Partnerships for one Blackstone Common Unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The condensed consolidated financial statements include the accounts of the Partnership, its wholly-owned or majority-owned subsidiaries, the consolidated entities which are considered to be variable interest entities and for which the Partnership is considered the primary beneficiary, and certain partnerships or similar entities which are not considered variable interest entities but in which the Partnership has a controlling financial interest.

All intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation as follows:

- Beginning in 2010, Blackstone elected to separately present performance fee related unrealized and realized compensation expense as an Adjustment to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities in the Condensed Consolidated Statements of Cash Flows. Previously, amounts were included in Cash Flows Due to Changes in Operating Assets and Liabilities within Due to Affiliates, Due from Affiliates and/or Accrued Compensation and Benefits. The reclassification has no impact on Net Cash Provided by Operating Activities.

Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner is presumed to have control. Although the Partnership has a non-controlling interest in the Blackstone Holdings Partnerships, the limited partners do not have the right to dissolve the partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by the Partnership. Accordingly, the Partnership consolidates Blackstone Holdings and records non-controlling interests to reflect the economic interests of the limited partners of Blackstone Holdings.

In addition, the Partnership consolidates all variable interest entities ("VIE") in which it is the primary beneficiary. An enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's business and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The revised consolidation rules require an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a variable interest entity and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Where the variable interest entities have qualified for the deferral of the revised consolidation rules as discussed in "Recent Accounting Developments", the analysis is based on previous consolidation rules. These rules require an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a variable interest entity and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would be expected to absorb a majority of the variability of the entity. Under both guidelines, the Partnership determines whether it is the primary beneficiary of a VIE at the

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

time it becomes involved with a variable interest entity and reconsiders that conclusion continuously. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly by the Partnership or indirectly through employees. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Funds could affect an entity's status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

Blackstone's other disclosures regarding VIEs are discussed in Note 9. "Variable Interest Entities".

Fair Value of Financial Instruments

GAAP establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

- Level I — Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I include listed equities and listed derivatives. The Partnership does not adjust the quoted price for these investments, even in situations where Blackstone holds a large position and a sale could reasonably impact the quoted price.
- Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives where the fair value is based on observable inputs, and certain fund of hedge funds investments in which Blackstone has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.
- Level III — Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include general and limited partnership interests in private equity and real estate funds, credit-oriented funds, distressed debt and non-investment grade residual interests in securitizations, collateralized loan obligations, certain over the counter derivatives where the fair value is based on unobservable inputs and certain funds of hedge funds which use net asset value per share to determine fair value in which Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date. Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date if an investee fund manager has the ability to limit the amount of redemptions, and/or the ability to side-pocket investments, irrespective of whether such ability has been exercised.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments.

In the absence of observable market prices, Blackstone values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist; management's determination of fair value is then based on the best information available in the circumstances, and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private investments in the equity of operating companies, real estate properties or certain funds of hedge funds. The valuation technique for each of these investments is described below:

Private Equity Investments — The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), the discounted cash flow method, public market or private transactions, valuations for comparable companies and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Private equity investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value.

Real Estate Investments — The fair values of real estate investments are determined by considering projected operating cash flows, sales of comparable assets, if any, and replacement costs among other measures. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rates ("cap rates") analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or assets (e.g., multiplying a key performance metric of the investee company or asset, such as EBITDA, by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Additionally, where applicable, projected distributable cash flow through debt maturity will also be considered in support of the investment's carrying value.

Funds of Hedge Funds — Blackstone Funds' direct investments in funds of hedge funds ("Investee Funds") are valued at net asset value ("NAV") per share of the Investee Fund. If the Partnership determines, based on its own due diligence and investment procedures, that NAV per share does not represent fair value, the Partnership will estimate the fair value in good faith and in a manner that it reasonably chooses, in accordance with its valuation policies.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Credit-Oriented Investments — The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In some instances, Blackstone may utilize other valuation techniques, including the discounted cash flow method.

Investments, at Fair Value

The Blackstone Funds are accounted for as investment companies under the AICPA Audit and Accounting Guide, *Investment Companies*, and reflect their investments, including majority-owned and controlled investments (the “Portfolio Companies”), at fair value. Blackstone has retained the specialized accounting for the consolidated Blackstone Funds. Thus, such consolidated funds’ investments are reflected in Investments on the Condensed Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations. Fair value is the amount that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Blackstone’s principal investments are presented at fair value with unrealized appreciation or depreciation and realized gains and losses recognized in the Condensed Consolidated Statements of Operations within Investment Income (Loss).

For certain instruments, the Partnership has elected the fair value option. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. The Partnership has applied the fair value option for certain loans and receivables and certain investments in private debt and equity securities, that otherwise would not have been carried at fair value with gains and losses recorded in net income, to consistently account for principal investments held by the Partnership. Loans extended to third parties are recorded within Accounts Receivable within the Condensed Consolidated Statements of Financial Condition. Debt and equity securities for which the fair value option has been elected are recorded within Investments. The methodology for measuring the fair value of such investments is consistent with the methodology applied to private equity, real estate, credit-oriented and funds of hedge funds investments. Changes in the fair value of such instruments are recognized in Investment Income (Loss) in the Condensed Consolidated Statements of Operations. Interest income on interest bearing loans and receivables and debt securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest and Dividend Revenue.

In addition, the Partnership has elected the fair value option for the assets and liabilities of certain collateralized loan obligations (“CLO”) vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of revised variable interest entity consolidation rules. The Partnership has also elected the fair value option for CLO vehicles consolidated as of April 1, 2010 as a result of the acquisitions of CLO management contracts as described in Note 3. “Acquisitions, Goodwill and Intangibles.” The transition adjustment resulting from the difference between the fair value of assets and liabilities for each of these events is presented within the Condensed Consolidated Statement of Changes in Partners’ Capital as Appropriated Partners’ Capital. Assets of the consolidated CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption are presented within Net Gains (Losses) from Fund Investment Activities and are attributable to Non-Controlling Interests in Consolidated Entities in the Condensed Consolidated Statements of Operations.

THE BLACKSTONE GROUP L.P.**Notes to Condensed Consolidated Financial Statements—(Continued)**
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Further disclosure on instruments for which the fair value option has been elected is presented in Note 7. “Fair Value Option” to the Condensed Consolidated Financial Statements.

Security and loan transactions are recorded on a trade date basis.

Equity Method Investments

Investments where the Partnership is deemed to exert significant influence, but not control, are accounted for using the equity method of accounting. Under the equity method of accounting, the Partnership’s share of earnings (losses) from equity method investments is included in Investment Income (Loss) in the Condensed Consolidated Statements of Operations. The carrying amounts of equity method investments are reflected in Investments in the Condensed Consolidated Statements of Financial Condition. As the underlying investments of the Partnership’s equity method investments are reported at fair value, the carrying value of the Partnership’s equity method investments are at fair value.

Derivative Instruments

The Partnership recognizes all derivatives as assets or liabilities on its Condensed Consolidated Statements of Financial Condition at fair value. On the date the Partnership enters into a derivative contract, it designates and documents each derivative contract as one of the following: (a) a hedge of a recognized asset or liability (“fair value hedge”), (b) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”); (c) a hedge of a net investment in a foreign operation; or (d) a derivative instrument not designated as a hedging instrument (“free standing derivative”). For a fair value hedge, Blackstone records changes in the fair value of the derivative and, to the extent that it is highly effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk, in current period earnings in the same caption in the Condensed Consolidated Statements of Operations as the hedged item. Changes in the fair value of derivatives designated as hedging instruments caused by factors other than changes in the risk being hedged, which are excluded from the assessment of hedge effectiveness, are recognized in current period earnings. For free standing derivative contracts, the Partnership presents changes in fair value in current period earnings.

The Partnership formally documents at inception its hedge relationships, including identification of the hedging instruments and the hedged items, its risk management objectives, strategy for undertaking the hedge transaction and the Partnership’s evaluation of effectiveness of its hedged transaction. On a monthly basis, the Partnership also formally assesses whether the derivative it designated in each hedging relationship is expected to be, and has been, highly effective in offsetting changes in estimated fair values or cash flows of the hedged items using either the regression analysis or the dollar offset method. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued.

Blackstone’s other disclosures regarding derivative financial instruments are discussed in Note 6. “Derivative Financial Instruments”.

Cash Distribution Policy

Blackstone’s current intention is to distribute to its common unitholders substantially all of The Blackstone Group L.P.’s net after-tax share of annual Distributable Earnings in excess of amounts determined by Blackstone’s general partner to be necessary or appropriate to provide for the conduct of the Partnership’s business, to make appropriate investments in the business and funds, to comply with applicable law, any of Blackstone’s debt instruments or other agreements, or to provide for future distributions to Blackstone’s common unitholders for any ensuing quarter. Because Blackstone will not know what Distributable Earnings will be for

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

any fiscal year until the end of such year, the Partnership expects that the first three quarterly distributions in respect of any given year will be based on the anticipated annualized Net Fee Related Earnings only. As such, the distribution for the first three quarters will likely be smaller than the final quarterly distribution in respect of such year. Blackstone expects to also reflect realized Performance Fees and Allocations net of related compensation and realized net investment income in its determination of the amount of the fourth quarter distribution.

In most years the aggregate amounts of distributions to unitholders will not equal Distributable Earnings for that year. Distributable Earnings will only be a starting point for the determination of the amount to be distributed to unitholders because as noted above, in determining the amount to be distributed Blackstone will subtract from Distributable Earnings any amounts determined by its general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future distributions to its unitholders for any ensuing quarter.

All of the foregoing is subject to the qualification that the declaration and payment of any distributions are at the sole discretion of the general partner and the general partner may change the distribution policy at any time.

Because The Blackstone Group L.P. is a holding partnership and has no material assets other than its ownership of partnership units in Blackstone Holdings held through wholly-owned subsidiaries, distributions by The Blackstone Group L.P., if any, are funded in three steps:

- First, Blackstone Holdings makes distributions to partners, including The Blackstone Group L.P.'s wholly-owned subsidiaries. If Blackstone Holdings makes such distributions, the limited partners of Blackstone Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Blackstone Holdings (except as set forth in the following paragraph);
- Second, The Blackstone Group L.P.'s wholly-owned subsidiaries distribute to The Blackstone Group L.P. the share of such distributions, net of the taxes and amounts under the tax receivable agreement by such wholly-owned subsidiaries; and
- Third, The Blackstone Group L.P. distributes the net share of such distributions to the common unitholders on a pro rata basis.

As a result of the expiration on December 31, 2009 of the distribution priority previously accorded to holders of Blackstone common units, the Partnership no longer has two classes of equity. The calculation of net loss per common unit is presented using one class of equity for the period ended June 30, 2010, as shown in Note 12. "Net Loss Per Common Unit."

Because the wholly-owned subsidiaries of The Blackstone Group L.P. must pay taxes and make payments under the tax receivable agreements described in Note 14. "Related Party Transactions", the amounts ultimately distributed by The Blackstone Group L.P. to common unitholders in respect of fiscal 2010 and subsequent years are expected to be different, and likely less, on a per unit basis, than the amounts distributed by the Blackstone Holdings partnerships to the Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships in respect of their Blackstone Holdings partnership units.

In addition, the partnership agreements of the Blackstone Holdings partnerships provide for cash distributions, which are referred to as "tax distributions," to the partners of such partnerships if the wholly-owned subsidiaries of The Blackstone Group L.P. which are the general partners of the Blackstone Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for the partners. Generally, these tax distributions will be computed based on the Partnership's estimate of the net

THE BLACKSTONE GROUP L.P.**Notes to Condensed Consolidated Financial Statements—(Continued)**
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of the Partnership's income). The Blackstone Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such estimated assumed tax liabilities.

Recent Accounting Developments

On January 1, 2010, the Partnership adopted guidance issued by the Financial Accounting Standards Board ("FASB") on issues related to variable interest entities ("VIEs"). The amendments significantly affect the overall consolidation analysis, changing the approach taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The guidance requires continuous assessment of the reporting entity's involvement with such VIEs. The revised guidance also enhances the disclosure requirements for a reporting entity's involvement with VIEs, including presentation on the Condensed Consolidated Statements of Financial Condition of assets and liabilities of consolidated VIEs which meet the separate presentation criteria and disclosure of assets and liabilities recognized in the Condensed Consolidated Statements of Financial Condition and the maximum exposure to loss for those VIEs in which a reporting entity is determined to not be the primary beneficiary but in which it has a variable interest. The guidance provides a limited scope deferral for a reporting entity's interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, *Investment Companies*, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, *Investment Companies*, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on variable interest entities. Blackstone's involvement with its funds is such that all three of the above conditions are met with the exception of certain CLO vehicles which fail condition (c) above and certain funds in which leveraged employee interests in dedicated funds are financed by third parties with Blackstone acting as an intermediary which fail condition (b) above. Such employee funds are currently consolidated as it is concluded that Blackstone is the primary beneficiary based on its implicit interest. The incremental impact of the revised consolidation rules has resulted in the consolidation of certain CLO vehicles managed by Blackstone. Additional disclosures relating to Blackstone's involvement with VIEs are presented in Note 9. "Variable Interest Entities" of the Partnership's financial statements.

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. The guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level III fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Partnership adopted the guidance, excluding the reconciliation of Level III activity, with the issuance of its March 31, 2010 financial statements. As the guidance is limited to enhanced disclosures, adoption did not have a material impact on the Partnership's financial statements.

In April 2010, the FASB issued guidance on the accounting for stock awards to employees of a foreign operation or employees whose pay is denominated in a currency other than the one in which the equity security trades. The guidance clarifies that share-based payment awards with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trade shall not be considered to contain a condition that is not a market, performance, or service condition. Such an award shall not be classified as a liability if it otherwise qualifies for equity classification. The guidance is effective for fiscal years and interim periods ending after December 15, 2010. Blackstone makes share-based payment awards to employees in foreign operations. The guidance is not expected to have a material impact on the Partnership's financial statements.

3. ACQUISITION, GOODWILL AND INTANGIBLE ASSETS

Acquisition

On April 1, 2010, the Partnership, through GSO Capital Partners LP, completed the acquisition of management agreements relating to eight collateralized debt obligations ("CDO") and CLO vehicles previously managed by Callidus Capital Management LLC for a total consideration of \$21.5 million. The assets acquired are finite-lived contractual rights.

Pursuant to GAAP consolidation rules, the Partnership has been identified as the primary beneficiary in the CDO and CLO vehicles underlying the acquired management agreements. As a result, the CDO and CLO vehicles have been consolidated in the Partnership's financial statements from April 1, 2010. The results of the acquired CDO and CLO vehicles from the date of acquisition have been included in the Condensed Consolidated Statements of Operations within Net Gain (Losses) from Fund Investment Activities and Fund Expenses, as applicable.

Goodwill and Intangible Assets

The carrying value of goodwill was \$1.7 billion as of June 30, 2010 and December 31, 2009. No indicators of impairment have been identified during the six months ended June 30, 2010.

Total goodwill has been allocated to each of the Partnership's segments as follows: Private Equity (\$694.5 million), Real Estate (\$421.7 million), Credit and Marketable Alternatives (\$518.5 million) and Financial Advisory (\$68.9 million).

Intangible Assets, Net consists of the following:

	June 30, 2010	December 31, 2009
Finite-Lived Intangible Assets / Contractual Rights	\$1,348,370	\$1,348,370
Contractual Rights Acquired	21,491	—
Accumulated Amortization	(509,227)	(428,893)
Intangible Assets, Net	<u>\$ 860,634</u>	<u>\$ 919,477</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Amortization expense associated with Blackstone's intangible assets was \$40.8 million and \$80.3 million for the three and six month periods ended June 30, 2010, respectively, and \$39.5 million and \$79.0 million for the three and six month periods ended June 30, 2009, respectively. Amortization expense is included within General, Administrative and Other in the accompanying Condensed Consolidated Statements of Operations.

Amortization of Intangible Assets held at June 30, 2010 is expected to be \$162.0 million for the years ending December 31, 2010 and \$163.3 million, \$108.5 million, \$56.9 million, and \$52.1 million for each of the years ending December 31, 2011, 2012, 2013, and 2014, respectively.

4. INVESTMENTS

Investments

Investments consists of the following:

	June 30, 2010	December 31, 2009
Investments of Consolidated Blackstone Funds	\$ 7,516,622	\$ 1,306,445
Equity Method Investments	1,431,441	1,104,701
High Grade Liquid Debt Strategies	843,692	534,777
Performance Fees and Allocations	680,317	554,463
Other Investments	29,408	65,097
	<u>\$ 10,501,480</u>	<u>\$ 3,565,483</u>

Blackstone's share of Investments of Consolidated Blackstone Funds totaled \$376.1 million and \$407.1 million at June 30, 2010 and December 31, 2009, respectively.

At June 30, 2010 and December 31, 2009, consideration was given as to whether any individual investment, including derivative instruments, had a fair value which exceeded 5% of Blackstone's net assets. At June 30, 2010 and December 31, 2009, no investments exceeded the 5% threshold.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Investments of Consolidated Blackstone Funds

The following table presents a condensed summary of the investments held by the consolidated Blackstone Funds that are reported at fair value. These investments are presented as a percentage of Investments of Consolidated Blackstone Funds:

Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
United States and Canada				
Investment Funds, principally related to credit and marketable alternatives				
Credit Driven	\$ 216,497	\$ 277,388	2.9%	21.3%
Diversified Investments	264,938	300,907	3.5%	23.1%
Equity	82,204	80,956	1.1%	6.2%
Event-Driven	117,120	95,760	1.6%	7.4%
Other	—	408	—	—
Investment Funds Total (Cost: 2010 — \$713,026; 2009 — \$819,638)	680,759	755,419	9.1%	58.0%
Equity Securities, principally related to credit and marketable alternatives and private equity funds				
Manufacturing	33,584	21,491	0.5%	1.7%
Services	97,018	86,600	1.3%	6.7%
Natural Resources	974	649	—	—
Real Estate Assets	711	462	—	—
Equity Securities Total (Cost: 2010 — \$97,867; 2009 — \$112,364)	132,287	109,202	1.8%	8.4%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Real Estate Assets	176,399	149,523	2.4%	11.5%
Services	121,727	87,406	1.6%	6.7%
Manufacturing	33,632	25,691	0.4%	2.0%
Natural Resources	1,200	357	—	—
Partnership and LLC Interests Total (Cost: 2010 — \$440,306; 2009 — \$426,678)	332,958	262,977	4.4%	20.2%
Debt Instruments, principally related to credit and marketable alternatives				
Credit Driven	28,262	29,330	0.4%	2.2%
Manufacturing	31,193	3,203	0.4%	0.2%
Services	47,792	7,837	0.6%	0.6%
Real Estate Assets	3,278	2,458	—	0.2%
Natural Resources	956	—	—	—
Debt Instruments Total (Cost: 2010 — \$109,424; 2009 — \$37,983)	111,481	42,828	1.4%	3.2%
Assets of Consolidated CLO Vehicles				
Corporate Loans	5,111,474	—	68.0%	—
Corporate Bonds	96,197	—	1.3%	—
Other	1,733	—	—	—
Assets of Consolidated CLO Vehicles Total (Cost: 2010 — \$5,296,131; 2009 — \$ —)	5,209,404	—	69.3%	—
United States and Canada Total (Cost: 2010 — \$6,656,755; 2009 — \$1,396,663)	6,466,889	1,170,426	86.0%	89.8%

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Europe				
Equity Securities, principally related to private equity funds				
Manufacturing	\$ 3,180	\$ 2,681	—	0.2%
Real Estate Assets	1,004	365	—	—
Services	28,393	31,711	0.4%	2.4%
Equity Securities Total (Cost: 2010 — \$40,619; 2009 — \$40,353)	32,577	34,757	0.4%	2.6%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Services	32,401	29,270	0.5%	2.2%
Real Estate Assets	9,976	10,741	0.1%	0.8%
Partnership and LLC Interests Total (Cost: 2010 — \$48,411; 2009 — \$48,334)	42,377	40,011	0.6%	3.0%
Debt Instruments, principally related to credit and marketable alternatives				
Manufacturing	527	544	—	—
Services	1,283	1,259	—	0.1%
Debt Instruments Total (Cost: 2010 — \$1,577; 2009 — \$1,623)	1,810	1,803	—	0.1%
Assets of Consolidated CLO Vehicles				
Corporate Loans	887,532	—	11.8%	—
Corporate Bonds	19,371	—	0.3%	—
Other	7,860	—	0.1%	—
Assets of Consolidated CLO Vehicles Total (Cost: 2010 — \$993,821; 2009 — \$—)	914,763	—	12.2%	—
Europe Total (Cost: 2010 — \$1,084,428; 2009 — \$90,310)	991,527	76,571	13.2%	5.7%
Asia				
Equity Securities, principally related to credit and marketable alternatives and private equity funds				
Services	11,510	8,031	0.2%	0.6%
Manufacturing	10,002	10,501	0.1%	0.8%
Real Estate Assets	269	—	—	—
Diversified Investments	2,875	6,262	—	0.5%
Equity Securities Total (Cost: 2010 — \$22,038; 2009 — \$20,794)	24,656	24,794	0.3%	1.9%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Manufacturing	1,343	1,183	—	0.1%
Real Estate Assets	458	457	—	—
Services	98	82	—	—
Partnership and LLC Interests Total (Cost: 2010 — \$1,666; 2009 — \$1,833)	1,899	1,722	—	0.1%
Debt Instruments, principally related to private equity funds (Cost: 2010 — \$112; 2009 — \$114)	95	111	—	—
Asia Total (Cost: 2010 — \$23,816; 2009 — \$22,741)	26,650	26,627	0.3%	2.0%

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Other				
Equity Securities, principally related to private equity funds				
Natural Resources	\$ 1,872	\$ 1,583	—	0.1%
Services	3,013	4,560	0.1%	0.3%
Equity Securities Total (Cost: 2010 — \$3,010; 2009 — \$2,777)	4,885	6,143	0.1%	0.4%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Natural Resources	26,586	26,586	0.4%	2.0%
Services	85	92	—	—
Partnership and LLC Interests Total (Cost: 2010 — \$9,244; 2009 — \$9,249)	26,671	26,678	0.4%	2.0%
Other Total (Cost: 2010 — \$12,254; 2009 — \$12,026)	31,556	32,821	0.5%	2.5%
Total Investments of Consolidated Blackstone Funds (Cost: 2010 — \$7,777,253; 2009 — \$1,521,740)	<u>\$7,516,622</u>	<u>\$1,306,445</u>	<u>100.0%</u>	<u>100.0%</u>

Net Gains (Losses) from Fund Investment Activities on the Condensed Consolidated Statements of Operations include net realized gains (losses) from realizations and sales of investments and the net change in unrealized gains (losses) resulting from changes in the fair value of the consolidated Blackstone Funds' investments. The following table presents the realized and net change in unrealized gains (losses) on investments held by the consolidated Blackstone Funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Realized Gains (Losses)	\$ 3,087	\$(44,055)	\$(20,437)	\$(104,408)
Net Change in Unrealized Gains (Losses)	(93,162)	92,624	91,522	96,877
	<u>\$(90,075)</u>	<u>\$ 48,569</u>	<u>\$ 71,085</u>	<u>\$ (7,531)</u>

The following reconciles the Realized and Net Change in Unrealized Gains (Losses) from Blackstone Funds presented above to Other Income (Loss) — Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Realized and Net Change in Unrealized Gains (Losses) from Blackstone Funds	\$(90,075)	\$48,569	\$ 71,085	\$(7,531)
Reclassification to Investment Income (Loss) and Other Attributable to Blackstone Side-by-Side Investment Vehicles	17,453	(1,945)	—	14,872
Interest and Dividend Revenue Attributable to Consolidated Blackstone Funds	27,793	4,305	41,469	16,200
Investment Income Attributable to Non-Controlling Interest Holders	(14,421)	7,375	—	—
Other Income — Net Gains (Losses) from Fund Investment Activities	<u>\$(59,250)</u>	<u>\$58,304</u>	<u>\$112,554</u>	<u>\$23,541</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Equity Method Investments

The Partnership recognized net gains (losses) related to its equity method investments of \$227.4 million and \$(102.1) million for the six months ended June 30, 2010 and 2009, respectively.

Blackstone's equity method investments include its investments in private equity funds, real estate funds, funds of hedge funds and credit-oriented funds, which are not consolidated but in which the Partnership exerts significant influence. As of June 30, 2010 and December 31, 2009, no single equity method investment held by Blackstone exceeded 20% of its total consolidated assets. As such, Blackstone is not required to present separate financial statements for any of its equity method investees.

The summarized financial information of the funds in which the Partnership has an equity method investment is as follows:

	As of June 30, 2010 and the Six Months Then Ended			
	Private Equity	Real Estate	Credit and Marketable Alternatives	Total
Statement of Financial Condition				
Assets				
Investments	\$21,738,952	\$11,903,159	\$16,251,121	\$49,893,232
Other Assets	298,644	841,254	2,860,398	4,000,296
Total Assets	<u>\$22,037,596</u>	<u>\$12,744,413</u>	<u>\$19,111,519</u>	<u>\$53,893,528</u>
Liabilities and Partners' Capital				
Debt	\$ 478,757	\$ 262,072	\$ 1,098,230	\$ 1,839,059
Other Liabilities	73,872	170,995	2,087,257	2,332,124
Total Liabilities	552,629	433,067	3,185,487	4,171,183
Partners' Capital	21,484,967	12,311,346	15,926,032	49,722,345
Total Liabilities and Partners' Capital	<u>\$22,037,596</u>	<u>\$12,744,413</u>	<u>\$19,111,519</u>	<u>\$53,893,528</u>
Statement of Income				
Interest Income	\$ 9	\$ 16,262	\$ 219,444	\$ 235,715
Other Income	172,193	57,989	19,609	249,791
Interest Expense	(5,494)	(2,833)	(22,839)	(31,166)
Other Expenses	(12,685)	(33,920)	(68,531)	(115,136)
Net Realized and Unrealized Gain from Investments	3,321,159	3,156,765	402,878	6,880,802
Net Income	<u>\$ 3,475,182</u>	<u>\$ 3,194,263</u>	<u>\$ 550,561</u>	<u>\$ 7,220,006</u>

High Grade Liquid Debt Strategies

High Grade Liquid Debt Strategies represents the Partnership's liquid investments in government and other investment grade securities, managed by third-party institutions. The Partnership has managed its credit risk through diversification of its investments among major financial institutions, all of which have investment grade ratings.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

During the three and six months ended June 30, 2010, the Partnership recognized realized gains (losses) of \$0.3 million and \$1.7 million, respectively, and net change in unrealized gains (losses) of \$3.8 million and \$6.6 million, respectively. There were no realized gains (losses) or net change in unrealized gains (losses) for the three and six months ended June 30, 2009.

Performance Fees and Allocations

Performance Fees and Allocations to the general partner in respect of performance of certain Carry Funds, funds of hedge funds and credit-oriented funds were as follows:

	June 30, 2010	December 31, 2009
Performance Fees and Allocations		
Private Equity	\$472,600	\$ 425,615
Real Estate	33,010	7,900
Credit and Marketable Alternatives	174,707	120,948
	<u>\$680,317</u>	<u>\$ 554,463</u>

Other Investments

Other Investments consist primarily of investment securities held by Blackstone for its own account. The following table presents Blackstone's realized and net change in unrealized gains (losses) in other investments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Realized Gains (Losses)	\$ (237)	\$ 12	\$ 942	\$(1,654)
Net Change in Unrealized Gains (Losses)	457	1,482	927	1,623
	<u>\$ 220</u>	<u>\$ 1,494</u>	<u>\$1,869</u>	<u>\$ (31)</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

5. NET ASSET VALUE AS FAIR VALUE

Certain of the consolidated Blackstone funds of hedge funds and credit-oriented funds measure their investments in underlying funds at fair value using NAV per share without adjustment. The terms of the investee's investment generally provide for minimum holding periods or lock-ups, the institution of gates on redemptions or the suspension of redemptions or an ability to side-pocket investments, at the discretion of the investee's fund manager, and as a result, investments may not be redeemable at, or within three months of, the reporting date. A side pocket is used by hedge funds and funds of hedge funds to separate investments that may lack a readily ascertainable value, are illiquid or are subject to liquidity restriction. Redemptions are generally not permitted until the investments within a side pocket are liquidated or it is deemed that the conditions existing at the time that required the investment to be included in the side pocket no longer exist. As the timing of either of these events is uncertain, the timing at which the Partnership may redeem an investment held in a side pocket cannot be estimated. A summary of fair value by strategy type alongside the consolidated funds of hedge funds' remaining unfunded commitments and ability to redeem such investments as of June 30, 2010 is presented below.

<u>Strategy</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Diversified Instruments	\$264,938	\$ 10,616	(a)	(a)
Credit Driven	216,497	29,558	(b)	(b)
Event Driven	117,120	—	(c)	(c)
Equity	82,204	—	(d)	(d)
	<u>\$680,759</u>	<u>\$ 40,174</u>		

- (a) Diversified Instruments includes investments in hedge funds that invest across multiple strategies. Investments representing 98% of the value of the investments in this category are subject to redemption restrictions at the discretion of the investee fund manager who may choose (but may not have exercised such ability) to side-pocket such investments. As of the reporting date, the investee fund manager had elected to side-pocket 15% of Blackstone's investments. The time at which this redemption restriction may lapse cannot be estimated. The remaining 2% of investments within this category represent investments in hedge funds that are in the process of liquidating. Distributions from these funds will be received as underlying investments are liquidated.
- (b) The Credit Driven category includes investments in hedge funds that invest primarily in domestic and international bonds. Investments representing 48% of the value of the investments in this category may not be redeemed at, or within three months of, the reporting date. Investments representing 34% of the value in the credit driven category are subject to redemption restrictions at the discretion of the investee fund manager who may choose (but may not have exercised such ability) to side-pocket such investments. As of the reporting date, the investee fund manager had elected to side-pocket 1% of Blackstone's investments. Investments representing 17% of the value within this category represents an investment in a fund of hedge funds that is in the process of liquidation. Distributions from this fund will be received as underlying investments are liquidated. The remaining 1% of investments within this category are redeemable as of the reporting date.
- (c) Included within the Event Driven category are investments in hedge funds whose primary investing strategy is to identify certain event-driven investments. Withdrawals are not permitted in this category. Distributions will be received as the underlying investments are liquidated.
- (d) The Equity category includes investments in hedge funds that invest primarily in domestic and international equity securities. Investments representing 42% of the total value of investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 58% are subject to redemption restrictions at the discretion of the investee fund manager who may choose (but may not have elected such ability) to side-pocket such investments. As of the reporting date, the investee fund manager had not elected to side-pocket Blackstone's investments.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued) (All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

6. DERIVATIVE FINANCIAL INSTRUMENTS

Blackstone enters into derivative contracts in order to hedge its interest rate risk exposure against the effects of interest rate changes. Additionally, Blackstone and the Blackstone Funds enter into derivative contracts in the normal course of business to achieve certain other risk management objectives and for general investment purposes. As a result of the use of derivative contracts, Blackstone and the consolidated Blackstone Funds are exposed to the risk that counterparties will fail to fulfill their contractual obligations. To mitigate such counterparty risk, Blackstone and the consolidated Blackstone Funds enter into contracts with certain major financial institutions, all of which have investment grade ratings. Counterparty credit risk is evaluated in determining the fair value of derivative instruments.

Fair Value Hedges

The Partnership uses interest rate swaps to hedge all or a portion of the interest rate risk associated with its fixed rate borrowings. The Partnership has designated these financial instruments as fair value hedges. Changes in fair value of the derivative and, to the extent that it is highly effective, changes in the fair value of the hedged liability, are recorded within General, Administrative and Other in the Condensed Consolidated Statements of Operations. The fair value of the derivative instrument is reflected within Other Assets in the Condensed Consolidated Statements of Financial Condition.

Free Standing Derivatives

Free standing derivatives are instruments that Blackstone and certain of the consolidated Blackstone Funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include foreign exchange contracts, equity swaps, options and other derivative contracts. Changes in the fair value of derivative instruments held by consolidated Blackstone Funds are reflected in Net Gains (Losses) from Funds Investment Activities or, where derivative instruments are held by the Partnership, within Investment Income (Loss), in the Condensed Consolidated Statements of Operations. The fair value of free standing derivative assets are recorded within Investments and free standing derivative liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

The table below summarizes the aggregate notional amount and fair value of the derivative financial instruments.

	June 30, 2010				December 31, 2009			
	Assets		Liabilities		Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Fair Value Hedges								
Interest Rate Swaps	\$450,000	\$35,451	\$ —	\$ —	\$ —	\$—	\$450,000	\$ 19
Free Standing Derivatives								
Free Standing Derivatives	—	—	213,621	2,015	2,039	653	656	4
Total	<u>\$450,000</u>	<u>\$35,451</u>	<u>\$213,621</u>	<u>\$2,015</u>	<u>\$2,039</u>	<u>\$653</u>	<u>\$450,656</u>	<u>\$ 23</u>

Where hedge accounting is applied, hedge effectiveness testing is performed at least monthly to monitor ongoing effectiveness of the hedge relationships. During the three and six months ended June 30, 2010, the amount of ineffectiveness related to the interest rate swap hedges was a gain of \$3.7 million and \$4.6 million, respectively. During the three and six months ended June 30, 2010, the portion of hedging instruments' gain or

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

loss excluded from the assessment of effectiveness for its fair value hedges was a gain (loss) of \$4.9 million and \$(2.1) million, respectively. The Partnership had no derivatives designated as fair value hedges during the quarter ended June 30, 2009.

During the three and six months ended June 30, 2010, the Partnership recognized \$0.2 million and \$0.5 million, respectively, of realized loss and \$(1.6) million and \$(1.7) million, respectively, in net change in unrealized gains (losses) related to free standing derivative instruments. Amounts recognized in the three and six months ended June 30, 2009 were not material.

As of June 30, 2010 and December 31, 2009, the Partnership had not designated any derivatives as cash flow hedges or hedges of net investments in foreign operations.

7. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected:

			Six Months Ended June 30, 2010	
	June 30, 2010	December 31, 2009	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	\$ 26,844	\$ 68,550	\$ 385	\$ 1,767
Debt Securities	—	26,466	(16)	—
Equity Securities	1,084	1,905	—	501
Assets of Consolidated CLOs				
Corporate Loans	5,999,006	—	(6,802)	61,286
Corporate Bonds	115,569	—	—	(6,441)
Other	9,592	—	702	(298)
	<u>\$6,152,095</u>	<u>\$ 96,921</u>	<u>\$ (5,731)</u>	<u>\$ 56,815</u>
Liabilities				
Liabilities of Consolidated CLOs				
Senior Secured Notes	\$5,483,483	\$ —	\$ (1,374)	\$ (1,514)
Subordinated Notes	443,847	—	—	(87,156)
	<u>\$5,927,330</u>	<u>\$ —</u>	<u>\$ (1,374)</u>	<u>\$ (88,670)</u>

The Partnership held no financial instruments on which the fair value option was elected during the six months ended June 30, 2009.

As of June 30, 2010, the fair value of Loans and Receivables for which the fair value option was elected exceeded the principal amounts due by \$1.8 million. The uncollected principal balance on Corporate Loans and Corporate Bonds exceeded the fair value by \$456.0 million and \$8.9 million, respectively. No Loans and Receivables or Corporate Bonds for which the fair value option was elected were past due and no Loans and Receivables were placed in non-accrual status. The fair value of Corporate Loans that were more than one day past due as of June 30, 2010 was \$32.3 million. The principal balance related to such past due Corporate Loans exceeded the fair value by \$24.1 million. Included within the Other category are structured finance obligations with contractual principal balances. The uncollected principal balance of such obligations exceeded the fair value by \$0.2 million. No obligations were past due.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

As of December 31, 2009, the fair value of Loans and Receivables and Debt Securities for which the fair value option was elected exceeded their principal amounts due by \$0.5 million. No Loans and Receivables and Debt Securities on which the fair value option was elected were past due or in non-accrual status.

8. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following tables summarize the valuation of the Partnership's financial assets and liabilities by the fair value hierarchy as of June 30, 2010 and December 31, 2009, respectively:

	June 30, 2010			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds				
Investment Funds	\$ —	\$ 2,631	\$ 678,128	\$ 680,759
Equity Securities	94,309	621	99,475	194,405
Partnership and LLC Interests	12,107	—	391,798	403,905
Debt Instruments	95	99,199	14,092	113,386
Assets of Consolidated CLO Vehicles	—	5,893,054	231,113	6,124,167
Total Investments of Blackstone Consolidated Funds	106,511	5,995,505	1,414,606	7,516,622
High Grade Liquid Debt Strategies	385,699	457,993	—	843,692
Loans and Receivables	—	—	26,844	26,844
Derivative Instruments Used as Fair Value Hedges	—	35,451	—	35,451
Other Investments (a)	9,095	1,438	18,875	29,408
	<u>\$ 501,305</u>	<u>\$ 6,490,387</u>	<u>\$ 1,460,325</u>	<u>\$ 8,452,017</u>
Liabilities				
Liabilities of Consolidated CLO Vehicles	\$ —	\$ —	\$ 5,927,330	\$ 5,927,330
Free Standing Derivatives	1,493	522	—	2,015
Securities Sold, Not Yet Purchased	685	389	—	1,074
	<u>\$ 2,178</u>	<u>\$ 911</u>	<u>\$ 5,927,330</u>	<u>\$ 5,930,419</u>
	December 31, 2009			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds	\$ 80,610	\$ 33,355	\$ 1,192,463	\$ 1,306,428
High Grade Liquid Debt Strategies	398,487	136,290	—	534,777
Loans and Receivables	—	—	68,550	68,550
Free Standing Derivatives, Net	2	279	368	649
Other Investments (b)	8,711	10,176	46,210	65,097
	<u>\$ 487,810</u>	<u>\$ 180,100</u>	<u>\$ 1,307,591</u>	<u>\$ 1,975,501</u>
Liabilities				
Derivative Instruments Used for Fair Value Hedges	\$ —	\$ 19	\$ —	\$ 19
Securities Sold, Not Yet Purchased	357	—	—	357
	<u>\$ 357</u>	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ 376</u>

- (a) Included within Level III of Other Investments are investments in equity securities of \$1.1 million for which the fair value option has been elected.
- (b) Included within Level III of Other Investments are investments in debt and equity securities of \$26.5 million and \$1.9 million, respectively, for which the fair value option has been elected.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

There were no significant transfers between Level I and Level II during the six months ended June 30, 2010.

The following table summarizes the valuation methodology used in the determination of the fair value of financial instruments for which Level III inputs were used as of June 30, 2010.

	Private	Real	Credit and	
	Equity	Estate	Marketable	
Valuation Methodology			Alternatives	Total
Third-Party Fund Managers	—	—	46%	46%
Specific Valuation Metrics	20%	17%	17%	54%
	20%	17%	63%	100%

The following tables summarize the changes in financial assets and liabilities measured at fair value for which the Partnership has used Level III inputs to determine fair value and does not include gains or losses that were reported in Level III in prior years or for instruments that were transferred out of Level III prior to the end of the current reporting period. Total realized and unrealized gains and losses recorded for Level III investments are reported in Investment Income (Loss) and Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations.

	Level III Financial Assets at Fair Value Three Months Ended June 30,						
	2010				2009		
	Investments of				Investments of		
	Consolidated Funds	Loans and Receivables	Other Investments	Total	Consolidated Funds	Other Investments	Total
Balance, Beginning of Period	\$ 1,371,701	\$ 65,972	\$ 18,207	\$1,455,880	\$ 1,175,186	\$ 15,458	\$1,190,644
Transfer In (Out) of Level III, Net	61,080	—	—	61,080	(2,334)	—	(2,334)
Purchases (Sales), Net	(46,342)	(42,543)	(252)	(89,137)	(63,337)	(128)	(63,465)
Realized Gains (Losses), Net	(18,360)	304	501	(17,555)	(93,138)	—	(93,138)
Changes in Unrealized Gains (Losses)							
Included in Earnings Related to Investments Still Held at the Reporting Date	46,527	3,111	419	50,057	112,895	719	113,614
Balance, End of Period	\$ 1,414,606	\$ 26,844	\$ 18,875	\$1,460,325	\$ 1,129,272	\$ 16,049	\$1,145,321

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued) **(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)**

	Level III Financial Assets at Fair Value Six Months Ended June 30,				2009		
	2010				Investments of		
	Investments of	Loans and Receivables	Other Investments	Total	Consolidated Funds	Other Investments	Total
Balance, Beginning of Period	\$ 1,192,464	\$ 68,549	\$ 46,578	\$1,307,591	\$ 1,521,912	\$ 16,095	\$1,538,007
Transfer In (Out) of Level III, Net	207,227	—	—	207,227	(2,386)	—	(2,386)
Purchases (Sales), Net	(85,564)	(45,118)	(29,468)	(160,150)	(371,507)	(765)	(372,272)
Realized Gains (Losses), Net	(17,393)	385	955	(16,053)	(98,360)	—	(98,360)
Changes in Unrealized Gains (Losses)							
Included in Earnings Related to Investments Still Held at the Reporting Date	117,872	3,028	810	121,710	79,613	719	80,332
Balance, End of Period	<u>\$ 1,414,606</u>	<u>\$ 26,844</u>	<u>\$ 18,875</u>	<u>\$1,460,325</u>	<u>\$ 1,129,272</u>	<u>\$ 16,049</u>	<u>\$1,145,321</u>

	Level III Financial Liabilities at Fair Value					
	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	Collateralized	Collateralized	Total	Collateralized	Collateralized	Total
	Loan Obligations Senior Notes	Loan Obligations Subordinated Notes		Loan Obligations Senior Notes	Loan Obligations Subordinated Notes	
Balance, Beginning of Period	\$3,254,543	\$ 281,146	\$3,535,689	\$ —	\$ —	\$ —
Transfer In (Out) of Level III, Net	2,377,947	103,285	2,481,232	5,649,175	364,829	6,014,004
Purchases (Sales), Net	(23,210)	—	(23,210)	(23,210)	—	(23,210)
Changes in Unrealized Gains (Losses)						
Included in Earnings Related to Liabilities Still Held at the Reporting Date	(125,797)	59,416	(66,381)	(142,482)	79,018	(63,464)
Balance, End of Period	<u>\$5,483,483</u>	<u>\$ 443,847</u>	<u>\$5,927,330</u>	<u>\$5,483,483</u>	<u>\$ 443,847</u>	<u>\$5,927,330</u>

For the six months ended June 30, 2010, the transfer in, net, of Level III financial assets and liabilities was principally due to the consolidation of various CLO vehicles.

For the three and six months ended June 30, 2009, there were no Level III financial liabilities.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

9. VARIABLE INTEREST ENTITIES

The Partnership consolidates certain VIEs in which it is determined that the Partnership is the primary beneficiary either directly or indirectly, through a consolidated entity or affiliate. VIEs include certain private equity, real estate, credit oriented or funds of hedge funds entities and CLO vehicles. The purpose of such VIEs is to provide strategy specific investment opportunities for investors in exchange for management and performance based fees. The investment strategies of the Blackstone Funds differ by product; however, the fundamental risks of the Blackstone Funds have similar characteristics, including loss of invested capital and loss of management fees and performance based fees. In Blackstone's role as general partner or investment advisor, it generally considers itself the sponsor of the applicable Blackstone Fund. The Partnership does not provide performance guarantees and has no other financial obligation to provide funding to consolidated VIEs other than its own capital commitments.

The gross assets and liabilities of consolidated VIEs reflected in the Condensed Consolidated Statements of Financial Condition as of June 30, 2010 and December 31, 2009 were as follows:

	June 30, 2010	December 31, 2009
Gross Assets		
Consolidated Blackstone Funds Excluding CLO Vehicles	\$ 788,360	\$ 741,024
Consolidated CLO Vehicles	6,457,278	—
	<u>\$7,245,638</u>	<u>\$ 741,024</u>
Gross Liabilities		
Consolidated Blackstone Funds Excluding CLO Vehicles	\$ 43,067	\$ 37,974
Consolidated CLO Vehicles	6,092,204	—
	<u>\$6,135,271</u>	<u>\$ 37,974</u>

There is no recourse to the Partnership for the consolidated VIEs' liabilities. The assets and liabilities of consolidated VIEs comprise primarily investments and notes payable and are included within Investments and Loans Payable, respectively, in the Condensed Consolidated Statements of Financial Condition.

The Partnership holds variable interests in certain VIEs which are not consolidated as it is determined that the Partnership is not the primary beneficiary. The assets under management of VIEs in which Blackstone was not the primary beneficiary but in which Blackstone held a variable interest was \$27.5 billion as of June 30, 2010. The Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. As of June 30, 2010, assets and liabilities recognized in the Partnership's Condensed Consolidated Statement of Financial Condition related to the Partnership's interest in these non-consolidated VIEs were \$187.2 million and zero, respectively. Assets consisted of \$99.8 million of investments and \$87.4 million of receivables. As of December 31, 2009, assets and liabilities recognized in the Partnership's Condensed Consolidated Statement of Financial Condition related to the Partnership's interest in these non-consolidated VIEs were \$133.9 million and \$0.1 million, respectively. Assets consisted of \$21.7 million of investments and \$112.2 million of receivables. The Partnership's maximum exposure to loss relating to non-consolidated VIEs as of June 30, 2010 and December 31, 2009 was \$189.6 million and \$133.9 million, respectively. The maximum exposure to loss represents the loss of assets recognized by Blackstone relating to non-consolidated entities and any clawback obligation relating to previously distributed Carried Interest.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

10. BORROWINGS

On March 23, 2010, an indirect, wholly-owned subsidiary of Blackstone entered into a new \$1.07 billion revolving credit facility (the “Credit Facility”) with Citibank, N.A., as Administrative Agent. The unsecured Credit Facility provides for revolving credit borrowings, with a final maturity date of March 23, 2013. Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus a margin, and undrawn commitments bear a commitment fee. Borrowings may also be made in U.K. Sterling or Euros, in each case subject to certain sub-limits. The Credit Facility contains customary representations, covenants and events of default. Financial covenants consist of a maximum net leverage ratio and a requirement to keep a minimum amount of fee generating assets under management, each tested quarterly. As of June 30, 2010, the Partnership had no outstanding borrowings under this Credit Facility.

Included within Loans Payable and Due to Affiliates are amounts due to holders of debt securities issued by Blackstone’s consolidated CLO vehicles. As of June 30, 2010, the Partnership’s borrowings through consolidated CLO vehicles consisted of the following:

	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes	\$6,075,318	1.25%	5.8
Subordinated Notes	819,181	(a)	8.7
	<u>\$6,894,499</u>		

(a) The Subordinated Notes do not have contractual interest rates, but instead receive distributions from the excess cash flows of the CLO vehicles.

Included within Senior Secured Notes and Subordinated Notes are amounts due to non-consolidated affiliates of \$84.8 million and \$274.0 million, respectively. The fair value of Senior Secured and Subordinated Notes as of June 30, 2010 was \$5.5 billion and \$451.5 million, respectively, of which \$59.3 million and \$179.4 million represents the amounts Due to Affiliates. The contractual maturities of Senior Secured Notes are greater than five years.

The Loans Payable of the consolidated CLO vehicles are collateralized by assets held by the CLO vehicle and assets of one vehicle may not be used to satisfy the liabilities of another. As of June 30, 2010, the fair value of the CLO assets was \$6.5 billion. This collateral consisted of Cash, Corporate Loans, Corporate Bonds and other securities.

11. INCOME TAXES

Blackstone’s effective tax rate was (3.04)% and (1.85)% for the three months ended June 30, 2010 and 2009, respectively, and (3.36)% and (1.91)% for the six months ended June 30, 2010 and 2009, respectively. Blackstone’s income tax provision was \$19.4 million and \$10.9 million for the three months ended June 30, 2010 and 2009, respectively, and \$29.0 million and \$28.6 million for the six months ended June 30, 2010 and 2009, respectively.

Blackstone’s effective tax rate for the three and six months ended June 30, 2010 and 2009 was substantially due to the following: (a) certain corporate subsidiaries are subject to federal, state, local and foreign income taxes as applicable and other subsidiaries are subject to New York City unincorporated business taxes, and (b) a portion of the compensation charges that contribute to Blackstone’s net loss are not deductible for tax purposes.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

12. NET LOSS PER COMMON UNIT

Basic and diluted net loss per common unit for the three and six months ended June 30, 2010 and basic and diluted net loss per common unit entitled to priority distributions and per common unit not entitled to priority distributions for the three and six months ended June 30, 2009 was calculated as follows:

	Basic and Diluted	
	Three Months Ended	Six Months Ended
	June 30, 2010	June 30, 2010
Net Loss Attributable to The Blackstone Group L.P.	\$ (193,320)	\$ (314,697)
Net Loss Per Common Unit	\$ (0.55)	\$ (0.91)
Total Weighted-Average Common Units Outstanding	354,399,780	344,084,390
	Basic and Diluted	
	Three Months Ended	Six Months Ended
	June 30, 2009	June 30, 2009
Total Undistributed Loss		
Net Loss Allocable to Common Unitholders	\$ (164,284)	\$ (395,858)
Less: Distributions to Common Unitholders	(83,371)	(165,517)
Total Undistributed Loss	\$ (247,655)	\$ (561,375)
Allocation of Total Undistributed Loss		
Undistributed Loss — Common Unitholders Entitled to Priority Distributions	\$ (247,308)	\$ (559,330)
Undistributed Loss — Common Unitholders Not Entitled to Priority Distributions	(347)	(2,045)
Total Undistributed Loss	\$ (247,655)	\$ (561,375)
Net Loss Per Common Unit — Common Units Entitled to Priority Distributions		
Undistributed Loss per Common Unit	\$ (0.90)	\$ (2.04)
Priority Distributions (a)	0.30	0.60
Net Loss Per Common Unit — Common Units Entitled to Priority Distributions	\$ (0.60)	\$ (1.44)
Net Loss Per Common Unit — Common Units Not Entitled to Priority Distributions		
Undistributed Loss per Common Unit	\$ (0.90)	\$ (2.04)
Priority Distributions	—	—
Net Loss Per Common Unit — Common Units Not Entitled to Priority Distributions	\$ (0.90)	\$ (2.04)
Weighted-Average Common Units Outstanding — Common Units Entitled to Priority Distributions	275,199,027	274,416,111
Common Units Not Entitled to Priority Distributions	385,796	1,003,238
Total Weighted-Average Common Units Outstanding	275,584,823	275,419,349

- (a) Undistributed Loss per Common Unit — Priority Distributions are forecast based upon common units outstanding at the end of the reporting period and differ from actual distributions paid to common unitholders which are based on common units outstanding at the time priority distributions are made.

THE BLACKSTONE GROUP L.P.**Notes to Condensed Consolidated Financial Statements—(Continued)****(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)**

For the three months ended June 30, 2010 and 2009, a total of 27,418,933 and 24,175,810 unvested deferred restricted common units and 743,034,050 and 823,827,409 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit, respectively. For the six months ended June 30, 2010 and 2009, a total of 28,019,298 and 25,185,306 unvested deferred restricted common units and 753,889,719 and 827,280,867 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit, respectively.

Unit Repurchase Program

In January 2008, Blackstone announced that the Board of Directors of its general partner, Blackstone Group Management L.L.C., had authorized the repurchase by Blackstone of up to \$500 million of Blackstone Common Units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of Blackstone Common Units and Blackstone Holdings Partnership Units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the six months ended June 30, 2010, Blackstone repurchased 84,888 vested Blackstone Common Units as part of the unit repurchase program for a total cost of \$1.2 million. The repurchase resulted in a decrease in Blackstone's ownership interest in Blackstone Holdings equity of \$1.0 million. As of June 30, 2010, the amount remaining available for repurchases under this program was \$338.3 million.

During the six months ended June 30, 2009, Blackstone repurchased a combination of 4,629,866 Blackstone Common Units and Blackstone Holdings Partnership Units as part of the unit repurchase program for a total cost of \$29.6 million. During the three months ended June 30, 2009, Blackstone repurchased 218,164 Blackstone Common Units and Blackstone Holdings Partnership Units as part of the unit repurchase program for a total cost of \$2.4 million. The repurchase resulted in a decrease in Blackstone's ownership interest in Blackstone Holdings equity of \$16.6 million. As of June 30, 2009, the amount remaining available for repurchases was \$340.3 million under this program.

13. EQUITY-BASED COMPENSATION

The Partnership has granted equity-based compensation awards to Blackstone's senior managing directors, non-partner professionals, non-professionals and selected external advisors under the Partnership's 2007 Equity Incentive Plan (the "Equity Plan"), the majority of which to date were granted in connection with the IPO. The Equity Plan allows for the granting of options, unit appreciation rights or other unit-based awards (units, restricted units, restricted common units, deferred restricted common units, phantom restricted common units or other unit-based awards based in whole or in part on the fair value of the Blackstone Common Units or Blackstone Holdings Partnership Units) which may contain certain service or performance requirements. As of January 1, 2010, the Partnership had the ability to grant 162,126,007 units under the Equity Plan for the year ending December 31, 2010.

For the three and six months ended June 30, 2010, the Partnership recorded compensation expense of \$743.8 million and \$1.5 billion, respectively, in relation to its equity-based awards with corresponding tax benefits of \$3.0 million and \$4.6 million, respectively. For the three and six months ended June 30, 2009, the Partnership recorded compensation expense of \$762.7 million and \$1.5 billion, respectively, in relation to its equity-based awards with corresponding tax benefits of \$4.1 million and \$6.5 million, respectively. As of June 30, 2010, there was \$4.9 billion of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 4.0 years.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Total vested and unvested outstanding units, including Blackstone Common Units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,123,902,642 as of June 30, 2010. Total outstanding unvested phantom units were 22,881 as of June 30, 2010.

