BLACKSTONE GROUP L.P.

FORM 10-K
(Annual Report)

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Industry	Real Estate Operations
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the common units of the Registrant held by non-affiliates as of June 30, 2010 was approximately $3,347.8 million, which includes non-voting common units with a value of approximately $1,042.8 million.

The number of the Registrant's voting common units representing limited partner interests outstanding as of February 18, 2011 was 343,303,073. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of February 18, 2011 was 109,083,468.

DOCUMENTS INCORPORATED BY REFERENCE
None

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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 this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (“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.

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 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 obligation (“CLO”) vehicles, and closed-end mutual funds and management investment companies 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 pay 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 (including three publicly registered closed-end management investment companies), which 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 and registered investment companies;

(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. Our hedge funds generally have structures that afford an investor the right to withdraw or redeem their interests on a periodic basis (e.g., annually or quarterly), in most cases 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 ("BREDS"), 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 (except our credit-oriented closed-end registered investment companies) and our closed-end mutual funds;

(g) the fair value of assets we manage pursuant to separately managed accounts;

(h) the gross amount of underlying assets of our CLOs at cost; and

(i) the gross amount of assets (including leverage) for our credit-oriented closed-end registered investment companies.

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, generally 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.

This report does not constitute an offer of any Blackstone Fund.

PART I

ITEM 1. BUSINESS

Overview

Blackstone is a leading manager of private capital and provider of financial advisory services. We are one of the largest independent managers of private capital in the world, with assets under management of $128.1 billion as of December 31, 2010. Our alternative asset management businesses include the management of private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligation ("CLO") vehicles, separately managed accounts and publicly-traded closed-end mutual funds. We also provide a wide range of financial advisory services, including financial and strategic advisory, restructuring and reorganization and fund placement services.

We seek to deliver superior returns to investors in our funds through a disciplined, value-oriented investment approach. Since we were founded in 1985, we have cultivated strong relationships with clients in our financial advisory business, where we endeavor to provide objective and insightful solutions and advice that our clients can trust. We believe our scaled, diversified businesses, coupled with our long track record of investment performance, proven investment approach and strong client relationships, position us to continue to perform well in a variety of market conditions, expand our assets under management and add complementary businesses. Our businesses have yielded a significant positive impact on society through, for example, increases in employment, additional capital investment and research and development expense by our portfolio companies, increased tax revenue to federal and local governments and returns to our limited partners. Two of our primary limited partner constituencies are corporate and public pension funds. As a result, to the extent our funds perform well it supports a better retirement for hundreds of thousands of pensioners.

During 2010 many of the strategies and initiatives we have been pursuing to enhance our asset management and financial advisory businesses proved successful.

- We purchased a 40% equity interest in Pátria Investments Limited and Pátria Investimentos Ltda, a leading Brazilian alternative asset manager and advisory firm that was founded in 1988. Pátria's alternative asset management businesses manage over $4.3 billion in assets and include the management of private equity funds, real estate funds, infrastructure funds and hedge funds. Our partnership is designed to enable Blackstone's fund investors and advisory clients to benefit from the business opportunities in Latin America's largest economy. In addition, it will enhance our "intellectual library" by providing all of Blackstone's businesses increased access to information and deal flow.
- In January 2011, we substantially finalized our fund-raise for Blackstone Capital Partners VI L.P., our seventh private equity fund, despite a very difficult fund-raising environment for asset managers. Moreover, we were able to continue to attract investor capital across our investment funds generally as we were able to grow our fee-earning assets by 14% during 2010.
- In November, we closed on an agreement to manage Bank of America Merrill Lynch's Asian real estate assets as part of enhancing our existing global real estate platform. As part of that agreement, we will also act as the new general partner for the Merrill Lynch Asian Real Estate Opportunity Fund. In the aggregate, this transaction provided us with $2.1 billion of additional assets to manage.
- Our funds of hedge fund business continued to focus on its key tenets of diversification, risk management, due diligence and downside protection combined with customized and innovative investment solutions for investors. This contributed to that business continuing to be a leading global institutional funds of hedge funds investment manager with $32.9 billion in assets under management.
- GSO raised capital from traditional institutional investors for a number of credit funds, as well as expanding its investor base by raising capital in the public markets for a closed-end registered

investment company. This expanded GSO's investor base and contributed to what we believe is one of the dominant credit investment platforms in the industry today with $31.0 billion in assets under management.

- Our financial advisory practice continued to focus on growing its global capabilities and international recognition as evidenced by major advisory assignments in Europe and Asia.
- Our placement business was able to successfully navigate an uncertain political and regulatory climate in the United States and return to positive revenue growth.
- We issued $400 million 10-year 5.875% senior notes in the third quarter of 2010, the proceeds of which we expect to utilize to further our growth strategy.
- We continued to reaffirm our commitment to corporate social responsibility with a five-year, $50 million pledge by The Blackstone Charitable Foundation to foster entrepreneurship and economic recovery in communities hardest hit by the global economic crisis.
- In accordance with our sustained focus on conducting our business as a responsible corporate citizen, we reiterated our commitment to following the global Guidelines for Responsible Investment and enhanced our policies and procedures that incorporate environmental, health, safety, labor, governance and social issues into investment decision-making and ownership activities.

As of December 31, 2010, we had 106 senior managing directors and employed approximately 560 other investment and advisory professionals at our headquarters in New York and our offices in Atlanta, Beijing, Boston, Chicago, Dallas, Dubai, Düsseldorf, Hong Kong, Houston, London, Los Angeles, Menlo Park, Mumbai, Paris, San Francisco, Shanghai, Sydney and Tokyo. We believe that the depth and breadth of the intellectual capital and experience of our professionals are key reasons why we have generated excellent returns while managing downside risk over many years for the investors in our funds. This track record in turn has allowed us to successfully and repeatedly raise additional assets from an increasingly wide variety of sophisticated investors.

Business Segments

Historically we reported our financial results across four business segments. They were: (a) Private Equity, (b) Real Estate, (c) Credit and Marketable Alternatives, which comprised our management of funds of hedge funds, credit-oriented funds and separately managed accounts, CLOs and publicly-traded closed-end mutual funds, and (d) Financial Advisory, which comprises our financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds.

In January 2011, we separated our Credit and Marketable Alternatives segment into two new segments, Hedge Fund Solutions and Credit Businesses, and began reporting across five business segments: (a) Private Equity, (b) Real Estate, (c) Hedge Fund Solutions, (d) Credit Businesses and (e) Financial Advisory. The Hedge Fund Solutions segment, which is comprised primarily of Blackstone Alternative Asset Management, primarily manages funds of hedge funds and includes Indian-focused and Asian-focused closed-end mutual funds. The Credit Businesses segment, which principally includes GSO, manages credit-oriented funds, CLOs, separately managed accounts and debt-focused closed-end registered investment companies. We will report segment results under this structure commencing in the first quarter of 2011.

Information about our business segments should be read together with "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included elsewhere in this Form 10-K.

Private Equity Segment

Our Private Equity segment, established in 1987, is a global business with 114 investment professionals and offices in New York, London, Menlo Park, Mumbai, Hong Kong, Beijing and Shanghai. We are a world leader in private equity investing, having managed five general private equity funds as well as one specialized fund focusing on communications-related investments. Last year we largely completed our fund-raising efforts for our seventh global private equity fund, Blackstone Capital Partners VI L.P., and we are currently investing it. In addition, we are in the process of raising an investment fund focused on clean technology assets. From an operation focused in our early years on consummating leveraged buyout acquisitions of U.S.-based companies, we have grown into a business pursuing transactions throughout the world and executing not only typical leveraged buyout acquisitions of seasoned companies but also 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. Our Private Equity segment's multi-dimensional investment approach is guided by several core investment principles: corporate partnerships, sector expertise, a contrarian bias (e.g., investing in out-of-favor / under-appreciated industries), global scope, distressed securities investing, significant number of exclusive opportunities, superior financing expertise, operations oversight and a strong focus on value creation. Our existing Private Equity funds, which we refer to as the Blackstone Capital Partners ("BCP") funds, invest primarily in control-oriented, privately negotiated investments and generally utilize leverage in consummating the investments they make. As of December 31, 2010, our Private Equity segment had $29.3 billion of assets under management, or 23% of our total assets under management, which does not include the assets under management of BCP VI referred to above. For more information concerning the revenues and fees we derive from our Private Equity segment, see "—Incentive Arrangements / Fee Structure" in this Item 1.

Real Estate Segment

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 opportunistic real estate funds, a European focused opportunistic real estate fund and a number of real estate debt-investment funds. Our real estate opportunity funds, which we refer to as the Blackstone Real Estate Partners ("BREP") funds, have made significant investments in lodging, major urban office buildings and a variety of real estate operating companies. The BREP funds invest primarily in control-oriented, privately negotiated real estate investments and generally utilize leverage in consummating the investments they make. In addition, our real estate debt-investment funds, which we refer to generally as the Blackstone Real Estate Debt Strategies ("BREDS") funds, target non-controlling real estate debt-related investment opportunities in the public and private markets, primarily in the United States and Europe. In November 2010, we closed on an agreement to manage Bank of America Merrill Lynch's Asian real estate assets. As part of that agreement, we will also act as the new general partner for the Merrill Lynch Asian Real Estate Opportunity Fund. In the aggregate, this transaction provided us with $2.1 billion of additional fee-earnings assets under management. The Real Estate segment is comprised of 102 investment professionals with offices in New York, Chicago, Los Angeles, London, Paris, Mumbai, Tokyo, Hong Kong, Singapore and Seoul. Our Real Estate segment's investing approach is guided by several core investment principles, many of which are similar to our Private Equity segment, including global scope, significant number of exclusive opportunities, superior financing expertise, operations oversight and a strong focus on value creation. As of December 31, 2010, our Real Estate segment had $33.2 billion of assets under management, or 26% of our total assets under management. For more information concerning the revenues and fees we derive from our Real Estate segment, see "—Incentive Arrangements / Fee Structure" in this Item 1.

Credit and Marketable Alternatives Segment

Our Credit and Marketable Alternatives segment comprises our funds of hedge funds, credit-oriented funds, separately managed accounts and CLO vehicles and publicly-traded closed-end mutual funds and registered investment companies. As of December 31, 2010, our Credit and Marketable Alternatives segment had $65.6 billion of assets under management, or 51% of our total assets under management. For more information concerning the revenues and fees we derive from our Credit and Marketable Alternatives segment, see "—Incentive Arrangements / Fee Structure" in this Item 1.

Hedge Fund Solutions (separate segment as of January 2011)

Our Hedge Fund Solutions segment is comprised of our Hedge Funds and our Indian-focused and Asian-focused closed-end mutual funds. As of December 31, 2010, our new Hedge Fund Solutions segment had $34.6 billion of assets under management, or 27% of our total assets under management.

Hedge Funds . Our funds of hedge funds group, which we refer to as Blackstone Alternative Asset Management ("BAAM"), was organized in 1990 and manages a variety of funds of hedge funds and separately managed accounts. Working with our clients over the past 21 years, BAAM has developed into a leading manager of institutional funds of hedge funds with 106 investment professionals and offices in New York, London and Hong Kong. BAAM's overall investment philosophy is to protect and grow investors' assets through both commingled and custom-tailored investment strategies designed to deliver compelling risk-adjusted returns and mitigate risk. Diversification, risk management, due diligence and a focus on downside protection are key tenets of our approach. Although certain underlying managers that BAAM invests with may utilize leverage in connection with the investments those managers make in their respective underlying hedge funds, BAAM does not utilize long-term leverage for the investments it makes in the underlying hedge funds. Our funds of hedge funds operation had $32.9 billion of assets under management as of December 31, 2010. For more information concerning the revenues and fees we derive from our Hedge Fund Solutions segment, see "—Incentive Arrangements / Fee Structure" in this Item 1.

Closed-End Mutual Funds. In 2005, we were appointed the investment manager and adviser of two publicly-traded closed-end mutual funds called The India Fund and The Asia Tigers Fund. The India Fund, with $1.6 billion in assets under management as of December 31, 2010, trades on the New York Stock Exchange under the symbol "IFN." The India Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Indian companies. The Asia Tigers Fund, with $72.1 million in assets under management as of December 31, 2010, trades on the New York Stock Exchange under the symbol "GRR." The Asia Tigers Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Asian companies.

Credit Businesses (separate segment as of January 2011)

Our credit-oriented funds, CLOs, credit-focused separately managed accounts and publicly registered debt-focused investment companies are managed by our subsidiary, GSO Capital Partners ("GSO"), which we acquired in March 2008. GSO is a major participant in the leveraged finance markets with $31.0 billion of assets under management as of December 31, 2010, or 24% of our total assets under management. Our credit-oriented businesses have 80 investment professionals and offices in New York, London and Houston. The credit-oriented funds we manage or advise include senior credit-oriented funds, distressed debt funds, mezzanine funds and general credit-oriented funds focused on the leveraged finance marketplace. In addition, GSO manages a number of credit-oriented separately managed accounts and publicly registered investment management companies. These vehicles have investment portfolios comprised of loans and securities spread across the capital structure, including senior debt, subordinated debt, preferred stock and common equity. GSO may utilize leverage in connection with the investments the credit-oriented funds, separately managed accounts or investment companies make. In addition, GSO manages 34 separate CLOs and with total assets under management of $16.0 billion focused primarily on senior secured debt issued by a diverse universe of non-investment grade companies.

Financial Advisory Segment

Our Financial Advisory segment comprises our financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds. Our financial advisory businesses are global businesses with 239 professionals and offices in New York, Atlanta, Chicago, Dallas, Boston, Los Angeles, San Francisco, Menlo Park, London, Paris, Hong Kong, Beijing and Tokyo.

Financial and Strategic Advisory Services (“Blackstone Advisory Partners L.P.”) . Our financial and strategic advisory business, “Blackstone Advisory Partners L.P.,” has been an independent provider of creative solutions in complex and critical financial advisory assignments for over 25 years. We focus on a wide range of transaction execution capabilities with respect to acquisitions, mergers, joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory, private placements and distressed sales with offices in New York, London, Hong Kong, Atlanta, Boston, Menlo Park, Paris and Beijing. Recent clients include Aluminum Corporation of China, American International Group, Inc. (“AIG”), E.ON AG, GDF Suez S.A., Kraft Foods, Nestle S.A, Noble Group Limited, The Procter & Gamble Company, Publicis Groupe S.A., Thomson Reuters, and Xerox Corporation. The success of Blackstone Advisory Partners L.P. has resulted from a highly experienced team focused on our core principles, including protecting client confidentiality, prioritizing our client’s interests, avoidance of conflicts and senior-level attention. The 20 senior managing directors in Blackstone Advisory Partners L.P. have an average of over 20 years of experience in providing corporate finance and mergers and acquisitions advice.

Restructuring and Reorganization Advisory Services. Our restructuring and reorganization advisory group is one of the leading advisers in both out-of-court restructurings and in-court bankruptcies. With offices in New York and London, our restructuring and reorganization team advises companies, creditors, corporate parents, hedge funds, financial sponsors and acquirers of troubled companies. This group is particularly active in large, complex and high-profile bankruptcies and restructurings. Some of the recent clients that we have advised include Abitibi Bowater, Actavis, Ambac Assurance Corporation, Center Parcs, DX Group, Flying J, Hawkeye, International Lease Finance Corporation, Merisant, Natural Products Group, Oerlikon and W.R. Grace. Senior-level attention, global emphasis and the ability to facilitate prompt, creative resolutions are critical ingredients in our restructuring and reorganization advisory approach. We have one of the most seasoned and experienced restructuring teams in the financial services industry, working on a significant share of the major restructuring assignments in this area. Our six senior managing directors have an average of 19 years of experience in restructuring assignments and employ the skills we feel are crucial to successful restructuring outcomes.

Fund Placement Services/Park Hill Group . Park Hill Group provides fund placement services for private equity funds, real estate funds, venture capital funds and hedge funds. Park Hill Group primarily provides placement services to unrelated third-party sponsored funds. It also assists us in raising capital for our own investment funds from time to time and providing insights into new alternative asset products and trends. Park Hill Group and our investment funds each benefit from the others’ relationships with both limited partners and other fund sponsors.

Financial and Other Information by Segment

Financial and other information by segment for the years ended December 31, 2010, 2009 and 2008 is set forth in Note 20. “Segment Reporting” in the “Notes to Consolidated Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” of this filing.

Pátria Investments

On October 1, 2010, we purchased a 40% equity interest in Pátria Investments Limited and Pátria Investimentos Ltda. (collectively, “Pátria”). Pátria is a leading Brazilian alternative asset manager and advisory firm that was founded in 1988. Pátria’s alternative asset management businesses manage over $4.3 billion in assets and include the management of private equity funds ($1.4 billion), real estate funds ($0.7 million), an infrastructure fund ($1.5 billion) and hedge funds ($0.7 million). Pátria has approximately 140 employees and is led by a group of four managing partners. Our investment in Pátria is a minority, non-controlling investment, which we will record using the equity method of accounting. We have representatives on Pátria’s board of directors in proportion to our ownership, but we do not control the day-to-day management of the firm or the investment decisions of their funds, all of which will continue to reside with the four managing partners.

Patria has raised three private equity funds and is in the process of raising a fourth, with a primary focus on high-growth industries in Brazil. Pátria has successfully built leading companies through its operational approach and add-on acquisitions. Within real estate, Pátria's two funds center on Brazilian real estate development, particularly build-to-suit, sale leaseback and buy-lease transactions. Pátria's infrastructure fund has concentrated on renewable energy generation, including early stage projects in Brazil. In addition, Pátria is in the process of raising a new infrastructure fund with a broad mandate for infrastructure throughout Brazil. The firm's capital management group manages a variety of hedge funds with strategies in Brazilian and international equities, Brazilian credit opportunities and money markets. Pátria's investors are diversified and span Brazilian institutional and high-net worth investors and international institutional investors. The funds generally have similar fee and carried interest arrangements as Blackstone investment funds.

Pátria's advisory business focuses on mergers and acquisitions, joint ventures and strategic alliances, restructuring and reorganizations, corporate finance, and financial/economic appraisals.

Investment Process and Risk Management

We maintain a rigorous investment process across all of our funds, accounts and other investment vehicles. Each fund, account or other vehicle has investment policies and procedures that generally contain requirements and limitations for investments, such as limitations relating to the amount that will be invested in any one investment and the types of industries or geographic regions in which the fund, account or other vehicle will invest.

Private Equity Funds

Our Private Equity investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, managing and exiting investments, as well as pursuing operational improvements and value creation. After an initial selection, evaluation and diligence process, the relevant team of investment professionals (i.e., the deal team) will present a proposed transaction at a weekly review committee meeting comprised of senior managing directors of our Private Equity segment. Review committee meetings are led by an executive committee of several senior managing directors of our Private Equity segment. After discussing the contemplated transaction with the deal team, the review committee decides whether to give its preliminary approval to the deal team to continue pursuing the investment opportunity and investigate further any particular issues raised by the review committee during the process.

Once a proposed transaction has reached a more advanced stage, it undergoes a detailed interim review by the review committee of our private equity funds. Following assimilation of the review committee's input and its decision to proceed with a proposed transaction, the proposed investment is vetted by the investment committee. The investment committee of our private equity funds is composed of Stephen A. Schwarzman, Hamilton E. James and selected senior managing directors of our Private Equity segment as appropriate based on the location and sector of the proposed transaction. The investment committee is responsible for approving all investment decisions made on behalf of our private equity funds. Both the review committee and the investment committee processes involve a consensus approach to decision making among committee members.

The investment professionals of our private equity funds are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. In addition to members of a deal team and our portfolio operations group, which is responsible for monitoring and assisting in enhancing portfolio companies' operations and value, all professionals in the Private Equity segment meet several times each year to review the performance of the funds' portfolio companies.

Real Estate Funds

Our real estate operation has an investment committee similar to that described under "—Private Equity Funds." The real estate investment committee, which includes Mr. Schwarzman, Mr. James and the senior managing directors in the Real Estate segment, scrutinizes potential transactions, provides guidance and instructions at the appropriate stage of each transaction and approves the making and disposition of each BREP fund investment. In addition, the committee approves significant illiquid investments by the BREDS funds.

The investment professionals of our real estate funds are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. In addition to members of a deal team and our asset management group responsible for monitoring and assisting in enhancing portfolio companies' operations and value, senior professionals in the Real Estate segment meet several times each year to review the performance of the funds' portfolio companies and investments.

Funds of Hedge Funds

Before deciding to invest in a new hedge fund, our funds of hedge funds team conducts extensive due diligence, including an on-site "front office" review of the hedge fund's performance, investment terms, investment strategy and investment personnel, a "back office" review of the hedge fund's operations, processes, risk management and internal controls, industry reference checks and a legal review of the fund investment structures and legal documents. Once initial due diligence procedures are completed and the investment professionals are satisfied with the results of the review, the team will present the potential hedge fund investment to the investment committee of our funds of hedge funds operation. The investment committee is comprised of the senior managing directors on the investment team and other senior investment personnel. This committee meets formally at least once a month to review, and potentially approve, investment and divestment suggestions. If the investment committee approves a potential hedge fund investment, the executive committee of our funds of hedge funds operation, chaired by Blackstone Vice Chairman J. Tomilson Hill, will make the ultimate decision to approve an investment decision. Members of our funds of hedge funds team monitor and review existing hedge fund investments at least weekly. Additionally, Mr. Hill and other senior members of our funds of hedge funds teams meet weekly with Mr. Schwarzman and Mr. James to monitor and review our funds of hedge funds.

Mutual Funds

Our two Asia-focused closed-end mutual funds, The India Fund and The Asia Tigers Fund, are managed by Punita Kumar-Sinha, the Chief Investment Officer of the funds, with the support of 10 investment professionals located in India, Hong Kong and the United States. The investment process blends fundamental analysis and quantitative tools utilizing a knowledge base developed from corporate and government relationships in India and Asia. This approach includes frequent discussions with management and research based in the region, careful consideration of the macroeconomic and political environments, and the ongoing review of quantitative signals, tools and investment thesis to appropriately manage the funds in changing market conditions. Risk management includes the evaluation of stock specific and systemic risk, forecast tracking error and volatility and the determination of liquidity, position and industry concentration limits. The funds are supported by a dedicated Chief Financial Officer, Chief Compliance Officer and operations team.

Credit Businesses

Each of our credit-oriented funds has an investment committee similar to that described under "—Private Equity Funds." The investment committees for the credit-oriented funds, each of which includes Bennett J. Goodman, J. Albert Smith III and Douglas I. Ostrover and senior members of the respective investment teams associated with each fund, review potential transactions, provide input regarding the scope of due diligence and approve recommended investments and dispositions. These investment committees have delegated certain abilities to approve investments and dispositions to credit committees within each operation which consist of the senior members of the respective investment teams associated with each fund. In addition, senior members of GSO, including Mr. Goodman, Mr. Smith III and Mr. Ostrover, meet weekly with Mr. Schwarzman and Mr. James to discuss investment and risk management activities and market conditions.

The investment decisions for each of our CLOs and publicly registered investment management companies, are made by a separate investment committee, which is composed of the group's senior managing directors and managing directors. The investment committee approves all assets prior to the initial investment by any investment vehicle in such asset. The investment team is staffed by 32 professionals, organized across areas of research, portfolio management, trading, and capital formation to ensure active management of the portfolios and to afford focus on all aspects of our CLOs and publicly registered investment management companies. Investment decisions follow a consensus-based approach and require unanimous approval of the investment committee. Industry-focused research analysts provide the committee with a formal and comprehensive review of any new investment recommendation, while our portfolio managers and trading professionals provide opinions on other technical aspects of the recommendation. Once approved, investments are subject to predetermined periodic reviews to assess their continued fit within the funds. Our research team constantly monitors the operating performance of the underlying issuers, while portfolio managers, in concert with our traders, focus on optimizing asset composition to maximize value for our investors.

Structure and Operation of Our Investment Funds

We conduct the sponsorship and management of our carry funds and other similar vehicles primarily through a partnership structure in which limited partnerships organized by us accept commitments and/or funds for investment from institutional investors and (to a limited extent) high net worth individuals. Such commitments are generally drawn down from investors on an as needed basis to fund investments over a specified term. All of our private equity and real estate funds are commitment structured funds, except for two of our real estate debt funds which are structured like hedge funds where all of the committed capital is funded on or promptly after the investor's subscription date and cash proceeds resulting from the disposition of investments can be reused indefinitely for further investment, subject to certain investor withdrawal rights. Our credit-oriented funds are generally commitment structured funds or hedge funds where the investor's capital is fully funded into the fund upon or soon after the subscription for interests in the fund. Three of our credit-oriented vehicles are publicly registered investment management companies. The CLO vehicles we manage are structured investment vehicles that are generally private companies with limited liability. Most of our funds of hedge funds are structured as funds where the investor's capital is fully funded into the fund upon the subscription for interests in the fund. Our investment funds are generally organized as limited partnerships with respect to U.S. domiciled vehicles and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles. In the case of our separately managed accounts, the investor, rather than us, generally controls the investment vehicle that holds or has custody of the investments we advise the vehicle to make.

Our investment funds, separately managed accounts and other vehicles are generally advised by a Blackstone entity serving as investment adviser which is registered under the U.S. Investment Advisers Act of 1940, or "Advisers Act." Substantially all of the responsibility for the day-to-day operations of each investment vehicle is typically delegated to the Blackstone entity serving as investment adviser pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment adviser to the applicable vehicle, the calculation of management fees to be borne by investors in our investment vehicles, the calculation of and the manner and extent to which other fees received by the investment adviser from fund portfolio companies serve to offset or reduce the management fees payable by investors in our investment funds and certain rights of termination with respect to our investment advisory agreements. For a discussion of the management fees to which our investment advisers are entitled across our various types of investment funds, please see "—Incentive Arrangements / Fee Structure" below. With the exception of the registered investment companies described below, the investment vehicles themselves do not generally register as investment companies under the U.S. Investment Company Act of 1940, or "1940 Act," in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of vehicles formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the 1940 Act exempts from its registration requirements investment vehicles privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are "qualified purchasers" as defined under the 1940 Act. Section 3(c)(1) of the 1940 Act excepts from its registration requirements privately placed investment vehicles whose securities are beneficially owned by not more than 100 persons. In addition, under current interpretations of the United States Securities and Exchange Commission ("SEC"), Section 7(d) of the 1940 Act exempts from registration any non-U.S. investment vehicle all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

In some cases, one or more of our investment advisers advises funds registered under the 1940 Act. For example, one of our investment advisers advises the two publicly-traded closed-end mutual funds, The India Fund and The Asia Tigers Fund. In addition, GSO serves as an investment advisor to two publicly-traded closed-end investment management companies and as a sub-adviser to a registered investment advisor, which manages a closed-end investment management company called FS Investment Corporation that is registered as a business development company under the 1940 Act.

In addition to having an investment adviser, each investment fund that is a limited partnership, or "partnership" fund, also has a general partner that makes all operational and investment decisions relating to the conduct of the investment fund's business. Furthermore, all decisions concerning the making, monitoring and disposing of investments are made by the general partner. The limited partners of the partnership funds take no part in the conduct or control of the business of the investment funds, have no right or authority to act for or bind the investment funds and have no influence over the voting or disposition of the securities or other assets held by the investment funds. These decisions are made by the investment fund's general partner in its sole discretion. With the exception of certain of our funds of hedge funds and certain credit-oriented funds, third-party investors in our funds have the right to remove the general partner of the fund or to accelerate the liquidation date of the investment fund without cause by a simple majority vote. In addition, the governing agreements of our investment funds provide that in the event certain "key persons" in our investment funds do not meet specified time commitments with regard to managing the fund (for example, both of Stephen A. Schwarzman and Hamilton E. James in the case of our private equity funds), then investors in certain funds have the right to vote to terminate the investment period by a simple majority vote in accordance with specified procedures, accelerate the withdrawal of their capital on an investor-by-investor basis, or the fund's investment period will automatically terminate and the vote of a simple majority of investors is required to restart it.

Incentive Arrangements / Fee Structure

The investment adviser of each of our carry funds generally receives an annual management fee that ranges from 1% to 1.65% of the investment fund's capital commitments during the investment period and from 0.75% to 1.75% of invested capital after the investment period, except that the investment advisers to certain of our credit-oriented and real estate debt carry funds receive an annual management fee that ranges from 1.0% to 1.5% of invested capital throughout the term of the fund. The investment adviser of each of our credit-oriented and certain of our real estate debt funds that are structured like a hedge fund generally receives an annual management fee that ranges from 0.75% to 2.0% of the fund's net asset value and for general partners or similar entities a performance-based allocation fee (or similar incentive fee) equal to a range of 10% to 20% of the applicable fund's net capital appreciation per annum, subject to certain net loss carry-forward provisions (known as a "high water mark"). The investment adviser of each of our funds of hedge funds and separately managed accounts that invest in hedge funds is generally entitled to a management fee with respect to each fund it manages ranging from 0.65% to 1.5% of assets under management per annum plus, in some cases, an incentive fee generally ranging from 5% to 10% of the applicable fund's net appreciation per annum, subject to a highwater mark and in some cases a preferred return. The investment adviser of each of our CLOs receives annual management fees typically equal to 0.40% to 1.25% of each fund's total assets, subject to certain performance measures related to the underlying assets the vehicle owns, and additional management fees which are incentive-based (that is, subject to meeting certain return criteria). The investment adviser of our credit-oriented separately managed accounts receives annual management fees typically equal to 0.35% to 1.50% of each account's invested capital or net asset value. The investment adviser of our Indian-focused and Asian-focused closed-end mutual funds receives an annual management fee that ranges from 0.75% to 1.1% depending on the amount of assets in the applicable fund. The investment adviser to our three credit-oriented publicly registered closed-end management investment companies receives annual management fees typically equal to 1.5% of each company's net asset value or total managed assets. In addition, for the business development company we sub-advise, we receive an incentive fee of 10% of the vehicle's net appreciation per annum, subject to a preferred return.

The management fees we receive from our carry funds are payable on a regular basis (typically quarterly) in the contractually prescribed amounts noted above over the life of the fund and do not depend on the investment performance of the fund. The management fees we receive from our hedge funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual or quarterly withdrawal or redemption rights following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years) and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor's capital account grows and will proportionately decrease as the net asset value of each investor's capital account decreases. The management fees we receive from our separately managed accounts are generally paid on a regular basis (typically quarterly) and may alternatively be based on invested capital or proportionately increase or decrease based on the net asset value of the separately managed account. In each case the management fees we are paid for managing a separately managed account will generally be subject to contractual rights the investor has to terminate our management of an account on as short as 30 days' prior notice. The management fees we receive from the publicly traded investment management companies we manage are generally paid on a regular basis (typically quarterly) and proportionately increase or decrease based on the net asset value of the investment management company. The management fees we are paid for managing the investment management company will generally be subject to contractual rights the company's board of directors (or, in the case of the business development company we manage, the investment advisor) has to terminate our management of an account on as short as 30 days' prior notice.

The general partner or an affiliate of each of our carry funds also receives carried interest from the investment fund. Carried interest entitles the general partner (or an affiliate) to a preferred allocation of income and gains from a fund. The carried interest is typically structured as a net profits interest in the applicable fund. In the case of our carry funds, carried interest is calculated on a "realized gain" basis, and each general partner is generally entitled to a carried interest equal to 20% of the net realized income and gains (generally taking into account unrealized losses) generated by such fund, except that the general partners (or affiliates) of certain of our credit-oriented and real estate debt funds are entitled to a carried interest that ranges from 10% to 15% depending on the specific fund. Net realized income or loss is not netted between or among funds. For most carry funds, the carried interest is subject to an annual preferred limited partner return ranging from 7.0% to 10.0%, subject to a catch-up allocation to the general partner. If, at the end of the life of a carry fund or earlier with respect to our real estate funds, as a result of diminished performance of later investments in a carry fund's life, the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives in excess of 20% (10% or 15% in the case of certain of our credit-oriented and real estate debt carry funds) of the fund's net profits over the life of the fund, we will be obligated to repay an amount equal to the carried interest that was previously distributed to us that exceeds the amounts to which we are ultimately entitled. This obligation is known as a "clawback" obligation and is an obligation of any person who directly received such carried interest, including us and our employees who participate in our carried interest plans. Although a portion of any distributions by us to our unitholders may include any carried interest received by us, we do not intend to seek fulfillment of any clawback obligation by seeking to have our unitholders return any portion of such distributions attributable to carried interest associated with any clawback obligation. The clawback obligation operates with respect to a given carry fund's own net investment performance only and performance fees of other funds are not netted for determining this contingent obligation. Moreover, although a clawback obligation is several, the governing agreements of most of our funds provide that to the extent another recipient of carried interest (such as a current or former employee) does not fund his or her respective share, then we and our employees who participate in such carried interest plans may have to fund additional amounts (generally up to an additional 50%) beyond what we actually received in carried interest, although we will retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations. We have recorded a contingent repayment obligation equal to the amount that would be due on December 31, 2010, if the various carry funds were liquidated at their current carrying value. Our ability to generate carried interest is an important element of our business and carried interest has historically accounted for a very significant portion of our income.

For additional information concerning the clawback obligations we could face, see "—Item 1A. Risk Factors—We may not have sufficient cash to pay back 'clawback' obligations if and when they are triggered under the governing agreements with our investors."

Many of our investment advisors, especially private equity and real estate advisors, receive customary fees (e.g., acquisition fees or origination fees) upon consummation of many of the funds' transactions, receive monitoring fees from many of the funds' portfolio companies for continued advice from the investment adviser, and may from time to time receive disposition and other fees in connection with their activities. The acquisition fees which they receive are generally calculated as a percentage (that generally can range up to 1%) of the total enterprise value of the acquired entity. Most of our carry funds are required to reduce the management fees charged to their limited partner investors by 50% to 100% of such transaction fees and certain other fees that they receive.

Capital Invested In and Alongside Our Investment Funds

To further align our interests with those of investors in our investment funds, we have invested the firm's capital and that of our personnel in the investment funds we sponsor and manage. Minimum general partner capital commitments to our investment funds are determined separately with respect to our investment funds and, generally, are less than 5% of the assets of any particular fund. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Sources of Cash and Liquidity Needs" for more information regarding our minimum general partner capital commitments to our funds. We determine whether to make general partner capital commitments to our funds in excess of the minimum required commitments based on a variety of factors, including estimates regarding liquidity over the estimated time period during which commitments will be funded, estimates regarding the amounts of capital that may be appropriate for other opportunities or other funds we may be in the process of raising or are considering raising, prevailing industry standards with respect to sponsor commitments and our general working capital requirements. In some cases, we require our senior managing directors and other professionals to fund a portion of the general partner capital commitments to our funds. In other cases, we may from time to time on an annual basis offer to our senior managing directors and employees a part of the general partner commitments to our investment funds. Our general partner capital commitments are funded with cash and not with carried interest or deferral of management fees.

Investors in many of our funds also receive the opportunity to make additional "co-investments" with the investment funds. Our senior managing directors and employees, as well as Blackstone itself, also have the opportunity to make co-investments, which we refer to as "side-by-side investments," with many of our carry funds. Co-investments and side-by-side investments are investments in portfolio companies or other assets on the same terms and conditions as those acquired by the applicable fund. Co-investments refer to investments arranged by us that are made by our limited partner investors (and other investors in some instances) in a portfolio company or other assets alongside an investment fund. In certain cases, limited partner investors may pay additional management fees or carried interest in connection with such co-investments. Side-by-side investments are similar to co-investments but are made by senior managing directors, employees and certain affiliates of Blackstone pursuant to a binding election, subject to certain limitations, submitted in January of each year for the estimated activity during the ensuing 12 months under which those persons are permitted to make investments alongside a particular carry fund in all transactions of that fund for that year. Our side-by-side investments are funded in cash and are not generally subject to management fees or carried interest.

Competition

The asset management and financial advisory industries are intensely competitive, and we expect them to remain so. We compete both globally and on a regional, industry and niche basis. We compete on the basis of a number of factors, including investment performance, transaction execution skills, access to capital, access to and retention of qualified personnel, reputation, range of products and services, innovation and price.

Asset Management . We face competition both in the pursuit of outside investors for our investment funds and in acquiring investments in attractive portfolio companies and making other investments. Depending on the investment, we face competition primarily from sponsors managing other private equity funds, specialized investment funds, hedge funds and other pools of capital, other financial institutions including sovereign wealth funds, corporate buyers and other parties. Several of these competitors have significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources or other resources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. Competitors may also be subject to different regulatory regimes or rules that may provide them more flexibility or better access to pursue transactions or raise capital for their investment funds. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment or be perceived by sellers as otherwise being more desirable bidders, which may provide them with a competitive advantage in bidding for an investment. Lastly, any increase in the allocation of amounts of capital to alternative investment strategies by institutional and individual investors could lead to a reduction in the size and duration of pricing inefficiencies that many of our investment funds seek to exploit.

Financial Advisory . Our competitors are other advisory, investment banking and financial firms. Our primary competitors in our financial advisory business are large financial institutions, many of which have far greater financial and other resources and much broader client relationships than us and (unlike us) have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage and a wide range of investment banking services, which may enhance their competitive position. Our competitors also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services and products in an effort to gain market share, which puts us at a competitive disadvantage and could result in pricing pressures that could materially adversely affect our revenue and profitability. In the current market environment, we are also seeing increased competition from independent boutique advisory firms focused primarily on mergers and acquisitions and other strategic advisory and/or restructuring services. In addition, Park Hill Group operates in a highly competitive environment and the barriers to entry into the fund placement business are low.

In all of our businesses, competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see “Item 1A. Risk Factors—Risks Related to Our Asset Management Business—The asset management business is intensely competitive” and “—Risks Related to Our Financial Advisory Business—We face strong competition from other financial advisory firms”.

Employees

As of December 31, 2010, we employed approximately 1,440 people, including our 106 senior managing directors and approximately 560 other investment and advisory professionals. We strive to maintain a work environment that fosters professionalism, excellence, integrity and cooperation among our employees.

Regulatory and Compliance Matters

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere.

All of the investment advisers of our investment funds operating in the U.S. are registered as investment advisers with the SEC (other investment advisers are registered in non-U.S. jurisdictions). Registered investment advisers are subject to the requirements and regulations of the Advisers Act. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an adviser and advisory clients and general anti-fraud prohibitions.

Blackstone Advisory Partners L.P., a subsidiary of ours through which we conduct our financial advisory business, is registered as a broker-dealer with the SEC, is a member of The Financial Industry Regulatory Authority, or "FINRA," and is registered as a broker-dealer in 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the Virgin Islands. Park Hill Group LLC is registered as a broker-dealer with the SEC, is a member of FINRA and is registered as a broker-dealer in numerous states. Park Hill Group Real Estate Group LLC is also registered as a broker-dealer with the SEC, is a member of FINRA and is registered as a broker-dealer in numerous states. Our broker-dealer entities are subject to regulation and oversight by the SEC. In addition, FINRA, a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including our broker-dealer entities. State securities regulators also have regulatory or oversight authority over our broker-dealer entities.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self-regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

Two of our subsidiaries, The Blackstone Group International Partners LLP and GSO Capital Partners International LLP ("GSO International"), are regulated by the U.K. Financial Services Authority ("FSA") and are authorized investment managers in the United Kingdom. The U.K. Financial Services and Markets Act 2000, or "FSMA," and rules promulgated thereunder govern all aspects of our investment business in the United Kingdom, including sales, research and trading practices, provision of investment advice, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. Pursuant to the FSMA, certain of our subsidiaries are subject to regulations promulgated and administered by the U.K. Financial Services Authority.

In addition, each of the closed-end mutual funds and investment management companies we manage is registered under the 1940 Act as a closed-end investment company. The closed-end mutual funds and investment management companies and the entities that serve as those vehicles' investment advisers are subject to the 1940 Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions.

The SEC and various self-regulatory organizations have in recent years increased their regulatory activities in respect of asset management firms.

Certain of our businesses are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments (including, without limitation, India, Japan and Hong Kong), their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, marketing of investment products, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or damage our reputation. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities. However, additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture and risk management. In addition, disclosure controls and procedures and internal controls over financial reporting are documented, tested and assessed for design and operating effectiveness in compliance with the U.S. Sarbanes-Oxley Act of 2002. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of conduct, compliance systems, communication of compliance guidance and employee education and training. Our enterprise risk management function further analyzes our business, investment, and other key risks, reinforcing their importance in our environment. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Legal Officer supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

Our compliance group also monitors the information barriers that we maintain between each of our different businesses. We believe that our various businesses' access to the intellectual knowledge and contacts and relationships that reside throughout our firm benefits all of our businesses. However, in order to maximize that access without compromising our compliance with the legal and contractual obligations to which we are subject, our compliance group oversees and monitors the communications between or among our firm's different businesses to facilitate regulatory compliance.

The firm also has an Internal Audit department with a global mandate and dedicated resources that provides risk-based audit, Sarbanes-Oxley Act compliance, and enterprise risk management functions. Internal Audit aims to provide reasonable, independent, and objective assurance to our management and the board of directors of our general partner that risks are well-managed and that controls are appropriate and effective.

There are a number of pending or recently enacted legislative and regulatory initiatives in the United States and in Europe that could significantly affect our business. Please see "Regulatory changes in the United States could adversely affect our business" and "Recent regulatory changes in jurisdictions outside the United States could adversely affect our business" in "Part I. Item 1A. Risk Factors—Risks Related to Our Business."

Available Information

The Blackstone Group L.P. is a Delaware limited partnership that was formed on March 12, 2007.

We file annual, quarterly and current reports and other information with the SEC. These filings are available to the public over the internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Our principal internet address is www.blackstone.com. We make available free of charge on or through www.blackstone.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The contents of our website are not, however, a part of this report.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

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 flow and adversely affect our financial condition.

Our business is materially affected by conditions in the global financial markets and economic conditions or events throughout the world that are outside our control, including but not limited to changes in interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these market conditions and/or other events. In the event of a market downturn each of our businesses could be affected in different ways.

For example, the unprecedented turmoil in the global financial markets during 2008 and 2009 provoked significant volatility of securities prices, contraction in the availability of credit and the failure of a number of companies, including leading financial institutions, had a significant material adverse effect on our investment businesses, particularly our private equity and real estate businesses. During that period, many economies around the world, including the U.S. economy, experienced significant declines in employment, household wealth, and lending. Those events led to a significantly diminished availability of credit and an increase in the cost of financing. The lack of credit materially hindered the initiation of new, large-sized transactions for our private equity and real estate segments and adversely impacted our operating results in those periods. While the adverse effects of that period have abated, there continue to be lingering signs of economic weakness such as relatively high levels of unemployment in major markets such as the U.S. and Europe, and financial institutions have not yet provided debt financing in amounts and on the terms commensurate with what they provided prior to 2008.

Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds. During periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or geographies), our funds' portfolio companies may experience adverse operating performance, decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. Negative financial results in our investment funds' portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our ability to raise new funds as well as our operating results and cash flow. To the extent the operating performance of those portfolio companies (as well as valuation multiples) do not improve or other portfolio companies experience adverse operating performance, our investment funds may sell those assets at values that are less than we projected or even a loss, thereby significantly affecting those investment funds' performance and consequently our operating results and cash flow. During such periods of weakness, our investment funds' portfolio companies may also have difficulty expanding their businesses and operations or meeting their debt service obligations or other expenses as they become due, including expenses payable to us. Furthermore, such negative market conditions could potentially result in a portfolio company entering bankruptcy proceedings, thereby potentially resulting in a complete loss of the fund's investment in such portfolio company and a significant negative impact to the investment fund's performance and consequently our operating results and cash flow, as well as to our reputation. In addition, negative market conditions would also increase the risk of default with respect to investments held by our investment funds that have significant debt investments, such as our credit-oriented funds. Although market conditions improved during 2010, we are unable to predict whether economic and market conditions will continue to improve. Even if such conditions do improve broadly and significantly over the long term, adverse conditions and/or other events in particular sectors may cause our performance to suffer further.

Our operating performance may also be adversely affected by our fixed costs and other expenses and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. In order to reduce expenses in the face of a difficult economic environment, we may need to cut back or eliminate the use of certain services or service providers, or terminate the employment of a significant number of our personnel that, in each case, could be important to our business and without which our operating results could be adversely affected.

In addition, our financial advisory business can be materially affected by conditions in the global economy and various financial markets. For example, revenues generated by our financial advisory business are directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable market or economic conditions, the volume and value of mergers and acquisitions transactions may decrease, thereby reducing the demand for our financial advisory services and increasing price competition among financial services companies seeking such engagements.

Changes in the debt financing markets could negatively impact the ability of our funds and their portfolio companies to obtain attractive financing or re-financing for their investments and could increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income.

Any recurrence of the significant contraction in the market for debt financing that occurred in 2008 and 2009 or other adverse change to us relating to the terms of such debt financing with, for example, higher rates, higher equity requirements, and/or more restrictive covenants, particularly in the area of acquisition financings for private equity and real estate transactions, would have a material adverse impact on our business. In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Similarly, our funds' portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that the credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that the markets make it difficult or impossible to refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

A decline in the pace or size of investment by our private equity and real estate funds or an increase in the amount of transaction and monitoring fees we share with our investors would result in our receiving less revenue from transaction and monitoring fees.

The transaction and monitoring fees that we earn are driven in part by the pace at which our private equity and real estate funds make investments and the size of those investments. Any decline in that pace or the size of such investments would reduce our transaction and monitoring fees. Many factors could cause such a decline in the pace of investment, including the inability of our investment professionals to identify attractive investment opportunities, competition for such opportunities among other potential acquirers, decreased availability of capital on attractive terms and our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets. For example, the more limited financing options for large private equity and real estate investments resulting from the credit market dislocations in 2008 and 2009 have reduced the pace and size of investments by our private equity and real estate funds. In addition, we have confronted and expect to continue to confront requests from a variety of investors and groups representing investors to increase the percentage of transaction and monitoring fees we share with our investors. To the extent we accommodate such requests, and in certain cases we have and we expect to continue to do so, it would result in a decrease in the amount of fee revenue we earn.

Our revenue, net income and cash flow are all highly variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our common units to decline.

Our revenue, net income and cash flow are all highly variable. For example, our cash flow may fluctuate significantly due to the fact that we receive carried interest from our carry funds only when investments are realized and achieve a certain preferred return. In addition, transaction fees received by our carry funds and fees received by our advisory business can vary significantly from quarter to quarter. We may also experience fluctuations in our results, including our revenue and net income, from quarter to quarter due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of our common units and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the price of our common units or increased volatility in our common unit price generally.

The timing and receipt of carried interest generated by our carry funds is uncertain and will contribute to the volatility of our results. Carried interest depends on our carry funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash (or other proceeds). We cannot predict when, or if, any realization of investments will occur. In addition, upon the realization of a profitable investment by any of our carry funds and prior to us receiving any carried interest in respect of that investment, 100% of the proceeds of that investment must generally be paid to the investors in that carry fund until they have recovered certain fees and expenses and achieved a certain return on all realized investments by that carry fund as well as a recovery of any unrealized losses. If we were to have a realization event in a particular quarter, it may have a significant impact on our results for that particular quarter which may not be replicated in subsequent quarters. We recognize revenue on investments in our investment funds based on our allocable share of realized and unrealized gains (or losses) reported by such investment funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue and possibly cash flow, which could further increase the volatility of our quarterly results. Because our carry funds have preferred return thresholds to investors that need to be met prior to Blackstone receiving any carried interest, substantial declines in the carrying value of the investment portfolios of a carry fund can significantly delay or eliminate any carried interest distributions paid to us in respect of that fund since the value of the assets in the fund would need to recover to their aggregate cost basis plus the preferred return over time before we would be entitled to receive any carried interest from that fund.

With respect to most of our funds of hedge funds and credit-oriented and real estate debt funds structured like hedge funds, our incentive income is paid annually or semi-annually, and the varying frequency of these payments will contribute to the volatility of our cash flow. Furthermore, we earn this incentive income only if the net asset value of a fund has increased or, in the case of certain funds, increased beyond a particular return threshold. Certain of these funds also have "high water marks" whereby we do not earn incentive income during a particular period even though the fund had positive returns in such period as a result of losses in prior periods. If one of these funds experiences losses, we will not be able to earn incentive income from the fund until it surpasses the previous high water mark. The incentive income we earn is therefore dependent on the net asset value of the fund, which could lead to significant volatility in our results.

We also earn a portion of our revenue from financial advisory engagements, and in many cases we are not paid until the successful consummation of the underlying transaction, restructuring or closing of the fund. As a result, our financial advisory revenue is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. If a transaction, restructuring or funding is not consummated, we often do not receive any financial advisory fees other than the reimbursement of certain out-of-pocket expenses, despite the fact that we may have devoted considerable resources to these transactions.

Because our revenue, net income and cash flow can be highly variable from quarter to quarter and year to year, we do not provide any guidance regarding our expected quarterly and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in our common unit price.

Adverse economic and market conditions may adversely affect our liquidity position, which could adversely affect our business operations in the future.

We use 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 for business expansion; (c) pay operating expenses and other obligations as they arise; (d) fund capital expenditures; (e) service interest payments on our debt and repay debt; (f) pay income taxes; and (g) make distributions to our unitholders and the holders of Blackstone Holdings Partnership Units. In addition to the cash we received in connection with our IPO, our $600 million debt offering in August 2009 and our $400 million debt offering in September 2010, our principal sources of cash are: (a) Net Fee Related Earnings from Operations, (b) Realized Performance Fees net of related profit sharing interests that are included in Compensation and (c) Blackstone Investment Income related to its investments in liquid funds and its net realized investment income on its illiquid investments. We have also entered into a $1 billion revolving credit facility with a final maturity date of March 23, 2013. Our long-term debt totaled $1 billion in borrowings from the 2009 and 2010 bond issuances and we had no borrowings outstanding against our $1 billion revolving credit facility. At the end of 2010, we had $588.6 million in cash, $1.1 billion invested in our Treasury cash management strategies, $285.2 million invested in liquid Blackstone funds and $1.6 billion invested in illiquid Blackstone funds.

If the global economy and conditions in the financing markets fail to improve or worsen, our fund investment performance could suffer, resulting in, for example, the payment of less or no carried interest to us. The payment of less or no carried interest could cause our cash flow from operations to significantly decrease, which could materially and adversely affect our liquidity position and the amount of cash we have on hand to conduct our operations. Having less cash on hand could in turn require us to rely on other sources of cash (such as the capital markets which may not be available to us on acceptable terms) to conduct our operations, which include, for example, funding significant general partner and co-investment commitments to our carry funds. Furthermore, during adverse economic and market conditions, we might not be able to renew all or part of our existing revolving credit facility or find alternate financing on commercially reasonable terms. As a result, our uses of cash may exceed our sources of cash, thereby potentially affecting our liquidity position.

We depend on our founder and other key senior managing directors and the loss of their services would have a material adverse effect on our business, results and financial condition.

We depend on the efforts, skill, reputations and business contacts of our founder, Stephen A. Schwarzman, our President and Chief Operating Officer, Hamilton E. James, our Vice Chairman, J. Tomilson Hill, and other key senior managing directors, the information and deal flow they and other senior managing directors generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success will depend on the continued service of these individuals, who are not obligated to remain employed with us. Several key senior managing directors have left the firm in the past and others may do so in the future, and we cannot predict the impact that the departure of any key senior managing director will have on our ability to achieve our investment objectives. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future. We have historically relied in part on the interests of these professionals in the investment funds' carried interest and incentive fees to discourage them from leaving the firm. However, to the extent our investment funds perform poorly, thereby reducing the potential for carried interest and incentive fees, their interests in carried interest and incentive fees become less valuable to them and become less effective as incentives for them to continue to be employed at Blackstone.

Our senior managing directors and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds, clients and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds, our clients and members of the business community and result in the reduction of assets under management or fewer investment opportunities.

Our publicly traded structure may adversely affect our ability to retain and motivate our senior managing directors and other key personnel and to recruit, retain and motivate new senior managing directors and other key personnel, both of which could adversely affect our business, results and financial condition.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our senior managing directors and other professionals. Our future success and growth depends to a substantial degree on our ability to retain and motivate our senior managing directors and other key personnel and to strategically recruit, retain and motivate new talented personnel. Most of our current senior managing directors and other senior personnel have equity interests in our business that are primarily partnership units in Blackstone Holdings (as defined under "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence—Blackstone Holdings Partnership Agreements") and which entitle such personnel to cash distributions. However, the value of such Blackstone Holdings partnership units and the distributions in respect of these equity interests may not be sufficient to retain and motivate our senior managing directors and other key personnel, nor may they be sufficiently attractive to strategically recruit, retain and motivate new talented personnel. Moreover, prior to our IPO, many of our senior managing directors and other senior personnel had interests in each of our underlying businesses which may have entitled to them to a larger amount of cash distributions than they receive in respect of Blackstone Holdings partnership units.

Additionally, the retention of an increasingly larger portion of the Blackstone Holdings partnership units held by senior managing directors is not dependent upon their continued employment with us as those equity interests continue to vest as time passes. Moreover, the minimum retained ownership requirements and transfer restrictions to which these interests are subject in certain instances lapse over time, may not be enforceable in all cases and can be waived. There is no guarantee that the non-competition and non-solicitation agreements to which our senior managing directors are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us or that these agreements will be enforceable in all cases. In addition, these agreements will expire after a certain period of time, at which point each of our senior managing directors would be free to compete against us and solicit investors in our funds, clients and employees.

We might not be able to provide future senior managing directors with equity interests in our business to the same extent or with the same tax consequences from which our existing senior managing directors previously benefited. For example, if legislation were to be enacted by the U.S. Congress or any state or local governments to treat carried interest as ordinary income rather than as capital gain for tax purposes, such legislation would materially increase the amount of taxes that we and possibly our unitholders would be required to pay, thereby adversely affecting our ability to recruit, retain and motivate our current and future professionals. See "—Risks Related to United States Taxation—Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis."

Alternatively, the value of the units we may issue senior managing directors at any given time may subsequently fall (as reflected in the market price of our common units), which could counteract the incentives we are seeking to induce in them. Therefore, in order to recruit and retain existing and future senior managing directors, we may need to increase the level of compensation that we pay to them. Accordingly, as we promote or hire new senior managing directors over time, we may increase the level of compensation we pay to our senior managing directors, which would cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. In addition, issuance of equity interests in our business in the future to senior managing directors and other personnel would dilute public common unitholders.

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with investors. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain this culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

Our plan, to the extent that market conditions permit, is to grow our investment and financial advisory businesses and expand into new investment strategies, geographic markets and businesses. Our organizational documents do not limit us to the investment management and financial advisory businesses. Accordingly, we may pursue growth through acquisitions of other investment management or advisory companies, acquisitions of critical business partners or other strategic initiatives. In addition, we expect opportunities will arise to acquire other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with (a) the required investment of capital and other resources, (b) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, (c) combining or integrating operational and management systems and controls and (d) the broadening of our geographic footprint, including the risks associated with conducting operations in non-U.S. jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control.

If we are unable to consummate or successfully integrate additional development opportunities, acquisitions or joint ventures, we may not be able to implement our growth strategy successfully.

Our growth strategy is based, in part, on the selective development or acquisition of asset management businesses, advisory businesses or other businesses complementary to our business where we think we can add substantial value or generate substantial returns. The success of this strategy will depend on, among other things: (a) the availability of suitable opportunities; (b) the level of competition from other companies that may have greater financial resources; (c) our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities; (d) our ability to identify and enter into mutually beneficial relationships with venture partners; (e) and our ability to successfully integrate and oversee the operations of the new businesses. If we are not successful in implementing our growth strategy, our business, financial results and the market price for our common units may be adversely affected.

The U.S. Congress recently considered legislation that, if enacted, would have (a) for taxable years beginning ten years after the date of enactment, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (b) taxed individual holders of common units with respect to certain income and gains at increased rates. If 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 have, in general, treated 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 would have been 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 have been 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 whether or when the U.S. Congress will reconsider similar legislation or what provisions will be included in any final legislation if enacted.

The House bill provided 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 would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation were to be 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.

The Obama administration has indicated that 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 proposal for 2012, the Obama administration proposed that the current law regarding the treatment of carried interest be changed to subject such income to ordinary income tax (which would be taxed at a higher rate than the proposed blended rate under the House legislation). The Obama administration proposed similar changes in its published revenue proposals for 2010 and 2011.

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 have taxed as corporations publicly traded partnerships that directly or indirectly derived income from investment advisor or asset management services. In 2008, the U.S. House of Representatives passed a bill that would have generally (a) treated carried interest as non-qualifying income under the tax rules applicable to publicly traded partnerships, which could have precluded us from qualifying as a partnership for U.S. federal income tax purposes, and (b) taxed 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 have taxed carried interest as ordinary income starting in the year of enactment. The legislation passed by the House in December 2009 and certain other versions of the proposed legislation contained a transition rule that may have delayed 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 2010, the New York State Assembly passed a bill, which could have caused 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 have been retroactive to January 1, 2010. It is unclear whether or when similar legislation will be enacted. Finally, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distribution to you would be reduced.

The potential requirement to convert our financial statements from being prepared in conformity with accounting principles generally accepted in the United States of America to International Financial Reporting Standards may strain our resources and increase our annual expenses.

As a public entity, the SEC may require in the future that we report our financial results under International Financial Reporting Standards ("IFRS") instead of under accounting principles generally accepted in the United States of America ("U.S. GAAP"). IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board ("IASB") and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect Blackstone. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of Blackstone, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

Operational risks may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to our investment funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on us.

Furthermore, we depend on our headquarters in New York City, where most of our personnel are located, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Finally, we rely on third-party service providers for certain aspects of our business, including for certain information systems and technology and administration of our hedge funds. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the funds' operations and could affect our reputation and hence adversely affect our businesses.

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our business. Legislative or regulatory changes could adversely affect us.

Our asset management and financial advisory businesses are subject to extensive regulation. We are subject to regulation, including periodic examinations, by governmental and self regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing clients or fail to gain new asset management or financial advisory clients. In addition, we regularly rely on exemptions from various requirements of the U.S. Securities Act of 1933, as amended, or "Securities Act," the Exchange Act, the U.S. Investment Company Act of 1940, as amended, or "1940 Act," and the U.S. Employee Retirement Income Security Act of 1974, as amended, in conducting our asset management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third party claims and our business could be materially and adversely affected. See "—Risks Related to Our Organizational Structure—If The Blackstone Group L.P. were deemed an "investment company" under the 1940 Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business". Lastly, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our investment funds and are not designed to protect our common unitholders. Consequently, these regulations often serve to limit our activities and impose burdensome compliance requirements.

Regulatory changes in the United States could adversely affect our business.

As a result of the financial crisis and highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets and the regulatory environment in which we operate in the United States. There has been an active debate over the appropriate extent of regulation and oversight of private investment funds and their managers. In addition, we may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC or other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which imposes significant new regulations on almost every aspect of the U.S. financial services industry, including aspects of our business. Among other things, the Dodd-Frank Act includes the following provisions which could have an adverse impact on our ability to conduct our business:

- The Dodd-Frank Act establishes the Financial Stability Oversight Council (the "FSOC"), a federal agency acting as the financial system's systemic risk regulator with the authority to review the activities of non-bank financial companies predominantly engaged in financial activities that are designated as "systemically important." Such designation is applicable to companies where material distress could pose risk to the financial stability of the United States. While the Federal Reserve Chairman has suggested that it would be rare for a private equity firm to be designated as systemically important, if such designation were to occur to us, we would be subject to significantly increased levels of regulation, which includes, without limitation, a requirement to adopt heightened standards relating to capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and being subject to annual stress tests by the Federal Reserve Bank. In connection with the work of the FSOC, the SEC recently proposed a private fund systemic risk reporting rule which is designed to assist the FSOC in gathering information from many sectors of the financial system for monitoring risks. This proposed rule would require large private equity fund advisers, such as Blackstone, to submit reports focusing primarily on the extent of leverage incurred by their funds' portfolio companies, the use of bridge financing and their funds' investments in financial institutions.

- The Dodd-Frank Act, under what has become known as the "Volcker Rule," generally prohibits bank holding companies (including foreign banks with U.S. branches) and banks (including their subsidiaries and affiliates) from investing in or sponsoring private equity funds or hedge funds. The Volcker Rule will become effective on July 21, 2012 and is subject to transition periods and exceptions for "permitted activities." While there is substantial uncertainty regarding the availability of transition period relief and the general practical implications of the Volcker Rule, there could be adverse implications on our ability to raise funds from bank holding companies as a result of this prohibition.
- The Dodd-Frank Act requires private equity and hedge fund advisers to register with the SEC under the Investment Advisers Act, to maintain extensive records and to file reports if deemed necessary for purposes of systemic assessment by certain governmental bodies. As described elsewhere in this Form 10-K, all of the investment advisers of our investment funds operated in the U.S. are registered as investment advisers with the SEC.

In June 2010, the SEC approved Rule 206(4)-5 under the Advisers Act regarding "pay to play" practices by investment advisers involving campaign contributions and other payments to government clients and elected officials able to exert influence on such clients. The rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. Any failure on our part to comply with the rule could expose us to significant penalties and reputational damage. In addition, there have been similar rules on a state level regarding "pay to play" practices by investment advisers.

In September 2010, California enacted legislation, which became effective on January 1, 2011, requiring placement agents who solicit funds from the California state retirement systems, such as the California Public Employees' Retirement System and the California State Teachers' Retirement System to register as lobbyists. In addition to increased reporting requirements, the legislation prohibits placement agents from receiving contingent compensation for soliciting investments from California state retirement systems. Moreover, other states or municipalities may consider similar legislation as that enacted in California or adopt regulations or procedures with similar effect. These types of measures could materially and adversely impact our fund placement business.

Recent regulatory changes in jurisdictions outside the United States could adversely affect our business.

Similar to the environment in the United States, the current environment in jurisdictions outside the United States in which we operate, in particular Europe, has become subject to further regulation. Governmental regulators and other authorities in Europe have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business.

In October 2010, the EU Council of Ministers adopted a directive to amend the revised Capital Requirements Directive, ("CRD III"), which, among other things, requires EU member states to introduce stricter control on remuneration of key employees and risk takers within specific credit institutions and investment firms. The FSA has implemented CRD III by amending its remuneration code, although the extent of the regulatory impact will differ depending on a firm's size and the nature of its activities. We currently operate two entities in the United Kingdom—The Blackstone Group International Partners LLP and GSO Capital Partners International LLP—neither of which is subject to the quantitative provisions of the remuneration code. Accordingly, we do not currently anticipate that implementation of the FSA remuneration code will have any material impact on us.

In November 2010, the European Parliament voted to approve the EU Directive on Alternative Investment Fund Managers, which establishes a new EU regulatory regime for alternative investment fund managers, including private equity and hedge fund managers. The EU Directive generally applies to managers with a registered office in the EU (or managing an EU-based fund vehicle), as well as non EU-based managers, such as our affiliates, that market securities of alternative investment funds in the EU. In general, the EU Directive will have a staged implementation over a period of years beginning in mid-2013 for EU-based managers (or EU-based funds) and no later than 2018 for non-EU based managers marketing non-EU-based funds into the EU. Even as early as 2013, we will need to comply with certain provisions of the EU Directive in order to market our investment funds into Europe, including compliance with disclosure and transparency guidelines and asset-stripping restrictions (which prohibit distributions to shareholders for 24 months following closing of an acquisition). Blackstone's compliance with the EU Directive, which can be no later than 2018, will subject it to a number of additional requirements, including rules relating to the remuneration of certain personnel (principally adopting the provisions of CRD III referred to above), certain capital requirements for alternative investment fund managers, leverage oversight for each investment fund, liquidity management, and retention of depositaries for each investment fund. Compliance with the requirements of the EU Directive will impose additional compliance burdens and expense for us and could reduce our operating flexibility and fund-raising opportunities.

In Denmark and Germany, legislative amendments have been adopted which may limit deductibility of interest and other financing expenses in companies in which our funds have invested or may invest in the future. In brief, the Danish legislative amendments generally entail that annual net financing expenses in excess of a certain threshold amount (approximately €2.9 million in 2010) will be limited on the basis of earnings before interest and taxes and/or asset tax values. According to the German legislative amendments, interest expenses exceeding the interest income of the same fiscal year may be deducted only up to 30% of the (adjusted) taxable earnings before interest, taxes, depreciation and amortization of the relevant German business (Betrieb) (subject to specific certain exemptions), while any additional non-deductible interest may, if at all, only be claimed in subsequent years. These measures will most likely adversely affect portfolio companies in those countries in which our funds have investments and limit the benefits of additional investments in those countries. Our investment businesses are subject to the risk that similar measures might be introduced in other countries in which our funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest. Blackstone's non-U.S. advisory entities are, to the extent required, registered with the relevant regulatory authority of the jurisdiction in which the advisory entity is domiciled. In addition, we voluntarily participate in several transparency initiatives, including those organized by the Private Equity Growth Capital Council, the British Private Equity and Venture Capital Association and others calling for the reporting of information concerning companies in which certain of our funds have investments. The reporting related to such initiatives may divert the attention of our personnel and the management teams of our portfolio companies. Moreover, sensitive business information relating to us or our portfolio companies could be publicly released.

Our use of leverage to finance our business will expose us to substantial risks, which are exacerbated by our funds' use of leverage to finance investments.

We intend to use borrowings to finance our business operations as a public company. For example, in August 2009, we issued $600 million of ten-year senior notes at a rate of 6.625% per annum, and in September 2010, we issued $400 million of ten-year senior notes at a rate of 5.875% per annum. Borrowing to finance our businesses exposes us to the typical risks associated with the use of leverage, including those discussed below under "—Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments". In order for us to utilize leverage to finance our business, we are dependent on financial institutions such as global banks extending credit to us on terms that are reasonable to us. There is no guarantee that such institutions will continue to extend credit to us or renew any existing credit agreements we may have with them, or that we will be able to refinance outstanding notes when they mature. We have a credit facility which provides for revolving credit borrowings that has a final maturity date of March 23, 2013. As borrowings under the facility or any other indebtedness mature, we may be required to either refinance them by entering into a new facility, which could result in higher borrowing costs, or issuing equity, which would dilute existing unitholders. We could also repay them by using cash on hand, cash provided by our continuing operations or cash from the sale of our assets. We could have difficulty entering into new facilities or issuing equity in the future on attractive terms, or at all. These risks are exacerbated by our funds' use of leverage to finance investments.

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

The investment decisions we make in our asset management business and the activities of our investment professionals on behalf of portfolio companies of our carry funds may subject them and us to the risk of third-party litigation arising from investor dissatisfaction with the performance of those investment funds, the activities of our portfolio companies and a variety of other litigation claims. For example, from time to time we and our portfolio companies have been subject to class action suits by shareholders in public companies that we have agreed to acquire that challenge our acquisition transactions and attempt to enjoin them.

In addition, to the extent investors in our investment funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have remedies against us, our investment funds, our senior managing directors or our affiliates under the federal securities law and/or state law. While the general partners and investment advisers to our investment funds, including their directors, officers, other employees and affiliates, are generally indemnified to the fullest extent permitted by law with respect to their conduct in connection with the management of the business and affairs of our investment funds, such indemnity does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

Our financial advisory activities may also subject us to the risk of liabilities to our clients and third parties, including our clients' stockholders, under securities or other laws in connection with corporate transactions on which we render advice.

If any lawsuits were brought against us and resulted in a finding of substantial legal liability, it could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could seriously harm our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and advisory clients and to pursue investment opportunities for our carry funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

Employee misconduct could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm. Fraud and other deceptive practices or other misconduct at our portfolio companies could harm performance.

There is a risk that our employees could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to companies in which we may invest or our financial advisory clients. If our employees were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If one of our employees were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be adversely affected.

We will also be adversely affected if there is misconduct by senior management of portfolio companies in which our funds invest. Such misconduct might undermine our due diligence efforts with respect to such companies and it might negatively affect the valuation of a fund's investments.

In recent years, the U.S. Department of Justice and the U.S. Securities and Exchange Commission have devoted greater resources to enforcement of the Foreign Corrupt Practices Act ("FCPA"). In addition, the

United Kingdom has recently significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position or the market value of our common units.

Risks Related to Our Asset Management Business

Poor performance of our investment funds would cause a decline in our revenue, income and cash flow, may obligate us to repay carried interest previously paid to us, and could adversely affect our ability to raise capital for future investment funds.

In the event that any of our investment funds were to perform poorly, our revenue, income and cash flow would decline because the value of our assets under management would decrease, which would result in a reduction in management fees, and our investment returns would decrease, resulting in a reduction in the carried interest and incentive fees we earn. Moreover, we could experience losses on our investments of our own principal as a result of poor investment performance by our investment funds. Furthermore, if, as a result of poor performance of later investments in a carry fund's life, the fund does not achieve certain investment returns for the fund over its life, we will be obligated to repay the amount by which carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled.

Poor performance of our investment funds could make it more difficult for us to raise new capital. Investors in carry funds might decline to invest in future investment funds we raise and investors in hedge funds or other investment funds might withdraw their investments as a result of poor performance of the investment funds in which they are invested. Investors and potential investors in our funds continually assess our investment funds' performance, and our ability to raise capital for existing and future investment funds and avoid excessive redemption levels will depend on our investment funds' continued satisfactory performance. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and ultimately, our management fee income. Alternatively, in the face of poor fund performance, investors could demand lower fees or fee concessions for existing or future funds which would likewise decrease our revenue. A significant number of fund sponsors have recently decreased the amount of fees they charged investors for managing existing or successor funds as a direct result of poor fund performance.

Our asset management business depends in large part on our ability to raise capital from third party investors. If we are unable to raise capital from third party investors, we would be unable to collect management fees or deploy their capital into investments and potentially collect transaction fees or carried interest, which would materially reduce our revenue and cash flow and adversely affect our financial condition.

Our ability to raise capital from third party investors depends on a number of factors, including certain factors that are outside our control. Certain factors, such as the performance of the stock market or the asset allocation rules or regulations or investment policies to which such third party investors are subject, could inhibit or restrict the ability of third party investors to make investments in our investment funds or the asset classes in which our investment funds invest. For example, during 2008 and 2009, many third party investors that invest in alternative assets and have historically invested in our investment funds experienced significant volatility in valuations of their investment portfolios, including a significant decline in the value of their overall private equity, real estate, venture capital and hedge fund portfolios, which affected our ability to raise capital from them. Coupled with a lack of realizations during that period from their existing private equity and real estate portfolios, many of these investors were left with disproportionately outsized remaining commitments to a number of investment funds, which significantly limited their ability to make new commitments to third party managed investment funds such as those managed by us. Although economic conditions have improved and many investors have increased the amount of commitments they are making to alternative investment funds, there is no assurance that this will continue. Moreover, as some existing investors cease or significantly curtail making commitments to alternative investment funds, we may need to identify and attract new investors in order to maintain or increase the size of our investment funds. There are no assurances that we can find or secure commitments from those new investors. For instance, we will soon raise capital for our seventh global real estate opportunity fund and if economic conditions were to deteriorate or if we are unable to find new investors, we might raise less than our desired amount for that fund. Moreover, as we seek to expand into other asset classes, such as funds that focus on the clean technology asset class, we may be unable to raise a sufficient amount of capital to adequately support such businesses. If we are unable to successfully raise capital, it could materially reduce our revenue and cash flow and adversely affect our financial condition.

In addition, in connection with raising new funds or making further investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have managed or funds managed by our competitors. Such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, add additional expenses and obligations for us in managing the fund or increase our potential liabilities, all of which could ultimately reduce our revenues. In addition, certain institutional investors have publicly criticized certain fund fee and expense structures, including management fees and transaction and advisory fees. Although we have no obligation to modify any of our fees with respect to our existing funds, we may experience pressure to do so in our funds. For example, we have confronted and expect to continue to confront requests from a variety of investors and groups representing investors to decrease fees, which could result in a reduction in the fees and carried interest and incentive fees we earn.

Valuation methodologies for certain assets in our funds can be subject to significant subjectivity and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds.

There are often no readily ascertainable market prices for illiquid investments in our private equity, real estate and certain of our credit-oriented funds. We determine the value of the investments of each of our private equity, real estate and credit-oriented funds at least quarterly based on the fair value of such investments. The fair value of investments of a private equity, real estate or credit-oriented fund is generally determined using several methodologies described in the investment funds' valuation policies.

Investments for which market prices are not observable include private investments in the equity of operating companies or real estate properties. Fair values of such 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. In determining fair values of real estate investments, we also consider projected operating cash flows, sales of comparable assets, replacement costs and capitalization rates ("cap rates") analyses. 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. Private investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value. These valuation methodologies involve a significant degree of management judgment.

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 matrixes, market transactions in comparable investments and various relationships between investments.

The determination of fair value using these methodologies takes into consideration a range of factors including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment. For example, as to investments that we share with another sponsor, we may apply a different valuation methodology than the other sponsor does or derive a different value than the other sponsor has derived on the same investment. These differences might cause some investors to question our valuations.