A summary of the status of the Partnership's unvested equity-based awards as of June 30, 2010 and a summary of changes during the period January 1, 2010 through June 30, 2010 is presented below:

	Blackstone Holdings		The Blackstone Group L.P.			
	Partnership Units	Weighted- Average Grant Date Fair Value	Equity Settled Awards		Cash Settled Awards	
			Deferred Restricted Common Units and Options	Weighted- Average Grant Date Fair Value	Phantom Units	Weighted- Average Grant Date Fair Value
Unvested Units						
Balance, December 31, 2009	270,458,725	\$ 30.76	23,742,693	\$ 23.10	208,592	\$ 25.07
Granted	422,768	13.85	701,148	11.27	(31)	14.65
Vested	(78,196,241)	30.84	(4,258,955)	27.38	(177,234)	14.65
Forfeited	(1,498,488)	31.00	(804,671)	25.75	(8,446)	14.60
Balance, June 30, 2010	<u>191,186,764</u>	<u>\$ 30.69</u>	<u>19,380,215</u>	<u>\$ 21.42</u>	<u>22,881</u>	<u>\$ 14.65</u>

Units Expected to Vest

The following unvested units, after expected forfeitures, as of June 30, 2010, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	180,417,007	4.0
Deferred Restricted Blackstone Common Units and Options	16,143,562	3.9
Total Equity-Based Awards	<u>196,560,569</u>	<u>4.0</u>
Phantom Units	<u>21,045</u>	<u>1.9</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

14. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

Blackstone considers its Founders, senior managing directors, employees, the Blackstone Funds and the Portfolio Companies to be affiliates. As of June 30, 2010 and December 31, 2009, Due from Affiliates and Due to Affiliates comprised the following:

	June 30, 2010	December 31, 2009
Due from Affiliates		
Accrual for Potential Clawback of Previously Distributed Interest	\$ 259,897	\$ 308,378
Primarily Interest Bearing Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees for Investments in Blackstone Funds	119,443	127,669
Amounts Due from Portfolio Companies and Funds	152,854	115,441
Investments Redeemed in Non-Consolidated Funds of Funds	64,359	77,600
Management and Performance Fees Due from Non-Consolidated Funds of Funds	62,085	68,649
Payments Made on Behalf of Non-Consolidated Entities	64,613	53,581
Advances Made to Certain Non-Controlling Interest Holders and Blackstone Employees	29,978	8,589
	<u>\$ 753,229</u>	<u>\$ 759,907</u>
Due to Affiliates		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreement	\$ 948,150	\$ 830,517
Accrual for Potential Repayment of Previously Received Performance Fees and Allocations	477,984	485,253
Due to Note-Holders of Consolidated CLO's	238,713	—
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	64,288	58,083
Distributions Received on Behalf of Non-Consolidated Entities	14,309	31,692
Payments Made by Non-Consolidated Entities	4,649	4,521
	<u>\$ 1,748,093</u>	<u>\$ 1,410,066</u>

Interests of the Co-Founder, Senior Managing Directors and Employees

The Co-Founder, senior managing directors and employees invest on a discretionary basis in the Blackstone Funds both directly and through consolidated entities. Their investments may be subject to preferential management fee and performance fee and allocation arrangements. As of June 30, 2010 and December 31, 2009, the Co-Founder's, other senior managing directors' and employees' investments aggregated \$719.5 million and \$649.4 million, respectively, and the Co-Founder's, other senior managing directors' and employees' share of the Net Income (Loss) Attributable to Redeemable Non-Controlling and Non-Controlling Interests in Consolidated Entities aggregated \$24.9 million and \$12.4 million for the three months ended June 30, 2010 and 2009, respectively, and \$81.7 million and \$(21.6) million for the six months ended June 30, 2010 and 2009, respectively.

THE BLACKSTONE GROUP L.P.**Notes to Condensed Consolidated Financial Statements—(Continued)**
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)**Revenues Earned from Affiliates**

Management and Advisory Fees earned from affiliates totaled \$37.3 million and \$25.2 million for the three months ended June 30, 2010 and 2009, respectively. Management and Advisory Fees earned from affiliates totaled \$76.1 million and \$45.5 million for the six months ended June 30, 2010 and 2009, respectively. Fees relate primarily to transaction and monitoring fees which are made in the ordinary course of business and under terms that would have been obtained from unaffiliated third parties.

Loans to Affiliates

Loans to affiliates consist of interest-bearing advances to certain Blackstone individuals to finance their investments in certain Blackstone Funds. These loans earn interest at Blackstone's cost of borrowing and such interest totaled \$0.4 million and \$0.5 million for the three months ended June 30, 2010 and 2009, respectively, and \$1.1 million and \$0.9 million for the six months ended June 30, 2010 and 2009, respectively. No such loans to any director or executive officer of Blackstone have been made or were outstanding since March 22, 2007, the date of Blackstone's initial filing with the Securities and Exchange Commission of a registration statement relating to its initial public offering.

Contingent Repayment Guarantee

Blackstone and its personnel who have received Carried Interest distributions have guaranteed payment on a several basis (subject to a cap) to the Carry Funds of any clawback obligation with respect to the excess Carried Interest allocated to the general partners of such funds and indirectly received thereby to the extent that either Blackstone or its personnel fails to fulfill its clawback obligation, if any. The Accrual for Possible Repayment of Previously Received Performance Fees and Allocations represents amounts previously paid to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Carry Funds were to be liquidated based on the fair value of their underlying investments as of June 30, 2010. See Note 15. "Commitments and Contingencies — Contingencies — Contingent Obligations (Clawback)".

Aircraft and Other Services

In the normal course of business, Blackstone personnel have made use of aircraft owned as personal assets by Stephen A. Schwarzman ("Personal Aircraft"). In addition, on occasion, Mr. Schwarzman and his family have made use of an aircraft in which Blackstone owns a fractional interest, as well as other assets of Blackstone. Mr. Schwarzman paid for his purchases of the aircraft himself and bears all operating, personnel and maintenance costs associated with their operation. In addition, Mr. Schwarzman is charged for his and his family's personal use of Blackstone assets based on market rates and usage. Payment by Blackstone for the use of the Personal Aircraft by other Blackstone employees are made at market rates. Personal use of Blackstone resources are also reimbursed to Blackstone at market rates. The transactions described herein are not material to the Condensed Consolidated Financial Statements.

Tax Receivable Agreement

Blackstone used a portion of the proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to purchase interests in the predecessor businesses from the predecessor owners. In addition, holders of Blackstone Holdings Partnership Units may exchange their Blackstone Holdings Partnership Units for Blackstone Common Units on a one-for-one basis. The purchase and subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings and therefore reduce the amount of tax that Blackstone's wholly-owned subsidiaries would otherwise be required to pay in the future.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)

(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Certain subsidiaries of the Partnership which are corporate taxpayers have entered into tax receivable agreements with each of the predecessor owners and additional tax receivable agreements have been executed, and will continue to be executed, with newly-admitted senior managing directors and others who acquire Blackstone Holdings Partnership Units. The agreements provide for the payment by the corporate taxpayers to such owners of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the corporate taxpayers actually realize as a result of the aforementioned increases in tax basis and of certain other tax benefits related to entering into these tax receivable agreements. For purposes of the tax receivable agreements, cash savings in income tax will be computed by comparing the actual income tax liability of the corporate taxpayers to the amount of such taxes that the corporate taxpayers would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of Blackstone Holdings as a result of the exchanges and had the corporate taxpayers not entered into the tax receivable agreements.

Assuming no material changes in the relevant tax law and that the corporate taxpayers earn sufficient taxable income to realize the full tax benefit of the increased amortization of the assets, the expected future payments under the tax receivable agreements (which are taxable to the recipients) will aggregate \$948.2 million over the next 15 years. The after-tax net present value of these estimated payments totals \$252.8 million assuming a 15% discount rate and using Blackstone's most recent projections relating to the estimated timing of the benefit to be received. Future payments under the tax receivable agreements in respect of subsequent exchanges would be in addition to these amounts. The payments under the tax receivable agreement are not conditioned upon continued ownership of Blackstone equity interests by the pre-IPO owners and the others mentioned above.

Other

Blackstone does business with and on behalf of some of its Portfolio Companies; all such arrangements are on a negotiated basis.

15. COMMITMENTS AND CONTINGENCIES

Commitments

Investment Commitments

The consolidated Blackstone Funds had signed investment commitments of \$14.6 million as of June 30, 2010 which includes \$1.3 million of signed investment commitments for portfolio company acquisitions in the process of closing. In addition, the general partners of the Blackstone Funds had unfunded commitments to each of their respective funds of \$1.3 billion as of June 30, 2010.

Contingencies

Guarantees

Certain of Blackstone's consolidated real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. There is no direct recourse to the Partnership to fulfill such obligations. To the extent that underlying funds are required to fulfill guarantee obligations, the Partnership's invested capital in such funds is at risk. Total investments at risk in respect of guarantees extended by real estate funds was \$5.0 million as of June 30, 2010.

Contingent Performance Fees and Allocations

There were \$86.5 million of segment level Performance Fees and Allocations related to the hedge funds in the Credit and Marketable Alternatives and Real Estate segments through the period ended June 30, 2010

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

attributable to arrangements where the measurement period had not ended. Measurement periods may be greater than the current reporting period. On a consolidated basis, after eliminations, such Performance Fees and Allocations were \$85.3 million through the period ended June 30, 2010.

Litigation

From time to time, Blackstone is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. Although there can be no assurance of the outcome of such legal actions, in the opinion of management, Blackstone does not have a potential liability related to any current legal proceeding or claim that would individually or in the aggregate materially adversely affect its results of operations, financial position or cash flows.

Contingent Obligations (Clawback)

Included within Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations are gains (losses) from Blackstone Fund investments. The portion of net gains (losses) attributable to non-controlling interest holders is included within Non-Controlling Interests in Income of Consolidated Entities. Net gains (losses) attributable to non-controlling interest holders are net of Carried Interest earned by Blackstone. Carried Interest is subject to clawback to the extent that the Carried Interest received to date exceeds the amount due to Blackstone based on cumulative results.

The actual clawback liability, however, does not become realized until the end of a fund's life except for Blackstone's real estate funds which may have an interim clawback liability come due after a realized loss is incurred, depending on the fund. The lives of the carry funds with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at various points beginning toward the end of 2012 and extending through 2018. Further extensions of such terms may be implemented under given circumstances.

For financial reporting purposes, the general partners have recorded a liability for potential clawback obligations to the limited partners of some of the carry funds due to changes in the unrealized value of a fund's remaining investments and where the fund's general partner has previously received Carried Interest distributions with respect to such fund's realized investments.

During the quarter ended June 30, 2010, the Blackstone general partners paid an interim cash clawback obligation of \$3.0 million relating to a real estate fund of which \$1.7 million was paid by Blackstone Holdings and \$1.3 million by current and former Blackstone personnel.

As of June 30, 2010, the clawback obligations were \$478.0 million, of which \$218.1 million related to Blackstone Holdings and \$259.9 million related to current and former Blackstone personnel. Of the clawback obligation accrued, \$15.7 million is due and payable on September 30, 2010 of which \$9.0 million will be paid by current and former Blackstone personnel. This amount relates to an interim clawback obligation owed to a real estate fund. As of December 31, 2009, the clawback obligations were \$485.3 million, of which \$217.4 million related to Blackstone Holdings and \$267.9 million related to current and former Blackstone personnel. The Accrual for Potential Repayment of Previously Received Performance Fees and Allocations is included in Due to Affiliates.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

The following table presents the clawback obligations by segment:

Segment	June 30, 2010			December 31, 2009		
	Blackstone Holdings	Current and Former Personnel	Total	Blackstone Holdings	Current and Former Personnel	Total
Private Equity	\$ 67,665	\$ 130,012	\$ 197,677	\$ 65,237	\$ 120,208	\$ 185,445
Real Estate	150,422	129,885	280,307	152,142	147,666	299,808
Total	<u>\$ 218,087</u>	<u>\$ 259,897</u>	<u>\$ 477,984</u>	<u>\$ 217,379</u>	<u>\$ 267,874</u>	<u>\$ 485,253</u>

A portion of the Carried Interest paid to current and former Blackstone personnel is held in segregated accounts in the event of a cash clawback obligation. These segregated accounts are not included in the Condensed Consolidated Financial Statements of the Partnership, except to the extent a portion of the assets held in the segregated accounts may be allocated to a consolidated Blackstone fund of hedge funds. At June 30, 2010, \$477.1 million was held in segregated accounts for the purpose of meeting any clawback obligations of current and former personnel if such payments are required.

16. SEGMENT REPORTING

Blackstone transacts its primary business in the United States and substantially all of its revenues are generated domestically.

Blackstone conducts its alternative asset management and financial advisory businesses through four segments:

- Private Equity — Blackstone’s Private Equity segment comprises its management of private equity funds.
- Real Estate — Blackstone’s Real Estate segment primarily comprises its management of general real estate funds and internationally focused real estate funds. In addition, the segment has debt investment funds targeting non-controlling real estate debt-related investment opportunities in the public and private markets, primarily in the United States and Europe.
- Credit and Marketable Alternatives — Blackstone’s Credit and Marketable Alternatives segment, whose consistent focus is current earnings, comprises its management of funds of hedge funds, credit-oriented funds, CLO vehicles, separately managed accounts and publicly-traded closed-end mutual funds.
- Financial Advisory — Blackstone’s Financial Advisory segment comprises its financial advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds.

These business segments are differentiated by their various sources of income, with the Private Equity, Real Estate and Credit and Marketable Alternatives segments primarily earning their income from management fees and investment returns on assets under management, while the Financial Advisory segment primarily earns its income from fees related to investment banking services and advice and fund placement services.

Economic Net Income (“ENI”) is a key performance measure used by management. ENI represents segment net income before taxes excluding transaction-related charges. Transaction-related charges include principally charges associated with equity-based compensation, the amortization of intangibles and corporate actions

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)

(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

including acquisitions. Blackstone uses Economic Net Income, or “ENI”, as a key measure of value creation and as a benchmark of its performance. ENI represents segment net income excluding the impact of income taxes and initial public offering (“IPO”) and acquisition-related items, including charges associated with equity-based compensation, the amortization of intangibles and corporate actions including acquisitions. For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates the investment funds we manage. Total Segment ENI equals the aggregate of ENI for all segments. ENI is used by management primarily in making resource deployment and compensation decisions across Blackstone’s four segments.

Management makes operating decisions and assesses the performance of each of Blackstone’s business segments based on financial and operating metrics and data that is presented without the consolidation of any of the Blackstone Funds that are consolidated into the Condensed Consolidated Financial Statements. Consequently, all segment data excludes the assets, liabilities and operating results related to the Blackstone Funds.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

The following table presents the financial data for Blackstone’s four segments for the three months ended June 30, 2010 and 2009:

	Three Months Ended June 30, 2010				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total Segments
Segment Revenues					
Management and Advisory Fees					
Base Management Fees	\$ 66,795	\$ 82,916	\$ 113,203	\$ —	\$262,914
Advisory Fees	—	—	—	134,099	134,099
Transaction and Other Fees, Net	16,367	2,979	1,169	102	20,617
Management Fee Offsets	—	(110)	(69)	—	(179)
Total Management and Advisory Fees	<u>83,162</u>	<u>85,785</u>	<u>114,303</u>	<u>134,201</u>	<u>417,451</u>
Performance Fees and Allocations					
Realized	1,106	16,319	28,949	—	46,374
Unrealized	(24,020)	21,117	(17,835)	—	(20,738)
Total Performance Fees and Allocations	<u>(22,914)</u>	<u>37,436</u>	<u>11,114</u>	<u>—</u>	<u>25,636</u>
Investment Income (Loss)					
Realized	3,141	3,900	8,729	(49)	15,721
Unrealized	17,275	79,543	(10,193)	561	87,186
Total Investment Income (Loss)	<u>20,416</u>	<u>83,443</u>	<u>(1,464)</u>	<u>512</u>	<u>102,907</u>
Interest and Dividend Revenue	2,728	2,178	756	1,268	6,930
Other	460	(390)	(372)	(342)	(644)
Total Revenues	<u>83,852</u>	<u>208,452</u>	<u>124,337</u>	<u>135,639</u>	<u>552,280</u>
Expenses					
Compensation and Benefits					
Base Compensation	46,612	44,528	53,370	76,152	220,662
Performance Fee Related					
Realized	128	8,895	13,856	—	22,879
Unrealized	(10,296)	15,999	(6,595)	—	(892)
Total Compensation and Benefits	<u>36,444</u>	<u>69,422</u>	<u>60,631</u>	<u>76,152</u>	<u>242,649</u>
Other Operating Expenses	28,677	17,647	24,520	17,316	88,160
Total Expenses	<u>65,121</u>	<u>87,069</u>	<u>85,151</u>	<u>93,468</u>	<u>330,809</u>
Economic Net Income	<u>\$ 18,731</u>	<u>\$121,383</u>	<u>\$ 39,186</u>	<u>\$ 42,171</u>	<u>\$221,471</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

	Three Months Ended June 30, 2009				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total Segments
Segment Revenues					
Management and Advisory Fees					
Base Management Fees	\$ 67,740	\$ 81,517	\$ 96,293	\$ —	\$245,550
Advisory Fees	—	—	—	82,503	82,503
Transaction and Other Fees, Net	15,145	2,879	687	—	18,711
Management Fee Offsets	—	(486)	(4,365)	—	(4,851)
Total Management and Advisory Fees	<u>82,885</u>	<u>83,910</u>	<u>92,615</u>	<u>82,503</u>	<u>341,913</u>
Performance Fees and Allocations					
Realized	—	4,590	587	—	5,177
Unrealized	97,185	(51,960)	21,832	—	67,057
Total Performance Fees and Allocations	<u>97,185</u>	<u>(47,370)</u>	<u>22,419</u>	<u>—</u>	<u>72,234</u>
Investment Income (Loss)					
Realized	102	1,345	(4,268)	—	(2,821)
Unrealized	17,118	(59,408)	29,049	—	(13,241)
Total Investment Income (Loss)	<u>17,220</u>	<u>(58,063)</u>	<u>24,781</u>	<u>—</u>	<u>(16,062)</u>
Interest and Dividend Revenue	824	197	279	1,118	2,418
Other	472	2,405	315	(122)	3,070
Total Revenues	<u>198,586</u>	<u>(18,921)</u>	<u>140,409</u>	<u>83,499</u>	<u>403,573</u>
Expenses					
Compensation and Benefits					
Base Compensation	40,667	39,207	49,304	54,239	183,417
Performance Fee Related					
Realized	(3)	(542)	82	—	(463)
Unrealized	13,599	(45,489)	8,020	—	(23,870)
Total Compensation and Benefits	<u>54,263</u>	<u>(6,824)</u>	<u>57,406</u>	<u>54,239</u>	<u>159,084</u>
Other Operating Expenses	20,553	12,978	16,461	21,734	71,726
Total Expenses	<u>74,816</u>	<u>6,154</u>	<u>73,867</u>	<u>75,973</u>	<u>230,810</u>
Economic Net Income (Loss)	<u>\$123,770</u>	<u>\$(25,075)</u>	<u>\$ 66,542</u>	<u>\$ 7,526</u>	<u>\$172,763</u>

The following table reconciles the Total Segments to Blackstone's Income (Loss) Before Provision for Taxes as of and for the three months ended June 30, 2010 and 2009:

	Three Months Ended June 30, 2010		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	\$552,280	\$ (2,192)(a)	\$ 550,088
Expenses	\$330,809	\$ 796,957(b)	\$1,127,766
Other Income (Loss)	\$ —	\$ (59,250)(c)	\$ (59,250)
Economic Net Income (Loss)	\$221,471	\$ (858,399)(d)	\$ (636,928)

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

	Three Months Ended June 30, 2009		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	\$403,573	\$ 2,843(a)	\$ 406,416
Expenses	\$230,810	\$ 820,896(b)	\$1,051,706
Other Income	\$ —	\$ 58,304(c)	\$ 58,304
Economic Net Income (Loss)	\$172,763	\$ (759,749)(d)	\$ (586,986)

- (a) The Revenues adjustment principally represents management and performance fees and allocations earned from Blackstone Funds which were eliminated in consolidation to arrive at Blackstone consolidated revenues.
- (b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone unconsolidated expenses, amortization of intangibles and expenses related to transaction-related equity-based compensation to arrive at Blackstone consolidated expenses.
- (c) The Other Income adjustment results from the following:

	Three Months Ended June 30,	
	2010	2009
Fund Management Fees and Performance Fees and Allocations Eliminated in Consolidation	\$ (8,428)	\$ (3,150)
Fund Expenses Added in Consolidation	10,072	2,491
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(58,294)	41,596
Transactional Other Income	(2,600)	17,367
Total Consolidation Adjustments	<u>\$(59,250)</u>	<u>\$58,304</u>

- (d) The reconciliation of Economic Net Income to Income (Loss) Before Benefit for Taxes as reported in the Condensed Consolidated Statements of Operations consists of the following:

	Three Months Ended June 30,	
	2010	2009
Economic Net Income	<u>\$ 221,471</u>	<u>\$ 172,763</u>
Adjustments:		
Amortization of Intangibles	(40,822)	(39,511)
IPO and Acquisition-Related Charges	(749,930)	(761,834)
Management Fee Revenues Associated with Consolidated CLO Vehicles	(9,353)	—
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(58,294)	41,596
Total Adjustments	<u>(858,399)</u>	<u>(759,749)</u>
Income (Loss) Before Provision for Taxes	<u>\$(636,928)</u>	<u>\$(586,986)</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

The following table presents financial data for Blackstone's four segments for the six months ended June 30, 2010 and 2009:

	Six Months Ended June 30, 2010				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total Segments
Segment Revenues					
Management and Advisory Fees					
Base Management Fees	\$ 132,227	\$ 165,976	\$ 216,682	\$ —	\$ 514,885
Advisory Fees	—	—	—	210,667	210,667
Transaction and Other Fees, Net	48,339	4,921	2,514	103	55,877
Management Fee Offsets	—	(599)	(758)	—	(1,357)
Total Management and Advisory Fees	<u>180,566</u>	<u>170,298</u>	<u>218,438</u>	<u>210,770</u>	<u>780,072</u>
Performance Fees and Allocations					
Realized	47,281	22,267	30,707	—	100,255
Unrealized	21,529	32,508	57,558	—	111,595
Total Performance Fees and Allocations	<u>68,810</u>	<u>54,775</u>	<u>88,265</u>	<u>—</u>	<u>211,850</u>
Investment Income					
Realized	2,646	6,532	11,712	138	21,028
Unrealized	101,959	126,435	9,522	791	238,707
Total Investment Income	<u>104,605</u>	<u>132,967</u>	<u>21,234</u>	<u>929</u>	<u>259,735</u>
Interest and Dividend Revenue	6,156	4,896	1,904	2,664	15,620
Other	560	(2,266)	(914)	(1,274)	(3,894)
Total Revenues	<u>360,697</u>	<u>360,670</u>	<u>328,927</u>	<u>213,089</u>	<u>1,263,383</u>
Expenses					
Compensation and Benefits					
Base Compensation	93,522	84,678	102,455	130,644	411,299
Performance Fee Related					
Realized	6,133	10,419	14,068	—	30,620
Unrealized	(3,952)	22,936	34,724	—	53,708
Total Compensation and Benefits	<u>95,703</u>	<u>118,033</u>	<u>151,247</u>	<u>130,644</u>	<u>495,627</u>
Other Operating Expenses	53,108	31,937	44,095	32,043	161,183
Total Expenses	<u>148,811</u>	<u>149,970</u>	<u>195,342</u>	<u>162,687</u>	<u>656,810</u>
Economic Net Income	<u>\$ 211,886</u>	<u>\$ 210,700</u>	<u>\$ 133,585</u>	<u>\$ 50,402</u>	<u>\$ 606,573</u>
Segment Assets as of June 30, 2010	<u>\$3,636,522</u>	<u>\$2,374,061</u>	<u>\$2,353,853</u>	<u>\$528,253</u>	<u>\$8,892,689</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

	Six Months Ended June 30, 2009				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total Segments
Segment Revenues					
Management and Advisory Fees					
Base Management Fees	\$136,171	\$ 161,715	\$ 192,796	\$ —	\$ 490,682
Advisory Fees	—	—	—	173,443	173,443
Transaction and Other Fees, Net	25,473	6,019	1,130	—	32,622
Management Fee Offsets	—	(1,679)	(8,578)	—	(10,257)
Total Management and Advisory Fees	<u>161,644</u>	<u>166,055</u>	<u>185,348</u>	<u>173,443</u>	<u>686,490</u>
Performance Fees and Allocations					
Realized	—	5,236	587	—	5,823
Unrealized	102,003	(281,179)	31,754	—	(147,422)
Total Performance Fees and Allocations	<u>102,003</u>	<u>(275,943)</u>	<u>32,341</u>	<u>—</u>	<u>(141,599)</u>
Investment Income (Loss)					
Realized	(242)	2,742	(16,266)	—	(13,766)
Unrealized	1,953	(126,647)	37,139	—	(87,555)
Total Investment Income (Loss)	<u>1,711</u>	<u>(123,905)</u>	<u>20,873</u>	<u>—</u>	<u>(101,321)</u>
Interest and Dividend Revenue	672	581	988	2,162	4,403
Other	652	1,736	62	(1,065)	1,385
Total Revenues	<u>266,682</u>	<u>(231,476)</u>	<u>239,612</u>	<u>174,540</u>	<u>449,358</u>
Expenses					
Compensation and Benefits					
Base Compensation	77,515	75,209	103,011	105,191	360,926
Performance Fee Related					
Realized	(9)	1,596	139	—	1,726
Unrealized	(28,367)	(120,948)	15,390	—	(133,925)
Total Compensation and Benefits	<u>49,139</u>	<u>(44,143)</u>	<u>118,540</u>	<u>105,191</u>	<u>228,727</u>
Other Operating Expenses	40,661	25,593	40,106	34,710	141,070
Total Expenses	<u>89,800</u>	<u>(18,550)</u>	<u>158,646</u>	<u>139,901</u>	<u>369,797</u>
Economic Net Income (Loss)	<u>\$176,882</u>	<u>\$(212,926)</u>	<u>\$ 80,966</u>	<u>\$ 34,639</u>	<u>\$ 79,561</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

The following table reconciles the Total Segments to Blackstone's Income (Loss) Before Provision for Taxes and Total Assets as and for the six months ended June 30, 2010 and 2009:

	June 30, 2010 and the Six Months then Ended		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	\$1,263,383	\$ (12,056)(a)	\$ 1,251,327
Expenses	\$ 656,810	\$ 1,571,670(b)	\$ 2,228,480
Other Income	\$ —	\$ 112,554(c)	\$ 112,554
Economic Net Income (Loss)	\$ 606,573	\$ (1,471,172)(d)	\$ (864,599)
Total Assets	\$8,892,689	\$ 7,580,620(e)	\$16,473,309

	Six Months Ended June 30, 2009		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	\$449,358	\$ 1,972(a)	\$ 451,330
Expenses	\$369,797	\$ 1,604,267(b)	\$ 1,974,064
Other Income	\$ —	\$ 23,541(c)	\$ 23,541
Economic Net Income (Loss)	\$ 79,561	\$ (1,578,754)(d)	\$(1,499,193)

- (a) The Revenues adjustment principally represents management and performance fees and allocations earned from Blackstone Funds which were eliminated in consolidation to arrive at Blackstone consolidated revenues.
- (b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone unconsolidated expenses, amortization of intangibles and expenses related to transaction-related equity-based compensation to arrive at Blackstone consolidated expenses.
- (c) The Other Income adjustment results from the following:

	Six Months Ended June 30,	
	2010	2009
Fund Management Fees and Performance Fees and Allocations Eliminated in Consolidation	\$ (5,666)	\$ (4,752)
Fund Expenses Added in Consolidation	10,780	6,073
Non-Controlling Interests in Income of Consolidated Entities	101,641	3,162
Transactional Other Income	5,799	19,058
Total Consolidation Adjustments	<u>\$112,554</u>	<u>\$23,541</u>

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements—(Continued)
(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

- (d) The reconciliation of Economic Net Income to Income (Loss) Before Provision for Taxes as reported in the Condensed Consolidated Statements of Operations consists of the following:

	Six Months Ended June 30,	
	2010	2009
Economic Net Income	\$ 606,573	\$ 79,561
Adjustments:		
Amortization of Intangibles	(80,334)	(79,024)
IPO and Acquisition-Related Charges	(1,476,652)	(1,502,891)
Management Fee Revenues Associated with Consolidated CLO Vehicles	(15,827)	—
Non-Controlling Interests in Income of Consolidated Entities	101,641	3,161
Total Adjustments	(1,471,172)	(1,578,754)
Income (Loss) Before Provision for Taxes	<u>\$ (864,599)</u>	<u>\$(1,499,193)</u>

- (e) The Total Assets adjustment represents the addition of assets of the consolidated Blackstone funds to the Blackstone unconsolidated assets to arrive at Blackstone consolidated assets.

17. SUBSEQUENT EVENTS

There have been no events since June 30, 2010 that require recognition or disclosure in the Condensed Consolidated Financial Statements.

ITEM 1A. UNAUDITED SUPPLEMENTAL PRESENTATION OF STATEMENTS OF FINANCIAL CONDITION

THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition
(Dollars in Thousands)

	June 30, 2010			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	\$ 506,739	\$ —	\$ —	\$ 506,739
Cash Held by Blackstone Funds and Other	—	390,176	—	390,176
Investments	3,450,081	7,227,083	(175,684)	10,501,480
Accounts Receivable	342,493	68,823	—	411,316
Due from Affiliates	731,684	97,723	(76,178)	753,229
Intangible Assets, Net	860,634	—	—	860,634
Goodwill	1,703,602	—	—	1,703,602
Other Assets	211,288	48,677	—	259,965
Deferred Tax Assets	1,086,168	—	—	1,086,168
Total Assets	\$8,892,689	\$7,832,482	\$ (251,862)	\$16,473,309
Liabilities and Partners' Capital				
Loans Payable	\$ 656,586	\$5,696,085	\$ —	\$ 6,352,671
Due to Affiliates	1,450,010	323,807	(25,724)	1,748,093
Accrued Compensation and Benefits	573,064	1,601	—	574,665
Accounts Payable, Accrued Expenses and Other Liabilities	399,827	321,928	(50,455)	671,300
Total Liabilities	3,079,487	6,343,421	(76,179)	9,346,729
Redeemable Non-Controlling Interests in Consolidated Entities	—	542,487	—	542,487
Partners' Capital				
Partners' Capital	3,481,178	164,880	(180,770)	3,465,288
Appropriated Partners' Capital	—	373,731	—	373,731
Accumulated Other Comprehensive Income	1,610	—	—	1,610
Non-Controlling Interests in Consolidated Entities	194,960	407,963	5,087	608,010
Non-Controlling Interests in Blackstone Holdings	2,135,454	—	—	2,135,454
Total Partners' Capital	5,813,202	946,574	(175,683)	6,584,093
Total Liabilities and Partners' Capital	\$8,892,689	\$7,832,482	\$ (251,862)	\$16,473,309

THE BLACKSTONE GROUP L.P.
Unaudited Consolidating Statements of Financial Condition—(Continued)
(Dollars in Thousands)

	December 31, 2009			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	\$ 952,096	\$ —	\$ —	\$ 952,096
Cash Held by Blackstone Funds and Other	—	86,084	—	86,084
Investments	2,772,489	999,792	(206,798)	3,565,483
Accounts Receivable	305,846	461	—	306,307
Due from Affiliates	735,471	64,384	(39,948)	759,907
Intangible Assets, Net	919,477	—	—	919,477
Goodwill	1,703,602	—	—	1,703,602
Other Assets	171,463	1,141	(48)	172,556
Deferred Tax Assets	943,512	—	—	943,512
Total Assets	<u>\$8,503,956</u>	<u>\$1,151,862</u>	<u>\$(246,794)</u>	<u>\$9,409,024</u>
Liabilities and Partners' Capital				
Loans Payable	\$ 651,993	\$ 5,630	\$ —	\$ 657,623
Due to Affiliates	1,362,781	65,776	(18,491)	1,410,066
Accrued Compensation and Benefits	486,951	1,994	—	488,945
Accounts Payable, Accrued Expenses and Other Liabilities	235,673	94,688	(21,504)	308,857
Total Liabilities	<u>2,737,398</u>	<u>168,088</u>	<u>(39,995)</u>	<u>2,865,491</u>
Redeemable Non-Controlling Interests in Consolidated Entities	<u>—</u>	<u>526,311</u>	<u>—</u>	<u>526,311</u>
Partners' Capital				
Partners' Capital	3,376,707	206,799	(206,799)	3,376,707
Accumulated Other Comprehensive Income	2,420	—	—	2,420
Non-Controlling Interests in Consolidated Entities	289,619	250,664	—	540,283
Non-Controlling Interests in Blackstone Holdings	2,097,812	—	—	2,097,812
Total Partners' Capital	<u>5,766,558</u>	<u>457,463</u>	<u>(206,799)</u>	<u>6,017,222</u>
Total Liabilities and Partners' Capital	<u>\$8,503,956</u>	<u>\$1,151,862</u>	<u>\$(246,794)</u>	<u>\$9,409,024</u>

(a) The consolidated Blackstone Funds consisted of the following:

Blackstone Distressed Securities Fund L.P.
Blackstone Market Opportunities Fund L.P.
Blackstone Strategic Alliance Fund L.P.
Blackstone Strategic Equity Fund L.P.
Blackstone Value Recovery Fund L.P.
Blackstone/GSO Secured Trust Ltd*
BTD CP Holdings, LP
GSO Co-Investment Partners LLC
GSO Legacy Associates 2 LLC
GSO Legacy Associates LLC
The Asia Opportunities Fund L.P.
Private equity side-by-side, general partners' and affiliated limited partners' investment vehicles
Real estate side-by-side, general partners' and affiliated limited partners' investment vehicles
Mezzanine side-by-side, general partners' and affiliated limited partners' investment vehicles
Collateralized loan obligation vehicles*

* Consolidated as of June 30, 2010 only.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with The Blackstone Group L.P.'s Condensed Consolidated Financial Statements and the related notes included within this Quarterly Report on Form 10-Q.

Our Business

Blackstone is one of the largest independent managers of private capital in the world. We also provide a wide range of financial advisory services, including financial advisory, restructuring and reorganization advisory and fund placement services.

Our business is organized into four business segments:

- **Private Equity.** We are a world leader in private equity investing, having managed five general private equity funds, as well as one specialized fund focusing on media and communications-related investments, since we established this business in 1987. In addition, we are in the process of raising our seventh private equity fund. We have also launched a new investment fund focused on clean technology investments and are seeking to launch an investment fund targeting infrastructure investments. Through our private equity funds we pursue transactions throughout the world, including leveraged buyout acquisitions of seasoned companies, transactions involving growth equity or start-up businesses in established industries, minority investments, corporate partnerships, distressed debt, structured securities and industry consolidations, in all cases in strictly friendly transactions.
- **Real Estate.** We are a world leader in real estate investing with an assortment of real estate funds that are diversified geographically and across a variety of sectors. We launched our first real estate fund in 1994 and have managed six opportunistic real estate funds, two internationally focused real estate funds, a European focused real estate fund and a number of real estate debt investment funds. Our real estate funds have made significant investments in lodging, major urban office buildings and a variety of real estate operating companies. In addition, our debt investment funds target real estate non-controlling debt related investment opportunities in the public and private markets, primarily in the United States and Europe.
- **Credit and Marketable Alternatives.** Our credit and marketable alternatives segment is comprised of our management of funds of hedge funds, credit-oriented funds, collateralized loan obligation ("CLO") vehicles and publicly-traded closed-end mutual funds. Our funds of hedge funds operation was organized in 1990 and has developed into a leading manager of institutional fund of hedge fund assets across a wide variety of strategies. Our credit-oriented funds and CLOs are managed by our subsidiary, GSO Capital Partners ("GSO"), a major participant in the leveraged finance market. GSO manages a variety of credit-oriented funds including senior credit-oriented funds, distressed debt funds, mezzanine funds and general credit-oriented funds. These products are intended to provide investors with greater levels of current income and for certain products, a greater level of liquidity.
- **Financial Advisory.** Our financial advisory segment serves a diverse and global group of clients with financial advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds.

We generate our revenue from fees earned pursuant to contractual arrangements with funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees), and from financial advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds. We invest in the funds we manage and, in most cases, receive a preferred allocation of income (i.e., a "Carried Interest") or an incentive fee from an investment fund in the event that specified cumulative investment returns are achieved. The composition of our revenues will vary based on market conditions and the cyclicity of the different businesses in which we operate. Net investment gains and resultant investment income generated by the Blackstone Funds, principally private equity and real estate funds, are driven by value created

Table of Contents

by our operating and strategic initiatives as well as overall market conditions. Our funds initially record fund investments at cost and then such investments are subsequently recorded at fair value. Fair values are affected by changes in the fundamentals of the portfolio company, the portfolio company's industry, the overall economy as well as other market conditions.

Business Environment

Global equity and credit markets retreated in the second quarter of 2010, as investors became more risk averse, responding to growing concerns over the strength of the economic recovery, European sovereign debt issues and regulatory uncertainty. Most global equity indices declined 10-25% during the quarter and volatility spiked. Equity funds saw meaningful outflows. In credit, the high yield and leveraged loan indices were flat to slightly down and spreads moderately widened. Bank loan and high yield mutual funds experienced outflows, removing much of the technical strength that had been driving markets higher.

In the United States, the S&P 500 declined 12% in the second quarter after four consecutive quarters of increases. The employment picture has improved moderately but not to the extent that some economists were expecting. The consensus expectation for GDP growth for 2010 is 3.0%, which is lower than the expectation earlier in the year.

In real estate, the fundamental picture continued to improve in the second quarter. In the office sector, certain markets continue to show improvements in occupancy trends and an increasing level of leasing activity. In the hospitality sector, industry RevPAR (Revenue Per Available Room), an important hospitality industry metric, grew 6% in the second quarter, and has increased for four consecutive months, following nearly two years of declines.

Commodity prices generally declined in the second quarter. The exception to this was precious metals, which benefited from safe haven buying as investors reduced risk. Energy and industrial metals were sharply lower driven mostly by macro concerns, and oil prices in particular declined 10% during the quarter. The U.S. dollar rose against each of the Euro and Pound Sterling by 10.4% and 1.6%, respectively.

Monetary policy in the U.S. has remained generally accommodative, although several foreign governments are starting to emphasize contraction as they become more focused on controlling budget deficits, particularly in Europe.

Blackstone's businesses are materially affected by conditions in the financial markets and economic conditions in the U.S., Western Europe, Asia and, to a lesser extent, elsewhere in the world.

Significant Transaction

Acquisition of Management Agreements Related to CDO and CLO Vehicles

On April 1, 2010, the Partnership acquired, through GSO, management agreements relating to certain collateralized debt obligations ("CDO") and CLO vehicles previously managed by Callidus Capital Management, LLC. The acquisition of the management agreements resulted in the consolidation of the respective CDO and CLO vehicles. On April 1, 2010, the fair value of the CDO and CLO assets and liabilities managed under such contracts was \$2.7 billion and \$2.5 billion, respectively. There was no material impact to the Condensed Consolidated Statement of Operations or the Condensed Consolidated Statement of Cash Flows.

Key Financial Measures and Indicators

Our key financial measures and indicators are discussed below.

Revenues

Revenues primarily consist of management and advisory fees, performance fees and allocations, investment income, interest and dividend revenue and other. Please refer to "Part I. Item 1. Business, Incentive Arrangements / Fee Structure" and "— Critical Accounting Policies, Revenue Recognition" in our 2009 Annual

Table of Contents

Report on Form 10-K for additional information regarding the manner in which Base Management Fees and Performance Fees and Allocations are generated.

Management and Advisory Fees — Management and Advisory Fees are comprised of management fees, including base management fees, transaction and other fees, management fee reductions and offsets, and advisory fees.

The Partnership earns base management fees from the limited partners of funds in each of its managed funds on any of the following bases: as a fixed percentage of assets under management, net asset value, total assets, committed capital or invested capital. Base management fees are based on contractual terms specified in the underlying investment advisory agreements.

Transaction and other fees (including monitoring fees) are fees charged directly to portfolio companies. The investment advisory agreements generally require that the investment advisor reduce the amount of management fees payable by the limited partners to the Partnership (“management fee reduction”) by an amount equal to a portion of the transaction and other fees directly paid to the Partnership by the portfolio companies. The amount of the reduction varies by fund, the type of fee paid by the portfolio company and the previously incurred expenses of the fund.

Management fee offsets are reductions to management fees payable by our limited partners, which are granted based on the amount of expense incurred by our limited partners for placement fees.

Advisory fees consist of advisory retainer and transaction-based fee arrangements related to merger, acquisition, restructuring and divestiture activities and fund placement services for alternative investment funds. Advisory retainer fees are recognized when services for the transactions are complete, in accordance with terms set forth in individual agreements. Transaction-based fees are recognized when (a) there is evidence of an arrangement with a client, (b) agreed upon services have been provided, (c) fees are fixed or determinable and (d) collection is reasonably assured. Fund placement fees are recognized as earned upon the acceptance by a fund of capital or capital commitments.

Accrued but unpaid Management and Advisory Fees, net of management fee reductions and management fee offsets, as of the reporting date, are included in Accounts Receivable or Due From Affiliates in the Condensed Consolidated Statements of Financial Condition.

Performance Fees and Allocations — Performance fees earned on the performance of Blackstone’s hedge fund structures are recognized based on fund performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each hedge fund’s governing agreements. Accrued but unpaid performance fees charged directly to investors in Blackstone’s offshore hedge funds as of the reporting date are recorded within Due from Affiliates in the Condensed Consolidated Statements of Financial Condition. Performance fees arising on Blackstone’s onshore hedge funds are allocated to the general partner. Accrued but unpaid performance fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

In certain fund structures, specifically in private equity, real estate and certain credit-oriented funds (“Carry Funds”), performance fees (“Carried Interest”) are allocated to the general partner based on cumulative fund performance to date, subject to a preferred return to limited partners. At the end of each reporting period, the Partnership calculates the Carried Interest that would be due to the Partnership for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as Carried Interest to reflect either (a) positive performance resulting in an increase in the Carried Interest allocated to the general partner or (b) negative performance resulting in a negative adjustment to Carried Interest allocated to the general partner, that would

Table of Contents

cause the amount due to the Partnership to be less than the amount previously recognized as revenue. In each scenario, it is necessary to calculate the Carried Interest on cumulative results compared to the Carried Interest recorded to date and make the required positive or negative adjustments. The Partnership ceases to record negative Carried Interest allocations once previously recognized Carried Interest allocations for such fund have been fully reversed. The Partnership is not obligated to pay guaranteed returns or hurdles, and therefore cannot have negative Carried Interest over the life of a fund. Accrued but unpaid Carried Interest as of the reporting date is reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

Carried Interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. Performance fees earned on hedge fund structures are realized at the end of each fund's measurement period.

Carried Interest is subject to clawback to the extent that the Carried Interest actually distributed to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received performance fees and allocations, which is a component of Due to Affiliates, represents all amounts previously distributed to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Blackstone Carry Funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. Generally, the actual clawback liability does not become realized until the end of a fund's life or, for our real estate funds, after a realized loss is incurred, depending on the fund.

Investment Income (Loss) — Investment Income (Loss) represents the unrealized and realized gains and losses on the Partnership's principal investments, including its investments in Blackstone Funds that are not consolidated, its equity method investments, and other principal investments. Investment Income (Loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives cash income, such as dividends or distributions, from its non-consolidated funds. Unrealized Investment Income (Loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

Interest and Dividend Revenue — Interest and Dividend Revenue comprises primarily interest and dividend income earned on principal investments held by Blackstone.

Other Revenue — Other Revenue comprises primarily foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars.

Expenses

Compensation and Benefits — Base Compensation — Base compensation and benefits consists of (a) employee compensation, comprising salary and bonus, and benefits paid and payable to employees, including senior managing directors and (b) equity-based compensation associated with the grants of equity-based awards to employees, including senior managing directors.

Equity-Based Compensation — Compensation cost relating to the issuance of share-based awards to employees, including senior managing directors, is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period.

Compensation and Benefits — Performance Fee Related — Performance fee related compensation and benefits consists of Carried Interest and performance fee allocations to employees, including senior managing directors, participating in certain profit sharing initiatives. Employees participating in such initiatives are allocated a certain portion of Carried Interest and performance fees allocated to the general partner under

Table of Contents

performance fee allocations (see “Revenue Recognition”). Such compensation expense is recognized in the same manner as Carried Interest and performance fee allocations and is subject to both positive and negative adjustments as a result of changes in underlying fund performance.

Other Operating Expenses. Other operating expenses represent general and administrative expenses including interest expense, occupancy and equipment expenses and other expenses, which consist principally of professional fees, public company costs, travel and related expenses, communications and information services and depreciation and amortization.

Fund Expenses. The expenses of our consolidated Blackstone Funds consist primarily of interest expense, professional fees and other third-party expenses.

Non-Controlling Interests in Consolidated Entities

Non-Controlling Interests in Consolidated Entities represent the component of Partners’ Capital in consolidated entities held by third party investors. Such interests are adjusted for general partner allocations and by subscriptions and redemptions in funds of hedge funds and certain credit-oriented funds which occur during the reporting period. Non-controlling interests related to funds of hedge funds and certain other credit-oriented funds are subject to annual, semi-annual or quarterly redemption by investors in these funds following the expiration of a specified period of time (typically between one and three years), or may be withdrawn subject to a redemption fee in the funds of hedge funds and certain credit-oriented funds during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third party interests in such consolidated funds are presented as Redeemable Non-Controlling Interests in Consolidated Entities within the Condensed Consolidated Statements of Financial Condition. When redeemable amounts become legally payable to investors, they are classified as a liability. For all consolidated funds in which redemption rights have not been granted, non-controlling interests are presented within Partners’ Capital in the Condensed Consolidated Statements of Financial Condition as Non-Controlling Interests in Consolidated Entities.

Income Taxes

The Blackstone Holdings partnerships and certain of their subsidiaries operate in the U.S. as partnerships for U.S. federal income tax purposes and generally as corporate entities in non-U.S. jurisdictions. Accordingly, these entities in some cases are subject to New York City unincorporated business taxes or non-U.S. income taxes. In addition, certain of the wholly-owned subsidiaries of the Partnership and the Blackstone Holdings partnerships will be subject to federal, state and local corporate income taxes at the entity level and the related tax provision attributable to the Partnership’s share of this income is reflected in the Condensed Consolidated Financial Statements.

Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using currently enacted tax rates. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties under accounting principles generally accepted in the United States of America (“GAAP”). Blackstone reviews its tax positions quarterly and adjusts its tax balances as new information becomes available.

Table of Contents

Blackstone analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, the Partnership determines that uncertainties in tax positions exist, a reserve is established. Blackstone recognizes accrued interest and penalties related to uncertain tax positions in General, Administrative, and Other expenses within the Condensed Consolidated Statements of Operations.

There remains some uncertainty regarding Blackstone's future taxation levels. In 2007, Congress considered legislation that would tax as corporations publicly traded partnerships that directly or indirectly derive income from investment adviser or asset management services.

In 2008, the U.S. House of Representatives passed a bill that would generally (a) treat Carried Interest as non-qualifying income under the tax rules applicable to publicly traded partnerships, which would generally require us to hold interests in entities earning such income through taxable subsidiary corporations by the end of 2010, and (b) tax Carried Interest as ordinary income for U.S. federal income tax purposes, rather than in accordance with the character of income derived by the underlying fund, which is in many cases capital gain, starting with our 2008 taxable year.

In December 2009, the U.S. House of Representatives passed substantially similar legislation. Such legislation would tax Carried Interest as ordinary income starting this taxable year. However, under a transition rule, the portion of such legislation treating Carried Interest as non-qualifying income under the tax rules applicable to publicly traded partnerships would not apply until our first taxable year beginning ten years after the date of the enactment of the legislation.

In May 2010, the U.S. House of Representatives passed similar legislation that would generally tax, after 2010, income and gains, including gain on sale, attributable to an interest in an investment services partnership interest, or "ISPI", as income subject to a new blended tax rate that is higher than the capital gains rate applicable to such income under current law, except to the extent an ISPI is considered to be qualified capital interest under the legislation. The interests we hold in entities that are entitled to receive Carried Interest would likely be classified as ISPIs for purposes of this legislation. The legislation provides that, for taxable years beginning ten years after the date of enactment, income derived with respect of an ISPI that is not a qualified capital interest and that is treated as ordinary income under this legislation will not be qualifying income under the tax rules applicable to publicly traded partnerships. Therefore, if this or similar legislation is passed, we generally would be required to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations following such ten-year period.

The Obama administration has indicated it supports the adoption of the May 2010 legislation or legislation that similarly changes the treatment of Carried Interest for U.S. federal income tax purposes. In its published revenue proposals for both 2010 and 2011, the Obama administration proposed that the current law regarding the treatment of Carried Interest be changed to subject such income to ordinary income tax. In June 2010, the U.S. Senate considered but did not pass legislation that is generally similar to the legislation passed by the U.S. House of Representatives in May 2010. It is unclear when or whether the U.S. Senate will act on such legislation or if enacted, what provision will be included in any final legislation.

If we were taxed as a corporation or were forced to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations, our effective tax rate could increase significantly. The federal statutory rate for corporations is currently 35%, and the state and local tax rates, net of the federal benefit, aggregate approximately 10%. If a variation of the above described legislation or any other change in the tax laws, rules, regulations or interpretations preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules or force us to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations, this could materially increase our tax liability, and could well result in a reduction in the market price of our common units.

It is not possible at this time to meaningfully quantify the potential impact on Blackstone of this potential future legislation or any similar legislation. Multiple versions of legislation in this area have been proposed over

Table of Contents

the last few years that have included significantly different provisions regarding effective dates and the treatment of invested capital, tiered entities and cross-border operations, among other matters. Depending upon what version of the legislation, if any, were enacted, the potential impact on a public company such as Blackstone in a given year could differ dramatically and could be material. In addition, these legislative proposals would not themselves impose a tax on a publicly traded partnership such as Blackstone. Rather, they could force Blackstone and other publicly traded partnerships to restructure their operations so as to prevent disqualifying income from reaching the publicly traded partnership in amounts that would disqualify the partnership from treatment as a partnership for U.S. federal income tax purposes. Such a restructuring could result in more income being earned in corporate subsidiaries, thereby increasing corporate income tax liability indirectly borne by the publicly traded partnership. The nature of any such restructuring would depend on the precise provisions of the legislation that was ultimately enacted, as well as the particular facts and circumstances of Blackstone's operations extant at the time any such legislation were to take effect, making the task of predicting the amount of additional tax highly speculative.

Economic Net Income

Blackstone uses Economic Net Income, or "ENI", as a key measure of value creation and as a benchmark of its performance. ENI represents segment net income excluding the impact of income taxes and initial public offering ("IPO") and acquisition-related items, including charges associated with equity-based compensation, the amortization of intangibles and corporate actions including acquisitions. For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates the investment funds we manage. Total Segment ENI equals the aggregate of ENI for all segments. ENI is used by management primarily in making resource deployment and compensation decisions across Blackstone's four segments. (See Note 16. "Segment Reporting" in the "Notes to the Condensed Consolidated Financial Statements" in Part I. Item 1. Financial Statements.)

Distributable Earnings

Distributable Earnings, which is derived from our segment reported results, is a supplemental measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships. Distributable Earnings, which is a non-GAAP measure, is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. See "— Liquidity and Capital Resources — Liquidity and Capital Resources" below for our detailed discussion of Distributable Earnings.

Distributable Earnings, which is a component of Economic Net Income, is the sum across all Total Segments of: (a) Total Management and Advisory Fees, (b) Interest and Dividend Revenue, (c) Other Revenue, (d) Realized Performance Fees and Allocations, and (e) Realized Investment Income (Loss); less (a) Base Compensation, (b) Realized Performance Fee Related Compensation, (c) Other Operating Expenses and (d) Cash Taxes and Payables Under the Tax Receivable Agreement. Distributable Earnings is reconciled to Blackstone's Consolidated Statement of Operations. It is Blackstone's current intention that on an annual basis it will distribute to unitholders all of its Distributable Earnings in excess of amounts determined by its general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future distributions to its unitholders for any ensuing quarter.

Net Fee Related Earnings from Operations

Blackstone uses Net Fee Related Earnings from Operations as a key measure to highlight earnings from operations excluding: (a) the income related to performance fees and allocations and related performance fee related compensation costs, (b) income earned from Blackstone's investments in the Blackstone Funds, and (c) realized and unrealized gains (losses) from other investments except for such gains (losses) from Blackstone's

Table of Contents

Treasury cash management strategies. Management uses Net Fee Related Earnings from Operations as a measure to assess whether recurring revenue from our businesses is sufficient to adequately cover all of our operating expenses and generate profits. Net Fee Related Earnings from Operations equals contractual fee revenues and interest income, less (a) compensation expenses (which includes amortization of non-IPO and non-acquisition-related equity-based awards, but excludes amortization of IPO and acquisition-related equity-based awards, Carried Interest and incentive fee compensation), (b) other operating expenses and (c) cash taxes due on earnings from operations as calculated using a similar methodology as applied in calculating the current tax provision (benefit) for The Blackstone Group L.P. See “— Liquidity and Capital Resources — Liquidity and Capital Resources” below for a detailed discussion of Net Fee Related Earnings from Operations.

Operating Metrics

The alternative asset management business is a complex business that is primarily based on managing third party capital and does not require substantial capital investment to support rapid growth. However, there also can be volatility associated with its earnings and cash flows. Since our inception, we have developed and used various key operating metrics to assess and monitor the operating performance of our various alternative asset management businesses in order to monitor the effectiveness of our value creating strategies.

Assets Under Management. Assets Under Management refers to the assets we manage. Our Assets Under Management equal the sum of:

- (a) the fair value of the investments held by our carry funds plus the capital that we are entitled to call from investors in those funds pursuant to the terms of their capital commitments to those funds (plus the fair value of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees or a Carried Interest allocation);
- (b) the net asset value of our funds of hedge funds, hedge funds and our closed-end mutual funds;
- (c) the fair value of assets we manage pursuant to separately managed accounts; and
- (d) the amount of capital raised for our CLOs.

Our carry funds are commitment-based drawdown structured funds that do not permit investors to redeem their interests at their election. Interests related to our funds of hedge funds and certain of our credit-oriented funds are generally subject to annual, semi-annual or quarterly withdrawal or redemption by investors upon advance written notice, with the majority of our funds requiring from 60 days up to 95 days’ notice, depending on the fund and the liquidity profile of the underlying assets. Investment advisory agreements related to separately managed accounts may generally be terminated by an investor on 30 to 90 days’ notice.

Fee-Earning Assets Under Management . Fee-Earning Assets Under Management refers to the assets we manage on which we derive management and / or incentive fees. Our Fee-Earning Assets Under Management generally equal the sum of:

- (a) for our Blackstone Capital Partners (“BCP”) and Blackstone Real Estate Partners (“BREP”) funds where the investment period has not expired, the amount of capital commitments;
- (b) for our BCP and BREP funds where the investment period has expired, the remaining amount of invested capital;
- (c) for our real estate debt investment funds, the remaining amount of invested capital;
- (d) for our credit-oriented carry funds, the amount of invested capital (which may be calculated to include leverage) or net asset value;
- (e) the invested capital of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees;
- (f) the net asset value of our funds of hedge funds, hedge funds and our closed-end mutual funds;

Table of Contents

- (g) the fair value of assets we manage pursuant to separately managed accounts; and
- (h) the gross amount of assets of our CLOs at cost.

Our calculations of assets under management and fee-earning assets under management may differ from the calculations of other asset managers, and as a result this measure may not be comparable to similar measures presented by other asset managers. In addition, our calculation of assets under management includes commitments to, and the fair value of, invested capital in our funds from Blackstone and our personnel, regardless of whether such commitments or invested capital are subject to fees. Our definitions of assets under management or fee-earning assets under management are not based on any definition of assets under management or fee-earning assets under management that is set forth in the agreements governing the investment funds that we manage.

For our carry funds, total assets under management includes the fair value of the investments held, whereas fee-earning assets under management includes the amount of capital commitments or the remaining amount of invested capital at cost, depending on whether the investment period has or has not expired. As such, fee-earning assets under management may be greater than total assets under management when the aggregate fair value of the remaining investments is less than the cost of those investments.

Limited Partner Capital Invested. Limited Partner Capital Invested represents the amount of Limited Partner capital commitments which were invested by our carry funds during each period presented, plus the capital invested through co-investments arranged by us that were made by limited partners in investments of our carry funds on which we receive fees or a Carried Interest allocation.

We manage our business using traditional financial measures and our key operating metrics since we believe that these metrics measure the productivity of our investment activities.

Table of Contents

Consolidated Results of Operations

Following is a discussion of our consolidated results of operations for the three and six months ended June 30, 2010 and 2009. For a more detailed discussion of the factors that affected the results of our four business segments (which are presented on a basis that deconsolidates the investment funds we manage) in these periods, see “— Segment Analysis” below.

The following table sets forth information regarding our consolidated results of operations and certain key operating metrics for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Revenues								
Management and Advisory Fees	\$ 406,062	\$ 340,829	\$ 65,233	19%	\$ 760,882	\$ 682,001	\$ 78,881	12%
Performance Fees and Allocations								
Realized	51,750	4,810	46,940	N/M	105,799	5,456	100,343	N/M
Unrealized	(19,299)	66,361	(85,660)	N/M	112,480	(148,533)	261,013	N/M
Total Performance Fees and Allocations	32,451	71,171	(38,720)	-54%	218,279	(143,077)	361,356	N/M
Investment Income (Loss)								
Realized	10,225	1,346	8,879	N/M	15,951	1,277	14,674	N/M
Unrealized	95,043	(12,295)	107,338	N/M	244,263	(94,679)	338,942	N/M
Total Investment Income (Loss)	105,268	(10,949)	116,217	N/M	260,214	(93,402)	353,616	N/M
Interest and Dividend Revenue	6,952	2,294	4,658	N/M	15,847	4,421	11,426	N/M
Other	(645)	3,071	(3,716)	N/M	(3,895)	1,387	(5,282)	N/M
Total Revenues	550,088	406,416	143,672	35%	1,251,327	451,330	799,997	177%
Expenses								
Compensation and Benefits								
Base Compensation	967,711	962,082	5,629	1%	1,892,661	1,882,295	10,366	1%
Performance Fee Related								
Realized	22,879	(463)	23,342	N/M	30,620	1,726	28,894	N/M
Unrealized	(892)	(23,868)	22,976	96%	53,708	(133,923)	187,631	N/M
Total Compensation and Benefits	989,698	937,751	51,947	6%	1,976,989	1,750,098	226,891	13%
General, Administrative and Other	121,183	112,276	8,907	8%	227,562	217,876	9,686	4%
Interest Expense	7,682	87	7,595	N/M	14,867	1,486	13,381	N/M
Fund Expenses	9,203	1,592	7,611	N/M	9,062	4,604	4,458	97%
Total Expenses	1,127,766	1,051,706	76,060	7%	2,228,480	1,974,064	254,416	13%
Other Income (Loss)								
Net Gains (Losses) from Fund Investment Activities	(59,250)	58,304	(117,554)	N/M	112,554	23,541	89,013	N/M
Income (Loss) Before Provision for Taxes	(636,928)	(586,986)	(49,942)	-9%	(864,599)	(1,499,193)	634,594	42%
Provision for Taxes	19,392	10,885	8,507	78%	29,027	28,616	411	1%
Net Income (Loss)	(656,320)	(597,871)	(58,449)	-10%	(893,626)	(1,527,809)	634,183	42%
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(421)	37,638	(38,059)	N/M	23,548	40,234	(16,686)	-41%
Net Income (Loss) Attributable to Non- Controlling Interests in Consolidated Entities	(57,873)	3,959	(61,832)	N/M	78,093	(37,072)	115,165	N/M
Net Income (Loss) Attributable to Non- Controlling Interests in Blackstone Holdings	(404,706)	(475,184)	70,478	15%	(680,570)	(1,135,113)	454,543	40%
Net Income (Loss) Attributable to The Blackstone Group L.P.	\$ (193,320)	\$ (164,284)	\$ (29,036)	-18%	\$ (314,697)	\$ (395,858)	\$ 81,161	21%

Table of Contents

Revenues

Total Revenues were \$550.1 million for the three months ended June 30, 2010, an increase of \$143.7 million compared to Total Revenues for the three months ended June 30, 2009 of \$406.4 million. The increase in revenues was primarily attributable to an increase of \$116.2 million in Investment Income (Loss) and an increase of \$65.2 million in Management and Advisory Fees which were partially offset by a decrease of \$38.7 million in Performance Fees and Allocations. The improvement in Investment Income (Loss) was driven by increases in the underlying portfolio investments in our Real Estate segment. The increase in Management and Advisory Fees was primarily due to increases in Advisory fees from our fund placement business and our restructuring and reorganization business which are included in our Financial Advisory segment as well as increases in Base Management Fees in our Credit and Marketable Alternatives segment driven by higher Fee-Earning Assets Under Management from positive inflows in our funds of hedge funds business. The decrease in Performance Fees and Allocations was primarily driven by our Private Equity segment in which certain funds reversed previously accrued performance fees and allocations primarily due to a decrease in the share price of certain public investments. This decrease in Performance Fees and Allocations was partially offset by an increase in our Real Estate segment which was driven by improved performance of our real estate carry funds as operating performance and projected cash flows improved in certain portfolio investments. Our real estate carry funds had a net IRR of 17% in the second quarter of 2010 compared to negative 20% in the second quarter of 2009. The Realized Performance Fees and Allocations of \$51.8 million were primarily attributable to the Real Estate and Credit and Marketable Alternatives segments with \$16.3 million and \$28.9 million, respectively.

Total Revenues were \$1.3 billion for the six months ended June 30, 2010, an increase of \$800.0 million compared to Total Revenues for the six months ended June 30, 2009 of \$451.3 million. The increase in revenues was primarily attributable to an increase of \$361.4 million in Performance Fees and Allocations, an increase of \$353.6 million in Investment Income (Loss) and an increase of \$78.9 million in Management and Advisory Fees. The increase in Performance Fees and Allocations was primarily driven by improved performance of our real estate carry funds in our Real Estate segment and our credit oriented funds and funds of hedge funds in our Credit and Marketable Alternatives segment. Investment Income (Loss) improved primarily due to increases in the underlying portfolio investments in our Real Estate and Private Equity segments. The increase in Management and Advisory Fees was primarily due to increases in Advisory Fees from our fund placement business which is included in our Financial Advisory segment, increases in Base Management Fees in our Credit and Marketable Alternatives segment driven by higher Fee-Earning Assets Under Management from positive inflows in our funds of hedge funds business and an increase in Transaction Fees in our Private Equity segment driven by a one-time fee related to the exit of one of our BCP investments.

Expenses

Expenses were \$1.1 billion for the three months ended June 30, 2010, an increase of \$76.1 million, or 7%, compared to \$1.1 billion for the three months ended June 30, 2009. The increase was primarily attributable to an increase in Compensation and Benefits to \$989.7 million from \$937.8 million in 2009. Performance Fee Related Compensation was \$22.0 million for the current year, an increase of \$46.3 million, and Base Compensation was \$967.7 million for the current year, an increase of \$5.6 million. General, Administrative and Other expenses were \$121.2 million for the current year, an increase of \$8.9 million driven by an increase in costs related to our fund-raising efforts in our Private Equity segment and the launching of new products in our Credit and Marketable Alternatives segment. Our expenses are primarily driven by levels of business activity, revenue growth and headcount.

Expenses were \$2.2 billion for the six months ended June 30, 2010, an increase of \$254.4 million, or 13%, compared to \$2.0 billion for the six months ended June 30, 2009. The increase was primarily attributable to an increase of \$226.9 million in Compensation and Benefits driven by an increase in Performance Fee Related Compensation due to improved performance in our Real Estate segment and our credit oriented funds and funds of hedge funds in our Credit and Marketable Alternatives segment. Base Compensation was \$1.9 billion,

Table of Contents

relatively unchanged from the prior year period. General Administrative and Other expenses were \$227.6 million for the current year, an increase of \$9.7 million driven by the same factors as for the quarterly period noted above.

Other Income (Loss)

Other Income (Loss) was \$(59.3) million for the three months ended June 30, 2010, a decrease of \$117.6 million compared to \$58.3 million for the three months ended June 30, 2009. The change was due to negative performance of our consolidated CLO vehicles for the three months ended June 30, 2010.

Other Income (Loss) was \$112.6 million for the six months ended June 30, 2010, an increase of \$89.0 million compared to \$23.5 million for the six months ended June 30, 2009. The change was principally driven by an increase in income generated by our Private Equity and Real Estate consolidated side-by-side entities.

Operating Metrics

The following table presents certain operating metrics for the three and six months ended June 30, 2010 and 2009. For a description of how Assets Under Management and Fee-Earning Assets Under Management are determined, please see “— Key Financial Measures and Indicators — Operating Metrics — Assets Under Management and Fee-Earning Assets Under Management.”

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Fee-Earning Assets Under Management								
Balance, Beginning of Period	\$ 98,070,172	\$92,227,566	\$ 5,842,606	6%	\$ 96,096,997	\$91,041,057	\$ 5,055,940	6%
Inflows, including Commitments (a)	6,282,532	1,223,055	5,059,477	N/M	8,783,150	3,889,780	4,893,370	126%
Outflows, including Distributions (b)	(1,966,897)	(2,517,887)	550,990	22%	(2,931,235)	(3,524,147)	592,912	17%
Market Appreciation (Depreciation) (c)	(965,826)	2,572,668	(3,538,494)	N/M	(528,931)	2,098,712	(2,627,643)	N/M
Balance, End of Period (d)	<u>\$101,419,981</u>	<u>\$93,505,402</u>	<u>\$ 7,914,579</u>	<u>8%</u>	<u>\$101,419,981</u>	<u>\$93,505,402</u>	<u>\$ 7,914,579</u>	<u>8%</u>
Assets Under Management (End of Period) (d)	<u>\$111,148,410</u>	<u>\$93,468,481</u>	<u>\$17,679,929</u>	<u>19%</u>	<u>\$111,148,410</u>	<u>\$93,468,481</u>	<u>\$17,679,929</u>	<u>19%</u>
Capital Deployed								
Limited Partner Capital Invested	<u>\$ 1,377,717</u>	<u>\$ 703,056</u>	<u>\$ 674,661</u>	<u>96%</u>	<u>\$ 2,347,541</u>	<u>\$ 1,322,678</u>	<u>\$ 1,024,863</u>	<u>77%</u>

- (a) Inflows represent contributions in our hedge funds and closed-end mutual funds, increases in available capital for our carry funds (capital raises, callable capital and increased side-by-side commitments) and CLOs and increases in the capital we manage pursuant to separately managed account programs.
- (b) Outflows represent redemptions in our hedge funds and closed-end mutual funds, client withdrawals from our separately managed account programs, decreases in available capital for our carry funds (expired capital, expense drawdowns and decreased side-by-side commitments) and realizations from the disposition of assets by our carry funds. Also included is the distribution of funds associated with the discontinuation of our proprietary single manager hedge funds.
- (c) Market appreciation (depreciation) includes realized and unrealized gains (losses) on portfolio investments and the impact of foreign exchange rate fluctuations.
- (d) Fee-Earning Assets Under Management and Assets Under Management include \$505.0 million from a joint venture in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were \$101.4 billion at June 30, 2010, an increase of \$7.9 billion, or 8%, compared with \$93.5 billion at June 30, 2009. The \$7.9 billion increase was attributed to a \$7.7 billion increase

Table of Contents

in our Credit and Marketable Alternatives segment driven primarily by net inflows of \$4.0 billion which included the acquisition on April 1, 2010 of \$3.5 billion of collateralized debt obligations and CLO vehicles and \$2.8 billion of market appreciation primarily driven by our funds of hedge funds business.

Assets Under Management

Assets Under Management were \$111.1 billion at June 30, 2010, an increase of \$17.7 billion, or 19%, compared with \$93.5 billion at June 30, 2009. The \$17.7 billion increase was attributed to a \$9.5 billion increase in our Credit and Marketable Alternatives segment driven by market appreciation of \$4.1 billion primarily in our funds of hedge funds and credit-oriented funds and the acquisition on April 1, 2010 of \$3.5 billion of collateralized debt obligations and CLO vehicles. A \$4.5 billion increase in our Private Equity segment was driven by market appreciation of \$5.8 billion and net inflows of \$1.1 billion which was partially offset by \$2.3 billion of realizations, while a \$3.7 billion increase in our Real Estate segment was driven by market appreciation of \$2.8 billion and net inflows of \$0.9 billion.

Limited Partner Capital Invested

Limited Partner Capital Invested was \$1.4 billion for the three months ended June 30, 2010, an increase of \$674.7 million, or 96%, compared to \$703.1 million for the three months ended June 30, 2009. Limited Partner Capital Invested was \$2.3 billion for the six months ended June 30, 2010, an increase of \$1.0 billion, or 77%, compared to \$1.3 billion for the six months ended June 30, 2009. The change reflected an increase in the size and volume of consummated transactions compared to the prior year.

Segment Analysis

Discussed below is our ENI for each of our segments. This information is reflected in the manner utilized by our senior management to make operating decisions, assess performance and allocate resources. References to “our” sectors or investments may also refer to portfolio companies and investments of the underlying funds that we manage.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates the investment funds we manage. As a result, segment revenues are greater than those presented on a consolidated GAAP basis because fund management fees recognized in certain segments are received from the Blackstone Funds and eliminated in consolidation when presented on a consolidated GAAP basis. Furthermore, segment expenses are lower than related amounts presented on a consolidated GAAP basis due to the exclusion of fund expenses that are paid by Limited Partners and the elimination of non-controlling interests.

Table of Contents

Private Equity

The following table presents our results of operations for our Private Equity segment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Segment Revenues								
Management Fees								
Base Management Fees	\$ 66,795	\$ 67,740	\$ (945)	-1%	\$132,227	\$136,171	\$ (3,944)	-3%
Transaction and Other Fees, Net	16,367	15,145	1,222	8%	48,339	25,473	22,866	90%
Total Management Fees	83,162	82,885	277	0%	180,566	161,644	18,922	12%
Performance Fees and Allocations								
Realized	1,106	—	1,106	N/M	47,281	—	47,281	N/M
Unrealized	(24,020)	97,185	(121,205)	N/M	21,529	102,003	(80,474)	-79%
Total Performance Fees and Allocations	(22,914)	97,185	(120,099)	N/M	68,810	102,003	(33,193)	-33%
Investment Income (Loss)								
Realized	3,141	102	3,039	N/M	2,646	(242)	2,888	N/M
Unrealized	17,275	17,118	157	1%	101,959	1,953	100,006	N/M
Total Investment Income (Loss)	20,416	17,220	3,196	19%	104,605	1,711	102,894	N/M
Interest and Dividend Revenue	2,728	824	1,904	N/M	6,156	672	5,484	N/M
Other	460	472	(12)	-3%	560	652	(92)	-14%
Total Revenues	83,852	198,586	(114,734)	-58%	360,697	266,682	94,015	35%
Expenses								
Compensation and Benefits								
Base Compensation	46,612	40,667	5,945	15%	93,522	77,515	16,007	21%
Performance Fee Related								
Realized	128	(3)	131	N/M	6,133	(9)	6,142	N/M
Unrealized	(10,296)	13,599	(23,895)	N/M	(3,952)	(28,367)	24,415	86%
Total Compensation and Benefits	36,444	54,263	(17,819)	-33%	95,703	49,139	46,564	95%
Other Operating Expenses	28,677	20,553	8,124	40%	53,108	40,661	12,447	31%
Total Expenses	65,121	74,816	(9,695)	-13%	148,811	89,800	59,011	66%
Economic Net Income	\$ 18,731	\$123,770	\$ (105,039)	-85%	\$211,886	\$176,882	\$ 35,004	20%

Revenues

Revenues were \$83.9 million for the three months ended June 30, 2010, a decrease of \$114.7 million compared to \$198.6 million for the three months ended June 30, 2009. The decrease in revenues was primarily attributed to a decrease of \$120.1 million in Performance Fees and Allocations which was partially offset by an increase of \$3.2 million in Investment Income (Loss). Total Management Fees remained relatively unchanged.

Performance Fees and Allocations, which are determined on a fund by fund basis, were \$(22.9) million for the three months ended June 30, 2010, a decrease of \$120.1 million, compared to \$97.2 million for the three months ended June 30, 2009, principally driven by BCP IV and BCOM, which generated gross returns of (1.1)%

Table of Contents

and (8.7)%, respectively, for the three months ended June 30, 2010 compared to 11.5% and (1.3)%, respectively, for the three months ended June 30, 2009. Investment Income (Loss) was \$20.4 million, an increase of \$3.2 million, compared to \$17.2 million for the three months ended June 30, 2009, principally driven by BCP V, which generated a gross return of 4.5% for the three months ended June 30, 2010 compared to approximately flat performance for the three months ended June 30, 2009. Overall, our BCP funds had a net IRR of 2.3% for the quarter, compared to 4.2% in the second quarter of 2009. Continued improvement in the performance of our private portfolio was offset by decreases in the share prices of certain of our public investments and foreign exchange rates. The fair value appreciation for the current quarter in our private portfolio was primarily due to continued improvement in operating performance driven by companies in the hospitality, leisure and healthcare sectors. At a fund level, the appreciation in fair value of our private portfolio was primarily attributed to BCP V generating \$19.5 million in Investment Income while BCP IV had \$(11.3) million and \$(1.4) million in Performance Fees and Allocations and Investment Income (Loss), respectively, and BCOM had \$(11.6) million in Performance Fees and Allocations and \$(2.0) million in Investment Income (Loss). At June 30, 2010, the unrealized value and cumulative realized proceeds, before Carried Interest, fees and expenses, of our contributed private equity funds represented 1.4 times investors' original investments; excluding funds which are still in their Investment Period, the historical returns were 2.2 times investors' original investments.

Realized Investment Income (Loss) was \$3.1 million for the three months ended June 30, 2010, an increase of \$3.0 million compared to \$0.1 million for the three months ended June 30, 2009.

Total Management Fees were \$83.2 million for the three months ended June 30, 2010, an increase of \$0.3 million compared to \$82.9 million for the three months ended June 30, 2009. Base Management Fees and Transaction and Other Fees remained relatively unchanged at \$66.8 million and \$16.4 million, respectively.

Revenues were \$360.7 million for the six months ended June 30, 2010, an increase of \$94.0 million compared to \$266.7 million for the six months ended June 30, 2009. The increase was primarily due to an increase of \$102.9 million in Investment Income (Loss), partially offset by a reduction in Performance Fees and Allocations of \$33.2 million. The increase in Investment Income (Loss) was due to the overall increase in the unrealized value for our BCP funds, which resulted in a net IRR of 18.1% for the six months ended June 30, 2010 compared to negative 1% for the six months ended June 30, 2009. In 2009, BCP IV contributed \$124.0 million of Performance Fees and Allocations compared to \$81.0 million in the six months ended June 30, 2010. Additionally, Total Management Fees rose \$18.9 million from the prior year to \$180.6 million in the six months ended June 30, 2010, primarily due to a one-time fee earned in the first quarter related to the exit of one of our fund investments.

The Realized Performance Fees and Allocations for the six months ended June 30, 2010 of \$47.3 million was primarily attributable to the secondary offering of TRW Automotive, one of our publicly traded portfolio investments, and distributions from certain of our investments in the financial services industries. Realized Investment Income (Loss) was \$2.6 million for the six months ended June 30, 2010, an increase of \$2.9 million compared to \$(0.2) million for the six months ended June 30, 2009.

Expenses

Expenses were \$65.1 million for the three months ended June 30, 2010, a decrease of \$9.7 million, compared to \$74.8 million for the three months ended June 30, 2009. The \$9.7 million decrease was primarily attributed to a \$23.8 million decrease in Performance Fee Related Compensation, which was partially offset by increases of \$8.1 million and \$5.9 million in Other Operating Expenses and Base Compensation, respectively. Performance Fee Related Compensation decreased \$23.8 million to \$(10.2) million compared to the prior year period, primarily due to the negative performance in BCP IV and BCOM which resulted in the reversal of prior period accrued performance fees related to unrealized valuation reductions on certain investments. Other Operating Expenses increased \$8.1 million to \$28.7 million, principally due to an increase in interest expense and fund raising costs.

Table of Contents

Expenses were \$148.8 million for the six months ended June 30, 2010, an increase of \$59.0 million compared to \$89.8 million for the six months ended June 30, 2009. The \$59.0 million increase was primarily attributed to a \$46.6 million increase in Compensation and Benefits and a \$12.4 million increase in Other Operating Expenses. Performance Fee Related Compensation increased \$30.6 million primarily due to the fact that the six months ended June 30, 2009 included a \$28.4 million reversal of prior period Carried Interest allocations to certain personnel, a result of the net depreciation in fair value of certain portfolio investments, compared with a reversal of \$4.0 million in the six months ended June 30, 2010. Base Compensation increased \$16.0 million. Other Operating Expenses increased \$12.4 million, driven principally by an increase in interest expense and fund-raising costs.

Operating Metrics

The following operating metrics are used in the management of this business segment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Fee-Earning Assets Under Management								
Balance, Beginning of Period	\$25,173,936	\$25,461,139	\$ (287,203)	-1%	\$24,521,394	\$25,509,163	\$ (987,769)	-4%
Inflows, including Commitments	49,452	39,552	9,900	25%	866,350	76,675	789,675	N/M
Outflows, including Distributions	(8,828)	—	(8,828)	N/M	(180,458)	(9,745)	(170,713)	N/M
Market Appreciation (Depreciation)	(24,365)	(256,641)	232,276	91%	(17,091)	(332,043)	314,952	95%
Balance, End of Period (a)	<u>\$25,190,195</u>	<u>\$25,244,050</u>	<u>\$ (53,855)</u>	<u>-0%</u>	<u>\$25,190,195</u>	<u>\$25,244,050</u>	<u>\$ (53,855)</u>	<u>-0%</u>
Assets Under Management (End of Period) (a)	<u>\$28,360,282</u>	<u>\$23,866,087</u>	<u>\$4,494,195</u>	<u>19%</u>	<u>\$28,360,282</u>	<u>\$23,866,087</u>	<u>\$4,494,195</u>	<u>19%</u>
Capital Deployed								
Limited Partner Capital Invested	<u>\$ 469,808</u>	<u>\$ 338,269</u>	<u>\$ 131,539</u>	<u>39%</u>	<u>\$ 857,712</u>	<u>\$ 534,409</u>	<u>\$ 323,303</u>	<u>60%</u>

(a) Fee-Earning Assets Under Management and Assets Under Management include \$505.0 million from a joint venture in Korea in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were \$25.2 billion at June 30, 2010, relatively unchanged from June 30, 2009. Inflows of \$49.5 million and outflows of \$8.8 million were both driven by investment activity in our funds that charge management fees based on invested capital. Market depreciation of \$24.4 million in the second quarter of 2010 was due to the foreign exchange impact on management fees earned from our joint venture in Korea, which has no impact on the performance of our funds. In the second quarter of 2009, market depreciation of \$256.6 million represented certain assets in our BCP IV and BCOM funds that were valued at zero and for which we are no longer entitled to charge a management fee. Despite valuing these assets at zero (reduced from their previous nominal carrying value), BCP IV and BCOM achieved net returns of 11% and 1%, respectively, and generated a combined \$97.2 million in performance fees and allocations in the second quarter of 2009.

Assets Under Management

Assets Under Management were \$28.4 billion at June 30, 2010, an increase of \$4.5 billion, or 19%, compared with \$23.9 billion at June 30, 2009. The increase was primarily due to net appreciation of \$5.8 billion in the fair value of our portfolio investments and inflows of \$1.1 billion, partially offset by realizations of \$2.3 billion.

Table of Contents

Limited Partner Capital Invested

Limited Partner Capital Invested was \$469.8 million for the three months ended June 30, 2010, an increase of \$131.5 million, or 39%, compared to \$338.3 million for the three months ended June 30, 2009. Limited Partner Capital Invested was \$857.7 million for the six months ended June 30, 2010, an increase of \$323.3 million, or 60%, compared to \$534.4 million for the six months ended June 30, 2009. The increases were primarily attributable to an increase in the average transaction size for the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009, respectively.

Fund Returns

Fund returns information for our significant funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund returns information reflected in this discussion and analysis is not indicative of the financial performance of The Blackstone Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Blackstone Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following table presents the Net Internal Rates of Return of our significant BCP funds:

Fund	Net Total Change in Carrying Value (Realized and Unrealized) (a)					
	Three Months Ended June 30,		Six Months Ended June 30,		June 30, 2010 Inception to Date	
	2010	2009	2010	2009	Total	Realized (b)
BCP IV	-1%	11%	8%	12%	39%	62%
BCP V	4%	1%	25%	-5%	-2%	15%

The returns presented herein represent those of the applicable Blackstone Funds and not those of The Blackstone Group L.P.

- (a) Net total change in carrying value (realized and unrealized) is after management fees, expenses and Carried Interest allocations.
- (b) Includes partially realized investments. Investments are considered partially realized when distributed proceeds, excluding current income (dividends, interest, etc.), are a material portion of invested capital.

The net internal rate of return for BCP IV for the quarter ended June 30, 2010 was negative compared to the positive returns in the same quarter last year due to unfavorable fluctuations in the share prices of certain of its public investments and foreign exchange rates, offset by an increase in value due to an agreement to sell a portion of an investment in the leisure sector. The net internal rate of return for BCP V for the quarter ended June 30, 2010 was higher compared to the positive returns in the same quarter last year due to continued improvement in operating performance of its private investments driven by companies in the hospitality, leisure and healthcare sectors.

Table of Contents

The following table presents the investment record of the private equity funds from inception through June 30, 2010 for funds with closed investment periods:

Fund (Investment Period)	Fully Invested Funds							
	Total Investments				Realized / Partially Realized Investments (a)			
	Total		Net IRR (c)	MOIC (d)	Total		Net IRR (c)	MOIC (d)
	Invested Capital	Carrying Value (b)			Invested Capital	Carrying Value (b) (e)		
	(Dollars in Millions)				(Dollars in Millions)			
BCP I (Oct 1987 / Oct 1993)	\$ 679	\$ 1,742	19%	2.6	\$ 679	\$ 1,742	19%	2.6
BCP II (Oct 1993 / Aug 1997)	1,292	3,251	32%	2.5	1,201	3,123	37%	2.6
BCP III (Aug 1997 / Nov 2002)	4,026	7,956	13%	2.0	3,402	6,938	18%	2.0
BCOM (June 2000 / Jun 2006)	2,132	2,841	7%	1.3	1,215	2,149	24%	1.8
BCP IV (Nov 2002 / Dec 2005)	7,219	17,399	39%	2.4	4,373	13,342	62%	3.1

The returns presented herein represent those of the applicable Blackstone Funds and not those of The Blackstone Group L.P.

- (a) Investments are considered partially realized when distributed proceeds, excluding current income (dividends, interest, etc.), are a material portion of invested capital.
- (b) Carrying value includes realized proceeds and unrealized fair value.
- (c) The internal rate of return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value. Net IRR is after management fees, expenses and Carried Interest.
- (d) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.
- (e) The Realized / Partially Realized Carrying Value includes remaining unrealized value of \$1.7 billion.

The following table presents the investment record of the private equity funds from inception through June 30, 2010 for funds with open investment periods:

Fund (Investment Period)	Funds in the Investment Period								
	Available Capital (b)	Total Investments				Realized / Partially Realized Investments (a)			
		Total		Net IRR (d)	MOIC (e)	Total		Net IRR (d)	MOIC (e)
		Invested Capital	Carrying Value (c)			Invested Capital	Carrying Value (c) (f)		
		(Dollars in Millions)							
BCP V (Dec 2005 / Dec 2011)	\$ 3,906	\$17,428	\$17,233	-2%	1.0	\$ 1,504	\$ 2,225	15%	1.5

The returns presented herein represent those of the applicable Blackstone Funds and not those of The Blackstone Group L.P.

- (a) Investments are considered partially realized when distributed proceeds, excluding current income (dividends, interest, etc.) are a material portion of invested capital.
- (b) Available Capital represents total capital commitments adjusted for certain expenses and expired or callable capital, less invested capital, and includes \$864.3 million committed to deals but not yet invested. The segment has \$913.7 million of Available Capital that has been reserved for add-on investments in funds that are fully invested and \$505.0 million in a joint venture.
- (c) Carrying value includes realized proceeds and unrealized fair value.
- (d) IRR represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value. Net IRR is after management fees, expenses and Carried Interest.
- (e) MOIC represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.
- (f) The Realized / Partially Realized Carrying Value includes remaining unrealized value of \$819.3 million.

Table of Contents

The Private Equity segment has two funds with closed investment periods, BCP IV and BCOM. As of June 30, 2010, BCP IV was above its Carried Interest threshold (i.e., the preferred return payable to its limited partners before the general partner is eligible to receive Carried Interest) and would still be above its Carried Interest threshold even if all remaining investments were deemed worthless. BCOM is below its Carried Interest threshold but above the level at which all previously recorded clawback will have reversed. Any further Carried Interest reversals for BCOM will be allocated to current and former Blackstone personnel and have no effect on our results of operations.

The following table presents the Carried Interest status of our private equity funds in their investment period which are currently not generating performance fees as of June 30, 2010:

<u>Funds in the Investment Period</u>	<u>Available Capital (b) (Dollars in Millions)</u>	<u>Amount</u>	<u>Gain to Cross Carried Interest Threshold (a)</u>
			<u>% Change in Total Enterprise Value (c)</u>
BCP V (Dec 2005 / Dec 2011)	\$ 3,906	\$4,599	11%

- (a) The general partner of each fund is allocated Carried Interest when the annualized returns, net of management fees and expenses, exceed the preferred return as dictated by the fund agreements. The preferred return is calculated for each limited partner individually. The Gain to Cross Carried Interest Threshold represents the increase in equity at the fund level (excluding our side-by-side investments) that is required for the general partner to begin accruing Carried Interest, assuming the gain is earned pro-rata across the fund's investments and is achieved at the reporting date.
- (b) Available Capital represents total capital commitments, adjusted for certain expenses and expired or callable capital, less invested capital (including side-by-side investments).
- (c) Total Enterprise Value is the respective fund's pro rata ownership of the privately held portfolio companies' Enterprise Value and the Equity Value of the public portfolio companies based on fair values at the reporting date.

Table of Contents

Real Estate

The following table presents our results of operations for our Real Estate segment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Segment Revenues								
Management Fees								
Base Management Fees	\$ 82,916	\$ 81,517	\$ 1,399	2%	\$165,976	\$ 161,715	\$ 4,261	3%
Transaction and Other Fees, Net	2,979	2,879	100	3%	4,921	6,019	(1,098)	-18%
Management Fee Offsets	(110)	(486)	376	77%	(599)	(1,679)	1,080	64%
Total Management Fees	85,785	83,910	1,875	2%	170,298	166,055	4,243	3%
Performance Fees and Allocations								
Realized	16,319	4,590	11,729	N/M	22,267	5,236	17,031	N/M
Unrealized	21,117	(51,960)	73,077	N/M	32,508	(281,179)	313,687	N/M
Total Performance Fees and Allocations	37,436	(47,370)	84,806	N/M	54,775	(275,943)	330,718	N/M
Investment Income (Loss)								
Realized	3,900	1,345	2,555	190%	6,532	2,742	3,790	138%
Unrealized	79,543	(59,408)	138,951	N/M	126,435	(126,647)	253,082	N/M
Total Investment Income (Loss)	83,443	(58,063)	141,506	N/M	132,967	(123,905)	256,872	N/M
Interest and Dividend Revenue	2,178	197	1,981	N/M	4,896	581	4,315	N/M
Other	(390)	2,405	(2,795)	N/M	(2,266)	1,736	(4,002)	N/M
Total Revenues	208,452	(18,921)	227,373	N/M	360,670	(231,476)	592,146	N/M
Expenses								
Compensation and Benefits								
Base Compensation	44,528	39,207	5,321	14%	84,678	75,209	9,469	13%
Performance Fee Related								
Realized	8,895	(542)	9,437	N/M	10,419	1,596	8,823	N/M
Unrealized	15,999	(45,489)	61,488	N/M	22,936	(120,948)	143,884	N/M
Total Compensation and Benefits	69,422	(6,824)	76,246	N/M	118,033	(44,143)	162,176	N/M
Other Operating Expenses	17,647	12,978	4,669	36%	31,937	25,593	6,344	25%
Total Expenses	87,069	6,154	80,915	N/M	149,970	(18,550)	168,520	N/M
Economic Net Income (Loss)	\$121,383	\$(25,075)	\$146,458	N/M	\$210,700	\$(212,926)	\$423,626	N/M

Revenues

Revenues were \$208.5 million for the three months ended June 30, 2010, a significant improvement of \$227.4 million compared to \$(18.9) million for the three months ended June 30, 2009. The increase in revenues was attributable to an improvement of \$141.5 million in Investment Income (Loss), an improvement of \$84.8 million in Performance Fees and Allocations, and an increase of \$1.9 million in Total Management Fees.

Investment Income (Loss) was \$83.4 million for the three months ended June 30, 2010, an improvement of \$141.5 million compared to \$(58.1) million for the three months ended June 30, 2009. Performance Fees and Allocations, which are determined on a fund by fund basis, were \$37.4 million for the three months ended

Table of Contents

June 30, 2010, an improvement of \$84.8 million compared to \$(47.4) million for the prior year. These improvements were driven by the improved performance of our carry funds, which had a net IRR of 17% for the second quarter of 2010 compared to a net IRR of (20)% in the second quarter of 2009. The improved performance in the real estate carry funds, specifically our holdings in Hilton and EOP, was due to both improved current operating performance and projected cash flows across our investments. BREP IV, BREP Europe III and our real estate debt investment funds contributed to the improvement in Performance Fees and Allocations for the three months ended June 30, 2010. Investment Income (Loss) was driven by BREP VI. In the three months ended June 30, 2009, the funds experienced significant unrealized valuation reductions. As a result, prior period performance fees were reversed, primarily in BREP IV, resulting in a loss of \$(47.4) million for the second quarter of 2009.

The Realized Performance Fees and Allocations and Investment Income (Loss) for the three months ended June 30, 2010 of \$16.3 million and \$3.9 million, respectively, were improved from 2009. The increase in realized Performance Fees and Allocations was driven by the positive performance of our real estate debt investment funds.

Total Management Fees were \$85.8 million for the three months ended June 30, 2010, an increase of \$1.9 million compared to \$83.9 million for the three months ended June 30, 2009. Base Management Fees were \$82.9 million for the three months ended June 30, 2010, an increase of \$1.4 million compared to the prior year, driven by an increase in Fee-Earning Assets Under Management of 1% from the prior year, which was primarily from capital invested by our real estate debt investment funds.

Revenues were \$360.7 million for the six months ended June 30, 2010, an increase of \$592.1 million compared to \$(231.5) million for the six months ended June 30, 2009. The improvement in Performance Fees and Allocations was driven by the improved performance of our carry funds as well as a decrease in the reversal of Blackstone's prior period Carried Interest allocations. The increase in Investment Income (Loss) was due to improved performance of the segment's funds, particularly related to our office and lodging sector investments. Specifically, for the six months ended June 30, 2010 the segment's carry funds had a net IRR of 29% compared to (34)% during the six months ended June 30, 2009. Base Management Fees increased \$4.3 million, driven by an increase of 1% in Fee-Earning Assets Under Management from June 30, 2009.

Expenses

Expenses were \$87.1 million for the three months ended June 30, 2010, an increase of \$80.9 million, compared to \$6.2 million for the three months ended June 30, 2009. The \$80.9 million increase was primarily attributed to a \$70.9 million increase in Performance Fee Related Compensation, a \$5.3 million increase in Base Compensation and a \$4.7 million increase in Other Operating Expenses. Performance Fee Related Compensation was \$24.9 million, an increase of \$70.9 million compared to \$(46.0) million for the prior year, a result of positive Performance Fees and Allocations revenue in the current year period compared to the reversal of prior period accrued performance fees in the prior year period. Other Operating Expenses increased \$4.7 million to \$17.6 million, principally due to an increase in interest expense. Realized Performance Fee Related Compensation was driven by the same factors which drove Realized Performance Fees and Allocations Revenue.

Expenses were \$150.0 million for the six months ended June 30, 2010, an increase of \$168.5 million, compared to \$(18.6) million for the six months ended June 30, 2009. The \$168.5 million increase was primarily attributed to a \$152.7 million increase in Performance Fee Related Compensation, a \$9.5 million increase in Base Compensation and a \$6.3 million increase in Other Operating Expenses. Performance Fee Related Compensation increased \$152.7 million, primarily as a result of positive Performance Fees and Allocations revenue in the current year period compared to the reversal of prior period accrued performance fees in the prior year period. Other Operating Expenses increased \$6.3 million due to an increase in interest expense.

Table of Contents

Operating Metrics

The following operating metrics are used in the management of this business segment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Fee-Earning Assets Under Management								
Balance, Beginning of Period	\$23,820,697	\$22,867,992	\$ 952,705	4%	\$23,708,057	\$22,970,438	\$ 737,619	3%
Inflows, including Commitments	333,072	560,332	(227,260)	-41%	608,910	748,656	(139,746)	-19%
Outflows, including Distributions	(50,667)	(135,190)	84,523	63%	(59,929)	(211,956)	152,027	72%
Market Appreciation (Depreciation)	(261,742)	232,047	(493,789)	N/M	(415,678)	18,043	(433,721)	N/M
Balance, End of Period	<u>\$23,841,360</u>	<u>\$23,525,181</u>	<u>\$ 316,179</u>	<u>1%</u>	<u>\$23,841,360</u>	<u>\$23,525,181</u>	<u>\$ 316,179</u>	<u>1%</u>
Assets Under Management (End of Period)	<u>\$23,922,589</u>	<u>\$20,195,478</u>	<u>\$3,727,111</u>	<u>18%</u>	<u>\$23,922,589</u>	<u>\$20,195,478</u>	<u>\$3,727,111</u>	<u>18%</u>
Capital Deployed								
Limited Partner Capital Invested	<u>\$ 643,817</u>	<u>\$ 252,687</u>	<u>\$ 391,130</u>	<u>155%</u>	<u>\$ 1,068,685</u>	<u>\$ 467,810</u>	<u>\$ 600,875</u>	<u>128%</u>

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were \$23.8 billion at June 30, 2010, an increase of \$316.2 million, or 1%, compared with \$23.5 billion at June 30, 2009. Current period inflows of \$333.1 million were primarily related to capital invested by our real estate debt investment funds. Current period outflows were \$50.7 million, primarily due to realizations in our real estate debt funds. Market depreciation in the current year period of \$261.7 million was primarily due to the impact of unfavorable foreign exchange fluctuations on committed capital for our European focused real estate fund which was partially offset by net valuation increases for certain of our real estate debt investment funds that charge management fees based on net asset value. Prior year market appreciation of \$232.0 million was primarily due to the favorable foreign exchange impact on commitments from our European focused real estate fund. Despite the foreign exchange impact, BREP Europe III was able to achieve a net return of 34% in the second quarter of 2010 (there were no investments during the second quarter of 2009).

Assets Under Management

At June 30, 2010, Assets Under Management were \$23.9 billion, an increase of \$3.7 billion, or 18%, compared with \$20.2 billion at June 30, 2009. The change was primarily due to market appreciation of \$2.8 billion and capital raised by our real estate debt investment funds, partially offset by realizations and other outflows.

Limited Partner Capital Invested

For the three months ended June 30, 2010, Limited Partner Capital Invested was \$643.8 million, an increase of \$391.1 million, or 155%, from \$252.7 million for the three months ended June 30, 2009. Limited Partner Capital Invested was \$1.1 billion for the six months ended June 30, 2010, an increase of \$600.9 million or 128%, from \$467.8 million for the six months ended June 30, 2009. These increases primarily reflected increased investment activity by our real estate debt investment funds and add-on investments in our BREP funds.

Fund Returns

Fund return information for our significant funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund returns information

Table of Contents

reflected in this discussion and analysis is not indicative of the performance of The Blackstone Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Blackstone Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following table presents the Net Internal Rates of Return of our significant real estate funds:

Fund	Net Total Change in Carrying Value (Realized and Unrealized) (a)					
	Three Months Ended June 30,		Six Months Ended June 30,		June 30, 2010 Inception to Date	
	2010	2009	2010	2009	Total	Realized (b)
BREP IV	6%	-18%	6%	-33%	14%	69%
BREP V	13%	-21%	16%	-36%	-2%	76%
BREP International II	5%	-10%	11%	-29%	-20%	3%
BREP International	-2%	8%	-4%	7%	28%	36%
BREP VI	31%	-23%	62%	-36%	-11%	95%
BREP Europe III	34%	N/A	128%	N/A	23%	N/A
BSSF II	4%	N/A	10%	N/A	22%	59%
BSSF I	3%	9%	11%	10%	15%	N/A
CMBS	2%	3%	12%	3%	25%	N/A

The returns presented herein represent those of the applicable Blackstone Funds and not those of The Blackstone Group L.P.

- (a) Net total change in carrying value (realized and unrealized) is after management fees, expenses and performance fee allocations.
- (b) Includes partially realized investments. Investments are considered partially realized when distributed proceeds, excluding current income (dividends, interest, etc.), are a material portion of invested capital.

The BREP funds' net internal rates of return for the three and six months ended June 30, 2010 were improved for all funds (except BREP International, BSSF I and CMBS) compared to the negative returns for the BREP funds for the three and six months ended June 30, 2009. Generally, improvement in the fundamentals of the BREP funds' hotels, improving market conditions in the BREP funds' office investments and the opportunity to acquire certain property level debt below par, has led to increases in the valuation of our investments.

The following table presents the investment record of the real estate funds from inception through June 30, 2010 for funds with closed investment periods:

Fund (Investment Period)	Fully Invested Funds							
	Total Investments				Realized /Partially Realized Investments (a)			
	Total		Net IRR (c)	MOIC (d)	Total		Net IRR (c)	MOIC (d)
	Invested Capital (Dollars in Millions)	Carrying Value (b)			Invested Capital (Dollars in Millions)	Carrying Value (b) (e)		
Pre-BREP	\$ 141	\$ 345	33%	2.5	\$ 141	\$ 345	33%	2.5
BREP I (Sep 1994 / Oct 1996)	467	1,328	40%	2.8	467	1,328	40%	2.8
BREP II (Oct 1996 / Mar 1999)	1,219	2,525	19%	2.1	1,219	2,525	19%	2.1
BREP III (Apr 1999 / Apr 2003)	1,415	3,328	22%	2.4	1,338	3,300	23%	2.5
BREP Int'l (Jan 2001 / Sep 2005)	757	1,577	28%	2.1	658	1,514	36%	2.3
BREP IV (Apr 2003 / Dec 2005)	2,737	3,662	14%	1.3	1,057	2,477	69%	2.3
BREP V (Dec 2005 / Feb 2007)	5,183	5,236	-2%	1.0	951	1,817	76%	1.9
BREP Int'l II (Sep 2005 / Jun 2008)	1,778	1,114	-20%	0.6	208	248	4%	1.2

The returns presented herein represent those of the applicable Blackstone Funds and not those of The Blackstone Group L.P.

Table of Contents

- (a) Investments are considered partially realized when distributed proceeds, excluding current income (rent, dividends, interest, etc.), are a material portion of invested capital.
- (b) Carrying value includes realized proceeds and unrealized fair value.
- (c) IRR represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized fair value. Net IRR is after management fees, expenses and Carried Interest.
- (d) MOIC represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.
- (e) The Total Realized / Partially Realized Carrying Value includes remaining unrealized value of \$721.9 million.

The following table presents the investment record of the real estate funds, excluding separately managed accounts, from inception through June 30, 2010 for funds with open investment periods:

Fund (Investment Period)	Funds in the Investment Period				
	Total Investment				
	Total		Net IRR (c)	MOIC (d)	
	Available Capital (a)	Invested Capital			
		Value (b)			
	(Dollars in Millions)				
BREP VI (Feb 2007 / Aug 2012)	\$ 5,718	\$5,321	\$ 4,516	-11%	0.8
BREP Europe III (Jun 2008 / Dec 2013)	3,920	126	320	23%	2.5
BSSF II (Jul 2009 / Aug 2017)	435	520	624	22%	1.2

The returns presented herein represent those of the applicable Blackstone Funds and not those of The Blackstone Group L.P.

- (a) Available Capital represents total capital commitments, adjusted for certain expenses and expired or callable capital, less invested capital, and includes \$1.4 billion committed to deals but not yet invested. Additionally, the segment has \$1.1 billion of Available Capital that has been reserved for add-on investments in funds that are fully invested.
- (b) Carrying value includes realized proceeds and unrealized fair value.
- (c) IRR represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized fair value. Net IRR is after management fees, expenses and Carried Interest.
- (d) MOIC represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.

The following table presents the Carried Interest status of our real estate funds with expired investment periods which are currently not generating performance fees as of June 30, 2010:

Fully Invested Funds (a)	Gain to Cross Carried Interest Threshold (b)	
	Amount	% Change in Total Enterprise Value (c)
	(Dollars in Millions)	
BREP V (Dec 2005 / Feb 2007)	\$ 1,188	9%
BREP Int'l II (Sep 2005 / Jun 2008)	\$ 1,038	18%

- (a) As of June 30, 2010: (a) BREP International was above its Carried Interest preferred return threshold even if all remaining investments were deemed worthless, and (b) BREP IV was above its Carried Interest preferred return threshold.

Table of Contents

- (b) The general partner of each fund is allocated Carried Interest when the annualized returns, net of management fees and expenses, exceed the preferred return as dictated by the fund agreements. The preferred return is calculated for each limited partner individually. The Gain to Cross Carried Interest Threshold represents the increase in equity at the fund level (excluding our side-by-side investments) that is required for the general partner to begin accruing Carried Interest, assuming the gain is earned pro-rata across the fund's investments and is achieved at the reporting date.
- (c) Total Enterprise Value is the respective fund's pro rata ownership of the privately held portfolio companies' Enterprise Value and the Equity Value of the public portfolio companies based on fair values at the reporting date.

The following table presents the Carried Interest status of our real estate funds with open investment periods that are currently not generating performance fees as of June 30, 2010:

Fund in the Investment Period (a)	Available Capital (c) (Dollars in Millions)	Gain to Cross Carried Interest Threshold (b)	
		Amount	% Change in Total Enterprise Value (d)
BREP VI (Feb 2007 / Aug 2012)	\$ 5,718	\$ 2,464	15%

- (a) As of June 30, 2010, BREP Europe III and BSSF II were above their Carried Interest preferred return threshold.
- (b) The general partner of each fund is allocated Carried Interest when the annualized returns, net of management fees and expenses, exceed the preferred return as dictated by the fund agreements. The preferred return is calculated for each limited partner individually. The Gain to Cross Carried Interest Threshold represents the increase in equity at the fund level (excluding our side-by-side investments) that is required for the general partner to begin accruing Carried Interest, assuming the gain is earned pro-rata across the fund's investments and is achieved at the reporting date.
- (c) Available Capital represents total capital commitments, adjusted for certain expenses and expired or recallable capital, less invested capital (including side-by-side investments).
- (d) Total Enterprise Value is the respective fund's pro rata ownership of the privately held portfolio companies' Enterprise Value and the Equity Value of the public portfolio companies based on fair values at the reporting date.

Table of Contents

Credit and Marketable Alternatives

The following table presents our results of operations for our Credit and Marketable Alternatives segment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Segment Revenues								
Management Fees								
Base Management Fees	\$113,203	\$ 96,293	\$ 16,910	18%	\$216,682	\$192,796	\$ 23,886	12%
Transaction and Other Fees, Net	1,169	687	482	70%	2,514	1,130	1,384	122%
Management Fee Offsets	(69)	(4,365)	4,296	98%	(758)	(8,578)	7,820	91%
Total Management Fees	114,303	92,615	21,688	23%	218,438	185,348	33,090	18%
Performance Fees and Allocations								
Realized	28,949	587	28,362	N/M	30,707	587	30,120	N/M
Unrealized	(17,835)	21,832	(39,667)	N/M	57,558	31,754	25,804	81%
Total Performance Fees and Allocations	11,114	22,419	(11,305)	-50%	88,265	32,341	55,924	173%
Investment Income (Loss)								
Realized	8,729	(4,268)	12,997	N/M	11,712	(16,266)	27,978	N/M
Unrealized	(10,193)	29,049	(39,242)	N/M	9,522	37,139	(27,617)	-74%
Total Investment Income (Loss)	(1,464)	24,781	(26,245)	N/M	21,234	20,873	361	2%
Interest and Dividend Revenue	756	279	477	171%	1,904	988	916	93%
Other	(372)	315	(687)	N/M	(914)	62	(976)	N/M
Total Revenues	124,337	140,409	(16,072)	-11%	328,927	239,612	89,315	37%
Expenses								
Compensation and Benefits								
Base Compensation	53,370	49,304	4,066	8%	102,455	103,011	(556)	-1%
Performance Fee Related								
Realized	13,856	82	13,774	N/M	14,068	139	13,929	N/M
Unrealized	(6,595)	8,020	(14,615)	N/M	34,724	15,390	19,334	126%
Total Compensation and Benefits	60,631	57,406	3,225	6%	151,247	118,540	32,707	28%
Other Operating Expenses	24,520	16,461	8,059	49%	44,095	40,106	3,989	10%
Total Expenses	85,151	73,867	11,284	15%	195,342	158,646	36,696	23%
Economic Net Income	\$ 39,186	\$ 66,542	\$(27,356)	-41%	\$133,585	\$ 80,966	\$ 52,619	65%

Revenues

Revenues were \$124.3 million for the three months ended June 30, 2010, a decrease of \$16.1 million compared to the three months ended June 30, 2009. The decrease in revenues was primarily attributed to decreases of \$26.2 million in Investment Income (Loss) and an \$11.3 million decrease in Performance Fees and Allocations. These decreases were partially offset by an increase of \$21.7 million in Total Management Fees to \$114.3 million, compared to \$92.6 million for the prior year period.

Investment Income (Loss) was \$(1.5) million, a decrease of \$26.2 million compared to \$24.8 million for the three months ended June 30, 2009. The decrease was primarily related to a reduction in returns on our

Table of Contents

investments in our funds of hedge funds and certain of our credit-oriented funds. Investment Income (Loss) was negatively impacted by unfavorable conditions in equity and credit markets for the three months ended June 30, 2010 compared to the prior year period. Performance Fees and Allocations were \$11.1 million for the three months ended June 30, 2010, a decrease of \$11.3 million from the prior year period. The decrease in Performance Fees and Allocations was attributable to reduced returns on the segment's funds of hedge funds and credit-oriented funds, compared to the three months ended June 30, 2009. The net composite returns in our funds of hedge funds was negative 1.4% in 2010 compared to 5.7% in 2009. Despite this, Fee-Earning Assets Under Management related to funds above their respective high-water marks and/or hurdle, and therefore eligible for Performance Fees and Allocations, increased during the three months ended June 30, 2010 compared to the three months ended June 30, 2009 (see table below).

The Realized Performance Fees and Allocations for the three months ended June 30, 2010 of \$28.9 million were driven by our credit oriented funds. The Realized Investment Income (Loss) for the three months ended June 30, 2010 of \$8.7 million was driven primarily by our funds of hedge funds.

Total Management Fees were \$114.3 million for the three months ended June 30, 2010, an increase of \$21.7 million compared to \$92.6 million for the three months ended June 30, 2009. Base Management Fees were \$113.2 million for the three months ended June 30, 2010, an increase of \$16.9 million compared to the prior year period, driven by an increase in Fee-Earning Assets Under Management of 17% from the prior year period, which was primarily from positive net inflows in our funds of hedge funds business, the April 1, 2010 acquisition of \$3.5 billion in collateralized debt obligations and CLO vehicles by our credit oriented businesses and market appreciation in our funds of hedge funds.