Because there is significant uncertainty in the valuation of, or in the stability of the value of illiquid investments, the fair values of such investments as reflected in an investment fund's net asset value do not necessarily reflect the prices that would actually be obtained by us on behalf of the investment fund when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in prior fund net asset values would result in losses for the applicable fund, a decline in asset management fees and the loss of potential carried interest and incentive fees. Changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations and cash flow that we report from period to period. Also, a situation where asset values turn out to be materially different than values reflected in prior fund net asset values could cause investors to lose confidence in us, which would in turn result in difficulty in raising additional funds or redemptions from our hedge funds.

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

The historical and potential future returns of the investment funds that we manage are not directly linked to returns on our common units. Therefore, any continued positive performance of the investment funds that we manage will not necessarily result in positive returns on an investment in our common units. However, poor performance of the investment funds that we manage would cause a decline in our revenue from such investment funds, and would therefore have a negative effect on our performance and in all likelihood the returns on an investment in our common units.

Moreover, with respect to the historical returns of our investment funds:

- market conditions during previous periods were significantly more favorable for generating positive performance, particularly in our private equity and real estate businesses, than the market conditions we experienced in the past three years and may continue to experience for the foreseeable future;
- the rates of returns of our carry funds reflect unrealized gains as of the applicable measurement date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- the rates of returns of our BCP and BREP funds in some years were positively influenced by a number of investments that experienced rapid and substantial increases in value following the dates on which those investments were made, which may not occur with respect to future investments;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative investment funds and high liquidity in debt markets;
- our investment funds' returns in some years benefited from investment opportunities and general market conditions that may not repeat themselves (including, for example, particularly favorable borrowing conditions in the debt markets during 2005, 2006 and early 2007), and our current or future investment funds might not be able to avail themselves of comparable investment opportunities or market conditions; and
- the rates of return reflect our historical cost structure, which may vary in the future due to various factors enumerated elsewhere in this report and other factors beyond our control, including changes in laws.

In addition, future returns will be affected by the applicable risks described elsewhere in this Form 10-K, including risks of the industries and businesses in which a particular fund invests.

Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments.

Many of our carry funds' investments rely heavily on the use of leverage, and our ability to achieve attractive rates of return on investments will depend on our ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute approximately 70% or more of a portfolio company's or real estate asset's total debt and equity capitalization, including debt that may be incurred in connection with the investment. The absence of available sources of sufficient senior debt financing for extended periods of time could therefore materially and adversely affect our private equity and real estate businesses. In addition, an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those businesses' investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment.

Investments in highly leveraged entities are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of the equity investment in it;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, many investments consummated by private equity sponsors during 2005, 2006 and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and, in certain cases, defaulted on their debt obligations due to a decrease in revenues and cash flow precipitated by the subsequent economic downturn during 2008 and 2009.

When our BCP and BREP funds' existing portfolio investments reach the point when debt incurred to finance those investments mature in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If a limited availability of financing for such purposes were to persist for an extended period of time, when significant amounts of the debt incurred to finance our private equity and real estate funds' existing portfolio investments came due, these funds could be materially and adversely affected.

Many of the hedge funds in which our funds of hedge funds invest and our credit-oriented funds and CLOs may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost—and the timing and magnitude of such losses may be accelerated or exacerbated—in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings.

Increases in interest rates could also decrease the value of fixed-rate debt investments that our investment funds make.

Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

The asset management business is intensely competitive.

The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. Our asset management business competes with a number of private equity funds, specialized investment funds, hedge funds, funds of hedge funds and other sponsors managing pools of capital, as well as corporate buyers, traditional asset managers, commercial banks, investment banks and other financial institutions (including sovereign wealth funds). A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- several of our competitors have significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may be subject to less regulation and accordingly may have more flexibility to undertake and execute certain businesses or investments than we can and/or bear less compliance expense than we do;
- some of our competitors may have more flexibility than us in raising certain types of investment funds under the investment management contracts they have negotiated with their investors;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;

- there are relatively few barriers to entry impeding new alternative asset fund management firms, and the successful efforts of new entrants into our various businesses, including former “star” portfolio managers at large diversified financial institutions as well as such institutions themselves, is expected to continue to result in increased competition;
- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;
- some investors may prefer to invest with an investment manager that is not publicly traded or is smaller with only one or two investment products that it manages; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Alternatively, we may experience decreased rates of return and increased risks of loss if we match investment prices, structures and terms offered by competitors. Moreover, if we are forced to compete with other alternative asset managers on the basis of price, we may not be able to maintain our current fund fee and carried interest terms. We have historically competed primarily on the performance of our funds, and not on the level of our fees or carried interest relative to those of our competitors. However, there is a risk that fees and carried interest in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

In addition, the attractiveness of our investment funds relative to investments in other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future investment funds, either of which would adversely impact our business, revenue, results of operations and cash flow.

The due diligence process that we undertake in connection with investments by our investment funds may not reveal all facts that may be relevant in connection with an investment.

Before making investments in private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

In connection with the due diligence that our funds of hedge funds conduct in making and monitoring investments in third party hedge funds, we rely on information supplied by third party hedge funds or by service providers to such third party hedge funds. The information we receive from them may not be accurate or complete and therefore we may not have all the relevant facts necessary to properly assess and monitor our funds’ investment in a particular hedge fund.

Our asset management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of our principal investments.

Many of our investment funds invest in securities that are not publicly traded. In many cases, our investment funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our investment funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available. The ability of many of our investment funds, particularly our BCP funds, to dispose of investments is heavily dependent on the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is held. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, our investment funds may be forced to either sell securities at lower prices than they had expected to realize or defer—potentially for a considerable period of time—sales that they had planned to make. We have made and expect to continue to make significant principal investments in our current and future investment funds. Contributing capital to these investment funds is risky, and we may lose some or the entire principal amount of our investments.

We have engaged in large-sized investments, which involve certain complexities and risks that are not encountered in small and medium-sized investments.

Our BCP and BREP funds have invested and plan to continue to invest in large transactions. The size of these investments involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance, and exiting larger deals may present challenges in many cases. In addition, larger transactions may entail greater scrutiny by regulators, labor unions and other third parties.

Larger transactions may be structured as “consortium transactions” due to the size of the investment and the amount of capital required to be invested. A consortium transaction involves an equity investment in which two or more private equity firms serve together or collectively as equity sponsors. We participated in a significant number of consortium transactions in prior years due to the increased size of many of the transactions in which we were involved. Consortium transactions generally entail a reduced level of control by Blackstone over the investment because governance rights must be shared with the other private equity investors. Accordingly, we may not be able to control decisions relating to the investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in “—Our investment funds make investments in companies that we do not control.”

Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we may pursue unusually complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Any of these risks could harm the performance of our funds.

Our investment funds make investments in companies that we do not control.

Investments by most of our investment funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our investment funds through trading activities or through purchases of securities from the issuer. In addition, our private equity and real estate funds may acquire minority equity interests (particularly in consortium transactions, as described in "—We have engaged in large-sized investments, which involve certain complexities and risks that are not encountered in small and medium-sized investments") and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the investment funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our investment funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

We expect to make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Many of our investment funds generally invest a significant portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States, and we expect that international investments will increase as a proportion of certain of our funds' portfolios in the future. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to:

- currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- less developed or efficient financial markets than in the United States, which may lead to potential price volatility and relative illiquidity;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
- differences in the legal and regulatory environment or enhanced legal and regulatory compliance;
- political hostility to investments by foreign or private equity investors;
- less publicly available information in respect of companies in non-U.S. markets;
- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of profits on investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments; and
- the possible imposition of non-U.S. taxes or withholding on income and gains recognized with respect to such securities.

There can be no assurance that adverse developments with respect to such risks will not adversely affect our assets that are held in certain countries or the returns from these assets.

We may not have sufficient cash to pay back "clawback" obligations if and when they are triggered under the governing agreements with our investors.

If, at the end of the life of a carry fund (or earlier with respect to certain of our real estate funds), as a result of diminished performance of later investments in any carry fund's life, the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives in excess of 20% (10% or 15% in the case of certain of our credit-oriented and real estate debt carry funds) of the fund's net profits over the life of the fund, we will be obligated to repay an amount equal to the extent to which carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled. This obligation is known as a clawback obligation and is an obligation of any person who directly received such carried interest, including us and our employees who participate in our carried interest plans. Although a portion of any distributions by us to our unitholders may include any carried interest received by us, we do not intend to seek fulfillment of any clawback obligation by seeking to have our unitholders return any portion of such distributions attributable to carried interest associated with any clawback obligation. The clawback obligation operates with respect to a given carry fund's own net investment performance only and performance fees of other funds are not netted for determining this contingent obligation. To the extent one or more clawback obligations were to occur for any one or more carry funds, we might not have available cash at the time such clawback obligation is triggered to repay the carried interest and satisfy such obligation. If we were unable to repay such carried interest, we would be in breach of the governing agreements with our investors and could be subject to liability. Moreover, although a clawback obligation is several, the governing agreements of most of our funds provide that to the extent another recipient of carried interest (such as a current or former employee) does not fund his or her respective share, then we and our employees who participate in such carried interest plans may have to fund additional amounts (generally up to an additional 50%) beyond what we actually received in carried interest, although we will retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations.

Investments by our investment funds will in most cases rank junior to investments made by others.

In most cases, the companies in which our investment funds invest will have indebtedness or equity securities, or may be permitted to incur indebtedness or to issue equity securities, that rank senior to our investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following an insolvency, the ability of our investment funds to influence a company's affairs and to take actions to protect their investments may be substantially less than that of the senior creditors.

Investors in our hedge funds may redeem their investments in these funds. In addition, the investment management agreements related to our separately managed accounts may permit the investor to terminate our management of such account on short notice. Lastly, investors in our other investment funds have the right to cause these investment funds to be dissolved. Any of these events would lead to a decrease in our revenues, which could be substantial.

Investors in our hedge funds may generally redeem their investments on an annual, semi-annual or quarterly basis following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years), subject to the applicable fund's specific redemption provisions. In a declining market, the pace of redemptions and consequent reduction in our assets under management could accelerate. The decrease in revenues that would result from significant redemptions in our hedge funds could have a material adverse effect on our business, revenues, net income and cash flows.

We currently manage a significant portion of investor assets through separately managed accounts whereby we earn management and incentive fees, and we intend to continue to seek additional separately managed account mandates. The investment management agreements we enter into in connection with managing separately managed accounts on behalf of certain clients may be terminated by such clients on as little as 30 days' prior written notice. In addition, the boards of directors of the investment management companies we manage, or the advisor in respect of the registered business development company we sub-advise, could terminate our advisory engagement of those companies, on as little as 30 days' prior written notice. In the case of any such terminations, the management and incentive fees we earn in connection with managing such account or company would immediately cease, which could result in a significant adverse impact on our revenues.

The governing agreements of all of our investment funds (with the exception of certain of our funds of hedge funds) provide that, subject to certain conditions, third-party investors in those funds will have the right to remove the general partner of the fund or to accelerate the liquidation date of the investment fund without cause by a simple majority vote, resulting in a reduction in management fees we would earn from such investment funds and a significant reduction in the amounts of total carried interest and incentive fees from those funds. Carried interest and incentive fees could be significantly reduced as a result of our inability to maximize the value of investments by an investment fund during the liquidation process or in the event of the triggering of a "clawback" obligation. Finally, the applicable funds would cease to exist. In addition, the governing agreements of our investment funds provide that in the event certain "key persons" in our investment funds do not meet specified time commitments with regard to managing the fund (for example, both of Stephen A. Schwarzman and Hamilton E. James in the case of our private equity funds), then investors in certain funds have the right to vote to terminate the investment period by a simple majority vote in accordance with specified procedures, accelerate the withdrawal of their capital on an investor-by-investor basis, or the fund's investment period will automatically terminate and the vote of a simple majority of investors is required to restart it. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our investment funds would likely result in significant reputational damage to us.

In addition, because all of our investment funds have advisers that are registered under the Advisers Act, the management agreements of all of our investment funds would be terminated upon an "assignment," without investor consent, of these agreements, which may be deemed to occur in the event these advisers were to experience a change of control. We cannot be certain that consents required for assignments of our investment management agreements will be obtained if a change of control occurs. In addition, with respect to our publicly traded closed-end mutual funds, each investment fund's investment management agreement must be approved annually by the independent members of such investment fund's board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the fees we earn from such investment funds.

Third party investors in our investment funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in all of our carry funds (and certain of our hedge 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 their obligations (for example, management fees) when due. We have not had investors fail to honor capital calls to any meaningful extent. Any investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

Certain policies and procedures implemented to mitigate potential conflicts of interest and address certain regulatory requirements may reduce the synergies across our various businesses.

Because of our various lines of asset management and advisory businesses, we will be subject to a number of actual and potential conflicts of interest and subject to greater regulatory oversight than that to which we would otherwise be subject if we had just one line of business. In addressing these conflicts and regulatory requirements across our various businesses, we have implemented certain policies and procedures (for example, information walls) that may reduce the positive synergies that we cultivate across these businesses. For example, we may come into possession of material non-public information with respect to issuers in which we may be considering making an investment or issuers that are our advisory clients. As a consequence, we may be precluded from providing such information or other ideas to our other businesses that might be of benefit to them.

Our failure to deal appropriately with conflicts of interest in our investment business could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to take any action. Also, our decision to pursue a fund investment opportunity could preclude our ability to obtain a related advisory assignment, and vice versa. In addition, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies. Lastly, in certain, infrequent instances we may purchase an investment alongside one of our investment funds or sell an investment to one of our investment funds and conflicts may arise in respect of the allocation, pricing and timing of such investments and the ultimate disposition of such investments. To the extent we failed to appropriately deal with any such conflicts, it could negatively impact our reputation and ability to raise additional funds or result in potential litigation against us.

Risk management activities may adversely affect the return on our funds' investments.

When managing our exposure to market risks, we may (on our own behalf or on behalf of our funds) from time to time use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging or other derivative transactions generally will depend on our ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction in order to reduce our exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

Our real estate funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in our real estate funds will be subject to the risks inherent in the ownership and operation of real estate and real estate related businesses and assets. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond our control. In addition, if our real estate funds acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

Certain of our investment funds may invest in securities of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments are subject to a greater risk of poor performance or loss.

Certain of our investment funds, especially our credit-oriented funds, may invest in business enterprises involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions and may purchase high risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, the fund may be required to sell its investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by a fund of its entire investment in such company. Moreover, a major economic recession could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of securities rated below investment grade or otherwise adversely affect our reputation.

Certain of our fund investments may be concentrated in certain asset types or in a geographic region, which could exacerbate any negative performance of those funds to the extent those concentrated investments perform poorly.

The governing agreements of our investment funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. For example, over 80% of the investments of our real estate funds (based on current fair values) are in office building and hotel assets. During periods of difficult market conditions or slowdowns in these sectors, the decreased revenues, difficulty in obtaining access to financing and increased funding costs experienced by our real estate funds may be exacerbated by this concentration of investments, which would result in lower investment returns for our real estate funds.

The financial projections of our portfolio companies could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies on the basis of financial projections prepared by the management of such portfolio companies. These projected operating results will normally be based primarily on judgments of the management of the portfolio companies. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors may cause actual performance to fall short of the financial projections that were used to establish a given portfolio company's capital structure. Because of the leverage we typically employ in our investments, this could cause a substantial decrease in the value of our equity holdings in the portfolio company. The inaccuracy of financial projections could thus cause our funds' performance to fall short of our expectations.

Contingent liabilities could harm fund performance.

We may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund's performance.

Our funds may be forced to dispose of investments at a disadvantageous time.

Our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have only a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Hedge fund investments are subject to numerous additional risks.

Investments by our funds of hedge funds in other hedge funds, as well as investments by our credit-oriented and real estate debt hedge funds, are subject to numerous additional risks, including the following:

- Certain of the funds are newly established funds without any operating history or are managed by management companies or general partners who may not have as significant track records as an independent manager.
- Generally, there are few limitations on the execution of the hedge funds' investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.
- Hedge funds may engage in short selling, which is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.
- Hedge funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the funds' internal consideration of the creditworthiness of their counterparties may prove insufficient. The absence of a regulated market to facilitate settlement may increase the potential for losses.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This "systemic risk" may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the hedge funds interact on a daily basis.

- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A hedge fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position.
- Hedge funds are subject to risks due to potential illiquidity of assets. Hedge funds may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which they may be a party, and changes in industry and government regulations. It may be impossible or costly for hedge funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. Moreover, these risks may be exacerbated for our funds of hedge funds. For example, if one of our funds of hedge funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for our funds of hedge funds would be compounded. For example, in 2008 many hedge funds, including some of our hedge funds, experienced significant declines in value. In many cases, these declines in value were both provoked and exacerbated by margin calls and forced selling of assets. Moreover, certain of our funds of hedge funds were invested in third party hedge funds that halted redemptions in the face of illiquidity and other issues, which precluded those funds of hedge funds from receiving their capital back on request.
- Hedge fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets.

Risks Related to Our Financial Advisory Business

Financial advisory fees are not long-term contracted sources of revenue and are not predictable.

The fees earned by our financial advisory business are typically payable upon the successful completion of a particular transaction or restructuring. A decline in our financial advisory engagements or the market for advisory services would adversely affect our business.

Our financial advisory business operates in a highly competitive environment where typically there are no long-term contracted sources of revenue. Each revenue generating engagement typically is separately solicited, awarded and negotiated. In addition, many businesses do not routinely engage in transactions requiring our services. As a consequence, our fee-paying engagements with many clients are not predictable and high levels of financial advisory revenue in one quarter are not necessarily predictive of continued high levels of financial advisory revenue in future periods. In addition to the fact that most of our financial advisory engagements are single, non-recurring engagements, we lose clients each year as a result of a client's decision to retain other financial advisors, the sale, merger or restructuring of a client, a change in a client's senior management and various other causes. Moreover, in any given year our financial advisory engagements may be limited to a relatively smaller number of clients and an even smaller number of those clients may account for a disproportionate percentage of our financial advisory revenues in any such year. As a result, the adverse impact on our results of operations of one lost engagement or the failure of one transaction or restructuring on which we are advising to be completed could be significant. Revenue volumes in our financial advisory business tend to be affected by economic and capital market conditions, with greater merger activity—and therefore higher revenues in our Financial and Strategic Advisory Services business—generally resulting when the economy is growing, and more bankruptcies and restructurings—and therefore higher revenues in our Restructuring and Reorganization Advisory Services business—generally resulting in weak economic periods. Accordingly, our financial advisory revenue can fluctuate up or down considerably depending on economic conditions.

The fees earned by Park Hill Group, our fund placement business, are generally recognized by us for accounting purposes upon the successful subscription by an investor in a client's fund and/or the closing of that fund. However, those fees are typically actually paid by a Park Hill Group client over a period of time (e.g., two to three years) following such successful subscription by an investor in a client's fund and/or the closing of that fund with interest. There is a risk that during that period of time, Park Hill Group may not be able to collect on all or a portion of the fees Park Hill is due for the placement services it has already provided to such client. For instance, a Park Hill client's fund may be liquidated prior to the time that all or a portion of the fees due to Park Hill for its placement services are due to be paid. Moreover, to the extent fewer assets are raised for funds or interest by investors in alternative asset funds declines, the fees earned by Park Hill Group would be adversely affected. During 2009, a difficult year for fund-raising for funds in the alternative asset class, Park Hill experienced a material decline in revenue due to fewer placement mandates and fewer assets being raised.

We face strong competition from other financial advisory firms.

The financial advisory industry is intensely competitive, and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our employees, transaction execution, our products and services, innovation and reputation and price. We have always experienced intense competition over obtaining advisory mandates, and we may experience pricing pressures in our financial advisory business in the future as some of our competitors seek to obtain increased market share by reducing fees. Our primary competitors in our financial advisory business are large financial institutions, many of which have far greater financial and other resources and much broader client relationships than us and (unlike us) have the ability to offer a wide range of products, from loans, deposit taking and insurance to brokerage and a wide range of investment banking services, which may enhance their competitive position. They also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services and products in an effort to gain market share, which puts us at a competitive disadvantage and could result in pricing pressures that could materially adversely affect our revenue and profitability. In the current market environment, we are also seeing increased competition from independent boutique advisory firms focused primarily on mergers and acquisitions advisory and/or restructuring services. In addition, Park Hill Group operates in a highly competitive environment and the barriers to entry into the fund placement business are low.

Risks Related to Our Organizational Structure

Our common unitholders do not elect our general partner or vote on our general partner's directors and have limited ability to influence decisions regarding our business.

Our general partner, Blackstone Group Management L.L.C., which is owned by our senior managing directors, manages all of our operations and activities. Blackstone Group Management L.L.C. has a board of directors that is responsible for the oversight of our business and operations. Our general partner's board of directors is elected in accordance with its limited liability company agreement, where our senior managing directors have agreed that our founder, Stephen A. Schwarzman, will have the power to appoint and remove the directors of our general partner. The limited liability company agreement of our general partner provides that at such time as Mr. Schwarzman should cease to be a founder, Hamilton E. James will thereupon succeed Mr. Schwarzman as the sole founding member of our general partner, and thereafter such power will revert to the members of our general partner (our senior managing directors) holding a majority in interest in our general partner.

Our common unitholders do not elect our general partner or its board of directors and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our business and therefore limited ability to influence decisions regarding our business. Furthermore, if our common unitholders are dissatisfied with the performance of our general partner, they have little ability to remove our general partner. Our general partner may not be removed unless that removal is approved by the vote of the holders of not less than two-thirds of the voting power of our outstanding common units and special voting units (including common units and special voting units held by the general partner and its affiliates) and we receive an opinion of counsel regarding limited liability matters. As of December 31, 2010, Blackstone Partners L.L.C., an entity wholly owned by our senior managing directors, had 69.4% of the voting power of The Blackstone Group L.P. limited partners. Therefore, our senior managing directors have the ability to remove or block any removal of our general partner and thus control The Blackstone Group L.P.

Blackstone personnel collectively own a controlling interest in us and will be able to determine the outcome of those few matters that may be submitted for a vote of the limited partners.

Our senior managing directors generally have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of the Blackstone Group L.P., including any attempt to remove our general partner.

Our common unitholders' voting rights are further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of The Blackstone Group L.P. common units then outstanding (other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) cannot be voted on any matter. In addition, our partnership agreement contains provisions limiting the ability of our common unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the ability of our common unitholders to influence the manner or direction of our management. Our partnership agreement also does not restrict our general partner's ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, the common unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event. In addition, we have the right to acquire all of our then-outstanding common units if not more than 10% of our common units are held by persons other than our general partner and its affiliates.

As a result of these matters and the provisions referred to under "—Our common unitholders do not elect our general partner or vote on our general partner's directors and have limited ability to influence decisions regarding our business", our common unitholders may be deprived of an opportunity to receive a premium for their common units in the future through a sale of The Blackstone Group L.P., and the trading prices of our common units may be adversely affected by the absence or reduction of a takeover premium in the trading price.

We are a limited partnership and as a result fall within exceptions from certain corporate governance and other requirements under the rules of the New York Stock Exchange.

We are a limited partnership and fall within exceptions from certain corporate governance and other requirements of the rules of the New York Stock Exchange. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the New York Stock Exchange, including the requirements (a) that a majority of the board of directors of our general partner consist of independent directors, (b) that we have a nominating/corporate governance committee that is composed entirely of independent directors and (c) that we have a compensation committee that is composed entirely of independent directors. In addition, we are not required to hold annual meetings of our common unitholders. We will continue to avail ourselves of these exceptions. Accordingly, common unitholders generally do not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the New York Stock Exchange.

Potential conflicts of interest may arise among our general partner, its affiliates and us. Our general partner and its affiliates have limited fiduciary duties to us and our common unitholders, which may permit them to favor their own interests to the detriment of us and our common unitholders.

Conflicts of interest may arise among our general partner and its affiliates, on the one hand, and us and our common unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our common unitholders. These conflicts include, among others, the following:

- our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to our common unitholders;
- our general partner is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our common unitholders. For example, our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds and certain of our subsidiaries engaged in our advisory business have contractual duties to their clients, as a result of which we expect to regularly take actions that might adversely affect our near-term results of operations or cash flow;
- because our senior managing directors hold their Blackstone Holdings Partnership Units directly or through entities that are not subject to corporate income taxation and The Blackstone Group L.P. holds Blackstone Holdings Partnership Units through wholly owned subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior managing directors and The Blackstone Group L.P. relating to the selection and structuring of investments;
- other than as set forth in the non-competition and non-solicitation agreements to which our senior managing directors are subject, which may not be enforceable, affiliates of our general partner and existing and former personnel employed by our general partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;
- our general partner has limited its liability and reduced or eliminated its duties (including fiduciary duties) under the partnership agreement, while also restricting the remedies available to our common unitholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our general partner and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By purchasing our common units, common unitholders will have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;
- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under the partnership agreement;
- our general partner determines how much debt we incur and that decision may adversely affect our credit ratings;

- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;
- our general partner controls the enforcement of obligations owed to us by it and its affiliates; and
- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

See “Part III. Item 13. Certain Relationships, Related Transactions and Director Independence” and “Part III. Item 10. Directors, Executive Officers and Corporate Governance—Partnership Management and Governance—Conflicts Committee.”

Our partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our general partner and limit remedies available to common unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for a common unitholder to successfully challenge a resolution of a conflict of interest by our general partner or by its conflicts committee.

Our partnership agreement contains provisions that waive or consent to conduct by our general partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligations to us or our common unitholders whatsoever. When our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its “sole discretion” or “discretion” or that it deems “necessary or appropriate” or “necessary or advisable,” then our general partner is entitled to consider only such interests and factors as it desires, including its own interests, and has no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any limited partners and will not be subject to any different standards imposed by the partnership agreement, the Delaware Limited Partnership Act or under any other law, rule or regulation or in equity. These modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our common unitholders only have recourse and are able to seek remedies against our general partner if our general partner breaches its obligations pursuant to our partnership agreement. Unless our general partner breaches its obligations pursuant to our partnership agreement, we and our common unitholders do not have any recourse against our general partner even if our general partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our partnership agreement, our partnership agreement provides that our general partner and its officers and directors are not liable to us or our common unitholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These modifications are detrimental to the common unitholders because they restrict the remedies available to common unitholders for actions that without those limitations might constitute breaches of duty (including fiduciary duty).

Whenever a potential conflict of interest exists between us and our general partner, our general partner may resolve such conflict of interest. If our general partner determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our general partner, then it will be presumed that in making this determination, our general partner acted in good faith. A common unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our general partner obtains the approval of the conflicts committee of our general partner, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our general partner of any duties it may owe to us or our common unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. Common unitholders, in purchasing our common units, are deemed as having consented to the provisions set forth in the partnership agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, common unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See "Part III. Item 10. Directors, Executive Officers and Corporate Governance—Partnership Management and Governance—Conflicts Committee."

The control of our general partner may be transferred to a third party without common unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or consolidation without the consent of our common unitholders. Furthermore, at any time, the members of our general partner may sell or transfer all or part of their limited liability company interests in our general partner without the approval of the common unitholders, subject to certain restrictions as described elsewhere in this annual report. A new general partner may not be willing or able to form new investment funds and could form funds that have investment objectives and governing terms that differ materially from those of our current investment funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as Blackstone's track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

We intend to pay regular distributions to our common unitholders, but our ability to do so may be limited by our holding partnership structure, applicable provisions of Delaware law and contractual restrictions.

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. The declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. The Blackstone Group L.P. is a holding partnership and has no material assets other than the ownership of the partnership units in Blackstone Holdings held through wholly owned subsidiaries. The Blackstone Group L.P. has no independent means of generating revenue. Accordingly, we intend to cause Blackstone Holdings to make distributions to its partners, including The Blackstone Group L.P.'s wholly-owned subsidiaries, to fund any distributions The Blackstone Group L.P. may declare on the common units. Distributable Earnings is a non-GAAP measure intended to show the amount of our net realized earnings.

Our ability to make cash distributions to our unitholders will depend on a number of factors, including among others general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us and such other factors as our general partner may deem relevant.

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.

Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our revolving credit facility or other financing arrangements may from time to time include covenants or other restrictions that could constrain our ability to make distributions.

We expect to record significant net losses for a number of years as a result of the amortization of finite-lived intangible assets and non-cash equity-based compensation.

As part of the reorganization related to our initial public offering we acquired interests in our business from our predecessor owners. This transaction has been accounted for partially as a transfer of interests under common control and partially as an acquisition of non-controlling interests. We accounted for the acquisition of the non-controlling interests using the purchase method of accounting, and reflected the excess of the purchase price over the fair value of the tangible assets acquired and liabilities assumed as goodwill and other intangible assets on our statement of financial condition. As of December 31, 2010, we have recorded $779.3 million of finite-lived intangible assets (in addition to $1.7 billion of goodwill). We are amortizing these finite-lived intangibles over their estimated useful lives, which range between five and fifteen years, using the straight-line method. In addition, as part of the reorganization at the time of our IPO, Blackstone personnel received an aggregate of 827,516,625 Blackstone Holdings Partnership Units, of which 439,711,537 were unvested. The grant date fair value of the unvested Blackstone Holdings Partnership Units (which was $31) is being charged to expense as the Blackstone Holdings Partnership Units vest over the assumed service periods, which range up to eight years, on a straight-line basis. The amortization of these finite-lived intangible assets and of this non-cash equity-based compensation will increase our expenses substantially during the relevant periods.

We are required to pay our senior managing directors for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we received as part of the reorganization we implemented in connection with our IPO or receive in connection with future exchanges of our common units and related transactions.

As part of the reorganization we implemented in connection with our IPO, we purchased interests in our business from our pre-IPO owners. In addition, holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, may up to four times each year (subject to the terms of the exchange agreement) exchange their Blackstone Holdings Partnership Units for The Blackstone Group L.P. common units on a one-for-one basis. A Blackstone Holdings limited partner must exchange one partnership unit in each of the four Blackstone Holdings partnerships to effect an exchange for a common unit. The purchase and subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings that otherwise would not have been available. These increases in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of The Blackstone Group L.P.'s wholly owned subsidiaries that are taxable as corporations for U.S. federal income tax purposes, which we refer to as the "corporate taxpayers," would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

One of the corporate taxpayers has entered into a tax receivable agreement with our senior managing directors and other pre-IPO owners that provides for the payment by the corporate taxpayer to the counterparties of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers actually realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. In addition, additional tax receivable agreements have been executed, and others may continue to be executed, with newly admitted Blackstone senior managing directors and certain others who receive Blackstone Holdings Partnership Units. This payment obligation is an obligation of the corporate taxpayer and not of Blackstone Holdings. As such, the cash distributions to public common unitholders may vary from holders of Blackstone Holdings units (held by Blackstone personnel and others) to the extent payments are made under the tax receivable agreements to selling holders of Blackstone Holdings units. As the payments reflect actual tax savings received by Blackstone entities, there may be a timing difference between the tax savings received by Blackstone entities and the cash payments to selling holders of Blackstone Holdings units. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of Blackstone Holdings, the payments that we may make under the tax receivable agreements will be substantial. The payments under a tax receivable agreement are not conditioned upon a tax receivable agreement counterparty's continued ownership of us. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreements as a result of timing discrepancies or otherwise.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, the tax receivable agreement counterparties will not reimburse us for any payments previously made under the tax receivable agreement. As a result, in certain circumstances payments to the counterparties under the tax receivable agreement could be in excess of the corporate taxpayers' actual cash tax savings. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreements, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

If The Blackstone Group L.P. were deemed an "investment company" under the 1940 Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

An entity will generally be deemed to be an "investment company" for purposes of the 1940 Act if: (a) it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or (b) absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We believe that we are engaged primarily in the business of providing asset management and financial advisory services and not in the business of investing, reinvesting or trading in securities. We also believe that the primary source of income from each of our businesses is properly characterized as income earned in exchange for the provision of services. We hold ourselves out as an asset management and financial advisory firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that The Blackstone Group L.P. is an "orthodox" investment company as defined in section 3(a)(1)(A) of the 1940 Act and described in clause (a) in the first sentence of this paragraph. Furthermore, The Blackstone Group L.P. does not have any material assets other than its equity interests in certain wholly owned subsidiaries, which in turn will have no material assets (other than intercompany debt) other than general partner interests in the Blackstone Holdings partnerships. These wholly owned subsidiaries are the sole general partners of the Blackstone Holdings partnerships and are vested with all management and control over the Blackstone Holdings partnerships. We do not believe the equity interests of The Blackstone Group L.P. in its wholly owned subsidiaries or the general partner interests of these wholly owned subsidiaries in the Blackstone Holdings partnerships are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of The Blackstone Group L.P.'s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities. Accordingly, we do not believe The Blackstone Group L.P. is an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the 1940 Act as described in clause (b) in the first sentence of this paragraph. In addition, we believe The Blackstone Group L.P. is not an investment company under section 3(b)(1) of the 1940 Act because it is primarily engaged in a non-investment company business.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that The Blackstone Group L.P. will not be deemed to be an investment company under the 1940 Act. If anything were to happen which would cause The Blackstone Group L.P. to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among The Blackstone Group L.P., Blackstone Holdings and our senior managing directors, or any combination thereof, and materially adversely affect our business, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the 1940 Act.

Risks Related to Our Common Units

Our common unit price may decline due to the large number of common units eligible for future sale and for exchange.

The market price of our common units could decline as a result of sales of a large number of common units in the market in the future or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. We had a total of 343,303,073 voting common units outstanding as of February 18, 2011. Subject to the lock-up restrictions described below, we may issue and sell in the future additional common units. Limited partners of Blackstone Holdings own an aggregate of 640,170,462 Blackstone Holdings Partnership Units outstanding as of February 18, 2011. In connection with our initial public offering, we entered into an exchange agreement with holders of Blackstone Holdings Partnership Units (other than The Blackstone Group L.P.'s wholly owned subsidiaries) so that these holders, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, may up to four times each year (subject to the terms of the exchange agreement) exchange their Blackstone Holdings Partnership Units for The Blackstone Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A Blackstone Holdings limited partner must exchange one partnership unit in each of the four Blackstone Holdings partnerships to effect an exchange for a common unit. The common units we issue upon such exchanges would be "restricted securities," as defined in Rule 144 under the Securities Act, unless we register such issuances. However, we have entered into a registration rights agreement with the limited partners of Blackstone Holdings that would require us to register these common units under the Securities Act. See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence—Transactions with Related Persons—Registration Rights Agreement". While the partnership agreements of the Blackstone Holdings partnerships and related agreements contractually restrict the ability of Blackstone personnel to transfer the Blackstone Holdings Partnership Units or The Blackstone Group L.P. common units they hold and require that they maintain a minimum amount of equity ownership during their employ by us, these contractual provisions may lapse over time or be waived, modified or amended at any time.

In addition, in June 2007, we entered into an agreement with Beijing Wonderful Investments, an investment vehicle established and controlled by The People's Republic of China, pursuant to which we sold to it 101,334,234 non-voting common units for $3.00 billion at a purchase price per common unit of $29.605. Beijing Wonderful Investments will be able to sell these common units subject to certain transfer restrictions. We have agreed to provide Beijing Wonderful Investments with registration rights to effect certain sales.

As of February 18, 2011, we had granted 30,571,950 outstanding deferred restricted common units and 15,460,142 outstanding deferred restricted Blackstone Holdings Partnership Units, which are subject to specified vesting requirements, to our non-senior managing director professionals and senior managing directors under our 2007 Equity Incentive Plan. The aggregate number of common units and Blackstone Holdings Partnership Units covered by our 2007 Equity Incentive Plan is increased on the first day of each fiscal year during its term by a number of units equal to the positive difference, if any, of (a) 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 Blackstone Group L.P. or its wholly-owned subsidiaries) minus (b) the aggregate number of common units and Blackstone Holdings Partnership Units covered by our 2007 Equity Incentive Plan as of such date (unless the administrator of the 2007 Equity Incentive Plan should decide to increase the number of common units and Blackstone Holdings Partnership Units covered by the plan by a lesser amount). An aggregate of 157,046,304 additional common units and Blackstone Holdings Partnership Units were available for grant under our 2007 Equity Incentive Plan as of February 19, 2011. We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register common units covered by our 2007 Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market.

In addition, our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to common units. Similarly, the Blackstone Holdings partnership agreements authorize the wholly owned subsidiaries of The Blackstone Group L.P. which are the general partners of those partnerships to issue an unlimited number of additional partnership securities of the Blackstone Holdings partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Blackstone Holdings partnerships units, and which may be exchangeable for our common units.

The market price of our common units may be volatile, which could cause the value of your investment to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of common units in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response the market price of our common units could decrease significantly. You may be unable to resell your common units at or above the price you paid for them.

Risks Related to United States Taxation

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of common unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. The U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the U.S. Internal Revenue Service, or “IRS,” and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. Changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation (referred to as the "Qualifying Income Exception"), affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common units. For example, as discussed above under "—The U.S. Congress recently considered legislation that, if enacted, would have (a) for taxable years beginning ten years after the date of enactment, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (b) taxed individual holders of common units with respect to certain income and gains at increased rates. If 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", the U.S. Congress recently considered various legislative proposals to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes.

Our organizational documents and governing agreements permit our general partner to modify our amended and restated limited partnership agreement from time to time, without the consent of the common unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all common unitholders. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to common unitholders in a manner that reflects such common unitholders' beneficial ownership of partnership items, taking into account variation in unitholder ownership interests during each taxable year because of trading activity. More specifically, our allocations of items of taxable income and loss between transferors and transferees of our units will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the unitholders in proportion to the number of units owned by each of them determined as of the opening of trading of our units on the New York Stock Exchange on the first business day of every month. As a result, a unitholder transferring units may be allocated income, gain, loss and deductions realized after the date of transfer. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects common unitholders.

If we were treated as a corporation for U.S. federal income tax or state tax purposes, then our distributions to our common unitholders would be substantially reduced and the value of our common units would be adversely affected.

The value of our common units depends in part on our being treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code and that The Blackstone Group L.P. not be registered under the 1940 Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We may not meet these requirements or current law may change so as to cause, in either event, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject to U.S. federal income tax. Moreover, the anticipated after-tax benefit of an investment in our common units depends largely on our being treated as a partnership for U.S. federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our taxable income at the corporate tax rate. Distributions to our common unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our distributions to our common unitholders would be substantially reduced, likely causing a substantial reduction in the value of our common units.

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to entity level taxation. See "—The U.S. Congress recently considered legislation that, if enacted, would have (a) for taxable years beginning ten years after the date of enactment, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (b) taxed individual holders of common units with respect to certain income and gains at increased rates. If 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." For example, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to our common unitholders would be reduced.

Our common unitholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they receive any cash distributions from us.

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Internal Revenue Code and we are not required to register as an investment company under the 1940 Act on a continuing basis, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, each unitholder will be required to take into account its allocable share of items of income, gain, loss and deduction of the Partnership. Distributions to a unitholder will generally be taxable to the unitholder for U.S. federal income tax purposes only to the extent the amount distributed exceeds the unitholder's tax basis in the unit. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation will generally report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount distributed exceeds the unitholder's tax basis in the units), but will instead report the holder's allocable share of items of our income for U.S. federal income tax purposes. As a result, our common unitholders may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on their allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within your taxable year, regardless of whether or not a common unitholder receives cash distributions from us.

Our common unitholders may not receive cash distributions equal to their allocable share of our net taxable income or even the tax liability that results from that income. In addition, certain of our holdings, including holdings, if any, in a Controlled Foreign Corporation, or "CFC," and a Passive Foreign Investment Company, or "PFIC," may produce taxable income prior to the receipt of cash relating to such income, and common unitholders that are U.S. taxpayers will be required to take such income into account in determining their taxable income. In the event of an inadvertent termination of our partnership status for which the IRS has granted us limited relief, each holder of our common units may be obligated to make such adjustments as the IRS may require to maintain our status as a partnership. Such adjustments may require persons holding our common units to recognize additional amounts in income during the years in which they hold such units.

The Blackstone Group L.P.'s interest in certain of our businesses are held through Blackstone Holdings I/II GP Inc. or Blackstone Holdings IV GP L.P., which are treated as corporations for U.S. federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your investment.

In light of the publicly traded partnership rules under U.S. federal income tax law and other requirements, The Blackstone Group L.P. holds its interest in certain of our businesses through Blackstone Holdings I/II GP Inc. or Blackstone Holdings IV GP L.P., which are treated as corporations for U.S. federal income tax purposes. Each such corporation could be liable for significant U.S. federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of our common units.

Complying with certain tax-related requirements may cause us to invest through foreign or domestic corporations subject to corporate income tax or enter into acquisitions, borrowings, financings or arrangements we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. federal income tax purposes and not as an association or publicly traded partnership taxable as a corporation, we must meet the Qualifying Income Exception discussed above on a continuing basis and we must not be required to register as an investment company under the 1940 Act. In order to effect such treatment, we (or our subsidiaries) may be required to invest through foreign or domestic corporations subject to corporate income tax, or enter into acquisitions, borrowings, financings or other transactions we may not have otherwise entered into. This may adversely affect our ability to operate solely to maximize our cash flow.

Tax gain or loss on disposition of our common units could be more or less than expected.

If a holder of our common units sells the common units it holds, it will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis in those common units. Prior distributions to such common unitholder in excess of the total net taxable income allocated to such common unitholder, which decreased the tax basis in its common units, will in effect become taxable income to such common unitholder if the common units are sold at a price greater than such common unitholder's tax basis in those common units, even if the price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to such common unitholder.

If we were not to make, or cause to be made, an otherwise available election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Blackstone Holdings partnerships, a holder of common units could be allocated more taxable income in respect of those common units prior to disposition than if such an election were made.

We currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us, Blackstone Holdings III L.P. or Blackstone Holdings IV L.P. If no such election is made, there will generally be no adjustment to the basis of the assets of Blackstone Holdings III L.P. or Blackstone Holdings IV L.P. upon our acquisition of interests in Blackstone Holdings III L.P. or Blackstone Holdings IV L.P. in connection with our initial public offering, or to our assets or to the assets of Blackstone Holdings III L.P. or Blackstone Holdings IV L.P. upon a subsequent transferee's acquisition of common units from a prior holder of such common units, even if the purchase price for those interests or units, as applicable, is greater than the share of the aggregate tax basis of our assets or the assets of Blackstone Holdings III L.P. or Blackstone Holdings IV L.P. attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by us, Blackstone Holdings III L.P. or Blackstone Holdings IV L.P., gain allocable to a holder of common units could include built-in gain in the asset existing at the time we acquired those interests, or such holder acquired such units, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made.

Non-U.S. persons face unique U.S. tax issues from owning common units that may result in adverse tax consequences to them.

In light of our investment activities, we will be treated as engaged in a U.S. trade or business for U.S. federal income tax purposes, which may cause some portion of our income to be treated as effectively connected income with respect to non-U.S. holders, or "ECI." Moreover, dividends paid by an investment that we make in a real estate investment trust, or "REIT," that are attributable to gains from the sale of U.S. real property interests and sales of certain investments in interests in U.S. real property, including stock of certain U.S. corporations owning significant U.S. real property, may be treated as ECI with respect to non-U.S. holders. In addition, certain income of non-U.S. holders from U.S. sources not connected to any such U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, non-U.S. holders generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders may be reduced by withholding taxes imposed at the highest effective applicable tax rate.

Tax-exempt entities face unique tax issues from owning common units that may result in adverse tax consequences to them.

In light of our investment activities, we will be treated as deriving income that constitutes "unrelated business taxable income," or "UBTI." Consequently, a holder of common units that is a tax-exempt organization may be subject to "unrelated business income tax" to the extent that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership could be treated as earning UBTI if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the partnership interest itself is debt-financed.

We cannot match transferors and transferees of common units, and we have therefore adopted certain income tax accounting positions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our common units.

Because we cannot match transferors and transferees of common units, we have adopted depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our common unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of common units and could have a negative impact on the value of our common units or result in audits of and adjustments to our common unitholders' tax returns.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes. We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. Our termination would, among other things, result in the closing of our taxable year for all common unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income.

Common unitholders will be subject to state and local taxes and return filing requirements as a result of investing in our common units.

In addition to U.S. federal income taxes, our common unitholders are subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our common unitholders do not reside in any of those jurisdictions. Our common unitholders are likely to be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, common unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each common unitholder to file all U.S. federal, state and local tax returns that may be required of such common unitholder. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common units.

We do not expect to be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that common unitholders may be required to file amended income tax returns.

It will most likely require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for the Partnership. For this reason, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. In addition, it is possible that a common unitholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a unitholder to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, are the responsibility of each common unitholder.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 345 Park Avenue, New York, New York. We also lease other office space in New York for GSO and we lease our offices in Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Menlo Park, San Francisco, London, Paris, Mumbai, Shanghai, Beijing, Tokyo and Hong Kong. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operations of our business.

ITEM 3. 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" above. 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 seven purported sub-classes of plaintiffs seeking damages and/or restitution and comprised of shareholders of seven 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

United States District Court for 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). The plaintiffs seek damages, costs, rescission and other relief.

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

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common units representing limited partner interests are traded on the New York Stock Exchange ("NYSE") under the symbol "BX." Our common units began trading on the NYSE on June 22, 2007.

The number of holders of record of our common units as of February 18, 2011 was 71. This does not include the number of unitholders that hold shares in "street name" through banks or broker-dealers.

Cash Distribution Policy

With respect to fiscal year 2010, we have paid three quarterly distributions of $0.10 per common unit (aggregating $0.30 per common unit) to record holders of common units and we have declared an additional distribution of $0.32 per common unit to common unitholders in respect of the fourth quarter of 2010 payable on March 31, 2011 to holders of record of common units at the close of business on March 15, 2011. We have also paid three quarterly distributions of $0.10 per Blackstone Holdings partnership unit (aggregating $0.30 per Blackstone Holdings unit) and we have declared a distribution of $0.35 per unit in respect of 2010 to be paid to the Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships, payable on March 31, 2011 to holders of record of Blackstone Holdings partnership units at the close of business on March 15, 2011. These distributions related to fiscal year 2010 represented our 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 common unitholders for any ensuing quarter.

As previously disclosed, public common unitholders were entitled to a priority distribution of up to $1.20 per common unit per year ahead of Blackstone personnel and others regarding distributions made in respect of fiscal periods from July 1, 2007 through December 31, 2009. On December 31, 2009, that distribution priority ended. With respect to fiscal year 2009, we paid four quarterly distributions of $0.30 (aggregating $1.20 per common unit) to record holders of common units.

The following table sets forth the high and low intra-day sales prices per unit of our common units, for the periods indicated, as reported by the NYSE:

	Sales Price			
	2010		2009	
	High	Low	High	Low
First Quarter	$15.10	$12.03	$ 9.19	$ 3.55
Second Quarter	$15.49	$ 9.34	$14.44	$ 6.89
Third Quarter	$12.72	$ 8.93	$15.38	$ 8.54
Fourth Quarter	$14.65	$12.30	$17.22	$12.71

Blackstone uses Distributable Earnings for purposes of determining the distributions to our unitholders. Distributable Earnings is a non-GAAP measure intended to show the amount of our net realized earnings. Distributable Earnings, which is a component of Economic Net Income, is the sum across all Total Reportable Segments of (a) Total Management and Advisory Fees, (b) Interest and Dividend Revenue, (c) Other Revenue, (d) Realized Performance Fees, and (e) Realized Investment Income (Loss) less (a) Compensation, (b) Realized Performance Fee Compensation, (c) Other Operating Expenses and (d) Cash Taxes.

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 are expected to be smaller than the final quarterly distribution in respect of such year, which we expect to also include realized Performance Fees net of related compensation and realized net investment income.

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.

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, we fund distributions by The Blackstone Group L.P., if any, in three steps:

- First, we cause Blackstone Holdings to make distributions to its 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, we cause The Blackstone Group L.P.'s wholly-owned subsidiaries to distribute to The Blackstone Group L.P. their share of such distributions, net of the taxes and amounts payable under the tax receivable agreement by such wholly-owned subsidiaries; and
- Third, The Blackstone Group L.P. distributes its net share of such distributions to our common unitholders on a pro rata basis.

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 16. "Related Party Transactions" in the "Notes to Consolidated Financial Statements" in Part II. Item 8. Financial Statements and Supplementary Data, the amounts ultimately distributed by The Blackstone Group L.P. to its common unitholders are expected to be 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 we refer 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 its partners. Generally, these tax distributions will be computed based on our estimate of the net 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 our 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.

Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our revolving credit facility or other financing arrangements may from time to time include covenants or other restrictions that could constrain our ability to make distributions.

Unit Repurchases in the Fourth Quarter of 2010

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 quarter ended December 31, 2010. See "— Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 14. Net Loss Per Common Unit" and "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our 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 6. SELECTED FINANCIAL DATA

The consolidated and combined statements of financial condition and income data as of and for the five years ended December 31, 2010 have been derived from our consolidated and combined financial statements. The audited Consolidated Statements of Financial Condition as of December 31, 2010 and 2009 and Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008 are included elsewhere in this Form 10-K. The audited Consolidated and Combined Statements of Financial Condition as of December 31, 2008, 2007 and 2006 and Consolidated and Combined Statements of Operations for the years ended December 31, 2007 and 2006 are not included in this Form 10-K. Historical results are not necessarily indicative of results for any future period.

The selected consolidated financial data should be read in conjunction with "—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this Form 10-K:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(Dollars in Thousands)				
Revenues					
Management and Advisory Fees	$1,584,748	$ 1,482,226	$ 1,476,357	$1,566,047	$1,077,139
Performance Fees	937,834	221,090	(1,247,320)	1,126,640	1,267,764
Investment Income (Loss)	561,161	40,604	(622,877)	333,762	259,736
Interest and Dividend Revenue and Other	35,599	29,779	44,479	23,699	12,790
Total Revenues	3,119,342	1,773,699	(349,361)	3,050,148	2,617,429
Expenses					
Compensation and Benefits (a)	3,610,189	3,777,606	3,859,787	2,256,647	250,067
General, Administrative and Other	466,358	443,573	440,776	324,200	122,395
Interest Expense	41,229	13,384	23,008	32,080	36,932
Fund Expenses	26,214	7,296	63,031	151,917	143,695
Total Expenses	4,143,990	4,241,859	4,386,602	2,764,844	553,089
Other Income (Loss)					
Net Gains (Losses) from Fund Investment Activities	501,994	176,694	(872,336)	5,423,132	6,090,145
Income (Loss) Before Provision (Benefit) for Taxes	(522,654)	(2,291,466)	(5,608,299)	5,708,436	8,154,485
Provision (Benefit) for Taxes	84,669	99,230	(14,145)	47,693	31,934
Net Income (Loss)	(607,323)	(2,390,696)	(5,594,154)	5,660,743	8,122,551
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	84,837	131,097	(632,495)	628,354	593,328
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	346,312	(14,328)	(159,828)	4,510,881	5,263,018
Net Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(668,444)	(1,792,174)	(3,638,799)	857,022	2,266,205
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (370,028)	$ (715,291)	$(1,163,032)	$ (335,514)	$ —

	Year Ended December 31, 2010	2009	2008	2007 June 19, 2007 through December 31, 2007	2006
Net Loss Per Common Unit, Basic and Diluted (b)					
Common Units	$(1.02)				
Common Units Entitled to Priority Distributions		$(2.46)	$ (4.32)	$ (1.28)	$ N/A
Common Units Not Entitled to Priority Distributions		$(3.71)	$(3.06)	$ N/A	$ N/A
Distributions Declared (c)	$ 0.60	$ 0.90	$ 1.20	$ 0.30	$ N/A

(a) Prior to the IPO in June 2007, our compensation and benefits expense reflected compensation (primarily salary and bonus) paid or accrued solely to our non-senior managing director employees. Subsequent to our IPO, our compensation and benefits expense reflects (a) employee compensation and benefits expense paid and payable to our employees, including our senior managing directors, (b) equity-based compensation associated with grants of equity-based awards to senior managing directors, other employees and selected other individuals engaged in our businesses, including the amortization of all equity granted to existing employees at the time of the IPO, and (c) performance payment arrangements for Blackstone personnel and profit sharing interests in carried interest.

(b) Prior to our IPO in June 2007, we did not have any Blackstone common units. Accordingly, we had no earnings per common unit for the prior periods.

(c) Distributions declared reflects the calendar date of declaration for each distribution; the fourth quarter distribution, if any, for any fiscal year will be declared and paid in the subsequent fiscal year. For fiscal year 2010 we have declared a final fourth quarter distribution per common unit of $0.32 which will be paid in 2011.

	As of December 31, 2010	2009	2008	2007	2006
			(Dollars in Thousands)		
Statement of Financial Condition Data					
Total Assets (a)	$18,844,605	$9,409,024	$9,489,057	$13,175,245	$33,891,044
Senior Notes	$ 1,010,911	$ 588,624	$ —	$ —	$ —
Total Liabilities (a)	$10,591,248	$2,865,491	$3,370,612	$ 2,890,960	$ 2,373,273
Redeemable Non-Controlling Interests in Consolidated Entities	$ 600,836	$ 526,311	$ 362,462	$ 2,438,266	$ 6,060,444
Partners' Capital	$ 7,652,521	$6,017,222	$5,755,983	$ 7,846,019	$25,457,327

(a) The decrease in total assets from December 31, 2006 to December 31, 2009, 2008 and 2007 is due to the deconsolidation of the Blackstone Funds following the granting of certain liquidation or removal of the general partner rights to unaffiliated investors in each respective fund following Blackstone's IPO. The increase in total assets and total liabilities from December 31, 2009 to December 31, 2010 is due to the acquisition of certain CLO vehicles described in "—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Transactions—Acquisition of Management Agreements Related to CLO Vehicles".

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ITEM 7. 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 consolidated financial statements and the related notes included within this Annual Report on Form 10-K.

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 January 2011 we closed on our seventh private equity fund. We are also in the process of raising an investment fund focused on clean technology 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. In addition, in November 2010, we commenced our management of the Bank of America Merrill Lynch Asia Assets. 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 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.** 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 and registered investment companies. 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.

  In January 2011, Blackstone separated its Credit and Marketable Alternatives segment into two new segments: Hedge Fund Solutions and Credit Businesses. Please see "—Segment Analysis, Credit and Marketable Alternatives Segment Separation" in this Item 7. for additional information.
- **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 cyclicality of the different businesses in which we operate. Net investment gains and investment income generated by the Blackstone Funds, principally private equity and real estate funds, are driven by value created 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 and other market conditions.

Business Environment

World equity and debt markets continued to move higher in 2010 as the economic recovery progressed, although the pace and magnitude of the recovery varied by region. In developing markets, economic growth was robust throughout the year, characterized by increasing levels of domestic consumption and higher employment. In the U.S. and other developed economies, improvement was more muted due to sustained high levels of unemployment. However, better-than-average growth in corporate earnings, improving economic data, and further fiscal and monetary stimulus helped drive a sustained increase in equities starting in the second half of the year.

Credit indices rose in 2010 as well, benefiting from strong corporate earnings as well as higher demand and liquidity. High yield credit spreads narrowed modestly, while LIBOR and Treasury rates remained at historically low levels. Average leveraged loan prices rose from 87% of par at the end of 2009 to 94% at year-end 2010.

In commercial real estate, the fundamental picture improved in 2010. In the office sector, occupancy appears to be rising in most markets due to a combination of the modest economic recovery coupled with historically low levels of new supply. Some markets, such as New York and London, are demonstrating increases in both occupancy and rents. In the hospitality sector, hotels are rebounding from the sharp decline in demand they suffered in the 2008-2009 period. Industry RevPAR (Revenue Per Available Room), an important hospitality industry metric, grew 9.1% in the fourth quarter, and experienced positive growth since March 2010, following nearly two years of declines.

Commodity prices materially increased in 2010, with precious metals and agricultural products rising particularly sharply. Many commodities finished 2010 at new all-time highs or multi-year highs. The U.S. dollar rose against each of the Euro and Pound Sterling by 8% and 5%, respectively. Monetary policy has remained accommodative in the U.S., although certain foreign governments have taken action to counter inflationary pressures or control budge deficits. The outlook for global monetary policy is uncertain.

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 Transactions

Blackstone Issuance of $400 million 5.875% Notes Due in 2021

On September 15, 2010, Blackstone Holdings Finance Co. L.L.C., an indirect subsidiary of the Partnership, issued $400 million of senior notes due March 15, 2021. The Notes, which were issued at a discount, have an interest rate of 5.875% per annum.

Blackstone Purchase of a 40% Equity Interest in Pátria

On October 1, 2010, the Partnership purchased a non-controlling equity interest representing 40% of Pátria Investments Limited and Pátria Investimentos Ltda. Pátria is one of Latin America’s leading alternative asset managers and advisory firms. As of December 31, 2010, Pátria had $4.3 billion in total assets under management across private equity, real estate, infrastructure and hedge funds.

Acquisition of Management Agreements Related to CLO Vehicles

On April 1, 2010 and July 20, 2010, the Partnership acquired, through GSO, management agreements relating to certain CLO vehicles previously managed by Callidus Capital Management, LLC. The acquisition of the management agreements resulted in the consolidation of certain of the respective CLO vehicles, as applicable under GAAP consolidation guidance. On April 1, 2010, the fair value of the consolidated CLO assets and liabilities managed under such contracts was $2.7 billion and $2.5 billion, respectively. On July 20, 2010, the fair value of the consolidated CLO assets and liabilities related to the additional CLO managed under such contract was $117.6 million and $110.8 million, respectively. There was no material impact to the Consolidated Statement of Operations or the 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, 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" for additional information regarding the manner in which Base Management Fees and Performance Fees 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.

Transaction and other fees (including monitoring fees) are fees charged directly to funds and 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 reductions") 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 they reimburse Blackstone 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 Consolidated Statements of Financial Condition.

Performance Fees— 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 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 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 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 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, 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

Compensation and Benefits—Compensation —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 —Performance fee compensation and benefits consists of Carried Interest and performance fee allocations to employees, including senior managing directors, participating in certain profit sharing initiatives. Such compensation expense is subject to both positive and negative adjustments. Unlike Carried Interest and performance fees, compensation expense is based on the performance of individual investments held by a fund rather than on a fund by fund basis.

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 Consolidated Statements of Financial Condition. When redeemable amounts become legally payable to investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other in the Consolidated Statements of Financial Condition. For all consolidated funds in which redemption rights have not been granted, non-controlling interests are presented within Partners' Capital in the 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 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. Deferred tax liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Consolidated Statements of Financial Position.

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.

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 Consolidated Statements of Operations.

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

In 2008, the U.S. House of Representatives passed a bill that would have generally (a) treated Carried Interest as non-qualifying income under the tax rules applicable to publicly traded partnerships, which would have generally required us to hold interests in entities earning such income through taxable subsidiary corporations by the end of 2010, and (b) taxed 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 have taxed Carried Interest as ordinary income starting in 2010. 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 have applied 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 have generally taxed, 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 would have been considered to be a qualified capital interest under the legislation. The interests we hold in entities that are entitled to receive Carried Interest would have likely been classified as ISPIs for purposes of this legislation. The legislation provided 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 this legislation would not be qualifying income under the tax rules applicable to publicly traded partnerships. Therefore, if similar legislation were to be enacted, 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 that 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 proposal for 2012, the Obama administration proposed that the current law regarding the treatment of Carried Interest be changed to subject such income to ordinary income tax (which would be taxed at a higher rate than the proposed blended rate under the House legislation). The Obama administration proposed similar changes in its published revenue proposals for 2010 and 2011. 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. In September 2010, this previously considered legislation was reintroduced in the U.S. Senate. It is unclear whether or when the U.S. Congress will reconsider similar 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 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 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 20. "Segment Reporting" in the "Notes to Consolidated Financial Statements" in Part II. Item 8. Financial Statements and Supplementary Data.)

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 (e) Realized Investment Income (Loss); less (a) Compensation, (b) Realized Performance Fee 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 related performance fee 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 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, investment income from Blackstone's Treasury cash management strategies 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 ("BREDS"), 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 (except our credit-oriented closed-end registered investment companies) and our closed-end mutual funds;

(g) the fair value of assets we manage pursuant to separately managed accounts;

(h) the gross amount of underlying assets of our CLOs at cost; and

(i) the gross amount of assets (including leverage) for our credit-oriented closed-end registered investment companies.

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.

Consolidated Results of Operations

Following is a discussion of our consolidated results of operations for each of the years in the three year period ended December 31, 2010. 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 years ended December 31, 2010, 2009, and 2008:

	Year Ended December 31,			2010 vs. 2009		2009 vs. 2008	
	2010	2009	2008	$	%	$	%
	(Dollars in Thousands)						
Revenues							
Management and Advisory Fees	$1,584,748	$ 1,482,226	$ 1,476,357	$ 102,522	7%	$ 5,869	0%
Performance Fees							
Realized	366,721	70,492	38,941	296,229	N/M	31,551	81%
Unrealized	571,113	150,598	(1,286,261)	420,515	N/M	1,436,859	N/M
Total Performance Fees	937,834	221,090	(1,247,320)	716,744	N/M	1,468,410	N/M
Investment Income (Loss)							
Realized	29,157	44,320	(16,425)	(15,163)	-34%	60,745	N/M
Unrealized	532,004	(3,716)	(606,452)	535,720	N/M	602,736	99%
Total Investment Income (Loss)	561,161	40,604	(622,877)	520,557	N/M	663,481	N/M
Interest and Dividend Revenue	36,218	22,680	30,879	13,538	60%	(8,199)	-27%
Other	(619)	7,099	13,600	(7,718)	N/M	(6,501)	-48%
Total Revenues	3,119,342	1,773,699	(349,361)	1,345,643	76%	2,123,060	N/M
Expenses							
Compensation and Benefits							
Compensation	3,253,226	3,778,686	4,062,238	(525,460)	-14%	(283,552)	-7%
Performance Fee Compensation							
Realized	128,316	25,102	4,997	103,214	N/M	20,105	N/M
Unrealized	228,647	(26,182)	(207,448)	254,829	N/M	181,266	87%
Total Compensation and Benefits	3,610,189	3,777,606	3,859,787	(167,417)	-4%	(82,181)	-2%
General, Administrative and Other	466,358	443,573	440,776	22,785	5%	2,797	1%
Interest Expense	41,229	13,384	23,008	27,845	N/M	(9,624)	-42%
Fund Expenses	26,214	7,296	63,031	18,918	N/M	(55,735)	-88%
Total Expenses	4,143,990	4,241,859	4,386,602	(97,869)	-2%	(144,743)	-3%
Other Income							
Net Gains (Losses) from Fund Investment Activities	501,994	176,694	(872,336)	325,300	184%	1,049,030	N/M
Income (Loss) Before Provision (Benefit) for Taxes	(522,654)	(2,291,466)	(5,608,299)	1,768,812	77%	3,316,833	59%
Provision (Benefit) for Taxes	84,669	99,230	(14,145)	(14,561)	-15%	113,375	N/M
Net Income (Loss)	(607,323)	(2,390,696)	(5,594,154)	1,783,373	75%	3,203,458	57%
Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	84,837	131,097	(632,495)	(46,260)	-35%	763,592	N/M
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	346,312	(14,328)	(159,828)	360,640	N/M	145,500	91%
Net Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(668,444)	(1,792,174)	(3,638,799)	1,123,730	63%	1,846,625	51%
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (370,028)	$ (715,291)	$(1,163,032)	$ 345,263	48%	$ 447,741	38%

N/M = not meaningful.

Revenues

Total Revenues were $3.1 billion for the year ended December 31, 2010, an increase of $1.3 billion compared to Total Revenues for the year ended December 31, 2009 of $1.8 billion. The increase in revenues was primarily attributable to an increase of $716.7 million in Performance Fees, an increase of $520.6 million in Investment Income (Loss) and an increase of $102.5 million in Management and Advisory Fees. The increase in Performance Fees 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 valuation 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 reflecting the increase in investment activity and net earnings generated from the November 23, 2010 commencement of our management of the Bank of America Merrill Lynch Asia assets in our Real Estate segment.

Total Revenues were $1.8 billion for the year ended December 31, 2009, an increase of $2.1 billion compared to Total Revenues for the prior year of $(349.4) million. The increase in revenues was primarily attributable to an increase of $1.5 billion in Performance Fees, which were $221.1 million for the 2009 year, and an increase of $663.5 million in Investment Income (Loss) to $40.6 million for the year. Management and Advisory Fees were $1.5 billion for the year, relatively unchanged compared to 2008. The improvements in Performance Fees and Investment Income (Loss) were driven by improved returns by our Private Equity funds and by certain Real Estate funds. Our Credit and Marketable Alternatives segment also had improved performance in 2009, contributing $155.6 million primarily from our credit platform hedge funds and also from our funds of hedge funds. The Realized Performance Fees of $70.5 million were primarily attributable to the Private Equity and Credit and Marketable Alternatives segments with $34.0 million and $43.3 million, respectively.

Expenses

Expenses were $4.1 billion for the year ended December 31, 2010, a decrease of $97.9 million, or 2%, compared to $4.2 billion for the year ended December 31, 2009. The decrease was primarily attributable to a decrease of $167.4 million in Compensation and Benefits driven by a decrease in Compensation, partially offset by an increase in Performance Fee 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. Compensation decreased $525.5 million from the prior year period to $3.3 billion. This decrease was primarily attributed to a decrease of $607.3 million in equity-based compensation as a result of the absence of expense related to certain of our equity-based compensation awards that vested at the end of the second quarter of 2010. General Administrative and Other expenses were $466.4 million for the current year, an increase of $22.8 million, driven by the levels of business activity, revenue growth and headcount.

Expenses were $4.2 billion for the year ended December 31, 2009, a decrease of $144.7 million, or 3%, compared to $4.4 billion for the year ended December 31, 2008. The decrease was primarily attributed to a decrease in Compensation and Benefits to $3.8 billion from $3.9 billion in 2008. General, Administrative and Other expenses remained relatively unchanged. Our expenses are primarily driven by levels of business activity, revenue growth and headcount expansion.

Other Income

Other Income was $502.0 million for the year ended December 31, 2010, an increase of $325.3 million compared to $176.7 million for the year ended December 31, 2009. Other Income is attributable to the non-controlling interest holders of the consolidated Blackstone Funds. The change was principally driven by an increase in income generated by our Private Equity and Real Estate consolidated side-by-side entities and our consolidated CLO vehicles.

Other Income (Loss) was $176.7 million for the year ended December 31, 2009, an increase of $1.0 billion compared to $(872.3) million for the year ended December 31, 2008. The change was due to improved performance of consolidated Blackstone Funds for the year ended December 31, 2009.

Operating Metrics

The following tables present certain operating metrics for the years ended December 31, 2010, 2009, and 2008. 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":

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Fee-Earning Assets Under Management			
Balance, Beginning of Period	$ 96,096,997	$91,041,057	$ 83,152,253
Inflows, including Commitments (a)	18,250,862	7,407,805	27,414,604
Outflows, including Distributions (b)	(7,986,373)	(7,165,725)	(7,709,415)
Market Appreciation (Depreciation) (c)	3,138,736	4,813,860	(11,816,385)
Balance, End of Period (d)	$109,500,222	$96,096,997	$ 91,041,057
Increase (Decrease)	14%	6%	9%

	Year Ended December 31,			2010 vs. 2009		2009 vs. 2008	
	2010	2009	2008	$	%	$	%
	(Dollars in Thousands)						
Assets Under Management, End of Period (d)	$128,123,920	$98,183,128	$ 94,559,217	$29,940,792	30%	$ 3,623,911	4%
Capital Deployed							
Limited Partner Capital Invested	$ 7,134,013	$ 3,147,526	$ 6,548,651	$ 3,986,487	127%	$(3,401,125)	-52%

(a) Inflows represent contributions in our hedge funds and closed-end mutual funds and registered investment companies, increases in available capital for our carry funds (capital raises, recallable 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 and registered investment companies, 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 as of December 31, 2010 include $536.5 million from a joint venture in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $109.5 billion at December 31, 2010, an increase of $13.4 billion, or 14%, compared with $96.1 billion at December 31, 2009. The $13.4 billion increase was attributed to a $10.6 billion increase in our Credit and Marketable Alternatives segment driven primarily by net inflows of $7.5 billion which included the acquisition on April 1, 2010 of $3.5 billion of management agreements relating to CLO vehicles, net inflows in our funds of hedge funds business of $2.9 billion and $3.1 billion of market appreciation primarily driven by our funds of hedge funds business. In addition, the Real Estate segment increased $3.1 billion, driven primarily by inflows related to the commencement of our management of the Bank of America Merrill Lynch Asia assets and capital raised by our real estate debt investment funds and additional co-investment capital.

Fee-Earning Assets Under Management were $96.1 billion at December 31, 2009, an increase of $5.1 billion, or 6%, compared with $91.0 billion at December 31, 2008. The increase was primarily driven by $3.7 billion of net appreciation in our funds of hedge funds, $908.0 million in our credit platform funds and $699.3 million in our closed-end mutual funds. Additionally, our Real Estate segment contributed an increase of $737.6 million while Private Equity experienced a decline of $1.0 billion.

Assets Under Management

Assets Under Management were $128.1 billion at December 31, 2010, an increase of $29.9 billion, or 30%, compared with $98.2 billion at December 31, 2009. The $29.9 billion increase was attributed in part to a $12.6 billion increase in our Credit and Marketable Alternatives segment due to net inflows of $8.4 billion in our funds of hedge funds and credit-oriented funds and the acquisition on April 1, 2010 of $3.5 billion of management agreements relating to CLO vehicles. A $4.6 billion increase in our Private Equity segment was driven by net appreciation of $5.9 billion, while a $12.8 billion increase in our Real Estate segment was driven by market appreciation of $8.9 billion, continued fundraising in our real estate debt funds, additional co-investment capital and the commencement of our management of the Bank of America Merrill Lynch Asia assets.

Assets Under Management were $98.2 billion at December 31, 2009, an increase of $3.6 billion, or 4%, compared with $94.6 billion at December 31, 2008. The change was principally due to net appreciation of $7.0 billion and $2.0 billion in our Credit and Marketable Alternatives and Private Equity segments, respectively. This was offset by $3.8 billion of net depreciation in our Real Estate Segment. Additionally, we had realizations of $1.6 billion and $1.0 billion in our Private Equity and Credit and Marketable Alternatives segments, respectively.

Limited Partner Capital Invested

Limited Partner Capital Invested was $7.1 billion for the year ended December 31, 2010, an increase of $4.0 billion, or 127%, compared to $3.1 billion for the year ended December 31, 2009. The change reflected an increase in the size and volume of consummated transactions compared to the prior year, driven primarily by the favorable investment environment for the Real Estate segment resulting in increased investment activity by our BREP VI and debt investment funds.

Limited Partner Capital Invested was $3.1 billion for the year ended December 31, 2009, a decrease of $3.4 billion, or 52%, compared to $6.5 billion for the year ended December 31, 2008. The change reflected a decrease 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.

Private Equity

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

	Year Ended December 31,			2010 vs. 2009		2009 vs. 2008	
	2010	2009	2008	$	%	$	%
	(Dollars in Thousands)						
Segment Revenues							
Management Fees							
Base Management Fees	$263,307	$270,509	$ 268,961	$ (7,202)	-3%	$ 1,548	1%
Transaction and Other Fees, Net	72,243	86,336	51,796	(14,093)	-16%	34,540	67%
Management Fee Offsets	(188)	—	(4,862)	(188)	N/M	4,862	N/M
Total Management Fees	335,362	356,845	315,895	(21,483)	-6%	40,950	13%
Performance Fees							
Realized	156,869	34,021	(749)	122,848	N/M	34,770	N/M
Unrealized	151,494	303,491	(429,736)	(151,997)	-50%	733,227	N/M
Total Performance Fees	308,363	337,512	(430,485)	(29,149)	-9%	767,997	N/M
Investment Income (Loss)							
Realized	15,332	36,968	13,687	(21,636)	-59%	23,281	170%
Unrealized	153,288	33,269	(196,200)	120,019	N/M	229,469	N/M
Total Investment Income (Loss)	168,620	70,237	(182,513)	98,383	140%	252,750	N/M
Interest and Dividend Revenue	14,044	7,756	6,459	6,288	81%	1,297	20%
Other	2,021	2,845	4,474	(824)	-29%	(1,629)	-36%
Total Revenues	828,410	775,195	(286,170)	53,215	7%	1,061,365	N/M
Expenses							
Compensation and Benefits							
Compensation	179,345	181,266	146,551	(1,921)	-1%	34,715	24%
Performance Fee Compensation							
Realized	32,627	741	(4,255)	31,886	N/M	4,996	N/M
Unrealized	21,320	20,307	(126,090)	1,013	5%	146,397	N/M
Total Compensation and Benefits	233,292	202,314	16,206	30,978	15%	186,108	N/M
Other Operating Expenses	109,589	82,471	90,130	27,118	33%	(7,659)	-8%
Total Expenses	342,881	284,785	106,336	58,096	20%	178,449	168%
Economic Net Income	$485,529	$490,410	$(392,506)	$ (4,881)	-1%	$ 882,916	N/M

Revenues

Revenues were $828.4 million for the year ended December 31, 2010, an increase of $53.2 million compared to $775.2 million for the year ended December 31, 2009. The increase was driven by a $98.4 million increase in Investment Income partially offset by a decrease of $29.1 million in Performance Fees and a decrease of $21.5 million in Total Management Fees.

Performance Fees, which are determined on a fund-by-fund basis, were $308.4 million for the year ended December 31, 2010, a decrease of $29.1 million, compared to $337.5 million for the year ended December 31, 2009. The decrease was principally attributable to a lower rate of appreciation of BCP IV, which generated net returns of 30% for the year ended December 31, 2010 compared to 35% for the year ended December 31, 2009. Investment Income was $168.6 million, an increase of $98.4 million, compared to $70.2 million for the year ended December 31, 2009, principally driven by BCP V, which generated a net return of 27% for the year ended December 31, 2010 compared to 1% for the year ended December 31, 2009. The positive performance of our private equity funds was driven by appreciation in the value of our privately held portfolio investments and increases in share prices of our publicly held portfolio investments, slightly offset by foreign exchange losses. The fair value appreciation in our private portfolio in 2010 was primarily due to continued improvement in operating performance driven by companies across various sectors, especially hospitality/leisure, retail/consumer and healthcare. At December 31, 2010, the unrealized value and cumulative realized proceeds, before Carried Interest, fees and expenses, of our contributed private equity funds represented 1.5 times investors' original investments; excluding funds which were still in their Investment Period, the current returns were 2.3 times investors' original investments.

The Realized Performance Fees for the year ended December 31, 2010 of $156.9 million was primarily attributable to our public portfolio, with multiple secondary offerings of TRW Automotive Holdings Corp., a final exit of Cineworld and the public offering of TDC. Realized performance fees were also earned from private holdings in our hospitality/leisure and healthcare industries. Realized Investment Income was $15.3 million for the year ended December 31, 2010, a decrease of $21.6 million compared to $37.0 million for the year ended December 31, 2009.

Total Management Fees were $335.4 million for the year ended December 31, 2010, a decrease of $21.5 million compared to $356.8 million for the year ended December 31, 2009. Transaction Fees decreased $14.1 million to $72.2 million. Base Management Fees were $263.3 million for the year ended December 31, 2010, a decrease of $7.2 million compared to $270.5 million for the year ended December 31, 2009, principally as a result of dispositions in our invested funds which earn fees based on remaining capital.

Revenues were $775.2 million for the year ended December 31, 2009, an increase of $1.1 billion compared to $(286.2) million for the year ended December 31, 2008. The increase in revenues was primarily attributed to an increase of $768.0 million in Performance Fees, an increase of $252.8 million in Investment Income (Loss) and an increase of $41.0 million in Total Management Fees.

Performance Fees, which are determined on a fund-by-fund basis, were $337.5 million for the year ended December 31, 2009, an increase of $768.0 million compared to $(430.5) million for the year ended December 31, 2008. Investment Income (Loss) was $70.2 million, an increase of $252.8 million compared to $(182.5) million for the year ended December 31, 2008. These increases were driven by the improved performance of our funds. At December 31, 2009, the unrealized value and cumulative realized proceeds, before carried interest, fees and expenses, of our contributed Private Equity funds represented 1.3 times investors' original investments. Over 50% of the appreciation in fair value for 2009 was attributable to increased share prices of various publicly held investments, notably TRW Automotive Holdings Corp. and TeamHealth Holdings, Inc., a company that Blackstone took public during the fourth quarter of 2009. The segment's private portfolio contributed approximately one-third to the overall appreciation in fair value for 2009. This improvement was primarily due to two investments sold during 2009, Orangina Schweppes (consumer sector) and Stiefel Laboratories, Inc.

(healthcare sector). At a fund level, the appreciation in fair value was primarily attributed to BCP IV, which generated $340.4 million in Performance Fees and $57.2 million in Investment Income. Within BCP IV, publicly traded TRW Automotive accounted for one-third of the contribution to our Performance Fees and approximately 15% of the contribution to Investment Income (Loss). Orangina Schweppes and Kosmos Energy, LLC each accounted for approximately 20% of Performance Fees and slightly over 25% of Investment Income within BCP IV. The Realized Performance Fees and Investment Income (Loss) for 2009 of $34.0 million and $37.0 million, respectively, were primarily attributable to our sale of Orangina Schweppes and a Sithe Global Power LLC investment.

Total Management Fees were $356.8 million for the year ended December 31, 2009, an increase of $41.0 million compared to $315.9 million for the year ended December 31, 2008. Transaction and Other Fees increased $34.5 million primarily due to lower offsets for spending on due diligence for potential transactions. Base Management Fees were $270.5 million for the year ended December 31, 2009, relatively unchanged compared to the year ended December 31, 2008 as Fee-Earning Assets Under Management also remained relatively unchanged for the comparable period.

Expenses

Expenses were $342.9 million for the year ended December 31, 2010, an increase of $58.1 million, compared to $284.8 million for the year ended December 31, 2009. Compensation remained relatively flat compared to the prior year period. Performance Fee Compensation, which is based on the performance of individual investments held by a fund, increased $32.9 million to $53.9 million compared to the prior year period. Other Operating Expenses increased $27.1 million to $109.6 million, principally due to an increase in interest expense, professional fees, fundraising expenses and other non-compensation expenses.

Expenses were $284.8 million for the year ended December 31, 2009, an increase of $178.4 million, or 168%, compared to $106.3 million for the year ended December 31, 2008. Compensation and Benefits increased in total with Compensation increasing $34.7 million to $181.3 million and Performance Fee Compensation increasing $151.4 million to $21.0 million compared to the year ended December 31, 2008. The increase in Compensation was primarily due to an increase in management fee revenues, as a portion of compensation is directly related to the profitability of the segment. The increase in Performance Fee Compensation was a result of reversing the negative compensation of $(126.9) million in 2008 from the write-down of prior period carried interest allocations due to the decline in fair value of certain portfolio investments. Other Operating Expenses decreased $7.7 million to $82.5 million, principally due to decreases in professional fees and interest expense.

Operating Metrics

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

	Year Ended December 31,		
	2010	2009	2008
		(Dollars in Thousands)	
Fee-Earning Assets Under Management			
Balance, Beginning of Period	$24,521,394	$25,509,163	$25,040,513
Inflows, including Commitments	1,033,240	84,202	515,979
Outflows, including Distributions	(1,380,505)	(411,459)	(47,329)
Market Appreciation (Depreciation)	14,426	(660,512)	—
Balance, End of Period (a)	$24,188,555	$24,521,394	$25,509,163
Increase (Decrease)	-1%	-4%	2%

	Year Ended December 31,			2010 vs. 2009		2009 vs. 2008	
	2010	2009	2008	$	%	$	%
	(Dollars in Thousands)						
Assets Under Management							
(End of Period) (a)	$29,319,136	$24,758,992	$23,933,511	$4,560,144	18%	$ 825,481	3%
Capital Deployed							
Limited Partner Capital Invested	$ 1,653,493	$ 1,541,974	$ 3,760,262	$ 111,519	7%	$(2,218,288)	-59%

(a) Fee-Earning Assets Under Management and Assets Under Management as of December 31, 2010 include $536.5 million from a joint venture in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $24.2 billion at December 31, 2010, a decrease of $332.8 million, or 1%, compared with $24.5 billion at December 31, 2009. For the year ended December 31, 2010, inflows of $1.0 billion were driven by capital raised for our joint venture fund in Korea and Blackstone Clean Technology Partners, as well as follow-on investments made in our invested funds. Outflows of $1.4 billion were mostly driven by the termination of management fees in our BCP III fund and the sale of certain holdings in our invested funds. Market appreciation of $14.4 million for 2010 was due to the foreign exchange impact on our joint venture fund in Korea. Subsequent to year end, we terminated the investment period for BCP V and commenced the investment period for BCP VI.

Fee-Earning Assets Under Management were $24.5 billion at December 31, 2009, a decrease of $987.8 million compared with $25.5 billion at December 31, 2008. The decrease was driven primarily by market depreciation of $660.5 million that resulted from a net depreciation in the fair value of certain portfolio investments in BCP IV and BCOM. Inflows were $84.2 million for the year ended December 31, 2009, a decrease of $431.8 million from the year ended December 31, 2008, primarily due to a reduction in Limited Partner Capital Invested in our funds that charge management fees based on invested capital—BCP II, BCP III, BCP IV, and BCOM. Outflows for the year ended December 31, 2009 were $411.5 million, an increase of $364.1 million compared to $47.3 million for the year ended December 31, 2008. The outflows were primarily due to realizations of investment gains and return of capital in our funds that charge management fees based on invested capital.

Assets Under Management

Assets Under Management were $29.3 billion at December 31, 2010, an increase of $4.6 billion, or 18%, compared with $24.8 billion at December 31, 2009. For the year ended December 31, 2010, the increase was primarily due to net appreciation of $5.9 billion in the fair value of our portfolio investments and inflows of $755.1 million, partially offset by realizations of $2.1 billion. BCP V closed its investment period subsequent to year end, thereby commencing the investment period for BCP VI.

Assets Under Management were $24.8 billion at December 31, 2009, an increase of $825.5 million, or 3%, compared with $23.9 billion at December 31, 2008. The increase was primarily due to net appreciation of $2.0 billion in the fair value of our portfolio investments and inflows of $490.8 million, partially offset by realizations of $1.6 billion.

Limited Partner Capital Invested

Limited Partner Capital Invested was $1.7 billion for the year ended December 31, 2010, an increase of $111.5 million, or 7%, compared to $1.5 billion for the year ended December 31, 2009. The increase was primarily attributable to a number of new transactions in Asia.

Limited Partner Capital Invested was $1.5 billion for the year ended December 31, 2009, a decrease of $2.2 billion, or 59%, compared to $3.8 billion for the year ended December 31, 2008. The decrease was primarily attributed to a decrease in transaction sizes. Investments during the year ended December 31, 2009 were primarily made by BCP V.

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:

	Net Total Change in Carrying Value (Realized and Unrealized) (a)				
	Year Ended December 31,			Inception to Date	
Fund	2010	2009	2008	Total	Realized (b)
BCP IV	30%	35%	-17%	40%	52%
BCP V	27%	1%	-35%	-1%	5%

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 realized 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 year ended December 31, 2010 was 30% compared to 35% for the previous year. The net internal rate of return for BCP V for the year ended December 31, 2010 of 27% significantly improved from 1% in the previous year due to continued improvement in operating performance of its private investments driven by companies in various sectors, especially hospitality/leisure, retail/consumer and healthcare.

The following table presents the investment record of the private equity funds from inception through December 31, 2010 for funds with closed investment periods:

	Fully Invested Funds							
	Total Investments				Realized /Partially Realized Investments (a)			
	Total				Total			
Fund (Investment Period)	Invested Capital	Carrying Value (b)	Net IRR (c)	MOIC (d)	Invested Capital	Carrying Value (b) (e)	Net IRR (c)	MOIC (d)
	(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	3,253	32%	2.5	1,201	3,123	37%	2.6
BCP III (Aug 1997 / Nov 2002)	4,026	8,219	13%	2.0	3,402	7,151	18%	2.1
BCOM (June 2000 / Jun 2006)	2,132	2,933	8%	1.4	1,215	2,149	24%	1.8
BCP IV (Nov 2002 / Dec 2005)	7,300	18,664	40%	2.6	5,120	14,987	52%	2.9

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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 realized 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) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value 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 $2.7 billion.

The following table presents the investment record of the private equity funds from inception through December 31, 2010 for funds with open investment periods:

	Funds in the Investment Period								
	Total Investments					Realized /Partially Realized Investments (a)			
		Total				Total			
Fund (Investment Period)	Available Capital (b)	Invested Capital	Carrying Value (c)	Net IRR (d)	MOIC (e)	Invested Capital	Carrying Value (c) (f)	Net IRR (d)	MOIC (e)
	(Dollars in Millions)					(Dollars in Millions)			
BCP V (Dec 2005 / Jan 2011)	$ 3,281	$18,148	$18,490	-1%	1.0	$ 1,857	$ 2,370	5%	1.3

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 realized 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 recallable capital, less invested capital, and includes $1.8 billion committed to deals but not yet invested. The segment has $832.8 million of Available Capital that has been reserved for add-on investments in funds that are fully invested.
(c) Carrying value includes realized proceeds and unrealized fair value.
(d) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value after management fees, expenses and Carried Interest.
(e) Multiple of Invested Capital ("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 $739 million.

The Private Equity segment has two contributed funds with closed investment periods, BCP IV and BCOM. As of December 31, 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 currently below its Carried Interest threshold but has generated inception-to-date positive returns and is entitled to Carried Interest on those gains.

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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 December 31, 2010:

Funds in the Investment Period	Available Capital (b)	Gain to Cross Carried Interest Threshold (a) Amount	Gain to Cross Carried Interest Threshold (a) % Change in Total Enterprise Value (c)
	(Dollars in Millions)		
BCP V (Dec 2005 / Jan 2011)	$ 3,281	$4,976	12%

(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 recallable 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.

Real Estate

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

	Year Ended December 31, 2010	2009	2008	2010 vs. 2009 $	2010 vs. 2009 %	2009 vs. 2008 $	2009 vs. 2008 %
	(Dollars in Thousands)						
Segment Revenues							
Management Fees							
Base Management Fees	$ 338,428	$ 328,447	$ 295,921	$ 9,981	3%	$ 32,526	11%
Transaction and Other Fees, Net	59,914	25,838	36,046	34,076	132%	(10,208)	-28%
Management Fee Offsets	(1,071)	(2,467)	(4,969)	1,396	57%	2,502	50%
Total Management Fees	397,271	351,818	326,998	45,453	13%	24,820	8%
Performance Fees							
Realized	40,288	(3,039)	24,681	43,327	N/M	(27,720)	N/M
Unrealized	256,971	(252,180)	(843,704)	509,151	N/M	591,524	70%
Total Performance Fees	297,259	(255,219)	(819,023)	552,478	N/M	563,804	69%
Investment Income (Loss)							
Realized	11,251	6,164	3,778	5,087	83%	2,386	63%
Unrealized	318,979	(125,624)	(238,650)	444,603	N/M	113,026	47%
Total Investment Income (Loss)	330,230	(119,460)	(234,872)	449,690	N/M	115,412	49%
Interest and Dividend Revenue	11,173	6,030	5,880	5,143	85%	150	3%
Other	(336)	3,261	3,008	(3,597)	N/M	253	8%
Total Revenues	1,035,597	(13,570)	(718,009)	1,049,167	N/M	704,439	98%
Expenses							
Compensation and Benefits							
Compensation	183,177	158,115	150,684	25,062	16%	7,431	5%
Performance Fee Compensation							
Realized	15,844	3,506	1,090	12,338	N/M	2,416	N/M
Unrealized	122,864	(113,981)	(74,981)	236,845	N/M	(39,000)	-52%
Total Compensation and Benefits	321,885	47,640	76,793	274,245	N/M	(29,153)	-38%
Other Operating Expenses	74,189	56,325	55,782	17,864	32%	543	1%
Total Expenses	396,074	103,965	132,575	292,109	N/M	(28,610)	-22%
Economic Net Income	$ 639,523	$(117,535)	$(850,584)	$ 757,058	N/M	$733,049	86%

Revenues

Revenues were $1.0 billion for the year ended December 31, 2010, an improvement of $1.0 billion compared to $(13.6) million for the year ended December 31, 2009. The increase in revenues was primarily attributed to an increase of $552.5 million in Performance Fees, an increase of $449.7 million in Investment Income (Loss) and an increase of $45.5 million in Total Management Fees.

Performance Fees, which are determined on a fund-by-fund basis, were $297.3 million for the year ended December 31, 2010, an increase of $552.5 million compared to $(255.2) million for the prior year. The increase in Performance Fees was primarily driven by the reversal of prior period performance fees in BREP IV and BREP V, resulting from the appreciation of the funds' investments. Investment Income (Loss) was $330.2 million for the year ended December 31, 2010, an increase of $449.7 million compared to $(119.5) million for the year ended December 31, 2009. For the year ended December 31, 2010, valuation increases across most of the segment's investments had the largest impact on investment income, primarily driven by Equity Office Properties Trust and Hilton Hotels Corporation. The increase in both Performance Fees and Investment Income (Loss) was driven by better performance of our carry funds. The December 31, 2010, unrealized value and cumulative realized proceeds, before carried interest, fees and expenses, of our Real Estate carry funds represented 1.4 times investors' original investments.

The Realized Performance Fees and Realized Investment Income for 2010 of $40.3 million and $11.3 million, respectively, were primarily attributable to realized gains in our debt investment funds.

Total Management Fees were $397.3 million for the year ended December 31, 2010, an increase of $45.5 million compared to $351.8 million for the year ended December 31, 2009. Base Management Fees were $338.4 million for the year ended December 31, 2010, an increase of $10.0 million compared to the prior year, driven by an increase in Fee-Earning Assets Under Management of 13% from the prior year, which was primarily from capital raised for our new debt investment funds and additional co-investment capital, along with the fees generated by the commencement of our management of the Bank of America Merrill Lynch Asia assets. Transaction and Other Fees increased $34.1 million, primarily due to an increase in the number and size of closed fee-earning transactions in 2010 and fees generated from the commencement of our management of the Bank of America Merrill Lynch Asia assets.

Revenues were $(13.6) million for the year ended December 31, 2009, an improvement of $704.4 million compared to $(718.0) million for the year ended December 31, 2008. The increase in revenues was primarily attributed to an improvement of $563.8 million in Performance Fees, an improvement of $115.4 million in Investment Income (Loss) and an increase of $24.8 million in Total Management Fees.

Performance Fees, which are determined on a fund-by-fund basis, were $(255.2) million for the year ended December 31, 2009, an improvement of $563.8 million compared to $(819.0) million for the year ended December 31, 2008. In 2008, the funds experienced significant unrealized valuation reductions. As a result, the prior period performance fees were reversed, primarily in BREP IV, V and VI, resulting in the loss of $819.0 million for the year ended December 31, 2008. For the first half of 2009, the funds continued to experience unrealized valuation reductions; however, the losses were limited to prior period performance fees not yet reversed in BREP IV and BREP V. During the second half of 2009 the funds experienced a general stabilization of fair value, which resulted in an overall 2009 loss of $255.2 million.

Investment Income (Loss) was $(119.5) million for the year ended December 31, 2009, an improvement of $115.4 million compared to $(234.9) million for the year ended December 31, 2008. For the year ended December 31, 2009, valuation reductions in BREP V ($(27.1) million) and BREP VI ($(83.5) million) had the largest impact on investment income, primarily driven by the decline in valuations of our holdings in Trizec Properties Inc., CarrAmerica Realty Corporation, Equity Office Properties Trust and Hilton Hotels Corporation. The improvement was driven by better performance of our BREP funds and our real estate debt hedge funds.

Despite significant unrealized markdowns over the preceding 18 months, unrealized value and cumulative realized proceeds, before carried interest, fees and expenses, of our contributed Real Estate carry funds as of December 31, 2009, represented 0.9 times investors’ original investments.

The Realized Performance Fees and Investment Income (Loss) for 2009 of $(3.0) million and $6.2 million, respectively, were primarily attributable to our realized loss in a residential home-building investment (BREP IV), which was partially offset by realized gains in our debt investment funds.

Total Management Fees were $351.8 million for the year ended December 31, 2009, an increase of $24.8 million compared to $327.0 million for the year ended December 31, 2008. Base Management Fees were $328.4 million for the year ended December 31, 2009, an increase of $32.5 million compared to the year ended December 31, 2008, driven by a full year of management fees from our European focused real estate fund and an increase in Fee-Earning Assets Under Management of 3% from the year ended December 31, 2008, which was primarily from capital raised for our new debt investment funds. Transaction and Other Fees decreased $10.2 million, primarily due to a reduction in the number and size of closed fee-earning transactions in 2009.

Expenses

Expenses were $396.1 million for the year ended December 31, 2010, an increase of $292.1 million compared to $104.0 million for the year ended December 31, 2009. The increase was primarily attributable to a $249.2 million increase in Performance Fee Compensation, primarily as a result of the increase in Performance Fees revenue in the current year period compared to the reversal of prior period accrued performance fees in the prior year period. Compensation increased $25.1 million as a result of the increase in profitability as a portion of compensation is directly related to the profitability of the segment and an increase in headcount related to the commencement of the management of the Bank of America Merrill Lynch Asia assets. Other Operating Expenses increased $17.9 million primarily due to an increase in interest expense and professional fees.

Expenses were $104.0 million for the year ended December 31, 2009, a decrease of $28.6 million, or 22%, compared to $132.6 million for the year ended December 31, 2008. Compensation rose 5%, or $7.4 million, to $158.1 million for the year ended December 31, 2009. The increase was primarily due to an increase in compensation of senior personnel which is calculated based on segment profitability. Performance Fee Compensation was $(110.5) million for the year ended December 31, 2009, a decrease of $36.6 million, or 50%, compared to $(73.9) million for the year ended December 31, 2008. The decrease resulted principally from the reversal of prior period performance fee allocations to certain personnel of $70.6 million in 2008, compared to $113.1 million in 2009, as a result of unrealized valuation reductions of certain portfolio investments. Other Operating Expenses remained relatively unchanged from the year ended December 31, 2008.

Operating Metrics

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

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Fee-Earning Assets Under Management			
Balance, Beginning of Period	$23,708,057	$22,970,438	$18,637,673
Inflows, including Commitments	4,033,782	1,009,216	5,140,183
Outflows, including Distributions	(951,922)	(428,092)	(582,652)
Market Appreciation (Depreciation)	24,797	156,495	(224,766)
Balance, End of Period	$26,814,714	$23,708,057	$22,970,438
Increase (Decrease)	13%	3%	23%

	Year Ended December 31,			2010 vs. 2009		2009 vs. 2008	
	2010	2009	2008	$	%	$	%
	(Dollars in Thousands)						
Assets Under Management							
(End of Period)	$33,165,124	$20,391,334	$24,154,642	$12,773,790	63%	$(3,763,308)	-16%
Capital Deployed							
Limited Partner Capital Invested	$ 4,072,527	$ 884,151	$ 968,684	$ 3,188,376	N/M	$ (84,533)	-9%

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $26.8 billion at December 31, 2010, an increase of $3.1 billion, or 13%, compared with $23.7 billion at December 31, 2009. Current year inflows of $4.0 billion were primarily related to the commencement of our management of the Bank of America Merrill Lynch Asia assets and capital raised by our real estate debt investment funds and the deployment of additional co-investment capital. Current year outflows were $951.9 million, primarily due to realizations generated by both the Bank of America Merrill Lynch Asia assets that we manage and our real estate debt investment funds, along with the full write-down of a European hotel portfolio investment. Market appreciation in the current year of $24.8 million was primarily due to net valuation increases for certain of our real estate debt investment funds that charge management fees based on net asset value, offset by an unfavorable foreign exchange impact on commitments from our European focused real estate fund. Prior year market appreciation of $156.5 million was primarily due to the favorable foreign exchange impact on commitments from our European focused real estate fund.

Fee-Earning Assets Under Management were $23.7 billion at December 31, 2009, an increase of $737.6 million, or 3%, compared with $23.0 billion at December 31, 2008. The increase was primarily driven by capital raised and deployed by our real estate debt investment funds since the end of 2008. As discussed above, the year ended December 31, 2009 inflows were primarily related to capital deployed by our real estate debt investment funds whereas the year ended December 31, 2008 inflows included $4.6 billion of capital raised for our European focused real estate fund. The year ended December 31, 2009 outflows were $428.1 million, primarily due to realizations in BREP IV and the end of the fund’s term for BREP III, whereas the year ended December 31, 2008 outflows of $582.7 million were primarily driven by unused capital commitments at the end of the BREP International II investment period in 2008 being earmarked for fund reserves and no longer earning fees until drawn. Additional increases in the current year of $156.5 million were due to the impact of favorable foreign exchange fluctuations on committed capital for our European focused real estate fund and net valuation increases for certain of our debt investment funds. The year ended December 31, 2008 included additional decreases to fee-earning assets of $224.8 million which were primarily due to the unfavorable foreign exchange impact on commitments from our European focused real estate fund.

Assets Under Management

At December 31, 2010, Assets Under Management were $33.2 billion, an increase of $12.8 billion, or 63%, compared with $20.4 billion at December 31, 2009. The change was primarily due to market appreciation of $8.9 billion, continued fundraising in our real estate debt funds, the deployment of additional co-investment capital and the commencement of our management of the Bank of America Merrill Lynch Asia assets.

Our real estate debt investment funds obtained additional capital commitments of $685.3 million in January and February 2011.

At December 31, 2009, Assets Under Management were $20.4 billion, a decrease of $3.8 billion, or 16%, compared with $24.2 billion at December 31, 2008. The change was primarily due to net reductions in the fair value of underlying portfolio investments of $3.8 billion, which were substantially all unrealized.

Limited Partner Capital Invested

For the year ended December 31, 2010, Limited Partner Capital Invested was $4.1 billion, an increase of $3.2 billion from $884.2 million for the year ended December 31, 2009. These increases reflected the favorable investment environment, resulting in increased investment activity by our BREP VI and debt investment funds.

For the year ended December 31, 2009, Limited Partner Capital Invested was $884.2 million, a decrease of $84.5 million, or 9%, from $968.7 million for the year ended December 31, 2008. This decrease reflected a reduction in the volume and size of closed transactions as a result of the continued difficult market conditions in 2009. During the year ended December 31, 2009, Limited Partner Capital Invested was predominantly in our BREP VI and debt investment 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 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:

	Net Total Change in Carrying Value (Realized and Unrealized) (a)				
	Year Ended December 31,			December 31, 2010 Inception to Date	
Fund	2010	2009	2008	Total	Realized (b)
BREP IV	30%	-32%	-39%	16%	68%
BREP V	61%	-35%	-31%	7%	74%
BREP International II (c)	84%	-32%	-40%	-4%	3%
BREP International (c)	8%	9%	-33%	23%	31%
BREP VI	137%	-40%	-43%	6%	95%
BREP Europe III (c)	147%	N/A	N/A	27%	N/A
BSSF II (d)	21%	23%	N/A	23%	42%
BSSF I (d)	15%	21%	-9%	13%	N/A
CMBS (d)	20%	17%	N/A	21%	N/A

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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.
(c) Euro based net internal rates of return.
(d) Represents returns for a partial year of investing which commenced for the CMBS fund in May 2009, BSSF II in July 2009, and BSSF I in August 2008.

The real estate funds' net internal rates of return for the year ended December 31, 2010 were improved for all funds (except BSSF I, BSSF II and BREP International) compared to the year ended December 31, 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 carry funds from inception through December 31, 2010 for funds with closed investment periods:

	Fully Invested Funds							
	Total Investments				Realized / Partially Realized Investments (a)			
	Total				Total			
Fund (Investment Period)	Invested Capital	Carrying Value (b)	Net IRR (c)	MOIC (d)	Invested Capital	Carrying Value (b) (e)	Net IRR (c)	MOIC (d)
	(Amounts in Millions)				(Amounts in Millions)			
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	21%	2.4	$ 1,362	$ 3,318	23%	2.4
BREP Int'l (Jan 2001 / Sep 2005)	€ 658	€ 1,287	23%	2.0	€ 566	€ 1,236	31%	2.2
BREP IV (Apr 2003 / Dec 2005)	$ 2,737	$ 3,979	16%	1.5	$ 1,074	$ 2,517	68%	2.3
BREP V (Dec 2005 / Feb 2007)	$ 5,515	$ 7,067	7%	1.3	$ 951	$ 1,885	74%	2.0
BREP Int'l II (Sep 2005 / Jun 2008)	€ 1,336	€ 1,270	-4%	1.0	€ 162	€ 193	3%	1.2

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 (rent, dividends, interest, etc.), are a material portion of invested capital.
(b) Carrying value includes realized proceeds and unrealized fair value.
(c) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized fair value 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 Total Realized / Partially Realized Carrying Value includes remaining unrealized value of $652.5 million and €143.4 million.

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The following table presents the investment record of the real estate carry funds, excluding separately managed accounts, from inception through December 31, 2010 for funds with open investment periods:

	Funds in the Investment Period				
		Total Investments			
		Total			
Fund (Investment Period)	Available Capital (a)	Invested Capital	Carrying Value (b)	Net IRR (c)	MOIC (d)
	(Amounts in Millions)				
BREP VI (Feb 2007 / Aug 2012)	$ 3,319	$7,708	$ 9,487	6%	1.2
BREP Europe III (Jun 2008 / Dec 2013)	€ 3,140	€ 91	€ 293	27%	3.2
BSSF II (Jul 2009 / Aug 2017)	$ 581	$ 588	$ 732	23%	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 recallable capital, less invested capital, and includes $314 million committed to deals but not yet invested. Additionally, the segment has $775 million 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) Net Internal Rate of Return (“IRR”) represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized fair value 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.

The following table presents the Carried Interest status of our real estate carry funds with expired investment periods which are currently not generating performance fees as of December 31, 2010:

	Gain to Cross Carried Interest Threshold (b)	
Fully Invested Funds (a)	Amount	% Change in Total Enterprise Value (c)
	(Amounts in Millions)	
BREP V (Dec 2005 / Feb 2007) (d)	$ 218	1%
BREP Int’l II (Sep 2005 / Jun 2008)	€ 613	13%

(a) As of December 31, 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.
(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.
(d) BREP V is currently below its Carried Interest threshold but has generated inception to date positive returns and is entitled to Carried Interest on those gains.

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The following table presents the Carried Interest status of our real estate carry funds with open investment periods that are currently not generating performance fees as of December 31, 2010:

Funds in the Investment Period (a)	Available Capital (c)	Gain to Cross Carried Interest Threshold (b) Amount	Gain to Cross Carried Interest Threshold (b) % Change in Total Enterprise Value (d)
	(Dollars in Millions)		
BREP VI (Feb 2007 / Aug 2012)	$ 3,319	$ 333	1%

(a) As of December 31, 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.

Credit and Marketable Alternatives

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

	Year Ended December 31, 2010	2009	2008	2010 vs. 2009 $	%	2009 vs. 2008 $	%
	(Dollars in Thousands)						
Segment Revenues							
Management Fees							
Base Management Fees	$467,736	$400,873	$ 476,836	$ 66,863	17%	$ (75,963)	-16%
Transaction and Other Fees, Net	5,229	2,866	8,516	2,363	82%	(5,650)	-66%
Management Fee Offsets	(1,054)	(14,694)	(6,606)	13,640	93%	(8,088)	-122%
Total Management Fees	471,911	389,045	478,746	82,866	21%	(89,701)	-19%
Performance Fees							
Realized	164,506	43,282	15,081	121,224	N/M	28,201	187%
Unrealized	156,161	114,556	(12,822)	41,605	36%	127,378	N/M
Total Performance Fees	320,667	157,838	2,259	162,829	103%	155,579	N/M
Investment Income (Loss)							
Realized	19,518	(15,031)	(82,142)	34,549	N/M	67,111	82%
Unrealized	28,833	96,016	(257,084)	(67,183)	-70%	353,100	N/M
Total Investment Income (Loss)	48,351	80,985	(339,226)	(32,634)	-40%	420,211	N/M
Interest and Dividend Revenue	4,907	3,452	8,527	1,455	42%	(5,075)	-60%
Other	(391)	1,025	1,214	(1,416)	N/M	(189)	-16%
Total Revenues	845,445	632,345	151,520	213,100	34%	480,825	N/M
Expenses							
Compensation and Benefits							
Compensation	218,643	198,117	239,436	20,526	10%	(41,319)	-17%
Performance Fee Compensation							
Realized	79,845	20,854	8,162	58,991	N/M	12,692	156%
Unrealized	84,462	67,493	(6,643)	16,969	25%	74,136	N/M
Total Compensation and Benefits	382,950	286,464	240,955	96,486	34%	45,509	19%
Other Operating Expenses	90,466	80,661	106,027	9,805	12%	(25,366)	-24%
Total Expenses	473,416	367,125	346,982	106,291	29%	20,143	6%
Economic Net Income	$372,029	$265,220	$(195,462)	$106,809	40%	$460,682	N/M

Revenues

Revenues were $845.4 million for the year ended December 31, 2010, an increase of $213.1 million compared to the year ended December 31, 2009. The increase in revenues was primarily attributed to increases of $162.8 million in Performance Fees and an increase of $82.9 million in Total Management Fees. These increases were partially offset by a decrease of $32.6 million in Investment Income (Loss) to $48.4 million, compared to $81.0 million for the prior year period.

Performance Fees were $320.7 million for the year ended December 31, 2010, an increase of $162.8 million from the prior year period. The increase in Performance Fees was primarily attributable to improved returns in the segment's credit-oriented funds and an increase in the amount of Fee-Earning Assets Under Management which are earning Incentive Fees in our funds of hedge funds business. The net core funds composite return for Blackstone's funds of hedge funds was 8.5% for the full year 2010 compared to 16.0% for the full year 2009. Despite this, the proportion of Fee-Earning Assets Under Management related to funds above their respective high-water marks and/or hurdle, and therefore eligible for Performance Fees, increased during the year ended December 31, 2010 compared to the year ended December 31, 2009. The net core funds returns in Blackstone's credit-oriented business were 15.7% for the credit-oriented special situations hedge funds, 17.9% for the GSO mezzanine debt drawdown funds and 35.9% for the GSO distressed drawdown funds for the full year 2010 compared to 28.8% for the credit-oriented special situations hedge funds and 15.4% for the GSO mezzanine debt drawdown funds for the full year 2009 and 4.4% for the GSO distressed drawdown funds which began investing in September 2009. Each of the credit-oriented fund returns represents a weighted-average return for the U.S. domestic and offshore funds, as applicable to each return. Investment Income (Loss) was $48.4 million, a decrease of $32.6 million compared to $81.0 million for the year ended December 31, 2009. The decrease was primarily related to our funds of hedge funds and certain of our credit-oriented funds.

The Realized Performance Fees for the year ended December 31, 2010 of $164.5 million were driven primarily by our credit-oriented funds. The Realized Investment Income (Loss) for the year ended December 31, 2010 of $19.5 million was driven primarily by our credit-oriented funds and our funds of hedge funds business.

Total Management Fees were $471.9 million for the year ended December 31, 2010, an increase of $82.9 million compared to $389.0 million for the year ended December 31, 2009. Base Management Fees were $467.7 million for the year ended December 31, 2010, an increase of $66.9 million compared to the prior year period, driven by an increase in Fee-Earning Assets Under Management of 22% from the prior year period, which was primarily from positive net inflows in our funds of hedge funds and credit-oriented funds businesses, the April 1, 2010 acquisition of $3.5 billion of management agreements relating to CLO vehicles by our credit-oriented businesses and market appreciation in our funds of hedge funds.

Revenues were $632.3 million for the year ended December 31, 2009, an increase of $480.8 million, compared to $151.5 million for the year ended December 31, 2008. Total Management Fees were $389.0 million, a decline of $89.7 million from the prior year. This decline was primarily attributable to a reduction of $76.0 million in Base Management Fees to $400.9 million. This reduction was primarily the result of the absence of fees earned in 2008 from certain of our proprietary hedge funds which were liquidated at the end of 2008 as well as lower Fee-Earning Assets Under Management at the beginning of 2009 than the beginning of 2008 for our funds of hedge funds business.

Performance Fees increased $155.6 million for the year ended December 31, 2009 to $157.8 million. The increase in Performance Fees was attributable to net appreciation of the investment portfolios in addition to fee-earning inflows of $6.3 billion, principally in certain of our funds of hedge funds and credit-oriented funds, compared to the year ended December 31, 2008 which included minimal Performance Fees. The net composite returns in our funds of hedge funds was 16% in 2009 compared to (20)% in 2008. As a result, the Fee-Earning Assets Under Management above their respective high-water marks and/or hurdle, and therefore eligible for Performance Fees, increased during 2009 compared to 2008 (see table below). The increase of $420.2 million in

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Investment Income (Loss) to $81.0 million was primarily related to improved returns on our investments in our funds of hedge funds, proprietary hedge funds and certain of our credit-oriented funds. Additionally, 2008 included a loss of $60.1 million on our investments in certain of our proprietary hedge funds which were liquidated at the end of 2008. Both Investment Income and Performance Fees benefited from favorable conditions in equity and credit markets for most of 2009.

For the year ended 2009, Realized Performance Fees of $43.3 million were driven primarily by incentive fees earned by our funds of hedge funds business of $30.7 million. The Realized Investment Income (Loss) was $(15.0) million.

Expenses

Expenses were $473.4 million for the year ended December 31, 2010, an increase of $106.3 million, or 29%, compared to $367.1 million for the year ended December 31, 2009. The $106.3 million increase was primarily attributed to a $76.0 million increase in Performance Fee Compensation and a $9.8 million increase in Other Operating Expenses. The $76.0 million increase in Performance Fee Compensation was driven by the positive returns of our credit-oriented funds and our funds of hedge funds. Other Operating Expenses increased $9.8 million principally due to an increase in professional fees and interest expense.

Expenses were $367.1 million for the year ended December 31, 2009, an increase of $20.1 million, or 6%, compared to $347.0 million for the year ended December 31, 2008. Compensation was $198.1 million for the year ended December 31, 2009, a decrease of $41.3 million, compared to $239.4 million for the year ended December 31, 2008. The decreases were primarily due to a decrease in management fee revenues, as a portion of compensation is directly related to the profitability of each of the businesses of the segment, and the impact of headcount reductions as a result of the restructuring of two of our single manager proprietary hedge funds and our credit-oriented funds. Performance Fee Compensation was $88.3 million for the year ended December 31, 2009, an increase of $86.8 million, compared to $1.5 million for the year ended December 31, 2008. The increase resulted principally from the accrual of carried interest allocations to certain personnel due to the positive adjustments in fair value of certain portfolio investments.

Operating Metrics

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

	Year Ended December 31, 2010	2009	2008
	(Dollars in Thousands)		
Fee-Earning Assets Under Management			
Balance, Beginning of Period	$ 47,867,546	$ 42,561,456	$ 39,474,067
Inflows, including Commitments	13,183,840	6,314,387	21,758,442
Outflows, including Distributions	(5,653,946)	(6,326,174)	(7,079,434)
Market Appreciation (Depreciation) (a)	3,099,513	5,317,877	(11,591,619)
Balance, End of Period	$ 58,496,953	$ 47,867,546	$ 42,561,456
Increase (Decrease)	22%	12%	8%

	Year Ended December 31, 2010	2009	2008	2010 vs. 2009 $	%	2009 vs. 2008 $	%
	(Dollars in Thousands)						
Assets Under Management (End of Period)	$ 65,639,660	$ 53,032,802	$ 46,471,064	$12,606,858	24%	$ 6,561,738	14%
Capital Deployed Limited Partner Capital Invested (a)	$ 1,407,993	$ 721,401	$ 1,819,705	$ 686,592	95%	$(1,098,304)	-60%

(a) Entirely attributable to funds within our credit-oriented business.

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 December 31,			As of December 31,		
	2010	2009	2008	2010	2009	2008
	(Dollars in Thousands)					
Funds of Hedge Funds (b)	$16,367,845	$13,695,111	$11,349,475	76%	40%	0%
GSO Hedge Funds (c)	3,059,373	2,918,630	4,020,446	96%	69%	4%

(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.

(b) For our funds of hedge funds, at December 31, 2010 the incremental appreciation needed for the 24% of Fee-Earning Assets Under Management below their respective High Water Marks to reach their respective High Water Marks was $324.1 million, a decrease of $609.4 million, or 65.3%, compared to $933.4 million at December 31, 2009. Of the Fee-Earning Assets Under Management below their respective High Water Marks as of December 31, 2010, 31.8% were within 2% of reaching their respective High Water Mark.

(c) The GSO Hedge Funds consist of the credit-oriented special situations hedge funds and other credit-oriented hedge funds that are eligible for incentive fees.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $58.5 billion at December 31, 2010, an increase of $10.6 billion, or 22%, compared to $47.9 billion at December 31, 2009. The change was primarily due to net inflows of $7.5 billion, which included the acquisition on April 1, 2010 of $3.5 billion of management agreements relating to CLO vehicles, and net inflows in our funds of hedge funds business of $3.2 billion, and market appreciation of $3.1 billion primarily driven by our funds of hedge funds business. Current year inflows of $13.2 billion and outflows of $5.7 billion were both primarily related to our credit-oriented funds and our funds of hedge funds. Our funds of hedge funds had net inflows of $2.2 billion in January and February 2011.

Fee-Earning Assets Under Management were $47.9 billion at December 31, 2009, an increase of $5.3 billion, or 12%, compared to $42.6 billion at December 31, 2008. The increase was primarily driven by market appreciation of $3.7 billion in our funds of hedge funds, $908.0 million in our credit platform funds and $698.5 million in our closed-end mutual funds. Additionally, $6.3 billion of outflows (generally a result of liquidity needs of limited partners), were offset by inflows. The inflows of $6.3 billion for 2009 were $15.4 billion less than the $21.8 billion of inflows for 2008. The decrease was primarily due to the acquisition of GSO, which contributed $10.9 billion of inflows, being included in the 2008 inflows. Outflows were $6.3 billion for 2009, a decrease of $753.3 million compared to $7.1 billion for 2008. The decrease was primarily related to the liquidation of certain proprietary hedge funds at the end of 2008. Market appreciation was $5.3 billion for 2009, an increase of $16.9 billion. This increase was primarily a result of more favorable market conditions which resulted in significantly improved returns for virtually all of our funds in 2009.

Assets Under Management

Assets Under Management were $65.6 billion at December 31, 2010, an increase of $12.6 billion, or 24%, compared to $53.0 billion at December 31, 2009. The change was primarily due to net inflows across our funds of $8.4 billion primarily attributable to the April 1, 2010 acquisition of $3.5 billion of management agreements relating to CLO vehicles and net inflows in our funds of hedge funds of $3.1 billion.

Assets Under Management were $53.0 billion at December 31, 2009, an increase of $6.6 billion, or 14%, compared to $46.5 billion at December 31, 2008. The change was driven by $4.0 billion of net market appreciation in our funds of hedge funds and $2.4 billion in our credit platform funds. Additionally, $7.7 billion of outflows were mostly offset by $7.2 billion of inflows.

Limited Partner Capital Invested

Limited Partner Capital Invested by our credit-oriented carry funds was $1.4 billion for the year ended December 31, 2010, an increase of $686.6 million compared to $721.4 million for the year ended December 31, 2009.

Limited Partner Capital Invested in carry funds was $721.4 million for the year ended December 31, 2009, a decrease of $1.1 billion compared to $1.8 billion for the year ended December 31, 2008. The year ended December 31, 2008 included investments made by certain of our credit-oriented funds launched in 2008.

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.

	Average Annual Net Returns (a) Periods Ended December 31, 2010			
Composite / Fund	**One Year**	**Three Year**	**Five Year**	**Historical**
Funds of Hedge Funds, Core Funds Composite (b)	9%	—	5%	7%
Credit-Oriented Special Situations Hedge Funds (c)	16%	6%	8%	8%

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 Core Funds Composite excludes Blackstone’s funds of hedge funds that employ a long - biased commodity strategy, funds whose primary objective is to provide capital to hedge fund start-up firms and funds managed under non-discretionary advisory arrangements. The historical return is from January 1, 2000 and excludes fluctuations due to foreign currency exchange rates.

(c) The Credit-Oriented Special Situations Hedge Funds returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The historical return is from August 1, 2005, which is before Blackstone’s acquisition of GSO in March 2008.

The following table presents the Net Internal Rates of Return of our significant Credit and Marketable Alternatives credit-oriented drawdown funds:

Fund	Net Total Change in Carrying Value (Realized and Unrealized) (a)			
	Year Ended December 31,			Inception
	2010	2009	2008	to Date
GSO Mezzanine Debt Drawdown Funds (b)	18%	15%	6%	15%
GSO Distressed Drawdown Funds (c)	36%	4%	N/A	35%

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) The GSO Mezzanine Debt Drawdown Funds returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The inception to date return is from August 1, 2005, which is before Blackstone's acquisition of GSO in March 2008.
(c) The GSO Distressed Drawdown Funds returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The inception to date and 2009 annual returns are from September 2009, which is when the funds commenced investing.

The following table presents the investment record of the significant Credit and Marketable Alternatives credit-oriented drawdown funds from inception through December 31, 2010 for funds with open investment periods:

Fund (Investment Period)	Funds in the Investment Period							
		Total Investments				Realized /Partially Realized Investments (a)		
		Total				Total		
	Available Capital (b)	Invested Capital	Carrying Value (c)	Net IRR (d)	MOIC (e)	Invested Capital	Carrying Value (c) (f)	MOIC (e)
		(Dollars in Millions)				(Dollars in Millions)		
GSO Mezzanine Debt Drawdown Funds (Jul 2007 / Jul 2012)	$ 823	$1,935	$ 2,470	15%	1.3	$ 971	$ 1,341	1.4
GSO Distressed Drawdown Funds (May 2009 / May 2013)	2,379	1,006	1,254	35%	1.3	143	164	1.2

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 realized 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 recallable capital, less invested capital.
(c) Carrying value includes realized proceeds and unrealized fair value.
(d) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value after management fees, expenses and Carried Interest.
(e) Multiple of Invested Capital ("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 $464.3 million.

As of December 31, 2010, significant Credit and Marketable Alternatives credit-oriented drawdown funds that are in their investment period were above their respective Carried Interest thresholds (i.e., the preferred return payable to its limited partners before the general partner is eligible to receive Carried Interest).

Credit and Marketable Alternatives Segment Separation

In January 2011, Blackstone separated its Credit and Marketable Alternatives segment into two new segments: Hedge Fund Solutions and Credit Businesses. The Hedge Fund Solutions segment, which is comprised primarily of Blackstone Alternative Asset Management, primarily manages funds of hedge funds and includes Indian-focused and Asian-focused closed-end registered investment companies. The Credit Businesses segment, which principally includes GSO, manages credit-oriented funds, collateralized loan obligation vehicles, separately managed accounts and debt-focused closed-end mutual funds. Blackstone will report segment results under this structure commencing in the first quarter of 2011. The following presents selected Credit and Marketable Alternatives financial information presented under this revised reporting structure:

	As of and for the Year Ended December 31, 2010	As of and for the Year Ended December 31, 2009
	(Dollars in Thousands)	
Total CAMA Revenues		
Hedge Fund Solutions		
Total Management Fees	$ 276,015	$ 229,578
Total Performance Fees	59,608	30,710
Total Investment Income	29,179	51,785
Other	1,966	1,298
Total Hedge Fund Solutions Revenues	366,768	313,371
Credit Businesses		
Total Management Fees	195,896	159,467
Total Performance Fees	261,059	127,128
Total Investment Income	19,172	29,200
Other	2,550	3,179
Total Credit Businesses Revenues	478,677	318,974
	$ 845,445	$ 632,345
Total CAMA Expenses		
Hedge Fund Solutions		
Total Compensation and Benefits	$ 117,086	$ 99,719
Other Operating Expenses	51,360	43,166
Total Hedge Fund Solutions Expenses	168,446	142,885
Credit Businesses		
Total Compensation and Benefits	265,864	186,745
Other Operating Expenses	39,106	37,495
Total Credit Businesses Expenses	304,970	224,240
	$ 473,416	$ 367,125
Total CAMA Economic Net Income		
Hedge Fund Solutions	$ 198,322	$ 170,486
Credit Businesses	173,707	94,734
	$ 372,029	$ 265,220
Total CAMA Assets Under Management		
Hedge Fund Solutions	$ 34,587,292	$ 28,799,326
Credit Businesses	31,052,368	24,233,476
	$ 65,639,660	$ 53,032,802
Total CAMA Fee-Earning Assets Under Management		
Hedge Fund Solutions	$ 33,159,795	$ 27,451,309
Credit Businesses	25,337,158	20,416,237
	$ 58,496,953	$ 47,867,546

Financial Advisory

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

	Year Ended December 31,			2010 vs. 2009		2009 vs. 2008	
	2010	2009	2008	$	%	$	%
	(Dollars in Thousands)						
Segment Revenues							
Advisory Fees	$426,140	$390,718	$397,519	$35,422	9%	$ (6,801)	-2%
Transaction and Other Fees, Net	362	—	—	362	N/M	—	N/M
Total Advisory and Transaction Fees	426,502	390,718	397,519	35,784	9%	(6,801)	-2%
Investment Income							
Realized	814	1,443	—	(629)	-44%	1,443	N/M
Unrealized	534	219	—	315	144%	219	N/M
Total Investment Income	1,348	1,662	—	(314)	-19%	1,662	N/M
Interest and Dividend Revenue	5,972	5,254	8,148	718	14%	(2,894)	-36%
Other	(1,912)	(35)	4,899	(1,877)	N/M	(4,934)	N/M
Total Revenues	431,910	397,599	410,566	34,311	9%	(12,967)	-3%
Expenses							
Compensation and Benefits—Compensation	277,949	232,359	234,755	45,590	20%	(2,396)	-1%
Other Operating Expenses	70,272	79,572	67,277	(9,300)	-12%	12,295	18%
Total Expenses	348,221	311,931	302,032	36,290	12%	9,899	3%
Economic Net Income	$ 83,689	$ 85,668	$108,534	$ (1,979)	-2%	$(22,866)	-21%

Revenues

Revenues were $431.9 million for the full year 2010, an increase from $397.6 million for the full year 2009. The increase in segment revenues was primarily driven by a nearly 300% increase in the fees earned by Blackstone's fund placement businesses, which reflected the improving fund-raising environment. Blackstone's financial and strategic advisory business revenues increased, in a continuing difficult environment for transactions, up 5% in 2010. These increases were partially offset by a decrease in fees from Blackstone's restructuring and reorganization business from the record year in 2009, but 2010 was still strong enough to be the second best year ever for this business.

Revenues were $397.6 million for the year ended December 31, 2009, a decrease of $13.0 million, or 3%, compared to $410.6 million for the year ended December 31, 2008. Our restructuring and reorganization business generated $74.7 million in increased fees, a 66% increase, as continued credit market turmoil and low levels of available liquidity led to increased debt defaults, debt restructurings and bankruptcies. Additionally, fees earned from our financial and strategic advisory business increased $10.1 million, or 7%. These increases were offset by a decrease of $91.6 million in fees generated from our fund placement business compared to 2008.

Expenses

Expenses were $348.2 million for the year ended December 31, 2010, an increase of $36.3 million compared to $311.9 million for the year ended December 31, 2009. Compensation increased $45.6 million over the year ended December 31, 2009, principally due to an increase by our financial and strategic advisory business in revenue and an increase in professionals, particularly internationally, and by our fund placement business where a portion of compensation is directly related to the performance of their business, partially offset by a decrease in compensation expense in restructuring and reorganization driven by lower revenues. Other Operating Expenses decreased $9.3 million over the year ended December 31, 2009, principally due to a decrease in bad debt expenses, which was partially offset by increases in business development, professional fees and interest expenses.

Expenses were $311.9 million for the year ended December 31, 2009, an increase of $9.9 million, or 3%, compared to $302.0 million for the year ended December 31, 2008. Compensation decreased $2.4 million, principally related to a decrease in Advisory Fees revenues from our fund placement business, as a portion of compensation is directly related to the profitability of each of the service businesses of the segment. Other Operating Expenses increased $12.3 million, principally due to an increase in bad debt expense and costs related to the full year impact of the expansion of our London and Hong Kong-based corporate and mergers and acquisitions advisory services business.

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 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 $18.8 billion as of December 31, 2010, an increase of $9.4 billion from December 31, 2009. The increase in total assets was primarily attributable to a $8.4 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 variable interest entities and under GAAP were required to be consolidated as of January 1, 2010. Total liabilities were $10.6 billion as of December 31, 2010, an increase of $7.7 billion from December 31, 2009. The increase in total liabilities was primarily due to an increase in Loans Payable of $6.5 billion which resulted from the consolidation of the CLO vehicles mentioned above.

For the year ended December 31, 2010, we had Total Fee Related Revenues of $1.7 billion and related expenses of $1.2 billion, generating Net Fee Related Earnings from Operations of $442.3 million and Distributable Earnings of $701.8 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 $1.02 billion committed revolving credit facility and the proceeds from our 2009 and 2010 issuances of senior notes. As of December 31, 2010, Blackstone had $588.6 million in cash, $1.1 billion invested in Blackstone's Treasury cash management strategies, $285.2 million invested in liquid Blackstone Funds and $1.6 billion invested in illiquid Blackstone Funds, against $1.0 billion in borrowings from our 2009 and 2010 bond issuances.

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 (e) Realized Investment Income (Loss); less (a) Compensation, (b) Realized Performance Fee 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:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Fee Related Earnings			
Revenues			
Total Management and Advisory Fees (a)	$1,631,046	$1,488,426	$1,519,158
Interest and Dividend Revenue (a)	36,096	22,492	29,014
Other (a)	(618)	7,096	13,595
Investment Income—Blackstone's Treasury Cash Management Strategies (b)	15,277	12,368	—
Total Revenues	1,681,801	1,530,382	1,561,767
Expenses			
Compensation and Benefits—Compensation (a)	859,114	769,857	771,426
Other Operating Expenses (a)	344,516	299,029	319,216
Cash Taxes (c)	35,857	51,086	43,457
Total Expenses	1,239,487	1,119,972	1,134,099
Net Fee Related Earnings from Operations	442,314	410,410	427,668
Performance Fees, Net of Compensation			
Performance Fees—Realized (a)	361,663	74,264	39,013
Compensation and Benefits—Performance Fee Compensation—Realized (a)	(128,316)	(25,104)	(4,997)
Total Performance Fees, Net of Compensation	233,347	49,160	34,016
Investment Income and Other			
Investment Income (Loss)—Realized (a)	46,915	29,544	(64,677)
Adjustment Related to Realized Investment Income— Blackstone's Treasury Cash Management Strategies (d)	(7,782)	(10,142)	—
Other Payables Including Payable Under Tax Receivable Agreement	(13,010)	—	—
Total Investment Income and Other	26,123	19,402	(64,677)
Distributable Earnings	$ 701,784	$ 478,972	$ 397,007

(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.

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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:

	Year Ended December 31,		
	2010	2009	2008
		(Dollars in Thousands)	
Income (Loss) Before Provision for Taxes	$ (522,654)	$(2,291,466)	$(5,608,299)
IPO and Acquisition-Related Charges (a)	2,369,195	2,973,950	3,331,722
Amortization of Intangibles (b)	165,378	158,048	153,237
(Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities (c)	(431,149)	(116,769)	792,323
Other Adjustments	—	—	999
Total Segments, Economic Net Income	1,580,770	723,763	(1,330,018)
Performance Fees Adjustment (d)	(926,289)	(240,131)	1,247,249
Investment Income (Loss) Adjustment (e)	(548,549)	(33,424)	756,611
Investment Income (Loss)—Blackstone’s Treasury Cash Management Strategies (f)	15,277	12,368	—
Performance Fee Compensation and Benefits Adjustment (g)	356,962	(1,080)	(202,717)
Taxes Payable (h)	(35,857)	(51,086)	(43,457)
Net Fee Related Earnings from Operations	442,314	410,410	427,668
Realized Performance Fees (i)	233,347	49,160	34,016
Realized Investment Income (Loss) (j)	46,915	29,544	(64,677)
Adjustment Related to Realized Investment Income— Blackstone’s Treasury Cash Management Strategies (k)	(7,782)	(10,142)	—
Other Payables Including Payable Under Tax Receivable Agreement	(13,010)	—	—
Distributable Earnings	$ 701,784	$ 478,972	$ 397,007
Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations (l)	$ 541,466	$ 495,484	$ 510,757

(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 and includes the amount of Management Fee Revenues associated with Consolidated CLO Vehicles.
(d) This adjustment removes from ENI the total segment amount of Performance Fees.
(e) This adjustment removes from ENI the total segment amount of Investment Income (Loss).
(f) 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.
(g) This adjustment removes from expenses the compensation and benefit amounts related to Blackstone’s profit sharing plans related to Performance Fees.
(h) Represents an implied payable for income taxes calculated using a similar methodology applied in calculating the current provision for The Blackstone Group L.P.
(i) Represents the adjustment for realized Performance Fees net of corresponding actual amounts due under Blackstone’s profit sharing plans related thereto.

(j) Represents the adjustment for Blackstone's Investment Income—Realized.

(k) 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).

(l) 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 $35.9 million, $51.1 million and $43.5 million for the years ended December 31, 2010, 2009 and 2008, respectively. Interest was $36.7 million, 10.2 million and $20.0 million for the years ended December 31, 2010, 2009 and 2008, respectively. Depreciation and amortization was $26.6 million, $23.7 million and $19.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

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, the funds we invest in and our investment strategies as of December 31, 2010 consisted of the following:

Fund	Original Commitment	Remaining Commitment
	(Dollars in Thousands)	
Private Equity		
BCP VI	$ 650,558	$ 650,558
BCP V	629,356	115,069
BCP IV	150,000	9,798
BCOM	50,000	5,074
BCVP	4,575	3,103
Woori Blackstone Korea I	5,400	5,346
Real Estate Funds		
BREP VI	750,000	225,891
BREP V	52,545	4,590
BREP International II	26,530	2,223
BREP IV	50,000	—
BREP International	20,000	3,293
BREP Europe III	100,000	96,750
BSSF II	43,008	5,435
BSSF I	6,992	—
CMBS Fund	4,010	—
BSSF G	2,500	761
BCRED	10,000	9,119
Credit and Marketable Alternatives		
BMezz II	17,692	3,165
BMezz	41,000	2,590
Strategic Alliance II	50,000	50,000
Strategic Alliance	50,000	4,029
Blackstone Credit Liquidity Partners	32,244	7,428
Blackstone / GSO Capital Solutions	50,000	36,785
Other (a)	17,522	1,351
Total	$2,813,932	$1,242,358

(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.

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. On November 23, 2010, the amount available under the Credit Facility was amended to $1.02 billion. 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. In September 2010, Blackstone Holdings Finance Co. L.L.C. issued $400 million in aggregate principal amount of 5.875% Senior Notes which will mature on March 15, 2021, unless earlier redeemed or repurchased. (Both issuances of Senior Notes are collectively referred to as the "Notes".) 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 are expected to be smaller than the final quarterly distribution in respect of such year. We expect to also reflect realized Performance Fees 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.

With respect to fiscal year 2010, we have paid distributions of $0.30 per common unit to record holders of common units and we have declared an additional distribution of $0.32 per common unit to common unitholders in respect of the fourth quarter of 2010 payable on March 31, 2011 to holders of record of common units at the close of business on March 15, 2011. With respect to fiscal year 2009, we paid distributions of $1.20 per common unit to record holders of common units. We also paid a distribution of $0.22 per unit in respect of 2009 to the Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships.

As previously disclosed, public common unitholders were entitled to a priority distribution of up to $1.20 per common unit per year ahead of Blackstone personnel and others regarding distributions made in respect of fiscal periods from July 1, 2007 through December 31, 2009. On December 31, 2009 that distribution priority ended.

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 year ended December 31, 2010, we repurchased a combination of 107,420 vested Blackstone Holdings Partnership Units and Blackstone Common Units as part of the unit repurchase program for a total cost of $1.5 million. As of December 31, 2010, the amount remaining available for repurchases was $337.9 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 December 31, 2010, we had total partners' capital of $7.7 billion, including $588.6 million in cash, $1.1 billion invested in Blackstone's Treasury cash management strategies, $285.2 million invested in liquid Blackstone Funds and $1.6 billion invested in illiquid Blackstone Funds, against $1.0 billion in borrowings from our 2009 and 2010 bond issuances.

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 Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). 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 Consolidated Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" 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 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 impacts the entity's economic performance, 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 guidance 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 guidance as discussed in Note 2. "Summary of Significant Accounting Policies, Recent Accounting Developments" in the "Notes to Consolidated Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data", the analysis is based on previous consolidation guidance. This guidance requires 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 and its affiliates 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.

Revenue Recognition

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

Please refer to "Part I. Item 1. Business—Incentive Arrangements / Fee Structure" for additional information regarding the manner in which Base Management Fees and Performance Fees 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, invested capital or, in some cases, a fixed-fee. 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, generally, are as follows:

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

- 1.10% to 1.65% of committed capital during the commitment period,
- 0.75% to 1.75% of invested capital subsequent to the investment period for private equity and real estate funds, and
- 1% to 1.5% of invested capital for certain credit-oriented funds.

On credit-oriented funds structured like hedge funds:

- 0.75% to 2% of net asset value.

On credit-oriented funds separately managed accounts:

- 0.35% to 1.5% 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:

- 0.40% to 1.25% of total assets.

On closed-end mutual funds and registered investment companies:

- 0.75% to 1.1% of fund assets.

Transaction and other fees (including monitoring fees) are fees charged directly to funds and 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 reductions") 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 they reimburse Blackstone 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 Consolidated Statements of Financial Condition.

Performance Fees— 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 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 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 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 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, 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—Compensation —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.

Compensation and Benefits—Performance Fee —Performance fee 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, listed derivatives and mutual funds with quoted prices. 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, government and agency securities, 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 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 American Institute of Certified Public Accountants ("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 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 from Fund Investment Activities in the 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 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. Fair valuing these investments is consistent with how the Partnership accounts for its other principal investments. Loans extended to third parties are recorded within Accounts Receivable within the 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 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 variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as of April 1, 2010 and July 20, 2010, as a result of the acquisitions of CLO management contracts. The transition adjustment resulting from the difference between the fair value of assets and liabilities for each of these events is presented within the Consolidated Statement of Changes in Partners' Capital as Appropriated Partners' Capital. Assets of the consolidated CLOs are presented within Investments within the 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. The methodology for measuring the fair value of such assets and liabilities is consistent with the methodology applied to private equity, real estate, and credit-oriented investments. 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 from Fund Investment Activities and are attributable to The Blackstone Group L.P., Non-Controlling Interests in Blackstone Holdings and Non-Controlling Interests in Consolidated Entities in the Consolidated Statements of Operations. Amounts attributable to Non-Controlling Interests in Consolidated Entities have a corresponding adjustment to Appropriated Partners' Capital.

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 Consolidated Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" 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 4 to 20 years, reflecting the contractual lives of such funds. Amortization expense is included within General, Administrative and Other in the accompanying Consolidated Statements of Operations. 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 December 31, 2010 and December 31, 2009. Intangible assets and goodwill are reviewed for impairment at least annually, and more frequently if circumstances indicate impairment may have occurred. As of December 31, 2010 and December 31, 2009, the fair value of the Partnership's operating segments substantially exceeded their respective carrying values.

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 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 nine 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 Consolidated Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" of this filing as follows:

- Note 6. "Derivative Financial Instruments",
- Note 9. "Variable Interest Entities", and
- Note 17. "Commitments and Contingencies—Commitments, Operating Leases;—Commitments, Investment Commitments; and—Contingencies, Guarantees".

Recent Accounting Developments

Information regarding recent accounting developments and their impact on Blackstone can be found in Note 2. "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" in Part II. Item 8. Financial Statements and Supplementary Data.

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations as of December 31, 2010 on a consolidated basis and on a basis deconsolidating the Blackstone Funds:

Contractual Obligations	2011	2012–2013	2014–2015	Thereafter	Total
			(Dollars in Thousands)		
Operating Lease Obligations (a)	$ 56,826	$ 104,737	$ 91,018	$ 245,536	$ 498,117
Purchase Obligations	14,113	3,803	1,440	—	19,356
Blackstone Issued Notes and Revolving Credit Facility (b)	—	—	—	1,000,000	1,000,000
Interest on Blackstone Issued Notes and Revolving Credit Facility (c)	63,250	126,500	126,500	266,490	582,740
Blackstone Operating Entities Loan and Credit Facilities Payable (d)	18,433	10,433	4,941	—	33,807
Interest on Blackstone Operating Entities Loan and Credit Facilities Payable (e)	269	172	11	—	452
Blackstone Funds and CLO Vehicles Debt Obligations Payable (f)	1,153	159,117	160,505	7,051,010	7,371,785
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (g)	98,397	196,442	184,857	418,981	898,677
Blackstone Funds Capital Commitments to Investee Funds (h)	29,440	—	—	—	29,440
Due to Certain Non-Controlling Interest Holders in Connection with Tax Receivable Agreements (i)	51,534	44,716	106,449	968,438	1,171,137
Blackstone Operating Entities Capital Commitments to Blackstone Funds and Other (j)	1,242,358	—	—	—	1,242,358
Consolidated Contractual Obligations	1,575,773	645,920	675,721	9,950,455	12,847,869
Blackstone Funds and CLO Vehicles Debt Obligations Payable (f)	(1,153)	(159,117)	(160,505)	(7,051,010)	(7,371,785)
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (g)	(98,397)	(196,442)	(184,857)	(418,981)	(898,677)
Blackstone Funds Capital Commitments to Investee Funds (h)	(29,440)	—	—	—	(29,440)
Blackstone Operating Entities Contractual Obligations	$1,446,783	$ 290,361	$ 330,359	$ 2,480,464	$ 4,547,967

(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 Consolidated Statements of Financial Condition. The amounts are presented net of contractual sublease commitments.

(b) Represents the principal amount due on the 6.625% and 5.875% senior notes we issued. As of December 31, 2010, we had no outstanding borrowings under our revolver.

(c) Represents interest to be paid over the maturity of our 6.625% and 5.875% 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.

(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 December 31, 2010, at spreads to market rates pursuant to the financing agreements, and range from 1.05% to 1.50%.

(f) These obligations are those of the consolidated Blackstone Funds and the consolidated CLO vehicles.

(g) Represents interest to be paid over the maturity of the related consolidated Blackstone Funds' and CLO vehicles' 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 December 31, 2010, at spreads to market rates pursuant to the financing agreements, and range from 0.53% to 13.00%. The majority of the borrowings for the consolidated Blackstone Funds 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 Agreements 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 Consolidated Financial Statements and shown in Note 16. "Related Party Transactions" (see "Part II. Item 8. Financial Statements and Supplementary Data") 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 $5.1 million as of December 31, 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 Consolidated Financial Statements as of December 31, 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.

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 year ended December 31, 2010, the Blackstone general partners paid an interim cash clawback obligation of $19.3 million relating to a real estate fund of which $15.4 million was paid by Blackstone Holdings and $3.9 million by current and former Blackstone personnel. This amount relates to an interim clawback obligation owed to a real estate fund. As of December 31, 2010, the clawback obligations were $273.8 million, of which $93.2 million related to Blackstone Holdings and $180.7 million related to current and former Blackstone personnel. (See Note 16. “Related Party Transactions” and Note 17. “Commitments and Contingencies” in the “Notes to Consolidated Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” of this filing.)

ITEM 7A. 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 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 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 year ended December 31, 2010, approximately 32% of our fund management fees were based on the NAV of the applicable funds. For the year ended December 31, 2009, approximately 29% of our fund management fees were based on the NAV of the applicable funds.

Market Risk

The Blackstone Funds hold investments which are reported at fair value. Based on the fair value as of December 31, 2010, we estimate that a 10% decline in fair value of the investments would have the following effects: (a) management fees would decrease by $43.0 million on an annual basis, (b) performance fees, net of the compensation expense, would decrease by $218.1 million, and (c) investment income would decrease by $204.5 million. Based on the fair value as of December 31, 2009, we estimated that a 10% decline in fair value of the investments would have the following effects: (a) management fees would decrease by $34.7 million on an annual basis, (b) performance fees, net of the compensation expense would decrease by $151.8 million, and (c) investment income would decrease by $126.6 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 $24.6 billion (83% Level III), Real Estate $23.8 billion (93% Level III), and Credit and Marketable Alternatives $43.2 billion (80% 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 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" above. Also see "Part II, Item 7. 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 December 31, 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 $9.5 million on an annual basis, (b) performance fees would decrease by $43.6 million, net of the compensation expense and (c) investment income would decrease by $29.4 million.

As of December 31, 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 $9.3 million on an annual basis, (b) performance fees would decrease by $29.8 million, net of the compensation expense and (c) investment income would decrease by $19.2 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 December 31, 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.

Based on our debt obligations payable as of December 31, 2009, we estimated that interest expense relating to variable rate debt obligations payable would have increased by $5.2 million on an annual basis, in the event interest rates increased by one percentage point.

Blackstone's Treasury cash management strategies consists of 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 $13.4 million, or 0.8% of the Treasury Liquidity Portfolio, if interest rates were to increase by one percentage point. This would be offset by an estimated increase in interest income of $5.0 million on an annual basis from interest on floating rate assets.

Credit Risk

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

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 $9.4 million, or 0.6% 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.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the General Partner and Unitholders of The Blackstone Group L.P.:

We have audited the accompanying consolidated statements of financial condition of The Blackstone Group, L.P. and subsidiaries ("Blackstone") as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in partners' capital, and cash flows for each of the three years in the period ended December 31, 2010. We also have audited Blackstone's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Blackstone's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on Blackstone's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Blackstone Group L.P. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, Blackstone maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2010, Blackstone adopted guidance issued by the Financial Accounting Standards Board related to variable interest entities.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 25, 2011

THE BLACKSTONE GROUP L.P.

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

	December 31, 2010	December 31, 2009
Assets		
Cash and Cash Equivalents	$ 588,621	$ 952,096
Cash Held by Blackstone Funds and Other ($732,454)	790,399	86,084
Investments ($8,192,327)	11,974,472	3,565,483
Accounts Receivable ($41,148)	495,893	306,307
Reverse Repurchase Agreements	181,425	—
Due from Affiliates ($62,227)	795,395	759,907
Intangible Assets, Net	779,311	919,477
Goodwill	1,703,602	1,703,602
Other Assets ($19,925)	293,194	172,556
Deferred Tax Assets	1,242,293	943,512
Total Assets	$18,844,605	$9,409,024
Liabilities and Partners' Capital		
Loans Payable ($6,154,179)	$ 7,198,898	$ 657,623
Due to Affiliates ($307,279)	1,762,287	1,410,066
Accrued Compensation and Benefits	821,568	488,945
Securities Sold, Not Yet Purchased	116,688	357
Accounts Payable, Accrued Expenses and Other Liabilities ($388,595)	691,807	308,500
Total Liabilities	10,591,248	2,865,491
Commitments and Contingencies		
Redeemable Non-Controlling Interests in Consolidated Entities	600,836	526,311
Partners' Capital		
Partners' Capital (common units: 416,092,022 issued and outstanding as of December 31, 2010; 319,939,772 issued and outstanding as of December 31, 2009)	3,888,211	3,376,707
Appropriated Partners' Capital	470,583	—
Accumulated Other Comprehensive Income	4,302	2,420
Non-Controlling Interests in Consolidated Entities	870,908	540,283
Non-Controlling Interests in Blackstone Holdings	2,418,517	2,097,812
Total Partners' Capital	7,652,521	6,017,222
Total Liabilities and Partners' Capital	$18,844,605	$9,409,024

Asset and liability amounts in parentheses represent the portion of the December 31, 2010 consolidated balance attributable to Blackstone Fund entities which are variable interest or voting interest entities.