Revenues were \$328.9 million for the six months ended June 30, 2010, an increase of \$89.3 million, compared to \$239.6 million for the six months ended June 30, 2009. Performance Fees and Allocations increased \$55.9 million driven by performance fees generated by certain of our credit-oriented funds and funds of hedge funds. Investment Income (Loss) and Other remained relatively unchanged during the six months ended June 30, 2010 compared to the six months ended June 30, 2009. Base Management Fees increased \$23.9 million, principally due to a \$7.7 billion increase in Fee-Earning Assets Under Management from June 30, 2009.

Expenses

Expenses were \$85.2 million for the three months ended June 30, 2010, an increase of \$11.3 million compared to the three months ended June 30, 2009. The \$11.3 million increase was primarily attributed to a \$3.2 million increase in Total Compensation and Benefits and an \$8.1 million increase in Other Operating Expenses. Base Compensation was \$53.4 million for the three months ended June 30, 2010, an increase of \$4.1 million, compared to \$49.3 million for the prior year principally related to the increase in Total Management Fees, as a portion of compensation is directly related to the profitability of each of the segment businesses. Performance Fee Related Compensation was \$7.3 million for the three months ended June 30, 2010, a decrease of \$0.8 million compared to \$8.1 million for the prior year. Other Operating Expenses increased \$8.1 million to \$24.5 million for the three months ended June 30, 2010, compared to \$16.5 million for the three months ended June 30, 2009 primarily due to an increase in professional fees primarily in our credit platform businesses related to the launching of new products and an increase in interest expense.

Expenses were \$195.3 million for the six months ended June 30, 2010, an increase of \$36.7 million, or 23%, compared to \$158.6 million for the six months ended June 30, 2009. The \$36.7 million increase was primarily attributed to a \$33.3 million increase in Performance Fee Related Compensation and a \$4.0 million increase in Other Operating Expenses. The \$33.3 million increase in Performance Fee Related Compensation was driven by the positive returns of our credit-oriented funds and our funds of hedge funds. Other Operating Expenses increased \$4.0 million principally due to the same factors as for the quarterly period noted above.

Realized Compensation and Benefits — Performance Fee Related is directly attributable to the Realized Performance Fees and Allocations described above.

Table of Contents

Operating Metrics

The following operating metrics are used in the management of this business segment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Fee-Earning Assets Under Management								
Balance, Beginning of Period	\$49,075,539	\$43,898,435	\$ 5,177,104	12%	\$47,867,546	\$42,561,456	\$ 5,306,090	12%
Inflows, including Commitments	5,900,008	623,171	5,276,837	N/M	7,307,890	3,064,449	4,243,441	138%
Outflows, including Distributions	(1,907,402)	(2,382,697)	475,295	20%	(2,690,848)	(3,302,446)	611,598	19%
Market Appreciation (Depreciation)	(679,719)	2,597,262	(3,276,981)	N/M	(96,162)	2,412,712	(2,508,874)	N/M
Balance, End of Period	<u>\$52,388,426</u>	<u>\$44,736,171</u>	<u>\$ 7,652,255</u>	<u>17%</u>	<u>\$52,388,426</u>	<u>\$44,736,171</u>	<u>\$ 7,652,255</u>	<u>17%</u>
Assets Under Management (End of Period)	<u>\$58,865,539</u>	<u>\$49,406,916</u>	<u>\$ 9,458,623</u>	<u>19%</u>	<u>\$58,865,539</u>	<u>\$49,406,916</u>	<u>\$ 9,458,623</u>	<u>19%</u>
Capital Deployed								
Limited Partner Capital Invested	<u>\$ 264,092</u>	<u>\$ 112,100</u>	<u>\$ 151,992</u>	<u>136%</u>	<u>\$ 421,144</u>	<u>\$ 320,459</u>	<u>\$ 100,685</u>	<u>31%</u>

The following table presents information regarding our Fee-Earning Assets Under Management:

	Fee-Earning Assets Under Management Eligible for Incentive Fees		Estimated % Above High Water Mark and/or Hurdle (a)	
	As of June 30,		As of June 30,	
	2010	2009	2010	2009
(Dollars in Thousands)				
Funds of Hedge Funds	\$13,686,770	\$12,450,727	25%	13%

- (a) Estimated % Above High Water Mark and / or Hurdle represents the percentage of Fee-Earning Assets Under Management Eligible for Incentive Fees that as of the dates presented would earn incentive fees when the applicable Blackstone Fund has positive investment performance (relative to a hurdle, where applicable). Incremental positive performance in the applicable Blackstone Funds may cause additional assets to reach their respective High Water Mark / or Hurdle, thereby resulting in an increase in Estimated % Above High Water Mark and/or Hurdle. For our funds of hedge funds, at June 30, 2010 the incremental appreciation needed for the 75% of Fee-Earning Assets Under Management below their respective High Water Marks to reach their respective High Water Marks was \$687.6 million, a decrease of \$1.2 billion, or 62.7%, compared to \$1.8 billion at June 30, 2009. 53% of these estimated assets were within 5% of reaching their respective High Water Mark.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were \$52.4 billion at June 30, 2010, an increase of \$7.7 billion, or 17%, compared to \$44.7 billion at June 30, 2009. The change was primarily due to net inflows of \$4.0 billion, which included the acquisition on April 1, 2010 of \$3.5 billion of management agreements relating to collateralized debt obligations and CLO vehicles, and market appreciation of \$2.8 billion primarily driven by our funds of hedge funds business. Second quarter inflows of \$5.9 billion were primarily related to contributions made in our funds of hedge funds and the debt vehicle acquisitions. Second quarter outflows of \$1.9 billion were primarily related to our credit-oriented funds and our funds of hedge funds. Market depreciation was \$679.7 million for the three months ended June 30, 2010 and was primarily a result of less favorable market conditions which resulted in reduced returns for virtually all of our funds in the second quarter of 2010.

Fee-Earning Assets Under Management had net inflows of \$1.6 billion from July 1 through August 1, 2010 from our funds of hedge funds.

Table of Contents

Assets Under Management

Assets Under Management were \$58.9 billion at June 30, 2010, an increase of \$9.5 billion, or 19%, compared to \$49.4 billion at June 30, 2009. The change was primarily due to market appreciation across our funds, the April 1, 2010 acquisition of \$3.5 billion in collateralized debt obligations and CLO vehicles and net inflows in our funds of hedge funds of \$1.6 billion.

Limited Partner Capital Invested

Limited Partner Capital Invested by our credit-oriented carry funds was \$264.1 million, representing 5.7% of total commitments in these funds, for the three months ended June 30, 2010, an increase of \$152.0 million compared to \$112.1 million for the three months ended June 30, 2009. Limited Partner Capital Invested by our credit-oriented carry funds was \$421.1 million for the six months ended June 30, 2010, an increase of \$100.7 million compared to \$320.5 million for the six months ended June 30, 2009.

Composite and Fund Returns

Composite and fund return information for our significant businesses is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The composite and fund returns information reflected in this discussion and analysis is not indicative of the performance of The Blackstone Group L.P. and is also not necessarily indicative of the future results of any particular fund. An investment in The Blackstone Group L.P. is not an investment in any of our funds or composites. There can be no assurance that any of our funds or composites or our other existing and future funds or composites will achieve similar returns.

Composite	Three Months Ended June 30,		Six Months Ended June 30,		Average Annual Net Returns (a)			June 30, 2010 Inception
					Periods Ended June 30, 2010			
	2010	2009	2010	2009	One Year	Three Year	Five Year	
Funds of Hedge Funds, Core Funds Composite (b)	-1%	6%	1%	7%	10%	-1%	5%	10%

The returns presented represent those of the applicable Blackstone Funds and not those of The Blackstone Group L.P.

- (a) Composite returns present a summarized asset weighted return measure to evaluate the overall performance of the applicable class of Blackstone Funds.
- (b) The starting date for the calculation of inception to date returns for the Funds of Hedge Funds, Core Funds Composite is September 1, 1990.

Table of Contents

Financial Advisory

The following table presents our results of operations for our Financial Advisory segment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	\$	%	2010	2009	\$	%
(Dollars in Thousands)								
Segment Revenues								
Advisory Fees	\$134,099	\$82,503	\$51,596	63%	\$210,667	\$173,443	\$37,224	21%
Transaction and Other Fees, Net	102	—	102	N/M	103	—	103	N/M
Investment Income								
Realized	(49)	—	(49)	N/M	138	—	138	N/M
Unrealized	561	—	561	N/M	791	—	791	N/M
Total Investment Income	512	—	512	N/M	929	—	929	N/M
Interest and Dividend Revenue	1,268	1,118	150	13%	2,664	2,162	502	23%
Other	(342)	(122)	(220)	-180%	(1,274)	(1,065)	(209)	-20%
Total Revenues	135,639	83,499	52,140	62%	213,089	174,540	38,549	22%
Expenses								
Compensation and Benefits — Base Compensation	76,152	54,239	21,913	40%	130,644	105,191	25,453	24%
Other Operating Expenses	17,316	21,734	(4,418)	-20%	32,043	34,710	(2,667)	-8%
Total Expenses	93,468	75,973	17,495	23%	162,687	139,901	22,786	16%
Economic Net Income	\$ 42,171	\$ 7,526	\$34,645	N/M	\$ 50,402	\$ 34,639	\$15,763	46%

Revenues

Revenues were \$135.6 million for the three months ended June 30, 2010, an increase of \$52.1 million, or 62%, compared to \$83.5 million for the three months ended June 30, 2009. The increase in segment revenues was primarily driven by an increase of \$32.3 million in fees earned from our fund placement business as conditions negatively impacting the fund-raising of capital from institutional investors for alternative investment products improved. Fees generated from our restructuring and reorganization business increased \$21.1 million compared to the three months ended June 30, 2009, as several large transactions closed during the quarter. The pipeline for the restructuring and reorganization business remains strong across a diverse group of industries and geographies. Fees generated by Blackstone Advisory Partners, our financial and strategic advisory business, remained relatively unchanged for the three months ended June 30, 2010. The pipeline for the financial and strategic advisory business continues to be strong and includes a significant international component.

Revenues were \$213.1 million for the six months ended June 30, 2010, an increase of \$38.5 million, or 22%, compared to \$174.5 million for the six months ended June 30, 2009. The increase in segment revenues was primarily driven by an increase of \$43.8 million in fees earned from our fund placement business due to the same economic factors for the quarterly period noted above and an increase of \$5.6 million in fees generated by our financial and strategic advisory business. The increase was partially offset by a decrease of \$12.1 million in fees from our restructuring and reorganization business.

The revenues generated by each of the businesses in our financial advisory segment are transactional in nature and therefore results can fluctuate significantly from period to period.

Expenses

Expenses were \$93.5 million for the three months ended June 30, 2010, an increase of \$17.5 million, or 23%, compared to \$76.0 million for the three months ended June 30, 2009. Expenses were \$162.7 million for the six months ended June 30, 2010, an increase of \$22.8 million compared to \$139.9 million for the six months ended June 30, 2009. Base Compensation increased \$21.9 million and \$25.5 million over the three and six

Table of Contents

months ended June 30, 2009, respectively, principally related to the increase in Advisory Fees, as a portion of compensation is directly related to the profitability of each of the services businesses. Other Operating Expenses decreased \$4.4 million and \$2.7 million over the three and six months ended June 30, 2009, principally due to a reduction of bad debt expenses.

Liquidity and Capital Resources

Liquidity and Capital Resources

Blackstone's business model derives revenue primarily from third party assets under management and from advisory businesses. Blackstone is not a capital or balance sheet intensive business and targets operating expense levels such that total management and advisory fees exceed total operating expenses each period. As a result, we require limited capital resources to support the working capital or operating needs of our businesses. We draw primarily on the long term committed capital of our limited partner investors to fund the investment requirements of the Blackstone Funds and use our own realizations and cash flows to invest in growth initiatives, make commitments to our own funds, which are typically less than 5% of the assets under management of a fund, or pay distributions to unitholders.

Fluctuations in our balance sheet result primarily from activities of the Blackstone Funds which are consolidated as well as business transactions, such as the issuance of senior notes described below. The majority economic ownership interests of the Blackstone Funds are reflected as Non-Controlling Interests in Consolidated Entities in the Condensed Consolidated Financial Statements. The consolidation of these Blackstone Funds has no net effect on the Partnership's Net Income or Partners' Capital. Additionally, fluctuations in our balance sheet also include appreciation or depreciation in Blackstone investments in the Blackstone Funds, additional investments and redemptions of such interests in the Blackstone Funds and the collection of receivables related to management and advisory fees.

Total assets were \$16.5 billion as of June 30, 2010, an increase of \$7.1 billion from December 31, 2009. The increase in total assets was primarily attributable to a \$6.9 billion increase in Investments of which \$6.5 billion was attributable to the consolidation of certain CLO vehicles which are Blackstone funds. These CLO vehicles are VIEs and under GAAP were required to be consolidated as of January 1, 2010. Total liabilities were \$9.3 billion as of June 30, 2010, an increase of \$6.4 billion from December 31, 2009. The increase in total liabilities was primarily due to an increase in Loans Payable of \$5.7 billion which resulted from the consolidation of the CLO vehicles mentioned above.

For the three months ended June 30, 2010, we had Total Fee Related Revenues of \$428.8 million and related expenses of \$320.9 million, generating Net Fee Related Earnings from Operations of \$107.9 million and Distributable Earnings of \$147.6 million. For the six months ended June 30, 2010, we had Total Fee Related Revenues of \$800.5 million and related expenses of \$593.9 million, generating Net Fee Related Earnings from Operations of \$206.7 million and Distributable Earnings of \$296.3 million.

We have multiple sources of liquidity to meet our capital needs, including annual cash flows, accumulated earnings in the businesses, investments in our own Treasury and liquid funds and access to our debt capacity, including our \$1.07 billion committed revolving credit facility and the proceeds from our 2009 issuance of senior notes. As of June 30, 2010, Blackstone had \$506.7 million in cash, \$813.2 million invested in Blackstone's Treasury cash management strategies and \$273.8 million invested in liquid Blackstone Funds, against just under \$600.0 million in borrowings from our 2009 bond issuance.

We use Distributable Earnings, which is derived from our segment reported results, as a supplemental non-GAAP measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel. Distributable Earnings is derived from, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. Distributable Earnings, which is a component of Economic Net Income, is the sum across all Total Segments of: (a) Total Management and Advisory Fees, (b) Interest and Dividend Revenue, (c) Other Revenue, (d) Realized Performance Fees and

Table of Contents

Allocations, and (e) Realized Investment Income (Loss); less (a) Base Compensation, (b) Realized Performance Fee Related Compensation, (c) Other Operating Expenses and (d) Cash Taxes and Payables Under the Tax Receivable Agreement. Distributable Earnings is reconciled to Blackstone's Consolidated Statement of Operations. It is Blackstone's current intention that on an annual basis it will distribute to unitholders all of its Distributable Earnings in excess of amounts determined by its general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future distributions to its unitholders for any ensuing quarter.

The following table calculates Blackstone's Distributable Earnings. Distributable Earnings is a supplemental measure of performance to assess amounts available for distributions to Blackstone unitholders, including Blackstone personnel.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in Thousands)			
Fee Related Earnings				
Revenues				
Total Management and Advisory Fees (a)	\$417,451	\$341,913	\$780,072	\$686,490
Interest and Dividend Revenue (a)	6,930	2,418	15,620	4,403
Other (a)	(644)	3,070	(3,894)	1,385
Investment Income — Blackstone's Treasury Cash Management Strategies (b)	5,062	—	8,727	—
Total Revenues	428,799	347,401	800,525	692,278
Expenses				
Compensation and Benefits — Base Compensation (a)	220,662	183,417	411,299	360,926
Other Operating Expenses (a)	88,160	71,726	161,183	141,070
Cash Taxes (c)	12,062	5,468	21,383	13,974
Total Expenses	320,884	260,611	593,865	515,970
Net Fee Related Earnings from Operations	107,915	86,790	206,660	176,308
Performance Fees and Allocations, Net of Related Compensation				
Performance Fees and Allocations — Realized (a)	46,374	5,177	100,255	5,823
Compensation and Benefits — Performance Fee Related — Realized (a)	(22,879)	460	(30,620)	(1,729)
Total Performance Fees and Allocations, Net of Related Compensation	23,495	5,637	69,635	4,094
Investment Income and Other				
Investment Income (Loss) — Realized (a)	15,721	(2,821)	21,028	(13,766)
Adjustment Related to Realized Investment Income — Blackstone's Treasury Cash Management Strategies (d)	512	—	(752)	—
Other Payables Including Payable Under Tax Receivable Agreement	(68)	—	(300)	—
Total Investment Income and Other	16,165	(2,821)	19,976	(13,766)
Distributable Earnings	\$147,575	\$ 89,606	\$296,271	\$166,636

(a) Represents the total segment amounts of the respective captions.

(b) Represents the inclusion of Investment Income from Blackstone's Treasury cash management strategies.

(c) Represents the provisions for and/or adjustments to income taxes that were calculated using a similar methodology applied in calculating the current provision for The Blackstone Group L.P.

(d) Represents the elimination of Realized Investment Income attributable to Blackstone's Treasury cash management strategies which is a component of Net Fee Related Earnings from Operations.

Table of Contents

The following table is a reconciliation of Income (Loss) Before Provision for Taxes to Total Segments Economic Net Income, of Total Segments, Economic Net Income to Net Fee Related Earnings from Operations, of Net Fee Related Earnings from Operations to Distributable Earnings and of Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations to Net Fee Related Earnings from Operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in Thousands)			
Income (Loss) Before Provision for Taxes	\$(636,928)	\$(586,986)	\$ (864,599)	\$(1,499,193)
IPO and Acquisition-Related Charges (a)	749,930	761,834	1,476,652	1,502,891
Amortization of Intangibles (b)	40,822	39,511	80,334	79,024
(Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities (c)	58,294	(41,596)	(101,641)	(3,161)
Management Fee Revenues Associated with Consolidated CLO Entities (d)	9,353	—	15,827	—
Total Segments, Economic Net Income	221,471	172,763	606,573	79,561
Performance Fees and Allocations Adjustment (e)	(25,636)	(72,234)	(211,850)	141,599
Investment Income (Loss) Adjustment (f)	(102,907)	16,062	(259,735)	101,321
Investment Income (Loss) — Blackstone's Treasury Cash Management Strategies (g)	5,062	—	8,727	—
Performance Fee Related Compensation and Benefits Adjustment (h)	21,987	(24,333)	84,328	(132,199)
Taxes Payable (i)	(12,062)	(5,468)	(21,383)	(13,974)
Net Fee Related Earnings from Operations	107,915	86,790	206,660	176,308
Realized Performance Fees and Allocations (j)	23,495	5,637	69,635	4,094
Realized Investment Income (Loss) (k)	15,721	(2,821)	21,028	(13,766)
Adjustment Related to Realized Investment Income — Blackstone's Treasury Cash Management Strategies (l)	512	—	(752)	—
Other Payables Including Payable Under Tax Receivable Agreement	(68)	—	(300)	—
Distributable Earnings	\$ 147,575	\$ 89,606	\$ 296,271	\$ 166,636
Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations (m)	\$ 132,866	\$ 97,463	\$ 253,671	\$ 202,309

- (a) This adjustment adds back to Income (Loss) Before Provision for Taxes amounts for Transaction-Related Charges which include principally equity-based compensation charges associated with Blackstone's initial public offering and other corporate actions.
- (b) This adjustment adds back to Income (Loss) Before Provision for Taxes amounts for the Amortization of Intangibles which are associated with Blackstone's initial public offering and other corporate actions.
- (c) This adjustment adds back to Income (Loss) Before Provision for Taxes the amount of (Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities.
- (d) This adjustment adds back to Income (Loss) Before Provision for Taxes the amount of Management Fee Revenues associated with Consolidated CLO Entities.
- (e) This adjustment removes from ENI the total segment amount of Performance Fees and Allocations.
- (f) This adjustment removes from ENI the total segment amount of Investment Income (Loss).
- (g) This adjustment represents the realized and unrealized gain (loss) on Blackstone's Treasury cash management strategies which are a component of Investment Income (Loss) but included in Net Fee Related Earnings.

Table of Contents

- (h) This adjustment removes from expenses the compensation and benefit amounts related to Blackstone's profit sharing plans related to Performance Fees and Allocations.
- (i) Represents an implied payable for income taxes calculated using a similar methodology applied in calculating the current provision for The Blackstone Group L.P.
- (j) Represents the adjustment for realized Performance Fees and Allocations net of corresponding actual amounts due under Blackstone's profit sharing plans related thereto.
- (k) Represents the adjustment for Blackstone's Investment Income — Realized.
- (l) Represents the elimination of Realized Investment Income attributable to Blackstone's Treasury cash management strategies which is a component of both Net Fee Related Earnings from Operations and Realized Investment Income (Loss).
- (m) Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations represents Net Fee Related Earnings from Operations adding back the implied cash taxes payable component from the Distributable Earnings reconciliation presented above, which is included in (i), and segment interest and segment depreciation and amortization. The cash taxes payable component of (i) was \$12.1 million and \$5.5 million for the three months ended June 30, 2010 and 2009, respectively. The cash taxes payable component of (i) was \$21.4 million and \$14.0 million for the six months ended June 30, 2010 and 2009, respectively. Interest and depreciation and amortization was \$12.9 million and \$5.2 million for the three months ended June 30, 2010 and 2009, respectively. Interest and depreciation and amortization was \$25.6 million and \$12.0 million for the six months ended June 30, 2010 and 2009, respectively.

Table of Contents

Our Sources of Cash and Liquidity Needs

We expect that our primary liquidity needs will be cash to (a) provide capital to facilitate the growth of our existing businesses which principally includes funding our general partner and co-investment commitments to our funds, (b) provide capital to facilitate our expansion into new businesses that are complementary, (c) pay operating expenses, including cash compensation to our employees and other obligations as they arise, (d) fund modest capital expenditures, (e) repay borrowings and related interest costs, (f) pay income taxes and (g) make distributions to our unitholders and the holders of Blackstone Holdings Partnership Units. Our own capital commitments to our funds and funds we invest in as of June 30, 2010 consisted of the following:

<u>Fund</u>	<u>Original Commitment</u>	<u>Remaining Commitment</u>
(Dollars in Thousands)		
Private Equity		
BCP VI	\$ 530,676	\$ 530,676
BCP V	629,356	152,465
BCP IV	150,000	11,638
BCOM	50,000	5,074
Woori Blackstone Korea I	5,083	5,032
Real Estate Funds		
BREP VI	750,000	389,544
BREP V	52,545	7,747
BREP International II	24,437	2,484
BREP IV	50,000	—
BREP International	20,000	3,293
BREP Europe III	100,000	96,905
BSSF II	6,992	—
BSSF I	43,008	4,423
CMBS Fund	4,010	—
BSSF G	2,500	991
Credit and Marketable Alternatives		
BMezz II	17,692	2,725
BMezz	41,000	2,590
Strategic Alliance II	50,000	50,000
Strategic Alliance	50,000	12,719
Blackstone Credit Liquidity Partners	32,244	7,428
Blackstone / GSO Capital Solutions	75,000	56,567
Other (a)	14,022	531
Total	\$ 2,698,565	\$ 1,342,832

(a) Represents capital commitments to a number of other Credit and Marketable Alternatives funds.

For some of the general partner commitments shown in the table above we require our senior managing directors and certain other professionals to fund a portion of the commitment even though the ultimate obligation to fund the aggregate commitment is ours pursuant to the governing agreements of the respective funds. For BCP VI, BREP VI and BREP Europe III it is intended that our senior managing directors and certain other professionals will fund \$250 million, \$150 million and \$35 million, respectively, of the aggregate applicable general partner commitment shown above. In addition, certain senior managing directors and other professionals are required to fund a de minimis amount of the commitment in the other private equity, real estate and credit-oriented carry funds. We expect our commitments to be drawn down over time and to be funded by available cash and cash generated from operations and realizations. Taking into account prevailing market conditions and both the liquidity and cash or liquid investment balances, we believe that the sources of liquidity described below will be more than sufficient to fund our working capital requirements.

Table of Contents

On March 23, 2010, an indirect, wholly-owned subsidiary of Blackstone entered into a new \$1.07 billion revolving credit facility (the “Credit Facility”) with Citibank, N.A., as Administrative Agent. The unsecured Credit Facility provides for revolving credit borrowings, with a final maturity date of March 23, 2013. Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus a margin, and undrawn commitments bear a commitment fee. Borrowings may also be made in U.K. Sterling or Euros, in each case subject to certain sub-limits. The Credit Facility contains customary representations, covenants and events of default. Financial covenants consist of a maximum net leverage ratio and a requirement to keep a minimum amount of fee generating assets under management, each tested quarterly.

In August 2009, Blackstone Holdings Finance Co. L.L.C. issued \$600 million in aggregate principal amount of 6.625% Senior Notes which will mature on August 15, 2019, unless earlier redeemed or repurchased. The notes are unsecured and unsubordinated obligations of Blackstone Holdings Finance Co. L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Blackstone Group L.P. and each of the Blackstone Holdings partnerships. The notes contain customary covenants and financial restrictions that among other things limit Blackstone Holdings Finance Co. L.L.C. and the guarantors’ ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

In addition to the cash we received in connection with our IPO, debt offering and our borrowing facilities, we expect to receive (a) cash generated from operating activities, (b) Carried Interest and incentive income realizations, and (c) realizations on the carry and hedge fund investments that we make. The amounts received from these three sources in particular may vary substantially from year to year and quarter to quarter depending on the frequency and size of realization events or net returns experienced by our investment funds. Our available capital could be adversely affected if there are prolonged periods of few substantial realizations from our investment funds accompanied by substantial capital calls for new investments from those investment funds. Therefore, Blackstone’s commitments to our funds are taken into consideration when managing our overall liquidity and cash position.

Our current intention is to distribute to our common unitholders substantially all of The Blackstone Group L.P.’s net after-tax share of our annual Distributable Earnings in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our unitholders for any ensuing quarter. Because we will not know what our Distributable Earnings will be for any fiscal year until the end of such year, we expect that our first three quarterly distributions in respect of any given year will be based on our anticipated annualized Net Fee Related Earnings. As such, the distributions for the first three quarters will likely be smaller than the final quarterly distribution in respect of such year. We expect to also reflect realized Performance Fees and Allocations net of related compensation and realized net investment income in the determination of the amount of the fourth quarter distribution.

In most years the aggregate amounts of our distributions to unitholders will not equal our Distributable Earnings for that year. Distributable Earnings will only be a starting point for our determination of the amount to be distributed to unitholders because as noted above, in determining the amount to be distributed we will subtract from Distributable Earnings any amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to our unitholders for any ensuing quarter.

All of the foregoing is subject to the qualification that the declaration and payment of any distributions are at the sole discretion of our general partner and our general partner may change our distribution policy at any time.

Table of Contents

In January 2008, the Board of Directors of our general partner, Blackstone Group Management L.L.C., authorized the repurchase of up to \$500 million of our common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of Blackstone common units and Blackstone Holdings Partnership Units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the six months ended June 30, 2010, we repurchased a combination of 84,888 vested and unvested Blackstone Common Units and Blackstone Holdings Partnership Units as part of the unit repurchase program for a total cost of \$1.2 million. As of June 30, 2010, the amount remaining available for repurchases was \$338.3 million under this program.

We may under certain circumstances use leverage opportunistically and over time to create the most efficient capital structure for Blackstone and our public common unitholders, including through the issuance of debt securities. As of June 30, 2010, we had partners' capital of \$6.6 billion, including \$506.7 million in cash, \$813.2 million invested in Blackstone's Treasury cash management strategies and \$273.8 million invested in liquid Blackstone Funds, against just under \$600.0 million in borrowings from our 2009 bond issuance.

Our private equity funds, real estate funds and funds of hedge funds have not historically utilized substantial leverage at the fund level other than for short-term borrowings between the date of an investment and the receipt of capital from the investing fund's investors. Our carry funds make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

Certain of our Credit and Marketable Alternatives funds use leverage in order to obtain additional market exposure, enhance returns on invested capital and/or to bridge short-term cash needs. The forms of leverage primarily employed by these funds include purchasing securities on margin, utilizing collateralized financing and using derivative instruments.

Critical Accounting Policies

We prepare our Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States. In applying many of these accounting principles, we need to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective. Actual results may be affected negatively based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. (See Note 2. "Summary of Significant Accounting Policies" in the "Notes to the Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.)

Principles of Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner is presumed to have control. Although the Partnership has a minority interest in the Blackstone Holding partnerships, the limited partners do not have the right to dissolve the partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by the Partnership. Accordingly, the Partnership consolidates Blackstone Holdings and records non-controlling interests to reflect the economic interests of the limited partners of Blackstone Holdings.

Table of Contents

In addition, the Partnership consolidates all variable interest entities (“VIE”) in which it is the primary beneficiary. An enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a variable interest entity that most significantly impacts the entity’s business, and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The revised consolidation rules require an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a variable interest entity, and (b) whether the Partnership’s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Where the variable interest entities have qualified for the deferral of the revised consolidation rules as discussed in Note 2. “Summary of Significant Accounting Policies, Recent Accounting Pronouncements” in the “Notes to Condensed Consolidated Financial Statements” in “Part I. Item 1. Financial Statements”, the analysis is based on previous consolidation rules. These rules require an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a variable interest entity, and (b) whether the Partnership’s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would be expected to absorb a majority of the variability of the entity. Under both guidelines, the Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a variable interest entity and reconsiders that conclusion continuously. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly by the Partnership or indirectly through employees. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Fund could affect an entity’s status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

Revenue Recognition

Revenues primarily consist of management and advisory fees, performance fees and allocations, investment income, interest and dividend revenue and other.

Please refer to “Part I. Item 1. Business — Incentive Arrangements / Fee Structure” in our 2009 Annual Report on Form 10-K for additional information regarding the manner in which Base Management Fees and Performance Fees and Allocations are generated.

Management and Advisory Fees — Management and Advisory Fees are comprised of management fees, including base management fees, transaction and other fees, management fee reductions and offsets, and advisory fees.

The Partnership earns base management fees from limited partners of funds in each of its managed funds, at a fixed percentage of assets under management, net asset value, total assets, committed capital or invested capital. Base management fees are based on contractual terms specified in the underlying investment advisory agreements. The range of management fee rates and the calculation base from which they are earned are as follows:

On private equity, real estate, and certain credit-oriented funds:

- 1 – 2% of committed capital during the commitment period,
- 0.75 – 1.5% of invested capital subsequent to the investment period for private equity and real estate funds, and
- 1 – 1.5% of invested capital for certain credit oriented funds.

Table of Contents

On credit-oriented funds structured like hedge funds:

- 1.5 – 2 % of net asset value.

On funds of hedge funds and separately managed accounts invested in hedge funds:

- 0.65% to 1.5% of assets under management.

On CLO vehicles:

- 0.50% to 1.25% of total assets.

On closed-end mutual funds:

- 0.75% to 1.1% of fund assets.

Transaction and other fees (including monitoring fees) are fees charged directly to portfolio companies. The investment advisory agreements generally require that the investment advisor reduce the amount of management fees payable by the limited partners to the Partnership (“management fee reduction”) by an amount equal to a portion of the transaction and other fees directly paid to the Partnership by the portfolio companies. The amount of the reduction varies by fund, the type of fee paid by the portfolio company and the previously incurred expenses of the fund.

Management fee offsets are reductions to management fees payable by our limited partners, which are granted based on the amount of expense incurred by our limited partnership for placement fees.

Advisory fees consist of advisory retainer and transaction-based fee arrangements related to merger, acquisition, restructuring and divestiture activities and fund placement services for alternative investment funds. Advisory retainer fees are recognized when services for the transactions are complete, in accordance with terms set forth in individual agreements. Transaction-based fees are recognized when (a) there is evidence of an arrangement with a client, (b) agreed upon services have been provided, (c) fees are fixed or determinable and (d) collection is reasonably assured. Fund placement fees are recognized as earned upon the acceptance by a fund of capital or capital commitments.

Accrued but unpaid Management and Advisory Fees, net of management fee reductions, as of the reporting date, are included in Accounts Receivable or Due From Affiliates in the Condensed Consolidated Statements of Financial Condition.

Performance Fees and Allocations — Performance fees earned on the performance of Blackstone’s hedge fund structures are recognized based on fund performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each hedge fund’s governing agreements. Accrued but unpaid performance fees charged directly to investors in Blackstone’s offshore hedge funds as of the reporting date are recorded within Due from Affiliates in the Condensed Consolidated Statements of Financial Condition. Performance fees arising on Blackstone’s onshore hedge funds are allocated to the general partner. Accrued but unpaid performance fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

In certain fund structures, specifically in private equity, real estate and certain credit-oriented funds (“Carry Funds”), performance fees (“Carried Interest”) are allocated to the general partner based on cumulative fund performance to date, subject to a preferred return to limited partners. Carried Interest allocations range between 10% and 20% of fund appreciation. At the end of each reporting period, the Partnership calculates the Carried Interest that would be due to the Partnership for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as Carried Interest to reflect either (a) positive performance resulting in an

Table of Contents

increase in the Carried Interest allocated to the general partner or (b) negative performance that would cause the amount due to the Partnership to be less than the amount previously recognized as revenue, resulting in a negative adjustment to Carried Interest allocated to the general partner. In each scenario, it is necessary to calculate the Carried Interest on cumulative results compared to the Carried Interest recorded to date and make the required positive or negative adjustments. The Partnership ceases to record negative Carried Interest allocations once previously recognized Carried Interest allocations for such fund have been fully reversed. The Partnership is not obligated to pay guaranteed returns or hurdles, and therefore cannot have negative Carried Interest over the life of a fund. Accrued but unpaid Carried Interest as of the reporting date is reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

Carried Interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. Performance fees earned on hedge fund structures are realized at the end of each fund's measurement period.

Carried Interest is subject to clawback to the extent that the Carried Interest actually distributed to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received performance fees and allocations, which is a component of Due to Affiliates, represents all amounts previously distributed to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Blackstone Carry Funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. Generally, the actual clawback liability does not become realized until the end of a fund's life or one year after a realized loss is incurred, depending on the fund.

Investment Income (Loss) — Investment Income (Loss) represents the unrealized and realized gains and losses on the Partnership's principal investments, including its investments in Blackstone Funds that are not consolidated, its equity method investments, and other principal investments. Investment Income (Loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives cash income, such as dividends or distributions, from its non-consolidated funds. Unrealized Investment Income (Loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

Interest and Dividend Revenue — Interest and Dividend Revenue comprises primarily interest and dividend income earned on principal investments held by Blackstone.

Other Revenue — Other Revenue comprises primarily foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars.

Expenses

Our expenses include compensation and benefits expense and general and administrative expenses. Our accounting policies related thereto are as follows:

Compensation and Benefits — Base Compensation — Base compensation and benefits consists of (a) employee compensation, comprising salary and bonus, and benefits paid and payable to employees, including senior managing directors and (b) equity-based compensation associated with the grants of equity-based awards to employees, including senior managing directors.

Equity-Based Compensation — Compensation cost relating to the issuance of share-based awards to senior management and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period.

Table of Contents

Compensation and Benefits — Performance Fee Related — Performance fee related compensation and benefits consists of Carried Interest and performance fee allocations to employees, including senior managing directors, participating in certain profit sharing initiatives. Employees participating in such initiatives are allocated a certain portion of Carried Interest and performance fees allocated to the general partner under performance fee allocations (see “Revenue Recognition”). Such compensation expense is recognized in the same manner as Carried Interest and performance fee allocations and is subject to both positive and negative adjustments as a result of changes in underlying fund performance.

Fair Value of Financial Instruments

GAAP establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

- Level I — Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I include listed equities and listed derivatives. The Partnership does not adjust the quoted price for these investments, even in situations where Blackstone holds a large position and a sale could reasonably impact the quoted price.
- Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives where the fair value is based on observable inputs, and certain fund of hedge funds investments in which Blackstone has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.
- Level III — Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include general and limited partnership interests in private equity and real estate funds, credit-oriented funds, distressed debt and non-investment grade residual interests in securitizations, collateralized loan obligations, certain over the counter derivatives where the fair value is based on unobservable inputs and certain funds of hedge funds which use net asset value per share to determine fair value in which Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date. Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date if an investee fund manager has the ability to limit the amount of redemptions, and/or the ability to side-pocket investments, irrespective of whether such ability has been exercised.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Partnership’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a

Table of Contents

particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments.

In the absence of observable market prices, Blackstone values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist; management's determination of fair value is then based on the best information available in the circumstances, and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private investments in the equity of operating companies, real estate properties or certain funds of hedge funds. The valuation technique for each of these investments is described below:

Private Equity Investments — The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), the discounted cash flow method, public market or private transactions, valuations for comparable companies and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Private equity investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value.

Real Estate Investments — The fair values of real estate investments are determined by considering projected operating cash flows, sales of comparable assets, if any, and replacement costs among other measures. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rates ("cap rates") analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or assets (e.g., multiplying a key performance metric of the investee company or asset, such as EBITDA, by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Additionally, where applicable, projected distributable cash flow through debt maturity will also be considered in support of the investment's carrying value.

Funds of Hedge Funds — Blackstone Funds' direct investments in funds of hedge funds ("Investee Funds") are valued at net asset value ("NAV") per share of the Investee Fund. If the Partnership determines, based on its own due diligence and investment procedures, that NAV per share does not represent fair value, the Partnership will estimate the fair value in good faith and in a manner that it reasonably chooses, in accordance with its valuation policies.

Credit-Oriented Investments — The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In some instances, Blackstone may utilize other valuation techniques, including the discounted cash flow method.

Investments, at Fair Value

The Blackstone Funds are accounted for as investment companies under the AICPA Audit and Accounting Guide, *Investment Companies*, and reflect their investments, including majority-owned and controlled investments (the "Portfolio Companies"), at fair value. Blackstone has retained the specialized accounting for the consolidated Blackstone Funds. Thus, such consolidated funds' investments are reflected in Investments on the Condensed Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses

Table of Contents

resulting from changes in fair value reflected as a component of Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations. Fair value is the amount that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Blackstone's principal investments are presented at fair value with unrealized appreciation or depreciation and realized gains and losses recognized in the Condensed Consolidated Statements of Operations within Investment Income (Loss).

For certain instruments, the Partnership has elected the fair value option. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. The Partnership has applied the fair value option for certain loans and receivables and certain investments in private debt and equity securities. Loans extended to third parties are recorded within Accounts Receivable within the Condensed Consolidated Statements of Financial Condition. Debt and equity securities for which the fair value option has been elected are recorded within Investments. The methodology for measuring the fair value of such investments is consistent with the methodology applied to private equity, real estate and funds of hedge funds investments. Changes in the fair value of such instruments are recognized in Investment Income (Loss) in the Condensed Consolidated Statements of Operations. Interest income on interest bearing loans and receivables and debt securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest and Dividend Revenue.

In addition, the Partnership has elected the fair value option for the assets and liabilities of certain CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of revised consolidation rules for variable interest entities. The transition adjustment resulting from the difference between the fair value of assets and liabilities on the effective date is presented within the Condensed Consolidated Statement of Financial Condition as Appropriated Partners' Capital. Assets of the consolidated CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition, and Liabilities of the consolidated CLOs are presented within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by affiliates. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption are presented within Net Gains (Losses) from Fund Investment Activities and are attributable to Non-Controlling Interests in Consolidated Entities in the Condensed Consolidated Statements of Operations. Further disclosure on instruments for which the fair value option has been elected is presented in Note 7. "Fair Value Option" in the "Notes to the Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

Intangibles and Goodwill

Blackstone's intangible assets consist of contractual rights to earn future fee income, including management and advisory fees and Carried Interest from its Carry Funds. Identifiable finite-lived intangible assets are amortized on a straight line basis over their estimated useful lives, ranging from 5 to 20 years, reflecting the contractual lives of such funds. The Partnership does not hold any indefinite-lived intangible assets.

Goodwill comprises goodwill arising from the Reorganization of the Partnership in 2007 and the acquisition of GSO in 2008.

The carrying value of goodwill was \$1.7 billion as of June 30, 2010 and December 31, 2009. Intangibles and goodwill are reviewed for impairment at least annually, or more frequently if circumstances indicate impairment may have occurred. No indicators of impairment have been identified during the six months ended June 30, 2010.

We test goodwill for impairment at the operating segment level (the same as our segments). Management has organized the firm into four operating segments. All of the components in each segment have similar economic characteristics and management makes key operating decisions based on the performance of each

Table of Contents

segment. Therefore, we believe that operating segment is the appropriate reporting level for testing the impairment of goodwill. In determining fair value for each of our segments, we utilize a discounted cash flow methodology based on the adjusted cash flows from operations for each segment. We believe this method provides the best approximation of fair value. In calculating the discounted cash flows, we begin with the adjusted cash flows from operations of each segment. We then determine the most likely growth rate by operating segment for each of the next four years and assume a terminal value by segment. We do not apply a control premium. The discounted cash flow analysis includes the Blackstone issued notes and borrowings under the revolving credit facility, if any, and includes an allocation of interest expense to each segment for the unused commitment fee on Blackstone's revolving credit facility. We use a discount rate that reflects the weighted average cost of capital adjusted for the risks inherent in the future cash flows.

In 2009 and 2008, Blackstone utilized a similar discounted cash flow model, as described above, to approximate the fair value of each of its segments.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases, and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated drawdown funds. We do not have any off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in our funds.

Further disclosure on our off-balance sheet arrangements is presented in the "Notes to the Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing as follows:

- Note 6. "Derivative Financial Instruments",
- Note 9. "Variable Interest Entities", and
- Note 15. "Commitments and Contingencies — Commitments, Operating Leases; — Commitments, Investment Commitments; and — Contingencies, Guarantees".

Recent Accounting Developments

On January 1, 2010, the Partnership adopted guidance issued by the Financial Accounting Standards Board ("FASB") on issues related to variable interest entities ("VIEs"). The amendments significantly affect the overall consolidation analysis, changing the approach taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The guidance requires continuous assessment of the reporting entity's involvement with such VIEs. The revised guidance also enhances the disclosure requirements for a reporting entity's involvement with VIEs, including presentation on the Condensed Consolidated Statements of Financial Condition of assets and liabilities of consolidated VIEs which meet the separate presentation criteria and disclosure of assets and liabilities recognized in the Condensed Consolidated Statements of Financial Condition and the maximum exposure to loss for those VIEs in which a reporting entity is determined to not be the primary beneficiary but in which it has a variable interest. The guidance provides a limited scope deferral for a reporting entity's interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, *Investment Companies*, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, *Investment Companies*, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities

Table of Contents

that qualify for the deferral in accordance with previously issued guidance on variable interest entities. Blackstone's involvement with its funds is such that all three of the above conditions are met with the exception of certain CLO vehicles which fail condition (c) above and certain funds in which leveraged employee interests in dedicated funds are financed by third parties with Blackstone acting as an intermediary which fail condition (b) above. Such employee funds are currently consolidated as it is concluded that Blackstone is the primary beneficiary based on its implicit interest. The incremental impact of the revised consolidation rules has resulted in the consolidation of certain CLO vehicles managed by Blackstone. Additional disclosures relating to Blackstone's involvement with VIEs are presented in Note 9. "Variable Interest Entities" in "Part I. Item 1. Financial Statements" of this filing.

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. The guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level III fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The Partnership adopted the guidance, excluding the reconciliation of Level III activity, with the issuance of its March 31, 2010 financial statements. As the guidance is limited to enhanced disclosures, adoption did not have a material impact on the Partnership's financial statements.

In April 2010, the FASB issued guidance on the accounting for stock awards to employees of a foreign operation or employees whose pay is denominated in a currency other than the one in which the equity security trades. The guidance clarifies that share based payment awards with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trade shall not be considered to contain a condition that is not a market, performance, or service condition. Such an award shall not be classified as a liability if it otherwise qualifies for equity classification. The guidance is effective for fiscal years and interim periods ending after December 15, 2010. Blackstone makes share-based payment awards to employees in foreign operations. The guidance is not expected to have a material impact on the Partnership's financial statements.

Table of Contents

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations as of June 30, 2010 on a consolidated basis and on a basis deconsolidating the Blackstone funds:

<u>Contractual Obligations</u>	<u>July 1, 2010 to December 31, 2010</u>	<u>2011–2012</u>	<u>2013–2014</u>	<u>Thereafter</u>	<u>Total</u>
	<u>(Dollars in Thousands)</u>				
Operating Lease Obligations (a)	\$ 28,125	\$ 105,561	\$ 94,151	\$ 292,046	\$ 519,883
Purchase Obligations	7,871	9,664	1,560	670	19,765
Blackstone Issued Notes and Revolving Credit Facility (b)	—	—	—	600,000	600,000
Interest on Blackstone Issued Notes and Revolving Credit Facility (c)	19,875	79,500	79,500	183,844	362,719
Blackstone Operating Entities Loan and Credit Facilities Payable (d)	594	27,164	7,105	—	34,863
Interest on Blackstone Operating Entities Loan and Credit Facilities Payable (e)	239	413	104	—	756
Blackstone Funds Debt Obligations Payable (f)	3,302	4,166	—	6,535,748	6,543,216
Interest on Blackstone Funds Debt Obligations Payable (g)	41,010	163,903	163,732	438,331	806,976
Blackstone Funds Capital Commitments to Investee Funds (h)	14,619	—	—	—	14,619
Due to Certain Non-Controlling Interest Holders in Connection with Tax Receivable Agreement (i)	—	58,502	30,868	918,346	1,007,716
Blackstone Operating Entities Capital Commitments to Blackstone Funds and Other (j)	1,342,832	—	—	—	1,342,832
Consolidated Contractual Obligations	1,458,467	448,873	377,020	8,968,985	11,253,345
Blackstone Funds Debt Obligations Payable (f)	(3,302)	(4,166)	—	(6,535,748)	(6,543,216)
Interest on Blackstone Funds Debt Obligations Payable (g)	(41,010)	(163,903)	(163,732)	(438,331)	(806,976)
Blackstone Funds Capital Commitments to Investee Funds (h)	(14,619)	—	—	—	(14,619)
Blackstone Operating Entities Contractual Obligations	<u>\$ 1,399,536</u>	<u>\$ 280,804</u>	<u>\$ 213,288</u>	<u>\$ 1,994,906</u>	<u>\$ 3,888,534</u>

- (a) We lease our primary office space under agreements that expire through 2024. In connection with certain lease agreements, we are responsible for escalation payments. The contractual obligation table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases for financial statement purposes and as such are not recorded as liabilities on the Condensed Consolidated Statements of Financial Condition. The amounts are presented net of contractual sublease commitments.
- (b) Represents the principal amount due on the 6.625% senior notes we issued. As of June 30, 2010, we had no outstanding borrowings under our revolver.
- (c) Represents interest to be paid over the maturity of our 6.625% senior notes and borrowings under our revolving credit facility which has been calculated assuming no prepayments are made and debt is held until its final maturity date. These amounts exclude commitment fees for unutilized borrowings under our revolver.

Table of Contents

- (d) Represents borrowings for employee term facilities program and a capital asset facility.
- (e) Represents interest to be paid over the maturity of the related debt obligation which has been calculated assuming no prepayments are made and debt is held until its final maturity date. The future interest payments are calculated using variable rates in effect as of June 30, 2010, at spreads to market rates pursuant to the financing agreements, and range from 1.24% to 1.50%.
- (f) These obligations are those of the Blackstone Funds including the consolidated CLO vehicles.
- (g) Represents interest to be paid over the maturity of the related Blackstone Funds' debt obligations which has been calculated assuming no prepayments will be made and debt will be held until its final maturity date. The future interest payments are calculated using variable rates in effect as of June 30, 2010, at spreads to market rates pursuant to the financing agreements, and range from 0.53% to 9.44%. The majority of the borrowings are due on demand and for purposes of this schedule are assumed to mature within one year. Interest on the majority of these borrowings rolls over into the principal balance at each reset date.
- (h) These obligations represent commitments of the consolidated Blackstone Funds to make capital contributions to investee funds and portfolio companies. These amounts are generally due on demand and are therefore presented in the less than one year category.
- (i) Represents obligations by the Partnership's corporate subsidiary to make payments under the Tax Receivable Agreement to certain non-controlling interest holders for the tax savings realized from the taxable purchases of their interests in connection with the reorganization at the time of Blackstone's initial public offering in 2007 and subsequent purchases. The obligation represents the amount of the payments currently expected to be made, which are dependent on the tax savings actually realized as determined annually without discounting for the timing of the payments. As required by GAAP, the amount of the obligation included in the Condensed Consolidated Financial Statements and shown in Note 14. "Related Party Transactions" (see "Part I. Item 1. Financial Statements") differs to reflect the net present value of the payments due to certain non-controlling interest holders.
- (j) These obligations represent commitments by us to provide general partner capital funding to the Blackstone Funds, limited partner capital funding to other funds and Blackstone principal investment commitments. These amounts are generally due on demand and are therefore presented in the less than one year category; however, a substantial amount of the capital commitments are expected to be called over the next three years. We expect to continue to make these general partner capital commitments as we raise additional amounts for our investment funds over time.

Guarantees

Certain of Blackstone's consolidated real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. There is no direct recourse to the Partnership to fulfill such obligations. To the extent that underlying funds are required to fulfill guarantee obligations, the Partnership's invested capital in such funds is at risk. Total investments at risk in respect of guarantees extended by real estate funds were \$5.0 million as of June 30, 2010.

Indemnifications

In many of its service contracts, Blackstone agrees to indemnify the third party service provider under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our Condensed Consolidated Financial Statements as of June 30, 2010.

Clawback Obligations

For financial reporting purposes, the general partners have recorded a liability for potential clawback obligations to the limited partners of some of the carry funds due to changes in the unrealized value of a fund's remaining investments and where the fund's general partner has previously received Carried Interest distributions with respect to such fund's realized investments.

Table of Contents

The actual clawback liability, however, does not become realized until the end of a fund's life except for Blackstone's real estate funds which may have an interim clawback liability come due after a realized loss is incurred, depending on the fund. The lives of the carry funds with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at various points beginning toward the end of 2012 and extending through 2018. Further extensions of such terms may be implemented under given circumstances.

During the quarter ended June 30, 2010, the Blackstone general partners paid an interim cash clawback obligation of \$3.0 million relating to a real estate fund of which \$1.7 million was paid by Blackstone Holdings and \$1.3 million by current and former Blackstone personnel. Of the clawback obligation accrued at June 30, 2010, \$15.7 million is due and payable on September 30, 2010 of which \$9.0 million will be paid by current and former Blackstone personnel. This amount relates to an interim clawback obligation owed to a real estate fund. (See Note 14. "Related Party Transactions" and Note 15. "Commitments and Contingencies" in the "Notes to the Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.)

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our predominant exposure to market risk is related to our role as general partner or investment advisor to the Blackstone Funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, performance fees and allocations and investment income.

Although the Blackstone Funds share many common themes, each of our alternative asset management operations runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy:

- The investment process of our carry funds involves a detailed analysis of potential investments, and asset management teams are assigned to oversee the operations, strategic development, financing and capital deployment decisions of each portfolio investment. Key investment decisions are subject to approval by the applicable investment committee, which is comprised of Blackstone senior managing directors and senior management.
- In our capacity as advisor to certain of our credit and marketable alternatives funds, we continuously monitor a variety of markets for attractive trading opportunities, applying a number of traditional and customized risk management metrics to analyze risk related to specific assets or portfolios. In addition, we perform extensive credit and cash-flow analyses of borrowers, credit-based assets and underlying hedge fund managers, and have extensive asset management teams that monitor covenant compliance by, and relevant financial data of, borrowers and other obligors, asset pool performance statistics, tracking of cash payments relating to investments and ongoing analysis of the credit status of investments.

Effect on Fund Management Fees

Our management fees are based on (a) third parties' capital commitments to a Blackstone Fund, (b) third parties' capital invested in a Blackstone Fund or (c) the net asset value, or NAV, of a Blackstone Fund, as described in our Condensed Consolidated Financial Statements. Management fees will only be directly affected by short-term changes in market conditions to the extent they are based on NAV or represent permanent impairments of value. These management fees will be increased (or reduced) in direct proportion to the effect of changes in the market value of our investments in the related funds. The proportion of our management fees that are based on NAV is dependent on the number and types of Blackstone Funds in existence and the current stage of each fund's life cycle. For the six months ended June 30, 2010, approximately 32% of our fund management fees were based on the NAV of the applicable funds. As of June 30, 2009, approximately 28% of our fund management fees were based on the NAV of the applicable funds or separately managed accounts.

Market Risk

The Blackstone Funds hold investments which are reported at fair value. Based on the fair value as of June 30, 2010, we estimate that a 10% decline in fair value of the investments would have the following effects: (a) management fees would decrease by \$38.9 million on an annual basis, (b) performance fees and allocations, net of the related compensation expense, would decrease by \$169.8 million, and (c) investment income would decrease by \$171.2 million. Based on the fair value as of June 30, 2009, we estimated that a 10% decline in fair value of the investments would have the following effects: (a) management fees would decrease by \$32.6 million on an annual basis, (b) performance fees and allocations, net of the related compensation expense would decrease by \$112.6 million, and (c) investment income would decrease by \$115.5 million.

Total assets under management, excluding undrawn capital commitments and the amount of capital raised for our CLOs, by segment, and the percentage amount classified as Level III investments as defined within the fair value standards of GAAP, are: Private Equity \$23.0 billion (88% Level III), Real Estate \$12.7 billion (93% Level III), and Credit and Marketable Alternatives \$38.0 billion (77% Level III), respectively. The fair value of our investments and securities can vary significantly based on a number of factors that take into consideration the

Table of Contents

diversity of the Blackstone Funds' investment portfolio and on a number of factors and inputs such as similar transactions, financial metrics, and industry comparatives, among others. (See "Part I, Item 1A. Risk Factors" in our 2009 Annual Report on Form 10-K. Also see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Investments, at Fair Value.") We believe these estimated fair value amounts should be utilized with caution as our intent and strategy is to hold investments and securities until prevailing market conditions are beneficial for investment sales.