See notes to consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Consolidated Statements of Operations
(Dollars in Thousands, Except Unit and Per Unit Data)

	Year Ended December 31, 2010	2009	2008
Revenues			
Management and Advisory Fees	$ 1,584,748	$ 1,482,226	$ 1,476,357
Performance Fees			
Realized	366,721	70,492	38,941
Unrealized	571,113	150,598	(1,286,261)
Total Performance Fees	937,834	221,090	(1,247,320)
Investment Income (Loss)			
Realized	29,157	44,320	(16,425)
Unrealized	532,004	(3,716)	(606,452)
Total Investment Income (Loss)	561,161	40,604	(622,877)
Interest and Dividend Revenue	36,218	22,680	30,879
Other	(619)	7,099	13,600
Total Revenues	3,119,342	1,773,699	(349,361)
Expenses			
Compensation and Benefits			
Compensation	3,253,226	3,778,686	4,062,238
Performance Fee Compensation			
Realized	128,316	25,102	4,997
Unrealized	228,647	(26,182)	(207,448)
Total Compensation and Benefits	3,610,189	3,777,606	3,859,787
General, Administrative and Other	466,358	443,573	440,776
Interest Expense	41,229	13,384	23,008
Fund Expenses	26,214	7,296	63,031
Total Expenses	4,143,990	4,241,859	4,386,602
Other Income			
Net Gains from Fund Investment Activities	501,994	176,694	(872,336)
Income (Loss) Before Provision (Benefit) for Taxes	(522,654)	(2,291,466)	(5,608,299)
Provision (Benefit) for Taxes	84,669	99,230	(14,145)
Net Income (Loss)	(607,323)	(2,390,696)	(5,594,154)
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	84,837	131,097	(632,495)
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	346,312	(14,328)	(159,828)
Net Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(668,444)	(1,792,174)	(3,638,799)
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (370,028)	$ (715,291)	$ (1,163,032)
Net Loss Per Common Unit, Basic and Diluted			
Common Units	$ (1.02)		
Common Units Entitled to Priority Distributions		$ (2.46)	$ (4.32)
Common Units Not Entitled to Priority Distributions		$ (3.71)	$ (3.06)
Weighted-Average Common Units Outstanding – Basic and Diluted			
Common Units	364,021,369		
Common Units Entitled to Priority Distributions		285,163,954	266,876,031
Common Units Not Entitled to Priority Distributions		3,826,233	1,501,373
Revenues Earned from Affiliates			
Management and Advisory Fees	$ 189,006	$ 134,284	$ 188,276

See notes to consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Consolidated Statement of Changes in Partners' Capital
(Dollars in Thousands, Except Unit Data)

	Common Units	Partners' Capital	Accumulated Other Compre-hensive Income	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Blackstone Holdings	Total Partners' Capital	Redeemable Non-Controlling Interests in Consolidated Entities	Compre-hensive Income (Loss)
Balance at December 31, 2007	259,826,700	$ 4,226,500	$ 345	$ 515,886	$ 3,103,288	$ 7,846,019	$ 2,438,266	
Net Loss	—	(1,163,032)	—	(159,828)	(3,638,799)	(4,961,659)	(632,495)	$(5,594,154)
Currency Translation Adjustment	—	—	(636)	(532)	—	(1,168)	—	(1,168)
Total Other Comprehensive Income (Loss)	—	—	—	—	—	—	—	(5,595,322)
Less: Comprehensive Income (Loss) Attributable to Non-Controlling Interests	—	—	—	—	—	—	—	(4,431,122)
Total Comprehensive Income (Loss) Attributable to The Blackstone Group L.P.	—	—	—	—	—	—	—	$(1,164,200)
Capital Contributions	—	—	—	76,884	—	76,884	317,884	
Capital Distributions	—	(319,897)	—	(128,217)	(410,104)	(858,218)	(749,233)	
Relinquished in Deconsolidation of Partnership	—	—	—	—	—	—	(612,088)	
Issuance of Blackstone Holdings Partnership Units for GSO Acquisition	—	14,307	—	—	266,092	280,399	—	
Purchase of Interests from Certain Non-Controlling Interest Holders	—	(74,278)	—	—	(19,511)	(93,789)	—	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non- Controlling Interest Holders	—	5,164	—	—	—	5,164	—	
Equity-Based Compensation	—	818,076	—	—	2,473,236	3,291,312	—	
Net Delivery of Vested Common Units	4,601,493	(26,525)	—	—	—	(26,525)	—	
Repurchase of Common Units	(902,874)	(5,338)	—	—	—	(5,338)	—	
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	9,473,165	34,471	—	—	(34,471)	—	—	
Adjustment to Pre-IPO Reorganization Purchase Price	—	—	—	—	82,028	82,028	—	
Consolidation of Partnership	—	—	—	—	—	—	159,031	
Payable to Non-Controlling Interest Holders due to Consolidated Blackstone Funds in Liquidation	—	—	—	—	—	—	(649,091)	
Acquisition of Consolidated Blackstone Funds	—	—	—	120,874	—	120,874	90,188	
Balance at December 31, 2008	272,998,484	$ 3,509,448	$ (291)	$ 425,067	$ 1,821,759	$ 5,755,983	$ 362,462	

continued…

See notes to consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Consolidated Statement of Changes in Partners' Capital
(Dollars in Thousands, Except Unit Data)

	Common Units	Partners' Capital	Accumulated Other Compre- hensive Income	Non- Controlling Interests in Consolidated Entities	Non- Controlling Interests in Blackstone Holdings	Total Partners' Capital	Redeemable Non- Controlling Interests in Consolidated Entities	Compre- hensive Income (Loss)
Balance at December 31, 2008	272,998,484	$3,509,448	$ (291)	$ 425,067	$ 1,821,759	$ 5,755,983	$ 362,462	
Net Income (Loss)	—	(715,291)	—	(14,328)	(1,792,174)	(2,521,793)	131,097	$(2,390,696)
Currency Translation Adjustment	—	—	2,711	—	—	2,711	—	2,711
Total Other Comprehensive Income (Loss)	—	—	—	—	—	—	—	(2,387,985)
Less: Comprehensive Income (Loss) Attributable to Non-Controlling Interests	—	—	—	—	—	—	—	(1,675,405)
Total Comprehensive Income (Loss) Attributable to The Blackstone Group L.P.	—	—	—	—	—	—	—	$ (712,580)
Capital Contributions	—	—	—	61,862	549	62,411	138,255	
Capital Distributions	—	(260,629)	—	(34,806)	(1)	(295,436)	(63,349)	
Transfer of Non-Controlling Interests in Consolidated Entities	—	—	—	1,991	(1,991)	—	—	
Transfer Due to Reorganization	—	—	—	100,497	—	100,497	—	
Purchase of Interests from Certain Non-Controlling Interest Holders	—	(10,020)	—	—	(13)	(10,033)	—	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non- Controlling Interest Holders	—	21,447	—	—	—	21,447	—	
Equity-Based Compensation	—	777,986	—	—	2,180,134	2,958,120	—	
Net Delivery of Vested Common Units	3,117,774	(28,974)	—	—	—	(28,974)	—	
Repurchase of Common Units and Blackstone Holdings Partnership Units	(4,375,094)	(27,008)	—	—	(703)	(27,711)	—	
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	48,198,608	109,748	—	—	(109,748)	—	—	
Loss Attributable to Consolidated Blackstone Funds in Liquidation	—	—	—	—	—	—	(42,154)	
Balance at December 31, 2009	319,939,772	$3,376,707	$ 2,420	$ 540,283	$ 2,097,812	$ 6,017,222	$ 526,311	

continued…

See notes to consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Consolidated Statement of Changes in Partners' Capital
(Dollars in Thousands, Except Unit Data)

	Common Units	Partners' Capital	Appro-priated Partners' Capital	Accumulated Other Compre-hensive Income	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Blackstone Holdings	Total Partners' Capital	Redeemable Non-Controlling Interests in Consolidated Entities	Compre-hensive 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	
Transition and Acquisition Adjustments Relating to Consolidation of CLO Entities	—	—	406,858	—	58	—	406,916	—	
Net Income (Loss)	—	(370,028)	79,220	—	267,092	(668,444)	(692,160)	84,837	$(607,323)
Currency Translation Adjustment	—	—	(15,495)	1,882	—	—	(13,613)	—	(13,613)
Total Other Comprehensive Income (Loss)	—	—	—	—	—	—	—	—	(620,936)
Less: Comprehensive (Income) Loss Attributable to Non- Controlling Interests	—	—	—	—	—	—	—	—	(252,790)
Total Comprehensive Income (Loss) Attributable to The Blackstone Group L.P.	—	—	—	—	—	—	—	—	$(368,146)
Reclassification of Capital Due to Non-Controlling Interest Holders	—	—	—	—	(73,862)	—	(73,862)	—	
Capital Contributions	—	—	—	—	196,481	—	196,481	98,908	
Capital Distributions	—	(210,395)	—	—	(37,147)	(388,994)	(636,536)	(104,823)	
Transfer of Non-Controlling Interests in Consolidated Entities	—	—	—	—	(21,997)	21,997	—	—	
Purchase of Interests from Certain Non-Controlling Interest Holders	—	(573)	—	—	—	—	(573)	—	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non- Controlling Interest Holders	—	67,893	—	—	—	—	67,893	—	
Equity-Based Compensation	—	769,818	—	—	—	1,588,926	2,358,744	—	
Relinquished in Deconsolidation of Partnership	—	—	—	—	—	—	—	(4,397)	
Net Delivery of Vested Common Units	6,929,888	(23,943)	—	—	—	—	(23,943)	—	
Repurchase of Common Units and Blackstone Holdings Partnership Units	(84,888)	(1,198)	—	—	—	(13)	(1,211)	—	
Change in The Blackstone Group L.P.'s Ownership Interest	—	(19,346)	—	—	—	19,346	—	—	
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	85,608,055	252,113	—	—	—	(252,113)	—	—	
Issuance of Common Units to Pátria	3,699,195	47,163	—	—	—	—	47,163	—	
Balance at December 31, 2010	416,092,022	$3,888,211	$ 470,583	$ 4,302	$ 870,908	$ 2,418,517	$7,652,521	$ 600,836	

See notes to consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31, 2010	2009	2008
Operating Activities			
Net Income (Loss)	$ (607,323)	$(2,390,696)	$ (5,594,154)
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	(720,716)	(267,433)	907,425
Net Realized (Gains) Losses on Investments	(337,932)	135,243	164,726
Changes in Unrealized (Gains) Losses on Investments Allocable to Blackstone Group	(460,450)	15,978	624,061
Unrealized Depreciation on Hedge Activities	23,852	(6,975)	—
Non-Cash Performance Fees	(379,156)	(269,152)	1,086,058
Non-Cash Performance Fee Compensation	356,962	(1,079)	(202,451)
Equity-Based Compensation Expense	2,440,148	3,048,108	3,302,617
Amortization of Intangibles	162,051	158,048	153,237
Other Non-Cash Amounts Included in Net Income	20,591	25,243	19,688
Cash Flows Due to Changes in Operating Assets and Liabilities:			
Cash Held by Blackstone Funds and Other	(447,084)	821,240	(743,628)
Cash Relinquished with Deconsolidation of Partnership	(4,398)	—	(1,092)
Accounts Receivable	(108,162)	35,050	45,281
Reverse Repurchase Agreements	(181,425)	—	—
Due from Affiliates	(68,761)	467,449	(186,121)
Other Assets	(46,606)	91,397	732,192
Accrued Compensation and Benefits	(101,377)	(94,931)	133,916
Securities Sold, Not Yet Purchased	114,683	(699)	(871,592)
Accounts Payable, Accrued Expenses and Other Liabilities	75,207	(987,241)	796,897
Due to Affiliates	3,286	(261,685)	182,090
Short Term Investments Purchased	(2,246,082)	(1,196,636)	—
Cash Proceeds from Sale of Investments	1,930,489	643,348	—
Blackstone Funds Related:			
Investments Purchased	(4,411,114)	(418,608)	(9,202,479)
Cash Proceeds from Sale or Pay Down of Investments	4,621,432	865,540	10,543,764
Net Cash Provided by (Used in) Operating Activities	(371,885)	411,509	1,890,435
Investing Activities			
Purchase of Furniture, Equipment and Leasehold Improvements	(54,160)	(23,627)	(50,113)
Cash Paid for Acquisitions, Net of Cash Acquired	(21,886)	—	(336,571)
Changes in Restricted Cash	(143)	4,801	5,004
Net Cash Used in Investing Activities	(76,189)	(18,826)	(381,680)
Financing Activities			
Distributions to Non-Controlling Interest Holders in Consolidated Entities	(113,872)	(92,531)	(2,124,621)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	262,006	205,558	520,494

continued…

See notes to consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31,		
	2010	2009	2008
Purchase of Interests from Certain Non-Controlling Interest Holders	$ (573)	$ (10,033)	$ (109,834)
Net Settlement of Vested Common Units and Repurchase of Common and Holdings Units	(25,154)	(56,685)	(31,863)
Proceeds from Loans Payable	415,828	593,989	1,172,236
Repayment of Loans Payable	(43,266)	(323,993)	(980,162)
Distributions to Unitholders	(599,390)	(260,629)	(319,897)
Blackstone Funds Related:			
Proceeds from Loans Payable	392,071	—	—
Repayment of Loans Payable	(203,026)	—	—
Net Cash Provided by (Used in) Financing Activities	84,624	55,676	(1,873,647)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(25)	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	(363,475)	448,359	(364,892)
Cash and Cash Equivalents, Beginning of Period	952,096	503,737	868,629
Cash and Cash Equivalents, End of Period	$ 588,621	$ 952,096	$ 503,737
Supplemental Disclosure of Cash Flows Information			
Payments for Interest	$ 3,554	$ 5,097	$ 22,038
Payments for Income Taxes	$ 57,672	$ 52,035	$ 46,880
Supplemental Disclosure of Non-Cash Investing and Financing Activities			
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	$ 16,670	$ 6,261	$ —
Net Assets Related to the Consolidation of CLO Vehicles	$ 406,916	$ —	$ —
Reclassification of Capital Due to Non-Controlling Interest Holders	$ (73,862)	$ —	$ —
Transfer Due to Reorganization	$ —	$ 100,497	$ —
In-kind Redemption of Capital	$ (28,098)	$ (907)	$ —
In-kind Contribution of Capital	$ 54,289	$ 907	$ —
Notes Issuance Costs	$ 2,000	$ 4,761	$ —
Transfer of Interests to Non-Controlling Interest Holders	$ (21,996)	$ 1,991	$ —
Change in The Blackstone Group L.P.'s Ownership Interest	$ (19,346)	$ —	$ —
Net Settlement of Vested Common Units	$ 198,739	$ 199,447	$ 170,626
Conversion of Blackstone Holdings Units to Common Units	$ 252,113	$ 109,748	$ 34,471
Reorganization of the Partnership			
Accounts Payable, Accrued Expenses and Other Liabilities	$ —	$ —	$ (82,028)
Non-Controlling Interests in Consolidated Entities	$ —	$ —	$ 82,028
Exchange of Founders' and Non-Controlling Interest Holders' Interests in Blackstone Holdings:			
Deferred Tax Asset	$(351,183)	$(142,982)	$ (34,427)
Due to Affiliates	$ 283,290	$ 121,535	$ 29,263
Partners' Capital	$ 67,893	$ 21,447	$ 5,164
Units Issued Related to Acquisitions	$ 47,163	$ —	$ 280,400

See notes to consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Notes to 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, collateralized loan obligation ("CLO") vehicles separately managed accounts and publicly traded closed-end mutual funds and registered investment companies (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.

Generally, 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.

Initial Public Offering

On June 27, 2007, the Partnership completed an initial public offering ("IPO") of its Common Units representing limited partner interests in the Partnership. Upon the completion of the IPO, public investors indirectly owned approximately 14.1% of the equity in Blackstone. Concurrently with the IPO, the Partnership completed the sale of non-voting common units, representing approximately 9.3% of the equity in Blackstone, to

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Beijing Wonderful Investments, an investment vehicle subsequently transferred to China Investment Corporation. On October 28, 2008, the agreement with Beijing Wonderful Investments was amended whereby it, and certain of its affiliates, are restricted in the future from engaging in the purchase of Blackstone common units that would result in its aggregate beneficial ownership in Blackstone on a fully-diluted (as-converted) basis exceeding 12.5%, an increase from 10% at the date of the IPO. In addition, Blackstone common units owned by Beijing Wonderful Investments or its affiliates in excess of 10% aggregate beneficial ownership in Blackstone on a fully-diluted (as-converted) basis are not subject to any restrictions on transfer but are non-voting while held by Beijing Wonderful Investments or its affiliates.

The Partnership contributed the proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to its wholly-owned subsidiaries, which in turn used these proceeds to (a) purchase interests in the Contributed Businesses from the predecessor owners (which interests were then contributed to Blackstone Holdings in exchange for newly-issued Blackstone Holdings Partnership Units) and (b) purchase additional newly-issued Blackstone Holdings Partnership Units from Blackstone Holdings.

Significant Transactions

On March 3, 2008, the Partnership acquired GSO Capital Partners LP and certain of its affiliates ("GSO"). GSO is an alternative asset manager specializing in the credit markets. GSO manages various multi-strategy credit hedge funds, mezzanine funds, senior debt funds, separately managed accounts and various CLOs.

On April 1, 2010 and July 20, 2010, the Partnership, through GSO, completed the acquisition of management agreements relating to nine CLO vehicles previously managed by Callidus Capital Management LLC.

On October 1, 2010, the Partnership purchased a non-controlling 40% equity interest in Pátria Investments Limited and Pátria Investimentos Ltda (collectively, "Pátria"). Pátria is a Latin American alternative asset manager and advisory firm.

On September 15, 2010, Blackstone Holdings Finance Co. L.L.C., an indirect subsidiary of the Partnership, issued $400 million of senior notes due March 15, 2021. The Notes, which were issued at a discount, have an interest rate of 5.875% per annum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Subsequent to the Reorganization, the 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 general partner is presumed to have control.

All intercompany balances and transactions have been eliminated in consolidation.

Restructurings within consolidated CLOs are treated as investment purchases or sales, as applicable, in the Consolidated Statements of Cash Flows.

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Notes to Consolidated Financial Statements
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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 unrealized and realized compensation expense as an Adjustment to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities in the 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.
- As of September 30, 2010, Blackstone elected to separately present Securities Sold, Not Yet Purchased in the Consolidated Statements of Financial Condition. Previously, these amounts were included in Accounts Payable, Accrued Expenses and Other Liabilities. The reclassification has no impact on Total Liabilities.

Subsequent to the issuance of Blackstone's second quarter 2010 Form 10-Q, Blackstone determined that it should have presented the amount of Comprehensive Income Attributable to Non-Controlling Interests and Comprehensive Income Attributable to The Blackstone Group LP. in its Consolidated Statements of Changes in Partners' Capital. The affected periods include each of the two years in the period ended December 31, 2009. The accompanying Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2009 and 2008 have been corrected to include the required information and Blackstone believes this correction is not material to the consolidated financial statements taken as a whole.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that estimates utilized in the preparation of the consolidated financial statements are prudent and reasonable and that it has made all necessary adjustments (consisting of only normal recurring items) so that the consolidated financial statements are presented fairly. Actual results could differ from those estimates and such differences could be material.

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 economic performance 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 guidance requires 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,

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Notes to Consolidated Financial Statements
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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 guidance as discussed in “Recent Accounting Developments”, the analysis is based on previous consolidation guidance. This guidance requires 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 and its affiliates 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”.

Business Combinations

For business combinations transacted prior to January 1, 2009, the Partnership has accounted for acquisitions using the purchase method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date.

For business combinations transacted after January 1, 2009, the Partnership accounted for such combinations by recognizing the full fair value of assets, liabilities, contingencies and contingent consideration obtained in the transaction at the acquisition date. Transaction costs have been expensed as incurred.

Revenue Recognition

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

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, invested capital or, in some cases, a fixed fee. 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 funds and 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 reductions”) 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 limited partners, which are granted based on the amount they reimburse Blackstone 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 Consolidated Statements of Financial Condition.

Performance Fees —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 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 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 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 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.

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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, 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.

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, listed derivatives and mutual funds with quoted prices. 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, government and agency securities, 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.

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- 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 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 American Institute of Certified Public Accountants ("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 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 from Fund Investment Activities in the 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 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. Fair valuing these investments is consistent with how the Partnership accounts for its other principal investments. Loans extended to third parties are recorded within Accounts Receivable within the 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 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.

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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 variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as of April 1, 2010 and July 20, 2010, as a result of the acquisitions of CLO management contracts as described in Note 3. "Acquisitions, Goodwill and Intangible Assets." The adjustment resulting from the difference between the fair value of assets and liabilities for each of these events is presented as a transition and acquisition adjustment to Appropriated Partners' Capital within the Consolidated Statement of Changes in Partners' Capital. Assets of the consolidated CLOs are presented within Investments within the 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. The methodology for measuring the fair value of such assets and liabilities is consistent with the methodology applied to private equity, real estate, and credit-oriented investments. 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 from Fund Investment Activities and are attributable to The Blackstone Group L.P., Non-Controlling Interests in Blackstone Holdings and Non-Controlling Interests in Consolidated Entities in the Consolidated Statements of Operations. Amounts attributable to Non-Controlling Interests in Consolidated Entities have a corresponding adjustment to Appropriated Partners' Capital.

Further disclosure on instruments for which the fair value option has been elected is presented in Note 7. "Fair Value Option" to the 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 Consolidated Statements of Operations. The carrying amounts of equity method investments are reflected in Investments in the 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.

Cash and Cash Equivalents

Cash and cash equivalents represents cash on hand, cash held in banks and liquid investments with original maturities of three months or less. Interest income from cash and cash equivalents is recorded in Interest and Dividend Revenue in the Consolidated Statements of Operations.

Cash Held By Blackstone Funds and Other

Cash held by Blackstone Funds and Other represents cash and cash equivalents held by consolidated Blackstone Funds and other consolidated entities. Such amounts are not available to fund the general liquidity needs of Blackstone.

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Accounts Receivable

Accounts Receivable includes management fees receivable from limited partners, receivables from underlying funds in the fund of hedge funds business, placement and advisory fees receivables, and loans extended to unaffiliated third parties. Accounts Receivable, excluding those for which the fair value option has been elected, are assessed periodically for collectibility. Amounts determined to be uncollectible are charged directly to General, Administrative and Other Expenses in the Consolidated Statements of Operations.

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 4 to 20 years, reflecting the contractual lives of such funds. Amortization expense is included within General, Administrative and Other in the accompanying Consolidated Statements of Operations. 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.

Intangible assets and goodwill are reviewed for impairment at least annually, and more frequently if circumstances indicate impairment may have occurred.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist primarily of leasehold improvements, furniture, fixtures and equipment, computer hardware and software and are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight line method over the assets' estimated useful economic lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, generally fifteen years, and three to seven years for other fixed assets. The Partnership evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Foreign Currency

In the normal course of business, the Partnership may enter into transactions not denominated in United States dollars. Foreign exchange gains and losses arising on such transactions are recorded as Other in the Consolidated Statements of Operations. In addition, the Partnership consolidates a number of entities that have a non-U.S. dollar functional currency. Non-U.S. dollar denominated assets and liabilities are translated to U.S. dollars at the exchange rate prevailing at the reporting date and income, expenses, gains and losses are translated at the prevailing exchange rate on the dates that they were recorded. Cumulative translation adjustments arising from the translation of non-U.S. dollar denominated operations are recorded in Other Comprehensive Income.

Comprehensive Incom e

Comprehensive Income consists of Net Income and Other Comprehensive Income. The Partnership's Other Comprehensive Income is comprised of foreign currency cumulative translation adjustments.

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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 Consolidated Statements of Financial Condition. When redeemable amounts become legally payable to investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other in the Consolidated Statements of Financial Condition. For all consolidated funds in which redemption rights have not been granted, non-controlling interests are presented within Partners' Capital in the Consolidated Statements of Financial Condition as Non-Controlling Interests in Consolidated Entities.

Compensation and Benefits

Compensation and Benefits—Compensation —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 managing directors 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.

Compensation and Benefits—Performance Fee —Performance fee compensation and benefits consists of Carried Interest and performance fee allocations to employees, including senior managing directors, participating in certain profit sharing initiatives. Such compensation expense is subject to both positive and negative adjustments. Unlike Carried Interest and performance fees, compensation expense is based on the performance of individual investments held by a fund rather than on a fund by fund basis.

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 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. Current and deferred tax liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Consolidated Statements of Financial Position.

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 Consolidated Statements of Operations.

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 GAAP. Blackstone reviews its tax positions quarterly and adjusts its tax balances as new information becomes available.

Net Income (Loss) Per Common Unit

Basic Income (Loss) Per Common Unit is calculated by dividing Net Income (Loss) Attributable to the Blackstone Group L.P. by the weighted-average number of common units and unvested participating common units outstanding for the period. Diluted Income (Loss) Per Common Unit reflects the assumed conversion of all dilutive securities. Diluted Income (Loss) Per Common Unit excludes the anti-dilutive effect of unvested deferred restricted common units and Blackstone Holdings Partnership Units.

Basic Income (Loss) Per Common Unit for comparative periods has been calculated using the two class method, which requires an entity to include unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents as a separate class of securities in such calculation. Prior to December 31, 2009, certain common unit holders were entitled to priority distributions. Basic and Diluted Net Income (Loss) Per Common Unit—Common Units Entitled to Priority Distributions and Common Units Not Entitled Priority Distributions for 2009 and 2008 is calculated by dividing total undistributed loss allocated to common unitholders entitled to priority distributions and not entitled to priority distributions by the weighted-average number of common units entitled to priority distributions, including unvested participating common units due to their equivalent distribution rights, and common units not entitled to priority distributions, respectively. Diluted Net Income (Loss) Per Common Unit excludes the anti-dilutive effect of unvested deferred restricted common units and Blackstone Holdings Partnership Units. As a result of the expiration on December 31, 2009 of the distribution priority previously accorded to certain holders of Blackstone common units, the Partnership no longer has two classes of equity, resulting in the calculation of Basic and Diluted Net Income (Loss) Per Common Unit as noted above for the current reporting period.

Repurchase and Reverse Repurchase Agreements

Securities purchased under agreement to resell ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements"), comprising primarily U.S. and non-U.S. government and agency securities, asset-backed securities and corporate debt, represent collateralized financing transactions. Such transactions are recorded in the Consolidated Statements of Financial Condition at their contractual amounts and include accrued interest. Repurchase Agreements are included in Accounts Payable, Accrued Expenses and Other Liabilities in the Consolidated Statements of Financial Condition.

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The Partnership manages credit exposure arising from repurchase agreements and reverse repurchase agreements by, in appropriate circumstances, entering into master netting agreements and collateral arrangements with counterparties that provide the Partnership, in the event of a customer default, the right to liquidate collateral and the right to offset a counterparty’s rights and obligations.

The Partnership takes possession of securities purchased under reverse repurchase agreements and is permitted to repledge, deliver or otherwise use such securities. The Partnership also pledges its financial instruments owed to counterparties to collateralize repurchase agreements. Financial instruments pledged that can be repledged, delivered or otherwise used by the counterparty are recorded in Investments on the Consolidated Statements of Financial Condition.

Securities Sold, Not Yet Purchased

Securities Sold, Not Yet Purchased consist of equity and debt securities that the Partnership has borrowed and sold. The Partnership is required to “cover” its short sale in the future by purchasing the security at prevailing market prices and delivering it to the counterparty from which it borrowed the security. The Partnership is exposed to loss in the event that the price at which a security may have to be purchased to cover a short sale exceeds the price at which the borrowed security was sold short.

Securities Sold, Not Yet Purchased are recorded at fair value in the Consolidated Statements of Financial Condition.

Derivative Instruments

The Partnership recognizes all derivatives as assets or liabilities on its 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 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”.

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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 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 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 guidance resulted in the consolidation of certain CLO vehicles managed by Blackstone on January 1, 2010 which increased total assets and total liabilities in the Consolidated Statement of Financial Condition by $3.7 billion and $3.5 billion, respectively. The difference in fair value of assets and liabilities on January 1, 2010 of $217.6 million was recorded in Appropriated Partners Capital as discussed in Note 2. "Summary of Significant Accounting Policies—Investments, at Fair Value".

As the guidance required prospective application, the Partnership did not retrospectively adjust the Consolidated Statement of Operations or the Consolidated Statement of Cash Flows for the years ended December 31, 2009 and December 31, 2008 or the Consolidated Statement of Financial Condition for the year ended December 31, 2009. Current period results and balances will not be comparable to prior periods.

Additional disclosures relating to Blackstone's involvement with VIEs are presented in Note 9. "Variable Interest Entities".

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. 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 did not have a material impact on the Partnership's financial statements.

In July 2010, the FASB issued guidance to enhance existing disclosure requirements relating to the credit quality of financing receivables and the allowance for credit losses. The guidance requires information on the credit quality of financing receivables and allowance for credit losses to be disaggregated by portfolio segment and class of financing receivable. The guidance also requires an entity to disclose credit quality indicators, past due information, and modifications of financing receivables. The guidance is effective for interim and annual reporting periods ending on or after December 15, 2010. Adoption did not have a material impact on the Partnership's financial statements.

In December 2010, the FASB issued enhanced guidance on when to perform step two of the goodwill impairment test for reporting units with zero or negative carrying amounts. The updated guidance modifies existing requirements under step one of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires step two to be performed if it is more likely than not that a goodwill impairment exists. The guidance is effective for interim and annual reporting periods beginning after December 15, 2010. As Blackstone's reporting units do not currently have zero or negative carrying values, adoption is not expected to have a material impact on the Partnership's financial statements.

In December 2010, the FASB issued guidance on disclosures around business combinations for public entities that present comparative financial statements. The guidance specifies that an entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. As the guidance is limited to disclosures, adoption is not expected to have a material impact on the Partnership's financial statements.

3. ACQUISITIONS, GOODWILL AND INTANGIBLE ASSETS

Acquisition of GSO Capital Partners LP

In March 2008, the Partnership completed the acquisition of GSO. The purchase consideration for GSO was $635 million, comprised of $355 million in cash and $280 million in Blackstone Holdings Partnership Units, plus up to an additional targeted $310 million to be paid over the next five years, contingent upon the realization of specified earnings targets over that period. The Partnership also incurred $6.9 million of acquisition costs. Additionally, performance and other compensatory payments subject to performance and vesting may be paid to GSO personnel.

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During November 2008, in settlement of the Partnership's obligation for the purchase of GSO to deliver Blackstone Holdings Partnership Units valued at closing of $280 million, the Partnership delivered to certain predecessor owners of GSO 15.79 million Blackstone Holdings Partnership Units with a value at settlement of $118.6 million. The difference between the value at closing and the value at settlement resulted in a $14.3 million credit to the Partnership's capital, reflecting the dilution of the Partnership's interest in Holdings from approximately 25% to approximately 24.6%.

The final purchase price allocation for the GSO acquisition was as follows:

Purchase Price	$641,894
Finite-Lived Intangible Assets/Contractual Rights	$472,100
Goodwill	186,882
Other Liabilities	(17,650)
Net Assets Acquired, at Fair Value	562
Purchase Price Allocation	$641,894

The Consolidated Statements of Operations for the year ended December 31, 2008 includes the results of GSO's operations from the date of acquisition, March 3, 2008, through December 31, 2008.

Acquisitions of CLO Management Agreements

On April 1 and July 20, 2010, the Partnership, through GSO, completed the acquisition of management agreements relating to nine CLO vehicles previously managed by Callidus Capital Management LLC for consideration of $21.9 million. The assets acquired are finite-lived contractual rights.

Goodwill and Intangible Assets

The carrying value of goodwill was $1.7 billion as of December 31, 2010 and December 31, 2009. As of December 31, 2010 and December 31, 2009, the fair value of the Partnership's operating segments substantially exceeded their respective carrying values.

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:

	December 31,	
	2010	2009
Finite-Lived Intangible Assets / Contractual Rights	$1,370,255	$1,348,370
Accumulated Amortization	(590,944)	(428,893)
Intangible Assets, Net	$ 779,311	$ 919,477

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Changes in the Partnership's Intangible Assets, Net consists of the following:

	Year Ended December 31,		
	2010	2009	2008
Balance, Beginning of Year	$ 919,477	$1,077,526	$ 604,681
Amortization Expense	(162,051)	(158,049)	(153,237)
Acquisitions	21,885	—	472,100
Purchase Price Allocation Adjustment	—	—	153,982
Balance, End of Year	$ 779,311	$ 919,477	$1,077,526

Amortization of Intangible Assets held at December 31, 2010 is expected to be $163.4 million, and $108.6 million, $57.0 million, $52.2 million, and $50.3 million for each of the years ending December 31, 2011, 2012, 2013, 2014 and 2015, respectively. Blackstone's intangible assets as of December 31, 2010 are expected to amortize over a weighted-average period of 9.7 years.

4. INVESTMENTS

Investments

Investments consists of the following:

	December 31, 2010	December 31, 2009
Investments of Consolidated Blackstone Funds	$ 8,192,327	$1,306,445
Equity Method Investments	1,921,665	1,104,701
Blackstone's Treasury Cash Management Strategies	896,367	534,777
Performance Fees	937,227	554,463
Other Investments	26,886	65,097
	$11,974,472	$3,565,483

Blackstone's share of Investments of Consolidated Blackstone Funds totaled $500.2 million and $407.1 million at December 31, 2010 and December 31, 2009, respectively.

At December 31, 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 December 31, 2010 and December 31, 2009, no investments exceeded the 5% threshold.

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. Pursuant to revised GAAP consolidation guidance, the Partnership is required to consolidate all VIEs in which it has been identified as the primary beneficiary, including our investments in CLO vehicles and other funds in which the general partner is presumed to have control. While we are required to consolidate certain funds, including our CLO vehicles, for GAAP purposes, the Partnership has no

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ability to utilize the assets of these funds and there is no recourse to the Partnership for their liabilities since these are client assets and liabilities. These investments are presented as a percentage of Investments of Consolidated Blackstone Funds:

Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value December 31, 2010	Fair Value December 31, 2009	Percentage of Investments of Consolidated Blackstone Funds December 31, 2010	Percentage of Investments of Consolidated Blackstone Funds December 31, 2009
United States and Canada				
Investment Funds, principally related to credit and marketable alternatives				
Credit Driven	$ 214,163	$ 277,388	2.6%	21.3%
Diversified Investments	263,703	300,907	3.2%	23.1%
Equity	117,040	80,956	1.4%	6.2%
Event-Driven	131,010	95,760	1.6%	7.4%
Other	—	408	—	—
Investment Funds Total (Cost: 2010 – $687,865; 2009 – $803,771)	725,916	755,419	8.8%	58.0%
Equity Securities, principally related to credit and marketable alternatives and private equity funds				
Manufacturing	35,805	21,491	0.4%	1.7%
Services	99,271	86,600	1.3%	6.7%
Natural Resources	51,863	649	0.6%	—
Real Estate Assets	4,436	462	0.1%	—
Equity Securities Total (Cost: 2010 – $147,544; 2009 – $112,364)	191,375	109,202	2.4%	8.4%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Real Estate Assets	327,499	149,523	4.1%	11.5%
Services	52,087	87,406	0.6%	6.7%
Manufacturing	62,312	25,691	0.8%	2.0%
Natural Resources	1,855	357	—	—
Partnership and LLC Interests Total (Cost: 2010 – $449,991; 2009 – $442,545)	443,753	262,977	5.5%	20.2%
Debt Instruments, principally related to credit and marketable alternatives				
Credit Driven	362	29,330	—	2.2%
Manufacturing	46,734	3,203	0.6%	0.2%
Services	90,105	7,837	1.1%	0.6%
Diversified Investments	4,838	—	0.1%	—
Real Estate Assets	5,097	2,458	0.1%	0.2%
Debt Instruments Total (Cost: 2010 – $143,337; 2009 – $37,983)	147,136	42,828	1.9%	3.2%
Assets of Consolidated CLO Vehicles				
Corporate Loans	5,373,330	—	65.6%	—
Corporate Bonds	133,514	—	1.6%	—
Other	4,325	—	0.1%	—
Assets of Consolidated CLO Vehicles Total (Cost: 2010 – $5,431,178; 2009 – $-)	5,511,169	—	67.3%	—
United States and Canada Total (Cost: 2010 – $6,859,915; 2009 – $1,396,663)	7,019,349	1,170,426	85.9%	89.8%

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Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value December 31, 2010	Fair Value December 31, 2009	Percentage of Investments of Consolidated Blackstone Funds December 31, 2010	Percentage of Investments of Consolidated Blackstone Funds December 31, 2009
Europe				
Equity Securities, principally related to private equity funds				
Manufacturing	$ 3,324	$ 2,681	—	0.2%
Real Estate Assets	—	365	—	—
Services	39,849	31,711	0.5%	2.4%
Equity Securities Total (Cost: 2010 – $41,048; 2009 – $40,353)	43,173	34,757	0.5%	2.6%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Services	29,361	29,270	0.4%	2.2%
Real Estate Assets	26,197	10,741	0.3%	0.8%
Partnership and LLC Interests Total (Cost: 2010 – $50,502; 2009 – $48,334)	55,558	40,011	0.7%	3.0%
Debt Instruments, principally related to credit and marketable alternatives				
Real Estate Assets	46	—	—	—
Manufacturing	638	544	—	—
Services	1,975	1,259	—	0.1%
Debt Instruments Total (Cost: 2010 – $2,199; 2009 – $1,624)	2,659	1,803	—	0.1%
Assets of Consolidated CLO Vehicles				
Corporate Loans	978,636	—	11.9%	—
Corporate Bonds	24,483	—	0.3%	—
Other	7,751	—	0.1%	—
Assets of Consolidated CLO Vehicles Total (Cost: 2010 – $1,037,992; 2009 – $-)	1,010,870	—	12.3%	—
Europe Total (Cost: 2010 – $1,131,741; 2009 – $90,311)	1,112,260	76,571	13.5%	5.7%
Asia				
Equity Securities, principally related to credit and marketable alternatives and private equity funds				
Services	7,928	8,031	0.1%	0.6%
Manufacturing	9,677	10,501	0.1%	0.8%
Natural Resources	855	—	—	—
Diversified Investments	2,689	6,262	—	0.5%
Equity Securities Total (Cost: 2010 – $18,510; 2009 – $20,794)	21,149	24,794	0.2%	1.9%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Manufacturing	—	1,183	—	0.1%
Real Estate Assets	753	457	—	—
Services	9	82	—	—
Partnership and LLC Interests Total (Cost: 2010 – $733; 2009 – $1,833)	762	1,722	—	0.1%
Debt Instruments, principally related to private equity funds				
Real Estate Assets	225	—	—	—
Services	86	111	—	—
Debt Instruments, principally related to private equity funds (Cost: 2010 – $304; 2009 – $114)	311	111	—	—
Asia Total (Cost: 2010 – $19,547; 2009 – $22,741)	22,222	26,627	0.2%	2.0%

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Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value December 31, 2010	Fair Value December 31, 2009	Percentage of Investments of Consolidated Blackstone Funds December 31, 2010	Percentage of Investments of Consolidated Blackstone Funds December 31, 2009
Other				
Equity Securities, principally related to private equity funds				
Natural Resources	$ 35,517	$ 1,583	0.4%	0.1%
Services	2,890	4,560	—	0.3%
Equity Securities Total (Cost: 2010 – $12,099; 2009 – $2,777)	38,407	6,143	0.4%	0.4%
Partnership and LLC Interests, principally related to private equity and real estate funds				
Natural Resources	—	26,586	—	2.1%
Services	89	92	—	—
Partnership and LLC Interests Total (Cost: 2010 – $97; 2009 – $9,249)	89	26,678	—	2.1%
Other Total (Cost: 2010 – $12,196; 2009 – $12,026)	38,496	32,821	0.4%	2.5%
Total Investments of Consolidated Blackstone Funds (Cost: 2010 – $8,023,399; 2009 – $1,521,741)	$8,192,327	$1,306,445	100.0%	100.0%

Net Gains (Losses) from Fund Investment Activities on the 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:

	Year Ended December 31, 2010	2009	2008
Realized Gains (Losses)	$ (51,158)	$(200,291)	$ (281,408)
Net Change in Unrealized Gains (Losses)	453,692	342,870	(740,019)
	$402,534	$ 142,579	$(1,021,427)

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 Consolidated Statements of Operations:

	Year Ended December 31, 2010	2009	2008
Realized and Net Change in Unrealized Gains (Losses) from Blackstone Funds	$402,534	$142,579	$(1,021,427)
Reclassification to Investment Income (Loss) and Other Attributable to Blackstone Side-by-Side Investment Vehicles	—	(1,327)	52,975
Interest and Dividend Revenue Attributable to Consolidated Blackstone Funds	99,460	35,442	96,116
Other Income—Net Gains (Losses) from Fund Investment Activities	$501,994	$176,694	$ (872,336)

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Equity Method Investments

The Partnership recognized net gains (losses) related to its equity method investments of $468.4 million, $4.0 million and $(551.8) million for the years ended December 31, 2010, 2009 and 2008, respectively.

On October 1, 2010, the Partnership completed the acquisition of a non-controlling equity interest in Pátria. As the Partnership holds a 40% equity interest and exerts significant influence, the investments are accounted for using the equity method.

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

The summarized financial information of the Partnership's equity method investments for December 31, 2010 are as follows:

	December 31, 2010 and the Year Then Ended				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Other (a)	Total
Statement of Financial Condition					
Assets					
Investments	$23,494,720	$20,695,822	$14,410,240	$ 3,914	$58,604,696
Other Assets	140,862	1,035,183	2,173,334	24,173	3,373,552
Total Assets	$23,635,582	$21,731,005	$16,583,574	$ 28,087	$61,978,248
Liabilities and Partners' Capital					
Debt	$ 392,786	$ 582,278	$ 1,185,253	$ 978	$ 2,161,295
Other Liabilities	103,471	221,449	1,270,023	20,505	1,615,448
Total Liabilities	496,257	803,727	2,445,276	21,483	3,776,743
Partners' Capital	23,139,325	20,927,278	14,128,298	6,604	58,201,505
Total Liabilities and Partners' Capital	$23,635,582	$21,731,005	$16,583,574	$ 28,087	$61,978,248
Statement of Income					
Interest Income	$ 76	$ 35,312	$ 485,922	$ 3	$ 521,313
Other Income	202,872	118,512	163,779	65,523	550,686
Interest Expense	(8,642)	(7,257)	(96,495)	—	(112,394)
Other Expenses	(42,565)	(73,353)	(112,491)	(38,953)	(267,362)
Net Realized and Unrealized Gain from Investments	5,182,506	8,630,374	1,702,846	—	15,515,726
Net Income	$ 5,334,247	$ 8,703,588	$ 2,143,561	$ 26,573	$16,207,969

(a) Other represents the summarized financial information of equity method investments whose results, for segment reporting purposes, have been allocated across more than one of Blackstone's segments.

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The summarized financial information of the Partnership's equity method investments for December 31, 2009 are as follows:

	December 31, 2009 and the Year Then Ended			
	Private Equity	Real Estate	Credit and Marketable Alternatives	Total
Statement of Financial Condition				
Assets				
Investments	$18,237,938	$ 7,862,872	$ 15,857,948	$41,958,758
Other Assets	169,200	528,337	3,124,038	3,821,575
Total Assets	$18,407,138	$ 8,391,209	$ 18,981,986	$45,780,333
Liabilities and Partners' Capital				
Debt	$ 455,862	$ 224,389	$ 1,312,893	$ 1,993,144
Other Liabilities	56,957	115,059	2,053,134	2,225,150
Total Liabilities	512,819	339,448	3,366,027	4,218,294
Partners' Capital	17,894,319	8,051,761	15,615,959	41,562,039
Total Liabilities and Partners' Capital	$18,407,138	$ 8,391,209	$ 18,981,986	$45,780,333
Statement of Income				
Interest Income	$ 19,480	$ 12,704	$ 580,188	$ 612,372
Other Income	26,828	133,599	68,472	228,899
Interest Expense	(5,590)	(5,391)	(59,537)	(70,518)
Other Expenses	(38,419)	(36,794)	(158,635)	(233,848)
Net Realized and Unrealized Gain from Investments	1,775,403	(3,813,103)	3,118,916	1,081,216
Net Income	$ 1,777,702	$(3,708,985)	$ 3,549,404	$ 1,618,121

The summarized financial information of the Partnership's equity method investments for December 31, 2008 are as follows:

	December 31, 2008 and the Year Then Ended			
	Private Equity	Real Estate	Credit and Marketable Alternatives	Total
Statement of Financial Condition				
Assets				
Investments	$15,365,639	$10,341,723	$ 13,884,206	$ 39,591,568
Other Assets	202,467	397,164	5,188,035	5,787,666
Total Assets	$15,568,106	$10,738,887	$ 19,072,241	$ 45,379,234
Liabilities and Partners' Capital				
Debt	$ 230,891	$ 163,954	$ 1,195,841	$ 1,590,686
Other Liabilities	87,351	116,572	3,980,596	4,184,519
Total Liabilities	318,242	280,526	5,176,437	5,775,205
Partners' Capital	15,249,864	10,458,361	13,895,804	39,604,029
Total Liabilities and Partners' Capital	$15,568,106	$10,738,887	$ 19,072,241	$ 45,379,234
Statement of Income				
Interest Income	$ 8,152	$ 3,920	$ 531,395	$ 543,467
Other Income	11,615	130,203	77,335	219,153
Interest Expense	(4,988)	(10,711)	(60,477)	(76,176)
Other Expenses	(80,948)	(34,179)	(162,898)	(278,025)
Net Realized and Unrealized Gain from Investments	(6,147,568)	(6,772,661)	(5,127,463)	(18,047,692)
Net Income	$ (6,213,737)	$ (6,683,428)	$ (4,742,108)	$(17,639,273)

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Blackstone's Treasury Cash Management Strategies

Included within Blackstone's Treasury cash management strategies are the Partnership's liquid investments in government and other investment and non-investment grade securities. These strategies are 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 following table presents the Partnership's realized and net change in unrealized gains:

	Year Ended December 31,	
	2010	2009
Realized Gains (Losses)	$ 7,497	$10,145
Net Change in Unrealized Gains (Losses)	4,185	1,758
	$11,682	$11,903

The Partnership held no liquid investments in government and other investment and non-investment grade securities during the year ended December 31, 2008.

Performance Fees

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

	December 31,	
	2010	2009
Performance Fees		
Private Equity	$573,042	$425,615
Real Estate	65,477	7,900
Credit and Marketable Alternatives	298,708	120,948
	$937,227	$554,463

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:

	Year Ended December 31,		
	2010	2009	2008
Realized Gains (Losses)	$ 977	$2,032	$ (1,432)
Net Change in Unrealized Gains (Losses)	2,429	6,164	(9,159)
	$3,406	$8,196	$(10,591)

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

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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 December 31, 2010 is presented below:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Instruments	$263,703	$ 4,486	(a)	(a)
Credit Driven	214,163	3,974	(b)	(b)
Event Driven	131,010	—	(c)	(c)
Equity	117,040	—	(d)	(d)
	$725,916	$ 8,460		

(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 16% 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 66% of the value of the investments in this category may not be redeemed at, or within three months of, the reporting date. Investments representing 29% 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 4% of Blackstone's investments. Investments representing 4% 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) The Event Driven category includes 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 53% of the total value of investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 47% 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.

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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 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 Consolidated Statements of Operations. The fair value of the derivative instrument is reflected within Other Assets in the 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, futures and other derivative contracts. Changes in the fair value of derivative instruments held by consolidated Blackstone Funds are reflected in Net Gains from Funds Investment Activities or, where derivative instruments are held by the Partnership, within Investment Income (Loss), in the 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 Consolidated Statements of Financial Condition.

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

	December 31, 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	$26,192	$ —	$—	$ —	$—	$450,000	$ 19
Free Standing Derivatives								
Blackstone	67,288	339	380,078	996	1,099	636	—	—
Investments of Consolidated Blackstone Funds	409	2	212	2	940	17	656	4
Free Standing Derivatives	67,697	341	380,290	998	2,039	653	656	4
Total	$517,697	$26,533	$380,290	$998	$2,039	$653	$450,656	$ 23

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Where hedge accounting is applied, hedge effectiveness testing is performed at least monthly to monitor ongoing effectiveness of the hedge relationships. During the years ended December 31, 2010 and 2009, the amount of ineffectiveness related to the interest rate swap hedges was a gain of $3.4 million and a loss of $1.7 million, respectively. During the years ended December 31, 2010 and 2009, the portion of hedging instruments' gain or loss excluded from the assessment of effectiveness for its fair value hedges was a loss of $1.1 million and $8.7 million, respectively. Such gains (losses) have been included in General, Administrative and Other. The Partnership had no derivatives designated as fair value hedges in 2008.

During the year ended December 31, 2010, the Partnership recognized $(3.4) million of realized losses and $0.7 million in net change in unrealized gains related to free standing derivative instruments. Amounts recognized in the years ended December 31, 2009 and 2008 were not material.

As of December 31, 2010, 2009 and 2008, 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:

	As of December 31,	
	2010	2009
Assets		
Loans and Receivables	$ 131,290	$68,550
Debt Securities	—	26,466
Equity Securities	—	1,905
Assets of Consolidated CLO Vehicles		
Corporate Loans	6,351,966	—
Corporate Bonds	157,997	—
Other	12,076	—
	$6,653,329	$96,921
Liabilities		
Liabilities of Consolidated CLO Vehicles		
Senior Secured Notes	$5,877,957	$ —
Subordinated Notes	555,632	—
	$6,433,589	$ —

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The following table presents the realized and net change in unrealized gains (losses) on financial instruments on which the fair value option was elected:

	Year Ended December 31,		
	2010		2009
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets			
Loans and Receivables	$ 5,695	$ (101)	$ 101
Debt Securities	(16)	—	364
Equity Securities	(350)	—	—
Assets of Consolidated CLO Vehicles			
Corporate Loans	(17,736)	272,526	—
Corporate Bonds	1,073	5,718	—
Other	702	(1,314)	—
	$ (10,632)	$ 276,829	$ 465
Liabilities			
Liabilities of Consolidated CLO Vehicles			
Senior Secured Notes	$ (6,079)	$ (33,194)	$ —
Subordinated Notes	—	(152,333)	—
	$ (6,079)	$ (185,527)	$ —

The Partnership had no realized gains (losses) for the year ended December 31, 2009. The Partnership held no financial instruments on which the fair value option was elected during the year ended December 31, 2008.

As of December 31, 2010, the uncollected principal balance on Corporate Loans and Corporate Bonds exceeded the fair value by $244.2 million and $1.5 million, respectively. The fair value of Corporate Loans that were more than one day past due as of December 31, 2010 was $5.4 million. The principal balance related to such past due Corporate Loans exceeded the fair value by $2.2 million. Included within the Corporate Loans category are structured finance obligations with contractual principal balances. The fair value of Corporate Bonds that were more than one day past due as of December 31, 2010 was $5.6 million. The principal balance related to such past due Corporate Bonds exceeded the fair value by $2.1 million. The fair value of the Other obligations exceeded the uncollected principal balance by $2.6 million. No obligations within the Other category were past due.

As of December 31, 2010, the fair value of Loans and Receivables and Debt Securities for which the fair value option was elected exceeded their principal amounts due by $1.4 million. No Loans and Receivables and Debt Securities on which the fair value option was elected were past due or in non-accrual status.

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.

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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 December 31, 2010 and 2009, respectively:

	December 31, 2010			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)				
Investment Funds	$ —	$ 2,333	$ 723,583	$ 725,916
Equity Securities	133,483	24,007	136,614	294,104
Partnership and LLC Interests	—	—	500,162	500,162
Debt Instruments	107	138,518	11,481	150,106
Assets of Consolidated CLO Vehicles	—	6,291,508	230,531	6,522,039
Total Investments of Blackstone Consolidated Funds	133,590	6,456,366	1,602,371	8,192,327
Blackstone's Treasury Cash Management Strategies	442,700	453,667	—	896,367
Money Market Funds	165,957	—	—	165,957
Free Standing Derivatives	13	326	—	339
Derivative Instruments Used as Fair Value Hedges	—	26,192	—	26,192
Loans and Receivables	—	—	131,290	131,290
Other Investments	6,852	362	19,672	26,886
	$749,112	$6,936,913	$1,753,333	$9,439,358
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)	$ —	$ —	$6,433,589	$6,433,589
Free Standing Derivatives	19	977	—	996
Securities Sold, Not Yet Purchased	531	116,157	—	116,688
	$ 550	$ 117,134	$6,433,589	$6,551,273

	December 31, 2009			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)	$ 80,610	$ 33,355	$1,192,463	$1,306,428
Blackstone's Treasury Cash Management 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
	$487,810	$ 180,100	$1,307,591	$1,975,501
Liabilities				
Derivative Instruments Used for Fair Value Hedges	$ —	$ 19	$ —	$ 19
Securities Sold, Not Yet Purchased	357	—	—	357
	$ 357	$ 19	$ —	$ 376

(a) Pursuant to revised GAAP consolidation rules, the Partnership is required to consolidate all VIEs in which it has been identified as the primary beneficiary, including our investments in CLO vehicles and other funds in

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which the general partner is presumed to have control. While we are required to consolidate certain funds, including our CLO vehicles, for GAAP purposes, the Partnership has no ability to utilize the assets of these funds and there is no recourse to the Partnership for their liabilities since these are client assets and liabilities.

(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.

There were no significant transfers between Level I and Level II during the year ended December 31, 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 December 31, 2010:

Valuation Methodology	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total
Third-Party Fund Managers	—	—	41%	—	41%
Specific Valuation Metrics	20%	23%	15%	1%	59%
	20%	23%	56%	1%	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 from Fund Investment Activities in the Consolidated Statements of Operations:

	Level III Financial Assets at Fair Value Year Ended December 31,							
	2010				2009			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total
Balance, Beginning of Period	$ 1,192,463	$ 68,550	$ 46,578	$1,307,591	$ 1,521,912	$ —	$ 16,095	$1,538,007
Transfer In Due to Acquisition (a)	227,794	—	—	227,794	—	—	—	—
Transfer In Due to Consolidation (b)	—	—	—	—	108,986	—	—	108,986
Transfer Out Due to Deconsolidation (c)	—	—	—	—	(13,572)	—		(13,572)
Transfer In to Level III (d)	11,706	—	—	11,706	363	—	1,509	1,872
Transfer Out of Level III (d)	(65,605)	—	—	(65,605)	(15,646)	—	—	(15,646)
Purchases (Sales), Net	(110,245)	55,655	(29,832)	(84,422)	(525,926)	67,602	28,564	(429,760)
Realized Gains (Losses), Net	(26,206)	5,695	104	(20,407)	(194,495)	—	—	(194,495)
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	372,464	1,390	2,822	376,676	310,841	948	410	312,199
Balance, End of Period	$ 1,602,371	$ 131,290	$ 19,672	$1,753,333	$ 1,192,463	$ 68,550	$ 46,578	$1,307,591

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	Level III Financial Liabilities at Fair Value Year Ended December 31, 2010		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	$ —	$ —	$ —
Transfer In Due to and Acquisition (a)	5,751,806	364,829	6,116,635
Purchases (Sales), Net	153,229	50,895	204,124
Realized (Gains) Losses, Net	6,079	—	6,079
Changes in Unrealized (Gains) Losses Included in Earnings Related to Liabilities Still Held at the Reporting Date	(33,157)	139,908	106,751
Balance, End of Period	$5,877,957	$ 555,632	$6,433,589

(a) Represents the transfer into Level III of financial assets and liabilities held by CLO vehicles as a result of the application of revised consolidation guidance effective January 1, 2010 and as a result of the acquisition of management contracts on April 1, 2010 and July 20, 2010, as described in Note 3. "Acquisitions, Goodwill and Intangible Assets".
(b) Transfers into Level III financial assets for the year ended December 31, 2009 were a result of the transfer of assets from a non-consolidated fund to a consolidated Blackstone Fund.
(c) Represents the transfer out of Level III financial assets as a result of deconsolidation of certain Blackstone Funds.
(d) Transfers in and out of Level III financial assets and liabilities were due to changes in the observability of inputs used in the valuation of such assets and liabilities.

For the year ended December 31, 2009, there were no Level III financial liabilities.

9. VARIABLE INTEREST ENTITIES

Pursuant to revised GAAP consolidation guidance, 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.

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

	December 31,	
	2010	2009
Gross Assets		
Consolidated Blackstone Funds Excluding CLO Vehicles	$ 980,202	$741,024
Consolidated CLO Vehicles	7,224,134	—
	$8,204,336	$741,024
Gross Liabilities		
Consolidated Blackstone Funds Excluding CLO Vehicles	$ 44,269	$ 37,974
Consolidated CLO Vehicles	6,745,554	—
	$6,789,823	$ 37,974

There is no recourse to the Partnership for the consolidated VIEs' liabilities including the liabilities of the consolidated CLO vehicles. The assets and liabilities of consolidated VIEs comprise primarily investments and notes payable and are included within Investments, Loans Payable and Due to Affiliates, respectively, in the 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 Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. As of December 31, 2010, assets and liabilities recognized in the Partnership's Consolidated Statement of Financial Condition related to the Partnership's interest in these non-consolidated VIEs were $268.4 million and $0.2 million, respectively. Assets consisted of $89.7 million of investments and $178.7 million of receivables. As of December 31, 2009, assets and liabilities recognized in the Partnership's 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 December 31, 2010 and 2009 was $273.2 million and $98.9 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.

10. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

At December 31, 2010, the Partnership received securities, primarily U.S. and non-U.S. government and agency securities, asset-backed securities and corporate debt, with a fair value of $180.2 million and cash as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of $116.4 million were repledged, delivered or used to settle Securities Sold, Not Yet Purchased. The Partnership also pledged securities with a fair value of $62.7 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

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11. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other Assets consists of the following:

	December 31, 2010	December 31, 2009
Furniture, Equipment and Leasehold Improvements	$ 261,622	$210,189
Less: Accumulated Depreciation	(116,741)	(92,774)
Furniture, Equipment and Leasehold Improvements, Net	144,881	117,415
Prepaid Expenses	80,878	31,232
Other Assets	67,435	23,909
	$ 293,194	$172,556

Depreciation expense of $24.0 million, $17.2 million and $18.2 million related to furniture, equipment and leasehold improvements for the years ended December 31, 2010, 2009 and 2008, respectively, is included in General, Administrative and Other in the accompanying Consolidated Statements of Operations.

Accounts Payable, Accrued Expenses and Other Liabilities includes $113.2 million and $144.0 million as of December 31, 2010 and 2009, respectively, relating to redemptions that were legally payable to investors as of the balance sheet dates.

12. BORROWINGS

The Partnership borrows and enters into credit agreements for its general operating and investment purposes and certain Blackstone Funds borrow to meet financing needs of their operating and investing activities. Borrowing facilities have been established for the benefit of selected funds within those business units. When a Blackstone Fund borrows from the facility in which it participates, the proceeds from the borrowing are strictly limited for its intended use by the borrowing fund and not available for other Partnership purposes. The Partnership's credit facilities consist of the following:

	December 31,					
	2010			2009		
	Credit Available	Borrowing Outstanding	Weighted Average Interest Rate	Credit Available	Borrowing Outstanding	Weighted Average Interest Rate
Revolving Credit Facility (a)	$1,020,000	$ —	—	$ 850,000	$ —	—
Blackstone Issued 5.875% Notes Due 3/15/2021 (b)	400,000	400,000	5.88%	—	—	—
Blackstone Issued 6.625% Notes Due 8/15/2019 (b)	600,000	600,000	6.63%	600,000	600,000	6.63%
Operating Entities Facilities (c)	33,807	33,807	1.39%	63,369	63,369	1.50%
	2,053,807	1,033,807	6.16%	1,513,369	663,369	6.13%
Blackstone Fund Facilities (d)	9,689	9,689	2.25%	38,809	5,630	2.30%
CLO Vehicles (e)	7,367,633	7,362,094	1.33%	—	—	—
	$9,431,129	$8,405,590	1.93%	$1,552,178	$ 668,999	6.10%

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(a) 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. On November 23, 2010, the amount available under the Credit Facility was amended to $1.02 billion. 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.

(b) Represents long term borrowings in the form of senior notes (the "Notes") issued by Blackstone Holdings Finance Co. L.L.C. (the "Issuer"), an indirect subsidiary of the Partnership. On September 15, 2010, the Issuer issued $400 million of Notes due March 15, 2021. The Notes, which were issued at a discount, have an interest rate of 5.875% per annum, accruing from September 20, 2010. Interest is payable semiannually in arrears on March 15 and September 15 of each year, commencing on March 15, 2011. The Notes are unsecured and unsubordinated obligations of the Issuer. The Notes are fully and unconditionally guaranteed, jointly and severally, by the Partnership, Blackstone Holdings and the Issuer (the "Guarantors"). The guarantees are unsecured and unsubordinated obligations of the Guarantors. Interest expense on the Notes was $6.6 million for the year ended December 31, 2010. Transaction costs related to the issuance of the Notes have been capitalized and are being amortized over the life of the Notes. As of December 31, 2010, the fair value of the Notes was $398.1 million.

On August 20, 2009, the Issuer issued $600 million of Notes due August 15, 2019. The Notes, which were issued at a discount, have an interest rate of 6.625% per annum, accruing from August 20, 2009. Interest is paid semiannually in arrears on February 15 and August 15 of each year, commencing on February 15, 2010. The Notes are unsecured and unsubordinated obligations of the Issuer. The Notes are fully and unconditionally guaranteed, jointly and severally, by the Partnership, Blackstone Holdings, and the Issuer (the "Guarantors"). The guarantees are unsecured and unsubordinated obligations of the Guarantors. Interest expense on the Notes was $39.8 million and $14.6 million for the years ended December 31, 2010 and December 31, 2009, respectively. Transaction costs related to the issuance of the Notes have been capitalized and are being amortized over the life of the Notes. As of December 31, 2010, the fair value of the Notes issued in August 2009 was $612.8 million.

The indentures include covenants, including limitations on the Issuer's and the Guarantors' ability to, subject to exceptions, 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 indentures also provide for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Notes may declare the Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the Notes and any accrued and unpaid interest on the Notes automatically become due and payable. All or a portion of the Notes may be redeemed at the Issuer's 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 holders of the Notes may require the Issuer to repurchase the Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus any accrued and unpaid interest on the Notes repurchased to, but not including, the date of repurchase.

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(c) Represents borrowings under a loan and security agreement as well as a capital asset purchase facility. The loan and security agreement facility bears interest at an adjusted rate below the lending bank's prime commercial rate. Borrowings are available for the Partnership to provide partial financing to certain Blackstone employees to finance the purchase of their equity investments in certain Blackstone Funds. The advances to Blackstone employees are secured by investor notes, generally paid back over a five-year period, and the related underlying investment, as well as full recourse to the employees' bonuses and returns from other Partnership investments. The capital asset purchase facility is secured by the purchased asset and borrowings bear interest at a spread to LIBOR. The borrowings are paid down through the termination date of the facility in 2014.

(d) Represents borrowing facilities for the various consolidated Blackstone Funds used to meet liquidity and investing needs. Certain borrowings under these facilities were used for bridge financing and general liquidity purposes. Other borrowings were used to finance the purchase of investments with the borrowing remaining in place until the disposition or refinancing event. Such borrowings have varying maturities and are rolled over until the disposition or a refinancing event. Due to the fact that the timing of such events is unknown and may occur in the near term, these borrowings are considered short-term in nature. Borrowings bear interest at spreads to market rates. Borrowings were secured according to the terms of each facility and are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. Certain facilities have commitment fees. When a fund borrows, the proceeds are available only for use by that fund and are not available for the benefit of other funds. Collateral within each fund is also available only against the borrowings by that fund and not against the borrowings of other funds.

(e) Represents borrowings due to the holders of debt securities issued by Blackstone's consolidated CLO vehicles. These amounts are included within Loans Payable and Due to Affiliates. At December 31, 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	$6,466,794	1.33%	5.2
Subordinated Notes	895,300	(i)	7.7
	$7,362,094		

(i) 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 $99.3 million and $293.4 million, respectively. The fair value of Senior Secured and Subordinated Notes as of December 31, 2010 was $5.9 billion and $555.6 million, respectively, of which $78.0 million and $211.1 million represents the amounts Due to Affiliates.

The Loans Payable of the consolidated CLO vehicles are collateralized by assets held by each respective CLO vehicle and assets of one vehicle may not be used to satisfy the liabilities of another. As of December 31, 2010, the fair value of the CLO assets was $7.2 billion. This collateral consisted of Cash, Corporate Loans, Corporate Bonds and other securities.

As part of Blackstone's borrowing arrangements, the Partnership is subject to certain financial and operating covenants. The Partnership was in compliance with all of its loan covenants as of December 31, 2010.

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Scheduled principal payments for borrowings at December 31, 2010 are as follows:

	Operating Borrowings	Blackstone Fund Facilities / CLO Vehicles	Total Borrowings
2011	$ 18,433	$ 1,153	$ 19,586
2012	8,381	8,537	16,918
2013	2,052	150,580	152,632
2014	4,941	—	4,941
2015	—	160,505	160,505
Thereafter	1,000,000	7,051,008	8,051,008
Total	$1,033,807	$ 7,371,783	$ 8,405,590

13. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	December 31, 2010	2009	2008
Current			
Federal Income Tax	$(10,805)	$ 8,027	$ 3,936
Foreign Income Tax	9,378	4,517	8,304
State and Local Income Tax	26,278	41,219	25,114
	24,851	53,763	37,354
Deferred			
Federal Income Tax	42,599	30,581	(34,090)
Foreign Income Tax	(2,282)	(597)	—
State and Local Income Tax	19,501	15,483	(17,409)
	59,818	45,467	(51,499)
Total Provision (Benefit) for Taxes	$ 84,669	$99,230	$(14,145)

The Partnership’s effective income tax rate was (16.20)%, (4.33)% and 0.25% for the years ended December 31, 2010, 2009 and 2008, respectively.

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Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences is as follows:

	December 31, 2010	December 31, 2009
Deferred Tax Assets		
Fund Management Fees	$ 13,478	$ 12,804
Equity Based Compensation	41,494	36,087
Unrealized Loss from Investments	17,590	38,937
Depreciation and Amortization	1,131,706	841,086
Net Operating Loss Carry Forward	32,159	7,729
Other	5,866	6,869
Total Deferred Tax Assets	$1,242,293	$943,512
Deferred Tax Liabilities		
Depreciation and Amortization	$ 25,823	$ 18,251
Total Deferred Tax Liabilities	$ 25,823	$ 18,251

Future realization of tax benefits depends on the expectation of taxable income within a period of time that the tax benefits will reverse. While the Partnership expects to record significant net losses from a financial reporting perspective, it does not expect to record comparable losses on a tax basis. Whereas the amortization of non-cash equity compensation results in a significant charge to net income and is a significant contributor to the expected financial reporting losses, these charges are largely not tax deductible and, as a result, do not decrease taxable income or contribute to a taxable loss.

The Partnership has recorded a significant deferred tax asset for the future amortization of tax basis intangibles acquired from the predecessor owners and current owners. The amortization period for these tax basis intangibles is 15 years; accordingly, the related deferred tax assets will reverse over the same period. The Partnership had taxable income in 2009 and thus fully utilized the tax benefit from the amortization of the tax basis intangibles for all years since the IPO. The Partnership had a taxable loss of $72.8 million at the end of 2010 of which $8.8 million will be carried back and utilized against prior year taxable income and $64.0 million will be carried forward. The Partnership has considered the 15 year amortization period for the tax basis intangibles and the 20 year carryforward period for its taxable loss in evaluating whether it should establish a valuation allowance. In addition, at this time, the Partnership's projections of future taxable income that include the effects of originating and reversing temporary differences, including those for the tax basis intangibles, indicate that it is more likely than not that the benefits from the deferred tax asset will be realized. Therefore, the Partnership has determined that no valuation allowance is needed at December 31, 2010.

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The following table reconciles the Provision (Benefit) for Taxes to the U.S. federal statutory tax rate:

	Year Ended December 31,		
	2010	2009	2008
Statutory U.S. Federal Income Tax Rate	35.00%	35.00%	35.00%
Income Passed Through to Common Unitholders and Non-Controlling Interest Holders (a)	-26.10%	-33.00%	-32.68%
Interest Expense	7.32%	1.84%	0.75%
Foreign Income Taxes	-1.23%	-0.15%	-0.15%
State and Local Income Taxes	-6.60%	-1.97%	-0.19%
Equity-based Compensation	-25.27%	-6.45%	-2.48%
Other	0.68%	0.40%	—
Effective Income Tax Rate (b)	-16.20%	-4.33%	0.25%

(a) Includes income that is not taxable to the Partnership and its subsidiaries. Such income is directly taxable to the Partnership's unitholders and the non-controlling interest holders.
(b) The effective tax rate is calculated on Income (Loss) Before Provision (Benefit) for Taxes.

Currently, the Partnership does not believe it meets the indefinite reversal criteria that would cause the Partnership to not recognize a deferred tax liability with respect to its foreign subsidiaries. Where applicable, Blackstone will record a deferred tax liability for any outside basis difference of an investment in a foreign subsidiary.

Blackstone files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, Blackstone is subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2010, Blackstone's and the predecessor entities' U.S. federal income tax returns for the years 2007 through 2009 are open under the normal three-year statute of limitations and therefore subject to examination. The Internal Revenue Service is examining certain corporate subsidiaries' 2008 and 2009 U.S. federal income tax returns. State and local tax returns are generally subject to audit from 2006 through 2009. Currently, the State of New York is examining the tax returns filed by The Blackstone Group L.P. and certain of its subsidiaries for the years 2007 through 2009 and the City of New York is examining certain other subsidiaries' tax returns for the years 2003 through 2008. In addition, HM Revenue and Customs in the U.K. is examining certain U.K. subsidiaries' tax returns for the years 2004 through 2007. Blackstone does not believe that the outcome of these examinations will require it to record reserves for uncertain tax positions or that the outcome will have a material impact on the consolidated financial statements. Blackstone does not believe that it has any tax positions for which it is reasonably possible that it will be required to record significant amounts of unrecognized tax benefits within the next twelve months.

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14. NET LOSS PER COMMON UNIT

Basic and diluted net loss per common unit for the year ended December 31, 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 years ended December 31, 2009 and December 31, 2008 was calculated as follows:

	Basic and Diluted Year Ended December 31, 2010
Net Loss Attributable to The Blackstone Group L.P.	$ (370,028)
Net Loss Per Common Unit	$ (1.02)
Total Weighted-Average Common Units Outstanding	364,021,369

	Basic and Diluted Year Ended December 31, 2009	2008
Total Undistributed Loss		
Net Loss Allocable to Common Unitholders	$ (715,291)	$ (1,163,032)
Less: Distributions to Common Unitholders	(356,958)	(240,402)
Total Undistributed Loss	$ (1,072,249)	$ (1,403,434)
Allocation of Total Undistributed Loss		
Undistributed Loss—Common Unitholders Entitled to Priority Distributions	$ (1,058,052)	$ (1,394,271)
Undistributed Loss—Common Unitholders Not Entitled to Priority Distributions	(14,197)	(9,164)
Total Undistributed Loss	$ (1,072,249)	$ (1,403,434)
Net Loss Per Common Unit—Common Units Entitled to Priority Distributions		
Undistributed Loss per Common Unit	$ (3.71)	$ (5.22)
Priority Distributions (a)	1.25	0.90
Net Loss Per Common Unit—Common Units Entitled to Priority Distributions	$ (2.46)	$ (4.32)
Net Loss Per Common Unit—Common Units Not Entitled to Priority Distributions		
Undistributed Loss per Common Unit	$ (3.71)	$ (3.06)
Net Loss Per Common Unit—Common Units Not Entitled to Priority Distributions	$ (3.71)	$ (3.06)
Weighted-Average Common Units Outstanding—Common Units Entitled to Priority Distributions	285,163,954	266,876,031
Common Units Not Entitled to Priority Distributions	3,826,233	1,501,373
Total Weighted-Average Common Units Outstanding	288,990,187	268,377,404

(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.

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For the years ended December 31, 2010, 2009 and 2008 the total unvested deferred restricted common units and Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit, respectively, as follows.

	December 31,		
	2010	2009	2008
Unvested Deferred Restricted Common Units	25,828,413	22,453,412	29,117,068
Blackstone Holdings Partnership Units	736,772,290	812,377,553	831,549,761

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 year ended December 31, 2010, Blackstone repurchased a combination of 107,420 Blackstone Holdings Partnership Units and Blackstone Common Units as part of the unit repurchase program for a total cost of $1.5 million. The repurchase resulted in a decrease in Blackstone's ownership interest in Blackstone Holdings equity of $1.2 million. As of December 31, 2010, the amount remaining available for repurchases under this program was $337.9 million.

During the year ended December 31, 2009, Blackstone repurchased a combination of 4,689,091 Blackstone Common Units and Blackstone Holdings Partnership Units as part of the unit repurchase program for a total cost of $30.5 million. The repurchase resulted in a decrease in Blackstone's ownership interest in Blackstone Holdings equity of $17.3 million.

15. 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 years ended December 31, 2010, 2009 and 2008 the Partnership recorded compensation expense of $2.4 billion, $3.0 billion and $3.3 billion, respectively, in relation to its equity-based awards with corresponding tax benefits of $16.1 million, $13.7 million and $16.4 million, respectively. As of December 31, 2010, there was $4.0 billion of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 3.7 years.

Total vested and unvested outstanding units, including Blackstone Common Units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,130,052,026 as of December 31, 2010. Total outstanding unvested phantom units were 225,841 as of December 31, 2010.

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A summary of the status of the Partnership's unvested equity-based awards as of December 31, 2010 and a summary of changes during the period January 1, 2010 through December 31, 2010 is presented below:

	Blackstone Holdings		The Blackstone Group L.P.			
			Equity Settled Awards		Cash Settled Awards	
Unvested Units	Partnership Units	Weighted-Average Grant Date Fair Value	Deferred Restricted Common Units and Options	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, December 31, 2009	270,458,725	$ 30.76	23,742,693	$ 23.10	208,592	$ 25.07
Granted	1,185,667	12.94	6,546,818	12.56	219,192	13.91
Vested	(117,262,467)	30.85	(10,072,912)	19.73	(193,497)	14.56
Forfeited	(5,156,607)	29.81	(1,097,650)	24.21	(8,446)	14.60
Balance, December 31, 2010	149,225,318	$ 30.58	19,118,949	$ 21.00	225,841	$ 13.98

Units Expected to Vest

The following unvested units, after expected forfeitures, as of December 31, 2010, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	139,905,570	3.4
Deferred Restricted Blackstone Common Units and Options	15,520,221	3.2
Total Equity-Based Awards	155,425,791	3.4
Phantom Units	168,629	4.3

Deferred Restricted Common Units and Phantom Units

The Partnership has granted deferred restricted common units to certain senior and non-senior managing director professionals, analysts and senior finance and administrative personnel and selected external advisors and phantom units (cash settled equity-based awards) to other non-senior managing director employees. Holders of deferred restricted common units and phantom units are not entitled to any voting rights. Only phantom units are to be settled in cash.

The fair values of deferred restricted common units have been derived based on the closing price of Blackstone's Common Units on the date of the grant, multiplied by the number of unvested awards and expensed over the assumed service period, which ranges from 1 to 10 years. Additionally, the calculation of the compensation expense assumes forfeiture rates based upon historical turnover rates, ranging from 1% to 13.9% annually by employee class, and a per unit discount, ranging from $0.01 to $12.85 as a majority of these unvested awards do not contain distribution participation rights. In most cases, the Partnership will not make any distributions with respect to unvested deferred restricted common units. However, there are certain grantees who receive distributions on both vested and unvested deferred restricted common units.

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Subject to a non-senior managing director employee's continued employment with Blackstone, the phantom units vested or will vest in equal installments on each of the first, second and third anniversaries of the grant date or, in the case of certain term analysts, in a single installment on the date that the employee completes his or her current contract period with Blackstone. On each such vesting date, Blackstone delivered or will deliver cash to the holder in an amount equal to the number of phantom units held multiplied by the then fair market value of the Blackstone common units on such date. Additionally, the calculation of the compensation expense assumes forfeiture rates based upon historical turnover rates, ranging from 8.4% to 13.9% annually by employee class. Blackstone is accounting for these cash settled awards as a liability.

Blackstone paid $2.2 million, $3.5 million and $6.7 million to non-senior managing director employees in settlement of phantom units for the years ended December 31, 2010, 2009 and 2008, respectively.

Blackstone Holdings Partnership Units

At the time of the Reorganization, Blackstone's predecessor owners and selected advisors received 827,516,625 Blackstone Holdings Partnership Units, of which 387,805,088 were vested and 439,711,537 were to vest over a period of up to 8 years from the IPO date. Subsequent to the Reorganization, the Partnership has granted Blackstone Holdings Partnership Units to newly hired senior managing directors. The Partnership has accounted for the unvested Blackstone Holdings Partnership Units as compensation expense. The fair values have been derived based on the closing price of Blackstone's Common Units on the date of the grant, or $31 (based on the initial public offering price per Blackstone Common Unit) for those units issued at the time of the Reorganization, multiplied by the number of unvested awards and expensed over the assumed service period which ranges from 1 to 8 years. Additionally, the calculation of the compensation expense assumes a forfeiture rate of up to 13.9%, based on historical experience.

In November 2009, the Partnership modified equity awards issued in connection with a deferred compensation plan to, among other things: (a) provide that deferred compensation payments to participating employees and senior managing directors generally would be satisfied by delivery of Blackstone common units instead of delivery of Partnership Units; (b) delay the delivery of common units (following the applicable vesting dates) until anticipated trading window periods, to better facilitate participants' liquidity to meet tax obligations; and (c) ensure compliance with deferred compensation taxation rules. As the fair value of Partnership Units on grant date is based on the closing price of Blackstone Common Units, there was no change in the fair value of these awards as a result of the modification. As a result, there was no additional impact to compensation expense.

Equity-Based Awards with Performance Conditions

The Partnership has also granted certain equity-based awards with performance requirements. These awards are based on the performance of certain businesses over the five-year period beginning January 2008, relative to a predetermined threshold. In connection with certain equity-based awards with performance conditions, Blackstone has recorded compensation expense of $1.9 million as the likelihood that the relevant performance threshold will be exceeded in future periods has been deemed as probable. Such awards will be granted in 2012 and are accounted for as a liability award subject to re-measurement at the end of each reporting period.

Acquisition of GSO Capital Partners LP

In conjunction with the acquisition of GSO, the Partnership entered into equity-based compensation arrangements with certain GSO senior managing directors and other personnel. The arrangements stipulate that the recipient receive cash, equity instruments or a combination of cash and equity instruments to be earned over

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service periods ranging from three to five years or based upon the realization of specified earnings targets over the period 2008 through 2012. For the non-performance dependent compensation arrangements, the Partnership will recognize the estimated expense on a straight-line basis over the service period. For the performance-based compensation arrangements tied to specified earnings targets, the Partnership estimates compensation expense based upon whether it is probable that forecasted earnings will meet or exceed the required earnings targets and if so, recognizes the expense over the earnings period.

16. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

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

	December 31, 2010	December 31, 2009
Due from Affiliates		
Accrual for Potential Clawback of Previously Distributed Carried Interest	$ 180,672	$ 308,378
Primarily Interest Bearing Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees for Investments in Blackstone Funds	169,413	127,669
Amounts Due from Portfolio Companies and Funds	175,872	115,441
Investments Redeemed in Non-Consolidated Funds of Funds	43,790	77,600
Management and Performance Fees Due from Non-Consolidated Funds of Funds	107,547	68,649
Payments Made on Behalf of Non-Consolidated Entities	81,689	53,581
Advances Made to Certain Non-Controlling Interest Holders and Blackstone Employees	36,412	8,589
	$ 795,395	$ 759,907

	December 31, 2010	December 31, 2009
Due to Affiliates		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreements	$1,114,609	$ 830,517
Accrual for Potential Repayment of Previously Received Performance Fees	273,829	485,253
Due to Note-Holders of Consolidated CLO Vehicles	274,020	—
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	77,362	58,083
Distributions Received on Behalf of Non-Consolidated Entities	15,970	31,692
Payments Made by Non-Consolidated Entities	6,497	4,521
	$1,762,287	$1,410,066

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Interests of the Founder, Senior Managing Directors and Employees

The 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 arrangements. As of December 31, 2010 and 2009, the founder's, other senior managing directors' and employees' investments aggregated $832.8 million and $649.4 million, respectively, and the founder's, other senior managing directors' and employees' share of the Net Income Attributable to Redeemable Non-Controlling and Non-Controlling Interests in Consolidated Entities aggregated $219.7 million, $31.2 million and $(281.7) million for the years ended December 31, 2010, 2009 and 2008, respectively.

Revenues Earned from Affiliates

Management and Advisory Fees earned from affiliates totaled $189.0 million, 134.3 million and $188.3 million for the years ended December 31, 2010, 2009 and 2008, 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 $3.1 million, $2.2 million and $6.0 million for the years ended December 31, 2010, 2009 and 2008, 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 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 December 31, 2010. See Note 17. "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 Consolidated Financial Statements.

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Tax Receivable Agreements

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.

One of the subsidiaries of the Partnership which is a corporate taxpayer has 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 taxpayer 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 $1,114.6 million over the next 15 years. The after-tax net present value of these estimated payments totals $315.9 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 agreements are not conditioned upon continued ownership of Blackstone equity interests by the pre-IPO owners and the others mentioned above. Subsequent to December 31, 2010, payments totaling $51.5 million were made to certain pre-IPO owners in accordance with the tax receivable agreements and related tax benefits the Partnership received for the 2009 taxable year.

Other

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

17. COMMITMENTS AND CONTINGENCIES

Commitments

Operating Leases

The Partnership leases office space under non-cancelable lease and sublease agreements, which expire on various dates through 2024. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord, and are recognized on a straight-line basis over the term of the lease agreement. Rent expense includes base contractual rent and variable costs such as

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building expenses, utilities, taxes and insurance. Rent expense for the years ended December 31, 2010, 2009 and 2008, was $66.4 million, $63.1 million and $40.7 million, respectively. At December 31, 2010 and 2009, the Partnership maintained irrevocable standby letters of credit and cash deposits as security for the leases of $10.7 million and $9.9 million, respectively. As of December 31, 2010, the approximate aggregate minimum future payments, net of sublease income, required on the operating leases are as follows:

2011	$ 56,826
2012	54,018
2013	50,719
2014	45,167
2015	45,851
Thereafter	245,536
Total	$498,117

Investment Commitments

Blackstone had $1.2 billion of investment commitments as of December 31, 2010 representing general partner capital funding commitments to the Blackstone Funds, limited partner capital funding to other funds and Blackstone principal investment commitments. The consolidated Blackstone Funds had signed investment commitments of $29.4 million as of December 31, 2010 which includes $5.2 million of signed investment commitments for portfolio company acquisitions in the process of closing.

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 consolidated real estate funds was $5.1 million as of December 31, 2010.

Contingent Performance Fees

There were $111.9 million of segment level Performance Fees related to the hedge funds in the Credit and Marketable Alternatives and Real Estate segments for the year ended December 31, 2010 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 were $111.2 million for the year ended December 31, 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.

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Contingent Obligations (Clawback)

Included within Net Gains from Fund Investment Activities in the Consolidated Statements of Operations are gains from Blackstone Fund investments. The portion of net gains 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.

For the year ended December 31, 2010, the Blackstone general partners paid an interim cash clawback obligation of $19.3 million relating to a real estate fund of which $15.4 million was paid by Blackstone Holdings and $3.9 million by current and former Blackstone personnel.

The following table presents the clawback obligations by segment:

	December 31,					
	2010			2009		
Segment	Blackstone Holdings	Current and Former Personnel	Total	Blackstone Holdings	Current and Former Personnel	Total
Private Equity	$ 62,534	$ 118,845	$ 181,379	$ 65,237	$ 120,208	$ 185,445
Real Estate	30,623	61,827	92,450	152,142	147,666	299,808
Total	$ 93,157	$ 180,672	$ 273,829	$ 217,379	$ 267,874	$ 485,253

The Accrual for Potential Repayment of Previously Received Performance Fees is included in Due to Affiliates.

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 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 December 31, 2010, $482.4 million was held in segregated accounts for the purpose of meeting any clawback obligations of current and former personnel if such payments are required.

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18. EMPLOYEE BENEFIT PLANS

The Partnership provides a 401(k) plan (the "Plan") for eligible employees in the United States. For certain finance and administrative professionals who are participants in the Plan, the Partnership contributes 2% of such professional's pre-tax annual compensation up to a maximum of one thousand six hundred dollars. In addition, the Partnership will contribute 50% of the first 4% of pre-tax annual compensation contributed by such professional participants with a maximum matching contribution of one thousand six hundred dollars. For the years ended December 31, 2010, 2009 and 2008, the Partnership incurred expenses of $1.3 million, $1.5 million and $1.3 million in connection with such Plan.

The Partnership provides a defined contribution plan for eligible employees in the United Kingdom ("U.K. Plan"). All United Kingdom employees are eligible to contribute to the U.K. Plan after three months of qualifying service. The Partnership contributes a percentage of an employee's annual salary, subject to United Kingdom statutory restrictions, on a monthly basis for administrative employees of the Partnership based upon the age of the employee. For the years ended December 31, 2010, 2009 and 2008, the Partnership incurred expenses of $0.3 million, $0.3 million and $0.3 million, respectively, in connection with the U.K. Plan.

19. REGULATED ENTITIES

The Partnership has certain entities that are registered broker-dealers which are subject to the minimum net capital requirements of the United States Securities and Exchange Commission ("SEC"). The Partnership has continuously operated in excess of these requirements. The Partnership also has two entities based in London which are subject to the capital requirements of the U.K. Financial Services Authority. These entities have continuously operated in excess of their regulatory capital requirements.

Certain other U.S. and non-U.S. entities are subject to various investment adviser, commodity pool operator and trader regulations. This includes a number of U.S. entities which are registered as investment advisers with the SEC.

The regulatory capital requirements referred to above may restrict the Partnership's ability to withdraw capital from its entities. At December 31, 2010, approximately $5.7 million of net assets of consolidated entities may be restricted as to the payment of cash dividends and advances to the Partnership.

20. 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 and registered investment companies.
- 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 including acquisitions. Blackstone uses 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 managed by Blackstone. 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 Consolidated Financial Statements. Consequently, all segment data excludes the assets, liabilities and operating results related to the Blackstone Funds.

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The following table presents the financial data for Blackstone's four segments as of and for the years ended December 31, 2010, 2009 and 2008:

	December 31, 2010 and the Year Then Ended				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total Segments
Segment Revenues					
Management and Advisory Fees					
Base Management Fees	$ 263,307	$ 338,428	$ 467,736	$ —	$ 1,069,471
Advisory Fees	—	—	—	426,140	426,140
Transaction and Other Fees, Net	72,243	59,914	5,229	362	137,748
Management Fee Offsets	(188)	(1,071)	(1,054)	—	(2,313)
Total Management and Advisory Fees	335,362	397,271	471,911	426,502	1,631,046
Performance Fees					
Realized	156,869	40,288	164,506	—	361,663
Unrealized	151,494	256,971	156,161	—	564,626
Total Performance Fees	308,363	297,259	320,667	—	926,289
Investment Income					
Realized	15,332	11,251	19,518	814	46,915
Unrealized	153,288	318,979	28,833	534	501,634
Total Investment Income	168,620	330,230	48,351	1,348	548,549
Interest and Dividend Revenue	14,044	11,173	4,907	5,972	36,096
Other	2,021	(336)	(391)	(1,912)	(618)
Total Revenues	828,410	1,035,597	845,445	431,910	3,141,362
Expenses					
Compensation and Benefits					
Compensation	179,345	183,177	218,643	277,949	859,114
Performance Fee Compensation					
Realized	32,627	15,844	79,845	—	128,316
Unrealized	21,320	122,864	84,462	—	228,646
Total Compensation and Benefits	233,292	321,885	382,950	277,949	1,216,076
Other Operating Expenses	109,589	74,189	90,466	70,272	344,516
Total Expenses	342,881	396,074	473,416	348,221	1,560,592
Economic Net Income	$ 485,529	$ 639,523	$ 372,029	$ 83,689	$ 1,580,770
Segment Assets as of December 31, 2010	$4,191,664	$2,741,280	$2,760,434	$644,553	$10,337,931

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	December 31, 2009 and the Year Then Ended				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total Segments
Segment Revenues					
Management and Advisory Fees					
Base Management Fees	$ 270,509	$ 328,447	$ 400,873	$ —	$ 999,829
Advisory Fees	—	—	—	390,718	390,718
Transaction and Other Fees, Net	86,336	25,838	2,866	—	115,040
Management Fee Offsets	—	(2,467)	(14,694)	—	(17,161)
Total Management and Advisory Fees	356,845	351,818	389,045	390,718	1,488,426
Performance Fees					
Realized	34,021	(3,039)	43,282	—	74,264
Unrealized	303,491	(252,180)	114,556	—	165,867
Total Performance Fees	337,512	(255,219)	157,838	—	240,131
Investment Income (Loss)					
Realized	36,968	6,164	(15,031)	1,443	29,544
Unrealized	33,269	(125,624)	96,016	219	3,880
Total Investment Income (Loss)	70,237	(119,460)	80,985	1,662	33,424
Interest and Dividend Revenue	7,756	6,030	3,452	5,254	22,492
Other	2,845	3,261	1,025	(35)	7,096
Total Revenues	775,195	(13,570)	632,345	397,599	1,791,569
Expenses					
Compensation and Benefits					
Compensation	181,266	158,115	198,117	232,359	769,857
Performance Fee Compensation					
Realized	741	3,506	20,854	—	25,101
Unrealized	20,307	(113,981)	67,493	—	(26,181)
Total Compensation and Benefits	202,314	47,640	286,464	232,359	768,777
Other Operating Expenses	82,471	56,325	80,661	79,572	299,029
Total Expenses	284,785	103,965	367,125	311,931	1,067,806
Economic Net Income (Loss)	$ 490,410	$ (117,535)	$ 265,220	$ 85,668	$ 723,763
Segment Assets	$2,870,238	$1,940,925	$2,706,169	$986,624	$8,503,956

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	Year Ended December 31, 2008				
	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total Segments
Segment Revenues					
Management and Advisory Fees					
Base Management Fees	$ 268,961	$ 295,921	$ 476,836	$ —	$ 1,041,718
Advisory Fees	—	—	—	397,519	397,519
Transaction and Other Fees, Net	51,796	36,046	8,516	—	96,358
Management Fee Offsets	(4,862)	(4,969)	(6,606)	—	(16,437)
Total Management and Advisory Fees	315,895	326,998	478,746	397,519	1,519,158
Performance Fees					
Realized	(749)	24,681	15,081	—	39,013
Unrealized	(429,736)	(843,704)	(12,822)	—	(1,286,262)
Total Performance Fees	(430,485)	(819,023)	2,259	—	(1,247,249)
Investment Income (Loss)					
Realized	13,687	3,778	(82,142)	—	(64,677)
Unrealized	(196,200)	(238,650)	(257,084)	—	(691,934)
Total Investment Income (Loss)	(182,513)	(234,872)	(339,226)	—	(756,611)
Interest and Dividend Revenue	6,459	5,880	8,527	8,148	29,014
Other	4,474	3,008	1,214	4,899	13,595
Total Revenues	(286,170)	(718,009)	151,520	410,566	(442,093)
Expenses					
Compensation and Benefits					
Compensation	146,551	150,684	239,436	234,755	771,426
Performance Fee Compensation					
Realized	(4,255)	1,090	8,162	—	4,997
Unrealized	(126,090)	(74,981)	(6,643)	—	(207,714)
Total Compensation and Benefits	16,206	76,793	240,955	234,755	568,709
Other Operating Expenses	90,130	55,782	106,027	67,277	319,216
Total Expenses	106,336	132,575	346,982	302,032	887,925
Economic Net Income (Loss)	$(392,506)	$(850,584)	$(195,462)	$108,534	$(1,330,018)

The following table reconciles the Total Segments to Blackstone's Income (Loss) Before Provision for Taxes and Total Assets as and for the years ended December 31, 2010, 2009 and 2008:

	December 31, 2010 and the Year Then Ended		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ 3,141,362	$ (22,020)(a)	$ 3,119,342
Expenses	$ 1,560,592	$ 2,583,398(b)	$ 4,143,990
Other Income	$ —	$ 501,994(c)	$ 501,994
Economic Net Income (Loss)	$ 1,580,770	$ (2,103,424)(d)	$ (522,654)
Total Assets	$10,337,931	$ 8,506,674(e)	$18,844,605

THE BLACKSTONE GROUP L.P.

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

	December 31, 2009 and the Year Then Ended		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ 1,791,569	$ (17,870)(a)	$ 1,773,699
Expenses	$ 1,067,806	$ 3,174,053(b)	$ 4,241,859
Other Income	$ —	$ 176,694(c)	$ 176,694
Economic Net Income (Loss)	$ 723,763	$ (3,015,229)(d)	$(2,291,466)
Total Assets	$ 8,503,956	$ 905,068(e)	$ 9,409,024

	Year Ended December 31, 2008		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ (442,093)	$ 92,732(a)	$ (349,361)
Expenses	$ 887,925	$ 3,498,677(b)	$ 4,386,602
Other Income	$ —	$ (872,336)(c)	$ (872,336)
Economic Net Income (Loss)	$(1,330,018)	$ (4,278,281)(d)	$(5,608,299)

(a) The Revenues adjustment principally represents management and performance fees 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:

	Year Ended December 31,		
	2010	2009	2008
Fund Management Fees and Performance Fees Eliminated in Consolidation	$ 17,165	$ 14,870	$(105,418)
Fund Expenses Added in Consolidation	30,776	10,441	66,046
Non-Controlling Interests in Income (Loss) of Consolidated Entities	431,149	151,383	(832,964)
Transaction-Related Other Income	22,904	—	—
Total Consolidation Adjustments and Reconciling Items	$501,994	$176,694	$(872,336)

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

	Year Ended December 31,		
	2010	2009	2008
Economic Net Income (Loss)	$ 1,580,770	$ 723,763	$(1,330,018)
Adjustments			
Amortization of Intangibles	(165,378)	(158,048)	(153,237)
IPO and Acquisition-Related Charges	(2,369,195)	(2,973,950)	(3,331,722)
Other Adjustments	—	—	(999)
Non-Controlling Interests in Income (Loss) of Consolidated Entities	431,149	116,769	(792,323)
Total Consolidation Adjustments and Reconciling Items	(2,103,424)	(3,015,229)	(4,278,281)
Income (Loss) Before Provision for Taxes	$ (522,654)	$(2,291,466)	$(5,608,299)

THE BLACKSTONE GROUP L.P.

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

(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.

21. SUBSEQUENT EVENTS

In January 2011, Blackstone separated its Credit and Marketable Alternatives segment into two new segments: Hedge Fund Solutions and Credit Businesses. The Hedge Fund Solutions segment, which is comprised primarily of Blackstone Alternative Asset Management, primarily manages funds of hedge funds and includes the Indian-focused and Asian-focused closed-end mutual funds. The Credit Businesses segment, which principally includes GSO, manages credit-oriented funds, collateralized loan obligation vehicles, separately managed accounts and debt-focused closed-end registered investment companies. This change in Blackstone's segment reporting aligns it to its management reporting and organization structure and is consistent with the manner in which resource deployment and compensation decisions will be made. Blackstone will report segment results under this structure commencing in the first quarter of 2011.

22. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Three Months Ended			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Revenues	$ 701,239	$ 550,088	$ 784,000	$1,084,015
Expenses	1,100,714	1,127,766	925,769	989,741
Other Income (Loss)	171,804	(59,250)	285,071	104,369
Income (Loss) Before Provision for Taxes	$ (227,671)	$ (636,928)	$ 143,302	$ 198,643
Net Income (Loss)	$ (237,306)	$ (656,320)	$ 147,527	$ 138,776
Income (Loss) Attributable to The Blackstone Group L.P.	$ (121,377)	$ (193,320)	$ (44,358)	$ (10,973)
Net Loss Per Common Unit – Basic and Diluted				
Common Units	$ (0.36)	$ (0.55)	$ (0.12)	$ (0.03)
Distributions Declared (a)	$ 0.30	$ 0.10	$ 0.10	$ 0.10

	Three Months Ended			
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Revenues	$ 44,914	$ 406,416	$ 597,023	$ 725,346
Expenses	922,358	1,051,706	1,097,794	1,170,001
Other Income (Loss)	(34,763)	58,304	73,812	79,341
Income (Loss) Before Provision for Taxes	$(912,207)	$ (586,986)	$ (426,959)	$ (365,314)
Net Income (Loss)	$(929,938)	$ (597,871)	$ (479,510)	$ (383,377)
Income (Loss) Attributable to The Blackstone Group L.P.	$(231,574)	$ (164,284)	$ (176,183)	$ (143,250)
Net Loss Per Common Unit – Basic and Diluted				
Common Units Entitled to Priority Distributions	$ (0.84)	$ (0.59)	$ (0.59)	$ (0.45)
Common Units Not Entitled to Priority Distributions	$ (1.14)	$ (0.90)	$ (0.92)	$ (0.76)
Priority Distributions Declared (a)	$ —	$ 0.30	$ 0.30	$ 0.30

(a) Distributions declared reflects the calendar date of the declaration of each distribution.

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ITEM 8A. UNAUDITED SUPPLEMENTAL PRESENTATION OF STATEMENTS OF FINANCIAL CONDITION

THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition
(Dollars in Thousands)

	December 31, 2010			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 588,621	$ —	$ —	$ 588,621
Cash Held by Blackstone Funds and Other	57,945	732,454	—	790,399
Investments	4,301,905	8,141,965	(469,398)	11,974,472
Accounts Receivable	454,752	41,149	(8)	495,893
Reverse Repurchase Agreements	181,425	—	—	181,425
Due from Affiliates	753,056	66,627	(24,288)	795,395
Intangible Assets, Net	779,311	—	—	779,311
Goodwill	1,703,602	—	—	1,703,602
Other Assets	275,021	18,173	—	293,194
Deferred Tax Assets	1,242,293	—	—	1,242,293
Total Assets	$10,337,931	$ 9,000,368	$ (493,694)	$18,844,605
Liabilities and Partners' Capital				
Loans Payable	$ 1,044,719	$ 6,154,179	$ —	$ 7,198,898
Due to Affiliates	1,470,881	330,773	(39,367)	1,762,287
Accrued Compensation and Benefits	819,925	1,643	—	821,568
Securities Sold, Not Yet Purchased	116,153	535	—	116,688
Accounts Payable, Accrued Expenses and Other Liabilities	314,023	377,792	(8)	691,807
Total Liabilities	3,765,701	6,864,922	(39,375)	10,591,248
Redeemable Non-Controlling Interests in Consolidated Entities	—	600,836	—	600,836
Partners' Capital				
Partners' Capital	3,888,211	458,012	(458,012)	3,888,211
Appropriated Partners' Capital	—	470,583	—	470,583
Accumulated Other Comprehensive Income	4,302	—	—	4,302
Non-Controlling Interests in Consolidated Entities	261,200	606,015	3,693	870,908
Non-Controlling Interests in Blackstone Holdings	2,418,517	—	—	2,418,517
Total Partners' Capital	6,572,230	1,534,610	(454,319)	7,652,521
Total Liabilities and Partners' Capital	$10,337,931	$ 9,000,368	$ (493,694)	$18,844,605

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	$ 8,503,956	$ 1,151,862	$ (246,794)	$ 9,409,024
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
Securities Sold, Not Yet Purchased	—	357	—	357
Accounts Payable, Accrued Expenses and Other Liabilities	235,673	94,331	(21,504)	308,500
Total Liabilities	2,737,398	168,088	(39,995)	2,865,491
Redeemable Non-Controlling Interests in Consolidated Entities	—	526,311	—	526,311
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	5,766,558	457,463	(206,799)	6,017,222
Total Liabilities and Partners' Capital	$ 8,503,956	$ 1,151,862	$ (246,794)	$ 9,409,024

(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 December 31, 2010 only.
** Included within Consolidated Blackstone Funds as of December 31, 2009 only. At December 31, 2010, these entities are included within Consolidated Operating Partnerships.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. 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. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

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 at the reasonable assurance level to accomplish their objectives of ensuring 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.

Management's Report on Internal Control Over Financial Reporting

Management of The Blackstone Group L.P. and subsidiaries ("Blackstone") is responsible for establishing and maintaining adequate internal control over financial reporting. Blackstone's internal control over financial reporting is a process designed under the supervision of its principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Blackstone's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Blackstone's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of Blackstone's internal control over financial reporting as of December 31, 2010 based on the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that Blackstone's internal control over financial reporting as of December 31, 2010 was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited Blackstone's financial statements included in this report on Form 10-K and issued its report on the effectiveness of Blackstone's internal control over financial reporting as of December 31, 2010, which is included herein.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers of Blackstone Group Management L.L.C.

The directors and executive officers of Blackstone Group Management L.L.C. as of the date of this filing, are:

Name	Age	Position
Stephen A. Schwarzman	64	Founder, Chairman and Chief Executive Officer and Director
Hamilton E. James	60	President, Chief Operating Officer and Director
J. Tomilson Hill	62	Vice Chairman and Director
Laurence A. Tosi	43	Chief Financial Officer
John G. Finley	54	Chief Legal Officer
Joan Solotar	46	Senior Managing Director—External Relations & Strategy
Richard H. Jenrette	81	Director
Jay O. Light	69	Director
The Right Honorable Brian Mulroney	71	Director
William G. Parrett	65	Director

Stephen A. Schwarzman is the Chairman and Chief Executive Officer of Blackstone and the Chairman of the board of directors of our general partner. Mr. Schwarzman was elected Chairman of the board of directors of our general partner effective March 20, 2007. Mr. Schwarzman is a founder of The Blackstone Group and has been involved in all phases of the firm's development since its founding in 1985. Mr. Schwarzman began his career at Lehman Brothers, where he was elected Managing Director in 1978. He was engaged principally in the firm's mergers and acquisitions business from 1977 to 1984, and served as Chairman of the firm's Mergers & Acquisitions Committee in 1983 and 1984. Mr. Schwarzman is Chairman of the Board of The John F. Kennedy Center for the Performing Arts. He is also a member of the Council on Foreign Relations, The Business Council and The Asia Society and is on the boards of various organizations, including The New York Public Library, The Frick Collection, the JPMorgan Chase National Advisory Board, The Partnership for New York City Board of Directors and the Advisory Board of the School of Economics and Management, Tsinghua University, Beijing. Mr. Schwarzman received a BA from Yale University and an MBA from Harvard Business School.

Hamilton E. James is President, Chief Operating Officer of Blackstone and a member of the board of directors of our general partner. Mr. James was elected to the board of directors of our general partner effective March 20, 2007. Prior to joining Blackstone in 2002, Mr. James was Chairman of Global Investment Banking and Private Equity at Credit Suisse First Boston and a member of its Executive Board since the acquisition of Donaldson, Lufkin & Jenrette, or "DLJ," by Credit Suisse First Boston in 2000. Prior to the acquisition of DLJ, Mr. James was the Chairman of DLJ's Banking Group, responsible for all the firm's investment banking and merchant banking activities and a member of its Board of Directors. Mr. James joined DLJ in 1975 as an Investment Banking associate. He became head of DLJ's global mergers and acquisitions group in 1982, founded DLJ Merchant Banking, Inc. in 1985, and was named Chairman of the Banking Group in 1995 with responsibility for all of the firm's investment banking, alternative asset management and emerging market sales and trading activities. Mr. James is a Director of Costco Wholesale Corporation and Swift River Investments, Inc., and has served on a number of other corporate boards. Mr. James is Trustee of The Metropolitan Museum of Art, Trustee and member of The Executive Committee of the Second Stage Theatre, Vice Chairman of Trout Unlimited's Coldwater Conservations Fund, Trustee of Woods Hole Oceanographic Institute, Advisory Board Member of the Montana Land Reliance, Trustee of the Wildlife Conservation Society and Chairman Emeritus of the Board of Trustees of American Ballet Theatre. Mr. James received a BA from Harvard College and an MBA from Harvard Business School.

J. Tomilson Hill is President and Chief Executive Officer of Blackstone Alternative Asset Management ("BAAM"), a Vice Chairman of The Blackstone Group and a member of the board of directors of our general partner, Blackstone Group Management L. L. C. Mr. Hill previously served as Co-Head of the Corporate and Mergers and Acquisitions Advisory group before assuming his role as CEO of BAAM. In his current capacity, Mr. Hill is responsible for overseeing the day-to-day activities of the group, including investment management, client relationships, marketing, operations and administration. Before joining Blackstone in 1993, Mr. Hill began his career at First Boston, later becoming one of the Co-Founders of its Mergers & Acquisitions Department. After running the Mergers & Acquisitions Department at Smith Barney, he joined Lehman Brothers as a partner in 1982, serving as Co-Head and subsequently Head of Investment Banking. Later, he served as Co-Chief Executive Officer of Lehman Brothers and Co-President and Co-COO of Shearson Lehman Brothers Holding Inc. Mr. Hill is a graduate of Harvard College and the Harvard Business School. He is a member of the Council on Foreign Relations where he chairs the Investment Committee and serves on the Council's Board of Directors, and is a member of the Board of Directors of Lincoln Center Theater, where he is Chairman. Mr. Hill is Chairman of the Board of Trustees of the Smithsonian's Hirshhorn Museum and Sculpture Garden. He serves on the Board of the Telluride Foundation, the Advantage Testing Foundation, and of Our Lady Queen of Angels School, a parochial school (K-8th grade) in Spanish Harlem. He is a member of the Board of Directors of OpenPeak Inc. and Advantage Testing, Inc.

Laurence A. Tosi is Blackstone's Chief Financial Officer and a member of the firm's Executive Committee. Before joining Blackstone in 2008, Mr. Tosi was a Managing Partner and the Chief Operating Officer of Global Markets and Investment Banking at Merrill Lynch & Co., a position which he held since 2007. From 2004 through 2007, Mr. Tosi was Merrill Lynch's Finance Director and Principal Accounting Officer responsible for global finance, including worldwide accounting, regulatory reporting, budgeting and corporate business development. Prior to that, Mr. Tosi was Chief Financial Officer and Head of Merrill Lynch business finance from 2002 to 2004. He was also global Head of Corporate Development from 1999 to 2007 where he managed many of the firm's strategic acquisitions and investments. Mr. Tosi joined Merrill Lynch in 1999 prior to which he was Director of Business Development for General Electric Company's NBC division. Mr. Tosi received a BA, a JD and an MBA from Georgetown University where he currently serves on the University's Board of Regents.

John G. Finley is Chief Legal Officer of Blackstone and a member of the firm's Executive Committee. Before joining Blackstone in 2010, Mr. Finley had been a partner with Simpson Thacher & Bartlett for 22 years where he was most recently a member of that law firm's Executive Committee and Head of Global Mergers & Acquisitions. Mr. Finley is a member of the Advisory Board of the Harvard Law School Program on Corporate Governance and a Trustee of the Jewish Board of Family and Children Services. Mr. Finley received a BS in Economics and a BA in History from the University of Pennsylvania, and a JD from Harvard Law School.

Joan Solotar is a Senior Managing Director, Head of the External Relations & Strategy Group of Blackstone and a member of the firm's Executive Committee. Ms. Solotar has management responsibility for shareholder relations and public affairs and also guides the firm on analyzing strategic development opportunities. Before joining Blackstone in 2007, Ms. Solotar was with Banc of America Securities where she was a Managing Director and Head of Equity Research. She started her career in equity research at The First Boston Corporation and prior to joining Bank of America was part of the financial services team at Donaldson, Lufkin & Jenrette and later with CSFB as a Managing Director. Ms. Solotar was ranked each year from 1995 to 2002 in the Brokers and Asset Management category on the Institutional Investor All-America Research Team, and consistently ranked highly in the Greenwich Survey of portfolio managers. She also served as Chairperson of the Research Committee for the Securities Industry Association. Ms. Solotar received a BS in Management Information Systems at the State University of New York at Albany and an MBA in Finance at NYU. She is currently on the Board of Directors of the East Harlem Tutorial Program.

Richard H. Jenrette is a member of the board of directors of our general partner. Mr. Jenrette was elected to the board of directors of our general partner effective July 14, 2008. Mr. Jenrette is the retired former Chairman and Chief Executive Officer of The Equitable Companies Incorporated and the co-founder and retired Chairman and Chief Executive Officer of Donaldson, Lufkin & Jenrette, Inc. He is also a former Chairman of The Securities Industry Association and has served in the past as a director or trustee of The McGraw-Hill Companies, Advanced Micro Devices Inc., the American Stock Exchange, The Rockefeller Foundation, The Duke Endowment, the University of North Carolina, New York University and The National Trust for Historic Preservation.

Jay O. Light is a member of the board of directors of our general partner. Mr. Light was elected to the board of directors of our general partner effective September 18, 2008. Mr. Light is the Dean Emeritus of Harvard Business School and the George F. Baker Professor of Administration Emeritus. Prior to that, Mr. Light was the Dean of Harvard Business School from 2006 to 2010. Before becoming the Dean of Harvard Business School, Mr. Light was Senior Associate Dean, Chairman of the Finance Area, and a professor teaching Investment Management, Capital Markets, and Entrepreneurial Finance for 30 years. Mr. Light is a director of the Harvard Management Company, a director of Partners HealthCare (the Mass General and Brigham & Women's Hospitals) and chairman of its Investment Committee, a member of the Investment Committee of several endowments, a director of several private firms, and an advisor/trustee to several corporate and institutional pools of capital. In prior years until 2008, Mr. Light was a Trustee of the GMO Trusts, a family of mutual funds for institutional investors.

The Right Honorable Brian Mulroney is a member of the board of directors of our general partner. Mr. Mulroney was elected to the board of directors of our general partner effective June 21, 2007. Mr. Mulroney is a senior partner and international business consultant for the Montreal law firm, Ogilvy Renault LLP/ S.E.N.C.R.C., s.r.l. Prior to joining Ogilvy Renault, Mr. Mulroney was the eighteenth Prime Minister of Canada from 1984 to 1993 and leader of the Progressive Conservative Party of Canada from 1983 to 1993. He served as the Executive Vice President of the Iron Ore Company of Canada and President beginning in 1977. Prior to that, Mr. Mulroney served on the Cliché Commission of Inquiry in 1974. Mr. Mulroney is a member of the Board of Directors of Barrick Gold Corporation, Quebecor Inc., Independent News and Media, PLL, Said Holdings Limited; Quebecor Media Inc., the World Trade Center Memorial Foundation and Wyndham Worldwide Corporation. In prior years until 2009, Mr. Mulroney was a member of the Board of Directors of Archer Daniels Midland Company and Quebecor World Inc.

William G. Parrett is a member of the board of directors of our general partner. Mr. Parrett was elected to the board of directors of our general partner effective November 9, 2007. Until May 31, 2007, Mr. Parrett served as the Chief Executive Officer of Deloitte Touche Tohmatsu. Certain of the member firms of Deloitte Touche Tohmatsu or their subsidiaries and affiliates provide professional services to The Blackstone Group L.P. or its affiliates. Mr. Parrett co-founded the Global Financial Services Industry practice of Deloitte and served as its first Chairman. Currently, Mr. Parrett is a member of the board of directors of the United States Council for International Business. He is also Chairman of the Board of Trustees of United Way Worldwide and on the Board of Trustees of Carnegie Hall. Mr. Parrett also serves as a trustee of The Catholic University of America. Mr. Parrett is a member of the board of directors of Thermo Fisher Scientific Inc., Eastman Kodak Company and UBS AG, and is Chairman of the audit committee of each of these companies as well as the compensation committee of Kodak and public policy committee of Thermo.

Board Composition

Our general partner seeks to ensure that the board of directors of our general partner is composed of members whose particular experience, qualifications, attributes and skills, when taken together, will allow the board to satisfy its oversight responsibilities effectively. In identifying candidates for membership on the board of directors of our general partner, Mr. Schwarzman takes into account (a) minimum individual qualifications, such as strength of character, mature judgment, industry knowledge or experience and an ability to work collegially with the other members of the board of directors, and (b) all other factors he considers appropriate.

After conducting an initial evaluation of a candidate, Mr. Schwarzman will interview that candidate if he believes the candidate might be suitable to be a director and may also ask the candidate to meet with other directors and senior management. If, following such interview and any consultations with senior management, Mr. Schwarzman believes a candidate would be a valuable addition to the board of directors, he will appoint that individual to the board of directors of our general partner.

When considering whether the board's directors have the experience, qualifications, attributes and skills, taken as a whole, to enable the board to satisfy its oversight responsibilities effectively in light of the Partnership's business and structure, Mr. Schwarzman focused on the information described in each of the board members' biographical information set forth above. In particular, with regard to Mr. Jenrette, Mr. Schwarzman considered his extensive financial background and experience in a variety of senior leadership roles, including his roles at Donaldson, Lufkin & Jenrette, Inc. and The Equitable Companies Incorporated. With regard to Mr. Light, Mr. Schwarzman considered his distinguished career as a professor and dean at Harvard Business School with extensive knowledge and expertise of the investment management and capital markets industries. With regard to Mr. Mulroney, Mr. Schwarzman considered his distinguished career of government service, especially his service as the Prime Minister of Canada. With regard to Mr. Parrett, Mr. Schwarzman considered his significant experience, expertise and background with regard to accounting matters and his leadership role at Deloitte.

Partnership Management and Governance

Our general partner, Blackstone Group Management L.L.C., manages all of our operations and activities. Our general partner is authorized in general to perform all acts that it determines to be necessary or appropriate to carry out our purposes and to conduct our business. Our partnership agreement provides that our general partner in managing our operations and activities is entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any limited partners, and will not be subject to any different standards imposed by the partnership agreement, the Delaware Limited Partnership Act or under any other law, rule or regulation or in equity. Blackstone Group Management L.L.C. is wholly-owned by our senior managing directors and controlled by our founder, Mr. Schwarzman. Our common unitholders have only limited voting rights on matters affecting our business and therefore have limited ability to influence management's decisions regarding our business. The voting rights of our common unitholders are limited as set forth in our partnership agreement and in the Delaware Limited Partnership Act.

Blackstone Group Management L.L.C. does not receive any compensation from us for services rendered to us as our general partner. Our general partner is reimbursed by us for all expenses it incurs in carrying out its activities as general partner of the Partnership, including compensation paid by the general partner to its directors and the cost of directors and officers liability insurance obtained by the general partner.

The limited liability company agreement of Blackstone Group Management L.L.C. establishes a board of directors that is responsible for the oversight of our business and operations. Our general partner's board of directors is elected in accordance with its limited liability company agreement, where our senior managing directors have agreed that our founder, Mr. Schwarzman will have the power to appoint and remove the directors of our general partner. The limited liability company agreement of our general partner provides that at such time as Mr. Schwarzman should cease to be a founder, Hamilton E. James will thereupon succeed Mr. Schwarzman as the sole founding member of our general partner, and thereafter such power will revert to the members of our general partner holding a majority in interest in our general partner. We refer to the board of directors of Blackstone Group Management L.L.C as the "board of directors of our general partner." The board of directors of our general partner has a total of seven members including four members who are not officers or employees, and are otherwise independent, of Blackstone and its affiliates, including our general partner. These directors, namely Messrs. Jenrette, Light, Mulroney and Parrett, to whom we refer as independent directors, meet the independence standards established by the New York Stock Exchange and SEC rules.

The board of directors of our general partner has three standing committees: the audit committee, the conflicts committee and the executive committee.

Audit Committee . The audit committee consists of Messrs. Parrett (Chairman), Jenrette, Light and Mulroney. The purpose of the audit committee is to assist the board of directors of Blackstone Group Management L.L.C. in overseeing and monitoring (a) the quality and integrity of our financial statements, (b) our compliance with legal and regulatory requirements, (c) our independent registered public accounting firm's qualifications and independence and (d) the performance of our independent registered public accounting firm. The members of the audit committee meet the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to the New York Stock Exchange listing standards applicable to audit committees. The board of directors of our general partner has determined that Mr. Parrett is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K. Mr. Parrett serves on the audit committees of four public companies, including Blackstone. The board of directors of our general partner determined at its January 2011 meeting that upon consideration of all relevant facts and circumstances known to the board of directors, Mr. Parrett's simultaneous service on the audit committees of four public companies does not impair his ability to effectively serve on the audit committee of the board of directors of our general partner. The audit committee has a charter which is available on our internet website at http://ir.blackstone.com/governance.cfm.

Conflicts Committee . The conflicts committee consists of Messrs. Parrett, Jenrette, Light and Mulroney. The conflicts committee reviews specific matters that our general partner's board of directors believes may involve conflicts of interest. The conflicts committee determines if the resolution of any conflict of interest submitted to it is fair and reasonable to the Partnership. Any matters approved by the conflicts committee are conclusively deemed to be fair and reasonable to us and not a breach by us of any duties we may owe to our common unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence", and may establish guidelines or rules to cover specific categories of transactions. The members of the conflicts committee meet the independence standards for service on an audit committee of a board of directors pursuant to federal and New York Stock Exchange rules relating to corporate governance matters.

Executive Committee . The executive committee of the board of directors of Blackstone Group Management L.L.C. consists of Messrs. Schwarzman, James and Hill. The board of directors has delegated all of the power and authority of the full board of directors to the executive committee to act when the board of directors is not in session.

Meetings

During 2010, our board of directors had five regularly scheduled and special meetings, and our audit committee had eleven meetings. None of our directors attended fewer than 80% of the aggregate number of meetings of the board of directors and all of our directors were present for every meeting of the committees of the board on which the director served.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics and a Code of Ethics for Financial Professionals, which apply to our principal executive officer, principal financial officer and principal accounting officer. Each of these codes is available on our internet website at http://ir.blackstone.com/governance.cfm. We intend to disclose any amendment to or waiver of the Code of Ethics for Financial Professionals and any waiver of our Code of Business Conduct and Ethics on behalf of an executive officer or director either on our Internet website or in an 8-K filing.

Corporate Governance Guidelines

The board of directors of our general partner has a governance policy, which addresses matters such as the board of directors' responsibilities and duties and the board of directors' composition and compensation. The governance policy is available on our internet website at http://ir.blackstone.com/governance.cfm.

Communications to the Board of Directors

The non-management members of our general partner's board of directors meet at least quarterly. The presiding director at these non-management board member meetings is Mr. Parrett. All interested parties, including any employee or unitholder, may send communications to the non-management members of our general partner's board of directors by writing to: The Blackstone Group L.P., Attn: Audit Committee, 345 Park Avenue, New York, New York 10154.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the executive officers and directors of our general partner, and persons who own more than ten percent of a registered class of the Partnership's equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and furnish the Partnership with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2010, such persons complied with all such filing requirements, with the exception of late filings due to administrative oversight of (a) a Form 4 report on January 28, 2011, by Mr. William G. Parrett, Director, which reported a grant of 5,000 deferred, restricted common units that were granted under our 2007 Equity Incentive Plan on October 1, 2010, and (b) a Form 4 report on January 28, 2011, by The Right Honorable Brian Mulroney, Director, which reported a grant of 5,000 deferred, restricted common units that were granted under our 2007 Equity Incentive Plan on June 21, 2010.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Philosophy and Program

The intellectual capital collectively possessed by our senior managing directors (including our named executive officers) and other employees is the most important asset of our firm. We invest in people. We hire qualified people, train them, encourage them to provide their best thinking to the firm for the benefit of the investors in our funds and our advisory clients, and compensate them in a manner designed to retain and motivate them and align their interests with those of the investors in the funds we manage and the clients we advise.

Our overriding compensation philosophy for our senior managing directors and certain other employees is that compensation should be composed primarily of (a) annual cash payments tied to the performance of the applicable business unit(s) in which such employee works; (b) long-term carried interest tied to the performance of the investments made by the funds in the business unit in which such employee works or for which he or she has responsibility; (c) deferred equity awards reflecting the value of our common units; and (d) additional cash payments tied to extraordinary performance of such employee or other circumstances (for example, if there has been a change of role or responsibility). We believe base salary should represent a significantly lesser component of total compensation. We believe the appropriate combination of annual cash payments and long-term carried interest or deferred equity awards encourages our senior managing directors and other employees to focus on the underlying performance of our investment funds and objectives of our advisory clients, as well as the overall performance of the firm and interests of our common unitholders. To that end, the primary form of compensation to our senior managing directors and other employees who work in our carry fund operations is generally a combination of annual cash payments related to the performance of those carry fund operations and carried interest awards, while the primary form of compensation to our senior managing directors and other employees who do not work in our carry fund operations is generally a combination of annual cash payments tied to the performance of the applicable business unit in which such employee works and deferred equity awards which are a prescribed percentage of their annual cash payments under our Deferred Compensation Plan.

Employees at higher total compensation levels are generally targeted to receive a greater percentage of their total compensation payable in participation in carried interest or deferred equity awards and a lesser percentage in cash compared to employees who are paid less. We believe that the proportion of compensation that is "at risk" (that is, carried interest and deferred equity awards) should increase as an employee's level of responsibility rises. In general, our named executive officers with the highest level of responsibility have the lowest percentage of their compensation fixed in the form of base salary and the highest percentage of their compensation at risk.

Our compensation program includes significant elements that discourage excessive risk taking and aligns the compensation of our employees with the long-term performance of the firm. For example, notwithstanding the fact that we accrue compensation for our Carry Plans (as defined below) as increases in the carrying value of the portfolio investments are recorded in our carry funds, we only actually make cash payments of carried interest to our employees when profitable investments have been realized and cash is distributed first to the investors in our funds, followed by the firm and only then to employees of the firm. Moreover, if a carry fund fails to achieve specified investment returns due to diminished performance of later investments, our Carry Plans entitle us to "clawback" carried interest payments previously made to an employee for the benefit of the limited partner investors in that fund, and we escrow a portion of all carried interest payments made to employees to help fund their potential future "clawback" obligations, all of which further discourages excessive risk-taking by our employees. In addition, and as noted below with respect to our named executive officers, the requirement that we have our professional employees invest in certain of the funds they manage directly aligns the interests of our professionals and our investors. Lastly, because our deferred equity awards have significant vesting provisions, the actual amount of compensation realized by the recipient will be tied directly to the long-term performance of our common units.

We believe our current compensation and benefit allocations are best in class and are consistent with companies in the alternative asset management and financial advisory industries. We do not generally rely on compensation surveys or compensation consultants. Our senior management periodically reviews the effectiveness and competitiveness of our compensation program, and such reviews may in the future involve the assistance of independent consultants.

Personal Investment Obligations . As part of our compensation philosophy and program, we require our named executive officers to personally invest their own capital in and alongside the funds that we manage. We believe that this strengthens the alignment of interests among our executive officers and the investors in those investment funds. (See Item 13. "Certain Relationships and Related Transactions, and Director Independence—Side-By-Side and Other Investment Transactions.") In determining compensation for our named executive officers, we do not take into account the gains or losses attributable to the personal investments by our named executive officers in our investment funds.

We also require each of our named executive officers to hold at least 25% of their vested units throughout their employment with the firm and thereafter until the expiration of the covenants included in their respective non-competition and non-solicitation agreements, which are described below. We believe the continued ownership by our named executive officers of significant amounts of our equity through their direct and indirect interests in the Blackstone Holdings partnerships affords significant alignment of interests with our common unitholders.

Compensation Elements for Named Executive Officers

The key elements of the compensation of the executive officers listed in the tables below ("named executive officers") for 2010 were base compensation, which is composed of salary, cash bonus and equity-based compensation, and performance fee compensation, which is composed of carried interest and performance fee allocations:

1. Base Salary . Each named executive officer received a $350,000 annual base salary in 2010 (a pro rata portion in Mr. Finley's case), which equals the total yearly partnership drawings that were received by each of our senior managing directors prior to our initial public offering in 2007. In keeping with historical practice, we continue to pay this amount as a base salary.

2. Annual Cash Payments / Deferred Equity Awards . Since our initial public offering, Mr. Schwarzman has not received any compensation other than the $350,000 annual salary described above and the actual realized carried interest gain distributions he may receive in respect of his participation in the carried interest earned from our carry funds through our Carry Plans described below. We believe that having Mr. Schwarzman's compensation largely based on ownership of a portion of the carried interest earned from our carry funds aligns his interests with those of the investors in our carry funds and our common unitholders.

Each of our named executive officers other than Mr. Schwarzman received annual cash payments in 2010 in addition to their base salary. With the exception of Mr. Hill, these cash payments included participation interests in the earnings of the firm's various investment and advisory businesses. Mr. Hill, who has primary responsibility for BAAM, our funds of hedge funds operation, received cash payments that were based upon the performance of that business. Indicative participation interests were disclosed to a named executive officer at the beginning of the relevant year (or at the beginning of his employment in the case of Mr. Finley), and represented estimates of the expected percentage participation that such named executive officer may have had in the relevant business unit(s)' earnings. However, with the exception of the minimum guaranteed payment to Mr. Finley described below, the ultimate cash payments paid to the named executive officers at the end of the year in respect of their participation interests were determined in the discretion of Mr. Schwarzman, in consultation with Mr. James, as described below. Earnings for a business unit are calculated based on the annual operating income of that business unit and are generally a function of the performance of such business unit, which is evaluated by Mr. Schwarzman and subject to modification by Mr. Schwarzman or by the firm in its sole discretion. The ultimate cash payment amounts were based on (a) the prior and anticipated performance of the named executive officer; (b) the prior and anticipated performance of the segments and product lines in which the officer serves and for which he has responsibility; and (c) the estimated participation interests given to the officer at the beginning of the year. We make annual cash payments in the first quarter of the ensuing year to reward individual performance for the prior year. The ultimate cash payments that are made are fully discretionary as further discussed below under "—Determination of Incentive Compensation".

Certain key personnel participate in our Deferred Compensation Plan. For 2010, Mr. Hill was the only named executive officer to participate in our Deferred Compensation Plan. The Deferred Compensation Plan provides for the automatic, mandatory deferral of a portion of each participant's annual cash payment. The portion deferred is prescribed under the Deferred Compensation Plan. By deferring a portion of a participant's compensation for up to three years, the Deferred Compensation Plan acts as an employment retention mechanism and thereby enhances the alignment of interests between such participant and the firm. (See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2010—Deferred Compensation Plan".) Many asset managers that are public companies utilize deferred compensation plans as a means of retaining and motivating their professionals, and we believe that it is in the interest of our unitholders to do the same for our personnel. Mr. Hill received an equity award under the Deferred Compensation Plan of 541,439 deferred restricted common units on January 26, 2011 in respect of his service in 2010, which was approximately equal to (and paid in lieu of) 45% of the annual cash payment that he would have otherwise been paid, as described below. This award will be reflected in next year's Grants of Plan-Based Awards table.

In addition, Mr. Tosi received discretionary equity awards of 50,000 and 344,154 deferred restricted Blackstone Holdings Partnership Units under The Blackstone Group L.P. 2007 Equity Incentive Plan ("2007 Equity Incentive Plan") in 2010 and 2011, respectively. Mr. Tosi's award of 344,154 deferred restricted Blackstone Holdings Partnership Units for his 2010 performance will be reflected in next year's Grants of Plan-Based Awards table. Mr. Finley received an award of 500,000 deferred restricted Blackstone Holdings Partnership Units under the 2007 Equity Incentive Plan in connection with the commencement of his employment with us in September 2010. (See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2010—Senior Managing Director Agreement with Mr. Finley".)

3. Participation in Carried Interest . During 2010 all of our named executive officers other than Mr. Hill participated in the carried interest of our carry funds through their participation interests in the carry pools generated by the general partners of these funds. We refer to these carry pools and employee participation therein as our "Carry Plans". Because the aggregate amount of carried interest payable through our Carry Plans is directly tied to the realized performance of the carry funds, we believe this fosters a strong alignment of interests among the investors in those funds and these named executive officers, and therefore benefits our unitholders. In addition, most alternative asset managers, including several of our competitors, use participation in carried interest as a central means of compensating and motivating their professionals, and we believe that we must do the same in order to attract and retain the most qualified personnel. For purposes of our financial statements, we are treating the income allocated to all our personnel who have participation interests in the carried interest generated by our carry funds as compensation, and accruals of this compensation expense are reflected as "All Other Compensation" in the Summary Compensation Table. To the extent there is a reduction of previously allocated and accrued carried interest, then such accruals are reversed and the compensation expense is decreased by the same amount. Actual carried interest cash distributions to our named executive officers and other employees who participate in our Carry Plans depends on the actual realized proceeds and timing of the cash realizations of the investments owned by the carry funds in which they participate.

The percentage participation of named executive officers in the carried interest varies by year, investment fund and, with respect to each carry fund, may vary by investment. This percentage participation for each named executive officer is established annually on January 1st. For our carry funds, carried interest distributions for the named executive officer's participation interests are generally made to the named executive officer following the actual realization of the investment, although a portion of such carried interest is held back by the firm in respect of any future "clawback" obligation related to the fund. In allocating participation interests in the carry pools, we have not historically taken into account or based such allocations on any prior or projected triggering of any "clawback" obligation related to any fund. To the extent any "clawback" obligation were to be triggered, carried interest previously distributed to a named executive officer would have to be returned to the limited partners of such fund, thereby reducing the named executive officer's overall compensation for any such year. Moreover, because a carried interest recipient (including Blackstone itself) may have to fund more than his or her respective share of a "clawback" obligation under the governing documents (generally, up to an additional 50%), there is the possibility that the compensation paid to a named executive officer for any given year could be significantly reduced or even negative in the event a "clawback" obligation were to arise.

Participation in carried interest generated by our carry funds for all participating named executive officers other than Mr. Schwarzman is subject to vesting. Vesting serves as an employment retention mechanism and thereby enhances the alignment of interests between a participant in our Carry Plans and the firm. Each participating named executive officer (other than Mr. Schwarzman) vests in 25% of the carried interest related to an investment immediately upon the closing of the investment by a carry fund with the remainder vesting in equal installments on the first through third anniversary of the closing of that investment (unless an investment is realized prior to the expiration of such three-year anniversary, in which case such executive officer is deemed 100% vested in the proceeds of such realizations). We believe that vesting of carried interest participation enhances the stability of our senior management team and provides greater incentives for our named executive officers to remain at the firm. Due to his unique status as a founder and the long-time chief executive officer of our firm, Mr. Schwarzman vests in 100% of his carried interest participation related to any investment by a carry fund upon the closing of that investment.

4. Other Benefits . Upon the consummation of our initial public offering in June 2007, we entered into a founding member agreement with our founder, Mr. Schwarzman, which provides specified benefits to him following his retirement. (See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table—Schwarzman Founding Member Agreement".) Mr. Schwarzman is provided certain security services, including home security systems and monitoring and personal security services. These security services are provided for our benefit, and the board of directors of our general partner considers the related expenses to be appropriate business expenses rather than personal benefits. Nevertheless, the expenses associated with these security services are reflected in the All Other Compensation column of the Summary Compensation Table below.

Determination of Incentive Compensation

As our founder, Mr. Schwarzman sets his own compensation and reserves final approval of each named executive officer's compensation, based in large part on recommendations from Mr. James. For 2010, these decisions were based primarily on Mr. Schwarzman's and Mr. James's assessment of such named executive officer's individual performance; operational performance for the segments or product lines in which the officer serves or for which he has responsibility; and the officer's potential to enhance investment returns for the investors in our funds and service to our advisory clients, and to contribute to long-term unitholder value. In evaluating these factors, Mr. Schwarzman, in consultation with Mr. James, relied upon his judgment to determine the ultimate amount of a named executive officer's annual cash payment and participation in carried interest that was necessary to properly induce the named executive officer to seek to achieve our objectives and reward a named executive officer in achieving those objectives over the course of the prior year. Key factors that Mr. Schwarzman, in consultation with Mr. James, considered in making such determinations include: prior and anticipated performance compared to the operational and strategic goals established for the named executive officer; the nature, scope and level of responsibilities; the compensation of individuals with similar responsibilities at comparable firms; and contribution to the firm's commitment to create and maintain a fiduciary culture in which the interests of the investors in our funds and the objectives of our advisory clients are paramount. For 2010, Mr. Schwarzman, in consultation with Mr. James, also considered each named executive officer's prior-year annual cash payments, indicative participation interests disclosed to the named executive officer at the beginning of the year, his allocated share of carried interest through participation in our Carry Plans, the appropriate balance between incentives for long-term and short-term performance, and the compensation paid to the named executive officer's peers within the firm.

Minimum Retained Ownership Requirements

The minimum retained ownership requirements for our named executive officers are described below under "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table in 2010—Terms of Blackstone Holdings Partnership Units—Minimum Retained Ownership Requirements and Transfer Restrictions for Named Executive Officers."

Compensation Committee Report

The board of directors of our general partner does not have a compensation committee. The executive committee of the board of directors identified below has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this annual report.

Stephen A. Schwarzman, Chairman
Hamilton E. James
J. Tomilson Hill

Compensation Committee Interlocks and Insider Participation

As described above, we do not have a compensation committee. Our founder Mr. Schwarzman makes all such compensation determinations in consultation with Mr. James. For a description of certain transactions between us and Mr. Schwarzman, see "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Summary Compensation Table

The following table provides summary information concerning the compensation of our Chief Executive Officer, our Chief Financial Officer and each of our three other most highly compensated employees who served as executive officers at December 31, 2010, for services rendered to us during 2010, 2009 and 2008. These individuals are referred to as our named executive officers in this annual report:

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	All Other Compensation (2)	Total
Stephen A. Schwarzman	2010	$350,000	$ —	$ —	$ 6,387,051	$ 6,737,051
Chairman and	2009	$350,000	$ —	$ —	$ (759,217)	$ (409,217)
Chief Executive Officer	2008	$350,000	$ —	$ —	$ 2,297,632	$ 2,647,632
Hamilton E. James	2010	$350,000	$23,544,962	$ —	$ 2,251,643	$26,146,605
President	2009	$350,000	$19,450,000	$ —	$ (784,768)	$19,015,232
Chief Operating Officer	2008	$350,000	$15,376,960	$ —	$ 1,683,619	$17,410,579
J. Tomilson Hill	2010	$350,000	$ 7,362,500 *	$ 8,047,052	$ —	$15,759,552
Vice Chairman	2009	$350,000	$ 6,057,500 **	$ 4,499,392	$ —	$10,906,892
	2008	$350,000	$ 5,350,000 ***	$ 3,213,475	$ —	$ 8,913,475
Laurence A. Tosi	2010	$350,000	$ 4,650,000	$ 5,441,075	$ 306,817	$10,747,892
Chief Financial Officer	2009	$350,000	$ 3,650,000	$ 608,064	$ 46,425	$ 4,654,489
	2008	$116,666	$ 3,383,334	$ 12,379,768	$ —	$15,879,768
John G. Finley Chief Legal Officer	2010	$166,667	$ 883,333	$ 6,220,000	$ 929	$ 7,270,929

* Amount of bonus after mandatory deferral of $6,287,500 pursuant to the Deferred Compensation Plan.

** Amount of bonus after mandatory deferral of $4,092,500 pursuant to the Deferred Compensation Plan.

*** Amount of bonus after mandatory deferral of $3,800,000 pursuant to the Deferred Compensation Plan.

(1) The reference to "stock" in this table refers to Blackstone Holdings Partnership Units or deferred restricted common units. Amounts for 2010, 2009 and 2008 represent the grant date fair value of stock awards granted in a given year for financial statement reporting purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"), pertaining to equity-based compensation.

(2) Amounts included for 2010, 2009 and 2008 represent an amount of compensation expense (positive or negative) recorded by us on an accrual basis in respect of carried interest allocations relating to our Carry Plans to the named executive officers in 2010, 2009 and 2008, respectively. These amounts do not reflect actual cash carried interest distributions to the named executive officers during such periods relating to our Carry Plans. For financial statement reporting purposes, the accrual of compensation expense is equal to the amount of carried interest related to unrealized investments as of the last day of the relevant period as if the investments in the funds generating such carried interest were realized as of the last day of the relevant period. Compensation expense may also be negative in the event of a reversal of previously allocated carried interest to certain personnel due to negative adjustments in the fair value of particular portfolio investments. The ultimate amount of actual carried interest distributions that may be generated in connection with such investments and subsequently distributed to our named executive officers may be more or less than the amounts indicated and is not knowable at this time. For the periods presented, perquisites and other personal benefits to the named executive officers, with the exception of $149,138 of expenses related to the security services for Mr. Schwarzman in 2010, were less than $10,000 and therefore information regarding perquisites and other personal benefits has not been included. We consider the $149,138 of expenses for certain of Mr. Schwarzman's security services in 2010 to be for our benefit, and the board of directors of our general partner considers the related expenses to be appropriate business expenses rather than personal benefits for Mr. Schwarzman. Mr. Schwarzman makes business and personal use of a car and driver and he and members of his family also make business and personal use of an airplane in which we have a fractional interest and in each case he bears the full cost of such personal usage. In addition, certain Blackstone personnel administer

personal matters for Mr. Schwarzman and he bears the full incremental cost to us of such personnel. Mr. James makes occasional personal use of an airplane in which we have a fractional interest and he bears the full cost of such personal usage. There is no incremental expense incurred by us in connection with the use of any car and driver, airplane or personnel by either of Messrs. Schwarzman or James, as described above.

During 2010, cash distributions to our named executive officers in respect of Blackstone legacy funds and investments that were not contributed to Blackstone Holdings pursuant to the reorganization were $2.5 million to Mr. Schwarzman, $0.1 million to Mr. James, $0.3 million to Mr. Hill, $0.0 million to Mr. Tosi and $0.0 million to Mr. Finley. Cash distributions to our named executive officers during 2009 in respect of Blackstone legacy funds and investments that were not contributed to Blackstone Holdings pursuant to the reorganization were $7.8 million to Mr. Schwarzman, $0.2 million to Mr. James, $0.8 million to Mr. Hill and $0.0 million to Mr. Tosi. Cash distributions to our named executive officers during 2008 were $0.3 million to Mr. Schwarzman, $0.1 million to Mr. James and $0.0 million to Mr. Hill.

Grants of Plan-Based Awards in 2010

The following table provides information concerning unit awards granted in 2010 to our named executive officers:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (1)	Grant Date Fair Value of Stock and Option Awards (1)
Stephen A. Schwarzman		—	$ —
Hamilton E. James		—	$ —
J. Tomilson Hill (2)	01/14/2010	357,820	$4,499,392
Laurence A. Tosi (3)	01/14/2010	50,000	$ 608,064
John G. Finley (3)	10/01/2010	500,000	$6,220,000

(1) The references to "stock" or "shares" in this table refer to deferred Blackstone Holdings Partnership Units or our deferred restricted common units.
(2) Represents deferred restricted common units granted under Deferred Compensation Plan for 2009 performance and the premium award in respect of his grant. See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2010—Deferred Compensation Plan."
(3) Represents deferred restricted Blackstone Holdings Partnership Units granted under our 2007 Equity Incentive Plan.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2010

Terms of Blackstone Holdings Partnership Units

Our pre-IPO owners, including our named executive officers other than Messrs. Tosi and Finley, received Blackstone Holdings Partnership Units in the reorganization in exchange for the contribution of their equity interests in our operating subsidiaries to Blackstone Holdings. Messrs. Tosi and Finley received grants of Blackstone Holdings Partnership Units following the commencement of their employment with us under our 2007 Equity Incentive Plan. Subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings Partnerships, these partnership units may be exchanged for our common units as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence—Exchange Agreement" below.

Vesting Provisions . The Blackstone Holdings Partnership Units received by our named executive officers (other than Messrs. Tosi and Finley) in the reorganization have the following vesting provisions:

- 25% of the Blackstone Holdings Partnership Units received by Mr. Schwarzman in the reorganization in exchange for the contribution of his equity interests in our operating subsidiaries were fully vested, with the remaining 75% vesting, subject to Mr. Schwarzman's continued employment, in equal installments on each anniversary of our initial public offering (June 21, 2007) over four years. All of the Blackstone Holdings Partnership Units received by Mr. Schwarzman in the reorganization in exchange for his interests in carried interest relating to investments made by our carry funds prior to the date of the contribution were fully vested; and
- 25% of the Blackstone Holdings Partnership Units received by each of Messrs. James and Hill in the reorganization in exchange for the contribution of his equity interests in our operating subsidiaries were fully vested, with the remaining 75% vesting, subject to the named executive officer's continued employment, in equal installments on each anniversary of our initial public offering over up to eight years. All of the Blackstone Holdings Partnership Units received by these named executive officers in the reorganization in exchange for their interests in carried interest relating to investments made by our carry funds prior to the date of the contribution were fully vested.

The deferred restricted Blackstone Holdings Partnership Units granted to Mr. Tosi in 2008 under the 2007 Equity Incentive Plan are subject to the following vesting terms: (a) 100% of the Blackstone Holdings Partnership Units underlying the sign-on grant to Mr. Tosi (155,764 units) will vest on the fifth anniversary of the commencement date of his service with the firm and (b) the deferred restricted Blackstone Holdings Partnership Units underlying his make-whole grant (338,381 units) will vest annually in varying increments over a four-year period. The 50,000 deferred restricted Blackstone Holdings Partnership Units granted to Mr. Tosi in 2010 under the 2007 Equity Incentive Plan will vest in equal installments over five years on each anniversary of the grant date. The 344,154 deferred restricted Blackstone Holdings Partnership Units granted to Mr. Tosi in 2011 under the 2007 Equity Incentive Plan will vest on January 1, 2016.

The 500,000 deferred restricted Blackstone Holdings Partnership Units granted to Mr. Finley in 2010 under the 2007 Equity Incentive Plan will vest in equal installments over five years on each anniversary of the hire date.

Each named executive officer will forfeit all unvested partnership units once he is no longer in our employ, subject to our retirement provisions which would generally enable a named executive officer to vest in 50% of the then remaining unvested units in respect of a qualifying retirement. See "Item 11. Executive Compensation—Non-Competition and Non-Solicitation Agreements—Retirement." A named executive officer who leaves our firm to accept specified types of positions in government service after June 30, 2010 will continue to vest in units as if he had not left our firm during the period of government service. In addition, upon the death or permanent disability of a named executive officer, all of his unvested partnership units held at that time will vest immediately. Further, in the event of a change in control (defined in the Blackstone Holdings partnership agreements as the occurrence of any person becoming the general partner of The Blackstone Group L.P. other than a person approved by the current general partner), any Blackstone Holdings Partnership Units that are unvested will automatically be deemed vested as of immediately prior to such change in control.

All vested and unvested Blackstone Holdings Partnership Units (and our common units received in exchange for such Blackstone Holdings Partnership Units) held by a named executive officer will be immediately forfeited in the event he materially breaches any of his restrictive covenants set forth in the non-competition and non-solicitation agreement outlined under "Non-Competition and Non-Solicitation Agreements" or his service is terminated for cause.

All of the Blackstone Holdings Partnership Units received by our named executive officers that were subject to vesting are reflected as "Stock Awards" in the Summary Compensation Table for the year in which received because we must account for such units as compensation expense for financial statement reporting purposes.

All of our named executive officers are subject to the following minimum retained ownership requirements and transfer restrictions in respect of all Blackstone Holdings Partnership Units received by them as part of the reorganization or deferred restricted Blackstone Holdings Partnership Units or our deferred restricted common units received by them under the 2007 Equity Incentive Plan. We refer to these Blackstone Holdings Partnership Units and deferred restricted Blackstone Holdings Partnership Units as "subject units."

Minimum Retained Ownership Requirements . While employed by us and generally for one year following the termination of employment, each of our named executive officers (except as otherwise provided below) will be required to continue to hold (and may not transfer) at least 25% of all vested subject units received by him or her. The requirement that one continue to hold at least 25% of vested units is subject to the qualification in Mr. Schwarzman's case that in no event will he be required to hold units having a market value greater than $1.5 billion. Subject units held by current and future personal planning vehicles beneficially owned by the families of a named executive officer are not deemed to be owned by these individuals for purposes of such minimum retained ownership requirements. Each of our named executive officers is in compliance with these minimum retained ownership requirements.

Transfer Restrictions . None of our named executive officers may transfer subject units at any time prior to December 31, 2011 other than pursuant to transactions or programs approved by our general partner.

This transfer restriction applies to sales, pledges of subject units, grants of options, rights or warrants to purchase subject units or swaps or other arrangements that transfer to another, in whole or in part, any of the economic consequences of ownership of the subject units other than as approved by our general partner. We expect that our general partner will approve pledges or transfers to personal planning vehicles beneficially owned by the families of our pre-IPO owners and charitable gifts, provided that the pledgee, transferee or donee agrees to be subject to the same transfer restrictions (except as specified above with respect to Mr. Schwarzman). Transfers to Blackstone are also exempt from the transfer restrictions.

The minimum retained ownership requirements and transfer restrictions set forth above will continue to apply generally for one year following the termination of employment of a named executive officer other than Mr. Schwarzman for any reason, except that the transfer restrictions set forth above will lapse upon death or permanent disability. All of the foregoing transfer restrictions will lapse in the event of a change in control (as defined above).

The Blackstone Holdings Partnership Units received by other Blackstone personnel in the reorganization and pursuant to the 2007 Equity Incentive Plan are also generally subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to our named executive officers other than Mr. Schwarzman, although non-senior managing directors are also generally subject to vesting in respect of a portion of the Blackstone Holdings Partnership Units received by such personnel in the reorganization in exchange for their interests in carried interest.

Schwarzman Founding Member Agreement

Upon the consummation of our initial public offering, we entered into a founding member agreement with Mr. Schwarzman. Mr. Schwarzman's agreement provides that he will remain our Chairman and Chief Executive Officer while continuing service with us and requires him to give us six months' prior written notice of intent to terminate service with us. The agreement provides that following retirement, Mr. Schwarzman will be provided with specified retirement benefits, including that he will be permitted until the third anniversary of his retirement date to retain his current office and will be provided with a car and driver. Commencing on the third anniversary of his retirement date and continuing until the tenth anniversary thereof, we will provide him with an appropriate office if he so requests. Additionally, Mr. Schwarzman will be provided with an assistant and access to office services during the ten-year period following his retirement date.

Mr. Schwarzman will also continue to receive health benefits following his retirement until his death, subject to his continuing payment of the related health insurance premiums consistent with current policies. Additionally, before his retirement and during the ten-year period thereafter, Mr. Schwarzman and any foundations he may establish may continue to invest in our investment funds on a basis generally consistent with that of other partners.

Senior Managing Director Agreements

Upon the consummation of our initial public offering, we entered into substantially similar senior managing director agreements with each of our named executive officers and other senior managing directors other than our founder, Mr. Tosi and Mr. Finley. Senior managing directors who have joined the firm after our initial public offering (including Messrs. Tosi and Finley) have also entered into senior managing director agreements. The agreements generally provide that each senior managing director will devote substantially all of his or her business time, skill, energies and attention to us in a diligent manner. Each senior managing director will be paid distributions and benefits in amounts determined by Blackstone from time to time in its sole discretion except that Mr. Tosi's agreement provided guaranteed compensation for 2008 which is described below under "—Senior Managing Director Agreement with Mr. Tosi" and Mr. Finley's agreement provided guaranteed compensation for 2010 and 2011 which is described below under "—Senior Managing Director Agreement with Mr. Finley". The agreements require us to provide the senior managing director with 90 days' prior written notice prior to terminating his or her service with us (other than a termination for cause). Additionally, the agreements require each senior managing director to give us 90 days' prior written notice of intent to terminate service with us and require the senior managing director to be placed on a 90-day period of "garden leave" following the senior managing director's termination of service (as further described under the caption "—Non-Competition and Non-Solicitation Agreements" below).