Investors in all of our carry funds (and certain of our credit-oriented funds) make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay all their related obligations when due, including management fees. We have not had investors fail to honor capital calls to any meaningful extent and any investor that did not fund a capital call would be subject to having a significant amount of its existing investment forfeited in that fund. But if investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, those funds could be materially and adversely affected.

Exchange Rate Risk

The Blackstone Funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. We estimate that as of June 30, 2010, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would have the following effects: (a) management fees would decrease by \$9.1 million on an annual basis, (b) performance fees and allocations would decrease by \$35.6 million, net of the related compensation expense and (c) investment income would decrease by \$27.7 million.

As of June 30, 2009, we estimated that a 10% decline in the rate of exchange against the U.S. dollar would have the following effects: (a) management fees would decrease by \$8.5 million on an annual basis, (b) performance fees and allocations would decrease by \$32.6 million, net of the related compensation expense and (c) investment income would decrease by \$17.9 million.

Interest Rate Risk

Blackstone has debt obligations payable that accrue interest at variable rates. Additionally, we have swapped a portion of our 6.625% senior notes into a variable rate instrument. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. Based on our debt obligations payable as of June 30, 2010 and our outstanding interest rate swaps, we estimate that interest expense relating to variable rates would increase by \$4.9 million on an annual basis, in the event interest rates were to increase by one percentage point.

Blackstone maintains a diversified portfolio of highly liquid assets to meet the liquidity needs of various businesses (the "Treasury Liquidity Portfolio"). This portfolio includes cash, open-ended money market mutual funds, open-ended bond mutual funds, marketable investment securities, free standing derivative contracts, repurchase and reverse repurchase agreements. We estimate that our investment income would decrease by \$9.0 million, or 0.7% of the Treasury Liquidity Portfolio, if interest rates were to increase by one percentage point.

Based on our debt obligations payable as of June, 30 2009, we estimated that interest expense relating to variable rate debt obligations payable would increase by \$0.8 million on an annual basis, in the event interest rates were to increase by one percentage point.

Credit Risk

Certain Blackstone Funds and the Investee Funds are subject to certain inherent risks through their investments.

Table of Contents

The Treasury Liquidity Portfolio contains certain credit risks including, but not limited to, exposure to uninsured deposits with financial institutions, unsecured corporate bonds and mortgage-backed securities. These exposures are actively monitored on a continuous basis and positions are reallocated based on changes in risk profile, market or economic conditions.

We estimate that our investment income would decrease by \$9.3 million, or 0.7% of the Treasury Liquidity Portfolio, if credit spreads were to increase by one percentage point.

Certain of our entities hold derivative instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. We minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

ITEM 4. CONTROLS AND PROCEDURES

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

No changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. See “Item 1A. Risk Factors” in our 2009 Annual Report on Form 10-K. We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our consolidated financial statements.

In December 2007, a purported class of shareholders in public companies acquired by one or more private equity firms filed a lawsuit against sixteen private equity firms and investment banks, including The Blackstone Group L.P., in the United States District Court in Massachusetts. The suit alleges that from mid-2003 defendants have violated antitrust laws by allegedly conspiring to rig bids, restrict the supply of private equity financing, fix the prices for target companies at artificially low levels, and divide up an alleged market for private equity services for leveraged buyouts. The complaint seeks injunctive relief on behalf of all persons who sold securities to any of the defendants in leveraged buyout transactions. The amended complaint also includes five purported sub-classes of plaintiffs seeking damages and/or restitution and comprised of shareholders of five companies.

In the spring of 2008, six substantially identical complaints were brought against Blackstone and some of its executive officers purporting to be class actions on behalf of purchasers of common units in Blackstone’s June 2007 initial public offering. These suits were subsequently consolidated into one complaint filed in the Southern District of New York in October 2008 against Blackstone, Stephen A. Schwarzman (Blackstone’s Chairman and Chief Executive Officer), Peter G. Peterson (Blackstone’s former Senior Chairman), Hamilton E. James (Blackstone’s President and Chief Operating Officer) and Michael A. Puglisi (Blackstone’s Chief Financial Officer at the time of the IPO). The amended complaint alleged that (1) the IPO prospectus was false and misleading for failing to disclose that (a) certain investments made by Blackstone’s private equity funds were performing poorly at the time of the IPO and were materially impaired and (b) prior to the IPO the U.S. real estate market had started to deteriorate, adversely affecting the value of Blackstone’s real estate investments; and (2) the financial statements in the IPO prospectus were materially inaccurate principally because they overstated the value of the investments referred to in clause (1). In September 2009 the District Court judge dismissed the complaint with prejudice, ruling that even if the allegations in the complaint were assumed to be true, the alleged omissions were immaterial. The plaintiffs have appealed the District Court’s ruling.

Blackstone believes that the foregoing suits are totally without merit and intends to defend them vigorously.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2009, which is accessible on the Securities and Exchange Commission’s website at www.sec.gov.

See Part I. Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Business Environment” in this report for a discussion of the conditions in the financial markets and economic conditions affecting our businesses. This discussion updates, and should be read together with, the risk factor entitled “Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital and reducing the volume of the transactions involving our financial advisory business, each of which could materially reduce our revenue and cash flows and adversely affect our financial condition” in our Annual Report on Form 10-K for the year ended December 31, 2009.

The risks described in our Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Table of Contents

The disclosure set forth below updates the item under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2009 which is captioned “Legislation has been introduced in the U.S. Congress in various forms that, if enacted, (i) would preclude us from qualifying as a partnership and/or (ii) would require us to hold Carried Interest through taxable subsidiary corporations and tax Carried Interest as ordinary income for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the market price of our common units.”:

The U.S. House of Representatives has passed legislation that, if enacted, (i) would, for taxable years beginning ten years after the date of enactment, preclude us from qualifying as a partnership or require us to hold Carried Interest through taxable subsidiary corporations and (ii) would tax individual holders of common units with respect to certain income and gains at increased rates for taxable years ending after December 31, 2010. If this or any similar legislation were to be enacted and apply to us, we could incur a material increase in our tax liability and a substantial portion of our income could be taxed at a higher rate to the individual holders of our common units.

On May 28, 2010, the U.S. House of Representatives passed legislation that would, in general, treat income and gains, including gain on sale, attributable to an interest in an investment services partnership interest, or “ISPI”, as income subject to a new blended tax rate that is higher than the capital gains rate applicable to such income under current law, except to the extent such ISPI is considered under the legislation to be a qualified capital interest. Our common units that you hold and the interests that we hold in entities that are entitled to receive Carried Interest would likely be classified as ISPIs for purposes of this legislation. In June 2010, the U.S. Senate considered but did not pass legislation that is generally similar to the legislation passed by the U.S. House of Representatives. It is unclear when or whether the U.S. Senate will act on such legislation or what provisions will be included in any final legislation if enacted.

The House bill provides that, for taxable years beginning ten years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is treated as ordinary income under the rules discussed above will not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if this or similar legislation is enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. federal income tax purposes or be required to hold all such ISPIs through corporations. If we were taxed as a U.S. corporation or held all ISPIs through U.S. corporations, our effective tax rate could increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, you could be subject to tax on our conversion into a corporation or any restructuring required in order for us to hold our ISPIs through a corporation.

In addition, during such ten-year or other transition period, if you are an individual, 75% of the income and gains attributable to an interest in an ISPI would be taxed at ordinary income tax rates (50% during a two-year transition period) under the House bill. A version considered in the Senate would eliminate the transition period but would reduce the portion of income and gains attributable to an ISPI that are taxed at ordinary income tax rates to 50% for income and gains attributable to assets held by the partnership for more than five years. The deductibility of any losses attributable to any ISPI that is not a qualified capital interest would be subject to limitations. In addition, any dividends that are attributable to an ISPI directly or indirectly held by us would not be considered qualified dividends and therefore would not be entitled to reduced rates of taxation. You also may be subject to additional state and local tax as a result of the legislation. While the legislation does not specifically address whether income or gains that is attributable to an interest in an ISPI is treated as effectively connected income with a U.S. trade or business, or ECI, or as unrelated business taxable income, or UBTI, the technical explanation accompanying the legislation indicates that, under regulations to be promulgated following enactment, such income or gains should only be treated as ECI or UBTI to the extent it would be treated as such under current law. Our senior managing directors and other professionals may face additional adverse tax consequences under the legislation, which may thereby adversely affect our ability to offer attractive incentive opportunities for key personnel.

Table of Contents

The Obama administration has indicated it supports the adoption of the May 28, 2010 legislation or legislation that similarly changes the treatment of Carried Interest for U.S. federal income tax purposes. In its published revenue proposals for both 2010 and 2011 the Obama administration proposed that the current law regarding the treatment of Carried Interest be changed to subject such income to ordinary income tax.

Over the past several years, a number of similar legislative proposals have been introduced and, in certain cases, have been passed by the U.S. House of Representatives. In 2007, legislation was introduced in the U.S. Congress that would tax as corporations publicly traded partnerships that directly or indirectly derive income from investment advisor or asset management services. In 2008, the U.S. House of Representatives passed a bill that would generally (i) treat Carried Interest as non-qualifying income under the tax rules applicable to publicly traded partnerships, which could preclude us from qualifying as a partnership for U.S. federal income tax purposes, and (ii) tax Carried Interest as ordinary income for U.S. federal income taxes, rather than in accordance with the character of income derived by the underlying fund. In December 2009, the U.S. House of Representatives passed substantially similar legislation. Such legislation would tax Carried Interest as ordinary income starting in the year of enactment. The legislation passed in December 2009 and certain other versions of the proposed legislation contain a transition rule that may delay the applicability of certain aspects of the legislation for a partnership that is a publicly traded partnership on the date of enactment of the legislation.

States and other jurisdictions have also considered legislation to increase taxes with respect to Carried Interest. For example, in June, the New York State Assembly passed a bill, which could cause a non-resident of New York who holds our common units to be subject to New York state income tax on Carried Interest earned by entities in which we hold an indirect interest, thereby requiring the non-resident to file a New York state income tax return reporting such Carried Interest income. This legislation would be retroactive to January 1, 2010. It is unclear when or whether this legislation will be enacted.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In January 2008, the Board of Directors authorized the repurchase of up to \$500 million of Blackstone common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased in open market transactions, in privately negotiated transactions or otherwise. The unit repurchase program may be suspended or discontinued at any time and does not have a final specified date. No purchases of our common units were made by us or on our behalf during the three months ended June 30, 2010. See “Part I. Item 1. Financial Statements — Notes to Condensed Consolidated Financial Statements — Note 12. Net Loss Per Common Unit” and “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Our Future Sources of Cash and Liquidity Needs” for further information regarding this unit repurchase program.

As permitted by our policies and procedures governing transactions in our securities by our directors, executive officers and other employees, from time to time some of these persons may establish plans or arrangements complying with Rule 10b5-1 under the Exchange Act, and similar plans and arrangements relating to our common units and Holdings units.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.8.1	The Blackstone Group L.P. Amended and Restated 2007 Equity Incentive Plan.
10.50	BCVA L.L.C. Amended and Restated Limited Liability Company Agreement Dated as of July 8, 2010.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 6, 2010

The Blackstone Group L.P.

By: Blackstone Group Management L.L.C.,
its general partner

/ s / L AURENCE A. T OSI

Name: Laurence A. Tosi
Title: Chief Financial Officer
 (Principal Financial Officer and Authorized Signatory)

T H E B L A C K S T O N E G R O U P L . P .
A M E N D E D A N D R E S T A T E D 2 0 0 7 E Q U I T Y I N C E N T I V E P L A N

1. Purpose of the Plan

The Blackstone Group L.P. 2007 Equity Incentive Plan (the “Plan”) is designed to promote the long term financial interests and growth of The Blackstone Group L.P., a Delaware limited partnership (the “Partnership”), and its Affiliates by (i) attracting and retaining senior managing directors, employees and consultants of the Partnership or any of its Affiliates, including directors of the Partnership’s general partner, Blackstone Group Management L.L.C. (the “General Partner”), and (ii) aligning the interests of such individuals with those of the Partnership and its Affiliates by providing them with equity-based awards based on the common units of limited partner interest in the Partnership (the “Common Units”) or the partnership units (the “Blackstone Holdings Partnership Units”) of Blackstone Holdings (as defined below).

2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) Act : The Securities Exchange Act of 1934, as amended, or any successor thereto.

(b) Administrator : The Board, or the committee or subcommittee thereof to whom authority to administer the Plan has been delegated pursuant to Section 4 hereof.

(c) Affiliate : With respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Person in question. As used herein, the term “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

(d) Award : Individually or collectively, any Option, Unit Appreciation Right, or Other Unit-Based Awards based on or relating to the Common Units or Blackstone Holdings Partnership Units issuable under the Plan.

(e) Beneficial Owner : A “beneficial owner”, as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).

(f) Blackstone Holdings : The collective reference to all of the Blackstone Holdings Partnerships.

(g) Blackstone Holdings Partnerships : Each of Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P. and Blackstone Holdings IV L.P.

(h) Blackstone Holdings Partnership Units : Each “Blackstone Holdings Partnership Unit” shall consist of one partnership unit in each of the four Blackstone Holdings Partnerships.

(i) Board : The board of directors of the General Partner.

(j) Change in Control : The occurrence of any Person, other than a Person approved by the General Partner, becoming the general partner of the Partnership.

(k) Code : The Internal Revenue Code of 1986, as amended, or any successor thereto.

(l) Common Units : The common units representing limited partner interests of the Partnership.

(m) Disability : The term “Disability” shall have the meaning as provided under Section 409A(a)(2)(C)(i) of the Code. Notwithstanding the foregoing or any other provision of this Plan, the definition of Disability (or any analogous term) in an Award agreement shall supersede the foregoing definition; provided, however, that if no definition of Disability or any analogous term is set forth in such agreement, the foregoing definition shall apply.

(n) Effective Date : The date on which the Board adopts the Plan, or such later date as is designated by the Board.

(o) Employment : The term “Employment” as used herein shall be deemed to refer to (i) a Participant’s employment if the Participant is an employee of the Partnership or any of its Affiliates, (ii) a Participant’s services as a consultant or partner, if the Participant is consultant to, or partner of, the Partnership or of any of its Affiliates, and (iii) a Participant’s services as a non-employee director, if the Participant is a non-employee member of the Board.

(p) Fair Market Value : Of a Unit on any given date means (i) the closing sale price per Unit on the New York Stock Exchange on that date (or, if no closing sale price is reported, the last reported sale price), (ii) if the Units are not listed for trading on the New York Stock Exchange, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national securities exchange registered pursuant to Section 6(g) of the Act on which the Units are listed, (iii) if the Units are not so listed on a national securities exchange, the last quoted bid price for the Units on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Units are not so quoted by Pink Sheets LLC or a similar organization, the average of the mid-point of the last bid and ask prices for the Units on that date from a nationally recognized independent investment banking firm selected by the General Partner for this purpose.

(q) General Partner : Blackstone Group Management L.L.C., a Delaware limited liability company.

(r) Option : An option to purchase Units granted pursuant to Section 6 of the Plan.

(s) Option Price : The purchase price per Unit of an Option, as determined pursuant to Section 6(a) of the Plan.

(t) Other Unit-Based Awards : Awards granted pursuant to Section 8 of the Plan.

(u) Partnership : The Blackstone Group L.P., a Delaware limited partnership.

(v) Participant : A senior managing director, other employee, consultant, director or other service provider of the Partnership or of any of its Affiliates, including any director of the General Partner, who is selected by the Administrator to participate in the Plan.

(w) Performance-Based Awards : Certain Other Unit-Based Awards granted pursuant to Section 8(b) of the Plan.

(x) Person : A “person”, as such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).

(y) Plan : The Blackstone Group L.P. 2007 Equity Incentive Plan.

(z) Units : Common Units or Blackstone Holdings Partnership Units which are issued or may be issued under the Plan.

(aa) Unit Appreciation Right : A unit appreciation right granted pursuant to Section 7 of the Plan.

3. Units Subject to the Plan

Subject to Section 9 hereof, the total number of Units which may be issued under the Plan shall be 163,000,000, of which all or any portion may be issued as Common Units or Blackstone Holdings Partnership Units. Notwithstanding the foregoing, the total number of Units subject to the Plan shall be increased on the first day of each fiscal year beginning in calendar year 2008 by a number of Units equal to the positive difference, if any, of (x) 15% of the aggregate number of Common Units and Blackstone Holdings Partnership Units outstanding on the last day of the immediately preceding fiscal year (excluding Blackstone Holdings Partnership Units held by the Partnership or its wholly-owned subsidiaries) minus (y) the aggregate number of Common Units and Blackstone Holdings Partnership Units covered by the Plan, unless the Administrator should decide to increase the number of Common Units and Blackstone Holdings Partnership Units covered by the Plan by a lesser amount on any such date. The issuance of Units or the payment of cash upon the exercise of an Award or in consideration of the cancellation or termination of an Award shall reduce the total number of Units available under the Plan, as applicable. Units which are subject to Awards which terminate or lapse without the payment of consideration may be granted again under the Plan. Unless the Administrator shall otherwise determine, Common Units delivered by the Partnership or its Affiliates upon exchange of Blackstone Holdings Partnership Units that have been issued under the Plan shall be issued under the Plan.

4. Administration

The Plan shall be administered by the Board, which may delegate its duties and powers in whole or in part to any committee or subcommittee thereof (the “Administrator”). Additionally, the Administrator may delegate the authority to grant Awards under the Plan to any employee or group of employees of the Partnership or of any Affiliate of the Partnership; provided that such delegation and grants are consistent with applicable law and guidelines established by the Board from time to time. Awards may, in the discretion of the Administrator, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Partnership, any Affiliate of the Partnership or any entity acquired by the Partnership or with which the Partnership combines. The number of Units underlying such substitute awards shall

be counted against the aggregate number of Units available for Awards under the Plan. The Administrator is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Administrator deems necessary or desirable. Any decision of the Administrator in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). The Administrator shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions). The Administrator shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, grant or vesting of an Award. Unless the Administrator specifies otherwise, the Participant may elect to pay a portion or all of such withholding taxes by (a) delivery in Units or (b) having Units withheld by the Partnership from any Units that would have otherwise been received by the Participant.

5. Limitations

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

6. Terms and Conditions of Options

Options granted under the Plan shall be non-qualified options for federal income tax purposes, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Administrator shall determine:

(a) Option Price. The Option Price per Unit shall be determined by the Administrator; provided that the Option Price per Unit shall not be less than the Fair Market Value of a Unit on the applicable date the Option is granted unless the Participant is not subject to Section 409A of the Code or the Option is otherwise designed to be compliant with Section 409A of the Code.

(b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Administrator, but in no event shall an Option be exercisable more than ten years after the date it is granted.

(c) Exercise of Options. Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Units for which it is then exercisable. For purposes of Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Partnership and, if applicable, the date payment is received by the Partnership pursuant to clauses (i), (ii), (iii) or (iv) in the following sentence. The purchase price for the Units as to which an Option is exercised shall be paid to the Partnership, and in the manner designated by the Administrator, pursuant to one or more of the following methods: (i) in cash or its equivalent (e.g., by personal check), (ii) in Units having a Fair Market Value equal to the aggregate Option Price for the Units being purchased and satisfying such other requirements as may be imposed by the Administrator, (iii) partly in

cash and partly in such Units, (iv) if there is a public market for the Units at such time, through the delivery of irrevocable instructions to a broker to sell Units obtained upon the exercise of the Option and to deliver promptly to the Partnership an amount out of the proceeds of such Sale equal to the aggregate Option Price for the Units being purchased, or (v) to the extent permitted by the Administrator, through net settlement in Units. Unless otherwise provided in an Award agreement, no Participant shall have any rights to distributions or other rights of a holder with respect to Units subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Units and, if applicable, has satisfied any other conditions imposed by the Administrator pursuant to the Plan.

(d) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering Units, the Participant may, subject to procedures satisfactory to the Administrator, satisfy such delivery requirement by presenting proof of beneficial ownership of such Units, in which case the Partnership shall treat the Option as exercised without further payment and/or shall withhold such number of Units from the Units acquired by the exercise of the Option, as appropriate.

(e) Service Recipient Stock. No Option may be granted to a Participant subject to Section 409A of the Code unless (i) the Units constitute “service recipient stock” with respect to such Participant (as defined in Section 1.409A-1(b)(5)(iii)) or (ii) the Option is otherwise designed to be compliant with Section 409A of the Code.

7. Terms and Conditions of Unit Appreciation Rights

(a) Grants. The Administrator may grant (i) a Unit Appreciation Right independent of an Option or (ii) a Unit Appreciation Right in connection with an Option, or a portion thereof. A Unit Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Units covered by an Option (or such lesser number of Units as the Administrator may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 7 (or such additional limitations as may be included in an Award agreement).

(b) Terms. The exercise price per Unit of a Unit Appreciation Right shall be an amount determined by the Administrator; provided, however, that (z) the exercise price per Unit shall not be less than the Fair Market Value of a Unit on the applicable date the Unit Appreciation Right is granted unless the Participant is not subject to Section 409A of the Code or the Unit Appreciation Right is otherwise designed to be compliant with Section 409A of the Code and (y) in the case of a Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option. Each Unit Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Unit over (B) the exercise price per Unit, times (ii) the number of Units covered by the Unit Appreciation Right. Each Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Partnership the unexercised Option, or any portion thereof, and to receive from the Partnership in exchange therefore an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Unit over (B) the

Option Price per Unit, times (ii) the number of Units covered by the Option, or portion thereof, which is surrendered. Payment shall be made in Units or in cash, or partly in Units and partly in cash (any such Units valued at such Fair Market Value), all as shall be determined by the Administrator. Unit Appreciation Rights may be exercised from time to time upon actual receipt by the Partnership of written notice of exercise stating the number of Units with respect to which the Unit Appreciation Right is being exercised. The date a notice of exercise is received by the Partnership shall be the exercise date. The Administrator, in its sole discretion, may determine that no fractional Units will be issued in payment for Unit Appreciation Rights, but instead cash will be paid for a fraction or the number of Units will be rounded downward to the next whole Unit.

(c) Limitations. The Administrator may impose, in its discretion, such conditions upon the exercisability of Unit Appreciation Rights as it may deem fit, but in no event shall a Unit Appreciation Right be exercisable more than ten years after the date it is granted.

(d) Service Recipient Stock. No Option may be granted to a Participant subject to Section 409A of the Code unless (i) the Units constitute "service recipient stock" with respect to such Participant (as defined in Section 1.409A-1(b)(5)(iii)) or (ii) the Option is otherwise designed to be compliant with Section 409A of the Code.

8. Other Unit-Based Awards

The Administrator, in its sole discretion, may grant or sell Awards of Units, restricted Units, restricted Common Units, deferred restricted Common Units, phantom restricted Common Units or other Unit-Based awards based in whole or in part on the Fair Market Value of the Common Units or Blackstone Holdings Partnership Units ("Other Unit-Based Awards"). Such Other Unit-Based Awards shall be in such form, and dependent on such conditions, as the Administrator shall determine, including, without limitation, the right to receive, or vest with respect to, one or more Units (or the equivalent cash value of such Units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Unit-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Administrator shall determine to whom and when Other Unit-Based Awards will be made, the number of Units to be awarded under (or otherwise related to) such Other Unit-Based Awards; whether such Other Unit-Based Awards shall be settled in cash, Units or a combination of cash and Units; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Units so awarded and issued shall be fully paid and non-assessable).

9. Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) Generally. In the event of any change in the outstanding Units after the Effective Date by reason of any Unit distribution or split, reorganization, recapitalization, merger, consolidation, spin-off, combination, combination or transaction or exchange of Units or other corporate exchange, or any distribution to holders of Units other than regular cash distributions or any transaction similar to the foregoing, the Administrator in its sole discretion and without liability to any person shall make such substitution or adjustment, if any, as it deems to be

equitable (subject to Section 17), as to (i) the number or kind of Units or other securities issued or reserved for issuance pursuant to the Plan or pursuant to outstanding Awards, (ii) the maximum number of Units for which Options or Unit Appreciation Rights may be granted during a calendar year to any Participant (iii) the maximum amount of a Performance-Based Award that may be granted during a calendar year to any Participant, (iv) the Option Price or exercise price of any unit appreciation right and/or (v) any other affected terms of such Awards.

(b) Change in Control. In the event of a Change in Control after the Effective Date, (i) if determined by the Administrator in the applicable Award agreement or otherwise, any outstanding Awards then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change of Control and (ii) the Administrator may (subject to Section 17), but shall not be obligated to, (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award, (B) cancel such Awards for fair value (as determined in the sole discretion of the Administrator) which, in the case of Options and Unit Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction to holders of the same number of Units subject to such Options or Unit Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Units subject to such Options or Unit Appreciation Rights) over the aggregate exercise price of such Options or Unit Appreciation Rights, (C) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Administrator in its sole discretion or (D) provide that for a period of at least 15 days prior to the Change in Control, such Options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change in Control, such Options shall terminate and be of no further force and effect.

10. No Right to Employment or Awards

The granting of an Award under the Plan shall impose no obligation on the Partnership or any Affiliate to continue the Employment of a Participant and shall not lessen or affect the Partnership's or Affiliate's right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

11. Successors and Assigns

The Plan shall be binding on all successors and assigns of the Partnership and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

12. Nontransferability of Awards

Unless otherwise determined or approved by the Administrator, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.

13. Amendments or Termination

The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made, without the consent of a Participant, if such action would diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided, however, that the Administrator may amend the Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws (including, without limitation, to avoid adverse tax consequences to the Partnership or to Participants).

Notwithstanding any provision of the Plan to the contrary, in the event that the Administrator determines that any amounts payable hereunder will be taxable to a Participant under Section 409A of the Code and related Department of Treasury guidance prior to payment to such Participant of such amount, the Partnership may (a) adopt such amendments to the Plan and Awards and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Administrator determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) take such other actions as the Administrator determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A of the Code.

14. International Participants

With respect to Participants who reside or work outside the United States of America, the Administrator may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Partnership or an Affiliate.

15. Choice of Law

The Plan shall be governed by and construed in accordance with the law of the State of New York.

16. Effectiveness of the Plan

The Plan shall be effective as of the Effective Date.

17. Section 409A

To the extent applicable, this Plan and Awards issued hereunder shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding other provisions of the Plan or any Award agreements thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Administrator that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by

the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, the Partnership may take whatever actions the Administrator determines necessary or appropriate to comply with, or exempt the Plan and Award agreement from the requirements of Section 409A of the Code and related Department of Treasury guidance and other interpretive materials as may be issued after the Effective Date, which action may include, but is not limited to, delaying payment to a Participant who is a “specified employee” within the meaning of Section 409A of the Code until the first day following the six-month period beginning on the date of the Participant’s termination of Employment. The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 17 in good faith; provided that neither the Partnership, the Administrator nor any employee, director or representative of the Partnership or of any of its Affiliates shall have any liability to Participants with respect to this Section 17.

BCVA L.L.C.

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

DATED AS OF JULY 8, 2010

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	
1.1. Definitions	1
1.2. Terms Generally	17
ARTICLE II GENERAL PROVISIONS	
2.1. Managing, Regular and Special Members	18
2.2. Formation; Name; Foreign Jurisdictions	18
2.3. Term	18
2.4. Purposes; Powers	19
2.5. Place of Business	21
ARTICLE III MANAGEMENT	
3.1. Managing Member	21
3.2. Member Voting, etc	22
3.3. Management	22
3.4. Responsibilities of Members	24
3.5. Exculpation and Indemnification	24
3.6. Representations of Members	26
3.7. Tax Information	27
ARTICLE IV CAPITAL OF THE COMPANY	
4.1. Capital Contributions by Members	27
4.2. Interest	35
4.3. Withdrawals of Capital	35
ARTICLE V PARTICIPATION IN PROFITS AND LOSSES	
5.1. General Accounting Matters	35
5.2. GP-Related Capital Accounts	37
5.3. GP-Related Profit Sharing Percentages	38
5.4. Allocations of GP-Related Net Income (Loss)	38
5.5. Liability of Members	39
5.6. [Intentionally omitted.]	40
5.7. Repurchase Rights, etc.	40
5.8. Distributions	40

TABLE OF CONTENTS
(continued)

	<u>Page</u>
5.9. Business Expenses	47
5.10. Tax Capital Accounts; Tax Allocations	47
 ARTICLE VI ADDITIONAL MEMBERS; WITHDRAWAL OF MEMBERS; SATISFACTION AND DISCHARGE OF COMPANY INTERESTS; TERMINATION	
6.1. Additional Members	48
6.2. Withdrawal of Members	49
6.3. GP-Related Member Interests Not Transferable	50
6.4. Consequences upon Withdrawal of a Member	50
6.5. Satisfaction and Discharge of a Withdrawn Member's GP-Related Interest	50
6.6. Dissolution of the Company	56
6.7. Certain Tax Matters	56
6.8. Special Basis Adjustments	57
 ARTICLE VII CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS; ALLOCATIONS; DISTRIBUTIONS	
7.1. Capital Commitment Interests, etc	58
7.2. Capital Commitment Capital Accounts	59
7.3. Allocations	59
7.4. Distributions	60
7.5. Valuations	64
7.6. Disposition Election	65
7.7. Capital Commitment Special Distribution Election	65
 ARTICLE VIII WITHDRAWAL, ADMISSION OF NEW MEMBERS	
8.1. Member Withdrawal; Repurchase of Capital Commitment Interests	65
8.2. Transfer of Member's Capital Commitment Interest	70
8.3. Compliance with Law.	71
 ARTICLE IX DISSOLUTION	
9.1. Dissolution	71
9.2. Final Distribution	71
9.3. Amounts Reserved Related to Capital Commitment Member Interests	71
 ARTICLE X MISCELLANEOUS	
10.1. Submission to Jurisdiction; Waiver of Jury Trial	72

TABLE OF CONTENTS
(continued)

	<u>Page</u>
10.2. Ownership and Use of the Blackstone Name	73
10.3. Written Consent	74
10.4. Letter Agreements; Schedules	74
10.5. Governing Law; Separability of Provisions	74
10.6. Successors and Assigns	74
10.7. Confidentiality.	75
10.8. Notices	75
10.9. Counterparts	76
10.10. Power of Attorney	76
10.11. Member's Will	76
10.12. Cumulative Remedies	76
10.13. Legal Fees	76
10.14. Entire Agreement	77

BCVA L.L.C.

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of BCVA L.L.C. (the “Company”), dated as of July 8, 2010, by and among Blackstone Holdings III L.P., a société en commandite organized in Québec (the “Managing Member” or “Holdings”), the other members of the Company as set forth in the books and records of the Company, and such other persons that are admitted to the Company as members after the date hereof in accordance herewith.

WITNESSETH

WHEREAS, the Company was formed under the LLC Act (defined below) pursuant to a certificate of formation filed in the office of the Secretary of State of the State of Delaware on June 29, 2010;

WHEREAS, the original limited liability company agreement of the Company was executed as of June 29, 2010 (the “Original Operating Agreement”); and

WHEREAS, the parties hereto now wish to amend and restate the Original Operating Agreement in its entirety as of the date hereof and as more fully set forth below.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings for purposes of this Agreement:

“Advancing Party” has the meaning set forth in Section 7.1(b).

“Affiliate” when used with reference to another person means any person (other than the Company), directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with, such other person.

“Agreement” means this Amended and Restated Limited Liability Company Agreement, as it may be further amended, supplemented, restated or otherwise modified from time to time.

“Alternative Vehicle” means any investment vehicle or structure formed pursuant to Section 2.9 of the BCVP Partnership Agreement or any other “Alternative Vehicle” (as defined in any other BCVP Agreements).

“Applicable Collateral Percentage” has the meaning with respect to any Firm Collateral or Special Firm Collateral as set forth in the books and records of the Company with respect thereto.

“ Associates ” means Blackstone Cleantech Venture Associates L.L.C., a Delaware limited liability company and the general partner of BCVP.

“ Associates LLC Agreement ” means the Second Amended and Restated Limited Liability Company Agreement, dated as of the date set forth therein, of Associates, as it may be amended, supplemented, restated or otherwise modified from time to time.

“ Bankruptcy ” means, with respect to any person, the occurrence of any of the following events: (i) the filing of an application by such person for, or a consent to, the appointment of a trustee or custodian of his assets; (ii) the filing by such person of a voluntary petition in Bankruptcy or the seeking of relief under Title 11 of the United States Code, as now constituted or hereafter amended, or the filing of a pleading in any court of record admitting in writing his inability to pay his debts as they become due; (iii) the failure of such person to pay his debts as such debts become due; (iv) the making by such person of a general assignment for the benefit of creditors; (v) the filing by such person of an answer admitting the material allegations of, or his consenting to, or defaulting in answering, a Bankruptcy petition filed against him in any Bankruptcy proceeding or petition seeking relief under Title 11 of the United States Code, as now constituted or as hereafter amended; or (vi) the entry of an order, judgment or decree by any court of competent jurisdiction adjudicating such person a bankrupt or insolvent or for relief in respect of such person or appointing a trustee or custodian of his assets and the continuance of such order, judgment or decree unstayed and in effect for a period of 60 consecutive days.

“ BCE Agreement ” means the limited partnership agreement, limited liability company agreement or other governing document of any limited partnership, limited liability company or other entity named or referred to in the definition of any of “BFREP,” “BFIP,” “BFMEZP,” “BFCOMP” or “Other Blackstone Collateral Entity,” as such limited partnership agreement, limited liability company agreement or other governing document may be amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement, limited liability company agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other Blackstone Collateral Entity limited partnership agreement, limited liability company agreement or other governing document.

“ BCE Investment ” means any direct or indirect investment by any Blackstone Collateral Entity.

“ BCOM ” means (i) Blackstone Communications Partners I L.P., a Delaware limited partnership, and (ii) any other investment vehicle established pursuant to Article 2 of the partnership agreement for the partnership referred to in clause (i) above.

“ BCP VI ” is the collective reference to (i) Blackstone Capital Partners VI L.P., a Delaware limited partnership, (ii) Blackstone Capital Partners VI-Executive Fund L.P., a Delaware limited partnership, and (iii) any alternative investment vehicle relating thereto and any parallel fund.

“BCVP” means (i) Blackstone Cleantech Venture Partners L.P., a Delaware limited partnership, and (ii) any Alternative Vehicle relating thereto and any Parallel Fund.

“BCVP Agreements” means (i) the BCVP Partnership Agreement, and (ii) any other BCVP partnership agreements.

“BCVP Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership, dated as of the date set forth therein, of Blackstone Cleantech Venture Partners L.P., a Delaware limited partnership, as it may be amended, supplemented, restated or otherwise modified from time to time.

“BFCOMP” means Blackstone Family Communications Partnership I L.P., Blackstone Family Communications Partnership I-SMD L.P. and any other entity that is an Affiliate thereof and has terms substantially similar to those of the foregoing partnerships and is formed in connection with the participation by one or more partners thereof directly or indirectly in investments in securities also purchased by BCOM or any other funds with substantially similar investment objectives to BCOM and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

“BFIP” means Blackstone Capital Associates II L.P., Blackstone Capital Associates III L.P., Blackstone Family Investment Partnership II L.P., Blackstone Family Investment Partnership III L.P., Blackstone Family Investment Partnership IV-A L.P., Blackstone Family Investment Partnership IV-A -SMD L.P., Blackstone Family Investment Partnership V L.P., Blackstone Family Investment Partnership V- SMD L.P., Blackstone Family Investment Partnership VI L.P., Blackstone Family Investment Partnership VI-SMD L.P., Blackstone Family Cleantech Investment Partnership L.P., Blackstone Family Cleantech Investment Partnership - SMD L.P. and any other entity that is an Affiliate thereof and has terms similar to those of the foregoing partnerships and is formed in connection with the participation by one or more of the partners thereof in investments in securities also purchased by BCP VI, BCVP or any other fund with substantially similar investment objectives to BCP VI or BCVP and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

“BFMEZP” means Blackstone Family Mezzanine Partnership-SMD L.P., Blackstone Family Mezzanine Partnership II-SMD L.P., Blackstone Mezzanine Holdings L.P., Blackstone Mezzanine Holdings II L.P., any entity formed to invest side-by-side with any GSO Fund and any other entity that is an Affiliate thereof and that has terms substantially similar to those of the foregoing partnerships or other entities and is formed in connection with the participation by one or more partners or other equity owners thereof directly or indirectly in investments in securities also purchased by BMEZP I, BMEZP II, any GSO Fund or any other funds with substantially similar investment objectives to BMEZP I, BMEZP II or any GSO Fund and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

“BFREP” means Blackstone Real Estate Capital Associates L.P., Blackstone Real Estate Capital Associates II L.P., Blackstone Real Estate Capital Associates III L.P., Blackstone Family Real Estate Partnership L.P., Blackstone Family Real Estate Partnership II L.P., Blackstone Family Real Estate Partnership III L.P., Blackstone Family Real Estate Partnership International-A-SMD L.P., Blackstone Family Real Estate Partnership IV-SMD L.P., Blackstone Family Real Estate Partnership International II-SMD L.P., Blackstone Family Real Estate Partnership V-SMD L.P., Blackstone Family Real Estate Partnership VI-SMD L.P., Blackstone Family Real Estate Partnership Europe III-SMD L.P., Blackstone Family Real Estate Special Situations Partnership - SMD L.P., Blackstone Family Real Estate Special Situations Partnership Europe - SMD L.P., Blackstone Real Estate Holdings L.P., Blackstone Real Estate Holdings II L.P., Blackstone Real Estate Holdings III L.P., Blackstone Real Estate Holdings International - A L.P., Blackstone Real Estate Holdings IV L.P., Blackstone Real Estate Holdings International II L.P., Blackstone Real Estate Holdings V L.P., Blackstone Real Estate Holdings VI L.P., Blackstone Real Estate Holdings Europe III L.P., Blackstone Real Estate Special Situations Holdings II L.P., Blackstone Real Estate Special Situations Holdings Europe L.P. and any other entity that is an Affiliate thereof and that has terms substantially similar to those of the foregoing partnerships and is formed in connection with the participation by one or more partners thereof in real estate and real estate-related investments also purchased by BREP VI, BSSF II or BSSF Europe and any other funds with substantially similar investment objectives to BREP VI, BSSF II or BSSF Europe and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

“Blackstone Commitment” has the meaning set forth in the BCVP Agreements.

“Blackstone Co-Investment Rights” has the meaning set forth in the BCVP Agreements.

“Blackstone Collateral Entity” means any limited partnership, limited liability company or other entity named or referred to in the definition of any of “BFREP,” “BFIP,” “BFMEZP,” “BFCOMP” or “Other Blackstone Collateral Entity.”

“Blackstone Entity” means any partnership, limited liability company or other entity (excluding any natural persons and any portfolio companies of any Blackstone – sponsored fund) that is an Affiliate of The Blackstone Group L.P.

“BMEZP I” means (i) Blackstone Mezzanine Partners L.P., a Delaware limited partnership, and (ii) any other investment vehicle established pursuant to Article 2 of the partnership agreement for the partnership referred to in clause (i) above.

“BMEZP II” means (i) Blackstone Mezzanine Partners II L.P., a Delaware limited partnership, and (ii) any other investment vehicle established pursuant to Article 2 of the partnership agreement for the partnership referred to in clause (i) above.

“BREP VI” means (i) Blackstone Real Estate Partners VI L.P., Blackstone Real Estate Partners VI.TE.1 L.P., Blackstone Real Estate Partners VI.TE.2 L.P. and

Blackstone Real Estate Partners VI.F L.P., each a Delaware limited partnership, (ii) any other Parallel Funds or other Supplemental Capital Vehicles (each as defined in the respective partnership agreements for the partnerships referred to in clause (i) above), or (iii) any other investment vehicle established pursuant to Article 2 of the respective partnership agreements for any of the partnerships referred to in clause (i) above.

“BSSF Europe” means (i) Blackstone Real Estate Special Situations Europe L.P., Blackstone Real Estate Special Situations Europe.1 L.P. and Blackstone Real Estate Special Situations Europe.2 L.P., each a limited partnership formed or to be formed under the laws of the United Kingdom pursuant to the Limited Partnerships Act 1907 of the United Kingdom, (ii) any alternative vehicle, parallel fund or other investment vehicle established pursuant to Article 2 of the partnership agreements for the partnerships referred to in clause (i) above, and (iii) any investment vehicle formed to co-invest with any of the partnerships referred to in clause (i) above using third party capital and that potentially pays Carried Interest Distributions (as such term is used in such partnership agreements).

“BSSF II” means (i) Blackstone Real Estate Special Situations Fund II L.P., a Delaware limited partnership, (ii) Blackstone Real Estate Special Situations Fund II.1 L.P., a Delaware limited partnership, and (iii) Blackstone Real Estate Special Situations Fund II.2 L.P., a Delaware limited partnership, and any alternative vehicles thereof or parallel funds formed in connection therewith.

“Capital Commitment Associates Member Interest” means the interest of the Company, if any, as the sole member of Associates with respect to any Capital Commitment BCVP Interest that may be held by Associates.

“Capital Commitment BCVP Commitment” means the Capital Commitment (as defined in the BCVP Partnership Agreement) of the Company or Associates to BCVP that relates solely to the Capital Commitment BCVP Interest.

“Capital Commitment BCVP Interest” means the Interest (as defined in the BCVP Partnership Agreement), if any, of the Company or Associates as a capital partner in BCVP.

“Capital Commitment BCVP Investment” means the Company’s interest in a specific investment of BCVP, which interest may be held by the Company (i) through the Company’s direct interest in BCVP in the Company’s capacity as a capital partner of BCVP if the Company holds the Capital Commitment BCVP Interest, or (ii) through the Company’s interest in Associates and Associates’ interest in BCVP in Associates’ capacity as a capital partner of BCVP if Associates holds the Capital Commitment BCVP Interest.

“Capital Commitment Capital Account” means, with respect to each Capital Commitment Investment for each Member, the account maintained for such Member to which are credited such Member’s contributions to the Company with respect to such Capital Commitment Investment and any net income allocated to such Member pursuant

to Section 7.3 with respect to such Capital Commitment Investment and from which are debited any distributions with respect to such Capital Commitment Investment to such Member and any net losses allocated to such Member with respect to such Capital Commitment Investment pursuant to Section 7.3. In the case of any such distribution in kind, the Capital Commitment Capital Accounts for the related Capital Commitment Investment shall be adjusted as if the asset distributed had been sold in a taxable transaction and the proceeds distributed in cash, and any resulting gain or loss on such sale shall be allocated to the Members participating in such Capital Commitment Investment pursuant to Section 7.3.

“Capital Commitment Class A Interest” has the meaning set forth in Section 7.4(f).

“Capital Commitment Class B Interest” has the meaning set forth in Section 7.4(f).

“Capital Commitment Defaulting Party” has the meaning specified in Section 7.4(g).

“Capital Commitment Deficiency Contribution” has the meaning specified in Section 7.4(g).

“Capital Commitment Disposable Investment” has the meaning set forth in Section 7.4(f).

“Capital Commitment Distributions” means, with respect to each Capital Commitment Investment, all amounts of distributions received by the Company with respect to such Capital Commitment Investment solely in respect of the Capital Commitment BCVP Interest, less any costs, fees and expenses of the Company with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Company that are anticipated with respect thereto, in each case which the Managing Member may allocate to all or any portion of such Capital Commitment Investment as it may determine in good faith is appropriate.

“Capital Commitment Giveback Amount” has the meaning set forth in Section 7.4(g).

“Capital Commitment Interest” means the interest of a Member in a specific Capital Commitment Investment as provided herein.

“Capital Commitment Investment” means any Capital Commitment BCVP Investment, but shall exclude any GP-Related Investment.

“Capital Commitment Liquidating Share” with respect to each Capital Commitment Investment means, in the case of dissolution of the Company, the related Capital Commitment Capital Account of a Member (less amounts reserved in accordance with Section 9.3) as of the close of business on the effective date of dissolution.

“Capital Commitment Member Carried Interest” means, with respect to any Member, the aggregate amount of distributions or payments received by such Member (in any capacity) from Affiliates of the Company in respect of or relating to “carried interest”. “Capital Commitment Member Carried Interest” includes any amount initially received by an Affiliate of the Company from any fund (including BCVP), any similar funds formed after the date hereof, and any other private equity merchant banking, real estate or mezzanine funds, whether or not in existence as of the date hereof) to which such Affiliate serves as general partner (or other similar capacity) that exceeds such Affiliate’s pro rata share of distributions from such fund based upon capital contributions thereto (or the capital contributions to make the investment of such fund giving rise to such “carried interest”).

“Capital Commitment Member Interest” means a Member’s interest in the Company which relates (i) to any Capital Commitment BCVP Interest held by the Company or (ii) through the Company and Associates, to any Capital Commitment BCVP Interest that may be held by Associates.

“Capital Commitment Net Income (Loss)” with respect to each Capital Commitment Investment means all amounts of income received by the Company with respect to such Capital Commitment Investment, including without limitation gain or loss in respect of the disposition, in whole or in part, of such Capital Commitment Investment, less any costs, fees and expenses of the Company allocated thereto and less reasonable reserves for payment of costs, fees and expenses of the Company anticipated to be allocated thereto.

“Capital Commitment Profit Sharing Percentage” with respect to each Capital Commitment Investment means the percentage interest of a Member in Capital Commitment Net Income (Loss) from such Capital Commitment Investment set forth in the books and records of the Company.

“Capital Commitment Recontribution Amount” has the meaning set forth in Section 7.4(g).

“Capital Commitment-Related Capital Contributions” has the meaning set forth in Section 7.1(a).

“Capital Commitment-Related Commitment,” with respect to any Member, means such Member’s commitment to the Company relating to such Member’s Capital Commitment Member Interest, as set forth in the books and records of the Company, including, without limitation, any such commitment that may be set forth in such Member’s Commitment Agreement or SMD Agreement, if any.

“Capital Commitment Special Distribution” has the meaning set forth in Section 7.7(a).

“Capital Commitment Value” has the meaning set forth in Section 7.5.

“Carried Interest” means (i) “Carried Interest,” as defined in the BCVP Partnership Agreement, and (ii) any other carried interest distribution to a Fund GP pursuant to any BCVP Agreement. In the case of each of (i) and (ii) above, except as determined by the Managing Member, the amount shall not be less any costs, fees and expenses of the Company with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Company that are anticipated with respect thereto (in each case which the Managing Member may allocate amongst all or any portion of the GP-Related Investments as it determines in good faith is appropriate).

“Carried Interest Give Back Percentage” means, for any Member or Withdrawn Member, subject to Section 5.8(e), the percentage determined by dividing (A) the aggregate amount of distributions received by such Member or Withdrawn Member from the Company or any Other Fund GPs in respect of Carried Interest by (B) the aggregate amount of distributions made to all Members, Withdrawn Members or any other person by the Company or any Other Fund GP in respect of Carried Interest. For purposes of determining any “Carried Interest Give Back Percentage” hereunder, all Trust Amounts contributed to the Trust by the Company or any Other Fund GPs on behalf of a Member or Withdrawn Member (but not the Trust Income thereon) shall be deemed to have been initially distributed or paid to the Members and Withdrawn Members as members, partners or other equity owners of the Company or any of the Other Fund GPs.

“Carried Interest Sharing Percentage” means, with respect to each GP-Related Investment, the percentage interest of a Member in Carried Interest from such GP-Related Investment set forth in the books and records of the Company.

“Cause” means the occurrence or existence of any of the following with respect to any Member, as determined fairly, reasonably, on an informed basis and in good faith by the Managing Member: (i) (w) any breach by any Member of any provision of any non-competition agreement, (x) any material breach of this Agreement or any rules or regulations applicable to such Member that are established by the Managing Member, (y) such Member’s deliberate failure to perform his or her duties to the Company or any of its Affiliates, or (z) such Member’s committing to or engaging in any conduct or behavior that is or may be harmful to the Company or any of its Affiliates in a material way as determined by the Managing Member; *provided*, that in the case of any of the foregoing clauses (w), (x), (y) and (z), the Managing Member has given such Member written notice (a “Notice of Breach”) within fifteen days after the Managing Member becomes aware of such action and such Member fails to cure such breach, failure to perform or conduct or behavior within fifteen days after receipt of such Notice of Breach from the Managing Member (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure, provided that such Member is diligently pursuing such cure); (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Company or any of its Affiliates; or (iii) conviction (on the basis of a trial or by an accepted plea of guilty or *nolo contendere*) of a felony or crime (including any misdemeanor charge involving moral turpitude, false statements or misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery), or a determination by a court of competent jurisdiction, by a regulatory body or by a self-regulatory body having authority with respect to securities laws, rules or regulations of

the applicable securities industry, that such Member individually has violated any applicable securities laws or any rules or regulations thereunder, or any rules of any such self-regulatory body (including, without limitation, any licensing requirement), if such conviction or determination has a material adverse effect on (A) such Member's ability to function as a Member of the Company, taking into account the services required of such Member and the nature of the business of the Company and its Affiliates or (B) the business of the Company and its Affiliates.

"Clawback Adjustment Amount" has the meaning set forth in Section 5.8(e).

"Clawback Amount" means the "Clawback Amount," as defined in Section 9.4 of the BCVP Partnership Agreement, and any other clawback amount payable pursuant to any BCVP Agreement, as applicable.

"Clawback Provisions" means Section 9.4 of the BCVP Partnership Agreement and any other similar provisions in any other BCVP Agreement existing heretofore or hereafter entered into.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute. Any reference herein to a particular provision of the Code means, where appropriate, the corresponding provision in any successor statute.

"Commitment Agreements" means the agreements between the Company and the Members, pursuant to which each Member undertakes certain obligations, including the obligation to make capital contributions pursuant to Sections 4.1 and 7.1. The Commitment Agreements are hereby incorporated by reference as between the Company and the relevant Member.

"Company" has the meaning set forth in the preamble hereto.

"Contingent" means subject to repurchase rights and/or other requirements.

The term "control" when used with reference to any person means the power to direct the management and policies of such person, directly or indirectly, by or through stock or other equity ownership, agency or otherwise, or pursuant to or in connection with an agreement, arrangement or understanding (written or oral) with one or more other persons by or through stock ownership, agency or otherwise; and the terms "*controlling*" and "*controlled*" shall have meanings correlative to the foregoing.

"Controlled Entity" when used with reference to another person means any person controlled by such other person.

"Deceased Member" means any Member or Withdrawn Member who has died or who suffers from Incompetence. For purposes hereof, references to a Deceased Member shall refer collectively to the Deceased Member and the estate and heirs or legal representative of such Deceased Member, as the case may be, that have received such Deceased Member's interest in the Company.

“Default Interest Rate” means the lower of (i) the sum of (a) the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A., as its prime rate and (b) 5%, or (ii) the highest rate of interest permitted under applicable law.

“Estate Planning Vehicle” has the meaning set forth in Section 6.3.

“Excess Holdback” has the meaning set forth in Section 4.1(d).

“Excess Holdback Percentage” has the meaning set forth in Section 4.1(d).

“Excess Tax-Related Amount” has the meaning set forth in Section 5.8(e).

“Existing Member” means any Member who is neither a Retaining Withdrawn Member nor a Deceased Member.

“Final Event” means the death, Total Disability, Incompetence, Bankruptcy, liquidation, dissolution or withdrawal from the Company of any person who is a Member.

“Firm Advances” has the meaning set forth in Section 7.1.

“Firm Collateral” means a Member’s or Withdrawn Member’s interest in one or more partnerships or limited liability companies, in either case affiliated with the Company, and certain other assets of such Member or Withdrawn Member, in each case that has been pledged or made available to the Trustee(s) to satisfy all or any portion of the Excess Holdback of such Member or Withdrawn Member as more fully described in the Company’s books and records; provided, that for all purposes hereof (and any other agreement (e.g., the Trust Agreement) that incorporates the meaning of the term “Firm Collateral” by reference), references to “Firm Collateral” shall include “Special Firm Collateral”, excluding references to “Firm Collateral” in Section 4.1(d)(v) and Section 4.1(d)(viii).

“Firm Collateral Realization” has the meaning set forth in Section 4.1(d)(v)(B) with respect to Firm Collateral, and Section 4.1(d)(viii)(B) with respect to Special Firm Collateral.

“Fiscal Year” means a calendar year, or any other period chosen by the Managing Member.

“Fund GP” means the Company (only with respect to the GP-Related BCVP Interest) and the Other Fund GPs.

“GAAP” has the meaning specified in Section 5.1(a).

“Giveback Amount” means any amount payable by Associates under the Giveback Provisions.

“Giveback Provisions” means Sections 5.2(b) and (c) of the BCVP Partnership Agreement and any other similar provisions in any other BCVP Agreement existing heretofore or hereafter entered into.

“GP-Related Associates Member Interest” means the interest of the Company as the sole member of Associates with respect to the GP-Related BCVP Interest, but does not include any interest of the Company in Associates with respect to any Capital Commitment BCVP Interest that may be held by Associates.

“GP-Related BCVP Interest” means the interest of Associates in BCVP as general partner of BCVP, excluding any Capital Commitment BCVP Interest that may be held by Associates.

“GP-Related BCVP Investment” means the Company’s indirect interest in Associates’ indirect interest in an Investment (for purposes of this definition, as defined in the BCVP Partnership Agreement) in Associates’ capacity as the general partner of BCVP, but does not include any Capital Commitment Investment.

“GP-Related Capital Account” has the meaning set forth in Section 5.2.

“GP-Related Capital Contribution” has the meaning set forth in Section 4.1(a).

“GP-Related Class A Interest” has the meaning set forth in Section 5.8(a).

“GP-Related Class B Interest” has the meaning set forth in Section 5.8(a).

“GP-Related Commitment” with respect to any Member means such Member’s commitment to the Company relating to such Member’s GP-Related Member Interest, as set forth in the books and records of the Company, including, without limitation, any such commitment that may be set forth in such Member’s Commitment Agreement or SMD Agreement, if any.

“GP-Related Defaulting Party” has the meaning set forth in Section 5.8(d).

“GP-Related Deficiency Contribution” has the meaning set forth in Section 5.8(d).