Senior Managing Director Agreement with Mr. Tosi

In connection with the commencement of Mr. Tosi's employment with us in September 2008, we entered into a senior managing director agreement with him that included specific compensation terms. Those terms included his entitlement to specified guaranteed compensation in respect of his service for the firm in 2008 and three awards of deferred restricted Blackstone Holdings Partnership Units under our 2007 Equity Incentive Plan. The first award was a sign-on grant of 155,764 Blackstone Holdings Partnership Units, which was granted soon after the commencement of his employment with us. The second grant was a "make-whole" payment of 338,381 Blackstone Holdings Partnership Units, representing the value of compensation-related items from Merrill Lynch & Co., Inc. that Mr. Tosi forfeited as a result of his departure from that firm, which was granted soon after the commencement of his employment with the firm. The third grant of 699,845 Blackstone Holdings Partnership Units was in respect of a guaranteed equity grant for 2008 that was awarded on January 15, 2009. The unvested portion of Mr. Tosi's equity-based awards will be terminated once he is no longer a senior managing director of Blackstone, except that the then-outstanding but unvested portion of his awards will become fully vested if (a) his service with us is terminated by us without cause or as a result of his death or permanent disability or (b) there is a "change in control" (as defined in the partnership agreements of Blackstone Holdings). Mr. Tosi is generally subject to the same transfer restrictions and forfeiture terms with respect to his Blackstone Holdings Partnership Units as those that apply to the Blackstone Holdings Partnership Units held by the firm's other senior managing directors. The agreement also provides that Mr. Tosi will be permitted to invest in and alongside Blackstone's carry funds and in the firm's hedge funds as long as he serves as a senior managing director, subject to the same limitations on exclusions from management fees or incentive fees that are applicable to the firm's other senior managing directors. Mr. Tosi has also executed a senior managing director non-competition and non-solicitation agreement as part of the agreement. The terms of such non-competition and non-solicitation agreement are substantially the same as the terms included in the non-competition and non-solicitation agreements signed by the other senior managing directors.

Senior Managing Director Agreement with Mr. Finley

In connection with the commencement of Mr. Finley's employment with us in September 2010, we entered into a senior managing director agreement with him that included specific compensation terms. Those terms included his entitlement to specified guaranteed compensation in respect of his service for the firm in 2010 and 2011, which will be paid to him so long as he is not terminated with cause. Under the employment agreement he was entitled to a guaranteed minimum aggregate cash compensation of $1.0 million for 2010 (which included the pro rated amount of his base salary), which was paid to him in 2011 when annual cash payments were generally made to senior managing directors. In addition, Mr. Finley is entitled to a guaranteed minimum aggregate cash compensation of $3.0 million for 2011. As part of Mr. Finley’s employment agreement, he received an equity award on October 1, 2010 of 500,000 deferred restricted Blackstone Holdings Partnership Units under our 2007 Equity Incentive Plan. These deferred restricted Blackstone Holdings Partnership Units vest in equal installments over five years on each anniversary of the hire date. The unvested portion of Mr. Finley’s award will be terminated once he is no longer a senior managing director of Blackstone, except that the then-outstanding but unvested portion of his awards will become fully vested if (a) his service with us is terminated by us without cause or as a result of his death or permanent disability or (b) there is a “change in control” (as defined in the partnership agreements of Blackstone Holdings). Mr. Finley is generally subject to the same transfer restrictions and forfeiture terms with respect to his Blackstone Holdings Partnership Units as those that apply to the Blackstone Holdings Partnership Units held by the firm’s other senior managing directors. The agreement also provides that Mr. Finley will be permitted to invest in and alongside Blackstone’s carry funds and in the firm’s hedge funds as long as he serves as a senior managing director, subject to the same limitations on exclusions from management fees or incentive fees that are applicable to the firm’s other senior managing directors. Mr. Finley has also executed a senior managing director non-competition and non-solicitation agreement as part of the agreement. The terms of such non-competition and non-solicitation agreement are substantially the same as the terms included in the non-competition and non-solicitation agreements signed by the other senior managing directors.

Deferred Compensation Plan

In 2007, we established our Deferred Compensation Plan for certain eligible employees of Blackstone and certain of its affiliates in order to provide such eligible employees with a pre-tax deferred incentive compensation opportunity and to enhance the alignment of interests between such eligible employees and Blackstone and its affiliates. The Deferred Compensation Plan is an unfunded, non-qualified deferred compensation plan which provides for the automatic, mandatory deferral of a portion of each participant’s annual cash payment. In respect of the deferred portion of his or her annual cash payment, each participant receives deferral units which represent rights to receive in the future a specified amount of common units or Blackstone Holdings Partnership Units or other equity-based awards under our 2007 Equity Incentive Plan, subject to vesting provisions described below. The amount of each participant’s annual cash payment which is deferred under the plan depends on the total amount of such participant’s annual cash payment and is calculated on the basis set forth in the following table:

Portion of Annual Cash Payment	Marginal Deferral Rate Applicable to Such Portion
$0 – 100,000	0%
$100,001 – 200,000	15%
$200,001 – 500,000	20%
$500,001 – 750,000	25%
$750,001 – 2,000,000	35%
$2,000,001 – 5,000,000	40%
$5,000,000 +	45%

In addition, each plan participant is eligible to receive a premium award in an amount equal to 20% of his or her deferral amount paid, as detailed below, after a three-year period. The deferral amount plus the premium award yields the total amount of deferral units that a participant is awarded for any given year.

Generally, deferral units are delivered in three equal installments over a three-year period (with no partial-year delivery). The entire premium portion of such deferral units vests at the end of such three-year period. The delivery of the deferral units is subject to the participant not violating any of the provisions of his or her employment agreement, including specified restrictive covenants such as non-competition following termination of employment. The vesting of the premium portion of a participant’s deferral units is subject to continued employment of such participant through the end of the three-year vesting date, subject to specified exceptions.

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On November 5, 2009, we amended the Deferred Compensation Plan to, among other things: (a) provide that deferred compensation payments to participating employees and senior managing directors generally would be satisfied by a delivery of our common units; (b) delay the delivery of our common units (following the applicable vesting dates) until anticipated trading window periods, to better facilitate participants' liquidity to meet tax obligations; and (c) ensure compliance with deferred compensation taxation rules.

Mr. Hill was our only named executive officer who participated in our Deferred Compensation Plan in 2010, but additional named executive officers may participate in 2011 or subsequent years.

Outstanding Equity Awards at 2010 Fiscal Year End

The following table provides information regarding outstanding unvested equity awards made to our named executive officers as of December 31, 2010:

	Stock Awards (1)	
Name	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (2)
Stephen A. Schwarzman	38,492,460	$ 544,668,309
Hamilton E. James	20,557,664	$ 290,890,946
J. Tomilson Hill	7,195,502	$ 101,816,353
Laurence A. Tosi	887,524	$ 12,558,465
John G. Finley	500,000	$ 7,075,000

(1) The references to "stock" or "shares" in this table refer to Blackstone Holdings Partnership Units and our deferred restricted common units.
(2) The dollar amounts shown under this column were calculated by multiplying the number of unvested Blackstone Holdings Partnership Units or deferred restricted common units held by the named executive officer by the closing market price of $14.15 per Blackstone common unit on December 31, 2010.

Option Exercises and Stock Vested in 2010

The following table provides information regarding the number of outstanding initially unvested equity awards made to our named executive officers that vested during 2010:

	Stock Awards (1)	
Name	Number of Shares Acquired On Vesting	Value Realized On Vesting (2)
Stephen A. Schwarzman	38,492,461	$ 399,166,821
Hamilton E. James	4,111,534	$ 42,636,608
J. Tomilson Hill	1,363,276	$ 14,137,172
Laurence A. Tosi	300,768	$ 4,147,591
John G. Finley (3)	—	$ —

(1) The references to "stock" or "shares" in this table refer to Blackstone Holdings Partnership Units and our deferred restricted common units.
(2) The value realized on vesting is based on the closing market prices of our common units on the day of vesting.
(3) As of December 31, 2010, Mr. Finley had not vested in any of the Blackstone Holdings Partnership Units granted to him in 2010.

Potential Payments Upon Termination of Employment or Change in Control

Upon a change of control event where any person (other than a person approved by our general partner) becomes our general partner or a termination of employment because of death or disability, any unvested Blackstone Holdings Partnership Units or our common units held by any of our named executive officers will automatically be deemed vested as of immediately prior to such occurrence of such change of control or such termination of employment. Upon such a change of control or such a termination of employment, each of our named executive officers would vest in the following numbers of Blackstone Holdings Partnership Units or our common units, having the following values based on our closing market price of $14.15 per Blackstone common unit on December 31, 2010: Mr. Schwarzman – 38,492,460 units with a value of $544,668,309; Mr. James – 20,557,664 units with a value of $290,890,946; Mr. Hill – 7,195,502 units with a value of $101,816,353; Mr. Tosi – 887,524 units with a value of $12,558,465 and Mr. Finley – 500,000 units with a value of $7,075,000.

In addition, upon the death or disability of any named executive officer who participates in the carried interest of our carry funds, the named executive officer will be deemed 100% vested in any unvested portion of carried interest in our carry funds. Such unvested portion of carried interest has already been reflected under the column “All Other Compensation” in the Summary Compensation Table included above.

In addition, pursuant to Mr. Schwarzman’s Founding Member Agreement described above under “Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table in 2010—Schwarzman Founding Member Agreement,” following retirement, Mr. Schwarzman will be provided with specified retirement benefits, including an assistant during the ten-year period following his retirement and a car and driver during the three-year period following his retirement. As of December 31, 2010, the aggregate present value of these expected costs were $0.6 million, for which $0.1 million, $0.3 million and $0.2 million were expensed for financial statement purposes in each of the years ended December 31, 2010, 2009 and 2008, respectively.

Non-Competition and Non-Solicitation Agreements

Upon the consummation of our initial public offering, we entered into a non-competition and non-solicitation agreement with our founder, our other senior managing directors, most of our other professional employees and specified senior administrative personnel to whom we refer collectively as “Contracting Employees”. Contracting Employees who have joined the firm after our initial public offering, such as Messrs. Tosi and Finley, have also executed non-competition and non-solicitation agreements. The following are descriptions of the material terms of each such non-competition and non-solicitation agreement. With the exception of the few differences noted in the description below, the terms of each non-competition and non-solicitation agreement are generally in relevant part similar.

Full-Time Commitment . Each Contracting Employee agrees to devote substantially all of his or her business time, skill, energies and attention to his or her responsibilities at Blackstone in a diligent manner. Our founder Mr. Schwarzman has agreed that our business will be his principal business pursuit and that he will devote such time and attention to the business of the firm as may be reasonably requested by us.

Confidentiality . Each Contracting Employee is required, whether during or after his or her employment with us, to protect and only use “confidential information” in accordance with strict restrictions placed by us on its use and disclosure. (Every employee of ours is subject to similar strict confidentiality obligations imposed by our Code of Conduct applicable to all Blackstone personnel.)

Notice of Termination . Each Contracting Employee is required to give us prior written notice of his or her intention to leave our employ—six months in the case of Mr. Schwarzman, 90 days for all of our other senior managing directors and between 30 and 60 days in the case of all other Contracting Employees.

Garden Leave . Upon his or her voluntary departure from our firm, a Contracting Employee is required to take a prescribed period of “garden leave”. The period of garden leave is 90 days for our non-founding senior managing directors and between 30 and 60 days for all other Contracting Employees. During this period the Contracting Employee will continue to receive some of his or her Blackstone compensation and benefits, but is prohibited from commencing employment with a new employer until the garden leave period has expired. The period of garden leave for each Contracting Employee will run coterminously with the non-competition Restricted Period that applies to him or her as described below. Our founder Mr. Schwarzman is subject to non-competition covenants but not garden leave requirements.

Non-Competition . During the term of employment of each Contracting Employee, and during the Restricted Period (as such term is defined below) immediately thereafter, he or she will not, directly or indirectly:

- engage in any business activity in which we operate, including any competitive business;
- render any services to any competitive business; or
- acquire a financial interest in or become actively involved with any competitive business (other than as a passive investor holding minimal percentages of the stock of public companies).

"Competitive business" means any business that competes, during the term of employment through the date of termination, with our business, including any businesses that we are actively considering conducting at the time of the Contracting Employee's termination of employment, so long as he or she knows or reasonably should have known about such plans, in any geographical or market area where we or our affiliates provide our products or services.

Non-Solicitation . During the term of employment of each Contracting Employee, and during the Restricted Period immediately thereafter, he or she will not, directly or indirectly, in any manner solicit any of our employees to leave their employment with us, or hire any such employee who was employed by us as of the date of his or her termination or who left employment with us within one year prior to or after the date of his or her termination. Additionally, each Contracting Employee may not solicit or encourage to cease to work with us any consultant or senior advisers that he or she knows or should know is under contract with us.

In addition, during the term of employment of each Contracting Employee, and during the Restricted Period immediately thereafter, he or she will not, directly or indirectly, in any manner solicit the business of any client or prospective client of ours with whom he or she, employees reporting to him or her, or anyone whom he or she had direct or indirect responsibility over had personal contact or dealings on our behalf during the three-year period immediately preceding his or her termination. Contracting Employees who are employed in our asset management businesses are subject to a similar non-solicitation covenant with respect to investors and prospective investors in our investment funds.

Non-Interference and Non-Disparagement . During the term of employment of each Contracting Employee, and during the Restricted Period immediately thereafter, he or she may not interfere with business relationships between us and any of our clients, customers, suppliers or partners. Each Contracting Employee is also prohibited from disparaging us in any way.

Restricted Period . For purposes of the foregoing covenants, the "Restricted Period" will be:

Covenant	Stephen A. Schwarzman	Other Senior Managing Directors	Other Contracting Employees
Non-competition	Two years after termination of employment.	One year (six months for senior managing directors who are eligible to retire, as defined below) after termination of employment.	Between 90 days and six months after termination of employment.
Non-solicitation of Blackstone employees	Two years after termination of employment.	Two years after termination of employment.	Generally between six months and one year after termination of employment.
Non-solicitation of Blackstone clients or investors	Two years after termination of employment.	One year after termination of employment.	Generally between six months and one year after termination of employment.
Non-interference with business relationships	Two years after termination of employment.	One year after termination of employment.	Generally between six months and one year after termination of employment.

Retirement . Blackstone personnel are eligible to retire if they have satisfied either of the following tests: (a) one has reached the age of 65 and has at least five full years of service with our firm; or (b) one has reached the age of 50 and has at least five full years of service with our firm and the sum of his or her age plus years of service with our firm totals at least 65.

Intellectual Property . Each Contracting Employee is subject to customary intellectual property covenants with respect to works created, invented, designed or developed by him or her that are relevant to or implicated by his or her employment with us.

Specific Performance . In the case of any breach of the confidentiality, non-competition, non-solicitation, non-interference, non-disparagement or intellectual property provisions by a Contracting Employee, the breaching individual agrees that we will be entitled to seek equitable relief in the form of specific performance, restraining orders, injunctions or other equitable remedies.

Director Compensation in 2010

No additional remuneration is paid to our employees for service as a director of our general partner. Each non-employee director received an annual cash retainer of $150,000 during 2010. An additional $15,000 annual cash retainer was paid to the Chairman of the Audit Committee during 2010. Each of Mr. Mulroney and Mr. Parrett was granted 10,000 deferred restricted common units under our 2007 Equity Incentive Plan upon his appointment as a director in 2007. Each of Mr. Jenrette and Mr. Light was granted 15,000 deferred restricted common units upon his appointment as a director in 2008, and each of Mr. Mulroney and Mr. Parrett was granted an additional 5,000 deferred restricted units in 2008 so that all non-employee directors would have the same number of awards. In 2010, each of Mr. Mulroney and Mr. Parrett was granted an additional 5,000 deferred restricted units upon the three-year anniversary of his initial grant, and in 2011, each of Mr. Jenrette and Mr. Light is expected to receive an additional 5,000 deferred restricted units upon the three-year anniversary of his initial grant. The amounts of our non-employee directors' compensation were approved by the board of directors of our general partner upon the recommendation of our founder following his review of directors' compensation paid by comparable companies.

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The following table provides the compensation for our non-employee directors for 2010:

Name	Fees Earned or Paid in Cash	Stock Awards (1) (2)	Total
The Right Honorable Brian Mulroney	$ 150,000	$ 51,850	$201,850
William G. Parrett	$ 165,000	$ 62,200	$227,200
Richard Jenrette	$ 150,000	$ —	$150,000
Jay O. Light	$ 150,000	$ —	$150,000

(1) The references to “stock” in this table refer to our deferred restricted common units. Amounts for 2010 represent the grant date fair value of stock awards granted in the year, computed in accordance with GAAP, pertaining to equity-based compensation. These deferred restricted common units vest, and the underlying Blackstone common units will be delivered, on the anniversaries of the date of grant, subject to the outside director’s continued service on the board of directors of our general partner.

(2) The following table provides information regarding outstanding unvested equity awards made to our directors as of December 31, 2010:

	Stock Awards (a)	
Name	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (b)
The Right Honorable Brian Mulroney	5,000	$ 70,750
William G. Parrett	5,000	$ 70,750
Richard Jenrette	5,000	$ 70,750
Jay O. Light	5,000	$ 70,750

(a) The references to “stock” or “shares” in this table refer to our deferred restricted common units.

(b) The dollar amounts shown under this column were calculated by multiplying the number of unvested deferred restricted common units held by the director by the closing market price of $14.15 per Blackstone common unit on December 31, 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of our common units and Blackstone Holdings Partnership Units as of February 18, 2011 by:

- each person known to us to beneficially own 5% of any class of the outstanding voting securities of The Blackstone Group L.P.;
- each member of our general partner’s board of directors;
- each of the named executive officers of our general partner; and
- all directors and executive officers of our general partner as a group.

The amounts and percentage of units beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days of February 18, 2011. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest. Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all units shown as beneficially owned by them, subject to community property laws where applicable. Unless otherwise included, for purposes of this table, the principal business address for each such person is c/o The Blackstone Group L.P. 345 Park Avenue, New York, New York 10154.

	Common Units, Beneficially Owned		Blackstone Holdings Partnership Units Beneficially Owned (1)	
Name of Beneficial Owner	**Number**	**% of Class**	**Number**	**% of Class**
5% Unitholders:				
AIG BG Holdings LLC (2)	35,737,235	10%	—	—
Directors and Executive Officers (3)				
Stephen A. Schwarzman (4)(5)	—	—	231,924,793	37%
Hamilton E. James (5)	10,000,000	3%	34,107,756	5%
J. Tomilson Hill (5)	—	—	16,345,085	3%
Laurence A. Tosi	—	—	222,122	*
John G. Finley	—	—	—	—
The Right Honorable Brian Mulroney	115,000	*	—	—
William G. Parrett	41,000	*	—	—
Richard Jenrette	10,000	*	—	—
Jay O. Light	10,000	*	—	—
All executive officers and directors as a group (10 persons)	10,196,000	3%	282,708,369	45%

* Less than one percent

(1) Subject to certain requirements and restrictions, the partnership units of Blackstone Holdings are exchangeable for common units of The Blackstone Group L.P. on a one-for-one basis. A Blackstone Holdings limited partner must exchange one partnership unit in each of the four Blackstone Holdings partnerships to effect an exchange for a common unit. See "Item 13. Certain Relationships and Related Transactions, and Director Independence—Exchange Agreement". Beneficial ownership of Blackstone Holdings Partnership Units reflected in this table has not been also reflected as beneficial ownership of the common units of The Blackstone Group L.P. for which such units may be exchanged.

(2) Reflects units beneficially owned by American International Group, Inc. and its subsidiary AIG BG Holdings LLC based on the Schedule 13G filed by such entities as joint reporting persons on December 9, 2010. On February 9, 2011, AIG Holdings exchanged its 35,737,235 Blackstone Holdings Partnership Units for 35,737,235 common units. The address of American International Group, Inc. is 180 Maiden Lane, New York, New York 10038.

(3) The units beneficially owned by the directors and executive officers reflected above do not include the following number of units that will be delivered to the respective individual more than 60 days after February 18, 2011: J. Tomilson Hill – 1,090,634 deferred restricted common units; Laurence A. Tosi – 1,175,009 deferred restricted Blackstone Holdings Partnership Units; John G. Finley – 500,000 deferred restricted Blackstone Holdings Partnership Units; The Right Honorable Brian Mulroney – 5,000 deferred restricted common units; William G. Parrett – 5,000 deferred restricted common units; Richard Jenrette – 5,000 deferred restricted common units; Jay O. Light – 5,000 deferred restricted common units; and all other executive officers and directors as a group – 309,364 deferred restricted Blackstone Holdings Partnership Units.

(4) On those few matters that may be submitted for a vote of the limited partners of The Blackstone Group L.P., Blackstone Partners L.L.C., an entity wholly-owned by our senior managing directors, holds a special voting unit in The Blackstone Group L.P. that provides it with an aggregate number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Blackstone Holdings Partnership Units held by the limited partners of Blackstone Holdings on the relevant record date and entitles it to participate in the vote on the same basis as our common unitholders.

Our senior managing directors have agreed in the limited liability company agreement of Blackstone Partners that our founder, Mr. Schwarzman, will have the power to determine how the special voting unit held by Blackstone Partners will be voted. Following the withdrawal, death or disability of Mr. Schwarzman (and any successor founder), this power will revert to the members of Blackstone Partners holding a majority in interest in that entity. The limited liability company agreement of Blackstone Partners provides that at such time as Mr. Schwarzman should cease to be a founding member, Hamilton E. James will thereupon succeed Mr. Schwarzman as the sole founding member of Blackstone Partners. If Blackstone Partners directs us to do so, we will issue special voting units to each of the limited partners of Blackstone Holdings, whereupon each special voting unitholder will be entitled to a number of votes that is equal to the number of vested and unvested Blackstone Holdings Partnership Units held by such special voting unitholder on the relevant record date.

(5) The Blackstone Holdings Partnership Units shown in the table above for each of the named executive officers include (a) the following units held for the benefit of family members with respect to which the named executive officer disclaims beneficial ownership: Mr. Schwarzman – 1,666,666 units held in various trusts for which Mr. Schwarzman is the investment trustee; Mr. James – 7,723,795 units held in a trust for which Mr. James and his brother are trustees with investment power; Mr. Hill – 6,336,348 units held in various trusts for which Mr. Hill's spouse is the investment trustee; (b) the following units held in grantor retained annuity trusts for which the named executive officer is the investment trustee: Mr. Schwarzman – 8,533,332 units; and Mr. Hill – 1,500,000 units; (c) the following units held by limited liability companies for which the named executive officer is a member: Mr. Schwarzman – 31,310,110 units; and (d) the following units held by corporations for which the named executive officer is a controlling shareholder: Mr. Schwarzman – 1,874,445 units. In addition, with respect to Mr. Schwarzman, the above table excludes partnership units of Blackstone Holdings held by his children or in trusts for the benefit of his family as to which he has no voting or investment power.

In addition, Beijing Wonderful Investments, an investment vehicle established and controlled by the People's Republic of China, holds 109,083,468 of our non-voting common units.

Securities Authorized for Issuance under Equity Compensation Plans

The table set forth below provides information concerning the awards that may be issued under Blackstone's 2007 Equity Incentive Plan (the "Equity Plan") as of December 31, 2010:

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (1)) (2)
Equity Compensation Plans Approved by Security Holders	46,598,138	—	150,500,230
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	46,598,138	—	150,500,230

(1) Reflects the outstanding number of our deferred restricted common units and deferred restricted Blackstone Holdings Partnership Units granted under the Equity Plan as of December 31, 2010.

(2) The aggregate number of our common units and Blackstone Holdings partnership units covered by the Equity Plan is increased on the first day of each fiscal year during its term by a number of units equal to the positive difference, if any, of (a) 15% of the aggregate number of our 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 Blackstone Group L.P. or its wholly-owned

subsidiaries) minus (b) the aggregate number of our common units and Blackstone Holdings Partnership Units covered by the Equity Plan as of such date (unless the administrator of the Equity Plan should decide to increase the number of our common units and Blackstone Holdings Partnership Units covered by the plan by a lesser amount). As of January 1, 2011, pursuant to this formula, 162,380,981 units, which is equal to 0.15 times the number of our common units and Blackstone Holdings Partnership Units outstanding on December 31, 2010, were available for issuance under the Equity Plan. We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register common units covered by the Equity Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

Tax Receivable Agreements

We 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 pre-IPO owners. In addition, holders of Blackstone Holdings Partnership Units (other than The Blackstone Group L.P.'s wholly-owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, may up to four times each year (subject to the terms of the exchange agreement) exchange their Blackstone Holdings Partnership Units for The Blackstone Group L.P. common units on a one-for-one basis. A Blackstone Holdings limited partner must exchange one partnership unit in each of the four Blackstone Holdings partnerships to effect an exchange for a common unit. Blackstone Holdings I L.P. and Blackstone Holdings II L.P. have made an election under Section 754 of the Internal Revenue Code effective for each taxable year in which an exchange of partnership units for common units occurs, which may result in an adjustment to the tax basis of the assets of such Blackstone Holdings partnerships at the time of an exchange of partnership units. The purchase and subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings that otherwise would not have been available. These increases in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of Blackstone's wholly-owned subsidiaries that are taxable as corporations for U.S. federal income purposes would otherwise be required to pay in the future. One of the subsidiaries of The Blackstone Group L.P. which is a corporate taxpayer has entered into a tax receivable agreement with holders of Blackstone Holdings Partnership Units that provides for the payment by the corporate taxpayer to such holders 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 (or are deemed to realize in the case of an early termination payment by the corporate taxpayers or a change in control, as discussed below) as a result of these increases in tax basis and of certain other tax benefits related to our entering into tax receivable agreements, including tax benefits attributable to payments under the tax receivable agreement. Additional tax receivable agreements have been executed, and will continue to be executed, with newly admitted Blackstone senior managing directors and certain others who acquire Blackstone Holdings Partnership Units. This payment obligation is an obligation of the corporate taxpayer and not of Blackstone Holdings. The corporate taxpayers expect to benefit from the remaining 15.0% of cash savings, if any, in income tax that they realize. For purposes of the tax receivable agreement, 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 taxpayer 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 agreement. A limited partner of Blackstone Holdings may also elect to exchange his or her Blackstone Holdings Partnership Units in a tax-free transaction where the limited partner is making a charitable contribution. In such a case, the exchange will not result in an increase in the tax basis of the assets of Blackstone Holdings and no payments will be made under the tax receivable agreement. The term of the tax receivable agreement commenced upon consummation of our IPO and will continue until all such tax benefits have been utilized or expired, unless the corporate taxpayers exercise their right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement.

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 agreement (which are taxable to the recipients) in respect of the purchase will aggregate $1,114.6 million over the next 15 years. The after-tax net present value of these estimated payments totals $315.9 million assuming a 15% discount rate and using an estimate of timing of the benefit to be received. Future payments under the tax receivable agreement 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. Subsequent to December 31, 2010, payments totaling $51,533,673 were made to certain pre-IPO owners in accordance with the tax receivable agreement and related to tax benefits we received for the 2009 taxable year. Those payments included payments of $12,973,610 to Stephen A. Schwarzman and investment vehicles controlled by a relative of Mr. Schwarzman; $105,914 to Hamilton E. James; and $913,368 to J. Tomilson Hill and a trust for which Mr. Hill is the investment trustee.

In addition, the tax receivable agreement provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control, the corporate taxpayers' (or their successors') obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the benefits arising from the increased tax deductions and tax basis and other similar benefits. Upon a subsequent actual exchange, any additional increase in tax deductions, tax basis and other similar benefits in excess of the amounts assumed at the change in control will also result in payments under the tax receivable agreement.

Decisions we make in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by an exchanging or selling holder of Blackstone Holdings Partnership Units, under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under a tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase the tax liability of a holder of Blackstone Holdings Partnership Units without giving rise to any rights of a holder of Blackstone Holdings Partnership Units to receive payments under any tax receivable agreements.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, the corporate taxpayers will not be reimbursed for any payments previously made under a tax receivable agreement. As a result, in certain circumstances, payments could be made under a tax receivable agreement in excess of the corporate taxpayers' cash tax savings.

Registration Rights Agreement

In connection with the restructuring and IPO, we entered into a registration rights agreement with our pre-IPO owners pursuant to which we granted them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common units delivered in exchange for Blackstone Holdings Partnership Units or common units (and other securities convertible into or exchangeable or exercisable for our common units) otherwise held by them. In addition, newly admitted Blackstone senior managing directors and certain others who acquire Blackstone Holdings Partnership Units have subsequently become parties to the registration rights agreement. Under the registration rights agreement, we agreed to register the exchange of Blackstone Holdings Partnership Units for common units by our holders of Blackstone Holdings Partnership Units. In June 2008, we filed a registration statement on Form S-3 with the Securities and Exchange Commission to cover future issuances from time to time of up to 818,008,105 common units to holders of Blackstone Holdings partnership units upon exchange of up to an equal number of such Blackstone Holdings partnership units. In addition, our founder, Stephen A. Schwarzman, has the right to request that we register the sale of common units held by holders of Blackstone Holdings Partnership Units an unlimited number of times and may require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, Mr. Schwarzman has the ability to exercise certain piggyback registration rights in respect of common units held by holders of Blackstone Holdings Partnership Units in connection with registered offerings requested by other registration rights holders or initiated by us.

iLevel Transaction

On June 25, 2010, certain investors, including Swift River Investments, Inc., a private family investment firm which manages capital on behalf of our President, Chief Operating Officer and Director, Hamilton E. James, his brothers, David R. James and Benjamin B. James, and members of their families, participated in a $6.0 million financing by our then indirect subsidiary, iLevel Solutions LLC ("iLevel"). $5.0 million of this investment was made by Swift River Investments. iLevel is a nascent business that provides private equity software and advanced portfolio monitoring software solutions to private equity firms and other institutions. The investment by outside venture capital investors that are experts in technology and software development should enhance the growth potential of iLevel which was outside of Blackstone's core business. Moreover, potential competitive issues that existing and potential customers may have had with iLevel being a wholly owned subsidiary of Blackstone are significantly mitigated with this transaction. Following this investment, Blackstone retains an approximately 38.6% equity interest in iLevel, and Swift River Investments has an approximately 38.6% equity interest in iLevel, with the remainder held by other parties. While Mr. Hamilton E. James has a majority economic interest in Swift River Investments, the day-to-day business of Swift River Investments is managed by Mr. David R. James and Mr. Benjamin B. James. An outside investor, unaffiliated with the James family, led the negotiations for the investor group that participated in the iLevel financing and Mr. Hamilton E. James did not participate in the negotiation or execution of the transaction in any manner for any party. Following management's decision (which did not involve Mr. Hamilton E. James) to pursue an iLevel transaction, Blackstone communicated with approximately twenty third party investors regarding a transaction involving iLevel and any proposals received from those investors were not as economically or structurally attractive to Blackstone or iLevel as the proposal submitted by the investor group which included Swift River Investments. The Conflicts Committee of the Board of Directors of our general partner (consisting of our four independent directors) reviewed and approved this transaction.

Blackstone Holdings Partnership Agreements

As a result of the reorganization and the IPO, The Blackstone Group L.P. became a holding partnership and, through wholly-owned subsidiaries, held equity interests in the five holdings partnerships (i.e., 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.). On January 1, 2009, in order to simplify our structure and ease the related administrative burden and costs, we effected an internal restructuring to reduce the number of holding partnerships from five to four by causing Blackstone Holdings III L.P. to transfer all of its assets and liabilities 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. The economic interests of The Blackstone Group L.P. in Blackstone's business remains entirely unaffected. "Blackstone Holdings" refers to the five holding partnerships prior to the January 2009 reorganization and the four holdings partnerships subsequent to the January 2009 reorganization. Wholly-owned subsidiaries of The Blackstone Group L.P. are the sole general partner of each of the Blackstone Holdings partnerships. Accordingly, The Blackstone Group L.P. operates and controls all of the business and affairs of Blackstone Holdings and, through Blackstone Holdings and its operating entity subsidiaries, conducts our business. Through its wholly-owned subsidiaries, The Blackstone Group L.P. has unilateral control over all of the affairs and decision making of Blackstone Holdings. Furthermore, the wholly-owned subsidiaries of The Blackstone Group L.P. cannot be removed as the general partners of the Blackstone Holdings partnerships without their approval. Because our general partner, Blackstone Group Management L.L.C., operates and controls the business of The Blackstone Group L.P., the board of directors and officers of our general partner are accordingly responsible for all operational and administrative decisions of Blackstone Holdings and the day-to-day management of Blackstone Holdings' business. Pursuant to the partnership agreements of the Blackstone Holdings partnerships, the wholly owned subsidiaries of The Blackstone Group L.P. which are the general partners of those partnerships have the right to determine when distributions will be made to the partners of Blackstone Holdings and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the partners of Blackstone Holdings pro rata in accordance with the percentages of their respective partnership interests as described under "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Cash Distribution Policy."

Each of the Blackstone Holdings partnerships has an identical number of partnership units outstanding, and we use the terms "Blackstone Holdings Partnership Unit" or "partnership unit in/of Blackstone Holdings" to refer, collectively, to a partnership unit in each of the Blackstone Holdings partnerships. The holders of partnership units in Blackstone Holdings, including The Blackstone Group L.P.'s wholly-owned subsidiaries, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Blackstone Holdings. Net profits and net losses of Blackstone Holdings will generally be allocated to its partners (including The Blackstone Group L.P.'s wholly-owned subsidiaries) pro rata in accordance with the percentages of their respective partnership interests as described under "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Cash Distribution Policy". The partnership agreements of the Blackstone Holdings partnerships provide for cash distributions, which we refer 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 its partners. Generally, these tax distributions are computed based on our estimate of the net 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 non-deductibility of certain expenses and the character of our income). Tax distributions are made only to the extent all distributions from such partnerships for the relevant year are insufficient to cover such tax liabilities.

Subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, Blackstone Holdings Partnership Units may be exchanged for The Blackstone Group L.P. common units as described under "—Exchange Agreement" below. In addition, the Blackstone Holdings partnership agreements authorize the wholly-owned subsidiaries of The Blackstone Group L.P. which are the general partners of those partnerships to issue an unlimited number of additional partnership securities of the Blackstone Holdings partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Blackstone Holdings partnerships units, and which may be exchangeable for our common units.

See "Item 11. Executive Compensation—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2010—Terms of Blackstone Holdings Partnership Units—Vesting Provisions" for a discussion of vesting provisions applicable to Blackstone personnel in respect of the Blackstone Holdings Partnership Units received by them in the reorganization and "Item 11. Executive Compensation—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2010—Terms of Blackstone Holdings Partnership Units—Minimum Retained Ownership Requirements and Transfer Restrictions" for a discussion of minimum retained ownership requirements and transfer restrictions applicable to the Blackstone Holdings Partnership Units. The generally applicable vesting and minimum retained ownership requirements and transfer restrictions are outlined in the sections referenced in the preceding sentence. There may be some different arrangements for some individuals in some instances. In addition, we may waive these requirements and restrictions from time to time.

In addition, substantially all of our expenses, including substantially all expenses solely incurred by or attributable to The Blackstone Group L.P. such as expenses incurred in connection with the IPO but not including obligations incurred under the tax receivable agreement by The Blackstone Group L.P.'s wholly-owned subsidiaries, income tax expenses of The Blackstone Group L.P.'s wholly-owned subsidiaries and payments on indebtedness incurred by The Blackstone Group L.P.'s wholly-owned subsidiaries, are borne by Blackstone Holdings.

Exchange Agreement

In connection with the reorganization and IPO, we entered into an exchange agreement with the holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries). In addition, newly admitted Blackstone senior managing directors and certain others who acquire Blackstone Holdings Partnership Units have subsequently become parties to the exchange agreement. Under the exchange agreement, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, each such holder of Blackstone Holdings Partnership Units (and certain transferees thereof) may up to four times each year (subject to the terms of the exchange agreement) exchange these partnership units for The Blackstone Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Blackstone Holdings must simultaneously exchange one partnership unit in each of the Blackstone Holdings partnerships. As a holder exchanges its Blackstone Holdings Partnership Units, The Blackstone Group L.P.'s indirect interest in the Blackstone Holdings partnerships will be correspondingly increased.

Firm Use of Our Founder's Private Aircraft

Certain entities controlled by Mr. Schwarzman wholly own an airplane and have a partial interest in a helicopter that we use for business purposes in the course of our operations. Mr. Schwarzman paid for the ownership interests in these aircraft himself and bore all operating, personnel and maintenance costs associated with their operation. The hourly payments we made to affiliates of Mr. Schwarzman for such use were based on current market rates for chartering private aircraft. We paid $1.3 million to Mr. Schwarzman's affiliates in 2010 for the use of his airplane and we paid $0.3 million to Mr. Schwarzman's affiliates in 2010 for the use of the helicopter.

Expense Reimbursements

Since filing our registration statement relating to our IPO, we have not incurred for or advanced funds to any named executive officer or member of the board of directors for any material personal related expenses.

Side-By-Side and Other Investment Transactions

Our directors and executive officers are permitted to invest their own capital in side-by-side investments with our carry funds. Side-by-side investments are investments in portfolio companies or other assets on generally the same terms and conditions as those investments made by the applicable fund, except that these side-by-side investments are not subject to management fees or carried interest. In addition, our directors and executive officers are permitted to invest their own capital in our funds of hedge funds and credit-oriented funds that are structured as hedge funds, in some instances, not subject to management fees or carried interest. These investment opportunities are available to all of our senior managing directors and to those of our employees whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. None of our directors or executive officers received net distributions from Blackstone-managed investment vehicles during the year ended December 31, 2010, except for Mr. Hill (and an investment trust controlled by him) who received net distributions of $15,957 relating to his personal investments in Blackstone-managed investment funds.

Statement of Policy Regarding Transactions with Related Persons

The board of directors of our general partner has adopted a written statement of policy regarding transactions with related persons, which we refer to as our "related person policy." Our related person policy requires that a "related person" (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to the Chief Legal Officer of our general partner any "related person transaction" (defined as any transaction that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The Chief Legal Officer will then promptly communicate that information to the board of directors of our general partner. No related person transaction will be consummated without the approval or ratification of the board of directors of our general partner or any committee of the board of directors consisting exclusively of disinterested directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest.

Indemnification of Directors and Officers

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our general partner; any departing general partner; any person who is or was an affiliate of a general partner or any departing general partner; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, the general partner or any departing general partner or any affiliate of ours or our subsidiaries, the general partner or any departing general partner; any person who is or was serving at the request of a general partner or any departing general partner or any affiliate of a general partner or any departing general partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our general partner. We have agreed to provide this indemnification to the extent such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the partnership, and with respect to any alleged conduct resulting in a criminal proceeding against such person, to deny indemnification if such person had reasonable cause to believe that his or her conduct was unlawful. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, the general partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable it to effectuate indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

We will also indemnify any of our employees who personally becomes subject to a "clawback" obligation to one of our investment funds in respect of carried interest that we have received. See "Item 1. Business—Incentive Arrangements / Fee Structure".

Non-Competition and Non-Solicitation Agreements

We have entered into a non-competition and non-solicitation agreement with each of our professionals and other senior employees, including each of our executive officers. See "Item 11. Executive Compensation—Non-Competition and Non-Solicitation Agreements" for a description of the material terms of such agreements.

Director Independence

Because we are a publicly traded limited partnership, the NYSE rules do not require our general partner's board to be made up of a majority of independent directors. However, four of the seven members of our general partner's board of directors satisfy the independence and financial literacy requirements of the NYSE and the SEC. These directors are Messrs. Jenrette, Light, Mulroney and Parrett. Based on all relevant facts and circumstances, our general partner's board of directors affirmatively determined on January 31, 2011 that the independent directors have no material relationship with us or our general partner. To assist it in making its independence determinations, the board of directors of our general partner has adopted the following categorical standards for relationships that are deemed not to impair a director's independence:

Under any circumstances, a director is not independent if:

- the director is, or has been within the preceding three years, employed by our general partner or us;
- an immediate family member of the director was employed as an executive officer of our general partner or us within the preceding three years;
- the director, or an immediate family member of that director, received within the preceding three years more than $120,000 in any twelve-month period in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- the director is a current partner or employee of a firm that is our internal or external auditor; the director has an immediate family member who is a current partner of such a firm; the director has an immediate family member who is a current employee of such a firm and personally works on our audit; or the director or an immediate family member of that director was within the last three years a partner or employee of such a firm and personally worked on our or a predecessor's audit within that time;
- the director or an immediate family member is, or has been within the preceding three years, employed as an executive officer of another company where any of our general partner's present executive officers at the same time serves or served on such other company's compensation committee; or
- the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, us for property or services in an amount which, in any of the preceding three fiscal years, exceeds the greater of $1,000,000 or two percent (2%) of the consolidated gross revenues of the other company.

The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence:

- if the director or an immediate family member of that director serves as an executive officer, director or trustee of a charitable organization, and our annual charitable contributions to that organization (excluding contributions by us under any established matching gift program) are less than the greater of $1,000,000 or two percent (2%) of that organization's consolidated gross revenues in its most recent fiscal year; and
- if the director or an immediate family member of that director (or a company for which the director serves as a director or executive officer) invests in or alongside of one or more investment funds or investment companies managed by us or any of our subsidiaries, whether or not fees or other incentive arrangements for us or our subsidiaries are borne by the investing person.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010		
	Blackstone	Blackstone Entities	Blackstone Private Equity and Real Estate
	(Dollars in Thousands)		
Audit Fees	$ 10,675(a)	$ 17,768(c)	$ —
Audit-Related Fees	$ —	$ 95(c)	$ 10,348(d)
Tax Fees	$ 550(b)	$ 23,847(c)	$ 2,876(d)
Other	$ —	$ —	$ 15(e)

	Year Ended December 31, 2009		
	Blackstone	Blackstone Entities	Blackstone Private Equity and Real Estate
	(Dollars in Thousands)		
Audit Fees	$ 14,747(a)	$ 16,293(c)	$ —
Audit-Related Fees	$ —	$ 100(c)	$ 7,615(d)
Tax Fees	$ 1,000(b)	$ 25,776(c)	$ 3,077(d)
Other	$ —	$ —	$ 650(e)

(a) Audit Fees consisted of fees for (a) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services attendant to, or required by, statute or regulation; (b) reviews of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q; (c) comfort letters, consents and other services related to SEC and other regulatory filings.

(b) Tax Fees consisted of fees for services rendered for tax compliance and tax planning and advisory services.

(c) The Deloitte Entities also provide audit and tax services to certain private equity and real estate investment funds and other entities managed by Blackstone in its capacity as the general partner. The tax services provided consist primarily of tax compliance and related services.

(d) Audit-Related Fees included assurances, merger and acquisition due diligence services provided in connection with acquisitions of portfolio companies for investment purposes primarily to certain private equity and real estate funds managed by Blackstone in its capacity as the general partner. In addition, the Deloitte Entities provide audit, audit-related, tax and other services to the portfolio companies, which are approved directly by the portfolio company's management and are not included in the amounts presented here.

(e) Consists of certain project management and readiness services provided in connection with the acquisition of portfolio companies for investment purposes.

Our audit committee charter, which is available on our website at www.blackstone.com under "Investor Relations", requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, Tax and Other categories above were approved by the audit committee.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this annual report.

1. *Financial Statements:*

   See Item 8 above.

2. *Financial Statement Schedules:*

   Schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are not applicable, and therefore have been omitted.

3. *Exhibits* :

Exhibit Number	Exhibit Description
3.1	Certificate of Limited Partnership of The Blackstone Group L.P. (incorporated herein by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-141504) filed with the SEC on March 22, 2007).
3.2	Amended and Restated Agreement of Limited Partnership of The Blackstone Group L.P. (incorporated herein by reference to Exhibit 3.1 to Form 8-K filed with the SEC on June 27, 2007).
3.2.1	Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of The Blackstone Group L.P. dated as of November 3, 2009 (incorporated herein by reference to Exhibit 3.2.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-33551) filed with the SEC on November 6, 2009).
4.1	Indenture dated as of August 20, 2009 among Blackstone Holdings Finance Co. L.L.C., The Blackstone Group L.P., Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated August 20, 2009).
4.2	First Supplemental Indenture dated as of August 20, 2009 among Blackstone Holdings Finance Co. L.L.C., The Blackstone Group L.P., Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated August 20, 2009).
4.3	Form of 6.625% Senior Note due 2019 (included in Exhibit 4.2 and incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated August 20, 2009).
4.4	Second Supplemental Indenture dated as of September 20, 2010, among Blackstone Holdings Finance Co. L.L.C., The Blackstone Group L.P., Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. and The Bank of New York Mellon, as trustee (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-33551) filed with the SEC on September 22, 2010).
4.5	Form of 5.875% Senior Note due 2021 (included in Exhibit 4.4 hereto).
10.1	Amended and Restated Limited Partnership Agreement of Blackstone Holdings I L.P., dated as of June 18, 2007, by and among Blackstone Holdings I/II GP Inc. and the limited partners of Blackstone Holdings I L.P. party thereto (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).

Exhibit Number	Exhibit Description
10.1.1	Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of Blackstone Holdings I L.P. dated as of November 3, 2009 (incorporated herein by reference to Exhibit 10.1.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-33551) filed with the SEC on November 6, 2009).
10.2	Amended and Restated Limited Partnership Agreement of Blackstone Holdings II L.P., dated as of June 18, 2007, by and among Blackstone Holdings I/II GP Inc. and the limited partners of Blackstone Holdings II L.P. party thereto (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.2.1	Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of Blackstone Holdings II L.P. dated as of November 3, 2009 (incorporated herein by reference to Exhibit 10.2.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-33551) filed with the SEC on November 6, 2009).
10.3	Second Amended and Restated Limited Partnership Agreement of Blackstone Holdings III L.P., dated as of January 1, 2009, by and among Blackstone Holdings III GP L.L.C. and the limited partners of Blackstone Holdings III L.P. party thereto (incorporated herein by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33551) filed with the SEC on March 2, 2009).
10.3.1	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Blackstone Holdings III L.P. dated as of November 3, 2009 (incorporated herein by reference to Exhibit 10.3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-33551) filed with the SEC on November 6, 2009).
10.4	Second Amended and Restated Limited Partnership Agreement of Blackstone Holdings IV L.P., dated as of January 1, 2009, by and among Blackstone Holdings IV GP L.P. and the limited partners of Blackstone Holdings IV L.P. party thereto (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001- 33551) filed with the SEC on March 2, 2009).
10.4.1	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Blackstone Holdings IV L.P. dated as of November 3, 2009 (incorporated herein by reference to Exhibit 10.4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-33551) filed with the SEC on November 6, 2009).
10.5	Tax Receivable Agreement, dated as of June 18, 2007, by and among Blackstone Holdings I/II GP Inc., Blackstone Holdings I L.P., Blackstone Holdings II L.P. and the limited partners of Blackstone Holdings I L.P. and Blackstone Holdings II L.P. party thereto (incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.6.1	Amended and Restated Exchange Agreement, dated as of November 2, 2010, among The Blackstone Group L.P., Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. and the Blackstone Holdings Limited Partners party thereto (incorporated herein by reference to Exhibit 10.6.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 001-33551) filed with the SEC on November 5, 2010).
10.7	Registration Rights Agreement, dated as of June 18, 2007 (incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).

Exhibit Number	Exhibit Description
10.8.1+	The Blackstone Group L.P. Amended and Restated 2007 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.8.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 001-33551) filed with the SEC on August 6, 2010).
10.9+	The Blackstone Group L.P. Bonus Deferral Plan (incorporated herein by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-33551) filed with the SEC on March 11, 2008).
10.10+	Founding Member Agreement of Stephen A. Schwarzman, dated as of June 18, 2007, by and among Blackstone Holdings I L.P. and Stephen A. Schwarzman (incorporated herein by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.12+	Agreement, dated as of June 9, 2008, between Blackstone Holdings I L.P. and Laurence A. Tosi (incorporated herein by reference to Exhibit 10.28 to the Registrant's Current Report on Form 8-K filed with the SEC on June 12, 2008).
10.13+	Form of Senior Managing Director Agreement by and among Blackstone Holdings I L.P. and each of the Senior Managing Directors from time to time party thereto (incorporated herein by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1/A (File No. 333-141504) filed with the SEC on June 14, 2007). (Applicable to all executive officers other than Messrs. Schwarzman and Peterson).
10.14+	Form of Deferred Restricted Common Unit Award Agreement (Directors) (incorporated herein by reference to Exhibit 10.36 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 001-33551) filed with the SEC on August 8, 2008).
10.15+	Form of Deferred Restricted Blackstone Holdings Unit Award Agreement for Executive Officers (incorporated herein by reference to Exhibit 10.37 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 001-33551) filed with the SEC on November 7, 2008).
10.16	Credit Agreement dated as of May 12, 2008 among 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., JPMorgan Chase Bank, N.A., as Administrative Agent, and the Lenders party thereto (incorporated herein by reference to Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-33551) filed with the SEC on May 15, 2008).
10.17	Letter Agreement between The Blackstone Group L.P. and the Beijing Wonderful Investments Ltd dated May 22, 2007 (incorporated herein by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1/A (File No. 333-141504) filed with the SEC on June 4, 2007).
10.18	Letter Agreement, dated October 16, 2008, between The Blackstone Group L.P. and Beijing Wonderful Investment Ltd., amending the Letter Agreement, dated May 22, 2007, between The Blackstone Group L.P. and Beijing Wonderful Investments Ltd (incorporated herein by reference to Exhibit 10.16.1 to the Registrants' Current Report on Form 8-K filed with the SEC on October 16, 2008).
10.19+	Second Amended and Restated Limited Liability Company Agreement of BMA V L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of BMA V L.L.C (incorporated herein by reference to Exhibit 10.12 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).

Exhibit Number	Exhibit Description
10.20+	Second Amended and Restated Agreement of Limited Partnership of Blackstone Real Estate Management Associates International L.P., dated as of May 31, 2007, by and among BREA International (Cayman) Ltd. and certain limited partners (incorporated herein by reference to Exhibit 10.13 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.20.1+	Amendment No. 1 dated as of January 1, 2008 to the Second Amended and Restated Agreement of Limited Partnership of Blackstone Real Estate Management Associates International L.P., dated as of May 31, 2007, by and among BREA International (Cayman) Ltd. and certain limited partners (incorporated herein by reference to Exhibit 10.19.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-33551) filed with the SEC on May 15, 2008).
10.21+	Second Amended and Restated Agreement of Limited Partnership of Blackstone Real Estate Management Associates International II L.P., dated as of May 31, 2007, by and among BREA International (Cayman) II Ltd. and certain limited partners (incorporated herein by reference to Exhibit 10.14 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.21.1+	Amendment No. 1 dated as of January 1, 2008 to the Second Amended and Restated Agreement of Limited Partnership of Blackstone Real Estate Management Associates International II L.P., dated as of May 31, 2007, by and among BREA International (Cayman) II Ltd. and certain limited partners (incorporated herein by reference to Exhibit 10.20.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-33551) filed with the SEC on May 15, 2008).
10.22+	Second Amended and Restated Limited Liability Company Agreement of Blackstone Management Associates IV L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of Blackstone Management Associates IV L.L.C. (incorporated herein by reference to Exhibit 10.15 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.23+	Second Amended and Restated Limited Liability Company Agreement of Blackstone Mezzanine Management Associates L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of Blackstone Mezzanine Management Associates L.L.C. (incorporated herein by reference to Exhibit 10.16 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.24+	Second Amended and Restated Limited Liability Company Agreement of Blackstone Mezzanine Management Associates II L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of Blackstone Mezzanine Management Associates II L.L.C. (incorporated herein by reference to Exhibit 10.17 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.25+	Second Amended and Restated Limited Liability Company Agreement of BREA IV L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of BREA IV L.L.C. (incorporated herein by reference to Exhibit 10.18 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.26+	Second Amended and Restated Limited Liability Company Agreement of BREA V L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of BREA V L.L.C. (incorporated herein by reference to Exhibit 10.19 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).

Exhibit Number	Exhibit Description
10.27+	Second Amended and Restated Limited Liability Company Agreement of BREA VI L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of BREA VI L.L.C. (incorporated herein by reference to Exhibit 10.20 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.27.1+	Amendment No. 1 dated as of January 1, 2008 to the Second Amended and Restated Limited Liability Company Agreement of BREA VI L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of BREA VI L.L.C. (incorporated herein by reference to Exhibit 10.26.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-33551) filed with the SEC on May 15, 2008).
10.28	Second Amended and Restated Limited Liability Company Agreement of Blackstone Communications Management Associates I L.L.C., dated as of May 31, 2007, by and among Blackstone Holdings III L.P. and certain members of Blackstone Communications Management Associates I L.L.C. (incorporated herein by reference to Exhibit 10.21 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-33551) filed with the SEC on August 13, 2007).
10.29+	Amended and Restated Limited Liability Company Agreement of BCLA L.L.C., dated as of April 15, 2008, by and among Blackstone Holdings III L.P. and certain members of BCLA L.L.C. (incorporated herein by reference to Exhibit 10.28 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-33551) filed with the SEC on May 15, 2008).
10.30+	Third Amended and Restated Agreement of Limited Partnership of Blackstone Real Estate Management Associates Europe III L.P., dated as of June 30, 2008 (incorporated herein by reference to Exhibit 10.28 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 001-33551) filed with the SEC on August 8, 2008).
10.31+	Second Amended and Restated Limited Liability Company Agreement of Blackstone Real Estate Special Situations Associates L.L.C., dated as of June 30, 2008 (incorporated herein by reference to Exhibit 10.29 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 001-33551) filed with the SEC on August 8, 2008).
10.32+	BMA VI L.L.C. Amended and Restated Limited Liability Company Agreement Dated as of July 31, 2008 (incorporated herein by reference to Exhibit 10.30 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 001-33551) filed with the SEC on November 7, 2008).
10.33+	Fourth Amended and Restated Limited Liability Company Agreement of GSO Associates LLC, dated as of March 3, 2008 (incorporated herein by reference to Exhibit 10.33 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33551) filed with the SEC on March 2, 2009).
10.34+	Amended and Restated Limited Liability Company Agreement of GSO Overseas Associates LLC, dated as of March 3, 2008 (incorporated herein by reference to Exhibit 10.34 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33551) filed with the SEC on March 2, 2009).
10.35+	Third Amended and Restated Limited Liability Company Agreement of GSO Origination Associates LLC, dated as of March 3, 2008 (incorporated herein by reference to Exhibit 10.35 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33551) filed with the SEC on March 2, 2009).

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Exhibit Number	Exhibit Description
10.36+	Third Amended and Restated Limited Liability Company Agreement of GSO Capital Opportunities Associates LLC, dated as of March 3, 2008 (incorporated herein by reference to Exhibit 10.36 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001- 33551) filed with the SEC on March 2, 2009).
10.37+	Third Amended and Restated Limited Liability Company Agreement of GSO Capital Opportunities Overseas Associates LLC, dated as of March 3, 2008 (incorporated herein by reference to Exhibit 10.37 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-33551) filed with the SEC on March 2, 2009).
10.38+	Second Amended and Restated Limited Liability Company Agreement of GSO Liquidity Associates LLC, dated as of March 3, 2008 (incorporated herein by reference to Exhibit 10.38 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001- 33551) filed with the SEC on March 2, 2009).
10.39+	Amended and Restated Limited Liability Company Agreement of GSO Liquidity Overseas Associates LLC, dated as of March 3, 2008 (incorporated herein by reference to Exhibit 10.39 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001- 33551) filed with the SEC on March 2, 2009).
10.40	Credit Agreement dated as of May 5, 2009 among Blackstone Holdings Finance Co. L.L.C., as Borrower, Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P. and Blackstone Holdings IV L.P., as Guarantors, and Citibank, N.A., as Administrative Agent, Citigroup Global Markets Inc. and Banc of America Securities LLC, as Joint Lead Arrangers, and Banc of America Securities LLC, as Syndication Agent (incorporated herein by reference to Exhibit 10.39 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-33551) filed with the SEC on August 7, 2009).
10.41+	Blackstone / GSO Capital Solutions Associates LLC Second Amended and Restated Limited Liability Company Agreement Dated as of May 22, 2009 (incorporated herein by reference to Exhibit 10.40 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-33551) filed with the SEC on August 7, 2009).
10.42+	Blackstone / GSO Capital Solutions Overseas Associates LLC Second Amended and Restated Limited Liability Company Agreement Dated as of July 10, 2009 (incorporated herein by reference to Exhibit 10.41 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-33551) filed with the SEC on August 7, 2009).
10.43+	Blackstone Real Estate Special Situations Associates II L.L.C. Amended and Restated Limited Liability Company Agreement Dated as of June 30, 2009 (incorporated herein by reference to Exhibit 10.42 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-33551) filed with the SEC on August 7, 2009).
10.44+	Blackstone Real Estate Special Situations Management Associates Europe L.P. Amended and Restated Agreement of Limited Partnership Dated as of June 30, 2009 (incorporated herein by reference to Exhibit 10.43 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-33551) filed with the SEC on August 7, 2009).
10.45+	BRECA L.L.C. Amended and Restated Limited Liability Company Agreement (incorporated herein by reference to Exhibit 10.44 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-33551) filed with the SEC on August 7, 2009).
10.46+	The Blackstone Group L.P. Amended and Restated Bonus Deferral Plan Effective November 5, 2009 (incorporated herein by reference to Exhibit 10.45 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (File No. 001-33551) filed with the SEC on November 6, 2009).

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Exhibit Number	Exhibit Description
10.47	Blackstone Management Partners IV L.L.C. and 113CS, LLC Aircraft Time Sharing Agreement dated as of February 24, 2010 (incorporated herein by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-33551) filed with the SEC on February 26, 2010).
10.48	GSO Targeted Opportunity Associates LLC Amended and Restated Limited Liability Company Agreement Dated as of December 9, 2009 (incorporated herein by reference to Exhibit 10.48 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No. 001-33551) filed with the SEC on May 10, 2010).
10.49	GSO Targeted Opportunity Overseas Associates LLC Amended and Restated Limited Liability Company Agreement Dated as of December 9, 2009 (incorporated herein by reference to Exhibit 10.49 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No. 001-33551) filed with the SEC on May 10, 2010).
10.50	BCVA L.L.C. Amended and Restated Limited Liability Company Agreement Dated as of July 8, 2010 (incorporated herein by reference to Exhibit 10.50 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 001-33551) filed with the SEC on August 6, 2010).
10.51*	Amended and Restated Agreement of Exempted Limited Partnership of MB Asia REA L.P., dated November 23, 2010.
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Deloitte & Touche LLP.
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.

* Filed herewith.

** 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.

\+ Management contract or compensating plan or arrangement in which directors or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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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: February 25, 2011

The Blackstone Group L.P.
By: Blackstone Group Management L.L.C., its General Partner

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

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 25th day of February, 2011.

Signature	Title
/s/ Stephen A. Schwarzman Stephen A. Schwarzman	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
/s/ Hamilton E. James Hamilton E. James	Director
/s/ J. Tomilson Hill J. Tomilson Hill	Director
/s/ Richard Jenrette Richard Jenrette	Director
/s/ Jay O. Light Jay O. Light	Director
/s/ Brian Mulroney Brian Mulroney	Director
/s/ William G. Parrett William G. Parrett	Director
/s/ Laurence A. Tosi Laurence A. Tosi	Chief Financial Officer (Principal Financial Officer)
/s/ Kathleen Skero Kathleen Skero	Principal Accounting Officer (Principal Accounting Officer)

Exhibit 10.51

EXECUTION COPY

HIGHLY CONFIDENTIAL & TRADE SECRET

MB ASIA REA L.P.

AMENDED AND RESTATED
AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP

Dated November 23, 2010

THE EXEMPTED LIMITED PARTNERSHIP INTERESTS (THE "INTERESTS") OF MB ASIA REA L.P. (THE "PARTNERSHIP") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES OR ANY OTHER APPLICABLE SECURITIES LAWS IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH LAWS. SUCH INTERESTS MUST BE ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH (I) THE ACT, THE EXEMPTED LIMITED PARTNERSHIP ACT OF THE CAYMAN ISLANDS, ANY APPLICABLE STATE SECURITIES LAWS, AND ANY OTHER APPLICABLE SECURITIES LAWS; AND (II) THE TERMS AND CONDITIONS OF THIS AMENDED AND RESTATED AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP. THE INTERESTS MAY NOT BE TRANSFERRED OF RECORD EXCEPT IN COMPLIANCE WITH SUCH LAWS AND THIS AMENDED AND RESTATED AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP. THEREFORE, PURCHASERS OF SUCH INTERESTS WILL BE REQUIRED TO BEAR THE RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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MB ASIA REA L.P.

AMENDED AND RESTATED AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP, dated November 23, 2010, of MB Asia REA L.P., a Cayman Islands exempted limited partnership (the " *Partnership* "), by and between MB Asia REA L.L.C., a Delaware limited liability company (" *Delaware GP* "), and MB Asia REA Ltd., a Cayman Islands exempted company (" *Cayman GP* ", and, together with the Delaware GP, the " *General Partner* "), David Marshall (the " *Initial Limited Partner* "), as initial limited partner, and the limited partners listed as Limited Partners in the books and records of the Partnership, as limited partners.

WITNESSETH

WHEREAS, the Delaware GP and the Cayman GP, each as general partner, and David Marshall, as initial limited partner, entered into an Exempted Limited Partnership Agreement dated October 14, 2010 (the " *Original Agreement* ") and formed an exempted limited partnership under the laws of the Cayman Islands under the name of MB Asia REA L.P.;

WHEREAS, the parties hereto now wish to amend and restate the Original Agreement in its entirety as of the date hereof and as hereinafter set forth and to reflect the withdrawal of the Initial Limited Partner;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein made and intending to be legally bound, the parties hereby agree that the Original Agreement shall be amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS

Section 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 Partnership), 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 Agreement of Exempted Limited Partnership, as it may be further amended, supplemented, restated or otherwise modified from time to time.

"Alternative Investment Vehicle" has the meaning set forth in the MB Asia Partnership Agreement.

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

“ *Associates* ” means MB Asia Real Estate Associates L.P., a Cayman Islands exempted limited partnership and the general partner of MB Asia.

“*Associates Partnership Agreement* ” means the Amended and Restated Agreement of Exempted Limited Partnership, 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 “BFIP,” “BFREP,” “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 the collective reference to (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 V* " is the collective reference to (i) Blackstone Capital Partners V 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.

"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 General Partner (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 (Cayman II) V - NQ L.P., Blackstone Family Investment Partnership VI L.P., Blackstone Family Investment Partnership VI-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 V or BCP VI or any other fund with substantially similar investment objectives to BCP V or BCP VI and that are sponsored or managed by an Affiliate of the General Partner (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 General Partner (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 General Partner (which includes serving as general partner of such funds).

" *Blackstone* " means collectively, The Blackstone Group L.P., a Delaware limited partnership, and any Affiliate thereof (excluding any natural persons and any portfolio companies of any Blackstone-sponsored fund).

" *Blackstone Collateral Entity* " means any limited partnership, limited liability company or other entity named or referred to in the definition of any of "BFIP," "BFREP," "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, Blackstone Real Estate Special Situations Fund II.1 L.P., a Delaware limited partnership, and Blackstone Real Estate Special Situations Fund II.2 L.P., a Delaware limited partnership, and (ii) any alternative vehicles of or parallel funds formed in connection with, any of the limited partnerships referred to in clause (i) above.

" *Capital Commitment Associates Partner Interest* " means the interest of the Partnership, if any, as the general partner of Associates with respect to any Capital Commitment MB Asia Interest that may be held by Associates.

" *Capital Commitment Capital Account* " means, with respect to each Capital Commitment Investment for each Partner, the account maintained for such Partner to which are credited such Partner's contributions to the Partnership with respect to such Capital Commitment Investment and any net income allocated to such Partner 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 Partner and any net losses allocated to such Partner 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 Partners 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 Partnership with respect to such Capital Commitment Investment solely in respect of the Capital Commitment MB Asia Interest, if any, less any costs, fees and expenses of the Partnership with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership that are anticipated with respect thereto, in each case which the General Partner 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 Partner in a specific Capital Commitment Investment as provided herein.

“ *Capital Commitment Investment* ” means any Capital Commitment MB Asia 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 Partnership, the related Capital Commitment Capital Account of a Partner (less amounts reserved in accordance with Section 9.3) as of the close of business on the effective date of dissolution.

“ *Capital Commitment MB Asia Commitment* ” means the Capital Commitment (as defined in the MB Asia Partnership Agreement), if any, of Associates to MB Asia that relates solely to the Capital Commitment MB Asia Interest, if any, subject to Section 2.1.

“ *Capital Commitment MB Asia Interest* ” means the Interest (as defined in the MB Asia Partnership Agreement), if any, held by Associates as a “capital interest” in MB Asia, subject to Section 2.1.

“ *Capital Commitment MB Asia Investment* ” means the Partnership’s interest in a specific investment of MB Asia held by the Partnership through the Partnership’s interest in Associates and Associates’ Capital Commitment MB Asia Interest; provided that such term does not include any direct investment by the Partnership or Associates on a side-by-side basis in any MB Asia investment or any GP-Related Investment.

“ *Capital Commitment Net Income (Loss)* ” with respect to each Capital Commitment Investment means all amounts of income received by the Partnership 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 Partnership allocated thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership anticipated to be allocated thereto; provided , that any income received in respect of the Capital Commitment MB Asia Interest that is unrelated to any Capital Commitment Investment (as determined by the General Partner in its sole discretion) shall be allocated to the Partners in accordance with their Capital Commitment Profit Sharing Percentages.

" *Capital Commitment Partner Carried Interest* " means, with respect to any Partner, the aggregate amount of distributions or payments received by such Partner (in any capacity) from Affiliates of the Partnership in respect of or relating to "carried interest", including the amount of any bonuses received by a Partner as an employee of an Affiliate of the Partnership that relate to the amount of "carried interest" received by an Affiliate of the Partnership. " *Capital Commitment Partner Carried Interest* " includes any amount initially received by an Affiliate of the Partnership from any fund (including MB Asia, any similar funds formed prior to or after the date hereof, and any other private equity merchant banking, real estate or debt 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 Partner Interest* " means a Partner's exempted limited partnership interest in the Partnership with respect to the Partnership's interest in Associates and Associates' Capital Commitment MB Asia Interest.

" *Capital Commitment Profit Sharing Percentage* " with respect to each Capital Commitment Investment means the percentage interest of a Partner in Capital Commitment Net Income (Loss) from such Capital Commitment Investment set forth in the books and records of the Partnership.

" *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 Partner, means such Partner's commitment to the Partnership relating to such Partner's Capital Commitment Partner Interest, as set forth in the books and records of the Partnership, including, without limitation, any such commitment that may be set forth in such Partner'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 Distributions," as defined in the MB Asia Partnership Agreement, and (ii) any other carried interest distribution to a Fund

GP pursuant to any MB Asia Agreement. In the case of each of (i) and (ii) above, except as determined by the General Partner, the amount shall not be less any costs, fees and expenses of the Partnership with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership that are anticipated with respect thereto (in each case which the General Partner may allocate among 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 Partner or Withdrawn Partner, subject to Section 5.8(e), the percentage determined by dividing (A) the aggregate amount of distributions received by such Partner or Withdrawn Partner from the Partnership or any Other Fund GPs in respect of Carried Interest by (B) the aggregate amount of distributions made to all Partners, Withdrawn Partners or any other person by the Partnership or any Other Fund GP in respect of Carried Interest. For purposes of determining "Carried Interest Give Back Percentage" hereunder, all Trust Amounts contributed to the Trust by the Partnership or any Other Fund GPs on behalf of a Partner or Withdrawn Partner (but not the Trust Income thereon) shall be deemed to have been initially distributed or paid to the Partners and Withdrawn Partners as partners, members or other equity owners of the Partnership or any of the Other Fund GPs.

" *Carried Interest Sharing Percentage* " means, with respect to each GP-Related Investment, the percentage interest of a Partner in Carried Interest from such GP-Related Investment set forth in the books and records of the Partnership.

" *Cause* " means the occurrence or existence of any of the following with respect to any Partner, as determined fairly, reasonably, on an informed basis and in good faith by the General Partner: (i) (w) any breach by any Partner of any provision of any non-competition agreement, (x) any material breach of this Agreement or any rules or regulations applicable to such Partner that are established by the General Partner, (y) such Partner's deliberate failure to perform his or her duties to the Partnership or any of its Affiliates, or (z) such Partner's committing to or engaging in any conduct or behavior that is or may be harmful to the Partnership or any of its Affiliates in a material way as determined by the General Partner; provided , that in the case of any of the foregoing clauses (w), (x), (y) and (z), the General Partner has given such Partner written notice (a " *Notice of Breach* ") within fifteen days after the General Partner becomes aware of such action and such Partner fails to cure such breach, failure to perform or conduct or behavior within fifteen days after receipt of such Notice of Breach from the General Partner (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure, provided that such Partner is diligently pursuing such cure); (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Partnership 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 Partner 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 Partner's ability to function as a Partner of the Partnership, taking into account the services required of such Partner and the nature of the business of the Partnership and its Affiliates or (B) the business of the Partnership and its Affiliates.

" *Cayman GP* " has the meaning set forth in the preamble.

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

" *Clawback Amount* " means the "Clawback Amount" and the "Interim Clawback Amount," both as set forth in Article One of the MB Asia Partnership Agreement, and any other clawback amount payable to the limited partners of MB Asia pursuant to any MB Asia Agreement, as applicable.

" *Clawback Provisions* " means paragraphs 4.2.10 and 9.2.7 of the MB Asia Partnership Agreement and any other similar provisions in any other MB Asia Agreement existing heretofore or hereafter entered into.

" *Code* " means the U.S. 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 Partnership or an Affiliate thereof and the Partners, pursuant to which each Partner undertakes certain obligations, including the obligation to make capital contributions pursuant to Sections 4.1 and/or 7.1. The Commitment Agreements are hereby incorporated by reference as between the Partnership and the relevant Partner.

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

"Covered Person" has the meaning set forth in Section 3.6(a).

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

“ *Delaware GP* ” has the meaning set forth in the preamble.

“ *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.

“ *Disabling Event* ” means (a) the Withdrawal of a General Partner, other than in accordance with Section 6.4(a), or (b) a General Partner (i) makes an assignment for the benefit of its creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent or has entered against it an order for relief in any bankruptcy or insolvency proceeding, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in a proceeding described in clause (iv), or (v) seeks, consents to, or acquiesces in, the appointment of a trustee, receiver or liquidator of the General Partner or of all or substantially all of its properties.

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

“ *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 Partner” means any Partner who is neither a Retaining Withdrawn Partner nor a Deceased Partner.

“ *Final Event* ” means the death, Total Disability, Incompetence, Bankruptcy, liquidation, dissolution or Withdrawal from the Partnership of any person who is a Partner in accordance with the Partnership Act.

“ *Firm Advances* ” has the meaning set forth in Section 7.1(b).

“ *Firm Collateral* ” means a Partner’s or Withdrawn Partner’s interest in one or more partnerships or limited liability companies, in either case affiliated with the Partnership, and certain other assets of such Partner or Withdrawn Partner, 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 Partner or Withdrawn Partner as more fully described in the books and records of the Partnership; 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.

“ *Fiscal Year* ” means a calendar year, or any other period chosen by the General Partner.

“ *Fund GP* ” means the Partnership (only with respect to the GP-Related MB Asia Interest) and the Other Fund GPs.

“ *GAAP* ” means U.S. generally accepted accounting principles.

“ *General Partner* ” or “ *General Partners* ” means the collective reference to (i) the Cayman GP, (ii) the Delaware GP and (iii) any person admitted to the Partnership as an additional or substitute general partner of the Partnership in accordance with the provisions of this Agreement (until such time as such person ceases to be a general partner of the Partnership as provided herein or in the Partnership Act), subject to the provisions of Section 3.4.

“ *Giveback Amount* ” means an “Investment Specific Giveback Amount,” as such term is defined in the MB Asia Partnership Agreement.

“ *GP-Related Associates Partner Interest* ” means the interest of the Partnership as the general partner of Associates with respect to the GP-Related MB Asia Interest, excluding any Capital Commitment MB Asia Interest that may be held by Associates.

“ *Giveback Provisions* ” means paragraph 3.4.3 of the MB Asia Partnership Agreement and any other similar provisions in any other MB Asia Agreement existing heretofore or hereafter entered into.