“GP-Related Disposable Investment” has the meaning set forth in Section 5.8(a).

“GP-Related Giveback Amount” has the meaning set forth in Section 5.8(d).

“GP-Related Investment” means any investment (direct or indirect) of the Company in respect of the GP-Related BCVP Interest (including, without limitation, any GP-Related BCVP Investment but excluding any Capital Commitment Investment).

“GP-Related Member Interest” of a Member means all interests of such Member in the Company (other than such Member’s Capital Commitment Member Interest), including, without limitation, such Member’s interest in the Company with respect to the GP-Related BCVP Interest and with respect to all GP-Related Investments.

“GP-Related Net Income (Loss)” has the meaning set forth in Section 5.1(b).

“GP-Related Profit Sharing Percentage” means the “Carried Interest Sharing Percentage” and “Non-Carried Interest Sharing Percentage” of each Member; provided that any references in this Agreement to GP-Related Profit Sharing Percentages made (a) in connection with voting or voting rights or (b) GP-Related Capital Contributions with respect to GP-Related Investments (including Section 5.3(b)) means the “Non-Carried Interest Sharing Percentage” of each Member; provided further that, the term “GP-Related Profit Sharing Percentage” shall not include any Capital Commitment Profit Sharing Percentage.

“GP-Related Recontribution Amount” has the meaning set forth in Section 5.8(d).

“GP-Related Required Amounts” has the meaning set forth in Section 4.1(a).

“GP-Related Unallocated Percentage” has the meaning set forth in Section 5.3(b).

“GP-Related Unrealized Net Income (Loss)” attributable to any GP-Related BCVP Investment as of any date means the GP-Related Net Income (Loss) that would be realized by the Company with respect to such GP-Related BCVP Investment if BCVP’s entire portfolio of investments were sold on such date for cash in an amount equal to their aggregate value on such date (determined in accordance with Section 5.1(e)) and all distributions payable by BCVP to the Company (indirectly through the general partner of BCVP) pursuant to the BCVP Partnership Agreement with respect to such GP-Related BCVP Investment were made on such date. “GP-Related Unrealized Net Income (Loss)” attributable to any other GP-Related Investment (other than a Capital Commitment Investment) as of any date means the GP-Related Net Income (Loss) that would be realized by the Company with respect to such GP-Related Investment if such GP-Related Investment were sold on such date for cash in an amount equal to its value on such date (determined in accordance with Section 5.1(e)).

“GSO Fund” means (i) any of GSO Capital Opportunities Fund LP, GSO Capital Opportunities Overseas Fund L.P., GSO Capital Opportunities Overseas Master Fund L.P., GSO Liquidity Partners LP, GSO Liquidity Overseas Partners LP, Blackstone / GSO Capital Solutions Fund LP, Blackstone / GSO Capital Solutions Overseas Fund L.P., Blackstone / GSO Capital Solutions Overseas Master Fund L.P., GSO Targeted Opportunity Partners LP, GSO Targeted Opportunity Overseas Partners L.P., GSO Targeted Opportunity Overseas Intermediate Partners L.P. and GSO Targeted Opportunity Master Partners L.P., or (ii) any alternative vehicle or parallel fund relating to any of the partnerships referred to in clause (i) above.

“Holdback” has the meaning set forth in Section 4.1(d).

“Holdback Percentage” has the meaning set forth in Section 4.1(d).

“Holdback Vote” has the meaning set forth in Section 4.1(d).

“Holdings” means Blackstone Holdings III L.P., a société en commandite organized in Québec and the managing member of the Company

“Incompetence” means, with respect to any Member, the determination by the Managing Member in its sole discretion, after consultation with a qualified medical doctor, that such Member is incompetent to manage his person or his property.

“Initial Holdback Percentages” has the meaning set forth in Section 4.1(d).

“Interest” means a limited liability company interest (as defined in § 18-101(8) of the LLC Act) in the Company, including those that are held by a Retaining Withdrawn Member and including any Member’s GP-Related Member Interest and Capital Commitment Member Interest.

“Investment” means any investment (direct or indirect) of the Company designated by the Managing Member from time to time as an investment in which the Members’ respective interests shall be established and accounted for on a basis separate from the Company’s other businesses, activities and investments, including (a) GP-Related Investments, and (b) Capital Commitment Investments.

“Investor Note” means a promissory note of a Member evidencing indebtedness incurred by such Member to purchase a Capital Commitment Interest, the terms of which were or are approved by the Managing Member and which is secured by such Capital Commitment Interest, all other Capital Commitment Interests of such Member and all other interests of such Member in Blackstone Collateral Entities; provided, that such promissory note may also evidence indebtedness relating to other interests of such Member in Blackstone Collateral Entities, and such indebtedness shall be prepayable with Capital Commitment Net Income (whether or not such indebtedness relates to Capital Commitment Investments) as set forth in this Agreement, the Investor Note, the other BCE Agreements and any documentation relating to Other Sources; provided further, that references to “Investor Notes” herein refer to multiple loans made pursuant to such note, whether made with respect to Capital Commitment Investments or other BCE Investments, and references to an “Investor Note” refer to one such loan as the context requires. In no way shall any indebtedness incurred to acquire Capital Commitment Interests or other interests in Blackstone Collateral Entities be considered part of the Investor Notes for purposes hereof if the Lender or Guarantor is not the lender or guarantor with respect thereto.

“Investor Special Member” means any Special Member so designated at the time of its admission by the Managing Member as a Member of the Company.

“Issuer” means the issuer of any Security comprising part of an Investment.

“L/C” has the meaning set forth in Section 4.1(d).

“L/C Member” has the meaning set forth in Section 4.1(d).

“ LLC Act ” means the Delaware Limited Liability Company Act, 6 Del.C. § 18-101, et seq., as it may be amended from time to time, and any successor to such Act.

“ Lender or Guarantor ” means Blackstone Holdings I L.P., in its capacity as lender or guarantor under the Investor Notes, or any other Affiliate of the Company that makes or guarantees loans to enable a Member to acquire Capital Commitment Interests or other interests in Blackstone Collateral Entities.

“ Loss Amount ” has the meaning set forth in Section 5.8(e).

“ Loss Investment ” has the meaning set forth in Section 5.8(e).

“ Majority in Interest of the Members ” on any date (a “ vote date ”) means one or more persons who are Members (including the Managing Member but excluding Nonvoting Special Members) on the vote date and who, as of the last day of the most recent accounting period ending on or prior to the vote date (or as of such later date on or prior to the vote date selected by the Managing Member as of which the Members’ capital account balances can be determined), have aggregate capital account balances representing at least a majority in amount of the total capital account balances of all the persons who are Members (including the Managing Member but excluding Nonvoting Special Members) on the vote date.

“ Managing Member ” has the meaning specified in the preamble hereto.

“ Member ” means any person who is a member of the Company, including the Regular Members, the Managing Member and the Special Members. Except as otherwise specifically provided herein, no group of Members, including the Special Members and any group of Members in the same Member Category, shall have any right to vote as a class on any matter relating to the Company, including, but not limited to, any merger, reorganization, dissolution or liquidation.

“ Member Category ” means the Managing Member, Existing Members, Retaining Withdrawn Members or Deceased Members, each referred to as a group for purposes hereof.

“ Moody’s ” means Moody’s Investors Services, Inc., or any successor thereto.

“ Net Carried Interest Distribution ” has the meaning set forth in Section 5.8(e).

“ Net Carried Interest Distribution Recontribution Amount ” has the meaning set forth in Section 5.8(e).

“ Net GP-Related Recontribution Amount ” has the meaning set forth in Section 5.8(d).

“ Non-Carried Interest ” means, with respect to each GP-Related Investment, all amounts of distributions, other than Carried Interest and other than Capital Commitment Distributions, received by the Company with respect to such GP-Related Investment, less

any costs, fees and expenses of the Company with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Company that are anticipated with respect thereto, in each case which the Managing Member may allocate to all or any portion of the GP-Related Investments as it may determine in good faith is appropriate.

“Non-Carried Interest Sharing Percentage” means, with respect to each GP-Related Investment, the percentage interest of a Member in Non-Carried Interest from such GP-Related Investment set forth in the books and records of the Company.

“Non-Contingent” means generally not subject to repurchase rights or other requirements.

“Nonvoting Special Member” has the meaning set forth in Section 6.1(a).

“Other Blackstone Collateral Entity” means any Blackstone Entity (other than any limited partnership, limited liability company or other entity named or referred to in the definition of any of “BFREP,” “BFIP,” “BFMEZP” or “BFCOMP”) in which any limited partner interest, limited liability company interest, unit or other interest is pledged to secure any Investor Note.

“Other Fund GPs” means any entity (other than the Company) through which any Member or Withdrawn Member directly receives any amounts of Carried Interest and any successor thereto; provided, that this includes any other entity which has in its organizational documents a provision which indicates that it is a “Fund GP” or an “Other Fund GP”; provided further, that notwithstanding any of the foregoing, neither Holdings nor any estate planning vehicle established for the benefit of family members of any Member shall be considered a “Fund GP” for purposes hereof.

“Other Sources” means (i) distributions or payments of Capital Commitment Member Carried Interest (which shall include amounts of Capital Commitment Member Carried Interest which are not distributed or paid to a Member but are instead contributed to a trust (or similar arrangement) to satisfy any “holdback” obligation with respect thereto), and (ii) distributions from Blackstone Collateral Entities (other than the Company) to such Member.

“Parallel Fund” has the meaning set forth in Section 2.10(a) of the BCVP Partnership Agreement.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate.

“Qualifying Fund” means any fund designated by the Managing Member as a “Qualifying Fund”.

“Regular Member” means any Member, excluding the Managing Member and any Special Members.

“Repurchase Period” has the meaning set forth in Section 5.8(b).

“ Required Rating ” has the meaning set forth in Section 4.1(d).

“ Retained Portion ” has the meaning set forth in Section 7.6.

“ Retaining Withdrawn Member ” means a Withdrawn Member who has retained a GP-Related Member Interest, pursuant to Section 6.5(f) or otherwise. A Retaining Withdrawn Member shall be considered a Nonvoting Special Member for all purposes hereof.

“ Securities ” means any debt or equity securities of an Issuer and its subsidiaries and other Controlled Entities constituting part of an Investment, including without limitation common and preferred stock, interests in limited partnerships and interests in limited liability companies (including warrants, rights, put and call options and other options relating thereto or any combination thereof), notes, bonds, debentures, trust receipts and other obligations, instruments or evidences of indebtedness, choses in action, other property or interests commonly regarded as securities, interests in real property, whether improved or unimproved, interests in oil and gas properties and mineral properties, short-term investments commonly regarded as money-market investments, bank deposits and interests in personal property of all kinds, whether tangible or intangible.

“ Settlement Date ” has the meaning set forth in Section 6.5(a).

“ SMD Agreements ” means the agreements between the Company and/or one or more of its Affiliates and certain of the Members, pursuant to which each such Member undertakes certain obligations with respect to the Company and/or its Affiliates. The SMD Agreements are hereby incorporated by reference as between the Company and the relevant Member.

“ Special Firm Collateral ” means interests in a Qualifying Fund or other assets that have been pledged to the Trustee(s) to satisfy all or any portion of a Member’s or Withdrawn Member’s Holdback obligation (excluding any Excess Holdback) as more fully described in the Company’s books and records.

“ Special Firm Collateral Realization ” has the meaning set forth in Section 4.1(d).

“ Special Member ” means any person shown on the books and records of the Company as a Special Member of the Company, including any Nonvoting Special Member and any Investor Special Member.

“ S&P ” means Standard & Poor’s Ratings Group, and any successor thereto.

“ Subject Investment ” has the meaning set forth in Section 5.8(e).

“ Subject Member ” has the meaning set forth in Section 4.1(d).

“ Successor in Interest ” means any (i) shareholder of; (ii) trustee, custodian, receiver or other person acting in any Bankruptcy or reorganization proceeding with

respect to; (iii) assignee for the benefit of the creditors of; (iv) officer, director or partner of; (v) trustee or receiver, or former officer, director or partner, or other fiduciary acting for or with respect to the dissolution, liquidation or termination of; or (vi) other executor, administrator, committee, legal representative or other successor or assign of, any Partner, whether by operation of law or otherwise.

“Total Disability” means the inability of a Member substantially to perform the services required of a Regular Member for a period of six consecutive months by reason of physical or mental illness or incapacity and whether arising out of sickness, accident or otherwise.

“Trust Account” has the meaning set forth in the Trust Agreement.

“Trust Agreement” means the Trust Agreement, dated as of the date set forth therein, as amended to date, among the Members, the Trustee(s) and certain other persons that may receive distributions in respect of or relating to Carried Interest from time to time.

“Trust Amount” has the meaning set forth in the Trust Agreement.

“Trust Income” has the meaning set forth in the Trust Agreement.

“Trustee(s)” has the meaning set forth in the Trust Agreement.

“Unadjusted Carried Interest Distribution” has the meaning set forth in Section 5.8(e).

“Unallocated Capital Commitment Interests” has the meaning set forth in Section 8.1(f).

“Withdraw” or “Withdrawal” with respect to a Member means a Member ceasing to be a member of the Company (except as a Retaining Withdrawn Member) for any reason (including death, disability, removal, resignation or retirement, whether such is voluntary or involuntary), unless the context shall limit the type of withdrawal to a specific reason, and “Withdrawn” with respect to a Member means, as aforesaid, a Member who has ceased to be a member of the Company.

“Withdrawal Date” means the date of Withdrawal from the Company of a Withdrawn Member.

“Withdrawn Member” means a Member whose interest in the Company has been terminated for any reason, including the occurrence of an event specified in Section 6.2, and shall include, unless the context requires otherwise, the estate or legal representatives of any such Member.

1.2. Terms Generally. The definitions in Section 1.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term

“person” includes individuals, partnerships (including limited liability partnerships), companies (including limited liability companies), joint ventures, corporations, trusts, governments (or agencies or political subdivisions thereof) and other associations and entities. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

ARTICLE II

GENERAL PROVISIONS

2.1. Managing, Regular and Special Members . The Members may be Managing Members, Regular Members or Special Members (including Investor Special Members). The Managing Member as of the date hereof is Holdings, the Regular Members as of the date hereof are those persons shown as Regular Members in the books and records of the Company, and the Special Members as of the date hereof are persons shown as Special Members in the books and records of the Company. The books and records of the Company contain the GP-Related Profit Sharing Percentage and GP-Related Commitment of each such Member with respect to the GP-Related Investments of the Company as of the date hereof. The books and records of the Company contain the Capital Commitment Profit Sharing Percentage and Capital Commitment-Related Commitment of each such Member with respect to the Capital Commitment Investments of the Company as of the date hereof. The books and records of the Company shall be amended by the Managing Member from time to time to reflect additional GP-Related Investments, additional Capital Commitment Investments, dispositions by the Company of GP-Related Investments, dispositions by the Company of Capital Commitment Investments, the GP-Related Profit Sharing Percentages of the Members, as modified from time to time, the Capital Commitment Profit Sharing Percentages of the Members, as modified from time to time, the admission and withdrawal of Members and the transfer or assignment of interests in the Company pursuant to the terms of this Agreement. At the time of admission of each additional Member, the Managing Member shall determine in its sole discretion the GP-Related Investments and Capital Commitment Investments in which such Member shall participate and such Member’s GP-Related Commitment, Capital Commitment-Related Commitment, GP-Related Profit Sharing Percentage with respect to each such GP-Related Investment and Capital Commitment Profit Sharing Percentage with respect to each such Capital Commitment Investment. Each Member may have a GP-Related Member Interest and/or a Capital Commitment Member Interest.

2.2. Formation; Name; Foreign Jurisdictions . The Company is hereby continued as a limited liability company pursuant to the LLC Act and shall conduct its activities on and after the date hereof under the name of BVCA L.L.C. The certificate of formation of the Company may be amended and/or restated from time to time by the Managing Member, as an “authorized person” (within the meaning of the LLC Act). The Managing Member is further authorized to execute and deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

2.3. Term . The term of the Company shall continue until December 31, 2060, unless earlier dissolved and its affairs wound up in accordance with this Agreement.

2.4. Purposes; Powers. (a) The purposes of the Company shall be, directly or indirectly through subsidiaries or Affiliates:

(i) to serve as a member, the sole member and the managing member of Associates and perform the functions of a member, the sole member and the managing member of Associates specified in the Associates LLC Agreement and to invest in GP-Related Investments and acquire and invest in Securities,

(ii) to serve as a capital partner of BCVP (including any Alternative Vehicle and any Parallel Fund) and perform the functions of a capital partner of BCVP (including any Alternative Vehicle and any Parallel Fund) specified in the BCVP Agreements,

(iii) to make the Blackstone Commitment or a portion thereof, either directly or indirectly through Associates, and to invest in Capital Commitment Investments and acquire and invest in Securities or other property (directly or indirectly through Associates and/or BCVP (including any Alternative Vehicle and any Parallel Fund),

(iv) to serve as a general partner or limited partner of other partnerships and perform the functions of a general partner or limited partner specified in the respective partnership agreements, as amended, supplemented, restated or otherwise modified from time to time, of any such partnerships,

(v) to serve as a member of limited liability companies and perform the functions of a member specified in the respective limited liability company agreements, as amended, supplemented, restated or otherwise modified from time to time, of any such limited liability companies,

(vi) to carry on such other businesses, perform such other services and make such other investments as are deemed desirable by the Managing Member and as are permitted under the LLC Act, the Associates LLC Agreement, the BCVP Agreements, the respective partnership agreements, as amended, supplemented, restated or otherwise modified from time to time, of any partnership referred to in clause (iv) above and the respective limited liability company agreements, as amended, supplemented, restated or otherwise modified from time to time, of any limited liability company referred to in clause (v) above,

(vii) any other lawful purpose, and

(viii) to do all things necessary, desirable, convenient or incidental thereto.

(b) In furtherance of its purposes, the Company shall have all powers necessary, suitable or convenient for the accomplishment of its purposes, alone or with others, as principal or agent, including the following:

(i) to be and become a general or limited partner of partnerships, a member of limited liability companies, a holder of common and preferred stock of corporations and/or an investor in the foregoing entities or other entities, in connection with the making of Investments or the acquisition, holding or disposition of Securities or

other property or as otherwise deemed appropriate by the Managing Member in the conduct of the Company's business, and to take any action in connection therewith;

(ii) to acquire and invest in general or limited partner interests, in limited liability company interests, in common and preferred stock of corporations and/or in other interests in or obligations of the foregoing entities or other entities and in Investments and Securities or other property or direct or indirect interests therein, whether such Investments and Securities or other property are readily marketable or not, and to receive, hold, sell, dispose of or otherwise transfer any such partner interests, limited liability company interests, stock, interests, obligations, Investments or Securities or other property and any dividends and distributions thereon and to purchase and sell, on margin, and be long or short, futures contracts and to purchase and sell, and be long or short, options on futures contracts;

(iii) to buy, sell and otherwise acquire investments, whether such investments are readily marketable or not;

(iv) to invest and reinvest the cash assets of the Company in money-market or other short-term investments;

(v) to hold, receive, mortgage, pledge, lease, transfer, exchange or otherwise dispose of, grant options with respect to, and otherwise deal in and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to, all property held or owned by the Company;

(vi) to borrow or raise money from time to time and to issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and non-negotiable instruments and evidences of indebtedness, to secure payment of the principal of any such indebtedness and the interest thereon by mortgage, pledge, conveyance or assignment in trust of, or the granting of a security interest in, the whole or any part of the property of the Company, whether at the time owned or thereafter acquired, to guarantee the obligations of others and to buy, sell, pledge or otherwise dispose of any such instrument or evidence of indebtedness;

(vii) to lend any of its property or funds, either with or without security, at any legal rate of interest or without interest;

(viii) to have and maintain one or more offices within or without the State of Delaware, and in connection therewith, to rent or acquire office space, engage personnel and compensate them and do such other acts and things as may be advisable or necessary in connection with the maintenance of such office or offices;

(ix) to open, maintain and close accounts, including margin accounts, with brokers;

(x) to open, maintain and close bank accounts and draw checks and other orders for the payment of moneys;

(xi) to engage accountants, auditors, custodians, investment advisers, attorneys and any and all other agents and assistants, both professional and nonprofessional, and to compensate any of them as may be necessary or advisable;

(xii) to form or cause to be formed and to own the stock of one or more corporations, whether foreign or domestic, to form or cause to be formed and to participate in partnerships and joint ventures, whether foreign or domestic and to form or cause to be formed and be a member or manager or both of one or more limited liability companies;

(xiii) to enter into, make and perform all contracts, agreements and other undertakings as may be necessary, convenient, advisable or incident to carrying out its purposes;

(xiv) to sue and be sued, to prosecute, settle or compromise all claims against third parties, to compromise, settle or accept judgment to claims against the Company, and to execute all documents and make all representations, admissions and waivers in connection therewith;

(xv) to distribute, subject to the terms of this Agreement, at any time and from time to time to the Members cash or investments or other property of the Company, or any combination thereof; and

(xvi) to take such other actions necessary, desirable, convenient or incidental thereto and to engage in such other businesses as may be permitted under Delaware law.

2.5. Place of Business. The Company shall maintain a registered office at The Corporation Trust Company, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801. The Company shall maintain an office and principal place of business at such place or places as the Managing Member specifies from time to time and as set forth in the books and records of the Company. The name and address of the Company's registered agent is The Corporation Trust Company, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801. The Managing Member may from time to time change the registered agent or office by an amendment to the certificate of formation of the Company.

ARTICLE III

MANAGEMENT

3.1. Managing Member. (a) Holdings shall be an original managing member (the "Managing Member"). The Managing Member shall cease to be the Managing Member only if (i) it Withdraws from the Company for any reason, (ii) it consents in its sole discretion to resign as the Managing Member, or (iii) a Final Event with respect to it occurs. The Managing Member may not be removed without its consent. There may be one or more Managing Members. In the event that one or more other Managing Members is admitted to the Company as such, all references herein to the "Managing Member" in the singular form shall be deemed to also refer to such other Managing Members as may be appropriate. The relative rights and responsibilities of such Managing Members will be as agreed upon from time to time between them.

(b) Upon the Withdrawal from the Company or voluntary resignation of the last remaining Managing Member, all of the powers formerly vested therein pursuant to this Agreement and the LLC Act shall be exercised by a Majority in Interest of the Members.

3.2. Member Voting, etc.

(a) Except as otherwise expressly provided herein and except as may be expressly required by the LLC Act, Members (including Special Members) as such shall have no right to, and shall not, take part in the management or control of the Company's business or act for or bind the Company, and shall have only the rights and powers granted to Members of the applicable class herein.

(b) To the extent a Member is entitled to vote with respect to any matter relating to the Company, such Member shall not be obligated to abstain from voting on any matter (or vote in any particular manner) because of any interest (or conflict of interest) of such Member (or any Affiliate thereof) in such matter.

(c) Meetings of the Members may be called only by the Managing Member.

3.3. Management.

(a) The management, control and operation of the Company and the formulation and execution of business and investment policy shall be vested in the Managing Member. The Managing Member shall, in its discretion, exercise all powers necessary and convenient for the purposes of the Company, including those enumerated in Section 2.4, on behalf and in the name of the Company. All decisions and determinations (howsoever described herein) to be made by the Managing Member pursuant to this Agreement shall be made in its sole discretion, subject only to the express terms and conditions of this Agreement.

(b) Notwithstanding any provision in this Agreement to the contrary, the Company is hereby authorized, without the need for any further act, vote or consent of any person (directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member and/or managing member of Associates on Associates' own behalf or in Associates' capacity as general partner of BCVP or as general or limited partner, member or other equity owner of any Company Affiliate (as hereinafter defined) or in the Company's capacity as general or limited partner, member or other equity owner of any Company Affiliate): (i) to execute and deliver, and to perform the Company's obligations under, any limited liability company agreement of Associates (including, without limitation, the Associates LLC Agreement), including, without limitation, serving as a member, the sole member and the managing member of Associates, (ii) to execute and deliver, and to cause Associates to perform Associates' obligations under, the BCVP Agreements, including, without limitation, serving as a general partner of BCVP and, if applicable, a capital partner of BCVP, (iii) to execute and deliver, and to perform, or, if applicable, to cause Associates to perform, the Company's or Associates' obligations under, the governing agreement, as amended, supplemented, restated or otherwise modified (each a

“Company Affiliate Governing Agreement”), of any other partnership (including, without limitation, Blackstone Tenex L.P.), limited liability company or other entity (each a “Company Affiliate”) of which the Company or Associates is, or is to become, a general or limited partner, member or other equity owner, including, without limitation, serving as a general or limited partner, member or other equity owner of each Company Affiliate, and (iv) to take any action, in the applicable capacity, contemplated by or arising out of this Agreement, any limited liability company agreement of Associates (including, without limitation, the Associates LLC Agreement), the BCVP Agreements or each Company Affiliate Governing Agreement (and any amendments, supplements, restatements and/or other modifications of any of the foregoing).

(c) The Managing Member and any other person designated by the Managing Member, each acting individually, is hereby authorized and empowered, as an authorized person of the Company within the meaning of the LLC Act, or otherwise, or as an authorized representative of the Managing Member (the Managing Member hereby authorizing and ratifying any of the following actions):

(i) to execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member and/or managing member of Associates on Associates’ own behalf or in Associates’ capacity as general partner of BCVP or as general or limited partner, member or other equity owner of any Company Affiliate or in the Company’s capacity as general or limited partner, member or other equity owner of any Company Affiliate), any of the following:

- (A) any agreement, certificate, instrument or other document of the Company, Associates, BCVP or any Company Affiliate (and any amendments, supplements, restatements and/or other modifications thereof), including, without limitation, the following: (I) any limited liability company agreement of Associates (including, without limitation, the Associates LLC Agreement), the BCVP Agreements and each Company Affiliate Governing Agreement, (II) Subscription Agreements on behalf of BCVP, (III) side letters issued in connection with investments in BCVP, and (IV) such other agreements, instruments, certificates and other documents as may be necessary or desirable in furtherance of the Company’s, Associates’, BCVP’s or any Company Affiliate’s purposes (and any amendments, supplements, restatements and/or other modifications of any of the foregoing referred to in (I) through (IV) above);
- (B) the certificates of formation, certificates of limited partnership and/or other organizational documents of the Company, Associates, BCVP and any Company Affiliate (and any amendments, supplements, restatements and/or other modifications of any of the foregoing); and
- (C) any other certificates, notices, applications and other documents (and any amendments, supplements, restatements and/or other modifications thereof) to be filed with any government or governmental or regulatory body, including, without limitation, any such document that may be

necessary for the Company, Associates, BCVP or any Company Affiliate to qualify to do business in a jurisdiction in which the Company, Associates, BCVP or such Company Affiliate desires to do business;

(ii) to prepare or cause to be prepared, and to sign, execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member and/or managing member of Associates on Associates' own behalf or in Associates' capacity as general partner of BCVP or as general or limited partner, member or other equity owner of any Company Affiliate or in the Company's capacity as general or limited partner, member or other equity owner of any Company Affiliate): (A) any certificates, forms, notices, applications and other documents to be filed with any government or governmental or regulatory body on behalf of the Company, Associates, BCVP and/or any Company Affiliate, (B) any certificates, forms, notices, applications and other documents that may be necessary or advisable in connection with any bank account of the Company, Associates, BCVP or any Company Affiliate or any banking facilities or services that may be utilized by the Company, Associates, BCVP or any Company Affiliate, and all checks, notes, drafts and other documents of the Company, Associates, BCVP or any Company Affiliate that may be required in connection with any such bank account or banking facilities or services, (C) resolutions with respect to any of the foregoing matters (which resolutions, when executed by any person authorized as provided in this Section 3.3(c), each acting individually, shall be deemed to have been adopted by the Managing Member, the Company, Associates, BCVP or any Company Affiliate, as applicable, for all purposes).

The authority granted to any person (other than the Managing Member) in this Section 3.3(c) may be revoked at any time by the Managing Member by an instrument in writing signed by the Managing Member.

3.4. Responsibilities of Members. (a) Unless otherwise determined by the Managing Member in a particular case, each Regular Member shall devote substantially all his time and attention to the businesses of the Company and its Affiliates, and each Special Member shall not be required to devote any time or attention to the businesses of the Company or its Affiliates.

(b) All outside business or investment activities of the Members (including outside directorships or trusteeships) shall be subject to such rules and regulations as are established by the Managing Member from time to time.

(c) The Managing Member may from time to time establish such other rules and regulations applicable to Members or other employees as the Managing Member deems appropriate, including rules governing the authority of Members or other employees to bind the Company to financial commitments or other obligations.

3.5. Exculpation and Indemnification. (a) **Liability to Members.** Notwithstanding any other provision of this Agreement, whether express or implied, to the fullest extent permitted by law, no Member nor any of such Member's representatives, agents or

advisors nor any partner, member, officer, employee, representative, agent or advisor of the Company or any of its Affiliates (individually, a “Covered Person” and collectively, the “Covered Persons”) shall be liable to the Company or any other Member for any act or omission (in relation to the Company, this Agreement, any related document or any transaction or investment contemplated hereby or thereby) taken or omitted by a Covered Person (other than any act or omission constituting Cause), unless there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interests of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person’s conduct was unlawful. Each Covered Person shall be entitled to rely in good faith on the advice of legal counsel to the Company, accountants and other experts or professional advisors, and no action taken by any Covered Person in reliance on such advice shall in any event subject such person to any liability to any Member or the Company. To the extent that, at law or in equity, a Member has duties (including fiduciary duties) and liabilities relating thereto to the Company or to another Member, to the fullest extent permitted by law, such Member acting under this Agreement shall not be liable to the Company or to any such other Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of a Member otherwise existing at law or in equity, are agreed by the Members, to the fullest extent permitted by law, to modify to that extent such other duties and liabilities of such Member.

(b) Indemnification . To the fullest extent permitted by law, the Company shall indemnify and hold harmless (but only to the extent of the Company’s assets (including, without limitation, the remaining capital commitments of the Members) each Covered Person from and against any and all claims, damages, losses, costs, expenses and liabilities (including, without limitation, amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim), joint and several, of any nature whatsoever, known or unknown, liquidated or unliquidated (collectively, “Losses”), arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of such Covered Person’s management of the affairs of the Company or which relate to or arise out of or in connection with the Company, its property, its business or affairs (other than claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising out of any act or omission of such Covered Person constituting Cause); provided , that a Covered Person shall not be entitled to indemnification under this Section with respect to any claim, issue or matter if there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interest of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person’s conduct was unlawful; provided further , that if such Covered Person is a Member or a Withdrawn Member, such Covered Person shall bear its share of such Losses in accordance with such Covered Person’s GP-Related Profit Sharing Percentage in the Company as of the time of the actions or omissions that gave rise to such Losses. To the fullest extent permitted by law, expenses (including legal fees) incurred by a Covered Person (including, without limitation, the

Managing Member) in defending any claim, demand, action, suit or proceeding may, with the approval of the Managing Member, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of a written undertaking by or on behalf of the Covered Person to repay such amount to the extent that it shall be subsequently determined that the Covered Person is not entitled to be indemnified as authorized in this Section, and the Company and its Affiliates shall have a continuing right of offset against such Covered Person's interests/investments in the Company and such Affiliates and shall have the right to withhold amounts otherwise distributable to such Covered Person to satisfy such repayment obligation. If a Member institutes litigation against a Covered Person which gives rise to an indemnity obligation hereunder, such Member shall be responsible, up to the amount of such Member's Interests and remaining capital commitment, for such Member's pro rata share of the Company's expenses related to such indemnity obligation, as determined by the Managing Member. The Company may purchase insurance, to the extent available at reasonable cost, to cover losses, claims, damages or liabilities covered by the foregoing indemnification provisions. Members will not be personally obligated with respect to indemnification pursuant to this Section.

3.6. Representations of Members .

(a) Each Regular or Special Member by execution of this Agreement (or by otherwise becoming bound by the terms and conditions hereof as provided herein or in the LLC Act) represents and warrants to every other Member and to the Company, except as may be waived by the Managing Member, that such Member is acquiring each of such Member's Interests for such Member's own account for investment and not with a view to resell or distribute the same or any part hereof, and that no other person has any interest in any such Interest or in the rights of such Member hereunder; *provided*, that a Member may choose to make transfers for estate and charitable planning purposes (in accordance with the terms hereof). Each Regular or Special Member represents and warrants that such Member understands that the Interests have not been registered under the Securities Act of 1933 and therefore such Interests may not be resold without registration under such Act or exemption from such registration, and that accordingly such Member must bear the economic risk of an investment in the Company for an indefinite period of time. Each Regular or Special Member represents that such Member has such knowledge and experience in financial and business matters, that such Member is capable of evaluating the merits and risks of an investment in the Company, and that such Member is able to bear the economic risk of such investment. Each Regular or Special Member represents that such Member's overall commitment to the Company and other investments which are not readily marketable is not disproportionate to the Member's net worth and the Member has no need for liquidity in the Member's investment in Interests. Each Regular or Special Member represents that to the full satisfaction of the Member, the Member has been furnished any materials that such Member has requested relating to the Company, any Investment and the offering of Interests and has been afforded the opportunity to ask questions of representatives of the Company concerning the terms and conditions of the offering of Interests and any matters pertaining to each Investment and to obtain any other additional information relating thereto. Each Regular or Special Member represents that the Member has consulted to the extent deemed appropriate by the Member with the Member's own advisers as to the financial, tax, legal and related matters concerning an investment in Interests and on that basis believes that an investment in the Interests is suitable and appropriate for the Member.

(b) Each Regular or Special Member agrees that the representations and warranties contained in paragraph (a) above shall be true and correct as of any date that such Member (1) makes a capital contribution to the Company (whether as a result of Firm Advances made to such Member or otherwise) with respect to any Investment, and such Member hereby agrees that such capital contribution shall serve as confirmation thereof and/or (2) repays any portion of the principal amount of a Firm Advance, and such Member hereby agrees that such repayment shall serve as confirmation thereof.

3.7. Tax Information. Each Regular or Special Member certifies that (A) if the Member is a United States person (as defined in the Code) (x) (i) the Member's name, social security number (or, if applicable, employer identification number) and address provided to the Company and its Affiliates pursuant to an IRS Form W-9, Payer's Request for Taxpayer Identification Number Certification ("W-9") or otherwise are correct and (ii) the Member will complete and return a W-9, and (y) (i) the Member is a United States person (as defined in the Code) and (ii) the Member will notify the Company within 60 days of a change to foreign (non-United States) status or (B) if the Member is not a United States person (as defined in the Code) (x) (i) the information on the completed IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding ("W-8BEN") or other applicable form, including but not limited to IRS Form W-8IMY, Certificate of Foreign Intermediary, Foreign Partnership, or Certain U.S. Branches for United States Tax Withholding ("W-8IMY"), or otherwise is correct and (ii) the Member will complete and return the applicable IRS form, including but not limited to a W-8BEN or W-8IMY, and (y) (i) the Member is not a United States person (as defined in the Code) and (ii) the Member will notify the Company within 60 days of any change of such status. The Member agrees to properly execute and provide to the Company in a timely manner any tax documentation that may be reasonably required by the Company or the Managing Member.

ARTICLE IV

CAPITAL OF THE COMPANY

4.1. Capital Contributions by Members. (a) Each Regular Member shall be required to make capital contributions to the Company ("GP-Related Capital Contributions") at such times and in such amounts (the "GP-Related Required Amounts") as are required to satisfy the Company's obligation to make capital contributions to Associates in respect of the GP-Related Associates Member Interest to fund Associates' capital contributions in respect of any GP-Related BCVP Investment and as are otherwise determined by the Managing Member from time to time or as may be set forth in such Regular Member's Commitment Agreement or SMD Agreement, if any; provided, that additional GP-Related Capital Contributions in excess of the GP-Related Required Amounts may be made pro rata among the Regular Members based upon each Regular Member's Carried Interest Sharing Percentage. GP-Related Capital Contributions in excess of the GP-Related Required Amounts which are to be used for ongoing business operations (as distinct from financing, legal or other specific liabilities of the Company (including those specifically set forth in Sections 4.1(d) and 5.8(d)) shall be determined by the

Managing Member. Special Members shall not be required to make additional GP-Related Capital Contributions to the Company in excess of the GP-Related Required Amounts, except (i) as a condition of an increase in such Special Member's GP-Related Profit Sharing Percentage or (ii) as specifically set forth in this Agreement; provided, that the Managing Member and any Special Member may agree from time to time that such Special Member shall make an additional GP-Related Capital Contribution to the Company; provided further, that each Investor Special Member shall maintain its GP-Related Capital Accounts at an aggregate level equal to the product of (i) its GP-Related Profit Sharing Percentage from time to time and (ii) the total capital of the Company related to the GP-Related BCVP Interest.

(b) Each GP-Related Capital Contribution by a Member shall be credited to the appropriate GP-Related Capital Account of such Member in accordance with Section 5.2.

(c) The Managing Member may elect on a case by case basis to (i) cause the Company to loan any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members that are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) the amount of any GP-Related Capital Contribution required to be made by such Member or (ii) permit any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members that are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) to make a required GP-Related Capital Contribution to the Company in installments, in each case on terms determined by the Managing Member.

(d) (i) The Members and the Withdrawn Members have entered into the Trust Agreement, pursuant to which certain amounts of Carried Interest will be paid to the Trustee(s) for deposit in the Trust Account (such amounts to be paid to the Trustee(s) for deposit in the Trust Account constituting a "Holdback"). The Managing Member shall determine, as set forth below, the percentage of Carried Interest that shall be withheld for the Managing Member and each Member Category (such withheld percentage constituting the Managing Member's and such Member Category's "Holdback Percentage"). The applicable Holdback Percentages initially shall be 0% for the Managing Member, 15% for Existing Members (other than the Managing Member), 21% for Retaining Withdrawn Members (other than the Managing Member) and 24% for Deceased Members (the "Initial Holdback Percentages"). Any provision of this Agreement to the contrary notwithstanding, the Holdback Percentage for the Managing Member shall not be subject to change pursuant to clause (ii), (iii) or (iv) of this Section 4.1(d).

(ii) The Holdback Percentage may not be reduced for any individual Member as compared to the other Members in his Member Category (except as provided in clause (iv) below). The Managing Member may only reduce the Holdback Percentages among the Member Categories on a proportionate basis. For example, if the Holdback Percentage for Existing Members is decreased to 12.5%, the Holdback Percentage for Retaining Withdrawn Members and Deceased Members shall be reduced to 17.5% and 20%, respectively. Any reduction in the Holdback Percentage for any Member shall apply only to distributions relating to Carried Interest made after the date of such reduction.

(iii) The Holdback Percentage may not be increased for any individual Member as compared to the other Members in his Member Category (except as provided in clause (iv) below). The Managing Member may not increase the Retaining Withdrawn Members' Holdback Percentage beyond 21% unless the Managing Member concurrently increases the Existing Members' Holdback Percentage to the Holdback Percentage of the Retaining Withdrawn Members. The Managing Member may not increase the Deceased Members' Holdback Percentage beyond 24% unless the Managing Member increases the Holdback Percentage for both Existing Members and Retaining Withdrawn Members to 24%. The Managing Member may not increase the Holdback Percentage of any Member Category beyond 24% unless such increase applies equally to all Member Categories. Any increase in the Holdback Percentage for any Member shall apply only to distributions relating to Carried Interest made after the date of such increase. The foregoing shall in no way prevent the Managing Member from proportionately increasing the Holdback Percentage of any Member Category (following a reduction of the Holdback Percentages below the Initial Holdback Percentages), if the resulting Holdback Percentages are consistent with the above. For example, if the Managing Member reduces the Holdback Percentages for Existing Members, Retaining Withdrawn Members and Deceased Members to 12.5%, 17.5% and 20%, respectively, the Managing Member shall have the right to subsequently increase the Holdback Percentages to the Initial Holdback Percentages.

(iv) (A) Notwithstanding anything contained herein to the contrary, the Company may increase or decrease the Holdback Percentage for any Member in any Member Category (in such capacity, the "Subject Member") pursuant to a majority vote of the Regular Members (a "Holdback Vote"); provided, that, notwithstanding anything to the contrary contained herein, the Holdback Percentage applicable to the Managing Member shall not be increased or decreased without its prior written consent; provided further, that a Subject Member's Holdback Percentage shall not be (I) increased prior to such time as such Subject Member (x) is notified by the Company of the decision to increase such Subject Member's Holdback Percentage and (y) has, if requested by such Subject Member, been given 30 days to gather and provide information to the Company for consideration before a second Holdback Vote (requested by the Subject Member) or (II) decreased unless such decrease occurs subsequent to an increase in a Subject Member's Holdback Percentage pursuant to a Holdback Vote under this clause (iv); provided further, that such decrease shall not exceed an amount such that such Subject Member's Holdback Percentage is less than the prevailing Holdback Percentage for the Member Category of such Subject Member; provided further, that a Member shall not vote to increase a Subject Member's Holdback Percentage unless such voting Member determines, in his good faith judgment, that the facts and circumstances indicate that it is reasonably likely that such Subject Member, or any of his successors or assigns (including his estate or heirs) who at the time of such vote holds the GP-Related Member Interest or otherwise has the right to receive distributions relating thereto, will not be capable of satisfying any GP-Related Recontribution Amounts that may become due.

(B) A Holdback Vote shall take place at a Company meeting. Each Regular Member shall be entitled to cast one vote with respect to the Holdback Vote regardless of such Regular Member's interest in the Company. Such vote may be cast by any Regular Member in person or by proxy.

(C) If the result of the second Holdback Vote is an increase in a Subject Member's Holdback Percentage, such Subject Member may submit the decision to an arbitrator, the identity of which is mutually agreed upon by both the Subject Member and the Company; provided, that if the Company and the Subject Member cannot agree upon a mutually satisfactory arbitrator within 10 days of the second Holdback Vote, each of the Company and the Subject Member shall request their candidate for arbitrator to select a third arbitrator satisfactory to such candidates; provided further, that if such candidates fail to agree upon a mutually satisfactory arbitrator within 30 days of such request, the then sitting President of the American Arbitration Association shall unilaterally select the arbitrator. Each Subject Member that submits the decision of the Company pursuant to the second Holdback Vote to arbitration and the Company shall estimate their reasonably projected out-of-pocket expenses relating thereto, and each such party shall, to the satisfaction of the arbitrator and prior to any determination being made by the arbitrator, pay the total of such estimated expenses (i.e., both the Subject Member's and the Company's expenses) into an escrow account to be controlled by Simpson Thacher & Bartlett LLP, as escrow agent (or such other comparable law firm as the Company and the Subject Member shall agree). The arbitrator shall direct the escrow agent to pay out of such escrow account all expenses associated with such arbitration (including costs leading thereto) and to return to the "victorious" party the entire amount of funds such party paid into such escrow account. If the amount contributed to the escrow account by the losing party is insufficient to cover the expenses of such arbitration, such "losing" party shall then provide any additional funds necessary to cover such costs to such "victorious" party. For purposes hereof, the "victorious" party shall be the Company if the Holdback Percentage ultimately determined by the arbitrator is closer to the percentage determined in the second Holdback Vote than it is to the prevailing Holdback Percentage for the Subject Member's Member Category; otherwise, the Subject Member shall be the "victorious" party. The party that is not the "victorious" party shall be the "losing" party.

(D) In the event of a decrease in a Subject Member's Holdback Percentage (1) pursuant to a Holdback Vote under this clause (iv) or (2) pursuant to a decision of an arbitrator under paragraph (C) of this clause (iv), the Company shall release and distribute to such Subject Member any Trust Amounts (and the Trust Income thereon (except as expressly provided herein with respect to using Trust Income as Firm Collateral)) which exceed the required Holdback of such Subject Member (in accordance with such Subject Member's reduced Holdback Percentage) as though such reduced Holdback Percentage had applied since the increase of the Subject Member's Holdback Percentage pursuant to a previous Holdback Vote under this clause (iv).

(v) (A) If a Member's Holdback Percentage exceeds 15% (such percentage in excess of 15% constituting the "Excess Holdback Percentage"), such Member may satisfy the portion of his Holdback obligation in respect of his Excess Holdback Percentage (such portion constituting such Member's "Excess Holdback"), and such Member (or a Withdrawn Member with respect to amounts contributed to the Trust

Account while he was a Member), to the extent his Excess Holdback obligation has previously been satisfied in cash, may obtain the release of the Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) satisfying such Member's or Withdrawn Member's Excess Holdback obligation, by pledging or otherwise making available to the Company, on a first priority basis (except as provided below), all or any portion of his Firm Collateral in satisfaction of his Excess Holdback obligation. Any Member seeking to satisfy all or any portion of the Excess Holdback utilizing Firm Collateral shall sign such documents and otherwise take such other action as is necessary or appropriate (in the good faith judgment of the Managing Member) to perfect a first priority security interest in, and otherwise assure the ability of the Company to realize on (if required), such Firm Collateral; provided, that, in the case of entities listed in the Company's books and records in which Members are permitted to pledge their interests therein to finance all or a portion of their capital contributions thereto (" Pledgable Blackstone Interests "), to the extent a first priority security interest is unavailable because of an existing lien on such Firm Collateral, the Member or Withdrawn Member seeking to utilize such Firm Collateral shall grant the Company a second priority security interest therein in the manner provided above; provided further, that (x) in the case of Pledgable Blackstone Interests, to the extent that neither a first priority nor a second priority security interest is available, or (y) if the Managing Member otherwise determines in its good faith judgment that a security interest in Firm Collateral (and the corresponding documents and actions) are not necessary or appropriate, the Member or Withdrawn Member shall (in the case of either clause (x) or (y) above) irrevocably instruct in writing the relevant partnership, limited liability company or other entity listed in the Company's books and records to remit any and all net proceeds resulting from a Firm Collateral Realization on such Firm Collateral to the Trustee(s) as more fully provided in clause (B) below. The Company shall, at the request of any Member or Withdrawn Member, assist such Member or Withdrawn Member in taking such action as is necessary to enable such Member or Withdrawn Member to use Firm Collateral as provided hereunder.

(B) If upon a sale or other realization of all or any portion of any Firm Collateral (a " Firm Collateral Realization "), the remaining Firm Collateral is insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement, then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Firm Collateral Realization (including distributions subject to the repayment of financing sources as in the case of Pledgable Blackstone Interests) shall be paid into the Trust Account to fully satisfy such Excess Holdback requirement (allocated to such Member or Withdrawn Member) and shall be deemed to be Trust Amounts for purposes hereunder. Any net proceeds from such Firm Collateral Realization in excess of the amount necessary to satisfy such Excess Holdback requirement shall be distributed to such Member or Withdrawn Member.

(C) Upon any valuation or revaluation of Firm Collateral that results in a decreased valuation of such Firm Collateral so that such Firm Collateral is insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement (including upon a Firm Collateral Realization, if net proceeds therefrom and the remaining Firm Collateral are insufficient to cover any Member's or Withdrawn Member's

Excess Holdback requirement), the Company shall provide notice of the foregoing to such Member or Withdrawn Member and such Member or Withdrawn Member shall, within 30 days of receiving such notice, contribute cash (or additional Firm Collateral) to the Trust Account in an amount necessary to satisfy his Excess Holdback requirement. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(iii) shall apply thereto; provided, that the first sentence of Section 5.8(d)(iii) shall be deemed inapplicable to a default under this clause (C); provided further, that for purposes of applying Section 5.8(d)(iii) to a default under this clause (C): (I) the term “GP-Related Defaulting Party” where such term appears in such Section 5.8(d)(iii) shall be construed as “defaulting party” for purposes hereof and (II) the terms “Net GP-Related Recontribution Amount” and “GP-Related Recontribution Amount” where such terms appear in such Section 5.8(d)(iii) shall be construed as the amount due pursuant to this clause (C).

(vi) Any Member or Withdrawn Member may (A) obtain the release of any Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) or Firm Collateral, in each case, held in the Trust Account for the benefit of such Member or Withdrawn Member or (B) require the Company to distribute all or any portion of amounts otherwise required to be placed in the Trust Account (whether cash or Firm Collateral), by obtaining a letter of credit (an “L/C”) for the benefit of the Trustee(s) in such amounts. Any Member or Withdrawn Member choosing to furnish an L/C to the Trustee(s) (in such capacity, an “L/C Member”) shall deliver to the Trustee(s) an unconditional and irrevocable L/C from a commercial bank whose (x) short-term deposits are rated at least A-1 by S&P and P-1 by Moody’s (if the L/C is for a term of 1 year or less), or (y) long-term deposits are rated at least A+ by S&P or A1 by Moody’s (if the L/C is for a term of 1 year or more) (each a “Required Rating”). If the relevant rating of the commercial bank issuing such L/C drops below the relevant Required Rating, the L/C Member shall supply to the Trustee(s), within 30 days of such occurrence, a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, in lieu of the insufficient L/C. In addition, if the L/C has a term expiring on a date earlier than the latest possible termination date of BCVP, the Trustee(s) shall be permitted to drawdown on such L/C if the L/C Member fails to provide a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, at least 30 days prior to the stated expiration date of such existing L/C. The Trustee(s) shall notify an L/C Member 10 days prior to drawing on any L/C. The Trustee(s) may (as directed by the Company in the case of clause (I) below) draw down on an L/C only if (I) such a drawdown is necessary to satisfy an L/C Member’s obligation relating to the Company’s obligations under the Clawback Provisions or (II) an L/C Member has not provided a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating (or the requisite amount of cash and/or Firm Collateral (to the extent permitted hereunder)), at least 30 days prior to the stated expiration of an existing L/C in

accordance with this clause (vi). The Trustee(s), as directed by the Company, shall return to any L/C Member his L/C upon (1) the termination of the Trust Account and satisfaction of the Company's obligations, if any, in respect of the Clawback Provisions, (2) an L/C Member satisfying his entire Holdback obligation in cash and Firm Collateral (to the extent permitted hereunder), or (3) the release, by the Trustee(s), as directed by the Company, of all amounts in the Trust Account to the Members or Withdrawn Members. If an L/C Member satisfies a portion of his Holdback obligation in cash and/or Firm Collateral (to the extent permitted hereunder) or if the Trustee(s), as directed by the Company, release a portion of the amounts in the Trust Account to the Members or Withdrawn Members in the Member Category of such L/C Member, the L/C of an L/C Member may be reduced by an amount corresponding to such portion satisfied in cash and/or Firm Collateral (to the extent permitted hereunder) or such portion released by the Trustee(s), as directed by the Company; provided, that in no way shall the general release of any Trust Income cause an L/C Member to be permitted to reduce the amount of an L/C by any amount.

(vii) (A) Any in-kind distributions by the Company relating to Carried Interest shall be made in accordance herewith as though such distributions consisted of cash. The Company may direct the Trustee(s) to dispose of any in-kind distributions held in the Trust Account at any time. The net proceeds therefrom shall be treated as though initially contributed to the Trust Account.

(B) In lieu of the foregoing, any Existing Member may pledge with respect to any in-kind distribution the Special Firm Collateral referred to in the applicable category in the Company's books and records; provided, that the initial contribution of such Special Firm Collateral shall initially equal 130% of the required Holdback Amount for a period of 90 days, and thereafter shall equal at least 115% of the required Holdback Amount. Paragraphs 4.1(d)(viii)(C) and (D) shall apply to such Special Firm Collateral. To the extent such Special Firm Collateral exceeds the applicable minimum percentage of the required Holdback Amount specified in the first sentence of this clause (vii)(B), the related Member may obtain a release of such excess amount from the Trust Account.

(viii) (A) Any Regular Member or Withdrawn Member may satisfy all or any portion of his Holdback (excluding any Excess Holdback), and such Member or a Withdrawn Member may, to the extent his Holdback (excluding any Excess Holdback) has been previously satisfied in cash or by the use of an L/C as provided herein, obtain a release of Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) that satisfy such Member's or Withdrawn Member's Holdback (excluding any Excess Holdback) by pledging to the Trustee(s) on a first priority basis all of his Special Firm Collateral in a particular Qualifying Fund, which at all times must equal or exceed the amount of the Holdback distributed to the Member or Withdrawn Member (as more fully set forth below). Any Member seeking to satisfy such Member's Holdback utilizing Special Firm Collateral shall sign such documents and otherwise take such other action as is necessary or appropriate (in the good faith judgment of the Managing Member) to perfect a first priority security interest in, and otherwise assure the ability of the Trustee(s) to realize on (if required), such Special Firm Collateral.

(B) If upon a distribution, withdrawal, sale, liquidation or other realization of all or any portion of any Special Firm Collateral (a “Special Firm Collateral Realization”), the remaining Special Firm Collateral (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund and is being used in connection with an Excess Holdback) is insufficient to cover any Member’s or Withdrawn Member’s Holdback (when taken together with other means of satisfying the Holdback as provided herein (i.e., cash contributed to the Trust Account or an L/C in the Trust Account)), then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Special Firm Collateral Realization (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund or other asset and is being used in connection with an Excess Holdback) shall be paid into the Trust (and allocated to such Member or Withdrawn Member) to fully satisfy such Holdback and shall be deemed thereafter to be Trust Amounts for purposes hereunder. Any net proceeds from such Special Firm Collateral Realization in excess of the amount necessary to satisfy such Holdback (excluding any Excess Holdback) shall be distributed to such Member or Withdrawn Member. To the extent a Qualifying Fund distributes Securities to a Member or Withdrawn Member in connection with a Special Firm Collateral Realization, such Member or Withdrawn Member shall be required to promptly fund such Member’s or Withdrawn Member’s deficiency with respect to his Holdback in cash or an L/C.