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

“ *GP-Related Capital Contributions* ” means capital contributions to the Partnership as are necessary to fund the amounts required to satisfy the Partnership’s obligations as the general partner of MB Asia to make capital contributions to MB Asia in respect of the GP-Related MB Asia Interest, as determined by the General Partner from time to time.

“ *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 Partner, means such Partner’s commitment to the Partnership relating to such Partner’s GP-Related Partner Interest, as set forth in the books and records of the Partnership, including, without limitation, any such commitment that may be set forth in such Partner’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)(i).

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

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

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

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

“ *GP-Related Partner Interest* ” of a Partner means all exempted limited partnership interests of such Partner in the Partnership (other than such Partner’s Capital Commitment Partner Interest), including, without limitation, such Partner’s exempted limited partnership interest in the Partnership with respect to the GP-Related MB Asia Interest and with respect to all GP-Related Investments.

“ *GP-Related Profit Sharing Percentage* ” means the “Carried Interest Sharing Percentage” and “Non-Carried Interest Sharing Percentage” of each Partner; provided that any references in this Agreement to GP-Related Profit Sharing Percentages made (i) in connection with voting or voting rights or (ii) GP-Related Capital Contributions with respect to GP-Related Investments (including Section 5.3(b)) means the “Non-Carried Interest Sharing Percentage” of each Partner; 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 MB Asia Investment as of any date means the GP-Related Net Income (Loss) that would be realized by the Partnership with respect to such GP-Related MB Asia Investment if MB Asia’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 MB Asia to the Partnership (indirectly through the general partner of MB Asia) pursuant to any MB Asia Agreement with respect to such GP-Related MB Asia Investment were made on such date. "GP-Related Unrealized Net Income (Loss)" attributable to any other GP-Related Investment (other than any Capital Commitment Investment) as of any date means the GP-Related Net Income (Loss) that would be realized by the Partnership 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 IV L.P., a *societé en commandite* organized in Québec.

" *Incompetence* " means, with respect to any Partner, the determination by the General Partner in its sole discretion, after consultation with a qualified medical doctor, that such Partner is incompetent to manage his or her person or his or her property.

" *Initial Holdback Percentages* " has the meaning set forth in Section 4.1(d).

" *Initial Limited Partner* " means David Marshall.

" *Interest* " means a Partner's exempted limited partnership interest in the Partnership, including those that are held by a Retaining Withdrawn Partner, and including any Partner's GP-Related Partner Interest and Capital Commitment Partner Interest.

" *Investment* " means any investment (direct or indirect) of the Partnership designated by the General Partner from time to time as an investment in which the Partners' respective interests shall be established and accounted for on a basis separate from the Partnership's other businesses, activities and investments, including (a) GP-Related Investments, and (b) Capital Commitment Investments.

" *Investor Limited Partner* " means any Limited Partner so designated at the time of its admission as a partner of the Partnership.

“ *Investor Note* ” means a promissory note of a Partner evidencing indebtedness incurred by such Partner to purchase a Capital Commitment Interest, the terms of which were or are approved by the General Partner and which is secured by such Capital Commitment Interest, all other Capital Commitment Interests of such Partner and all other interests of such Partner in Blackstone Collateral Entities; provided , that such promissory note may also evidence indebtedness relating to other interests of such Partner 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.

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

“ *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 Partnership that makes or guarantees loans to enable a Partner to acquire Capital Commitment Interests or other interests in Blackstone Collateral Entities.

“ *Limited Partner* ” means any of the persons who is shown on the books and records of the Partnership as a Limited Partner of the Partnership, including any Special Limited Partner, any Investor Limited Partner and any Nonvoting Limited Partner.

“ *Liquidator* ” has the meaning set forth in Section 6.6.

“ *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 Partners* ” on any date (a “ *vote date* ”) means one or more persons who are Partners (including the General Partner and the Special Limited Partners but excluding Nonvoting Limited Partners) 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 General Partner as of which the Partners’ 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 Partners (including the General Partner and the Special Limited Partners but excluding Nonvoting Limited Partners) on the vote date.

“ *MBAREA Subsidiary* ” has the meaning set forth in Section 3.4(c)(iii).

“ *MBAREA Subsidiary Governing Agreement* ” has the meaning set forth in Section 3.4(c)(iii).

“ *MB Asia* ” is the collective reference to (i) MB Asia Real Estate Fund (U.S.T.) L.P., a Delaware limited partnership, (ii) MB Asia Real Estate Fund (T.E.) L.P., a Cayman Islands exempted limited partnership, (iii) MB Asia Real Estate Feeder (Scot) L.P., a Scottish limited partnership, (iv) MB Asia Real Estate Fund L.P., a Cayman Islands exempted limited partnership, and (v) any Alternative Investment Vehicle relating thereto and any parallel fund.

“ *MB Asia Agreements* ” is the collective reference to the MB Asia Partnership Agreement and any governing agreement of any of the entities referred to in clauses (ii), (iii), (iv) or (v) of the definition of “MB Asia.”

“ *MB Asia Partnership Agreement* ” means the Fourth Amended and Restated Agreement of Exempted Limited Partnership of MB Asia Real Estate Fund (T.E.) L.P., dated the date set forth therein, as it may be amended, supplemented, restated or otherwise modified from time to time.

“ *Moody’s* ” means Moody’s Investors Service, 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 (including any GP-Related MB Asia Investment), all amounts of distributions, other than Carried Interest (and other than Capital Commitment Distributions) received by the Partnership with respect to such GP-Related Investment (including any GP-Related MB Asia Investment), less any costs, fees and expenses of the Partnership with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership that are anticipated with respect thereto, in each case which the General Partner may allocate to all or any portion of the GP-Related Investments (including any GP-Related MB Asia Investment) as it may determine in good faith is appropriate.

“ *Non-Carried Interest Sharing Percentage* ” means, with respect to each GP-Related Investment (including GP-Related MB Asia Investments), the percentage interest of a Partner in Non-Carried Interest from such GP-Related Investment (including GP-Related MB Asia Investments) set forth in the books and records of the Partnership.

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

" *Nonvoting Limited Partner* " has the meaning set forth in Section 6.1(a).

" *Original Agreement* " has the meaning set forth in the recitals.

" *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 "BFIP," "BFREP," "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 the Delaware GP (only with respect to the Delaware GP's GP-Related MB Asia Partner Interest in the Partnership) and any other entity (other than the Partnership) through which any Partner, Withdrawn Partner or any other person 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 Partner or of any member or partner of any Other Fund GP shall be considered an "Other Fund GP" for purposes hereof.

" *Other Sources* " means (i) distributions or payments of Capital Commitment Partner Carried Interest (which shall include amounts of Capital Commitment Partner Carried Interest which are not distributed or paid to a Limited Partner 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 Partnership) to such Limited Partner.

" *Partner* " means any person who is a partner of the Partnership, whether a General Partner or a Limited Partner in whatsoever Partner Category.

" *Partner Category* " means the Existing Partners, Retaining Withdrawn Partners or Deceased Partners, each referred to as a group for purposes hereof.

" *Partnership* " means MB Asia REA L.P., an exempted limited partnership registered in the Cayman Islands.

" *Partnership Act* " means the Exempted Limited Partnership Law (2010 Revision) of the Cayman Islands, as it may be amended from time to time, and any successor to such statute.

" *Pledgable Blackstone Interests* " has the meaning set forth in Section 4.1(d).

" *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 General Partner as a "Qualifying Fund."

" *Repurchase Period* " has the meaning set forth in Section 5.8(c).

" *Required Rating* " has the meaning set forth in Section 4.1(d).

" *Retained Portion* " has the meaning set forth in Section 7.6(a).

" *Retaining Withdrawn Partner* " means a Withdrawn Partner who has retained a GP-Related Partner Interest, pursuant to Section 6.5 (f) or otherwise.

" *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 Partnership and/or one or more of its Affiliates and certain of the Partners, pursuant to which each such Partner undertakes certain obligations with respect to the Partnership and/or its Affiliates. The SMD Agreements are hereby incorporated by reference as between the Partnership and the relevant Partner.

" *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 Partner's or Withdrawn Partner's Holdback obligation (excluding any Excess Holdback) as more fully described in the books and records of the Partnership.

" *Special Firm Collateral Realization* " has the meaning set forth in Section 4.1(d)(viii)(B).

" *Special Limited Partner* " means any of the persons shown in the books and records of the Partnership as a Special Limited Partner and any person admitted to the Partnership as an additional Special Limited Partner in accordance with the provisions of this Agreement.

" *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 Partner* " 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.

“ *Tax Matters Partner* ” has the meaning set forth in Section 6.7(b).

“ *TM* ” has the meaning set forth in Section 10.2.

“ *Total Disability* ” means the inability of a Limited Partner substantially to perform the services required of such Limited Partner (in its capacity as such or in any other capacity with respect to any Affiliate of the Partnership) 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.

“ *Transfer* ” has the meaning set forth in Section 8.2.

“ *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 Partners, 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 Distributions* ” has the meaning set forth in Section 5.8(e).

“ *Unallocated Capital Commitment Interests* ” has the meaning set forth in Section 8.1(f).

“ *U.S* .” means the United States of America.

“ *Withdraw* ” or “ *Withdrawal* ” with respect to a Partner means a Partner ceasing to be a partner of the Partnership (except as a Retaining Withdrawn Partner) 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 Partner means, as aforesaid, a Partner who has ceased to be a partner of the Partnership.

“ *Withdrawal Date* ” means the date of the Withdrawal from the Partnership of a Withdrawn Partner.

“ *Withdrawn Partner* ” means a Limited Partner whose GP-Related Partner Interest or Capital Commitment Partner Interest in the Partnership 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 Partner.

“ *W-8BEN* ” has the meaning set forth in Section 3.8.

“ *W-8IMY* ” has the meaning set forth in Section 3.8.

“ *W-9* ” has the meaning set forth in Section 3.8.

Section 1.2. <u>Terms Generally</u> . 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

Section 2.1. <u>General Partner and Limited Partners</u> . The Partners may be General Partners or Limited Partners. The General Partners as of the date hereof are the Cayman GP and the Delaware GP. The Limited Partners shall be as shown on the books and records of the Partnership which shall be maintained in accordance with the Partnership Act. The books and records of the Partnership contain the GP-Related Profit Sharing Percentage and GP-Related Commitment of each Partner (including, without limitation, the Delaware GP) with respect to the GP-Related Investments of the Partnership as of the date hereof. The books and records of the Partnership contain the Capital Commitment Profit Sharing Percentage and Capital Commitment-Related Commitment of each Partner (including, without limitation, the Delaware GP) with respect to the Capital Commitment Investments of the Partnership as of the date hereof. The books and records of the Partnership shall be amended by the General Partner from time to time, in accordance with the Partnership Act, to reflect additional GP-Related Investments, additional Capital Commitment Investments, dispositions by the Partnership of GP-Related Investments, dispositions by the Partnership of Capital Commitment Investments, the GP-Related Profit Sharing Percentages of the Partners (including, without limitation, the Delaware GP) as modified from time to time, the Capital Commitment Profit Sharing Percentages of the Partners (including, without limitation, the Delaware GP) as modified from time to time, the admission of additional Partners, the Withdrawal of Partners, the transfer or assignment of interests in the Partnership pursuant to the terms of this Agreement and any other matters required by the Partnership Act. At the time of admission of each additional Partner, the General Partner shall determine in its sole discretion the GP-Related Investments and Capital Commitment Investments in which such Partner shall participate and such Partner'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 Partner may have a GP-Related Partner Interest and/or a Capital Commitment Partner Interest; provided that the parties acknowledge that, pursuant to the terms of the Associates Partnership Agreement as in effect as of the date hereof, (i) initially, Associates shall have no Capital Commitment MB Asia Interest, and (ii) if, at any time, Associates shall acquire any Capital Commitment MB Asia Interest, the Partnership shall not have any interest in Associates with respect to such Capital Commitment MB Asia Interest and any such interest in Associates with respect to such Capital Commitment MB Asia Interest shall be held solely by the Designated Special Limited Partner (as such term is defined in the Associates Partnership Agreement).

Section 2.2. Formation; Name . The Partnership was formed by the Original Agreement and registered as an exempted limited partnership, pursuant to the Partnership Act and is hereby continued as an exempted limited partnership pursuant to the Partnership Act and shall conduct its activities under the name of MB Asia REA L.P. The General Partners shall have the power to change the name of the Partnership at any time, and shall thereupon file the requisite notice pursuant to the Partnership Act. The General Partner is further authorized to execute and deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Partnership to qualify to do business in a jurisdiction in which the Partnership may wish to conduct business.

Section 2.3. Term . The term of the Partnership shall continue until December 31, 2060, unless earlier wound up, dissolved and terminated in accordance with this Agreement and the Partnership Act.

Section 2.4. Purpose; Powers . (a) The purpose of the Partnership shall be, directly or indirectly through subsidiaries or Affiliates, subject to the Partnership Act,

(i) to serve as a general partner of Associates and perform the functions of a general partner of Associates specified in the Associates Partnership Agreement, and to invest in GP-Related Investments and other Investments and acquire and invest in Securities (directly or indirectly through Associates);

(ii) to make Blackstone's Capital Commitment (as defined in the MB Asia Agreements) or a portion thereof, directly or indirectly through Associates, and, subject to the last sentence of Section 2.1, to invest in Capital Commitment Investments;

(iii) to serve as a general or limited partner, member, shareholder or other equity interest owner of any Other Fund GP and perform the functions of a general or limited partner, member, shareholder or other equity interest owner specified in any such Fund GP's respective partnership agreement, limited liability company agreement, charter or other governing documents, as amended, supplemented, restated or otherwise modified from time to time;

(iv) (A) to serve as a general or limited partner of any other partnership and perform the functions of a general or limited partner specified in any such partnership's respective partnership agreement, as amended, supplemented, restated or otherwise modified from time to time, and (B) to serve as a member, shareholder or other equity interest owner of limited liability companies, other companies, corporations or other entities and perform the functions of a member, shareholder or other equity interest owner specified in the respective limited liability company agreement, charter or other governing documents, as amended, supplemented, restated or otherwise modified from time to time, of any such limited liability company, company, corporation or other entity;

(v) to carry on such other businesses, perform such other services and make such other investments as are deemed desirable by the General Partner and as are permitted under the Partnership Act, the Associates Partnership Agreement, the MB Asia Agreements, and any applicable partnership agreement, limited liability company agreement, charter or other governing document referred to in clause (iii) or (iv) above, in each case as the same may be amended, supplemented, restated or otherwise modified from time to time;

(vi) any other lawful purpose; and

(vii) to do all things necessary, desirable, convenient or incidental thereto.

(b) In furtherance of its purposes, the Partnership 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, *provided* , that the Partnership shall not undertake business with the public in the Cayman Islands other than so far as may be necessary for the carrying on of business exterior to the Cayman Islands:

(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 General Partner in the conduct of the Partnership'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 Partnership 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 Partnership;

(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 Partnership, 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 Cayman Islands, 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 or 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

Partnership, 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 Partners cash or investments or other property of the Partnership, 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 Cayman Islands and other applicable law.

Section 2.5. Registered Office; Place of Business . The Partnership shall maintain a registered office at c/o Walkers Corporate Services Limited, Walker House, 87 Mary Street, Georgetown, Grand Cayman KY1-9005, Cayman Islands, or at such other place or places as may from time to time be designated by the General Partner.

Section 2.6. Withdrawal of Initial Limited Partner . Upon the admission of one or more Limited Partners to the Partnership, the Initial Limited Partner shall (a) receive a return of any capital contribution made by him to the Partnership, (b) Withdraw as the Initial Limited Partner of the Partnership, and (c) have no further right, interest or obligation of any kind whatsoever as a Partner in the Partnership.

ARTICLE III

MANAGEMENT

Section 3.1. General Partners . The Cayman GP and the Delaware GP shall be the “General Partners,” subject to Section 3.4. A General Partner may not be removed without its consent. The management, conduct and control of the business and affairs of the Partnership shall be vested in the General Partners as provided in Section 3.4.

Section 3.2. Limitations on Limited Partners . Except as may be expressly required or permitted by the Partnership Act, Limited Partners as such shall have no right to, and shall not, take part in the management, conduct or control of the Partnership’s business or act for or bind the Partnership, and shall have only the rights and powers granted to Limited Partners herein or in the Partnership Act.

Section 3.3. Partner Voting .

(a) To the extent a Partner is entitled to vote with respect to any matter relating to the Partnership, such Partner 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 Partner (or any Affiliate thereof) in such matter.

(b) Meetings of the Partners may be called only by the General Partner.

Section 3.4. Management . (a) The management, conduct, control and operation of the Partnership and the formulation and execution of business and investment policy shall be vested in the General Partners; provided that, except as otherwise required by applicable law, (i) the Cayman GP shall have exclusive power, authority, management, control and operation with respect to the voting of securities of portfolio companies of MB Asia and/or the Partnership, (ii) the Delaware GP shall have exclusive power, authority, management, control and operation with respect to all matters of any kind except the voting of securities of portfolio companies of MB Asia and/or the Partnership, and (iii) each reference to the "General Partner" in this Agreement means the Delaware GP, unless such reference relates to the voting of securities of portfolio companies of MB Asia and/or Associates and/or the Partnership, in which case, such reference means the Cayman GP. Subject to the proviso to the immediately preceding sentence, the General Partners shall, in the General Partners' discretion, exercise all powers necessary and convenient for the purposes of the Partnership, including, without limitation, those enumerated in Section 2.4, on behalf and in the name of the Partnership. All decisions and determinations (howsoever described herein) to be made by the General Partners pursuant to this Agreement shall be made in the General Partners' discretion, subject only to the express terms and conditions of this Agreement.

(b) All outside business or investment activities of the Partners (including outside directorships or trusteeships) shall be subject to such rules and regulations as are established by the General Partner from time to time.

(c) Notwithstanding any provision of this Agreement to the contrary, without the need for any further act, vote or consent of any person, the Partnership is hereby authorized (directly or indirectly through one or more other entities, in the name and on behalf of the Partnership, on its own behalf or in its capacity as general partner of Associates on Associates' own behalf or in Associates' capacity as general partner of MB Asia or as general or limited partner, member or other equity owner of any MBAREA Subsidiary (as hereinafter defined) or in the Partnership's capacity as general or limited partner, member or other equity owner of any MBAREA Subsidiary),

(i) to execute and deliver, and to perform the Partnership's obligations under, the Associates Partnership Agreement, including, without limitation, serving as a general partner of Associates,

(ii) to execute and deliver, and to cause Associates to perform Associates' obligations under, the MB Asia Agreements, including, without limitation, serving as a general partner of MB Asia, and, in the Partnership's capacity as a general partner of Associates, causing Associates to serve as a general partner of MB Asia,

(iii) to execute and deliver, and to perform the Partnership's obligations under, or to cause Associates to perform Associates' obligations under, the respective partnership agreement, limited liability company agreement, charter or other governing documents, as amended, supplemented, restated or otherwise modified (each an " MBAREA Subsidiary Governing Agreement "), of any other partnership, limited liability company, other company, corporation or other entity (each an " MBAREA Subsidiary ") of which the Partnership or Associates is, or is to become, a general or limited partner, member, shareholder or other equity interest owner, including, without limitation, serving as a general or limited partner, member, shareholder or other equity interest owner of each MBAREA Subsidiary, and

(d) (iv) to take any action, as general partner or in any other applicable capacity, contemplated by or arising out of this Agreement, the Associates Partnership Agreement, the MB Asia Agreements or any MBAREA Subsidiary Governing Agreement (and any amendment, restatement and/or supplement of any of the foregoing).

(e) The General Partner and any other person designated by the General Partner, each acting individually, is hereby authorized and empowered, as an authorized representative of the Partnership or of either or both of the General Partners or as an authorized person of the Delaware GP (within the meaning of the Delaware Limited Liability Company Act, 6 Del. C. §§ 18-101 *et seq.*, as amended, or otherwise) (the General Partners hereby authorizing and ratifying any of the following actions):

(i) to prepare or cause to be prepared and 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 Partnership, on its own behalf, or in its capacity as general partner of Associates on Associates' own behalf or in Associates' capacity as general partner of MB Asia or general or limited partner, member, shareholder or other equity interest owner of any MBAREA Subsidiary or in the Partnership's capacity as general or limited partner, member, shareholder or other equity interest owner of any MBAREA Subsidiary) any of the following:

(A) any agreement, certificate, instrument or other document of the Partnership, Associates, MB Asia or any MBAREA Subsidiary (and any amendments, restatements and/or supplements thereof), including, without limitation, the following: (I) the MB Asia Agreements, the Associates Partnership Agreement and each MBAREA Subsidiary Governing Agreement, (II) subscription agreements and documents on behalf of MB Asia and/or the Partnership, (III) side letters issued in connection with investments in MB Asia by limited partners thereof, and (IV) such other agreements, instruments, certificates and other documents as may be necessary or desirable in furtherance of the Partnership's, Associates', MB Asia's or any MBAREA Subsidiary's purposes (and any amendments, restatements and/or supplements of any of the foregoing referred to in (I) through (IV) hereof);

(B) all formation and/or organizational documents of MB Asia, Associates, the Partnership or any MBAREA Subsidiary (and any amendments, restatements and/or supplements thereof); and

(C) any other certificates, notices, applications and other documents (and any amendments, restatements and/or supplements thereof) to be filed with any government or governmental or regulatory body, including, without limitation, any such document that may be necessary for the Partnership, Associates, MB

Asia or any MBAREA Subsidiary to qualify to do business in a jurisdiction in which the Partnership, Associates, MB Asia or any MBAREA Subsidiary 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 Partnership, on its own behalf, or in its capacity as general partner of Associates on Associates' own behalf or in Associates' capacity as general partner of MB Asia or general or limited partner, member, shareholder or other equity interest owner of any MBAREA Subsidiary or in the Partnership's capacity as general or limited partner, member, shareholder or other equity interest owner of any MBAREA Subsidiary) any of the following:

(A) any certificates, forms, notices, applications and other documents to be filed with any government or governmental or regulatory body on behalf of the Partnership, Associates, MB Asia and/or any MBAREA Subsidiary,

(B) any certificates, forms, notices, applications and other documents that may be necessary or advisable in connection with any bank account of the Partnership, Associates, MB Asia or any MBAREA Subsidiary or any banking facilities or services that may be utilized by the Partnership, Associates, MB Asia or any MBAREA Subsidiary, and all checks, notes, drafts and other documents of the Partnership, Associates, MB Asia or any MBAREA Subsidiary that may be required in connection with any such bank account, banking facilities or services, and

(C) resolutions with respect to any of the foregoing matters (which resolutions, when executed by any person authorized as provided in this Section 3.4(e), each acting individually, shall be deemed to have been duly adopted by the General Partner, the Partnership, Associates, MB Asia or any MBAREA Subsidiary, as applicable, for all purposes).

The authority granted to any person (other than the General Partner) in this Section 3.4(e) may be revoked at any time by the General Partner by an instrument in writing signed by the General Partner.

Section 3.5. Responsibilities of Partners .

(a) Unless otherwise determined by the General Partner in a particular case, each Special Limited Partner shall devote substantially all his time and attention to the businesses of the Partnership and its Affiliates.

(b) All outside business or investment activities of the Partners (including outside directorships or trusteeships), shall be subject to such rules and regulations as are established by the General Partner from time to time.

(c) The General Partner may from time to time establish such other rules and regulations applicable to Partners or other employees as the General Partner deems appropriate, including rules governing the authority of Partners or other employees to bind the Partnership to financial commitments or other obligations.

Section 3.6. Exculpation and Indemnification .

(a) Liability to Partners . Notwithstanding any other provision of this Agreement, whether express or implied, to the fullest extent permitted by law, no Partner nor any of such Partner's representatives, agents or advisors nor any partner, member, officer, employee, representative, agent or advisor of the Partnership or any of its Affiliates (individually, a " *Covered Person* " and collectively, the " *Covered Persons* ") shall be liable to the Partnership or any other Partner for any act or omission (in relation to the Partnership, 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 Partnership 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 Partnership, 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 Partner or the Partnership. To the extent that, at law or in equity, a Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to another Partner, to the fullest extent permitted by law, such Partner acting under this Agreement shall not be liable to the Partnership or to any such other Partner 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 Partner otherwise existing at law or in equity, are agreed by the Partners, to the fullest extent permitted by law, to modify to that extent such other duties and liabilities of such Partner.

(b) Indemnification . (i) To the fullest extent permitted by law, the Partnership shall indemnify and hold harmless (but only to the extent of the Partnership's assets (including, without limitation, the remaining GP-Related Commitments and Capital Commitment - Related Commitments of the Partners) 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, for purposes of this Section 3.6, " *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 Partnership or which relate to or arise out of or in connection with the Partnership, 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 Partnership 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 Partner or a Withdrawn Partner, such Covered Person shall bear its share of such Losses in accordance with such Covered Person's GP-Related Profit Sharing Percentage in the Partnership 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 General Partner) in defending any claim, demand, action, suit or proceeding may, with the approval of the General Partner, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership 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 Partnership and its Affiliates shall have a continuing right of offset against such Covered Person's interests/investments in the Partnership and such Affiliates and shall have the right to withhold amounts otherwise distributable to such Covered Person to satisfy such repayment obligation. If a Partner institutes litigation against a Covered Person which gives rise to an indemnity obligation hereunder, such Partner shall be responsible, up to the amount of such Partner's Interests and remaining GP-Related Commitment and Capital Commitment - Related Commitment, for such Partner's pro rata share of the Partnership's expenses related to such indemnity obligation, as determined by the General Partner. The Partnership may purchase insurance, to the extent available at reasonable cost, to cover losses, claims, damages or liabilities covered by the foregoing indemnification provisions. Partners will not be personally obligated with respect to indemnification pursuant to this Section. The General Partner shall have the authority to enter into separate agreements with any Covered Person in order to give effect to the obligations to indemnify pursuant to this Section 3.6.

(ii) (A) Notwithstanding anything to the contrary herein, for greater certainty it is understood and/or agreed that the Partnership's obligations hereunder are not intended to render the Partnership as a primary indemnitor for purposes of the indemnification, advancement of expenses and related provisions under applicable law governing MB Asia, Associates and/or a particular portfolio entity through which an Investment is indirectly held. It is further understood and/or agreed that a Covered Person shall first seek to be so indemnified and have such expenses advanced in the following order of priority: first , out of proceeds available in respect of applicable insurance policies maintained by the applicable portfolio company and/or MB Asia; second , by the applicable portfolio entity through which such Investment is indirectly held; third , by MB Asia and fourth , by Associates (only to the extent the foregoing sources have been exhausted).

(B) The Partnership's obligation, if any, to indemnify or advance expenses to any Covered Person shall be reduced by any amount that such Covered Person may collect as indemnification or advancement from

Associates, MB Asia and/or the applicable portfolio entity, and to the extent the Partnership (or any Affiliate thereof other than Associates and MB Asia) pays or causes to be paid any amounts that should have been paid by Associates, MB Asia and/or the applicable portfolio entity (including by virtue of any applicable insurance policies maintained thereby), it is agreed among the Partners that the Partnership shall have a subrogation claim against MB Asia and/or such portfolio entity in respect of such advancement or payments. The General Partner and the Partnership shall be specifically empowered to structure any such advancement or payment as a loan or other arrangement as the General Partner may determine necessary or advisable to give effect to or otherwise implement the foregoing.

Section 3.7. Representations of Limited Partners.

(a) Each Limited Partner by execution of this Agreement (or by otherwise becoming bound by the terms and conditions hereof as provided herein or in the Partnership Act) represents and warrants to every other Partner and to the Partnership, except as may be waived by the General Partner, that such Limited Partner is acquiring each of such Limited Partner's Interests for such Limited Partner'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 Limited Partner hereunder; provided , that a Partner may choose to make transfers for estate and charitable planning purposes (in accordance with the terms hereof). Each Limited Partner represents and warrants that such Limited Partner 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 Limited Partner must bear the economic risk of an investment in the Partnership for an indefinite period of time. Each Limited Partner represents that such Limited Partner has such knowledge and experience in financial and business matters that such Limited Partner is capable of evaluating the merits and risks of an investment in the Partnership, and that such Limited Partner is able to bear the economic risk of such investment. Each Limited Partner represents that such Limited Partner's overall commitment to the Partnership and other investments which are not readily marketable is not disproportionate to the Limited Partner's net worth and the Limited Partner has no need for liquidity in the Limited Partner's investment in Interests. Each Limited Partner represents that to the full satisfaction of the Limited Partner, the Limited Partner has been furnished any materials that such Limited Partner has requested relating to the Partnership, any Investment and the offering of Interests and has been afforded the opportunity to ask questions of representatives of the Partnership 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 Limited Partner represents that the Limited Partner has consulted to the extent deemed appropriate by the Limited Partner with the Limited Partner'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 Limited Partner.

(b) Each Partner agrees that the representations and warranties contained in paragraph (a) above shall be true and correct as of any date that such Partner (1) makes a capital contribution to the Partnership (whether as a result of Firm Advances made to such Partner or otherwise) with respect to any Investment, and such Partner 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 Partner hereby agrees that such repayment shall serve as confirmation thereof.

Section 3.8. Tax Representation . Each Limited Partner certifies that (A) if the Limited Partner is a United States person (as defined in the Code) (x) (i) the Limited Partner's name, social security number (or, if applicable, employer identification number) and address provided to the Partnership 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 Limited Partner will complete and return a W-9, and (y) (i) the Limited Partner is a United States person (as defined in the Code) and (ii) the Limited Partner will notify the Partnership within 60 days of a change to foreign (non-United States) status or (B) if the Limited Partner 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 Limited Partner will complete and return the applicable IRS form, including but not limited to a W-8BEN or W-8IMY, and (y) (i) the Limited Partner is not a United States person (as defined in the Code) and (ii) the Limited Partner will notify the Partnership within 60 days of any change of such status. The Limited Partner agrees to properly execute and provide to the Partnership in a timely manner any tax documentation that may be reasonably required by the General Partner.

ARTICLE IV

CAPITAL OF THE PARTNERSHIP

Section 4.1. Capital Contributions by Partners . (a) Each Partner (other than the Cayman GP) shall be required to make GP-Related Capital Contributions to the Partnership at such times and in such amounts (the " *GP-Related Required Amounts* ") as are required to satisfy the Partnership's obligation to make capital contributions to Associates in respect of the GP-Related Associates Partner Interest to fund Associates' capital contributions in respect of any GP-Related MB Asia Investment and as are otherwise determined by the General Partner from time to time or as may be set forth in such Partner's Commitment Agreement or SMD Agreement, if any; pro rata based on each Partner's Carried Interest Sharing Percentages; provided , that additional GP-Related Capital Contributions in excess of the GP-Related Required Amounts shall be made pro rata among the Partners (other than the Cayman GP) based upon each Partner'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 Partnership (including those specifically set forth in Sections 4.1(d) and 5.8(d)) shall be determined by the General Partner. Limited Partners (other than Special Limited Partners) shall not be required to make additional GP-Related Capital Contributions to the Partnership in excess of the GP-Related Required Amounts except (i) as a condition of an increase in such Limited Partner's GP-Related Profit Sharing Percentage, or (ii) as specifically set forth in this Agreement; provided , however , that the General Partner and any Limited Partner (other than a Special Limited Partner) may agree from time to time that such Limited Partner shall make an additional GP-Related Capital Contribution to the Partnership; and provided further that each Investor Limited Partner 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 Partnership related to the GP-Related MB Asia Interest.

(b) The General Partner may elect on a case by case basis to (i) cause the Partnership to loan any Partner (including any additional Partner admitted to the Partnership pursuant to Section 6.1 but excluding any Partners who are also executive officers of Blackstone) the amount of any GP-Related Capital Contribution required to be made by such Partner or (ii) permit any Partner (including any additional Partner admitted to the Partnership pursuant to Section 6.1 but excluding any Partners that are also executive officers of Blackstone) to make a required GP-Related Capital Contribution to the Partnership in installments, in each case on terms determined by the General Partner.

(c) Each GP-Related Capital Contribution by a Partner shall be credited to the appropriate GP-Related Capital Account of such Partner in accordance with Section 5.2, subject to Section 5.12.

(d) (i) The Partners and the Withdrawn Partners may enter into the Trust Agreement, pursuant to which certain amounts of the distributions relating to the 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 General Partner shall determine, as set forth below, the percentage of each distribution of Carried Interest that shall be withheld for any General Partner (including, without limitation, the Delaware GP) and each Partner Category (such withheld percentage constituting a General Partner's and such Partner Category's " *Holdback Percentage* "). The applicable Holdback Percentages initially shall be 0% for any General Partner, 15% for Existing Partners (other than any General Partner), 21% for Retaining Withdrawn Partners (other than any General Partner) and 24% for Deceased Partners (the " *Initial Holdback Percentages* "). Any provision of this Agreement to the contrary notwithstanding, the Holdback Percentage for any General Partner (including, without limitation, the Delaware GP) 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 Partner as compared to the other Partners in his Partner Category (except as provided in clause (iv) below). The General Partner may only reduce the Holdback Percentages among the Partner Categories on a proportionate basis. For example, if the Holdback Percentage for Existing Partners is decreased to 12.5%, the Holdback Percentage for Retaining Withdrawn Partners and Deceased Partners shall be reduced to 17.5% and 20%, respectively. Any reduction in the Holdback Percentage for any Partner 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 Partner as compared to the other Partners in his Partner Category (except as provided in clause (iv) below). The General Partner may not increase the Retaining Withdrawn Partners' Holdback Percentage beyond 21% unless the General Partner concurrently increases the Existing Partners' Holdback Percentage to 21%. The General Partner may not increase the Deceased Partners' Holdback Percentage beyond 24% unless the General Partner increases the Holdback Percentage for both Existing Partners and Retaining Withdrawn Partners to 24%. The General Partner may not increase the Holdback Percentage of any Partner Category beyond 24% unless such increase applies equally to all Partner Categories. Any increase in the Holdback Percentage for any Partner shall apply only to distributions relating to Carried Interest made after the date of such increase. The foregoing shall in no way prevent the General Partner from proportionately increasing the Holdback Percentage of any Partner 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 General Partner reduces the Holdback Percentages for Existing Partners, Retaining Withdrawn Partners and Deceased Partners to 12.5%, 17.5% and 20%, respectively, the General Partner 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 Partnership may increase or decrease the Holdback Percentage for any Partner in any Partner Category (in such capacity, the " *Subject Partner* ") pursuant to a majority vote of the Special Limited Partners and the Delaware GP (a " *Holdback Vote* "); provided , that, notwithstanding anything to the contrary contained herein, the Holdback Percentage applicable to any General Partner shall not be increased or decreased without its prior written consent; provided further , that a Subject Partner's Holdback Percentage shall not be (I) increased prior to such time as such Subject Partner (x) is notified by the Partnership of the decision to increase such Subject Partner's Holdback Percentage and (y) has, if requested by such Subject Partner, been given 30 days to gather and provide information to the Partnership for consideration before a second Holdback Vote (requested by the Subject Partner) or (II) decreased unless such decrease occurs subsequent to an increase in a Subject Partner'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 Partner's Holdback Percentage is less than the prevailing Holdback Percentage for such Subject Partner's Partner Category; provided further , that a Partner shall not vote to increase a Subject Partner's Holdback Percentage unless such voting Partner determines, in such Partner's good faith judgment, that the facts and circumstances indicate that it is reasonably likely that such Subject Partner, or any of such Subject Partner's successors or assigns (including such Subject Partner's estate or heirs) who at the time of such vote holds the GP-Related Partner 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 Partnership meeting. Each of the Special Limited Partners and the Delaware GP shall be entitled to cast one vote with respect to the Holdback Vote regardless of such Partner's interest in the Partnership. Such vote may be cast by any such Partner in person or by proxy.

(C) If the result of the second Holdback Vote is an increase in a Subject Partner's Holdback Percentage, such Subject Partner may submit the decision to an arbitrator, the identity of which is mutually agreed upon by both the Subject Partner and the Partnership; provided , that if the Partnership and the Subject Partner cannot agree upon a mutually satisfactory arbitrator within 10 days of the second Holdback Vote, each of the Partnership and the Subject Partner shall request its 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 Partner that submits the decision of the Partnership pursuant to the second Holdback Vote to arbitration and the Partnership 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 Partner's and the Partnership'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 Partnership and the Subject Partner 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 Partnership, 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 Partner's Partner Category; otherwise, the Subject Partner 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 Partner'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 Partnership shall release and distribute to such Subject Partner 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 Partner (in accordance with such Subject Partner's reduced Holdback Percentage) as though such reduced Holdback Percentage had applied since the increase of the Subject Partner's Holdback Percentage pursuant to a previous Holdback Vote under this clause (iv).

(v) (A) If a Partner's Holdback Percentage exceeds 15% (such percentage in excess of 15% constituting the " *Excess Holdback Percentage* "), such Partner may satisfy the portion of his Holdback obligation in respect of his Excess Holdback Percentage (such portion constituting such Partner's " *Excess Holdback* "), and such Partner (or a Withdrawn Partner with respect to amounts contributed to the Trust Account while he was a Partner), 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 Partner or Withdrawn Partner) satisfying such Partner's or Withdrawn Partner's Excess Holdback obligation, by pledging or otherwise making available to the Partnership, 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 Partner 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 General Partner) to perfect a first priority security interest in, and otherwise assure the ability of the Partnership to realize on (if required), such Firm Collateral; provided , that in the case of entities listed in the books and records of the Partnership, in which Partners/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 Partner or Withdrawn Partner seeking to utilize such Firm Collateral shall grant the Partnership 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 General Partner 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 Partner or Withdrawn Partner 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 books and records of the Partnership 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 Partnership shall, at the request of any Partner or Withdrawn Partner, assist such Partner or Withdrawn Partner in taking such action as is necessary to enable such Partner or Withdrawn Partner 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 Partner's or Withdrawn Partner's Excess Holdback requirement, then up to 100% of the net proceeds otherwise distributable to such Partner or Withdrawn Partner 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 Partner or Withdrawn Partner) 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 Partner or Withdrawn Partner.

(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 Partner's or Withdrawn Partner's Excess

Holdback requirement (including upon a Firm Collateral Realization, if net proceeds therefrom and the remaining Firm Collateral are insufficient to cover any Partner's or Withdrawn Partner's Excess Holdback requirement), the Partnership shall provide notice of the foregoing to such Partner or Withdrawn Partner and such Partner or Withdrawn Partner 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 Partner or Withdrawn Partner defaults upon his obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided , that clause (A) of the first sentence of Section 5.8(d)(ii) shall be deemed inapplicable to a default under this clause (C); provided further , that for purposes of applying Section 5.8(d)(ii) to a default under this clause (C): (I) the term "GP-Related Defaulting Party" where such term appears in such Section 5.8(d)(ii) 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)(ii) shall be construed as the amount due pursuant to this clause (C).

(vi) Any Partner or Withdrawn Partner 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 Partner or Withdrawn Partner) or Firm Collateral, in each case, held in the Trust Account for the benefit of such Partner or Withdrawn Partner or (B) require the Partnership 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 Partner or Withdrawn Partner choosing to furnish an L/C to the Trustee(s) (in such capacity, an " *L/C Partner* ") shall deliver to the Trustee(s) an unconditional and irrevocable L/C from a commercial bank whose (A) 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 (B) 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 Partner 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 MB Asia, the Trustee(s) shall be permitted to drawdown on such L/C if the L/C Partner 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 Partner 10 days prior to drawing on any L/C. The Trustee(s) may (as directed by the Partnership 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 Partner's obligation relating to the Partnership's obligations under the Clawback Provisions or (II) an L/C Partner 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 Partnership, shall return to any L/C Partner his L/C upon (1) the termination of the Trust Account and satisfaction of the Partnership's obligations, if any, in respect of the Clawback Provisions, (2) an L/C Partner 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 Partnership, of all amounts in the Trust Account to the Partners or Withdrawn Partners. If an L/C Partner 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 Partnership, release a portion of the amounts in the Trust Account to the Partners or Withdrawn Partners in the Partner Category of such L/C Partner, the L/C of an L/C Partner 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 Partnership; provided , that in no way shall the general release of any Trust Income cause an L/C Partner to be permitted to reduce the amount of an L/C by any amount.

(vii) (A) Any in-kind distributions by the Partnership relating to Carried Interest shall be made in accordance herewith as though such distributions consisted of cash. The Partnership 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 Partner may pledge with respect to any in-kind distribution the Special Firm Collateral referred to in the applicable category in the books and records of the Partnership; 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 Partner may obtain a release of such excess amount from the Trust Account.

(viii) (A) Any Partner or Withdrawn Partner may satisfy all or any portion of his Holdback (excluding any Excess Holdback), and such Partner or a Withdrawn Partner 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 Partner or Withdrawn Partner) that satisfy such Partner's or Withdrawn Partner'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 Partner or Withdrawn Partner (as more fully set forth below). Any Partner seeking to satisfy such Partner'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 General Partner) 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 Partner's or Withdrawn Partner'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 Partner or Withdrawn Partner 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 Partner or Withdrawn Partner) 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 Partner or Withdrawn Partner. To the extent a Qualifying Fund distributes Securities to a Partner or Withdrawn Partner in connection with a Special Firm Collateral Realization, such Partner or Withdrawn Partner shall be required to promptly fund such Partner's or Withdrawn Partner'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 books and records of the Partnership), if such Partner's or Withdrawn Partner's Special Firm Collateral valued at less than such Partner's Holdback (excluding any Excess Holdback) as provided in the books and records of the Partnership, taking into account other permitted means of satisfying the Holdback hereunder, the Partnership shall provide notice of the foregoing to such Partner or Withdrawn Partner and, within 10 business days of receiving such notice, such Partner or Withdrawn Partner shall contribute cash or additional Special Firm Collateral to the Trust Account in an amount necessary to make up such deficiency. If any such Partner or Withdrawn Partner defaults upon his obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided , that clause (A) of the first sentence of Section 5.8(d)(ii) shall be deemed inapplicable to such default; provided further , that for purposes of applying Section 5.8(d)(ii) to a default under this clause (C): (I) the term "GP-Related Defaulting Party" where such term appears in such Section 5.8(d)(ii) 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)(ii) shall be construed as the amount due pursuant to this clause (C).

(D) Upon a Partner becoming a Withdrawn Partner, at any time thereafter the General Partner may revoke the ability of such Withdrawn Partner 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 Partner'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 Partner or Withdrawn Partner from using any amount of such Partner'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.

Section 4.2. Interest . Interest on the balances of the Partners' capital related to the Partners' GP-Related Partner Interests (excluding capital invested in GP-Related Investments and, if deemed appropriate by the General Partner, capital invested in any other investment of the Partnership) shall be credited to the Partners' 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 General Partner, at rates determined by the General Partner from time to time, and shall be charged as an expense of the Partnership.

Section 4.3. Withdrawals of Capital . The Partners may not withdraw capital related to the Partners' GP-Related Partner Interests from the Partnership 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 General Partner.

ARTICLE V

PARTICIPATION IN PROFITS AND LOSSES

Section 5.1. General Accounting Matters .

(a) GP-Related Net Income (Loss) shall be determined by the General Partner 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 Partnership related to the GP-Related MB Asia 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 Partnership from such activity during such accounting period less (ii) all expenses of the Partnership, 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 Partnership from such GP-Related Investment during such accounting period less (ii) all expenses of the Partnership 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 Partnership from such GP-Related Investment during such accounting period less (ii) the sum of the cost or other basis to the Partnership of such GP-Related Investment and all expenses of the Partnership 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 Partnership for U.S. federal income tax purposes with the following adjustments: (i) any income of the Partnership 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 Partnership 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 Partnership 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 Partnership 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 Partnership employees in respect of "phantom interests" in such GP-Related Investment awarded by the General Partner 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 Partnership and Affiliates of the Partnership shall be allocated among the Partnership and such Affiliates, among various Partnership activities and GP-Related Investments and between accounting periods, in each case as determined by the General Partner. Any adjustments to GP-Related Net Income (Loss) by the General Partner, 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 GAAP; provided, that the General Partner 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 General Partner, an accounting period will terminate and a new accounting period will begin on the admission date of an additional Partner or the Settlement Date of a Withdrawn Partner, 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 General Partner does not elect to terminate an accounting period and begin a new accounting period, then the General Partner may make such adjustments as it deems appropriate to the Partners' 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 Partners' average GP-Related Profit Sharing Percentages during such accounting period; provided, that the GP-Related Profit Sharing Percentages of Partners 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 General Partner 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 General Partner and approved by the Partnership's independent accountants. Such approved determinations, valuations and other accounting matters shall be conclusive and binding on all Partners, all Withdrawn Partners, 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 Partnership or any successor thereto.

Section 5.2. GP-Related Capital Accounts .

(a) There shall be established for each Partner on the books of the Partnership, to the extent and at such times as may be appropriate, one or more capital accounts as the General Partner may deem to be appropriate for purposes of accounting for such Partner's interests in the capital of the Partnership related to the GP-Related MB Asia Interest and the GP-Related Net Income (Loss) of the Partnership (each a " *GP-Related Capital Account* ").

(b) As of the end of each accounting period or, in the case of a contribution to the Partnership by one or more of the Partners in respect of such Partner or Partners' GP-Related Partner Interests or a distribution by the Partnership to one or more of the Partners in respect of such Partner or Partners' GP-Related Partner Interests, at the time of such contribution or distribution, (i) the appropriate GP-Related Capital Accounts of each Partner shall be credited with the following amounts: (A) the amount of cash and the value of any property contributed by such Partner to the capital of the Partnership related to the GP-Related MB Asia Interest during such accounting period, (B) the GP-Related Net Income allocated to such Partner for such accounting period and (C) the interest credited on the balance of such Partner's capital related to such Partner's GP-Related Partner Interest for such accounting period pursuant to Section 4.2; and (ii) the appropriate GP-Related Capital Accounts of each Partner shall be debited with the following amounts: (x) the amount of cash, the principal amount of any subordinated promissory note of the Partnership referred to in Section 6.5 (as such amount is paid) and the value of any property distributed to such Partner during such accounting period in respect of such Partner's GP-Related Partner Interest and (y) the GP-Related Net Loss allocated to such Partner for such accounting period.

Section 5.3. GP-Related Profit Sharing Percentages .

(a) Prior to the beginning of each annual accounting period, the General Partner shall establish the profit sharing percentage (the " *GP-Related Profit Sharing Percentage* ") of each Partner 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 General Partner deems appropriate; provided , however , that (i) the General Partner may elect to establish

GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment acquired by the Partnership 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 General Partner may establish different GP-Related Profit Sharing Percentages for any Partner in different categories of GP-Related Net Income (Loss). In the case of the Withdrawal of a Partner, such former Partner's GP-Related Profit Sharing Percentages shall be allocated by the General Partner to one or more of the remaining Partners as the General Partner shall determine. In the case of the admission of any Partner to the Partnership as an additional Partner, the GP-Related Profit Sharing Percentages of the other Partners shall be reduced by an amount equal to the GP-Related Profit Sharing Percentage allocated to such new Partner pursuant to Section 6.1(b); such reduction of each other Partner's GP-Related Profit Sharing Percentage shall be pro rata based upon such Partner's GP-Related Profit Sharing Percentage as in effect immediately prior to the admission of the new Partner. Notwithstanding the foregoing, the General Partner may also adjust the GP-Related Profit Sharing Percentage of any Partner for any annual accounting period at the end of such annual accounting period in its sole discretion.

(b) The General Partner may elect to allocate to the Partners 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 General Partner within 90 days after the end of such accounting period shall be deemed to be allocated among all the Partners (including the Delaware GP, but excluding the Cayman GP) in the manner determined by the General Partner in its sole discretion.

(c) Unless otherwise determined by the General Partner 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 Partners' 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 General Partner pursuant to Section 5.7. The Cayman GP shall have no GP-Related Profit Sharing Percentage.

Section 5.4. Allocations of GP-Related Net Income (Loss) . (a) Except as provided in Section 5.4(d), GP-Related Net Income of the Partnership for each GP-Related Investment shall be allocated to the GP-Related Capital Accounts related to such GP-Related Investment of all the Partners participating in such GP-Related Investment (including the Delaware GP, but excluding the Cayman GP): 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 Partners, second, to Partners 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 Partners in such earlier years; and third, to the Partners 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 Partnership shall be allocated as follows: (i) GP-Related Net Loss relating to realized losses suffered by MB Asia and allocated (indirectly) to the Partnership with respect to its pro rata share thereof (based on GP-Related Capital Contributions made (indirectly) to MB Asia) shall be allocated to the Partners in accordance with each Partner's Non-Carried Interest Sharing Percentage with respect to the GP-Related Investment giving rise to such loss suffered by MB Asia and (ii) GP-Related Net Loss relating to realized losses suffered by MB Asia and allocated (indirectly) to the Partnership with respect to the Carried Interest shall be allocated in accordance with a Partner's (including a Withdrawn Partner'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 Partners 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 Partners shall remain Partners for purposes of allocating such GP-Related Net Loss with respect to Carried Interest.

(d) To the extent the Partnership has any GP-Related Net Income (Loss) for any accounting period unrelated to MB Asia, 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 General Partner may authorize from time to time advances to Partners (including any additional Partner admitted to the Partnership pursuant to Section 6.1 but excluding any Partners that are also executive officers of Blackstone) against their allocable shares of GP-Related Net Income (Loss).

Section 5.5. Liability of General Partners . General Partners shall have unlimited liability for the satisfaction and discharge of all losses, liabilities and expenses of the Partnership.

Section 5.6. Liability of Limited Partners . Each Limited Partner (including each Special Limited Partner) and former Limited Partner shall be liable for the satisfaction and discharge of all losses, liabilities and expenses of the Partnership allocable to him pursuant to Section 5.4 or 7.3, but only to the extent required by applicable law, subject to the Partnership Act, and except as otherwise provided in the following sentence, in no event shall any Limited Partner (including any Special Limited Partner) or former Limited Partner be obligated to make any additional capital contribution to the Partnership in excess of his aggregate GP-Related Capital Contributions and Capital Commitment-Related Capital Contributions pursuant to

Sections 4.1 and 7.1, or have any liability in excess of such aggregate GP-Related Capital Contributions and Capital Commitment-Related Capital Contributions for the satisfaction and discharge of the losses, liabilities and expenses of the Partnership. In no way does any of the foregoing limit any Partner's obligations under Section 4.1(d) or 5.8(d) or otherwise to make capital contributions as provided hereunder.

Section 5.7. Repurchase Rights, etc . The General Partner may from time to time establish such repurchase rights and/or other requirements with respect to the Partners' GP-Related Partner Interests relating to GP-Related MB Asia Investments as the General Partner may determine. The General Partner shall have authority to (a) withhold any distribution otherwise payable to any Partner until any such repurchase rights have lapsed or any such requirements have been satisfied, (b) pay any distribution to any Partner 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 Partner, (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.

Section 5.8. Distributions . (a) (i) The Partnership shall make distributions of available cash (subject to reserves and other adjustments as provided herein) or other property to Partners with respect to such Partners' GP-Related Partner Interests at such times and in such amounts as are determined by the General Partner. The General Partner 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 Partners 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 Partners in accordance with their respective Carried Interest Sharing Percentages.

(ii) At any time that a sale, exchange, transfer or other disposition by MB Asia of a portion of a GP-Related Investment is being considered by the Partnership (a " *GP-Related Disposable Investment* "), at the election of the General Partner each Partner's GP-Related Partner Interest with respect to such GP-Related Investment shall be vertically divided into two separate GP-Related Partner Interests, a GP-Related Partner Interest attributable to the GP-Related Disposable Investment (a Partner's " *GP-Related Class B Interest* "), and a GP-Related Partner Interest attributable to such GP-Related Investment excluding the GP-Related Disposable Investment (a Partner's " *GP-Related Class A Interest* "). Distributions (including those resulting from a sale, transfer, exchange or other disposition by MB Asia) 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 MB Asia) 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 Partners in the same proportions as the allocations of GP-Related Net Income (Loss) of each such category.

(b) Subject to the Partnership's having sufficient available cash in the reasonable judgment of the General Partner, the Partnership shall make cash distributions to each Partner with respect to each Fiscal Year of the Partnership in an aggregate amount at least equal to the total U.S. federal, New York State and New York City income and other taxes that would be payable by such Partner with respect to all categories of GP-Related Net Income (Loss) allocated to such Partner for such Fiscal Year, the amount of which shall be calculated (i) on the assumption that each Partner is an individual subject to the then prevailing maximum U.S. federal, New York State and New York City income and other tax rates, (ii) taking into account the deductibility of State and local income and other taxes for U.S. federal income tax purposes and (iii) taking into account any differential in applicable rates due to the type and character of GP-Related Net Income (Loss) allocated to such Partner. Notwithstanding the provisions of the foregoing sentence, the General Partner may refrain from making any distribution if, in the reasonable judgment of the General Partner, such distribution is prohibited by the Partnership Act.

(c) The General Partner may provide that the GP-Related Partner Interest of any Partner or employee (including such Partner's or employee's right to distributions and investments of the Partnership related thereto) may be subject to repurchase by the Partnership during such period as the General Partner shall determine (a " *Repurchase Period* "). Any Contingent distributions from GP-Related Investments subject to repurchase rights will be withheld by the Partnership and will be distributed to the recipient thereof (together with interest thereon at rates determined by the General Partner 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 General Partner may elect in an individual case to have the Partnership distribute any Contingent distribution to the applicable recipient thereof irrespective of whether the applicable Repurchase Period has lapsed. If a Partner Withdraws from the Partnership 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 Partnership at a purchase price determined at such time by the General Partner. Unless determined otherwise by the General Partner, the repurchased portion thereof will be allocated among the remaining Partners with interests in such GP-Related Investment in proportion to their respective percentage interests in such GP-Related Investment, or if no other Partner has a percentage interest in such specific GP-Related Investment, to the Delaware GP; provided , that the General Partner may allocate the Withdrawn Partner's share of unrealized investment income from a repurchased GP-Related Investment attributable to the period after the Withdrawn Partner's Withdrawal Date on any basis it may determine, including to existing or new Partners who did not previously have interests in such GP-Related Investment, except that, in any event, each Investor Limited Partner 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 MB Asia a Clawback Amount or a Giveback Amount (other than a Capital Commitment Giveback Amount) and the Partnership is obligated to contribute any such amount to Associates in respect of the Partnership's GP-Related Associates Partner Interest (the amount of any such obligation of the Partnership with respect to such a Giveback Amount being herein called a " *GP-Related Giveback Amount* "), the Partnership shall call for such amounts as are necessary to satisfy such obligations of the Partnership, as determined by the General Partner, in which case each Partner and Withdrawn Partner shall contribute to the Partnership, in cash, when and as called by the Partnership, such an amount of prior distributions by the Partnership (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 Recontribution Amount* ") which equals (I) the product of (a) a Partner's or Withdrawn Partner's Carried Interest Give Back Percentage and (b) the aggregate Clawback Amount payable by the Partnership, in the case of Clawback Amounts, and (II) with respect to a GP-Related Giveback Amount, such Partner's pro rata share of prior distributions of Carried Interest and/or Non-Carried Interest in connection with (a) the GP-Related MB Asia 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 MB Asia Investments other than the one giving rise to such obligation, but only those amounts received by the Partners with an interest in the GP-Related MB Asia Investment referred to in clause (II)(a) above, and (c) if the GP-Related Giveback Amount is unrelated to a specific GP-Related MB Asia Investment, all GP-Related MB Asia Investments. Each Partner and Withdrawn Partner shall promptly contribute to the Partnership, along with satisfying his comparable obligations to the Other Fund GPs, if any, upon such call, such Partner's or Withdrawn Partner's GP-Related Recontribution Amount, less the amount paid out of the Trust Account on behalf of such Partner or Withdrawn Partner by the Trustee(s) pursuant to written instructions from the Partnership, 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 Recontribution Amount* "), irrespective of the fact that the amounts in the Trust Account may be sufficient on an aggregate basis to satisfy the Partnership's and the Other Fund GPs' obligation under the Clawback Provisions and/or Giveback Provisions; provided , that to the extent a Partner's or Withdrawn Partner's share of the amount paid with respect to the Clawback Amount and/or the GP-Related Giveback Amount exceeds his GP-Related Recontribution Amount, such excess shall be repaid to such Partner or Withdrawn Partner as promptly as reasonably practicable, subject to clause (ii) below; provided further , that such written instructions from the Partnership shall specify each Partner's and Withdrawn Partner's GP-Related Recontribution Amount. Prior to such time, the Partnership may, in its discretion (but shall be under no obligation to), provide notice that in the Partnership'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 Partner's Trust Account used to pay any part of any GP-Related Giveback Amount (or such lesser amount as may be required by the General Partner) shall be contributed by such Partner to such Partner's Trust Account no later than 30 days after the Net GP-Related Recontribution Amount is paid with respect to such GP-Related Giveback Amount.

(B) To the extent any Partner or Withdrawn Partner has satisfied any Holdback obligation with Firm Collateral, such Partner or Withdrawn Partner shall, within 10 days of the

Partnership's call for GP-Related Recontribution 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 Partner or Withdrawn Partner equals the sum of (I) such Partner's or Withdrawn Partner's GP-Related Recontribution 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 Partner or Withdrawn Partner 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 Partner or Withdrawn Partner, 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 Partnership's and the Other Fund GPs' obligation to pay the Clawback Amount. The failure of any Partner or Withdrawn Partner to make a cash payment in accordance with this clause (B) (to the extent applicable) shall constitute a default under Section 5.8(d)(ii) as if such cash payment hereunder constitutes a Net GP-Related Recontribution Amount under Section 5.8(d)(ii).

(ii) (A) In the event any Partner or Withdrawn Partner (a " *GP-Related Defaulting Party* ") fails to recontribute all or any portion of such GP-Related Defaulting Party's Net GP-Related Recontribution Amount for any reason, the Partnership shall require all other Partners and Withdrawn Partners 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 Contribution 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 Recontribution Amount (a " *GP-Related Deficiency Contribution* ") if the General Partner determines in its good faith judgment that the Partnership (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 Partnership, 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 Partner or Withdrawn Partner 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 Recontribution Amount initially requested from such Partner or Withdrawn Partner in respect of such default.

(B) Thereafter, the General Partner shall determine in its good faith judgment that the Partnership 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 General Partner or (2) pursue any and all remedies (at law or equity) available to the Partnership against the GP-Related Defaulting Party, the cost of which shall be a Partnership expense to the extent not ultimately reimbursed by the GP-Related Defaulting Party. It is agreed that the Partnership 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 Partnership or any Affiliate thereof (including amounts unrelated to Carried Interest, such as returns of capital and profit thereon). Each Partner and Withdrawn Partner hereby grants to the Partnership a security interest, effective upon such Partner or Withdrawn Partner becoming a GP-Related Defaulting Party, in all accounts receivable and other rights to receive payment from any Affiliate of the Partnership and agrees that, upon the effectiveness of such security interest, the Partnership may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Partner and Withdrawn Partner hereby appoints the Partnership as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Partner or Withdrawn Partner or in the name of the Partnership, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Partnership shall be entitled to collect interest on the Net GP-Related Recontribution Amount of a GP-Related Defaulting Party from the date such Net GP-Related Recontribution Amount was required to be contributed to the Partnership at a rate equal to the Default Interest Rate.

(C) Any Partner's or Withdrawn Partner's failure to make a GP-Related Deficiency Contribution shall cause such Partner or Withdrawn Partner to be a GP-Related Defaulting Party with respect to such amount. The Partnership shall first seek any remaining Trust Amounts (and Trust Income thereon) allocated to such Partner or Withdrawn Partner to satisfy such Partner's or Withdrawn Partner's obligation to make a GP-Related Deficiency Contribution before seeking cash contributions from such Partner or Withdrawn Partner in satisfaction of such Partner's or Withdrawn Partner's obligation to make a GP-Related Deficiency Contribution.

(iii) A Partner's or Withdrawn Partner's obligation to make contributions to the Partnership under this Section 5.8(d) shall survive the termination of the Partnership.

(e) The Partners acknowledge that the General Partner will (and is hereby authorized to) take such steps as it deems appropriate, in its good faith judgment, to further the objective of providing for the fair and equitable treatment of all Partners, including by allocating Writedowns (as defined in the MB Asia Partnership Agreement) on and losses on GP-Related MB Asia Investments that have been the subject of a Writedown and/or losses (each, a " *Loss Investment* ") to those Partners who participated in such Loss Investments based on their Carried Interest Sharing Percentage therein to the extent that such Partners receive or have received Carried Interest distributions from other GP-Related MB Asia 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 Partnership is making Carried Interest distributions in connection with a GP-Related MB Asia Investment (the " *Subject Investment* ") that have been reduced under any MB Asia Agreement as a result of one or more Loss Investments, the General Partner shall calculate amounts distributable to or due from each such Partner as follows:

(A) determine each Partner'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 Partners (indirectly through the Partnership from MB Asia) from the Subject Investment (such reduction, the " *Loss Amount* ");

(B) determine the amount of Carried Interest distributions otherwise distributable to such Partner with respect to the Subject Investment (indirectly through the Partnership from MB Asia) 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 Partner, to determine the amount of Carried Interest distributions to actually be paid to such Partner (" *Net Carried Interest Distribution* ").

To the extent that the Net Carried Interest Distribution for a Partner as calculated in this clause (i) is a negative number, the General Partner shall (I) notify such Partner, at or prior to the time such Carried Interest distributions are actually made to the Partners, of his obligation to recontribute to the Partnership 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 Partner, up to the amount of such remaining negative Net Carried Interest Distribution. If a Partner'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 MB Asia Partnership Agreement) in effect in the Fiscal Years of such distributions (the " *Excess Tax-Related Amount* "), then such Partner may, in lieu of paying such Partner'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 Partner 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 Amount is determined (as provided herein) and (ii) such time as the Partner becomes a Withdrawn Partner.

To the extent there is an amount of negative Net Carried Interest Distribution with respect to a Partner 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 Partners pro rata based on each of their Carried Interest Sharing Percentages in the Subject Investment.

A Partner who fails to pay a Net Carried Interest Distribution Recontribution Amount promptly upon notice from the General Partner (as provided above) shall be deemed a GP-Related Defaulting Party for all purposes hereof.

A Partner 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 Partner (taking into account any Net Carried Interest Distribution Recontribution Amount contributed to the Partnership by such Partner).

Any Net Carried Interest Distribution Recontribution Amount contributed by a Partner, including amounts of cash subject to a Holdback as provided above, shall increase the amount available for distribution to the other Partners 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 Partners to the extent a Partner receiving such distribution has satisfied the Holdback requirements with respect to such distribution (taken together with the other Carried Interest distributions received by such Partner to date).

(ii) In the case of Clawback Amounts which are required to be contributed to the Partnership as otherwise provided herein, the obligation of the Partners with respect to any Clawback Amount shall be adjusted by the General Partner as follows:

(A) determine each Partner's share of any Losses in any GP-Related MB Asia Investments which gave rise to the Clawback Amount (i.e. , the Losses that followed the last GP-Related MB Asia Investment with respect to which Carried Interest distributions were made), based on such Partner's Carried Interest Sharing Percentage in such GP-Related MB Asia Investments;

(B) determine each Partner's obligation with respect to the Clawback Amount based on such Partner'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 Partner to determine the amount of adjustment to each Partner's share of the Clawback Amount (a Partner's " *Clawback Adjustment Amount* ").

A Partner's share of the Clawback Amount shall for all purposes hereof be decreased by such Partner's Clawback Adjustment Amount, to the extent it is a negative number (except to the extent expressly provided below). A Partner's share of the Clawback Amount shall for all purposes hereof be increased by such Partner's Clawback Adjustment Amount (to the extent it is a positive number); provided , that in no way shall a Partner's aggregate obligation to satisfy a Clawback Amount as a result of this clause (ii) exceed the aggregate Carried Interest distributions received by such Partner. To the extent a positive Clawback Adjustment Amount remains after the application of this clause (ii) with respect to a Partner, such remaining Clawback Adjustment Amount shall be allocated to the Partners (including any Partner 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 General Partner shall be based on its good faith judgment, and no Partner shall have any claim against the Partnership, the General Partner or any other Partners as a result of any adjustment made as set forth above. This Section 5.8(e) applies to all Partners, including Withdrawn Partners.

It is agreed and acknowledged that this Section 5.8(e) is an agreement among the Partners and in no way modifies the obligations of each Partner regarding the Clawback Amount as provided in the MB Asia Agreements.

Section 5.9. Business Expenses . The Partnership shall reimburse the Partners for reasonable travel, entertainment and miscellaneous expenses incurred by them in the conduct of the Partnership's business in accordance with rules and regulations established by the General Partner from time to time.

Section 5.10. Tax Capital Accounts; Tax Allocations .

(a) For U.S. federal income tax purposes, there shall be established for each Partner a single capital account combining such Partner's Capital Commitment Capital Account and GP-Related Capital Account, with such adjustments as the General Partner determines are 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 U.S. federal, State and local income tax purposes only, Partnership income, gain, loss, deduction or expense (or any item thereof) for each fiscal year shall be allocated to and among the Partners in a manner corresponding to the manner in which corresponding items are allocated among the Partners pursuant to clause (a) above, provided the General Partner may in its sole discretion make such allocations for tax purposes as it determines are appropriate so that allocations have substantial economic effect or are in accordance with the interests of the Partners, within the meaning of the Code and the Regulations thereunder.

ARTICLE VI

ADDITIONAL PARTNERS; WITHDRAWAL OF PARTNERS; SATISFACTION AND DISCHARGE OF PARTNERSHIP INTERESTS; TERMINATION

Section 6.1. Additional Partners .

(a) Effective on the first day of any month (or on such other date as shall be determined by the General Partner in its sole discretion), the General Partner shall have the right to admit one or more additional persons into the Partnership as General Partners or Limited Partners. Each such person shall make the representations with respect to itself set forth in Sections 3.7 and 3.8. The General Partner shall determine and negotiate with the additional Partner all terms of such additional Partner's participation in the Partnership, including the additional Partner's initial GP-Related Capital Contribution, Capital Commitment-Related Capital Contribution, GP-Related Profit Sharing Percentage and Capital Commitment Profit

Sharing Percentage. Each additional Partner shall have such voting rights as may be determined by the General Partner from time to time unless, upon the admission to the Partnership of any Limited Partner, the General Partner shall designate that such Limited Partner shall not have such voting rights (any such Limited Partner being called a " *Nonvoting Limited Partner* "). Any additional Partner shall, as a condition to becoming a Partner, agree to become a party to, and be bound by the terms and conditions of, the Trust Agreement. If Blackstone or another or subsequent holder of an Investor Note approved by the General Partner for purposes of this Section 6.1(a) shall foreclose upon a Limited Partner's Investor Note issued to finance such Limited Partner's purchase of his Capital Commitment Interests, Blackstone or such other or subsequent holder shall succeed to such Limited Partner's Capital Commitment Interests and shall be deemed to have become a Limited Partner to such extent. Any Additional Partner may have a GP-Related Partner Interest or a Capital Commitment Partner Interest, without having the other such interest.

(b) The GP-Related Profit Sharing Percentages, if any, 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' GP-Related Profit Sharing Percentages as of such date, shall be established by the General Partner pursuant to Section 5.3. The Capital Commitment Profit Sharing Percentages, if any, 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 Partner shall be required to contribute to the Partnership his pro rata share of the Partnership's total capital, excluding capital in respect of GP-Related Investments and Capital Commitment Investments in which such Partner does not acquire any interests, at such times and in such amounts as shall be determined by the General Partner in accordance with Sections 4.1 and 7.1.

(d) The admission of an additional Partner will be evidenced by (i) the execution of a deed of adherence to this Agreement by such additional Partner or (ii) the execution of an amendment to this Agreement by all the Partners (including the additional Partner), as determined by the General Partner, or (iii) the execution by such additional Partner of any other writing evidencing the intent of such person to become a substitute or additional Limited Partner and to be bound by the terms of this Agreement and such writing being accepted by the General Partner on behalf of the Partnership. In addition, each additional Partner 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.

Section 6.2. Withdrawal of Partners . (a) Any Partner may Withdraw voluntarily from the Partnership subject to the prior written consent of the General Partner. The General Partner generally intends to permit voluntary Withdrawals on the last day of any calendar month (or on such other date as shall be determined by the General Partner in its sole discretion), on not less than 15 days' prior written notice by such Partner to the General Partner (or on such shorter notice period as may be mutually agreed upon between such Partner and the General Partner); provided , that a Partner may not voluntarily Withdraw without the consent of the General Partner if such Withdrawal would (i) cause the Partnership to be in default under any of its contractual obligations or (ii) in the reasonable judgment of the General Partner, have a material adverse effect on the Partnership or its business; provided further that a Partner may Withdraw from the Partnership with respect to such Partner's GP-Related Partner Interest without Withdrawing from the Partnership with respect to such Partner's Capital Commitment Partner Interest, and a Partner may Withdraw from the Partnership with respect to such Partner's Capital Commitment Partner Interest without Withdrawing from the Partnership with respect to such Partner's GP-Related Partner Interest.

(b) Upon the Withdrawal of any Partner, including by the occurrence of any withdrawal event under the Partnership Act with respect to any Partner, such Partner shall thereupon cease to be a Partner, except as expressly provided herein.

(c) Upon the Total Disability of a Special Limited Partner, such Partner shall thereupon cease to be a Special Limited Partner with respect to such person's GP-Related Partner Interest; provided, however, that the General Partner may elect to admit such Withdrawn Partner to the Partnership as a Nonvoting Limited Partner with respect to such person's GP-Related Partner Interest, with such GP-Related Partner Interest as the General Partner may determine. The determination of whether any Partner has suffered a Total Disability shall be made by the General Partner in its sole discretion after consultation with a qualified medical doctor. In the absence of agreement between the General Partner and such Partner, 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 General Partner determines that it shall be in the best interests of the Partnership for any Partner (including any Partner who has given notice of voluntary Withdrawal pursuant to paragraph (a) above) to Withdraw from the Partnership (whether or not Cause exists) with respect to such person's GP-Related Partner Interest and/or with respect to such person's Capital Commitment Partner Interest, such Partner, upon written notice by the General Partner to such Partner, shall be required to Withdraw with respect to such person's GP-Related Partner Interest and/or with respect to such person's Capital Commitment Partner Interest, as of a date specified in such notice, which date shall be on or after the date of such notice. If the General Partner requires any Partner to Withdraw for Cause with respect to such person's GP-Related Partner Interest and/or with respect to such person's Capital Commitment Partner 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 Partnership of any Partner shall not, in and of itself, affect the obligations of the other Partners to continue the Partnership during the remainder of its term. A Withdrawn General Partner shall remain liable for all obligations of the Partnership incurred while it was a General Partner and resulting from its acts or omissions as a General Partner to the fullest extent provided by law.

Section 6.3. GP-Related Partner Interests Not Transferable .

(a) No Partner may sell, assign, pledge or otherwise transfer or encumber all or any portion of such Partner's GP-Related Partner Interest without the prior written consent of the General Partner; provided , that, subject to the Partnership Act, 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 Partner, or transfers required by trust agreements; provided further , that, subject to the prior written consent of the General Partner, which shall not be unreasonably withheld, a Special Limited Partner 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 such Special Limited Partner controls investments related to any interest in the Partnership held therein (an " *Estate Planning Vehicle* "). Each Estate Planning Vehicle will be a Nonvoting Limited Partner. Such Special Limited Partner and the Nonvoting Limited Partner shall be jointly and severally liable for all obligations of both such Special Limited Partner and such Nonvoting Limited Partner with respect to the Partnership (including the obligation to make additional GP-Related Capital Contributions). The General Partner may at its sole option exercisable at any time require such Estate Planning Vehicle to Withdraw from the Partnership on the terms of this Article VI. Except as provided in the second proviso to the first sentence of this Section 6.3(a), no assignee, legatee, distributee, heir or transferee (by conveyance, operation of law or otherwise) of the whole or any portion of any Partner's GP-Related Partner Interest shall have any right to be a General Partner or Limited Partner without the prior written consent of the General Partner (which consent may be withheld without giving any reason therefor). Notwithstanding the granting of a security interest in the entire Interest of any Partner, such Partner shall continue to be a partner of the Partnership.

(b) Notwithstanding any provision hereof to the contrary, no sale or transfer of any GP-Related Partner Interest in the Partnership may be made except in compliance with the Partnership Act, the laws of the Cayman Islands and all U.S. federal, State and other applicable laws, including U.S. federal and State securities laws.

Section 6.4. General Partner Withdrawal; Transfer of General Partner's Interest .