(C) Upon any valuation or revaluation of the Special Firm Collateral and/or any adjustment in the Applicable Collateral Percentage applicable to a Qualifying Fund (as provided in the Company’s books and records), if such Member’s or Withdrawn Member’s Special Firm Collateral is valued at less than such Member’s Holdback (excluding any Excess Holdback) as provided in the Company’s books and records, taking into account other permitted means of satisfying the Holdback hereunder, the Company shall provide notice of the foregoing to such Member or Withdrawn Member and, within 10 business days of receiving such notice, such Member or Withdrawn Member shall contribute cash or additional Special Firm Collateral to the Trust Account in an amount necessary to make up such deficiency. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(iii) shall apply thereto; provided, that the first sentence of Section 5.8(d)(iii) shall be deemed inapplicable to such default; provided further, that for purposes of applying Section 5.8(d)(iii) to a default under this clause (C): (I) the term “GP-Related Defaulting Party” where such term appears in such Section 5.8(d)(iii) shall be construed as “defaulting party” for purposes hereof and (II) the terms “Net GP-Related Recontribution Amount” and “GP-Related Recontribution Amount” where such terms appear in such Section 5.8(d)(iii) shall be construed as the amount due pursuant to this clause (C).

(D) Upon a Member becoming a Withdrawn Member, at any time thereafter the Managing Member may revoke the ability of such Withdrawn Member to use Special Firm Collateral as set forth in this Section 4.1(d)(viii), notwithstanding anything else in this Section 4.1(d)(viii). In that case the provisions of clause (C) above shall apply to the Withdrawn Member's obligation to satisfy the Holdback (except that 30 days' notice of such revocation shall be given), given that the Special Firm Collateral is no longer available to satisfy any portion of the Holdback (excluding any Excess Holdback).

(E) Nothing in this Section 4.1(d)(viii) shall prevent any Member or Withdrawn Member from using any amount of such Member's interest in a Qualifying Fund as Firm Collateral; provided that at all times Section 4.1(d)(v) and this Section 4.1(d)(viii) are each satisfied.

4.2. Interest. Interest on the balances of the Members' capital related to the Members' GP-Related Member Interests (excluding capital invested in GP-Related Investments and, if deemed appropriate by the Managing Member, capital invested in any other investment of the Company) shall be credited to the Members' GP-Related Capital Accounts at the end of each accounting period pursuant to Section 5.2, or at any other time as determined by the Managing Member, at rates determined by the Managing Member from time to time, and shall be charged as an expense of the Company.

4.3. Withdrawals of Capital. No Member may withdraw capital related to such Member's GP-Related Member Interest from the Company except (i) for distributions of cash or other property pursuant to Section 5.8, (ii) as otherwise expressly provided in this Agreement or (iii) as determined by the Managing Member.

ARTICLE V

PARTICIPATION IN PROFITS AND LOSSES

5.1. General Accounting Matters. (a) GP-Related Net Income (Loss) shall be determined by the Managing Member at the end of each accounting period and shall be allocated as described in Section 5.4.

(b) "GP-Related Net Income (Loss)" from any activity of the Company related to the GP-Related BCVP Interest for any accounting period (other than GP-Related Net Income (Loss) from GP-Related Investments described below) means (i) the gross income realized by the Company from such activity during such accounting period less (ii) all expenses of the Company, and all other items that are deductible from gross income, for such accounting period that are allocable to such activity (determined as provided below).

“ GP-Related Net Income (Loss) ” from any GP-Related Investment for any accounting period in which such GP-Related Investment has not been sold or otherwise disposed of means (i) the gross amount of dividends, interest or other income received by the Company from such GP-Related Investment during such accounting period less (ii) all expenses of the Company for such accounting period that are allocable to such GP-Related Investment (determined as provided below).

“ GP-Related Net Income (Loss) ” from any GP-Related Investment for the accounting period in which such GP-Related Investment is sold or otherwise disposed of means (i) the sum of the gross proceeds from the sale or other disposition of such GP-Related Investment and the gross amount of dividends, interest or other income received by the Company from such GP-Related Investment during such accounting period less (ii) the sum of the cost or other basis to the Company of such GP-Related Investment and all expenses of the Company for such accounting period that are allocable to such GP-Related Investment.

GP-Related Net Income (Loss) shall be determined in accordance with the accounting method used by the Company for U.S. federal income tax purposes with the following adjustments: (i) any income of the Company that is exempt from U.S. federal income taxation and not otherwise taken into account in computing GP-Related Net Income (Loss) shall be added to such taxable income or loss; (ii) if any asset has a value on the books of the Company that differs from its adjusted tax basis for U.S. federal income tax purposes, any depreciation, amortization or gain resulting from a disposition of such asset shall be calculated with reference to such value; (iii) upon an adjustment to the value of any asset on the books of the Company pursuant to Regulation Section 1.704-1(b)(2), the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; (iv) any expenditures of the Company not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing GP-Related Net Income (Loss) pursuant to this definition shall be treated as deductible items; (v) any income from a GP-Related Investment that is payable to Company employees in respect of “phantom interests” in such GP-Related Investment awarded by the Managing Member to employees shall be included as an expense in the calculation of GP-Related Net Income (Loss) from such GP-Related Investment, and (vi) items of income and expense (including interest income and overhead and other indirect expenses) of the Company, Holdings and other Affiliates of the Company shall be allocated among the Company, Holdings and such Affiliates, among various Company activities and GP-Related Investments and between accounting periods, in each case as determined by the Managing Member. Any adjustments to GP-Related Net Income (Loss) by the Managing Member, including adjustments for items of income accrued but not yet received, unrealized gains, items of expense accrued but not yet paid, unrealized losses, reserves (including reserves for taxes, bad debts, actual or threatened litigation, or any other expenses, contingencies or obligations) and other appropriate items shall be made in accordance with U.S. generally accepted accounting principles (“ GAAP ”); provided, that the Managing Member shall not be required to make any such adjustment.

(c) An accounting period shall be a Fiscal Year, except that, at the option of the Managing Member, an accounting period will terminate and a new accounting period will begin on the admission date of an additional Member or the Settlement Date of a Withdrawn Member, if any such date is not the first day of a Fiscal Year. If any event referred to in the preceding sentence occurs and the Managing Member does not elect to terminate an accounting

period and begin a new accounting period, then the Managing Member may make such adjustments as it deems appropriate to the Members' GP-Related Profit Sharing Percentages for the accounting period in which such event occurs (prior to any allocations of GP-Related Unallocated Percentages or adjustments to GP-Related Profit Sharing Percentages pursuant to Section 5.3) to reflect the Members' average GP-Related Profit Sharing Percentages during such accounting period; provided, that the GP-Related Profit Sharing Percentages of Members in GP-Related Net Income (Loss) from GP-Related Investments acquired during such accounting period will be based on GP-Related Profit Sharing Percentages in effect when each such GP-Related Investment was acquired.

(d) In establishing GP-Related Profit Sharing Percentages and allocating GP-Related Unallocated Percentages pursuant to Section 5.3, the Managing Member may consider such factors as it deems appropriate.

(e) All determinations, valuations and other matters of judgment required to be made for accounting purposes under this Agreement shall be made by the Managing Member and approved by the Company's independent accountants. Such approved determinations, valuations and other accounting matters shall be conclusive and binding on all Members, all Withdrawn Members, their successors, heirs, estates or legal representatives and any other person, and to the fullest extent permitted by law no such person shall have the right to an accounting or an appraisal of the assets of the Company or any successor thereto.

5.2. GP-Related Capital Accounts. (a) There shall be established for each Member on the books of the Company, to the extent and at such times as may be appropriate, one or more capital accounts as the Managing Member may deem to be appropriate for purposes of accounting for such Member's interests in the capital of the Company related to the GP-Related BCVP Interest and the GP-Related Net Income (Loss) of the Company (each a "GP-Related Capital Account").

(b) As of the end of each accounting period or, in the case of a contribution to the Company by one or more of the Members with respect to such Member or Members' GP-Related Member Interests or a distribution by the Company to one or more of the Members with respect to such Member or Members' GP-Related Member Interests, at the time of such contribution or distribution, (i) the appropriate GP-Related Capital Accounts of each Member shall be credited with the following amounts: (A) the amount of cash and the value of any property contributed by such Member to the capital of the Company related to the GP-Related BCVP Interest during such accounting period, (B) the GP-Related Net Income allocated to such Member for such accounting period and (C) the interest credited on the balance of such Member's capital related to such Member's GP-Related Member Interest for such accounting period pursuant to Section 4.2; and (ii) the appropriate GP-Related Capital Accounts of each Member shall be debited with the following amounts: (x) the amount of cash, the principal amount of any subordinated promissory note of the Company referred to in Section 6.5 (as such amount is paid) and the value of any property distributed to such Member during such accounting period with respect to such Member's GP-Related Member Interest and (y) the GP-Related Net Loss allocated to such Member for such accounting period.

5.3. GP-Related Profit Sharing Percentages. (a) Prior to the beginning of each annual accounting period, the Managing Member shall establish the profit sharing percentage (the “GP-Related Profit Sharing Percentage”) of each Member in each category of GP-Related Net Income (Loss) for such annual accounting period pursuant to Section 5.1(a) taking into account such factors as the Managing Member deems appropriate; provided, that (i) the Managing Member may elect to establish GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment acquired by the Company during such accounting period at the time such GP-Related Investment is acquired in accordance with paragraph (d) below and (ii) GP-Related Net Income (Loss) for such accounting period from any GP-Related Investment shall be allocated in accordance with the GP-Related Profit Sharing Percentages in such GP-Related Investment established in accordance with paragraph (d) below. The Managing Member may establish different GP-Related Profit Sharing Percentages for any Member in different categories of GP-Related Net Income (Loss). In the case of the Withdrawal of a Member, such former Member’s GP-Related Profit Sharing Percentages shall be allocated by the Managing Member to one or more of the remaining Members as the Managing Member shall determine. In the case of the admission of any Member to the Company as an additional Member, the GP-Related Profit Sharing Percentages of the other Members shall be reduced by an amount equal to the GP-Related Profit Sharing Percentage allocated to such new Member pursuant to Section 6.1(b); such reduction of each other Member’s GP-Related Profit Sharing Percentage shall be pro rata based upon such Member’s GP-Related Profit Sharing Percentage as in effect immediately prior to the admission of the new Member. Notwithstanding the foregoing, the Managing Member may also adjust the GP-Related Profit Sharing Percentage of any Member for any annual accounting period at the end of such annual accounting period in its sole discretion.

(b) The Managing Member may elect to allocate to the Members less than 100% of the GP-Related Profit Sharing Percentages of any category for any annual accounting period at the time specified in Section 5.3(a) for the annual fixing of GP-Related Profit Sharing Percentages (any remainder of such GP-Related Profit Sharing Percentages being called a “GP-Related Unallocated Percentage”); provided, that any GP-Related Unallocated Percentage in any category of GP-Related Net Income (Loss) for any annual accounting period that is not allocated by the Managing Member within 90 days after the end of such accounting period shall be deemed to be allocated among all the Members (including the Managing Member) in the manner determined by the Managing Member in its sole discretion.

(c) Unless otherwise determined by the Managing Member in a particular case, (i) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment shall be allocated in proportion to the Members’ respective GP-Related Capital Contributions in respect of such GP-Related Investment and (ii) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from each GP-Related Investment shall be fixed at the time such GP-Related Investment is acquired and shall not thereafter change, subject to any repurchase rights established by the Managing Member pursuant to Section 5.7.

5.4. Allocations of GP-Related Net Income (Loss). (a) Except as provided in Section 5.4(d), GP-Related Net Income of the Company for each GP-Related Investment shall be allocated to the GP-Related Capital Accounts related to such GP-Related Investment of all the Members participating in such GP-Related Investment (including the Managing Member): first,

in proportion to and to the extent of the amount of Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest distributed to the Members; second, to Members that received Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest in years prior to the years such GP-Related Net Income is being allocated to the extent such Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest exceeded GP-Related Net Income allocated to such Members in such earlier years; and third, to the Members in the same manner that such Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest would have been distributed if cash were available to distribute with respect thereto.

(b) GP-Related Net Loss of the Company shall be allocated as follows: (i) GP-Related Net Loss relating to realized losses suffered by BCVP and allocated to the Company with respect to its pro rata share thereof (based on capital contributions made by the Company to BCVP with respect to the GP-Related BCVP Interest) shall be allocated to the Members in accordance with each Member's Non-Carried Interest Sharing Percentage with respect to the GP-Related Investment giving rise to such loss suffered by BCVP and (ii) GP-Related Net Loss relating to realized losses suffered by BCVP and allocated to the Company with respect to the Carried Interest shall be allocated in accordance with a Member's (including Withdrawn Member's) Carried Interest Give Back Percentage (as of the date of such loss) (subject to adjustment pursuant to Section 5.8(e)).

(c) Notwithstanding Section 5.4(a) above, GP-Related Net Income relating to Carried Interest allocated after the allocation of a GP-Related Net Loss pursuant to clause (ii) of Section 5.4(b) shall be allocated in accordance with such Carried Interest Give Back Percentages until such time as the Members have been allocated GP-Related Net Income relating to Carried Interest equal to the aggregate amount of GP-Related Net Loss previously allocated in accordance with clause (ii) of Section 5.4(b). Withdrawn Members shall remain Members for purposes of allocating such GP-Related Net Loss with respect to Carried Interest.

(d) To the extent the Company has any GP-Related Net Income (Loss) for any accounting period unrelated to BCVP, such GP-Related Net Income (Loss) will be allocated in accordance with GP-Related Profit Sharing Percentages prevailing at the beginning of such accounting period.

(e) The Managing Member may authorize from time to time advances to Members (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members that are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) against their allocable shares of GP-Related Net Income (Loss).

5.5. Liability of Members. Except as otherwise provided in the LLC Act or as expressly provided in this Agreement, no Member shall be personally obligated for any debt, obligation or liability of the Company or of any other Member solely by reason of being a Member. In no event shall any Member or Withdrawn Member (i) be obligated to make any capital contribution or payment to or on behalf of the Company or (ii) have any liability to return distributions received by such Member from the Company, in each case except as specifically provided in Sections 4.1(d) or 5.8 or otherwise in this Agreement, as such Member shall otherwise expressly agree in writing or as may be required by applicable law.

5.6. [Intentionally omitted.]

5.7. Repurchase Rights, etc. . The Managing Member may from time to time establish such repurchase rights and/or other requirements with respect to the Members' GP-Related Member Interests relating to GP-Related BCVP Investments as the Managing Member may determine. The Managing Member shall have authority to (a) withhold any distribution otherwise payable to any Member until any such repurchase rights have lapsed or any such requirements have been satisfied, (b) pay any distribution to any Member that is Contingent as of the distribution date and require the refund of any portion of such distribution that is Contingent as of the Withdrawal Date of such Member, (c) amend any previously established repurchase rights or other requirements from time to time and (d) make such exceptions thereto as it may determine on a case by case basis.

5.8. Distributions. (a) (i) The Company shall make distributions of available cash (subject to reserves and other adjustments as provided herein) or other property to Members with respect to such Members' GP-Related Member Interests at such times and in such amounts as are determined by the Managing Member. The Managing Member shall, if it deems it appropriate, determine the availability for distribution of, and distribute, cash or other property separately for each category of GP-Related Net Income (Loss) established pursuant to Section 5.1(a). Distributions of cash or other property with respect to Non-Carried Interest shall be made among the Members in accordance with their respective Non-Carried Interest Sharing Percentages, and, subject to Sections 4.1(d) and 5.8(e), distributions of cash or other property with respect to Carried Interest shall be made among Members in accordance with their respective Carried Interest Sharing Percentages.

(ii) At any time that a sale, exchange, transfer or other disposition by BCVP of a portion of a GP-Related Investment is being considered by the Company (a "GP-Related Disposable Investment"), at the election of the Managing Member each Member's GP-Related Member Interest with respect to such GP-Related Investment shall be vertically divided into two separate GP-Related Member Interests, a GP-Related Member Interest attributable to the GP-Related Disposable Investment (a Member's "GP-Related Class B Interest"), and a GP-Related Member Interest attributable to such GP-Related Investment excluding the GP-Related Disposable Investment (a Member's "GP-Related Class A Interest"). Distributions (including those resulting from a sale, transfer, exchange or other disposition by BCVP) relating to a GP-Related Disposable Investment (with respect to both Carried Interest and Non-Carried Interest) shall be made only to holders of GP-Related Class B Interests with respect to such GP-Related Investment in accordance with their GP-Related Profit Sharing Percentages relating to such GP-Related Class B Interests, and distributions (including those resulting from the sale, transfer, exchange or other disposition by BCVP) relating to a GP-Related Investment excluding such GP-Related Disposable Investment (with respect to both Carried Interest and Non-Carried Interest) shall be made only to holders of GP-Related Class A Interests with respect to such GP-Related Investment in accordance with their respective GP-Related Profit Sharing Percentages relating to such GP-Related Class A Interests. Except as provided above, distributions of cash or other property with respect to each category of GP-Related Net Income (Loss) shall be allocated among the Members in the same proportions as the allocations of GP-Related Net Income (Loss) of each such category.

(b) Subject to the Company's having sufficient available cash in the reasonable judgment of the Managing Member, the Company shall make cash distributions to each Member with respect to each Fiscal Year of the Company in an aggregate amount at least equal to the total Federal, New York State and New York City income and other taxes that would be payable by such Member with respect to all categories of GP-Related Net Income (Loss) allocated to such Member for such Fiscal Year, the amount of which shall be calculated (i) on the assumption that each Member is an individual subject to the then prevailing maximum Federal, New York State and New York City income tax rates, (ii) taking into account the deductibility of state and local income and other taxes for Federal income tax purposes and (iii) taking into account any differential in applicable rates due to the type and character of Net Income (Loss) allocated to such Member. Notwithstanding the provisions of the foregoing sentence, the Managing Member may refrain from making any distribution if, in the reasonable judgment of the Managing Member, such distribution is prohibited by § 18-607 of the LLC Act.

(c) The Managing Member may provide that the GP-Related Member Interest of any Member or employee (including such Member's or employee's right to distributions and investments of the Company related thereto) may be subject to repurchase by the Company during such period as the Managing Member shall determine (a "Repurchase Period"). Any Contingent distributions from GP-Related Investments subject to repurchase rights will be withheld by the Company and will be distributed to the recipient thereof (together with interest thereon at rates determined by the Managing Member from time to time) as the recipient's rights to such distributions become Non-Contingent (by virtue of the expiration of the applicable Repurchase Period or otherwise). The Managing Member may elect in an individual case to have the Company distribute any Contingent distribution to the applicable recipient thereof irrespective of whether the applicable Repurchase Period has lapsed. If a Member Withdraws from the Company for any reason other than his death, Total Disability or Incompetence, the undistributed share of any GP-Related Investment that remains Contingent as of the applicable Withdrawal Date shall be repurchased by the Company at a purchase price determined at such time by the Managing Member. Unless determined otherwise by the Managing Member, the repurchased portion thereof will be allocated among the remaining Members with interests in such GP-Related Investment in proportion to their respective percentage interests in such GP-Related Investment, or if no other Member has a percentage interest in such specific GP-Related Investment, to the Managing Member; provided, that the Managing Member may allocate the Withdrawn Member's share of unrealized investment income from a repurchased GP-Related Investment attributable to the period after the Withdrawn Member's Withdrawal Date on any basis it may determine, including to existing or new Members who did not previously have interests in such GP-Related Investment, except that, in any event, each Investor Special Member shall be allocated a share of such unrealized investment income equal to its respective GP-Related Profit Sharing Percentage of such unrealized investment income.

(d) (i) (A) If Associates is obligated under the Clawback Provisions or Giveback Provisions to contribute to BCVP a Clawback Amount or a Giveback Amount (other than a Capital Commitment Giveback Amount) and the Company is obligated to contribute any

such amount to Associates in respect of the Company's GP-Related Associates Member Interest (the amount of any such obligation of the Company with respect to such a Giveback Amount being herein called a "GP-Related Giveback Amount"), the Company shall call for such amounts as are necessary to satisfy such obligations of the Company as determined by the Managing Member, in which case each Member and Withdrawn Member shall contribute to the Company, in cash, when and as called by the Company, such an amount of prior distributions by the Company (and the Other Fund GPs) with respect to Carried Interest (and/or Non-Carried Interest in the case of a GP-Related Giveback Amount) (the "GP-Related Reconstitution Amount") which equals (I) the product of (a) a Member's or Withdrawn Member's Carried Interest Give Back Percentage and (b) the aggregate Clawback Amount payable by the Company in the case of Clawback Amounts and (II) with respect to a GP-Related Giveback Amount, such Member's pro rata share of prior distributions of Carried Interest and/or Non-Carried Interest in connection with (a) the GP-Related BCVP Investment giving rise to the GP-Related Giveback Amount, (b) if the amounts contributed pursuant to clause (II)(a) above are insufficient to satisfy such GP-Related Giveback Amount, GP-Related BCVP Investments other than the one giving rise to such obligation, but only those amounts received by the Members with an interest in the GP-Related BCVP Investment referred to in clause (II)(a) above and (c) if the GP-Related Giveback Amount is unrelated to a specific GP-Related BCVP Investment, all GP-Related BCVP Investments. Each Member and Withdrawn Member shall promptly contribute to the Company, along with satisfying his comparable obligations to the Other Fund GPs, if any, upon such call such Member's or Withdrawn Member's GP-Related Reconstitution Amount, less the amount paid out of the Trust Account on behalf of such Member or Withdrawn Member by the Trustee(s) pursuant to written instructions from the Company, or if applicable, any of the Other Fund GPs with respect to Carried Interest (and/or Non-Carried Interest in the case of GP-Related Giveback Amounts) (the "Net GP-Related Reconstitution Amount"), irrespective of the fact that the amounts in the Trust Account may be sufficient on an aggregate basis to satisfy the Company's and the Other Fund GPs' obligation under the Clawback Provisions and/or Giveback Provisions; provided, that to the extent a Member's or Withdrawn Member's share of the amount paid with respect to the Clawback Amount or the GP-Related Giveback Amount exceeds his GP-Related Reconstitution Amount, such excess shall be repaid to such Member or Withdrawn Member as promptly as reasonably practicable, subject to clause (ii) below; provided further, that such written instructions from the Company shall specify each Member's and Withdrawn Member's GP-Related Reconstitution Amount. Prior to such time, the Company may, in its discretion (but shall be under no obligation to), provide notice that in the Company's judgment, the potential obligations in respect of the Clawback Provisions or the Giveback Provisions will probably materialize (and an estimate of the aggregate amount of such obligations); provided further, that any amount from a Member's Trust Account used to pay any GP-Related Giveback Amount (or such lesser amount as may be required by the Managing Member) shall be contributed by such Member to such Member's Trust Account no later than 30 days after the Net GP-Related Reconstitution Amount is paid with respect to such GP-Related Giveback Amount.

(B) To the extent any Member or Withdrawn Member has satisfied any Holdback obligation with Firm Collateral, such Member or Withdrawn Member shall, within 10 days of the Company's call for GP-Related Reconstitution Amounts, make a cash payment into the Trust Account in an

amount equal to the amount of the Holdback obligation satisfied with such Firm Collateral, or such lesser amount such that the amount in the Trust Account allocable to such Member or Withdrawn Member equals the sum of (I) such Member's or Withdrawn Member's GP-Related Reconstitution Amount and (II) any similar amounts payable to any of the Other Fund GPs. Immediately upon receipt of such cash, the Trustee(s) shall take such steps as are necessary to release such Firm Collateral of such Member or Withdrawn Member equal to the amount of such cash payment. If the amount of such cash payment is less than the amount of Firm Collateral of such Member or Withdrawn Member, the balance of such Firm Collateral if any, shall be retained to secure the payment of GP-Related Deficiency Contributions, if any, and shall be fully released upon the satisfaction of the Company's and the Other Fund GPs' obligation to pay the Clawback Amount. The failure of any Member or Withdrawn Member to make a cash payment in accordance with this clause (B) (to the extent applicable) shall constitute a default under Section 5.8(d)(iii) as if such cash payment hereunder constitutes a Net GP-Related Reconstitution Amount under Section 5.8(d)(iii).

(ii) In the event any Member or Withdrawn Member initially fails to recontribute all or any portion of such Member or Withdrawn Member's pro rata share of any Clawback Amount pursuant to Section 5.8(d)(i)(A), the Company shall use its reasonable efforts to collect the amount which such Member or Withdrawn Member so fails to recontribute.

(iii) In the event any Member or Withdrawn Member (a "GP-Related Defaulting Party") fails to recontribute all or any portion of such GP-Related Defaulting Party's Net GP-Related Reconstitution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Carried Interest Give Back Percentages in the case of Clawback Amounts, and GP-Related Profit Sharing Percentages in the case of GP-Related Giveback Amounts (as more fully described in clause (II) of Section 5.8(d)(i)(A) above)), such amounts as are necessary to fulfill the GP-Related Defaulting Party's obligation to pay such GP-Related Defaulting Party's Net GP-Related Reconstitution Amount (a "GP-Related Deficiency Contribution") if the Managing Member determines in its good faith judgment that the Company (or an Other Fund GP) will be unable to collect such amount in cash from such GP-Related Defaulting Party for payment of the Clawback Amount or GP-Related Giveback Amount, as the case may be, at least 20 Business Days prior to the latest date that the Company, and the Other Fund GPs, if applicable, are permitted to pay the Clawback Amount or GP-Related Giveback Amount, as the case may be; provided, that, subject to Section 5.8(e), no Member or Withdrawn Member shall as a result of such GP-Related Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Net GP-Related Reconstitution Amount initially requested from such Member or Withdrawn Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered

relevant in the good faith judgment of the Managing Member or (2) pursue any and all remedies (at law or equity) available to the Company against the GP-Related Defaulting Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the GP-Related Defaulting Party. It is agreed that the Company shall have the right (effective upon such GP-Related Defaulting Party becoming a GP-Related Defaulting Party) to set-off as appropriate and apply against such GP-Related Defaulting Party's Net GP-Related Recontribution Amount any amounts otherwise payable to the GP-Related Defaulting Party by the Company or any Affiliate thereof (including amounts unrelated to Carried Interest, such as returns of capital and profit thereon). Each Member and Withdrawn Member hereby grants to the Company a security interest, effective upon such Member or Withdrawn Member becoming a GP-Related Defaulting Party, in all accounts receivable and other rights to receive payment from any Affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member and Withdrawn Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or Withdrawn Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Net GP-Related Recontribution Amount of a GP-Related Defaulting Party from the date such GP-Related Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

(iv) Any Member's or Withdrawn Member's failure to make a GP-Related Deficiency Contribution shall cause such Member or Withdrawn Member to be a GP-Related Defaulting Party with respect to such amount. The Company shall first seek any remaining Trust Amounts (and Trust Income thereon) allocated to such Member or Withdrawn Member to satisfy such Member's or Withdrawn Member's obligation to make a GP-Related Deficiency Contribution before seeking cash contributions from such Member or Withdrawn Member in satisfaction of such Member's or Withdrawn Member's obligation to make a GP-Related Deficiency Contribution.

(v) A Member's or Withdrawn Member's obligation to make contributions to the Company under this Section 5.8(d) shall survive the termination of the Company.

(vi) Any provision of this Agreement to the contrary notwithstanding, the obligations of the Company and the Members set forth in this Section 5.8(d) shall be subject to and governed by the Clawback Provisions and the Giveback Provisions, and, in the event of any conflict between this Section 5.8(d) and the Clawback Provisions or Giveback Provisions, the Clawback Provisions or the Giveback Provisions, as applicable, shall control.

(e) The Members acknowledge that the Managing Member will (and is hereby authorized to) take such steps as it deems appropriate, in its good faith, to further the objective of providing for the fair and equitable treatment of all Members, including by allocating writedowns and losses on GP-Related BCVP Investments that have been the subject of a writedown and/or losses (each, a “Loss Investment”) to those Members who participated in such Loss Investments based on their Carried Interest Sharing Percentage therein to the extent that such Members receive or have received Carried Interest distributions from other GP-Related BCVP Investments. Consequently and notwithstanding anything herein to the contrary, adjustments to Carried Interest distributions shall be made as set forth in this Section 5.8(e).

(i) At the time the Company is making Carried Interest distributions in connection with a GP-Related BCVP Investment (the “Subject Investment”) that have been reduced under the BCVP Agreements as a result of one or more Loss Investments, the Managing Member shall calculate amounts distributable to or due from each such Member as follows:

(A) determine each Member’s share of each such Loss Investment based on his Carried Interest Sharing Percentage in each such Loss Investment (which may be zero) to the extent such Loss Investment has reduced the Carried Interest distributions otherwise available for distribution to all Members (indirectly through the Company from BCVP) from the Subject Investment (such reduction, the “Loss Amount”);

(B) determine the amount of Carried Interest distributions otherwise distributable to such Member with respect to the Subject Investment (indirectly through the Company from BCVP) before any reduction in respect of the amount determined in clause (A) above (the “Unadjusted Carried Interest Distributions”); and

(C) subtract (I) the Loss Amounts relating to all Loss Investments from (II) the Unadjusted Carried Interest Distributions for such Member, to determine the amount of Carried Interest distributions to actually be paid to such Member (“Net Carried Interest Distribution”).

To the extent that the Net Carried Interest Distribution for a Member as calculated in this clause (i) is a negative number, the Managing Member shall (I) notify such Member, at or prior to the time such Carried Interest distributions are actually made to the Members, of his obligation to recontribute to the Company prior Carried Interest distributions (a “Net Carried Interest Distribution Recontribution Amount”), up to the amount of such negative Net Carried Interest Distribution, and (II) to the extent amounts recontributed pursuant to clause (I) are insufficient to satisfy such negative Net Carried Interest Distribution amount, reduce future Carried Interest distributions otherwise due such Member, up to the amount of such remaining negative Net Carried Interest Distribution. If a Member’s (x) Net Carried Interest Distribution Recontribution Amount exceeds (y) the aggregate amount of prior Carried Interest distributions less the amount of tax thereon, calculated based on the Assumed Tax Rate (as defined in the BCVP

Agreements) in effect in the Fiscal Years of such distributions (the “Excess Tax-Related Amount”), then such Member may, in lieu of paying such Member’s Excess Tax-Related Amount, defer such amounts as set forth below. Such deferred amount shall accrue interest at the Prime Rate. Such deferred amounts shall be reduced and repaid by the amount of Carried Interest otherwise distributable to such Member in connection with future Carried Interest distributions until such balance is reduced to zero. Any deferred amounts shall be payable in full upon the earlier of (i) such time as the Clawback is determined (as provided herein) and (ii) such time as the Member becomes a Withdrawn Member.

To the extent there is an amount of negative Net Carried Interest Distribution with respect to a Member remaining after the application of this clause (i), notwithstanding clause (II) of the preceding paragraph, such remaining amount of negative Net Carried Interest Distribution shall be allocated to the other Members pro rata based on each of their Carried Interest Sharing Percentages in the Subject Investment.

A Member who fails to pay a Net Carried Interest Distribution Recontribution Amount promptly upon notice from the Managing Member (as provided above) shall be deemed a GP-Related Defaulting Party for all purposes hereof.

A Member may satisfy in part any Net Carried Interest Distribution Recontribution Amount from cash that is then subject to a Holdback, to the extent that the amounts that remain subject to a Holdback satisfy the Holdback requirements hereof as they relate to the reduced amount of aggregate Carried Interest distributions received by such Member (taking into account any Net Carried Interest Distribution Recontribution Amount contributed to the Company by such Member).

Any Net Carried Interest Distribution Recontribution Amount contributed by a Member, including amounts of cash subject to a Holdback as provided above, shall increase the amount available for distribution to the other Members as Carried Interest distributions with respect to the Subject Investment; provided, that any such amounts then subject to a Holdback may be so distributed to the other Members to the extent a Member receiving such distribution has satisfied the Holdback requirements with respect to such distribution (taken together with the other Carried Interest distributions received by such Member to date).

(ii) In the case of Clawback Amounts which are required to be contributed to the Company as otherwise provided herein, the obligation of the Members with respect to any Clawback Amount shall be adjusted by the Managing Member as follows:

(A) determine each Member’s share of any losses in any GP-Related BCVP Investments which gave rise to the Clawback Amount (i.e., the losses that followed the last GP-Related BCVP Investment with respect to which Carried Interest distributions were made), based on such Member’s Carried Interest Sharing Percentage in such GP-Related BCVP Investments;

(B) determine each Member's obligation with respect to the Clawback Amount based on such Member's Carried Interest Give Back Percentage as otherwise provided herein; and

(C) subtract the amount determined in clause (B) above from the amount determined in clause (A) above with respect to each Member to determine the amount of adjustment to each Member's share of the Clawback Amount (a Member's "Clawback Adjustment Amount").

A Member's share of the Clawback Amount shall for all purposes hereof be decreased by such Member's Clawback Adjustment Amount, to the extent it is a negative number (except to the extent expressly provided below). A Member's share of the Clawback Amount shall for all purposes hereof be increased by such Member's Clawback Adjustment Amount (to the extent it is a positive number); provided, that in no way shall a Member's aggregate obligation to satisfy a Clawback Amount as a result of this clause (ii) exceed the aggregate Carried Interest distributions received by such Member. To the extent a positive Clawback Adjustment Amount remains after the application of this clause (ii) with respect to a Member, such remaining Clawback Adjustment Amount shall be allocated to the Members (including any Member whose Clawback Amount was increased pursuant to this clause (ii)) pro rata based on their Carried Interest Give Back Percentages (determined without regard to this clause (ii)).

Any distribution or contribution adjustments pursuant to this Section 5.8(e) by the Managing Member shall be based on its good faith judgment, and no Member shall have any claim against the Company, the Managing Member or any other Members as a result of any adjustment made as set forth above. This Section 5.8(e) applies to all Members, including Withdrawn Members.

It is agreed and acknowledged that this Section 5.8(e) is an agreement among the Members and in no way modifies the obligations of each Member regarding the Clawback as provided in the BCVP Agreements.

5.9. Business Expenses. The Company shall reimburse the Members for reasonable travel, entertainment and miscellaneous expenses incurred by them in the conduct of the Company's business in accordance with rules and regulations established by the Managing Member from time to time.

5.10. Tax Capital Accounts; Tax Allocations.

(a) For U.S. federal income tax purposes, there shall be established for each Member a single capital account combining such Member's Capital Commitment Capital Account and GP-Related Capital Account, with such adjustments as the Managing Member determines is appropriate so that such single capital account is maintained in compliance with the principles and requirements of Section 704(b) of the Code and the Regulations thereunder.

(b) For federal, state and local income tax purposes only, Company income, gain, loss, deduction or expense (or any item thereof) for each fiscal year shall be allocated to and among the Members in a manner corresponding to the manner in which corresponding items are allocated among the Members pursuant to clause (a) above, provided the Managing

Member may in its sole discretion make such allocations for tax purposes as it determines is appropriate so that allocations have substantial economic effect or are in accordance with the interests of the Members, within the meaning of the Code and the Regulations thereunder.

ARTICLE VI

ADDITIONAL MEMBERS; WITHDRAWAL OF MEMBERS; SATISFACTION AND DISCHARGE OF COMPANY INTERESTS; TERMINATION

6.1. Additional Members. (a) Effective on the first day of any month (or on such other date as shall be determined by the Managing Member in its sole discretion), the Managing Member shall have the right to admit one or more additional persons into the Company as Regular Members or Special Members. Each such person shall make the representations with respect to itself set forth in Section 3.6. The Managing Member shall determine and negotiate with the additional Member all terms of such additional Member's participation in the Company, including the additional Member's initial GP-Related Capital Contribution, Capital Commitment-Related Capital Contribution, GP-Related Profit Sharing Percentage and Capital Commitment Profit Sharing Percentage. Each additional Member shall have such voting rights as may be determined by the Managing Member from time to time unless, upon the admission to the Company of any Special Member, the Managing Member shall designate that such Special Member shall not have such voting rights (any such Special Member being called a "Nonvoting Special Member"). Any additional Member shall, as a condition to becoming a Member, agree to become a party to, and be bound by the terms and conditions of, the Trust Agreement.

(b) The GP-Related Profit Sharing Percentages to be allocated to an additional Member as of the date such Member is admitted to the Company, together with the pro rata reduction in all other Members' GP-Related Profit Sharing Percentages as of such date, shall be established by the Managing Member pursuant to Section 5.3. The Capital Commitment Profit Sharing Percentages to be allocated to an additional Partner as of the date such Partner is admitted to the Partnership, together with the pro rata reduction in all other Partners' Capital Commitment Profit Sharing Percentages as of such date, shall be established by the General Partner.

(c) An additional Member shall be required to contribute to the Company his pro rata share of the Company's total capital, excluding capital in respect of GP-Related Investments and Capital Commitment Investments in which such Member does not acquire any interests, at such times and in such amounts as shall be determined by the Managing Member in accordance with Sections 4.1 and 7.1.

(d) The admission of an additional Member will be evidenced by (i) the execution of a counterpart copy of this Agreement by such additional Member or (ii) the execution of an amendment to this Agreement by all the Members (including the additional Member), as determined by the Managing Member. In addition, each additional Member shall sign a counterpart copy of the Trust Agreement or any other writing evidencing the intent of such person to become a party to the Trust Agreement that is accepted by the Managing Member on behalf of the Company.

6.2. Withdrawal of Members (a) Any Member may Withdraw voluntarily from the Company on the last day of any calendar month (or on such other date as shall be determined by the Managing Member in its sole discretion), on not less than 15 days' prior written notice by such Member to the Managing Member (or on such shorter notice period as may be mutually agreed upon between such Member and the Managing Member); provided, that a Member may not voluntarily Withdraw without the consent of the Managing Member if such Withdrawal would (i) cause the Company to be in default under any of its contractual obligations or (ii) in the reasonable judgment of the Managing Member, have a material adverse effect on the Company or its business; provided further, that a Member may Withdraw from the Company with respect to such Member's GP-Related Member Interest without Withdrawing from the Company with respect to such Member's Capital Commitment Member Interest, and a Member may Withdraw from the Company with respect to such Member's Capital Commitment Member Interest without Withdrawing from the Company with respect to such Member's GP-Related Member Interest.

(b) Upon the Withdrawal of any Member, including by the occurrence of any withdrawal event under the LLC Act with respect to any Member, such Member shall thereupon cease to be a Member, except as expressly provided herein.

(c) Upon the Total Disability of a Regular Member, such Member shall thereupon cease to be a Regular Member with respect to such person's GP-Related Member Interest; provided, that the Managing Member may elect to admit such Withdrawn Member to the Company as a Nonvoting Special Member with respect to such person's GP-Related Member Interest, with such GP-Related Member Interest as the Managing Member may determine. The determination of whether any Member has suffered a Total Disability shall be made by the Managing Member in its sole discretion after consultation with a qualified medical doctor. In the absence of agreement between the Managing Member and such Member, each party shall nominate a qualified medical doctor and the two doctors shall select a third doctor, who shall make the determination as to Total Disability.

(d) If the Managing Member determines that it shall be in the best interests of the Company for any Member (including any Member who has given notice of voluntary Withdrawal pursuant to paragraph (a) above) to Withdraw from the Company (whether or not Cause exists) with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, such Member, upon written notice by the Managing Member to such Member, shall be required to Withdraw with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, as of a date specified in such notice, which date shall be on or after the date of such notice. If the Managing Member requires any Member to Withdraw for Cause with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, such notice shall state that it has been given for Cause and shall describe the particulars thereof in reasonable detail.

(e) The withdrawal from the Company of any Member shall not, in and of itself, affect the obligations of the other Members to continue the Company during the remainder of its term.

6.3. GP-Related Member Interests Not Transferable. No Member may sell, assign, pledge or otherwise transfer or encumber all or any portion of such Member's GP-Related Member Interest other than as permitted by written agreement between such Member and the Company; provided, that this Section 6.3 shall not impair transfers by operation of law, transfers by will or by other testamentary instrument occurring by virtue of the death or dissolution of a Member, or transfers required by trust agreements; provided further, that a Regular Member may transfer, for estate planning purposes, up to 25% of his GP-Related Profit Sharing Percentage to any estate planning trust, limited partnership, or limited liability company with respect to which a Regular Member controls investments related to any interest in the Company held therein (an "Estate Planning Vehicle"). Each Estate Planning Vehicle will be a Nonvoting Special Member. Such Regular Member and the Nonvoting Special Member shall be jointly and severally liable for all obligations of both such Regular Member and such Nonvoting Special Member with respect to the Company (including the obligation to make additional GP-Related Capital Contributions), as the case may be. The Managing Member may at its sole option exercisable at any time require any Estate Planning Vehicle to withdraw from the Company on the terms of this Article VI. Except as provided in the second proviso to the first sentence of this Section 6.3, no assignee, legatee, distributee, heir or transferee (by conveyance, operation of law or otherwise) of the whole or any portion of any Member's GP-Related Member Interest shall have any right to be a Member without the prior written consent of the Managing Member (which consent may be withheld without giving any reason therefor). Notwithstanding the granting of a security interest in the entire Interest of any Member, such Member shall continue to be a Member of the Company.

6.4. Consequences upon Withdrawal of a Member. (a) The Withdrawal of a Regular Member shall not dissolve the Company if at the time of such Withdrawal there are one or more remaining Regular Members and any one or more of such remaining Regular Members continue the business of the Company (any and all such remaining Regular Members being hereby authorized to continue the business of the Company without dissolution and hereby agreeing to do so). Notwithstanding Section 6.4(b), if upon the Withdrawal of a Regular Member there shall be no remaining Regular Member, the Company shall be dissolved and shall be wound up unless, within 90 days after the occurrence of such Withdrawal, all remaining Special Members agree in writing to continue the business of the Company and to the appointment, effective as of the date of such Withdrawal, of one or more Regular Members.

(b) The Company shall not be dissolved, in and of itself, by the Withdrawal of any Member, but shall continue with the surviving or remaining Members as members thereof in accordance with and subject to the terms and provisions of this Agreement.

6.5. Satisfaction and Discharge of a Withdrawn Member's GP-Related Interest. (a) The terms of this Section 6.5 shall apply to the GP-Related Member Interest of a Withdrawn Member, but, except as otherwise expressly provided in this Section 6.5, shall not apply to the Capital Commitment Member Interest of a Withdrawn Member. The term "Settlement Date" means the date as of which a Withdrawn Member's GP-Related Member

Interest is settled as determined under paragraph (b) below. Notwithstanding the foregoing, any Regular Member who Withdraws from the Company, and all or any portion of whose GP-Related Member Interest is retained as a Special Member, shall be considered a Withdrawn Member for all purposes hereof.

(b) Except where a later date for the settlement of a Withdrawn Member's interest in the Company may be agreed to by the Managing Member and a Withdrawn Member, a Withdrawn Member's Settlement Date shall be his Withdrawal Date; provided, that if a Withdrawn Member's Withdrawal is not the last day of a month, then the Managing Member may elect for such Withdrawn Member's Settlement Date to be the last day of the month in which his Withdrawal Date occurs. During the interval, if any, between a Withdrawn Member's Withdrawal Date and Settlement Date, such Withdrawn Member shall have the same rights and obligations with respect to capital contributions, interest on capital, allocations of Net Income (Loss) and distributions as would have applied had such Withdrawn Member remained a Member of the Company during such period.

(c) In the event of the Withdrawal of a Member, the Managing Member shall promptly after such Withdrawn Member's Settlement Date (i) determine and allocate to the Withdrawn Member's GP-Related Capital Accounts such Withdrawn Member's allocable share of the GP-Related Net Income (Loss) of the Company for the period ending on such Settlement Date in accordance with Article V and (ii) credit the Withdrawn Member's GP-Related Capital Accounts with interest in accordance with Section 5.2. In making the foregoing calculations, the Managing Member shall be entitled to establish such reserves (including reserves for taxes, bad debts, unrealized losses, actual or threatened litigation or any other expenses, contingencies or obligations) as it deems appropriate. Unless otherwise determined by the Managing Member in a particular case, a Withdrawn Member shall not be entitled to receive any GP-Related Unallocated Percentage in respect of the accounting period during which such Member Withdraws from the Company (whether or not previously awarded or allocated) or any GP-Related Unallocated Percentage in respect of prior accounting periods that have not been paid or allocated (whether or not previously awarded) as of such Withdrawn Member's Withdrawal Date.

(d) From and after the Settlement Date of the Withdrawn Member, the Withdrawn Member's GP-Related Profit Sharing Percentages shall, unless otherwise allocated by the Managing Member pursuant to Section 5.3(a), be deemed to be GP-Related Unallocated Percentages (except for GP-Related Profit Sharing Percentages with respect to GP-Related Investments as provided in paragraph (f) below).

(e) (i) Upon the Withdrawal from the Company of a Member with respect to such Member's GP-Related Member Interest, such Withdrawn Member thereafter shall not, except as expressly provided in this Section 6.5, have any rights of a Member (including voting rights) with respect to such Member's GP-Related Member Interest, and, except as expressly provided in this Section 6.5, such Withdrawn Member shall not have any interest in the Company's GP-Related Net Income (Loss), or in distributions, GP-Related Investments or other assets related to such Member's GP-Related Member Interest. If a Member Withdraws from the Company with respect to such Member's GP-Related Member Interest for any reason other than for Cause pursuant to Section 6.2, then the Withdrawn Member shall be entitled to

receive, at the time or times specified in Section 6.5(i) below, in satisfaction and discharge in full of the Withdrawn Member's GP-Related Member Interest, (x) payment equal to the aggregate credit balance, if any, as of the Settlement Date of the Withdrawn Member's GP-Related Capital Accounts, (excluding any GP-Related Capital Account or portion thereof attributable to any GP-Related Investment) and (y) the Withdrawn Member's percentage interest attributable to each GP-Related Investment in which the Withdrawn Member has an interest as of the Settlement Date as provided in paragraph (f) below (which shall be settled in accordance with paragraph (f) below), subject to all the terms and conditions of paragraphs (a)-(r) of this Section 6.5. If the amount determined pursuant to clause (x) above is an aggregate negative balance, the Withdrawn Member shall pay the amount thereof to the Company upon demand by the Managing Member on or after the date of the statement referred to in paragraph (i) below; provided, that if the Withdrawn Member was solely a Special Member on his Withdrawal Date, such payment shall be required only to the extent of any amounts payable to such Withdrawn Member pursuant to this Section 6.5. Any aggregate negative balance in the GP-Related Capital Accounts of a Withdrawn Member who was solely a Special Member, upon the settlement of such Withdrawn Member's GP-Related Member Interest pursuant to this Section 6.5, shall be allocated among the other Members' GP-Related Capital Accounts in accordance with their respective GP-Related Profit Sharing Percentages in the categories of GP-Related Net Income (Loss) giving rise to such negative balance as determined by the Managing Member as of such Withdrawn Member's Settlement Date. In the settlement of any Withdrawn Member's GP-Related Member Interest in the Company, no value shall be ascribed to goodwill, the Company name or the anticipation of any value the Company or any successor thereto might have in the event the Company or any interest therein were to be sold in whole or in part.

(ii) Notwithstanding clause (i) of this Section 6.5(e), in the case of a Member whose Withdrawal with respect to such Member's GP-Related Member Interest resulted from such Member's death or Incompetence, such Member's estate or legal representative, as the case may be, may elect, at the time described below, to receive a Nonvoting Special Member GP-Related Member Interest and retain such Member's GP-Related Profit Sharing Percentage in all (but not less than all) illiquid investments of the Company in lieu of a cash payment (or Note) in settlement of that portion the Withdrawn Member's GP-Related Member Interest. The election referred to above shall be made within 60 days after the Withdrawn Member's Settlement Date, based on a statement of the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5.

(f) For purposes of clause (y) of paragraph (e)(i) above, a Withdrawn Member's "percentage interest" means his GP-Related Profit Sharing Percentage as of the Settlement Date in the relevant GP-Related Investment. The Withdrawn Member shall retain his percentage interest in such GP-Related Investment and shall retain his GP-Related Capital Account or portion thereof attributable to such GP-Related Investment, in which case such Withdrawn Member (a "Retaining Withdrawn Member") shall become and remain a Special Member for such purpose (and, if the Managing Member so designates, such Special Member shall be a Nonvoting Special Member). The GP-Related Member Interest of a Retaining Withdrawn Member pursuant to this paragraph (f) shall be subject to the terms and conditions applicable to GP-Related Member Interests of any kind hereunder and such other terms and

conditions as are established by the Managing Member. At the option of the Managing Member in its sole discretion, the Managing Member and the Retaining Withdrawn Member may agree to have the Company acquire such GP-Related Member Interest without the approval of the other Members; provided, that the Managing Member shall reflect in the books and records of the Company the terms of any acquisition pursuant to this sentence.

(g) The Managing Member may elect, in lieu of payment in cash of any amount payable to a Withdrawn Member pursuant to paragraph (e) above, to (i) have the Company issue to the Withdrawn Member a subordinated promissory note and/or to (ii) distribute in kind to the Withdrawn Member such Withdrawn Member's pro rata share (as determined by the Managing Member) of any securities or other investments of the Company. If any securities or other investments are distributed in kind to a Withdrawn Member under this paragraph (g), the amount described in clause (x) of paragraph (e)(i) shall be reduced by the value of such distribution as valued on the latest balance sheet of the Company in accordance with generally accepted accounting principles or, if not appearing on such balance sheet, as reasonably determined by the Managing Member.

(h) [Intentionally omitted.]

(i) Within 120 days after each Settlement Date, the Managing Member shall submit to the Withdrawn Member a statement of the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5 together with any cash payment, subordinated promissory note and in kind distributions to be made to such Member as shall be determined by the Managing Member. The Managing Member shall submit to the Withdrawn Member supplemental statements with respect to additional amounts payable to or by the Withdrawn Member in respect of the settlement of his GP-Related Member Interest in the Company (e.g., payments in respect of GP-Related Investments pursuant to paragraph (f) above or adjustments to reserves pursuant to paragraph (j) below) promptly after such amounts are determined by the Managing Member. To the fullest extent permitted by law, such statements and the valuations on which they are based shall be accepted by the Withdrawn Member without examination of the accounting books and records of the Company or other inquiry. Any amounts payable by the Company to a Withdrawn Member pursuant to this Section 6.5 shall be subordinate in right of payment and subject to the prior payment or provision for payment in full of claims of all present or future creditors of the Company or any successor thereto arising out of matters occurring prior to the applicable date of payment or distribution; provided, that such Withdrawn Member shall otherwise rank pari passu in right of payment (x) with all persons who become Withdrawn Members and whose Withdrawal Date is within one year before the Withdrawal Date of the Withdrawn Member in question and (y) with all persons who become Withdrawn Members and whose Withdrawal Date is within one year after the Withdrawal Date of the Withdrawn Member in question.

(j) If the aggregate reserves established by the Managing Member as of the Settlement Date in making the foregoing calculations should prove, in the determination of the Managing Member, to be excessive or inadequate, the Managing Member may elect, but shall not be obligated, to pay the Withdrawn Member or his estate such excess, or to charge the Withdrawn Member or his estate such deficiency, as the case may be.

(k) Any amounts owed by the Withdrawn Member to the Company at any time on or after the Settlement Date (e.g., outstanding Company loans or advances to such Withdrawn Member) shall be offset against any amounts payable or distributable by the Company to the Withdrawn Member at any time on or after the Settlement Date or shall be paid by the Withdrawn Member to the Company, in each case as determined by the Managing Member. All cash amounts payable by a Withdrawn Member to the Company under this Section 6.5 shall bear interest from the due date to the date of payment at a floating rate equal to the lesser of (x) the rate of interest publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate or (y) the maximum rate of interest permitted by applicable law. The “due date” of amounts payable by a Withdrawn Member pursuant to Section 6.5(i) above shall be 120 days after a Withdrawn Member’s Settlement Date. The “due date” of amounts payable to or by a Withdrawn Member in respect of GP-Related Investments for which the Withdrawn Member has retained a percentage interest in accordance with paragraph (f) above shall be 120 days after realization with respect to such GP-Related Investment. The “due date” of any other amounts payable by a Withdrawn Member shall be 60 days after the date such amounts are determined to be payable.

(l) At the time of the settlement of any Withdrawn Member’s GP-Related Member Interest in the Company pursuant to this Section 6.5, the Managing Member may, to the fullest extent permitted by applicable law, impose any restrictions it deems appropriate on the assignment, pledge, encumbrance or other transfer by such Withdrawn Member of any interest in any GP-Related Investment retained by such Withdrawn Member, any securities or other investments distributed in kind to such Withdrawn Member or such Withdrawn Member’s right to any payment from the Company.

(m) If a Member is required to Withdraw from the Company with respect to such Member’s GP-Related Member Interest for Cause pursuant to Section 6.2(d), then his GP-Related Member Interest shall be settled in accordance with paragraphs (a)-(r) of this Section 6.5; provided, that the Managing Member may elect (but shall not be required) to apply any or all the following terms and conditions to such settlement:

(i) In settling the Withdrawn Member’s interest in any GP-Related Investment in which he has an interest as of his Settlement Date, the Managing Member may elect to (A) determine the GP-Related Unrealized Net Income (Loss) attributable to each such GP-Related Investment as of the Settlement Date and allocate to the appropriate GP-Related Capital Account of the Withdrawn Member his allocable share of such GP-Related Unrealized Net Income (Loss) for purposes of calculating the aggregate balance of such Withdrawn Member’s GP-Related Capital Account pursuant to clause (x) of paragraph (e)(i) above, (B) credit or debit, as applicable, the Withdrawn Member with the balance of his GP-Related Capital Account or portion thereof attributable to each such GP-Related Investment as of his Settlement Date without giving effect to the GP-Related Unrealized Net Income (Loss) from such GP-Related Investment as of his Settlement Date, which shall be forfeited by the Withdrawn Member or (C) apply the provisions of paragraph (f) above, provided, that the maximum amount of GP-Related Net Income (Loss) allocable to such Withdrawn Member with respect to any GP-Related Investment shall equal such Member’s percentage interest of the GP-Related Unrealized Net Income, if any, attributable to such GP-Related Investment as of the Settlement Date

(the balance of such GP-Related Net Income (Loss), if any, shall be allocated as determined by the Managing Member). The Withdrawn Member shall not have any continuing interest in any GP-Related Investment to the extent an election is made pursuant to (A) or (B) above.

(ii) Any amounts payable by the Company to the Withdrawn Member pursuant to this Section 6.5 shall be subordinate in right of payment and subject to the prior payment in full of claims of all present or future creditors of the Company or any successor thereto arising out of matters occurring prior to or on or after the applicable date of payment or distribution.

(n) The payments to a Withdrawn Member pursuant to this Section 6.5 may be conditioned on the compliance by such Withdrawn Member with any lawful and reasonable (under the circumstances) restrictions against engaging or investing in a business competitive with that of the Company or any of its subsidiaries and Affiliates for a period not exceeding two years determined by the Managing Member. Upon written notice to the Managing Member, any Withdrawn Member who is subject to noncompetition restrictions established by the Managing Member pursuant to this paragraph (n) may elect to forfeit the principal amount payable in the final installment of his subordinated promissory note, together with interest to be accrued on such installment after the date of forfeiture, in lieu of being bound by such restrictions.

(o) In addition to the foregoing, the Managing Member shall have the right to pay a Withdrawn Member (other than the Managing Member) a discretionary additional payment in an amount and based upon such circumstances and conditions as it determines to be relevant.

(p) The provisions of this Section 6.5 shall apply to any Investor Special Member relating to a Regular Member or Special Member and to any transferee of any GP-Related Member Interest of such Member pursuant to Section 6.3 if such Member Withdraws from the Company.

(q) (i) The Company will assist a Withdrawn Member or his estate or guardian, as the case may be, in the settlement of the Withdrawn Member's GP-Related Member Interest in the Company. Third party costs incurred by the Company in providing this assistance will be borne by the Withdrawn Member or his estate.

(ii) The Company may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Members or their estates or guardians, as referred to above. In such instances, the Company will obtain the prior approval of a Withdrawn Member or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Member (or his estate or guardian) declines to incur such costs, the Company will provide such reasonable assistance as and when it can so as not to interfere with the Company's day-to-day operating, financial, tax and other related responsibilities to the Company and the Members.

(r) Each Member (other than the Managing Member) hereby irrevocably appoints the Managing Member as such Member's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file, on behalf of such Member, any and all agreements, instruments, documents and certificates which the Managing Member deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in this Section 6.5, including, without limitation, the performance of any obligation of such Member or the Company or the exercise of any right of such Member or the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Company of any Member for any reason and shall not be affected by the death, disability or incapacity of such Member.

6.6. Dissolution of the Company . The Managing Member may dissolve the Company prior to the expiration of its term at any time on not less than 60 days' notice of the dissolution date given to the other Members.

6.7. Certain Tax Matters (a) All items of income, gain, loss, deduction and credit of the Company shall be allocated among the Members for Federal, state and local income tax purposes in the same manner as such items of income, gain, loss, deduction and credit shall be allocated among the Members pursuant to this Agreement, except as may otherwise be provided herein or by the Code or other applicable law. To the extent Treasury Regulations promulgated pursuant to Subchapter K of the Code (including under Sections 704(b) and (c) of the Code) or other applicable law require allocations for tax purposes that differ from the foregoing allocations, the Managing Member may determine the manner in which such tax allocations shall be made so as to comply more fully with such Treasury Regulations or other applicable law and, at the same time, preserve the economic relationships among the Members as set forth in this Agreement. In the event there is a net decrease in partnership minimum gain or partner nonrecourse debt minimum gain (determined in accordance with the principles of Regulations Sections 1.704-2(d) and 1.704-2(i)) during any taxable year of the Company, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to its respective share of such net decrease during such year, determined pursuant to Regulations Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f). In addition, this Agreement shall be considered to contain a "qualified income offset" as provided in Regulations Section 1.704-1(b)(2)(ii)(d).

(b) The Managing Member shall cause to be prepared all Federal, state and local tax returns of the Company for each year for which such returns are required to be filed and, after approval of such returns by the Managing Member, shall cause such returns to be timely filed. The Managing Member shall determine the appropriate treatment of each item of income, gain, loss, deduction and credit of the Company and the accounting methods and conventions under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of any such item or any other method or procedure related to the preparation of such tax returns. The Managing Member may cause the Company to make or refrain from making any and all elections permitted by such tax laws. Each Member agrees that he shall not, unless he provides prior notice of such action to the Company, (i) treat, on his individual income tax returns, any item of income, gain, loss, deduction or credit relating to his

interest in the Company in a manner inconsistent with the treatment of such item by the Company as reflected on the Form K-1 or other information statement furnished by the Company to such Member for use in preparing his income tax returns or (ii) file any claim for refund relating to any such item based on, or which would result in, such inconsistent treatment. In respect of an income tax audit of any tax return of the Company, the filing of any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Company, or any administrative or judicial proceedings arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, (A) the Tax Matters Member (as defined below) shall be authorized to act for, and his decision shall be final and binding upon, the Company and all Members except to the extent a Member shall properly elect to be excluded from such proceeding pursuant to the Code, (B) all expenses incurred by the Tax Matters Member in connection therewith (including, without limitation, attorneys', accountants' and other experts' fees and disbursements) shall be expenses of the Company and (C) no Member shall have the right to (1) participate in the audit of any Company tax return, (2) file any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Company (unless he provides prior notice of such action to the Company as provided above), (3) participate in any administrative or judicial proceedings conducted by the Company or the Tax Matters Member arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, or (4) appeal, challenge or otherwise protest any adverse findings in any such audit conducted by the Company or the Tax Matters Member or with respect to any such amended return or claim for refund filed by the Company or the Tax Matters Member or in any such administrative or judicial proceedings conducted by the Company or the Tax Matters Member. The Company and each Member hereby designate any Member selected by the Managing Member as the "tax matters partner" for purposes of Section 6231(a)(7) of the Code (the "Tax Matters Member"). To the fullest extent permitted by applicable law, each Member agrees to indemnify and hold harmless the Company and all other Members from and against any and all liabilities, obligations, damages, deficiencies and expenses resulting from any breach or violation by such Member of the provisions of this Section 6.7 and from all actions, suits, proceedings, demands, assessments, judgments, costs and expenses, including reasonable attorneys' fees and disbursements, incident to any such breach or violation.

(c) Each individual Member shall provide to the Company copies of each Federal, state and local income tax return of such Member (including any amendment thereof) within 30 days after filing such return.

6.8. Special Basis Adjustments. In connection with any assignment or transfer of a Company interest permitted by the terms of this Agreement, the Managing Member may cause the Company, on behalf of the Members and at the time and in the manner provided in Code Regulations Section 1.754-1(b), to make an election to adjust the basis of the Company's property in the manner provided in Sections 734(b) and 743(b) of the Code.

ARTICLE VII

CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS; ALLOCATIONS; DISTRIBUTIONS

7.1. Capital Commitment Interests, etc.

(a) This Article VII and Article VIII hereof set forth certain terms and conditions with respect to the Capital Commitment Member Interests and the Capital Commitment BCVP Interest and matters related to the Capital Commitment Member Interests and the Capital Commitment BCVP Interest. Except as otherwise expressly provided in this Article VII or in Article VIII, the terms and provisions of this Article VII and Article VIII shall not apply to the GP-Related Member Interests or the GP-Related BCVP Interest.

(b) Each Member, severally, agrees to make contributions of capital to the Company (“Capital Commitment-Related Capital Contributions”) as required to fund the Company’s capital contributions to BCVP or Associates in respect of the Capital Commitment BCVP Interest, if any, and the related Capital Commitment BCVP Commitment, if any (including, without limitation, funding all or a portion of the Blackstone Commitment). No Member shall be obligated to make Capital Commitment-Related Capital Contributions to the Company in an amount in excess of such Member’s Capital Commitment-Related Commitment. The Commitment Agreements and SMD Agreements of the Members may include provisions with respect to the foregoing matters. It is understood that a Member will not necessarily participate in each Capital Commitment Investment (which may include additional amounts invested in an existing Capital Commitment Investment) nor will a Member necessarily have the same Capital Commitment Profit Sharing Percentage with respect to (i) the Company’s portion of the Blackstone Commitment or (ii) the making of each Capital Commitment Investment in which such Member participates; provided, that this in no way limits the terms of any Commitment Agreement or SMD Agreement. In addition, nothing contained herein shall be construed to give any Member the right to obtain financing with respect to the purchase of any Capital Commitment Interest, and nothing contained herein shall limit or dictate the terms upon which the Company and its Affiliates may provide such financing. The acquisition of a Capital Commitment Interest by a Member shall be evidenced by receipt by the Company of funds equal to such Member’s Capital Commitment- Related Commitment then due with respect to such Capital Commitment Interest and such appropriate documentation as the Managing Member may submit to the Members from time to time.

(c) The Company or one of its Affiliates (in such capacity, the “Advancing Party”) may in its sole discretion advance to any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members that are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) all or any portion of the Capital Commitment Capital Contributions due to the Company from such Member with respect to any Capital Commitment Investment (“Firm Advances”). Each such Member shall pay interest on each Firm Advance from the date of each such Firm Advance until the repayment thereof by such Member. Each Firm Advance shall be repayable in full, including accrued interest to the date of such repayment, upon prior written notice by the Advancing Party. The making and repayment of each Firm Advance shall be recorded in the books and

records of the Company, and such recording shall be conclusive evidence of each such Firm Advance, binding on the Member and the Advancing Party absent manifest error. Except as provided below, the interest rate applicable to a Firm Advance shall equal the cost of funds of the Advancing Party at the time of the making of such Firm Advance. The Advancing Party shall inform any Member of such rate upon such Member's request; provided, that amounts that are otherwise payable to such Member pursuant to Section 7.4(a) shall be used to repay such Firm Advance (including interest thereon). The Advancing Party may, in its sole discretion, change the terms of Firm Advances (including the terms contained herein) and/or discontinue the making of Firm Advances; provided, that (i) the Advancing Party shall notify the relevant Members of any material changes to such terms and (ii) the interest rate applicable to such Firm Advances and overdue amounts thereon shall not exceed the maximum interest rate allowable by applicable law.

7.2. Capital Commitment Capital Accounts.

(a) There shall be established for each Member on the books of the Company as of the date of formation of the Company, or such later date on which such Member is admitted to the Company, and on each such other date as such Member first acquires a Capital Commitment Interest in a particular Capital Commitment Investment, a Capital Commitment Capital Account for each Capital Commitment Investment in which such Member acquires a Capital Commitment Interest on such date. Each Capital Commitment Capital Contribution of a Member shall be credited to the appropriate Capital Commitment Capital Account of such Member on the date such Capital Commitment Capital Contribution is paid to the Company. Capital Commitment Capital Accounts shall be adjusted to reflect any transfer of a Member's interest in the Company related to his Capital Commitment Member Interest as provided in this Agreement.

(b) A Member shall not have any obligation to the Company or to any other Member to restore any negative balance in the Capital Commitment Capital Account of such Member. Until distribution of any such Member's interest in the Company with respect to a Capital Commitment Interest as a result of the disposition by the Company of the related Capital Commitment Investment and in whole upon the dissolution of the Company, neither such member's Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption except with the consent of the Managing Member.

7.3. Allocations.

(a) Capital Commitment Net Income (Loss) of the Company for each Capital Commitment Investment shall be allocated to the related Capital Commitment Capital Accounts of all the Members (including the Managing Member) participating in such Capital Commitment Investment in proportion to their respective Capital Commitment Profit Sharing Percentages for such Capital Commitment Investment. Capital Commitment Net Income (Loss) on any Unallocated Capital Commitment Interest shall be allocated to each Member in the proportion which such Member's aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Members; provided, that if any Member makes the election provided for in Section 7.6, Capital Commitment Net Income (Loss) of the Company for each Capital Commitment Investment shall be allocated to the

related Capital Commitment Capital Accounts of all the Members participating in such Capital Commitment Investment who do not make such election in proportion to their respective Capital Commitment Profit Sharing Percentages for such Capital Commitment Investment.

(b) Any special costs relating to distributions pursuant to Section 7.6 or 7.7 shall be specially allocated to the electing Member.

7.4. Distributions .

(a) Each Member's allocable portion of Capital Commitment Net Income received from his Capital Commitment Investments, distributions to such Member that constitute returns of capital, and other Capital Commitment Net Income of the Company (including, without limitation, Capital Commitment Net Income attributable to Unallocated Capital Commitment Interests) during a fiscal year of the Company will be credited to payment of the Investor Notes to the extent required below as of the last day of such fiscal year (or on such earlier date as related distributions are made in the sole discretion of the Managing Member) with any cash amount distributable to such Member pursuant to clauses (ii) and (vii) below to be distributed within 45 days after the end of each fiscal year of the Company (or in each case on such earlier date as selected by the Managing Member in its sole discretion) as follows (subject to Section 7.4(c) below):

(i) First, to the payment of interest then due on all Investor Notes (relating to Capital Commitment Investments or otherwise) of such Member (to the extent Capital Commitment Net Income and distributions or payments from Other Sources do not equal or exceed all interest payments due, the selection of those of such Member's Investor Notes upon which interest is to be paid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor);

(ii) Second, to distribution to the Member of an amount equal to the Federal, state and local income taxes on income of the Company allocated to such Member for such year in respect of such Member's Capital Commitment Member Interest (the aggregate amount of any such distribution shall be determined by the Managing Member, subject to the limitation that the minimum aggregate amount of such distribution be the tax that would be payable if the taxable income of the Company related to all Members' Capital Commitment Member Interests were all allocated to an individual subject to the then-prevailing maximum Federal, New York State and New York City tax rates (taking into account the extent to which such taxable income allocated by the Company was composed of long-term capital gains and the deductibility of state and local income taxes for Federal income tax purposes)); provided, that additional amounts shall be paid to the Member pursuant to this clause (ii) to the extent that such amount reduces the amount otherwise distributable to the Member pursuant to a comparable provision in any other BCE Agreement and there are not sufficient amounts to fully satisfy such provision from the relevant partnership or other entity; provided further, that amounts paid pursuant to the provisions in such other BCE Agreements comparable to the immediately preceding proviso shall reduce those amounts otherwise distributable to the Member pursuant to provisions in such other BCE Agreements that are comparable to this clause (ii);

(iii) Third, to the payment in full of the principal amount of the Investor Note financing (A) any Capital Commitment Investment disposed of during or prior to such fiscal year or (B) any BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such fiscal year, to the extent not repaid from Other Sources;

(iv) Fourth, to the return to such Member of (A) all Capital Commitment Capital Contributions made in respect of the Capital Commitment Interest to which any Capital Commitment Investment disposed of during or prior to such fiscal year relates or (B) all capital contributions made to any Blackstone Collateral Entity (other than the Company) in respect of interests therein relating to BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such fiscal year (including all principal paid on the related Investor Notes), to the extent not repaid from amounts of Other Sources (other than amounts of Capital Commitment Member Carried Interest);

(v) Fifth, to the payment of principal (including any previously deferred amounts) then owing under all other Investor Notes of such Member (including those unrelated to the Company), the selection of those of such Member's Investor Notes to be repaid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor;

(vi) Sixth, up to 50% of any Capital Commitment Net Income remaining after application pursuant to clauses (i) through (v) above shall be applied pro rata to prepayment of principal of all remaining Investor Notes of such Member (including those unrelated to the Company), the selection of those of such Member's Investor Notes to be repaid, the division of payments among such Investor Notes and the percentage of remaining Capital Commitment Net Income to be applied thereto to be determined by the Lender or Guarantor; and

(vii) Seventh, to such Member to the extent of any amount of Capital Commitment Net Income remaining after making the distributions in clauses (i) through (vi) above, and such amount is not otherwise required to be applied to Investor Notes pursuant to the terms thereof.

To the extent there is a partial disposition of a Capital Commitment Investment or any other BCE Investment, as applicable, the payments in clauses (iii) and (iv) above shall be based on that portion of the Capital Commitment Investment or other BCE Investment, as applicable, disposed of, and the principal amount and related interest payments of such Investor Note shall be adjusted to reflect such partial payment so that there are equal payments over the remaining term of the related Investor Note. For a Member who is no longer an employee or officer of Holdings or its Affiliates, distributions shall be made pursuant to clauses (i) through (iii) above, and then, unless the Company or its Affiliate has exercised its rights pursuant to Section 8.1 hereof, any remaining income or other distribution in respect of such Member's Capital Commitment Member Interest shall be applied to the prepayment of the outstanding Investor Notes of such Member, until all such Member's Investor Notes have been repaid in full, with any such income or other distribution remaining thereafter distributed to such Member.

Distributions of Capital Commitment Net Income may be made at any other time at the discretion of the Managing Member. At the Managing Member's discretion, any amounts distributed to a Member in respect of such Member's Capital Commitment Member Interest will be net of any interest and principal payable on his Investor Notes for the full period in respect of which the distribution is made.

(b) [Intentionally omitted.]

(c) To the extent that the foregoing Company distributions and distributions and payments from Other Sources are insufficient to satisfy any principal and/or interest due on Investor Notes, and to the extent that the Managing Member in its sole discretion elect to apply this paragraph (e) to any individual payments due, such unpaid interest will be added to the remaining principal amount of such Investor Notes and shall be payable on the next scheduled principal payment date (along with any deferred principal and any principal and interest due on such date); provided, that such deferral shall not apply to a Member that is no longer an employee or officer of Holdings or an Affiliate thereof. All unpaid interest on such Investor Notes shall accrue interest at the interest rate then in effect for such Investor Notes.

(d) [Intentionally omitted.]

(e) The Capital Commitment Capital Account of each Member shall be reduced by the amount of any distribution to such Member pursuant to paragraph (a) of this Section 7.4.

(f) At any time that a sale, exchange, transfer or other disposition of a portion of a Capital Commitment Investment is being considered by the Company or BCVP (a "Capital Commitment Disposable Investment"), at the election of the Managing Member each Member's Capital Commitment Interest with respect to such Capital Commitment Investment shall be vertically divided into two separate Capital Commitment Interests, a Capital Commitment Interest attributable to the Capital Commitment Disposable Investment (a Member's "Capital Commitment Class B Interest"), and a Capital Commitment Interest attributable to such Capital Commitment Investment excluding the Capital Commitment Disposable Investment (a Member's "Capital Commitment Class A Interest"). Distributions (including those resulting from a direct or indirect sale, transfer, exchange or other disposition by the Company) relating to a Capital Commitment Disposable Investment shall be made only to holders of Capital Commitment Class B Interests with respect to such Capital Commitment Investment in accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class B Interests, and distributions (including those resulting from the direct or indirect sale, transfer, exchange or other disposition by the Company) relating to a Capital Commitment Investment excluding such Capital Commitment Disposable Investment shall be made only to holders of Capital Commitment Class A Interests with respect to such Capital Commitment Investment in accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class A Interests.

(g) (i) If (x) the Company is obligated under the Giveback Provisions to contribute a Giveback Amount to BCVP in respect of any Capital Commitment BCVP Interest that may be held by the Company or (y) Associates is obligated under the Giveback Provisions to contribute to BCVP a Giveback Amount with respect to any Capital Commitment BCVP Interest that may be held by Associates and the Company is obligated to contribute any such amount to Associates in respect of the Company's Capital Commitment Associates Member Interest (the amount of any such obligation with respect to any Giveback Amount in the case of either (x) or (y) being herein called a "Capital Commitment Giveback Amount"), the Company shall call for such amounts as are necessary to satisfy such obligation of the Company as determined by the Managing Member, in which case, each Member shall contribute to the Company, in cash, when and as called by the Company, such an amount of prior distributions by the Company with respect to the Capital Commitment BCVP Interest (the "Capital Commitment Recontribution Amount") which equals such Member's pro rata share of prior distributions in connection with (a) the Capital Commitment BCVP Investment giving rise to the Capital Commitment Giveback Amount, (b) if the amounts contributed pursuant to clause (a) above are insufficient to satisfy such Capital Commitment Giveback Amount, Capital Commitment BCVP Investments other than the one giving rise to such obligation, but only those amounts received by the Members with an interest in the Capital Commitment BCVP Investment referred to in clause (a) above, and (c) if the Capital Commitment Giveback Amount is unrelated to a specific Capital Commitment BCVP Investment, all Capital Commitment BCVP Investments. Each Member shall promptly contribute to the Company upon notice thereof such Member's Capital Commitment Recontribution Amount. Prior to such time, the Company may, at the Managing Member's discretion (but shall be under no obligation to), provide notice that in the Managing Member's judgment, the potential obligations in respect of the Capital Commitment Giveback Amount will probably materialize (and an estimate of the aggregate amount of such obligations).

(ii) In the event any Member (a "Capital Commitment Defaulting Party") fails to recontribute all or any portion of such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Capital Commitment Profit Sharing Percentages), such amounts as are necessary to fulfill the Capital Commitment Defaulting Party's obligation to pay such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount (a "Capital Commitment Deficiency Contribution") if the Managing Member determines in its good faith judgment that the Company will be unable to collect such amount in cash from such Capital Commitment Defaulting Party for payment of the Capital Commitment Giveback Amount at least 20 Business Days prior to the latest date that the Company is permitted to pay the Capital Commitment Giveback Amount; provided, that no Member shall as a result of such Capital Commitment Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Capital Commitment Recontribution Amount initially requested from such Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the Managing Member or (2) pursue any and all remedies (at law or equity) available to the Company against the Capital Commitment Defaulting

Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the Capital Commitment Defaulting Party. It is agreed that the Company shall have the right (effective upon such Capital Commitment Defaulting Party becoming a Capital Commitment Defaulting Party) to set-off as appropriate and apply against such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount any amounts otherwise payable to the Capital Commitment Defaulting Party by the Company or any Affiliate thereof. Each Member hereby grants to the Company a security interest, effective upon such Member becoming a Capital Commitment Defaulting Party, in all accounts receivable and other rights to receive payment from the Company or any Affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Capital Commitment Recontribution Amount of a Capital Commitment Defaulting Party from the date such Capital Commitment Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

(iii) Any Member's failure to make a Capital Commitment Deficiency Contribution shall cause such Member to be a Capital Commitment Defaulting Party with respect to such amount.

(iv) A Member's obligation to make contributions to the Company under this Section 7.4(g) shall survive the termination of the Company.

7.5. Valuations. Capital Commitment Investments shall be valued annually as of the end of each year (and at such other times as deemed appropriate by the Managing Member) in accordance with the principles utilized by Associates (or any other Affiliate of the Company that is a general partner of BCVP) in valuing investments of BCVP or, in the case of investments not held by BCVP, in the good faith judgment of the Managing Member, subject in each case to the second proviso of the immediately succeeding sentence. The value of any Capital Commitment Interest as of any date (the "Capital Commitment Value") shall be based on the value of the underlying Capital Commitment Investment as set forth above; provided, that the Capital Commitment Value may be determined as of an earlier date if determined appropriate by the Managing Member in good faith; provided further, that such value may be adjusted by the Managing Member to take into account factors relating solely to the value of a Capital Commitment Interest (as compared to the value of the underlying Capital Commitment Investment), such as restrictions on transferability, the lack of a market for such Capital Commitment Interest and lack of control of the underlying Capital Commitment Investment. To the fullest extent permitted by applicable law such valuations shall be final and binding on all Members; provided further, that the immediately preceding proviso shall not apply to any Capital Commitment Interests held by a person who is or was at any time a direct Member of the Company.

7.6. Disposition Election.

(a) At any time prior to the date of the Company's execution of a definitive agreement to dispose of a Capital Commitment Investment, the Managing Member may in its sole discretion permit a Member to retain all or any portion of its pro rata share of such Capital Commitment Investment (as measured by such Member's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment). If the Managing Member so permits, such Member shall instruct the Managing Member in writing prior to such date (i) not to dispose of all or any portion of such Member's pro rata share of such Capital Commitment Investment (the "Retained Portion") and (ii) either to (A) distribute such Retained Portion to such Member on the closing date of such disposition or (B) retain such Retained Portion in the Company on behalf of such Member until such time as such Member shall instruct the Managing Member upon 5 days notice to distribute such Retained Portion to such Member. Such Member's Capital Commitment Capital Account shall not be adjusted in any way to reflect the retention in the Company of such Retained Portion or the Company's disposition of other Members' pro rata shares of such Capital Commitment Investment; provided, that such Member's Capital Commitment Capital Account shall be adjusted upon distribution of such Retained Portion to such Member or upon distribution of proceeds with respect to a subsequent disposition thereof by the Company.

(b) No distribution of such Retained Portion shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such distribution.

7.7. Capital Commitment Special Distribution Election.

(a) From time to time during the term of this Agreement, the Managing Member may in its sole discretion, upon receipt of a written request from a Member, distribute to such Member any portion of its pro rata share of a Capital Commitment Investment (as measured by such Member's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment) (a "Capital Commitment Special Distribution"). Such Member's Capital Commitment Capital Account shall be adjusted upon distribution of such Capital Commitment Special Distribution.

(b) No Capital Commitment Special Distributions shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such Capital Commitment Special Distribution.

ARTICLE VIII

WITHDRAWAL, ADMISSION OF NEW MEMBERS

8.1. Member Withdrawal; Repurchase of Capital Commitment Interests.

(a) Capital Commitment Interests (or a portion thereof) that were financed by Investor Notes will be treated as not subject to repurchase for purposes hereof based upon the proportion of (a) the sum of Capital Commitment Capital Contributions not financed by an Investor Note with respect to each Capital Commitment Interest and principal payments on the related Investor Note to (b) the sum of the Capital Commitment Capital Contributions not

financed by an Investor Note with respect to such Capital Commitment Interest, the original principal amount of such Investor Note and all deferred amounts of interest which from time to time comprise part of the principal amount of the Investor Note. A Member may prepay a portion of any outstanding principal on the Investor Notes; provided, that in the event that a Member prepays all or any portion of the principal amount of the Investor Notes within nine months prior to the date on which such Member is no longer an employee or officer of Holdings or an Affiliate thereof, the Company (or its designee) shall have the right, in its sole discretion, to purchase the Capital Commitment Interest that became Non-Contingent as a result of such prepayment; provided further, that the purchase price for such Capital Commitment Interest shall be determined in accordance with the determination of the purchase price of a Member's Contingent Capital Commitment Interests as set forth in paragraph (b) below. Prepayments made by a Member shall apply pro rata against all of such Member's Investor Notes; provided, that such Member may request that such prepayments be applied only to Investor Notes related to BCE Investments that are related to one or more Blackstone Collateral Entities specified by such Member. Except as expressly provided herein, Capital Commitment Interests that were not financed in any respect with Investor Notes shall be treated as Non-Contingent Capital Commitment Interests.

(b) Upon a Member ceasing to be an officer or employee of the Company or any of its Affiliates, other than as a result of such Member dying or suffering a Total Disability, such Member (the "Withdrawn Member") and the Company or any other person designated by the Managing Member shall each have the right (exercisable by the Withdrawn Member within 30 days and by the Company or its designee(s) within 45 days of such Member's ceasing to be such an officer or employee) or any time thereafter, upon 30 days notice, but not the obligation, to require the Company, subject to the LLC Act, to buy (in the case of exercise of such right by such Withdrawn Member) or the Withdrawn Member to sell (in the case of exercise of such right by the Company or its designee(s)) all (but not less than all) such Withdrawn Member's Contingent Capital Commitment Interests. The purchase price for each such Contingent Capital Commitment Interest will be an amount equal to (i) the outstanding principal amount of the related Investor Note plus accrued interest thereon to the date of purchase (such portion of the purchase price to be made in cash) and (ii) an additional amount (the "Adjustment Amount") equal to (x) all interest paid by the Member on the portion of the principal amount of the Investor Note relating to the portion of the related Capital Commitment Interest remaining Contingent plus (y) all Capital Commitment Net Losses allocated to the Withdrawn Member on the Contingent portion of such Capital Commitment Interest minus (z) all Capital Commitment Net Income allocated to the Withdrawn Member on the Contingent portion of such Capital Commitment Interest; provided, that, if the Withdrawn Member was terminated from employment or his position as an officer for Cause, the amounts referred to in clause (x) or (y) of the Adjustment Amount, in the Managing Member's sole discretion, may be deemed to equal zero. The Adjustment Amount shall, if positive, be payable by the holders of the purchased Capital Commitment Interests to the Withdrawn Member from the next Capital Commitment Net Income received by such holders on the Contingent portion of such Withdrawn Member's Capital Commitment Interests at the time such Capital Commitment Net Income is received. If the Adjustment Amount resulting from an exchange is negative, it shall be payable to the holders of the purchased Capital Commitment Interest by the Withdrawn Member at the time such Capital Commitment Net Income is received by the Withdrawn Member from the next Capital Commitment Net Income on the Non-Contingent portion of the

Withdrawn Member's Capital Commitment Interests or, if the Company or its designee(s) elect to purchase such Withdrawn Member's Non-Contingent Capital Commitment Interests, in cash by the Withdrawn Member at the time of such purchase; provided, that the Company and its Affiliates may offset any amounts otherwise owing to a Withdrawn Member against any Adjustment Amount owed by such Withdrawn Member. Until so paid, such remaining Adjustment Amount will not itself bear interest. At the time of such purchase of the Withdrawn Member's Contingent Capital Commitment Interests, his related Investor Note shall be payable in full. If neither the Withdrawn Member nor the Company nor its designee(s) exercise the right to require repurchase of such Contingent Capital Commitment Interests, then the Withdrawn Member shall retain the Contingent portion of his Capital Commitment Interests and the Investor Notes shall remain outstanding, shall become fully recourse to the Withdrawn Member in his individual capacity, shall be payable in accordance with their remaining original maturity schedules and shall be prepayable at any time by the Withdrawn Member at his option, and the Company shall apply such prepayments against outstanding Investor Notes on a pro rata basis. To the extent that another Member purchases a portion of a Capital Commitment Interest of a Withdrawn Member, the purchasing Member's Capital Commitment Capital Account and Capital Commitment Profit Sharing Percentage for such Capital Commitment Investment shall be correspondingly increased.

(c) Upon the occurrence of a Final Event with respect to any Member, such Member shall thereupon cease to be a Member with respect to such Member's Capital Commitment Member Interest. If such a Final Event shall occur, no Successor in Interest to any such Member shall for any purpose hereof become or be deemed to become a Member. The sole right, as against the Company and the remaining Members, acquired hereunder by, or resulting hereunder to, a Successor in Interest to any Member shall be to receive any distributions and allocations with respect to such Member's Capital Commitment Member Interest pursuant to Article VII and this Article VIII, subject to the right of the Company to purchase the Capital Commitment Interests of such former Member pursuant to Section 8.1(b) or Section 8.1(d) to the extent, at the time, in the manner and in the amount otherwise payable to such Member had such a Final Event not occurred, and no other right shall be acquired hereunder by, or shall result hereunder to, a Successor in Interest to such Member, whether by operation of law or otherwise. Until distribution of any such Member's interest in the Company upon the dissolution of the Company as provided in Section 9.2, neither his Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption without the consent of the Managing Member. The Company shall be entitled to treat any Successor in Interest to such Member as the only person entitled to receive distributions and allocations hereunder with respect to such Member's Capital Commitment Member Interest.

(d) If a Member dies or suffers a Total Disability, all Contingent Capital Commitment Interests of such Member shall be purchased by the Company or its designee (within 30 days of the first date on which the Company knows or has reason to know of such Member's death or Total Disability) as provided in Section 8.1(b) (except that any Adjustment Amount shall be payable by or to the estate or personal representative in cash) and any Investor Notes financing such Contingent Capital Commitment Interests shall thereupon be prepaid as provided in Section 8.1(b). In addition, in the case of the death or Total Disability of a Member, if the estate or personal representative of such Member so requests in writing within

180 days of the Member's death or ceasing to be an employee or member (directly or indirectly) of the Company or any of its Affiliates by reason of Total Disability (such requests shall not exceed one per calendar year), the Company or its designee may but is not obligated to purchase for cash all (but not less than all) Non-Contingent Capital Commitment Interests of such Member as of the last day of the Company's then current fiscal year at a price equal to the Capital Commitment Value thereof. Each Member shall be required to include appropriate provisions in his will to reflect such provisions of this Agreement. In addition, the Company may, in the sole discretion of the Managing Member, upon notice to the estate or personal representative of such Member within 30 days of the first date on which the Company knows or has reason to know of such Member's death or Total Disability, determine either (i) to distribute Securities or other property to the estate or personal representative in exchange for such Non-Contingent Capital Commitment Interests as provided in Section 8.1(e) or (ii) to require sale of such Non-Contingent Capital Commitment Interests to the Company or its designee as of the last day of any fiscal year of the Company (or earlier period, as determined by the Managing Member in its sole discretion) for an amount in cash equal to the Capital Commitment Value thereof.

(e) In lieu of retaining a Withdrawn Member as a Member with respect to any Non-Contingent Capital Commitment Interests, the Managing Member may, in its sole discretion, by notice to such Withdrawn Member within 45 days of his ceasing to be an employee or officer of the Company or any of its Affiliates, or at any time thereafter, upon 30 days written notice, determine (1) to distribute to such Withdrawn Member the pro rata portion of the Securities or other property underlying such Withdrawn Member's Non-Contingent Capital Commitment Interests, subject to any restrictions on distributions associated with the Securities or other property, in satisfaction of his Non-Contingent Capital Commitment Interests in the Company or (2) to cause, as of the last day of any fiscal year of the Company (or earlier period, as determined by the Managing Member in its sole discretion), the Company or another person designated by the Managing Member (who may be itself another Member or another Affiliate of the Company) to purchase all (but not less than all) of such Withdrawn Member's Non-Contingent Capital Commitment Interests for a price equal to the Capital Commitment Value thereof. The Managing Member shall condition any distribution or purchase of voting Securities pursuant to paragraph (d) above or this paragraph (e) upon the Withdrawn Member's execution and delivery to the Company of an appropriate irrevocable proxy, in favor of the Company or its nominee, relating to such Securities.

(f) The Company may subsequently transfer any Unallocated Capital Commitment Interest or portion thereof which is purchased by it as described above to any other person approved by the Managing Member. In connection with such purchase or transfer or the purchase of a Capital Commitment Interest or portion thereof by the Company's designee(s), Holdings may loan all or a portion of the purchase price of the transferred or purchased Capital Commitment Interest to the Company, the transferee or the designee-purchaser(s), as applicable. To the extent that a Withdrawn Member's Capital Commitment Interests (or portions thereof) are repurchased by the Company and not transferred to or purchased by another person, all or any portion of such repurchased Capital Commitment Interests may, in the sole discretion of the Managing Member, (i) be allocated to each Member already participating in the Capital Commitment Investment to which the repurchased Capital Commitment Interest relates, (ii) be allocated to each Member in the

Company, whether or not already participating in such Capital Commitment Investment, and/or (iii) continue to be held by the Company itself as an unallocated Capital Commitment Investment (such Capital Commitment Interests being herein called “Unallocated Capital Commitment Interests”). To the extent that a Capital Commitment Interest is allocated to Members as provided in clause (i) and/or (ii) above, any indebtedness incurred by the Company to finance such repurchase shall also be allocated to such Members. All such Capital Commitment Interests allocated to Members shall be deemed to be Contingent and shall become Non-Contingent as and to the extent that the principal amount of such related indebtedness is repaid. The Members receiving such allocations shall be responsible for such related indebtedness only on a nonrecourse basis to the extent appropriate as provided in this Agreement, except as such Members and the Managing Member shall otherwise agree. If the indebtedness financing such repurchased interests is not so limited, the Company may require an assumption by the Members of such indebtedness on the terms thereof as a precondition to allocation of the related Capital Commitment Interests to such Members; provided, that a Member shall not, except as set forth in his Investor Note, be obligated to accept any personally recourse obligation unless his prior consent is obtained. So long as the Company itself retains the Unallocated Capital Commitment Interests pursuant to clause (iii) above, such Unallocated Capital Commitment Interests shall belong to the Company and any indebtedness financing the Unallocated Capital Commitment Interests shall be an obligation of the Company to which all income of the Company is subject except as otherwise agreed by the lender of such indebtedness. Any Capital Commitment Net Income (Loss) on an Unallocated Capital Commitment Interest shall be allocated to each Member in the proportion his aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Members; debt service on such related financing will be an expense of the Company allocable to all Members in such proportions.

(g) If a Member is required to Withdraw from the Company with respect to such Member’s Capital Commitment Member Interest for Cause, then his Capital Commitment Interest shall be settled in accordance with paragraphs (a)-(f) and (j) of this Section 8.1; provided, that if such Member was not at any time a direct Regular Member of the Company, the Managing Member may elect (but shall not be required) to apply any or all the following terms and conditions to such settlement:

(i) purchase for cash all of such Withdrawn Member’s Non-Contingent Capital Commitment Interests. The purchase price for each such Non-Contingent Capital Commitment Interest shall be the lower of (A) the original cost of such Non-Contingent Capital Commitment Interest or (B) an amount equal to the Capital Commitment Value thereof;

(ii) allow the Withdrawn Member to retain such Non-Contingent Capital Commitment Interests; provided, that the maximum amount of Capital Commitment Net Income allocable to such Withdrawn Member with respect to any Capital Commitment Investment shall equal the amount of Capital Commitment Net Income that would have been allocated to such Withdrawn Member if such Capital Commitment Investment had been sold as of the Settlement Date at the then prevailing Capital Commitment Value thereof; or

(iii) in lieu of cash, purchase such Non-Contingent Capital Commitment Interests by providing the Withdrawn Member with a promissory note in the amount determined in (i) above. Such promissory note shall have a maximum term of ten (10) years with interest at the Federal Funds Rate.

(h) The Company will assist a Withdrawn Member or his estate or guardian, as the case may be, in the settlement of the Withdrawn Member's Capital Commitment Member Interest in the Company. Third party costs incurred by the Company in providing this assistance will be borne by the Withdrawn Member or his estate.

(i) The Company may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Members or their estates or guardians, as referred to above. In such instances, the Company will obtain the prior approval of a Withdrawn Member or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Member (or his estate or guardian) declines to incur such costs, the Company will provide such reasonable assistance as and when it can so as not to interfere with the Company's day-to-day operating, financial, tax and other related responsibilities to the Company and the Members.

(j) Each Member hereby irrevocably appoints the Managing Member as such Member's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file, on behalf of such Member, any and all agreements, instruments, documents and certificates which such Managing Member deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in this Section 8.1, including, without limitation, the performance of any obligation of such Member or the Company or the exercise of any right of such Member or the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Company of any Member for any reason and shall not be affected by the death, disability or incapacity of such Member.

8.2. Transfer of Member's Capital Commitment Interest . Except as otherwise agreed by the Managing Member, no Member or former Member shall have the right to sell, assign, mortgage, pledge or otherwise dispose of or transfer (" Transfer ") all or part of any such Member's Capital Commitment Member Interest in the Company; provided, that this Section 8.2 shall in no way impair Transfers (i) as permitted in Section 8.1 above, in the case of the purchase of a Withdrawn Member's or deceased or Totally Disabled Member's Capital Commitment Interests, (ii) Transfers by a Member to another Member of Non- Contingent Capital Commitment Interests, (iii) Transfers of up to 25% of a Regular Member's Capital Commitment Member Interest to an Estate Planning Vehicle and (iv) with the prior written consent of the Managing Member (which consent may be withheld without giving any reason therefor). No person acquiring an interest in the Company pursuant to this Section 8.2 shall become a Member of the Company, or acquire such Member's right to participate in the affairs of the Company, unless such person shall be admitted as a Member pursuant to Section 6.1. A Member shall not cease to be a Member of the Company upon the collateral assignment of, or the pledging or granting of a security interest in, its entire Interest in the Company in accordance with the provisions of this Agreement.

8.3. Compliance with Law. Notwithstanding any provision hereof to the contrary, no sale or Transfer of a Capital Commitment Interest in the Company may be made except in compliance with all Federal, state and other applicable laws, including Federal and state securities laws.

ARTICLE IX

DISSOLUTION

9.1. Dissolution. The Company shall be dissolved and subsequently terminated:

- (a) pursuant to Section 6.6; or
- (b) upon the expiration of the Term.

9.2. Final Distribution. Upon the dissolution of the Company, and following the payment of creditors of the Company and the making of provisions for the payment of any contingent, conditional or unmatured claims known to the Company as required under the LLC Act:

(a) The Members' respective interests in the Company shall be valued and settled in accordance with the procedures set forth in Section 6.5 which provide for allocations to the GP-Related Capital Accounts of the Members and distributions in accordance with the GP-Related Capital Account balances of the Members; and

(b) With respect to each Member's Capital Commitment Member Interest, an amount shall be paid to such Member in cash or Securities in an amount equal to such Member's respective Capital Commitment Liquidating Share for each Capital Commitment Investment; provided, that if the remaining assets relating to any Capital Commitment Investment shall not be equal to or exceed the aggregate Capital Commitment Liquidating Shares for such Capital Commitment Investment, to each Member in proportion to its Capital Commitment Liquidating Share for such Capital Commitment Investment; and the remaining assets of the Company related to the Members' Capital Commitment Member Interests shall be paid to the Members in cash or Securities in proportion to their respective Capital Commitment Profit Sharing Percentages for each Capital Commitment Investment from which such cash or Securities are derived.

The Managing Member shall be the liquidator. In the event that the Managing Member is unable to serve as liquidator, a liquidating trustee shall be chosen by the affirmative vote of a Majority in Interest of the Members voting at a meeting of Members (excluding Nonvoting Special Members).

9.3. Amounts Reserved Related to Capital Commitment Member Interests.

(a) If there are any Securities or other property or other investments or securities related to the Members' Capital Commitment Member Interests which, in the judgment of the liquidator, cannot be sold, or properly distributed in kind in the case of

dissolution, without sacrificing a significant portion of the value thereof, the value of a Member's interest in each such Security or other investment or security may be excluded from the amount distributed to the Members participating in the related Capital Commitment Investment pursuant to clause (ii) of Section 9.2(b). Any interest of a Member, including his pro rata interest in any gains, losses or distributions, in Securities or other property or other investments or securities so excluded shall not be paid or distributed until such time as the liquidator shall determine.

(b) If there is any pending transaction, contingent liability or claim by or against the Company related to the Members' Capital Commitment Member Interests as to which the interest or obligation of any Member therein cannot, in the judgment of the liquidator, be then ascertained, the value thereof or probable loss therefrom may be deducted from the amount distributable to such Member pursuant to clause (ii) of Section 9.2(b). No amount shall be paid or charged to any such Member on account of any such transaction or claim until its final settlement or such earlier time as the liquidator shall determine. The Company may meanwhile retain from other sums due such Member in respect of such Member's Capital Commitment Member Interest an amount which the liquidator estimates to be sufficient to cover the share of such Member in any probable loss or liability on account of such transaction or claim.

(c) Upon determination by the liquidator that circumstances no longer require the exclusion of any Securities or other property or retention of sums as provided in paragraphs (a) and (b) of this Section 9.3, the liquidator shall, at the earliest practicable time, distribute as provided in clause (ii) of Section 9.2(b) such sums or such Securities or other property or the proceeds realized from the sale of such Securities or other property to each Member from whom such sums or Securities or other property were withheld.

ARTICLE X

MISCELLANEOUS

10.1. Submission to Jurisdiction; Waiver of Jury Trial.

(a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of paragraph (a), the Managing Member may bring, or may cause the Company to bring, on behalf of the Managing Member or the

Company or on behalf of one or more Members, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Member (i) expressly consents to the application of paragraph (c) of this Section 10.1 to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Managing Member as such Member's agent for service of process in connection with any such action or proceeding and agrees that service of process upon any such agent, who shall promptly advise such Member of any such service of process, shall be deemed in every respect effective service of process upon the Member in any such action or proceeding.

(c) (i) EACH MEMBER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 10.1, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm an arbitration award. The parties acknowledge that the forum(s) designated by this paragraph (c) have a reasonable relation to this Agreement, and to the parties' relationship with one another.

(ii) The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding brought in any court referred to in paragraph (c)(i) of this Section 10.1 and such parties agree not to plead or claim the same.

(d) Notwithstanding any provision of this Agreement to the contrary, this Section 10.1 shall be construed to the maximum extent possible to comply with the laws of the State of Delaware, including the Delaware Uniform Arbitration Act (10 Del. C. § 5701 et seq.) (the "Delaware Arbitration Act"). If, nevertheless, it shall be determined by a court of competent jurisdiction that any provision or wording of this Section 10.1, including any rules of the International Chamber of Commerce, shall be invalid or unenforceable under the Delaware Arbitration Act, or other applicable law, such invalidity shall not invalidate all of this Section 10.1. In that case, this Section 10.1 shall be construed so as to limit any term or provision so as to make it valid or enforceable within the requirements of the Delaware Arbitration Act or other applicable law, and, in the event such term or provision cannot be so limited, this Section 10.1 shall be construed to omit such invalid or unenforceable provision.

10.2. Ownership and Use of the Blackstone Name. The Company acknowledges that Blackstone TM L.L.C. ("TM"), a Delaware limited liability company with a principal place of business at 345 Park Avenue, New York, New York 10154, (or its successors or assigns) is the sole and exclusive owner of the mark and name BLACKSTONE and that the ownership of, and the right to use, sell or otherwise dispose of, the firm name or any abbreviation or modification thereof which consists of or includes BLACKSTONE, shall belong exclusively to TM. The Company shall not be permitted to use the BLACKSTONE name and service mark

without the prior written consent of TM. To the extent the Company is permitted to use the BLACKSTONE name and service mark, all services rendered by the Company under the BLACKSTONE mark and name will be rendered in a manner and with quality levels that are consistent with the high reputation heretofore developed for the BLACKSTONE mark by TM and its Affiliates and licensees. The Company understands that, to the extent TM hereinafter permits the Company to use the BLACKSTONE name and service mark, TM may thereafter terminate the Company's right to use BLACKSTONE at any time in TM's sole discretion by giving the Company written notice of termination. Promptly following any such termination, the Company will take all steps necessary to change its company name to one which does not include BLACKSTONE or any confusingly similar term and cease all use of BLACKSTONE or any term confusingly similar thereto as a service mark or otherwise.

10.3. Written Consent. Any action required or permitted to be taken by a vote of Members at a meeting may be taken without a meeting if a Majority in Interest of the Members consent thereto in writing.

10.4. Letter Agreements; Schedules. The Managing Member may, or may cause the Company to, enter into separate letter agreements with individual Members, officers or employees with respect to GP-Related Profit Sharing Percentages, Capital Commitment Profit Sharing Percentages, benefits or any other matter, in each case on terms and conditions not inconsistent with this Agreement. The Managing Member may from time to time execute and deliver to the Members schedules which set forth the then current capital balances, GP-Related Profit Sharing Percentages and Capital Commitment Profit Sharing Percentages of the Members and any other matters deemed appropriate by the Managing Member. Such schedules shall be for information purposes only and shall not be deemed to be part of this Agreement for any purpose whatsoever; provided, that this in no way limits the effectiveness of any Commitment Agreement.

10.5. Governing Law; Separability of Provisions. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflict of laws. In particular, the Company has been formed pursuant to the LLC Act, and the rights and liabilities of the Members shall be as provided therein, except as herein otherwise expressly provided. If any provision of this Agreement shall be held to be invalid, such provision shall be given its meaning to the maximum extent permitted by law and the remainder of this Agreement shall not be affected thereby.

10.6. Successors and Assigns. This Agreement shall be binding upon and shall, subject to the penultimate sentence of Section 6.3 (a), inure to the benefit of the parties hereto, their respective heirs and personal representatives, and any successor to a trustee of a trust which is or becomes a party hereto; provided, that no person claiming by, through or under a Member (whether such Member's heir, personal representative or otherwise), as distinct from such Member itself, shall have any rights as, or in respect to, a Member (including the right to approve or vote on any matter or to notice thereof) except the right to receive only those distributions expressly payable to such person pursuant to Articles VI and VIII. Any Member or Withdrawn Member shall remain liable for the obligations under this Agreement (including any Net GP-Related Recontribution Amounts and any Capital Commitment Recontribution Amount) of any transferee of all or any portion of such Member's or Withdrawn Member's interest in the

Company, unless waived by the Managing Member. The Company shall, if the Managing Member determine, in its good faith judgment, based on the standards set forth in Sections 5.8(d)(ii), 5.8(d)(iii) and 7.4(g), to pursue such transferee, pursue payment (including any Net GP-Related Recontribution Amounts and/or Capital Commitment Recontribution Amounts) from the transferee with respect to any such obligations. Nothing in this Agreement is intended, nor shall anything herein be construed, to confer any rights, legal or equitable, on any person other than the Members and their respective legal representatives, heirs, successors and permitted assigns. Notwithstanding the foregoing, solely to the extent required by the BCVP Agreements, (x) each Limited Partner (as defined in the BCVP Agreements) of BCVP shall be a third-party beneficiary of the provisions of Sections 5.8(d)(i)(A), 5.8(d)(ii) and 5.8(d)(iii) (and the definitions relating thereto), solely as they relate to any Clawback Amount (for purpose of this sentence, as defined in Section 9.4(a) of the BCVP Partnership Agreement), and (y) Sections 5.8(d)(i)(A), 5.8(d)(ii) and 5.8(d)(iii) (and the definitions relating thereto), solely as they relate to any Clawback Amount (for purpose of this sentence, as defined in Section 9.4(a) of the BCVP Partnership Agreement), shall not be amended in a manner adverse to the Limited Partners of BCVP without the consent of 66 ² / 3 % in Interest of such Limited Partners (as such terms are used in the BCVP Agreements).

10.7. Confidentiality. By executing this Agreement, each Member expressly agrees, at all times during the term of the Company and thereafter and whether or not at the time a Member of the Company, to maintain the confidentiality of, and not to disclose to any person other than the Company, another Member or a person designated by the Company, any information relating to the business, financial structure, financial position or financial results, clients or affairs of the Company that shall not be generally known to the public or the securities industry, except as otherwise required by law or by any regulatory or self-regulatory organization having jurisdiction; provided, that any corporate Member may disclose any such information it is required by law, rule, regulation or custom to disclose. Notwithstanding anything in this Agreement to the contrary, to comply with Treasury Regulation Section 1.6011-4(b)(3)(i), each Member (and any employee, representative or other agent of such Member) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Company, it being understood and agreed, for this purpose, (1) the name of, or any other identifying information regarding (a) the Members or any existing or future investor (or any Affiliate thereof) in any of the Members, or (b) any investment or transaction entered into by the Members; (2) any performance information relating to any of the Members or their investments; and (3) any performance or other information relating to previous funds or investments sponsored by any of the Members, does not constitute such tax treatment or tax structure information.

10.8. Notices. Whenever notice is required or permitted by this Agreement to be given, such notice shall be in writing (including telecopy or similar writing) and shall be given to any Member at its address or telecopy number shown in the Company's books and records or, if given to the Managing Member, at the address of the Company provided herein. Each such notice shall be effective (i) if given by telecopy, upon dispatch, and (ii) if given by hand delivery, when delivered to the address of such Member or Managing Member specified as aforesaid.

10.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute a single instrument.

10.10. Power of Attorney. Each Member hereby irrevocably appoints the Managing Member as such Member's true and lawful representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file all instruments, documents and certificates which, from time to time, may be required to set forth any amendment to this Agreement or may be required by this Agreement or by the laws of the United States of America, the State of Delaware or any other state in which the Company shall determine to do business, or any political subdivision or agency thereof, to execute, implement and continue the valid and subsisting existence of the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the subsequent Withdrawal from the Company of any Member for any reason and shall not be affected by the subsequent disability or incapacity of such Member.

10.11. Member's Will. Each Member and Withdrawn Member shall include in his or her will a provision that addresses certain matters in respect of his or her obligations relating to the Company that is satisfactory to the Managing Member and each such Member and Withdrawn Member shall confirm annually to the Company, in writing, that such provision remains in his current will. Where applicable, any estate planning trust of such Member or Withdrawn Member to which a portion of such Member's or Withdrawn Member's Interest is transferred shall include a provision substantially similar to such provision and the trustee of such trust shall confirm annually to the Company, in writing, that such provision or its substantial equivalent remains in such trust. In the event any Member or Withdrawn Member fails to comply with the provisions of this Section 10.11 after the Company has notified such Member or Withdrawn Member of his failure to so comply and such failure to so comply is not cured within 30 days of such notice, the Company may withhold any and all distributions to such Member until the time at which such party complies with the requirements of this Section 10.11.

10.12. Cumulative Remedies. Rights and remedies under this Agreement are cumulative and do not preclude use of other rights and remedies available under applicable law.

10.13. Legal Fees. Except as more specifically provided herein, in the event of a legal dispute (including litigation, arbitration or mediation) between any Member or Withdrawn Member and the Company, arising in connection with any party seeking to enforce Section 4.1 (d) or any other provision of this Agreement relating to the Holdback, the Clawback Amount, the GP-Related Giveback Amount, the Capital Commitment Giveback Amount, the Net GP-Related Recontribution Amount or the Capital Commitment Recontribution Amount, the "losing" party to such dispute shall promptly reimburse the "victorious party" for all reasonable legal fees and expenses incurred in connection with such dispute (such determination to be made by the relevant adjudicator). Any amounts due under this Section 10.13 shall be paid within 30 days of the date upon which such amounts are due to be paid and such amounts remaining unpaid after such date shall accrue interest at the Default Interest Rate.

10.14. Entire Agreement. This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. Subject to Section 10.4, this Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written. In the event that it is impracticable to obtain the signature of any of the Members to this Agreement, this Agreement shall be binding among the other Members executing the same.

MANAGING MEMBER:

BLACKSTONE HOLDINGS III L.P.

By: Blackstone Holdings III GP L.P.,
its General Partner

By: Blackstone Holdings III GP Management L.L.C.,
its General Partner

By: /s/ Robert L. Friedman

Name: Robert L. Friedman

Title: Chief Legal Officer

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Stephen A. Schwarzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 of The Blackstone Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Stephen A. Schwarzman

Stephen A. Schwarzman
Chief Executive Officer of
Blackstone Group Management L.L.C.

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Laurence A. Tosi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 of The Blackstone Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Laurence A. Tosi

Laurence A. Tosi
Chief Financial Officer
of Blackstone Group Management L.L.C.

**Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen A. Schwarzman, Chief Executive Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: August 6, 2010

/s/ Stephen A. Schwarzman

Stephen A. Schwarzman

Chief Executive Officer

of Blackstone Group Management L.L.C.

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laurence A. Tosi, Chief Financial Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: August 6, 2010

/s/ Laurence A. Tosi

Laurence A. Tosi

Chief Financial Officer

of Blackstone Group Management L.L.C.

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.