(a) Subject to the Partnership Act, no General Partner may transfer or assign its interest as a General Partner in the Partnership or its right to manage the affairs of the Partnership; provided , that, without limiting the generality of Section 6.1(a), a General Partner, subject to the Partnership Act (and, with the prior written approval of a Majority in Interest of the Partners (including by acting through the power of attorney contained in Section 10.11), (x) may Transfer to another person all or any part of its interest as a General Partner in the Partnership and/or (upon the assumption by such person and/or another General Partner of all the obligations of the Transferring General Partner under this Agreement) its right to manage the affairs of the Partnership pursuant to this Agreement (including, without limitation, Section 3.4), and/or (y) may admit any other person as an additional or substitute General Partner, and/or (z) if the General Partner so elects, may, following the assumption by such person and/or another General Partner of all the obligations of the Transferring General Partner under this Agreement, Withdraw as a General Partner of the Partnership; provided , further , that, without limiting the generality of Section 6.1(a), the General Partner may, in its sole discretion, Transfer all or part of its interest in the Partnership to an Affiliate of such General Partner, and, upon the assumption by such Affiliate and/or another General Partner of all the obligations of the Transferring General Partner under this Agreement, such Affiliate shall be admitted as a General Partner, and the Transferring General Partner may Withdraw as a General Partner of the Partnership. A person who is admitted as an additional or substitute General Partner pursuant to Section 6.1 or this

Section 6.4 shall thereby become a General Partner and shall have the same right to manage the affairs of the Partnership pursuant to this Agreement (including, without limitation, Section 3.4), and to vote as a Partner, as the Transferring General Partner to the extent of the interest in the Partnership so acquired.

(b) Except as contemplated by Section 6.4(a), Withdrawal by a General Partner is not permitted. The Withdrawal of a General Partner shall not dissolve the Partnership if at the time of such Withdrawal there are one or more remaining General Partners satisfying the requirements of the Partnership Act, and any one or more of such remaining General Partners continue the business of the Partnership (any and all such remaining General Partners being hereby authorized to continue the business of the Partnership without dissolution and hereby agreeing to do so). Notwithstanding Section 6.4(c), if upon the Withdrawal of a General Partner there shall be no remaining General Partner, the Partnership shall be wound up and subsequently dissolved unless, within 90 days after the occurrence of such Withdrawal, all remaining Limited Partners (excluding Withdrawn Partners) agree (including by acting through the power of attorney granted pursuant to Section 10.11) in writing to continue the business of the Partnership and to the appointment, effective as of the date of such Withdrawal, of one or more General Partners satisfying the requirement of the Partnership Act.

(c) The Partnership shall not be dissolved, in and of itself, by the Withdrawal of any Partner, but shall continue with the surviving or remaining Partners as partners thereof in accordance with and subject to the terms and provisions of this Agreement.

(d) A General Partner shall not cease to be a general partner of the Partnership upon the collateral assignment of or the pledging or granting of a security interest in its entire interest in the Partnership.

Section 6.5. Satisfaction and Discharge of a Withdrawn Partner's GP-Related Partner Interest .

(a) The terms of this Section 6.5 shall apply to the GP-Related Partner Interest of a Withdrawn Partner, but, except as otherwise expressly provided in this Section 6.5, shall not apply to the Capital Commitment Partner Interest of a Withdrawn Partner. For purposes of this Section 6.5, the term " *Settlement Date* " means the date as of which a Withdrawn Partner's GP-Related Partner Interest in the Partnership is settled as determined under paragraph (b) below. Notwithstanding the foregoing, any Special Limited Partner who Withdraws from the Partnership, and all or any portion of whose GP-Related Partner Interest is retained as a Limited Partner, shall be considered a Withdrawn Partner for all purposes hereof.

(b) Except where a later date for the settlement of a Withdrawn Partner's GP-Related Partner Interest in the Partnership may be agreed to by the General Partner and a Withdrawn Partner, a Withdrawn Partner's Settlement Date shall be his Withdrawal Date; provided , that if a Withdrawn Partner's Withdrawal Date is not the last day of a month, then the General Partner may elect for the Withdrawn Partner'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 Partner's Withdrawal Date and Settlement Date, such Withdrawn Partner shall have the same rights and obligations with respect to GP-Related Capital Contributions, interest on capital, allocations of GP-Related Net Income (Loss) and distributions as would have applied had such Withdrawn Partner remained a Partner of the Partnership during such period.

(c) In the event of the Withdrawal of a Partner with respect to such Withdrawn Partner's GP-Related Partner Interest, the General Partner shall, promptly after such Withdrawn Partner's Settlement Date, (i) determine and allocate to the Withdrawn Partner's GP-Related Capital Accounts such Withdrawn Partner's allocable share of the GP-Related Net Income (Loss) of the Partnership for the period ending on such Settlement Date in accordance with Article V and (ii) credit the Withdrawn Partner's GP-Related Capital Accounts with interest in accordance with Section 5.2. In making the foregoing calculations, the General Partner 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 General Partner in a particular case, a Withdrawn Partner shall not be entitled to receive any GP-Related Unallocated Percentage in respect of the accounting period during which such Partner Withdraws from the Partnership (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 Partner's Withdrawal Date.

(d) From and after the Settlement Date of the Withdrawn Partner, the Withdrawn Partner's GP-Related Profit Sharing Percentages shall, unless otherwise allocated by the General Partner 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 Partnership of a Partner with respect to such Partner's GP-Related Partner Interest, such Withdrawn Partner thereafter shall not, except as expressly provided in this Section 6.5, have any rights of a Partner (including voting rights) with respect to such Partner's GP-Related Partner Interest, and, except as expressly provided in this Section 6.5, such Withdrawn Partner shall not have any interest in the Partnership's GP-Related Net Income (Loss) or in distributions related to such Partner's GP-Related Partner Interest, GP-Related Investments or other assets related to such Partner's GP-Related Partner Interest. If a Partner Withdraws from the Partnership with respect to such Partner's GP-Related Partner Interest for any reason other than for Cause pursuant to Section 6.2, then the Withdrawn Partner 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 Partner's GP-Related Partner Interest in the Partnership, (x) payment equal to the aggregate credit balance, if any, as of the Settlement Date of the Withdrawn Partner's GP-Related Capital Accounts, (excluding any GP-Related Capital Account or portion thereof attributable to any GP-Related Investment) and (y) the Withdrawn Partner's percentage interest attributable to each GP-Related Investment in which the Withdrawn Partner 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)-(p) of this Section 6.5. If the amount determined pursuant to clause (x) above is an aggregate negative balance, the Withdrawn Partner shall pay the amount thereof to the Partnership upon demand by the General Partner on or after the date of the statement referred to in Section 6.5(i) below; provided, that if the Withdrawn Partner was solely a Limited Partner (other than a Special Limited Partner) on his Withdrawal Date, such payment shall be required only to the extent of any amounts payable to such Withdrawn Partner pursuant to this Section 6.5. Any aggregate negative balance in the GP-Related Capital Accounts of a Withdrawn Partner who was solely a Limited Partner (other than a Special Limited Partner), upon the settlement of such Withdrawn Partner's GP-Related Partner Interest in the Partnership pursuant to this Section 6.5, shall be allocated among the other Partners' 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 General Partner as of such Withdrawn Partner's Settlement Date. In the settlement of any Withdrawn Partner's GP-Related Partner Interest in the Partnership, no value shall be ascribed to goodwill, the Partnership name or the anticipation of any value the Partnership or any successor thereto might have in the event the Partnership 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 Partner whose Withdrawal with respect to such Partner's GP-Related Partner Interest resulted from such Partner's death or Incompetence, such Partner's estate or legal representative, as the case may be, may elect, at the time described below, to receive a Nonvoting Limited Partner GP-Related Partner Interest and retain such Partner's GP-Related Profit Sharing Percentage in all (but not less than all) illiquid investments of the Partnership in lieu of a cash payment (or Note) in settlement of that portion of the Withdrawn Partner's GP-Related Partner Interest. The election referred to above shall be made within 60 days after the Withdrawn Partner's Settlement Date, based on a statement of the settlement of such Withdrawn Partner's GP-Related Partner Interest in the Partnership pursuant to this Section 6.5.

(f) For purposes of clause (y) of paragraph (e)(i) above, a Withdrawn Partner's "percentage interest" means his GP-Related Profit Sharing Percentage as of the Settlement Date in the relevant GP-Related Investment. The Withdrawn Partner 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 Partner (a " *Retaining Withdrawn Partner* ") shall become and remain a Limited Partner for such purpose (and, if the General Partner so designates, such Limited Partner shall be a Nonvoting Limited Partner). The GP-Related Partner Interest of a Retaining Withdrawn Partner pursuant to this paragraph (f) shall be subject to the terms and conditions applicable to GP-Related Partner Interests of any kind hereunder and such other terms and conditions as are established by the General Partner. At the option of the General Partner in its sole discretion, the General Partner and the Retaining Withdrawn Partner may agree to have the Partnership acquire such GP-Related Partner Interest without the approval of the other Partners; provided , that the General Partner shall reflect in the books and records of the Partnership the terms of any acquisition pursuant to this sentence.

(g) The General Partner may elect, in lieu of payment in cash of any amount payable to a Withdrawn Partner pursuant to paragraph (e) above, to have the Partnership issue to the Withdrawn Partner a subordinated promissory note and/or to distribute in kind to the Withdrawn Partner such Withdrawn Partner's pro rata share (as determined by the General Partner) of any securities or other investments of the Partnership in relation to such Partner's GP-Related Partner Interest. If any securities or other investments are distributed in kind to a Withdrawn Partner 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 Partnership in accordance with generally accepted accounting principles or, if not appearing on such balance sheet, as reasonably determined by the General Partner.

(h) [Intentionally omitted].

(i) Within 120 days after each Settlement Date, the General Partner shall submit to the Withdrawn Partner a statement of the settlement of such Withdrawn Partner's GP-Related Partner Interest in the Partnership pursuant to this Section 6.5 together with any cash payment, subordinated promissory note and in kind distributions to be made to such Partner as shall be determined by the General Partner. The General Partner shall submit to the Withdrawn Partner supplemental statements with respect to additional amounts payable to or by the Withdrawn Partner in respect of the settlement of his GP-Related Partner Interest in the Partnership (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 General Partner. To the fullest extent permitted by law, such statements and the valuations on which they are based shall be accepted by the Withdrawn Partner without examination of the accounting books and records of the Partnership or other inquiry. Any amounts payable by the Partnership to a Withdrawn Partner 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 Partnership or any successor thereto arising out of matters occurring prior to the applicable date of payment or distribution; provided that such Withdrawn Partner shall otherwise rank pari passu in right of payment (x) with all persons who become Withdrawn Partners and whose Withdrawal Date is within one year before the Withdrawal Date of the Withdrawn Partner in question and (y) with all persons who become Withdrawn Partners and whose Withdrawal Date is within one year after the Withdrawal Date of the Withdrawn Partner in question.

(j) If the aggregate reserves established by the General Partner as of the Settlement Date in making the foregoing calculations should prove, in the determination of the General Partner, to be excessive or inadequate, the General Partner may elect, but shall not be obligated, to pay the Withdrawn Partner or his estate such excess, or to charge the Withdrawn Partner or his estate such deficiency, as the case may be.

(k) Any amounts owed by the Withdrawn Partner to the Partnership at any time on or after the Settlement Date (e.g., outstanding Partnership loans or advances to such Withdrawn Partner) shall be offset against any amounts payable or distributable by the Partnership to the Withdrawn Partner at any time on or after the Settlement Date or shall be paid by the Withdrawn Partner to the Partnership, in each case as determined by the General Partner. All cash amounts payable by a Withdrawn Partner to the Partnership 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 Partner pursuant to Section 6.5(i) above shall be 120 days after a Withdrawn Partner's Settlement Date. The "due date" of amounts payable to or by a Withdrawn Partner in respect of GP-Related Investments for which the Withdrawn Partner 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 Partner shall be 60 days after the date such amounts are determined to be payable.

(l) At the time of the settlement of any Withdrawn Partner's GP-Related Partner Interest in the Partnership pursuant to this Section 6.5, the General Partner 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 Partner of any interest in any GP-Related Investment retained by such Withdrawn Partner, any securities or other investments distributed in kind to such Withdrawn Partner or such Withdrawn Partner's right to any payment from the Partnership.

(m) If a Partner is required to Withdraw from the Partnership with respect to such Partner's GP-Related Partner Interest for Cause pursuant to Section 6.2(d), then his GP-Related Partner Interest shall be settled in accordance with paragraphs (a)-(r) of this Section 6.5; provided, however, that the General Partner 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 Partner's interest in any GP-Related Investment in which he has an interest as of his Settlement Date, the General Partner 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 Partner his allocable share of such GP-Related Unrealized Net Income (Loss) for purposes of calculating the aggregate balance of such Withdrawn Partner's GP-Related Capital Account pursuant to clause (x) of paragraph (e)(i) above, (B) credit or debit, as applicable, the Withdrawn Partner 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 Partner or (C) apply the provisions of paragraph (f) above, provided , that the maximum amount of GP-Related Net Income (Loss) allocable to such Withdrawn Partner with respect to any GP-Related Investment shall equal such Partner'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 General Partner). The Withdrawn Partner 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 Partnership to the Withdrawn Partner 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 Partnership 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 Partner pursuant to this Section 6.5 may be conditioned on the compliance by such Withdrawn Partner with any lawful and reasonable (under the circumstances) restrictions against engaging or investing in a business competitive with that of the Partnership or any of its subsidiaries and Affiliates for a period not exceeding two years determined by the General Partner. Upon written notice to the General Partner, any Withdrawn Partner who is subject to noncompetition restrictions established by the General Partner pursuant to this paragraph (o) 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 General Partner shall have the right to pay a Withdrawn Partner (other than the Cayman GP or the Delaware GP) a discretionary additional payment in an amount and based upon such circumstances and conditions as it determines to be relevant. The provisions of this Section 6.5 shall apply to any Investor Limited Partner relating to another Limited Partner, and to any transferee of any GP-Related Partner Interest of such Partner pursuant to Section 6.3, if such Partner Withdraws from the Partnership.

(p) (i) The Partnership will assist a Withdrawn Partner or his estate or guardian, as the case may be, in the settlement of the Withdrawn Partner's GP-Related Partner Interest in the Partnership. Third party costs incurred by the Partnership in providing this assistance will be borne by the Withdrawn Partner or his estate.

(ii) The Partnership may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Partners or their estates or guardians, as referred to above. In such instances, the Partnership will obtain the prior approval of a Withdrawn Partner or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Partner (or his estate or guardian) declines to incur such costs, the Partnership will provide such reasonable assistance as and when it can so as not to interfere with the Partnership's day-to-day operating, financial, tax and other related responsibilities to the Partnership and the Partners.

(q) To the extent permitted by applicable law, each Limited Partner hereby irrevocably appoints each General Partner as such Limited Partner's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Limited Partner's name, place and stead, to make, execute, sign and file, on behalf of such Limited Partner, any and all agreements, instruments, consents, ratifications, documents and certificates which such General Partner deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in Section 9.1 or this Section 6.5, including, without limitation, the performance of any obligation of such Limited Partner or the Partnership or the exercise of any right of such Limited Partner or the Partnership. Such power of attorney is intended to secure an interest in property, and, in addition, the obligations of each relevant Limited Partner under this Agreement and, to the extent permitted by applicable law, shall survive and continue in full force and effect notwithstanding the Withdrawal from the Partnership of any Limited Partner for any reason and shall not be affected by the death, disability or incapacity of such Limited Partner.

Section 6.6. Termination of Partnership . The General Partner may wind up and subsequently dissolve the Partnership prior to the expiration of its term at any time on notice of the dissolution date given to the other Partners and by filing a Statement pursuant to Section 15(3) of the Partnership Act. Upon the winding up of the Partnership, and following the payment of creditors of the Partnership and the making of provisions for the payment of any contingent, conditional or unmatured claims known to the Partnership, the Partners' respective interests in the Partnership shall be valued and settled in accordance with the procedures set forth in Sections 5.10, 6.5 and 8.1 and Article IX. The General Partner shall be the liquidator (the "*Liquidator*"). In the event that the General Partner is unable to serve as Liquidator, a liquidating trustee shall be chosen by affirmative vote of a Majority in Interest of the Partners (excluding Nonvoting Limited Partners).

Section 6.7. Certain Tax Matters. (a) All items of income, gain, loss, deduction and credit of the Partnership shall be allocated among the Partners for U.S. 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 Partners pursuant to this Agreement, except as may otherwise be provided herein or by the Code or other applicable law. To the extent U.S. 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 General Partner 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 Partners 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 Partnership, each Partner shall be specially allocated items of Partnership 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 General Partner shall cause to be prepared all U.S. federal, State and local tax returns of the Partnership for each year for which such returns are required to be filed and, after approval of such returns by the General Partner, shall cause such returns to be timely filed. The General Partner shall determine the appropriate treatment of each item of income, gain, loss, deduction and credit of the Partnership 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 General Partner may cause the Partnership to make or refrain from making any and all elections permitted by such tax laws. Each Partner agrees that he shall not, unless he provides prior notice of such action to the Partnership, (i) treat, on his individual income tax returns, any item of income, gain, loss, deduction or credit relating to his interest in the Partnership in a manner inconsistent with the treatment of such item by the Partnership as reflected on the Form K-1 or other information statement furnished by the Partnership to such Partner 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 Partnership, 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 Partnership, 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 Partner (as defined below) shall be authorized to act for, and his decision shall be final and binding upon, the Partnership and all Partners except to the extent a Partner shall properly elect to be excluded from such proceeding pursuant to the Code, (B) all expenses incurred by the Tax Matters Partner in connection therewith (including, without limitation, attorneys', accountants' and other experts' fees and disbursements) shall be expenses of the Partnership and (C) no Partner shall have the right to (1) participate in the audit of any Partnership 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 Partnership (unless he provides prior notice of such action to the Partnership as provided above), (3) participate in any administrative or judicial proceedings conducted by the Partnership or the Tax Matters Partner 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 Partnership or the Tax Matters Partner or with respect to any such amended return or claim for refund filed by the Partnership or the Tax Matters Partner or in any such administrative or judicial proceedings conducted by the Partnership or the Tax Matters Partner. The Partnership and each Partner hereby designate any Partner selected by the General Partner as the "tax matters partner" for purposes of Section 6231(a)(7) of the Code (the " Tax Matters Partner "). To the fullest extent permitted by applicable law, each Partner agrees to indemnify and hold harmless the Partnership and all other Partners from and against any and all liabilities, obligations, damages, deficiencies and expenses resulting from any breach or violation by such Partner of the provisions of this Section 6.8 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 Partner shall provide to the Partnership copies of each U.S. federal, State and local income tax return of such Partner (including any amendment thereof) within 30 days after filing such return.

Section 6.8. Special Basis Adjustments . In connection with any assignment or transfer of a Partnership interest permitted by the terms of this Agreement, the General Partner may cause the Partnership, on behalf of the Partners 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 Partnership'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

Section 7.1. Capital Commitment Interests, etc .

(a) (i) This Article VII and Article VIII hereof (A) set forth certain terms and conditions with respect to the Capital Commitment Partner Interests and the Capital Commitment MB Asia Interest and matters related to the Capital Commitment Partner Interests and the Capital Commitment MB Asia Interest, and (B) shall be subject to the last sentence of Section 2.1. 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 Partner Interests or the GP-Related MB Asia Interest.

(ii) Each Partner (other than the Cayman GP), severally, agrees to make contributions of capital to the Partnership (" *Capital Commitment-Related Capital Contributions* ") as required to fund the Partnership's capital contributions to Associates, in respect of the Capital Commitment MB Asia Interest, if any, and the related Capital Commitment MB Asia Commitment, if any. No Partner shall be obligated to make Capital Commitment-Related Capital Contributions to the Partnership in an amount in excess of such Partner's Capital Commitment-Related Commitment. The Commitment Agreements and SMD Agreements, if any, of the Partners may include provisions with respect to the foregoing matters. It is understood that a Partner will not necessarily participate in each Capital Commitment Investment (which may include additional amounts invested in an existing Capital Commitment Investment) nor will a Partner necessarily have the same Capital Commitment Profit Sharing Percentage with respect to (i) the Partnership's portion of the Capital Commitment MB Asia Commitment, if any, or (ii) the making of each Capital Commitment Investment in which such Partner 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 Partner 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 General Partner and its Affiliates may provide such financing. The acquisition of a Capital Commitment Interest by a Partner shall be evidenced by receipt by the Partnership of funds equal to such Partner's Capital Commitment-Related Commitment then due with respect to such Capital Commitment Interest and such appropriate documentation as the General Partner may submit to the Partners from time to time.

(b) The General Partner or one of its Affiliates (in such capacity, the " *Advancing Party* ") may in its sole discretion advance to any Limited Partner (including any additional Partner admitted to the Partnership pursuant to Section 6.1 but excluding any Partners that are also executive officers of Blackstone) all or any portion of the Capital Commitment-Related Capital Contributions due to the Partnership from such Limited Partner with respect to any Capital Commitment Investment (" *Firm Advances* "). Each such Limited Partner shall pay to the Advancing Party interest on each Firm Advance from the date of such Firm Advance until the repayment thereof by such Limited Partner. 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 Partnership, and such recording shall be conclusive evidence of each such Firm Advance, binding on the Limited Partner 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 Limited Partner of such rate upon such Limited Partner's request; provided , that such interest rate shall not exceed the maximum interest rate allowable by applicable law; provided further , that amounts that are otherwise payable to such Limited Partner 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 Limited Partners 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.

(c) The Cayman GP shall have no Capital Commitment-Related Commitment and no Capital Commitment Profit Sharing Percentage. The Capital Commitment Profit Sharing Percentage of the Delaware GP with respect to any Capital Commitment Investment will rank pari passu with those of the Limited Partners participating in the same Capital Commitment Investment.

Section 7.2. Capital Commitment Capital Accounts .

(a) There shall be established for each Partner (other than the Cayman GP) on the books of the Partnership as of the date of formation of the Partnership, or such later date on which such Partner is admitted to the Partnership, and on each such other date as such Partner 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 Partner acquires a Capital Commitment Interest on such date. Each Capital Commitment-Related Capital Contribution of a Partner shall be credited to the appropriate Capital Commitment Capital Account of such Partner on the date such Capital Commitment-Related Capital Contribution is paid to the Partnership. Capital Commitment Capital Accounts shall be adjusted to reflect any transfer of a Partner's interest in the Partnership related to his Capital Commitment Partner Interest, as provided in this Agreement.

(b) A Partner shall not have any obligation to the Partnership or to any other Partner to restore any negative balance in the Capital Commitment Capital Account of such Partner. Until distribution of any such Partner's interest in the Partnership with respect to a Capital Commitment Interest as a result of the disposition by the Partnership of the related Capital Commitment Investment and in whole upon the dissolution of the Partnership, neither such Partner's Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption except with the consent of the General Partner.

Section 7.3. Allocations .

(a) Capital Commitment Net Income (Loss) of the Partnership for each Capital Commitment Investment shall be allocated to the related Capital Commitment Capital Accounts of all the Partners (including the Delaware GP, but excluding the Cayman GP) 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 Partner in the proportion which such Partner's aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Partners; provided , that if any Partner makes the election provided for in Section 7.6, Capital Commitment Net Income (Loss) of the Partnership for each Capital Commitment Investment shall be allocated to the related Capital Commitment Capital Accounts of all the Partners 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 Limited Partner.

Section 7.4. Distributions .

(a) Each Limited Partner's allocable portion of Capital Commitment Net Income received from his Capital Commitment Investments, distributions to such Limited Partner that constitute returns of capital, and other Capital Commitment Net Income of the Partnership (including without limitation Capital Commitment Net Income attributable to Unallocated Capital Commitment Interests) during a fiscal year of the Partnership 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 General Partner) with any cash amount distributable to such Limited Partner pursuant to clauses (ii) and (vii) below to be distributed within 45 days after the end of each fiscal year of the Partnership (or in each case on such earlier date as selected by the General Partner 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 Limited Partner (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 Limited Partner'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 Limited Partner of an amount equal to the U.S. federal, State and local income taxes on income of the Partnership allocated to such Limited Partner for such year in respect of such Limited Partner's Capital Commitment Partner Interest (the aggregate amount of any such distribution shall be determined by the General Partner, 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 Partnership related to all Partners' Capital Commitment Partner Interests were all allocated to an individual subject to the then-prevailing maximum U.S. federal, New York State and New York City tax rates (taking into account the extent to which such taxable income allocated by the Partnership was composed of long-term capital gains and the deductibility of State and local income taxes for U.S. federal income tax purposes)); provided, that additional amounts shall be paid to the Limited Partner pursuant to this clause (ii) to the extent that such amount reduces the amount otherwise distributable to the Limited Partner 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 Limited Partner 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 Limited Partner of (A) all Capital Commitment-Related 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 Partnership) 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 Partner Carried Interest);

(v) Fifth, to the payment of principal (including any previously deferred amounts) then owing under all other Investor Notes of such Limited Partner (including those unrelated to the Partnership), the selection of those of such Limited Partner'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 Limited Partner (including those unrelated to the Partnership), the selection of those of such Limited Partner'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 Limited Partner 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 Limited Partner who is no longer an employee or officer of Blackstone, distributions shall be made pursuant to clauses (i) through (iii) above, and then, unless the General Partner or its Affiliate has exercised its rights pursuant to Section 8.1 hereof, any remaining income or other distribution in respect of such Limited Partner's Capital Commitment Partner Interest shall be applied to the prepayment of the outstanding Investor Notes of such Limited Partner, until all such Limited Partner's Investor Notes have been repaid in full, with any such income or other distribution remaining thereafter distributed to such Limited Partner.

Distributions of Capital Commitment Net Income may be made at any other time at the discretion of the General Partner. At the General Partner's discretion, any amounts distributed to a Limited Partner in respect of such Limited Partner's Capital Commitment Partner 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. A distribution of Capital Commitment Net Income to the Delaware GP shall be made contemporaneously with each distribution of Capital Commitment Net Income to or for the accounts of the Limited Partners.

(b) [Intentionally omitted]

(c) To the extent that the foregoing Partnership 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 General Partner in its sole discretion elects to apply this paragraph (c) 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 Limited Partner that is no longer an employee or officer of Blackstone. 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 Partner shall be reduced by the amount of any distribution to such Partner 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 Partnership or MB Asia (a " *Capital Commitment Disposable Investment* "), at the election of the General Partner each Partner'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 Partner's " *Capital Commitment Class B Interest* "), and a Capital Commitment Interest attributable to such Capital Commitment Investment excluding the Capital Commitment Disposable Investment (a Partner's " *Capital Commitment Class A Interest* "). Distributions (including those resulting from a direct or indirect sale, transfer, exchange or other disposition by the Partnership) 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 Partnership) 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 Associates is obligated under the Giveback Provisions to contribute to MB Asia a Giveback Amount with respect to the Capital Commitment MB Asia Interest, if any, and the Partnership is obligated to contribute all or a portion of any such amount to Associates in respect of the Partnership's Capital Commitment Associates Partner Interest (the amount of any such obligation of the Partnership being herein called a " *Capital Commitment Giveback Amount* "), the Partnership shall call for such amounts as are necessary to satisfy such obligation of the Partnership as determined by the General Partner, in which case each Partner and Withdrawn Partner shall contribute to the Partnership, in cash, when and as called by the Partnership, such an amount of prior distributions by the Partnership with respect to the Capital Commitment MB Asia Interest (the " *Capital Commitment Recontribution Amount* ") which equals such Partner's pro rata share of prior distributions in connection with (a) the Capital Commitment MB Asia 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 MB Asia Investments other than the one giving rise to such obligation, but only those amounts received by the Partners with an interest in the Capital Commitment MB Asia Investment referred to in clause (a) above, and (c) if the Capital Commitment Giveback Amount is unrelated to a specific Capital Commitment MB Asia Investment, all Capital Commitment MB Asia Investments. Each Partner shall promptly contribute to the Partnership upon notice thereof such Partner's Capital Commitment Recontribution Amount. Prior to such time, the Partnership may, in the General Partner's discretion (but shall be under no obligation to), provide notice that in the General Partner'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) (A) In the event any Partner (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 Partnership shall require all other Partners and Withdrawn Partners 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 General Partner determines in its good faith judgment that the Partnership 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 Partnership is permitted to pay the Capital Commitment Giveback Amount; provided , that no Partner 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 Partner in respect of such default. Thereafter, the General Partner shall determine in its good faith judgment that the Partnership 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 General Partner or (2) pursue any and all remedies (at law or equity) available to the Partnership against the Capital Commitment Defaulting Party, the cost of which shall be a Partnership expense to the extent not ultimately reimbursed by the Capital Commitment Defaulting Party. It is agreed that the Partnership 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 Partnership or any Affiliate thereof. Each Partner hereby grants to the Partnership a security interest, effective upon such Partner becoming a Capital Commitment Defaulting Party, in all accounts receivable and other rights to receive payment from the Partnership or any Affiliate of the Partnership and agrees that, upon the effectiveness of such security interest, the Partnership may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Partner hereby appoints the Partnership as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Partner or in the name of the Partnership, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Partnership 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 Partnership at a rate equal to the Default Interest Rate.

(B) Any Partner's failure to make a Capital Commitment Deficiency Contribution shall cause such Partner to be a Capital Commitment Defaulting Party with respect to such amount.

(iii) A Partner's obligation to make contributions to the Partnership under this Section 7.4(g) shall survive the termination of the Partnership.

Section 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 General Partner) in accordance with the principles utilized by Associates (or any other Affiliate that is a general partner of MB Asia) in valuing investments of MB Asia or, in the case of investments not held by MB Asia, in the good faith judgment of the General Partner, 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 General Partner in good faith; provided further , that such value may be adjusted by the General Partner 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 full extent permitted by applicable law such valuations shall be final and binding on all Partners; 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 a General Partner.

Section 7.6. Disposition Election .

(a) At any time prior to the date of the Partnership's execution of a definitive agreement to dispose of a Capital Commitment Investment, the General Partner may in its sole discretion permit a Partner to retain all or any portion of its pro rata share of such Capital

Commitment Investment (as measured by such Partner's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment). If the General Partner so permits, such Partner shall instruct the General Partner in writing prior to such date (i) not to dispose of all or any portion of such Partner's pro rata share of such Capital Commitment Investment (the " *Retained Portion* ") and (ii) either to (A) distribute such Retained Portion to such Partner on the closing date of such disposition or (B) retain such Retained Portion in the Partnership on behalf of such Partner until such time as such Partner shall instruct the General Partner upon 5 days notice to distribute such Retained Portion to such Partner. Such Partner's Capital Commitment Capital Account shall not be adjusted in any way to reflect the retention in the Partnership of such Retained Portion or the Partnership's disposition of other Partners' pro rata shares of such Capital Commitment Investment; provided , that such Partner's Capital Commitment Capital Account shall be adjusted upon distribution of such Retained Portion to such Partner or upon distribution of proceeds with respect to a subsequent disposition thereof by the Partnership.

(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.

Section 7.7. Capital Commitment Special Distribution Election .

(a) From time to time during the term of this Agreement, the General Partner may in its sole discretion, upon receipt of a written request from a Partner, distribute to such Partner any portion of its pro rata share of a Capital Commitment Investment (as measured by such Partner's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment) (a " *Capital Commitment Special Distribution* "). Such Partner'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 PARTNERS

Section8.1. Limited Partner 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-Related 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-Related 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 Limited

Partner may prepay a portion of any outstanding principal on the Investor Notes; provided , that in the event that a Limited Partner prepays all or any portion of the principal amount of the Investor Notes within nine months prior to the date on which such Limited Partner is no longer an employee or officer of Blackstone, the Partnership (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 Limited Partner's Contingent Capital Commitment Interests as set forth in paragraph (b) below. Prepayments made by a Limited Partner shall apply pro rata against all of such Limited Partner's Investor Notes; provided , that such Limited Partner 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 Limited Partner. 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 Limited Partner ceasing to be an officer or employee of the General Partner or any of its Affiliates, other than as a result of such Limited Partner dying or suffering a Total Disability, such Limited Partner (the " *Withdrawn Partner* ") and the Partnership or any other person designated by the General Partner shall each have the right (exercisable by the Withdrawn Partner within 30 days and by the Partnership or its designee(s) within 45 days of such Limited Partner's ceasing to be such an officer or employee) or any time thereafter, upon 30 days notice, but not the obligation, to require the Partnership, subject to the Partnership Act, to buy (in the case of exercise of such right by such Withdrawn Partner) or the Withdrawn Partner to sell (in the case of exercise of such right by the Partnership or its designee(s)) all (but not less than all) such Withdrawn Partner'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 Limited Partner 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 Partner on the Contingent portion of such Capital Commitment Interest minus (z) all Capital Commitment Net Income allocated to the Withdrawn Partner on the Contingent portion of such Capital Commitment Interest; provided , that, if the Withdrawn Partner 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 General Partner'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 Partner from the next Capital Commitment Net Income received by such holders on the Contingent portion of such Withdrawn Partner'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 Partner at the time such Capital Commitment Net Income is received by the Withdrawn Partner from the next Capital Commitment Net Income on the Non-Contingent portion of the Withdrawn Partner's Capital Commitment Interests or, if the Partnership or its designee(s) elect to purchase such Withdrawn Partner's Non-Contingent Capital Commitment Interests, in cash by the Withdrawn Partner at the time of such purchase; provided , that the General Partner and its

Affiliates may offset any amounts otherwise owing to a Withdrawn Partner against any Adjustment Amount owed by such Withdrawn Partner. Until so paid, such remaining Adjustment Amount will not itself bear interest. At the time of such purchase of the Withdrawn Partner's Contingent Capital Commitment Interests, his related Investor Note shall be payable in full. If neither the Withdrawn Partner nor the Partnership nor its designee(s) exercise the right to require repurchase of such Contingent Capital Commitment Interests, then the Withdrawn Partner shall retain the Contingent portion of his Capital Commitment Interests and the Investor Notes shall remain outstanding, shall become fully recourse to the Withdrawn Partner 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 Partner at his option, and the General Partner shall apply such prepayments against outstanding Investor Notes on a pro rata basis. To the extent that another Partner purchases a portion of a Capital Commitment Interest of a Withdrawn Partner, the purchasing Partner'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 Limited Partner, such Limited Partner shall thereupon cease to be a Partner with respect to such Limited Partner's Capital Commitment Partner Interest. If such a Final Event shall occur, no Successor in Interest to any such Limited Partner shall for any purpose hereof become or be deemed to become a Partner. The sole right, as against the Partnership and the remaining Partners, acquired hereunder by, or resulting hereunder to, a Successor in Interest to any Partner shall be to receive any distributions and allocations with respect to such Limited Partner's Capital Commitment Partner Interest pursuant to Article VII and this Article VIII, subject to the right of the Partnership to purchase the Capital Commitment Interests of such former Partner 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 Limited Partner 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 Partner, whether by operation of law or otherwise. Until distribution of any such Partner's interest in the Partnership upon the dissolution of the Partnership 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 General Partner. The Partnership shall be entitled to treat any Successor in Interest to such Partner as the only person entitled to receive distributions and allocations hereunder with respect to such Partner's Capital Commitment Partner Interest.

(d) If a Limited Partner dies or suffers a Total Disability, all Contingent Capital Commitment Interests of such Partner shall be purchased by the Partnership or its designee (within 30 days of the first date on which the Partnership knows or has reason to know of such Limited Partner'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 Limited Partner, if the estate or personal representative of such Limited Partner so requests in writing within 180 days of the Limited Partner's death or ceasing to be an employee or member (directly or indirectly) of the General Partner or any of its Affiliates by reason of Total Disability (such requests shall not exceed one per calendar year), the Partnership 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 Limited Partner as of the last day of the Partnership's then current fiscal year at a price equal to the Capital Commitment Value thereof. Each Limited Partner shall be required to include appropriate provisions in his will to reflect such provisions of this Agreement. In addition, the Partnership may, in the sole discretion of the General Partner, upon notice to the estate or personal representative of such Limited Partner within 30 days of the first date on which the Partnership knows or has reason to know of such Limited Partner'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 Partnership or its designee as of the last day of any fiscal year of the Partnership (or earlier period, as determined by the General Partner in its sole discretion) for an amount in cash equal to the Capital Commitment Value thereof.

(e) In lieu of retaining a Withdrawn Partner as a Limited Partner with respect to any Non-Contingent Capital Commitment Interests, the General Partner may, in its sole discretion, by notice to such Withdrawn Partner within 45 days of his ceasing to be an employee or officer of the General Partner or any of its Affiliates, or at any time thereafter, upon 30 days written notice, determine (1) to distribute to such Withdrawn Partner the pro rata portion of the Securities or other property underlying such Withdrawn Partner'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 Partnership or (2) to cause, as of the last day of any fiscal year of the Partnership (or earlier period, as determined by the General Partner in its sole discretion), the Partnership or another person designated by the General Partner (who may be itself another Limited Partner or another Affiliate of the General Partner) to purchase all (but not less than all) of such Withdrawn Partner's Non-Contingent Capital Commitment Interests for a price equal to the Capital Commitment Value thereof. The General Partner shall condition any distribution or purchase of voting Securities pursuant to paragraph (d) above or this paragraph (e) upon the Withdrawn Partner's execution and delivery to the Partnership of an appropriate irrevocable proxy, in favor of the Partnership or its nominee, relating to such Securities.

(f) The Partnership 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 General Partner. In connection with such purchase or transfer or the purchase of a Capital Commitment Interest or portion thereof by the Partnership's designee(s), Blackstone may loan all or a portion of the purchase price of the transferred or purchased Capital Commitment Interest to the Partnership, the transferee or the designee-purchaser(s), as applicable (excluding any of the foregoing who is an executive officer of Blackstone). To the extent that a Withdrawn Partner's Capital Commitment Interests (or portions thereof) are repurchased by the Partnership 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 General Partner, (i) be allocated to each Partner already participating in the Capital Commitment Investment to which the repurchased Capital Commitment Interest relates, (ii) be allocated to each Partner in the Partnership, whether or not already participating in such Capital Commitment Investment, and/or (iii) continue to be held by the Partnership 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 Partners as provided in clause (i) and/or (ii) above, any indebtedness incurred by the Partnership to finance such repurchase shall also be allocated to such Partners. All such Capital Commitment Interests allocated to Limited Partners 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 Limited Partners 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 Limited Partners and the General Partner shall otherwise agree. If the indebtedness financing such repurchased interests is not so limited, the Partnership may require an assumption by the Limited Partners of such indebtedness on the terms thereof as a precondition to allocation of the related Capital Commitment Interests to such Limited Partners; provided , that a Limited Partner 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 Partnership itself retains the Unallocated Capital Commitment Interests pursuant to clause (iii) above, such Unallocated Capital Commitment Interests shall belong to the Partnership and any indebtedness financing the Unallocated Capital Commitment Interests shall be an obligation of the Partnership to which all income of the Partnership 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 Partner in the proportion his aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Partners; debt service on such related financing will be an expense of the Partnership allocable to all Partners in such proportions.

(g) If a Partner is required to Withdraw from the Partnership with respect to such Partner's Capital Commitment Partner 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 Partner was not at any time a direct member of a General Partner, the General Partner 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 Partner'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 Partner to retain such Non-Contingent Capital Commitment Interests; provided , that the maximum amount of Capital Commitment Net Income allocable to such Withdrawn Partner with respect to any Capital Commitment Investment shall equal the amount of Capital Commitment Net Income that would have been allocated to such Withdrawn Partner 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 Partner 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 Partnership will assist a Withdrawn Partner or his estate or guardian, as the case may be, in the settlement of the Withdrawn Partner's Capital Commitment Partner Interest in the Partnership. Third party costs incurred by the Partnership in providing this assistance will be borne by the Withdrawn Partner or his estate.

(i) The Partnership may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Partners or their estates or guardians, as referred to above. In such instances, the Partnership will obtain the prior approval of a Withdrawn Partner or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Partner (or his estate or guardian) declines to incur such costs, the Partnership will provide such reasonable assistance as and when it can so as not to interfere with the Partnership's day-to-day operating, financial, tax and other related responsibilities to the Partnership and the Partners.

(j) Each Limited Partner hereby irrevocably appoints each General Partner as such Limited Partner's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Limited Partner's name, place and stead, to make, execute, sign and file, on behalf of such Limited Partner, any and all agreements, instruments, documents and certificates which such General Partner 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 Limited Partner or the Partnership or the exercise of any right of such Limited Partner or the Partnership. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Partnership of any Limited Partner for any reason and shall not be affected by the death, disability or incapacity of such Limited Partner.

Section 8.2. Transfer of Limited Partner's Capital Commitment Interest . Without the prior written consent of the General Partner, no Limited Partner or former Limited Partner shall have the right to sell, assign, mortgage, pledge or otherwise dispose of or transfer (" *Transfer* ") all or part of any such Partner's Capital Commitment Partner Interest in the Partnership; provided , that this Section 8.2 shall in no way impair (i) Transfers as permitted in Section 8.1 above and subject to the Partnership Act, in the case of the purchase of a Withdrawn Partner's or deceased or Totally Disabled Limited Partner's Capital Commitment Interests, (ii) with the prior written consent of the General Partner, which shall not be unreasonably withheld, Transfers by a Limited Partner to another Limited Partner of Non-Contingent Capital Commitment Interests, (iii) Transfers with the prior written consent of the General Partner, which consent may be withheld without giving any reason therefor, and (iv) with the prior written consent of the General Partner, which shall not be unreasonably withheld, Transfers, for estate planning purposes, of up to 25% of a Limited Partner's Capital Commitment Partner Interest to an Estate Planning Vehicle. Each Estate Planning Vehicle will be a Nonvoting Limited Partner. Such Special Limited Partner and the Nonvoting Limited Partner shall be jointly and severally liable-for all obligations of both such Special Limited Partner and such Nonvoting Limited Partner with respect to the Partnership (including the obligation to make additional Capital Commitment-Related Capital Contributions). The General Partner may at its sole option exercisable at any time require such Estate Planning Vehicle to Withdraw from the Partnership on the terms of Section 8.1 and Article VI. No person acquiring an interest in the Partnership pursuant to this Section 8.2 shall become a Limited Partner of the Partnership, or acquire such Partner's right to participate in the affairs of the Partnership, unless such person shall be admitted as a Limited Partner pursuant to Section 6.1. A Limited Partner shall not cease to be a limited partner of the Partnership upon the collateral assignment of, or the pledging or granting of a security interest in, its entire limited partner interest in the Partnership in accordance with the provisions of this Agreement.

Section 8.3. Compliance with Law . Notwithstanding any provision hereof to the contrary, no Transfer of a Capital Commitment Interest in the Partnership may be made except in compliance with the Partnership Act, the laws of the Cayman Islands and all U.S. federal, State and other applicable laws, including U.S. federal and State securities laws.

ARTICLE IX

DISSOLUTION

Section 9.1. Dissolution .

(a) The Partnership shall be wound up and subsequently dissolved and terminated pursuant to Section 15(1) of the Partnership Act:

(i) pursuant to Section 6.6;

(ii) upon the expiration of the term of the Partnership; or

(iii) upon the occurrence of a Disabling Event or the death, insanity, retirement, bankruptcy, commencement of liquidation proceedings, resignation, insolvency or dissolution with respect to the last remaining General Partner satisfying the requirements of the Partnership Act, provided that the Partnership shall not be dissolved if, within 90 days after such event, the Limited Partners unanimously agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of the above events, of another General Partner satisfying the requirements of the Partnership Act.

Each of the events causing a winding up of the Partnership set forth in clause (i), (ii) or (iii) of this Section 9.1(a) is herein called a " Winding Up Event ."

Section9.2. Final Distribution .

(a) Subject to the Partnership Act, within 120 calendar days after a Winding Up Event, the assets of the Partnership shall be distributed in accordance with the Partnership Act in the following manner and order and subsequently the General Partner shall file a statement with the Registrar of Exempted Limited Partnerships in the Cayman Islands pursuant to Section 15(3) of the Partnership Act:

(i) to the payment of the expenses of the winding-up, liquidation and dissolution of the Partnership;

(ii) to pay all creditors of the Partnership, other than Partners, either by the payment thereof or the making of reasonable provision therefor;

(iii) to establish reserves, in amounts established by the General Partner or the Liquidator, to meet other liabilities of the Partnership; and

(iv) to pay, in accordance with the terms agreed among them and otherwise on a *pro rata* basis, all creditors of the Partnership that are Partners, either by the payment thereof or the making of reasonable provision therefor.

(b) The remaining assets of the Partnership shall be applied and distributed among the Partners as follows:

(i) With respect to each Partner's GP-Related Partner Interest, the remaining assets of the Partnership related to the GP-Related MB Asia Interest shall be applied and distributed to such Partner in accordance with the procedures set forth in Section 6.5; and for purposes of the application of this Section 9.2 (b)(i) and determining GP-Related Capital Accounts on liquidation, all unrealized gains, losses and accrued income and deductions of the Partnership shall be treated as realized and recognized immediately before the date of distribution; and

(ii) With respect to each Partner's Capital Commitment Partner Interest, an amount shall be paid to such Partner in cash or Securities in an amount equal to such Partner'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 Partner in proportion to its Capital Commitment Liquidating Share for such Capital Commitment Investment; and the remaining assets of the Partnership related to the Partners' Capital Commitment Partner Interests shall be paid to the Partners 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.

Section 9.3. Amounts Reserved Related to Capital Commitment Partner Interests .

(a) If there are any Securities or other property or other investments or securities related to the Partners' Capital Commitment Partner 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 Partner's interest in each such Security or other investment or security may be excluded from the amount distributed to the Partners participating in the related Capital Commitment Investment pursuant to clause (ii) of Section 9.2(b). Any interest of a Partner, 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 Partnership related to the Partners' Capital Commitment Partner Interests as to which the interest or obligation of any Partner 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 Partner pursuant to clause (ii) of Section 9.2(b). No amount shall be paid or charged to any such Partner on account of any such transaction or claim until its final settlement or such earlier time as the Liquidator shall determine. The Partnership may meanwhile retain from other sums due such Partner in respect of such Partner's Capital Commitment Partner Interest an amount which the Liquidator estimates to be sufficient to cover the share of such Partner 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 Partner from whom such sums or Securities or other property were withheld.

ARTICLE X

MISCELLANEOUS

Section 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 , New York U.S.A. 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 General Partner may bring, or may cause the Partnership to bring, on behalf of the General Partner or the Partnership or on behalf of one or more Partners, 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 Partner (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 General Partner as such Partner'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 Partner of any such service of process, shall be deemed in every respect effective service of process upon the Partner in any such action or proceeding.

(c) (i) EACH PARTNER 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 PARAGRAPH (B) 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.

Section 10.2. Ownership and Use of the Firm Name . The Partnership 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 U.S.A., (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, which company (or its predecessors, successors or assigns) has licensed the Partnership to use BLACKSTONE in its name. The Partnership acknowledges that TM owns the service mark BLACKSTONE for various services and that the Partnership is using the BLACKSTONE mark and name on a non-exclusive, non-sublicensable and non-assignable basis in connection with its business and authorized activities with the permission of TM. All services rendered by the Partnership 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 Partnership understands that TM may terminate its right to use BLACKSTONE at any time in TM's sole discretion by giving the Partnership written notice of termination. Promptly following any such termination, the Partnership will take all steps necessary to change its partnership 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.

Section 10.3. Written Consent . Subject to applicable law, any action required or permitted to be taken by a vote of Partners at a meeting may be taken without a meeting if a Majority in Interest of the Partners consent thereto in writing.

Section 10.4. Letter Agreements; Schedules . The General Partner may, or may cause the Partnership to, enter or has previously entered, into separate letter agreements with individual Partners with respect to GP-Related Profit Sharing Percentages, Capital Commitment Profit Sharing Percentages, Management Fee-Related Profit Sharing Percentages or any other matter. The General Partner may from time to time execute and deliver to the Partners Schedules which set forth the then current capital balances, GP-Related Profit Sharing Percentages and Capital Commitment Profit Sharing Percentages of the Partners and any other matters deemed appropriate by the General Partner. Such Schedules shall be for information purposes only and shall not be deemed to be part of this Agreement for any purpose whatsoever.

Section 10.5. Governing Law . Except as expressly provided in Section 10.1 (subject to applicable law), this Agreement shall be governed by and construed in accordance with the laws of the Cayman Islands, without regard to principles of conflicts of law. In particular, the Partnership has been formed and registered pursuant to the Partnership Act, and the rights, duties and liabilities of the General Partners and Limited Partners (including the Special Limited Partners) 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. Unless the context otherwise requires, any reference to any law, regulation, governmental entity or agency or such survivor concepts shall be with respect to any jurisdiction, whether Cayman Islands, U.S. or otherwise.

Section 10.6. Successors and Assigns; Third Party Beneficiaries . 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 Partner (whether such Partner's heir, personal representative or otherwise), as distinct from such Partner itself, shall have any rights as, or in respect to, a Partner (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 Partner or Withdrawn Partner shall remain liable for the obligations under this Agreement (including any Net GP-Related Recontribution Amounts and any Capital Commitment Recontribution Amounts) of any transferee of all or any portion of such Partner's or Withdrawn Partner's interest in the Partnership, unless waived by the General Partner. The Partnership shall, if the General Partner determines, in its good faith judgment, based on the standards set forth in Sections 5.8(d)(ii)(A) and 7.4(g)(ii)(A), to pursue such transferee, pursue payment (including any Net GP-Related Recontribution Amounts and/or any 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 Partners and their respective legal representatives, heirs, successors and permitted assigns. Notwithstanding the foregoing, solely to the extent required by the MB Asia Agreements, (x) each Limited Partner (as defined in the MB Asia Agreements) of MB Asia shall be a third-party beneficiary of the provisions of Sections 5.8(d)(i)(A) and 5.8(d)(ii)(A), solely as they relate to any Clawback Amount (for purpose of this sentence, as defined in the MB Asia Partnership Agreement), and (y) the amendment of the provisions of Sections 5.8(d)(i)(A) and 5.8(d)(ii)(A), solely as they relate to any Clawback Amount (for purpose of this sentence, as defined in the MB Asia Partnership Agreement), shall not be amended in a manner adverse to the Limited Partners of MB Asia without the Combined Limited Partner Consent (as such term is used in the MB Asia Partnership Agreement).

Section 10.7. Partner's Will . Each Limited Partner and Withdrawn Partner shall include in his or her will a provision that addresses certain matters in respect of his or her obligation relating to the Partnership that is satisfactory to the General Partner, and each such Limited Partner and Withdrawn Partner shall confirm annually to the Partnership, in writing, that such provision remains in his or her current will. Where applicable, any estate planning trust of such Partner or Withdrawn Partner to which a portion of such Limited Partner's or Withdrawn Partner's Interest is transferred shall include a provision substantially similar to such provision and the trustee of such trust shall confirm annually to the Partnership, in writing, that such provision or its substantial equivalent remains in such trust. In the event any Limited Partner or Withdrawn Partner fails to comply with the provisions of this Section 10.7 after the Partnership has notified such Limited Partner or Withdrawn Partner of his or her failure to so comply and such failure to so comply is not cured within 30 days of such notice, the Partnership may withhold any and all distributions to such Limited Partner or Withdrawn Partner until the time at which such party complies with the requirements of this Section 10.7.

Section 10.8. Confidentiality . By executing this Agreement, each Partner expressly agrees, at all times during the term of the Partnership and thereafter and whether or not at the time a Partner of the Partnership, to maintain the confidentiality of, and not to disclose to any person other than the Partnership, another Partner or a person designated by the Partnership, any information relating to the business, financial structure, financial position or financial results, clients or affairs of the Partnership 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, however, that any corporate Partner 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 Partner (and any employee, representative or other agent of such Partner) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Partnership, it being understood and agreed, for this purpose, (1) the name of, or any other identifying information regarding (a) the Partners or any existing or future investor (or any Affiliate thereof) in any of the Partners, or (b) any investment or transaction entered into by the Partners; (2) any performance information relating to any of the Partners or their investments; and (3) any performance or other information relating to previous funds or investments sponsored by any of the Partners, does not constitute such tax treatment or tax structure information.

Section 10.9. 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 by hand delivery (including any courier service) or telecopy to any Partner at its address or telecopy number shown in the books and records of the Partnership or, if given to the General Partner or the Partnership, at the address or telecopy number of the Partnership in New York City. 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 Partner or the General Partner or the Partnership specified as aforesaid.

Section 10.10. 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.

Section 10.11. Power of Attorney . To the extent permitted by applicable law, each Limited Partner hereby irrevocably makes, constitutes and appoints each of the General Partner and the Liquidator, if any, in such capacity as Liquidator for so long as it acts as such, as its true and lawful agent and attorney in fact, with full power of substitution and full power and authority in its name, place and stead, to make, execute, sign, acknowledge, swear to, record and file (i) this Agreement and any amendment to this Agreement which has been adopted as herein provided; (ii) the original certificate of exempted limited partnership of the Partnership and all amendments thereto required or permitted by law and the provisions of this Agreement; (iii) all certificates and other instruments deemed advisable by the General Partner or the Liquidator to carry out the provisions of this Agreement and applicable law or to permit the Partnership to become or to continue as an exempted limited partnership or partnership wherein the Limited Partners have limited liability in each jurisdiction where the Partnership may be doing business; (iv) all instruments that the General Partner or the Liquidator deems appropriate to reflect a change or modification of this Agreement or the Partnership in accordance with this Agreement, including, without limitation, the admission of additional Limited Partners or substituted Limited Partners pursuant to the provisions of this Agreement; (v) all conveyances and other instruments or papers deemed advisable by the General Partner or the Liquidator to effect the dissolution and termination of the Partnership; (vi) all fictitious or assumed name certificates required (in light of the Partnership's activities) to be filed on behalf of the Partnership; (vii) all agreements and instruments necessary or advisable to consummate any Investment; (viii) any agreement pursuant to the Partnership Act and/or Section 6.4 and/or 9.1 to continue the business of the Partnership and to appoint a successor General Partner upon the Withdrawal of the sole remaining General Partner; and (ix) all other instruments or papers which may be required or permitted by law to be filed on behalf of the Partnership which are not legally binding on the Limited Partners in their individual capacity and are necessary to carry out the provisions of this Agreement, and to take all action necessary to continue the business of the Partnership and to appoint a successor General Partner upon the Withdrawal of the sole remaining General Partner pursuant to the Partnership Act and/or Section 6.4 and/or 9.1. This power of attorney is intended to secure an interest in property, and, in addition, the obligations of each relevant Limited Partner under this Agreement.

Section 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.

Section 10.13. Legal Fees . Except as more specifically provided herein, in the event of a legal dispute (including litigation, arbitration or mediation) between any Partner or Withdrawn Partner and the Partnership, 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.

Section 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 as a deed on the date first above written. In the event that it is impracticable to obtain the signature of any of the Partners to this Agreement, this Agreement shall be binding among the other Partners executing the same.

GENERAL PARTNERS:

MB ASIA REA L.L.C.

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Authorized Person

Witnessed by: ______________________

MB ASIA REA LTD.

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Authorized Person

Witnessed by: ______________________

INITIAL LIMITED PARTNER

/s/ David Marshall

David Marshall, as Initial Limited Partner, solely to reflect his Withdrawal from the Partnership

Witnessed by: ______________________

Exhibit 21.1

LIST OF SUBSIDIARIES

The following are subsidiaries of The Blackstone Group L.P. as of December 31, 2010 and the jurisdictions in which they are organized.

Name	Jurisdiction of Incorporation or Organization
Areof Services Limited	Korea
BCA IV-NQ L.L.C.	Delaware
BCCA I - NQ L.L.C.	Delaware
BCLO Advisors L.L.C.	Delaware
BCOM Side-by-Side GP LLC	Delaware
BCP IV GP LLC	Delaware
BCP IV Side-By-Side GP LLC	Delaware
BCP SGP IV GP LLC	Delaware
BCP V GP LLC	Delaware
BCP V Side-by-Side GP LLC	Delaware
BCP V USS Side-by-Side GP LLC	Delaware
BCP V-NQ GP LLC	Delaware
BDA Funding L.P.	Delaware
BG(HK) L Holdings L.L.C.	Delaware
BGAL Holdings L.L.C.	Delaware
Blackstone / GSO Secured Trust Ltd.	Cayman
Blackstone (Shanghai) Equity Inv Mgmt Co. Ltd	China
Blackstone / GSO Capital Solutions Associates LLC	Delaware
Blackstone / GSO Capital Solutions Overseas Associates LLC	Delaware
Blackstone / GSO Market Neutral Credit Associates LLC	Delaware
Blackstone / GSO Market Neutral Credit Overseas Associates LLC	Delaware
Blackstone Administrative Services Partnership L.P.	Delaware
Blackstone Advisors India Private Limited	India
Blackstone Advisory Services L.L.C.	Delaware
Blackstone Advisory Services L.P.	Delaware
Blackstone Alternative Asset Management Associates L.L.C.	Delaware
Blackstone Alternative Asset Management L.P.	Delaware
Blackstone Asia Advisors L.L.C.	Delaware
Blackstone Asia Opportunities Associates L.L.C.	Delaware
Blackstone Capital Associates IV-NQ L.P.	Delaware
Blackstone Capital Commitment Partners III L.P.	Delaware
Blackstone Capital Commitment Partners IV - NQ L.P.	Delaware
Blackstone China Equity Investment Management Co Ltd	China
Blackstone Cleantech Venture Advisors L.L.C.	Delaware
Blackstone Cleantech Venture Associates L.L.C.	Delaware
Blackstone Commercial Real Estate Debt Associates L.L.C.	Delaware
Blackstone Communications Advisors I L.L.C.	Delaware
Blackstone Communications Capital Associates I-NQ L.P.	Delaware
Blackstone Communications Capital Commitment Partners I-NQ L.P.	Delaware
Blackstone Communications FCC L.L.C.	Delaware
Blackstone Communications GP LLC	Delaware
Blackstone Communications Management Associates (Cayman) L.P.	Cayman

Name	Jurisdiction of Incorporation or Organization
Blackstone Communications Management Associates FCC L.L.C.	Delaware
Blackstone Communications Management Associates I - NQ L.L.C.	Delaware
Blackstone Communications Management Associates I L.L.C.	Delaware
Blackstone Corporate Debt Administration L.L.C.	Delaware
Blackstone Credit Liquidity Associates (Cayman) L.P.	Cayman
Blackstone Credit Liquidity Associates L.P.	Delaware
Blackstone DD Advisors L.L.C.	Delaware
Blackstone DD Associates L.L.C.	Delaware
Blackstone Debt Advisors L.P.	Delaware
Blackstone Debt Origination Associates L.L.C.	Delaware
Blackstone Debt Origination LP	Delaware
Blackstone Distressed Securities Advisors L.P.	Delaware
Blackstone Distressed Securities Associates L.P.	Delaware
Blackstone Distressed Securities Fund L.P.	Delaware
Blackstone DL Mezzanine Associates L.P.	Delaware
Blackstone DL Mezzanine Holdings L.P.	Delaware
Blackstone DL Mezzanine Management Associates L.L.C.	Delaware
Blackstone DO Associates L.L.C.	Delaware
Blackstone Family Cleantech Investment Partnership L.P.	Delaware
Blackstone Family Communications FCC-NQ L.P.	Delaware
Blackstone Family Communications Partnership (Cayman) L.P.	Cayman
Blackstone Family Communications Partnership I L.P.	Delaware
Blackstone Family GP L.L.C.	Delaware
Blackstone Family Investment Partnership (Cayman II) V-NQ LP	Cayman
Blackstone Family Investment Partnership (Cayman) III L.P.	Cayman
Blackstone Family Investment Partnership (Cayman) IV L.P.	Cayman
Blackstone Family Investment Partnership (Cayman) L.P.	Cayman
Blackstone Family Investment Partnership (Cayman) V L.P.	Cayman
Blackstone Family Investment Partnership (Cayman) V-NQ LP	Cayman
Blackstone Family Investment Partnership FCC - NQ L.P.	Delaware
Blackstone Family Investment Partnership FCC L.L.C.	Delaware
Blackstone Family Investment Partnership II L.P.	Delaware
Blackstone Family Investment Partnership III L.P.	Delaware
Blackstone Family Investment Partnership IV L.P.	Delaware
Blackstone Family Investment Partnership SGP (Cayman) IV L.P.	Cayman
Blackstone Family Investment Partnership V L.P.	Delaware
Blackstone Family Investment Partnership V USS L.P.	Delaware
Blackstone Family Media Partnership III L.P.	Delaware
Blackstone Family Real Estate Partnership II L.P.	Delaware
Blackstone Family Real Estate Partnership III L.P.	Delaware
Blackstone Family Real Estate Partnership L.P.	Delaware
Blackstone FC Capital Associates IV L.P.	Delaware
Blackstone FC Capital Commitment Partners IV L.P.	Delaware
Blackstone FC Communications Capital Associates I L.P.	Delaware
Blackstone FC Communications Capital Commitment Partners L.P.	Delaware
Blackstone FI Capital Commitment Partners (Cayman) III L.P.	Cayman
Blackstone FI Communications Associates (Cayman) Ltd.	Cayman
Blackstone FI Mezzanine (Cayman) Ltd.	Cayman
Blackstone FI Mezzanine Associates (Cayman) L.P.	Cayman

Name	Jurisdiction of Incorporation or Organization
Blackstone FI Mezzanine Holdings (Cayman) L.P.	Cayman
Blackstone Financial Services Inc. (trademark)	Delaware
Blackstone Fund Services India Private Limited	India
Blackstone Group Holdings L.L.C.	Delaware
Blackstone Group Holdings L.P.	Delaware
Blackstone Group International Holdings LLC	Delaware
Blackstone Group International Ltd - Paris	France
Blackstone Group Real Estate Holdings International (Alberta) L.P.	Alberta
Blackstone Group Real Estate Holdings International (Alberta) L.P. IV	Alberta
Blackstone Holdings Finance Co LLC	Delaware
Blackstone Holdings I L.P.	Delaware
Blackstone Holdings I/II GP Inc.	Delaware
Blackstone Holdings I/II Limited Partner Inc.	Delaware
Blackstone Holdings II L.P.	Delaware
Blackstone Holdings III GP L.P.	Delaware
Blackstone Holdings III GP Limited Partner L.L.C.	Delaware
Blackstone Holdings III GP Management L.L.C.	Delaware
Blackstone Holdings III L.P. (Quebec SEC)	Quebec
Blackstone Holdings IV GP L.P. (Quebec SEC)	Quebec
Blackstone Holdings IV GP Limited Partner L.L.C.	Delaware
Blackstone Holdings IV GP Management (Delaware) L.P.	Delaware
Blackstone Holdings IV GP Management L.L.C.	Delaware
Blackstone Holdings IV L.P. (Quebec SEC)	Quebec
Blackstone Infrastructure Management Partners LLC	Delaware
Blackstone Intermediate Funding L.P.	Delaware
Blackstone Korea Advisors LLC	Korea
Blackstone Korea Advisors Ltd	Korea
Blackstone LR Associates (Cayman II) V-NQ Ltd.	Cayman
Blackstone LR Associates (Cayman) IV Ltd.	Cayman
Blackstone LR Associates (Cayman) V Ltd.	Cayman
Blackstone LR Associates (Cayman) V-NQ Ltd.	Cayman
Blackstone Management Associates (Cayman II) V-NQ LP	Cayman
Blackstone Management Associates (Cayman) IV L.P.	Cayman
Blackstone Management Associates (Cayman) V L.P.	Cayman
Blackstone Management Associates (Cayman) V-NQ LLC	Cayman
Blackstone Management Associates IV FCC L.L.C.	Delaware
Blackstone Management Associates IV L.L.C.	Delaware
Blackstone Management Associates IV-NQ L.L.C.	Delaware
Blackstone Management Associates V LLC	Delaware
Blackstone Management Associates V USS LLC	Delaware
Blackstone Management Partners (India) L.L.C.	Delaware
Blackstone Management Partners GP L.L.C.	Delaware
Blackstone Management Partners III L.L.C.	Delaware
Blackstone Management Partners IV L.L.C.	Delaware
Blackstone Management Partners L.L.C.	Delaware
Blackstone Management Partners L.P.	Delaware
Blackstone Market Opportunities Fund L.P.	Delaware

Name	Jurisdiction of Incorporation or Organization
Blackstone Media Capital Commitment Partners III L.P.	Delaware
Blackstone Mezzanine Advisors II L.P.	Delaware
Blackstone Mezzanine Advisors L.P.	Delaware
Blackstone Mezzanine Associates II L.P.	Delaware
Blackstone Mezzanine Associates II USS L.P.	Delaware
Blackstone Mezzanine Associates L.P.	Delaware
Blackstone Mezzanine GP LLC	Delaware
Blackstone Mezzanine Holdings II L.P.	Delaware
Blackstone Mezzanine Holdings II USS L.P.	Delaware
Blackstone Mezzanine Holdings L.P.	Delaware
Blackstone Mezzanine Management Associates II L.L.C.	Delaware
Blackstone Mezzanine Management Associates II USS L.L.C.	Delaware
Blackstone Mezzanine Management Associates L.L.C.	Delaware
Blackstone Participation Partners Cayman IV L.P.	Cayman
Blackstone Participation Partners Cayman V L.P.	Cayman
Blackstone Participation Partners FCC - NQ LP	Delaware
Blackstone Participation Partners FCC L.P.	Delaware
Blackstone Participation Partners IV L.P.	Delaware
Blackstone Participation Partners USS V L.P.	Delaware
Blackstone Participation Partners V L.P.	Delaware
Blackstone Participation Partnership (Cayman II) V-NQ LP	Cayman
Blackstone Participation Partnership (Cayman) V-NQ LP	Cayman
Blackstone PB I L.L.C.	Delaware
Blackstone PB II L.L.C.	Delaware
Blackstone Property Management L.L.C.	Delaware
Blackstone Property Management Limited	United Kingdom
Blackstone Property Management S.Ã.R.L.	France
Blackstone RE Capital Commitment Partners III L.P.	Delaware
Blackstone Real Estate (Cayman) IV Ltd.	Cayman
Blackstone Real Estate (Cayman) V Ltd.	Cayman
Blackstone Real Estate (Cayman) VI - Q Ltd.	Cayman
Blackstone Real Estate (Cayman) VI Ltd.	Cayman
Blackstone Real Estate Advisors Europe L.P.	Delaware
Blackstone Real Estate Advisors III L.P.	Delaware
Blackstone Real Estate Advisors International L.L.C.	Delaware
Blackstone Real Estate Advisors IV L.L.C.	Delaware
Blackstone Real Estate Advisors V L.P.	Delaware
Blackstone Real Estate Advisors VI L.P.	Delaware
Blackstone Real Estate Asia PTE. LTD.	Singapore
Blackstone Real Estate Associates (Alberta) IV L.P.	Alberta
Blackstone Real Estate Associates (Offshore) V L.P.	Alberta
Blackstone Real Estate Associates (Offshore) VI - Q L.P.	Alberta
Blackstone Real Estate Associates (Offshore) VI L.P.	Alberta
Blackstone Real Estate Associates Europe (Delaware) III - NQ L.L.C.	Delaware
Blackstone Real Estate Associates Europe (Delaware) III L.L.C.	Delaware
Blackstone Real Estate Associates Europe III - NQ L.P.	Delaware
Blackstone Real Estate Associates Europe III L.P.	Delaware
Blackstone Real Estate Associates International (Delaware) II L.L.C.	Delaware

Name	Jurisdiction of Incorporation or Organization
Blackstone Real Estate Associates International (Delaware) L.L.C.	Delaware
Blackstone Real Estate Associates International II L.P.	Delaware
Blackstone Real Estate Associates International L.P.	Delaware
Blackstone Real Estate Associates IV - NQ L.P.	Delaware
Blackstone Real Estate Associates IV L.P.	Delaware
Blackstone Real Estate Associates V - NQ L.P.	Delaware
Blackstone Real Estate Associates V L.P.	Delaware
Blackstone Real Estate Associates VI - NQ L.P.	Delaware
Blackstone Real Estate Associates VI L..L..C.	Delaware
Blackstone Real Estate Associates VI L.P.	Delaware
Blackstone Real Estate Capital Commitment Partners III L.P.	Delaware
Blackstone Real Estate CMBS Associates LLC	Delaware
Blackstone Real Estate Europe (Cayman) III - NQ Ltd.	Cayman
Blackstone Real Estate Europe (Cayman) III Ltd.	Cayman
Blackstone Real Estate Europe Limited	United Kingdom
Blackstone Real Estate Holdings Europe III - NQ L.P.	Alberta
Blackstone Real Estate Holdings Europe III L.P.	Alberta
Blackstone Real Estate Holdings II L.P.	Delaware
Blackstone Real Estate Holdings III L.P.	Delaware
Blackstone Real Estate Holdings International - A L.P.	Alberta
Blackstone Real Estate Holdings International II - Q L.P.	Alberta
Blackstone Real Estate Holdings International II L.P.	Alberta
Blackstone Real Estate Holdings IV - NQ L.P.	Delaware
Blackstone Real Estate Holdings IV (Alberta) L.P.	Alberta
Blackstone Real Estate Holdings IV L.P.	Delaware
Blackstone Real Estate Holdings L.P.	Delaware
Blackstone Real Estate Holdings V - NQ L.P.	Delaware
Blackstone Real Estate Holdings V (Offshore) L.P.	Alberta
Blackstone Real Estate Holdings V L.P.	Delaware
Blackstone Real Estate Holdings VI - NQ L.P.	Delaware
Blackstone Real Estate Holdings VI (Offshore) - Q L.P.	Alberta
Blackstone Real Estate Holdings VI (Offshore) L.P.	Alberta
Blackstone Real Estate Holdings VI L.P.	Delaware
Blackstone Real Estate Management Associates Europe III - NQ L.P.	Alberta
Blackstone Real Estate Management Associates Europe III L.P.	Alberta
Blackstone Real Estate Management Associates International II L.P.	Alberta
Blackstone Real Estate Management Associates International L.P.	Alberta
Blackstone Real Estate Partners Holdings Ltd.	United Kingdom
Blackstone Real Estate Special Situations (Alberta) II GP L.P.	Delaware
Blackstone Real Estate Special Situations Advisors L.L.C.	Delaware
Blackstone Real Estate Special Situations Associates Europe (Deleware) L.L.C.	Delaware
Blackstone Real Estate Special Situations Associates Europe L.P.	Delaware
Blackstone Real Estate Special Situations Associates II L.L.C.	Delaware
Blackstone Real Estate Special Situations Associates II-NQ LLC	Delaware
Blackstone Real Estate Special Situations Associates L.L.C.	Delaware
Blackstone Real Estate Special Situations Europe (Cayman) Ltd.	Cayman
Blackstone Real Estate Special Situations Europe GP L.L.C.	Delaware
Blackstone Real Estate Special Situations Europe GP L.P.	Delaware
Blackstone Real Estate Special Situations Holdings Europe L.P.	Alberta

Name	Jurisdiction of Incorporation or Organization
Blackstone Real Estate Special Situations Holdings II L.P.	Delaware
Blackstone Real Estate Special Situations Holdings II-NQ L.P.	Delaware
Blackstone Real Estate Special Situations Management Associates Europe L.P.	Alberta
Blackstone Real Estate Special Situations Side-by-Side GP L.L.C.	Delaware
Blackstone Real Estate Special Situations-NQ Side-by-Side GP L.L.C.	Delaware
Blackstone Services Mauritius II Ltd.	Mauritius
Blackstone Services Mauritius Ltd.	Mauritius
Blackstone SGP Associates (Cayman) IV Ltd.	Cayman
Blackstone SGP Management Associates (Cayman) IV L.P.	Cayman
Blackstone SGP Participation Partners Cayman IV L.P.	Cayman
Blackstone Strategic Alliance Advisors L.L.C.	Delaware
Blackstone Strategic Alliance Associates L.L.C.	Delaware
Blackstone Strategic Alliance Fund L.P.	Delaware
Blackstone Strategic Equity Fund L.P.	Delaware
Blackstone Tenex LP	Delaware
Blackstone TWF Family Investment Partnership L.P.	Delaware
Blackstone Value Recovery Fund L.P.	Delaware
Blackstone V-NQ (Cayman II) GP LLC	Delaware
BMA V L.L.C.	Delaware
BMA V USS L.L.C.	Delaware
BMEZ Advisors II L.L.C.	Delaware
BMEZ Advisors L.L.C.	Delaware
BMP DL Side-by-Side GP LLC	Delaware
BMP II Side-by-Side GP LLC	Delaware
BMP II USS Side-by-Side GP LLC	Delaware
BMP Side-by-Side GP LLC	Delaware
BRE Advisors Europe L.L.C.	Delaware
BRE Advisors III L.L.C.	Delaware
BRE Advisors International L.L.C.	Delaware
BRE Advisors IV L.L.C.	Delaware
BRE Advisors V L.L.C.	Delaware
BRE Advisors VI L.L.C.	Delaware
BRE Associates International (Cayman) II Ltd.	Cayman
BRE Europe Ltd	United Kingdom
BREA International (Cayman) II Ltd.	Cayman
BREA International (Cayman) Ltd.	Cayman
BREA IV - NQ L.L.C.	Delaware
BREA IV L.L.C.	Delaware
BREA Management of Illinois L.L.C.	Delaware
BREA Property Management of Florida L.L.C.	Delaware
BREA Property Management of Illinois L.L.C.	Delaware
BREA Property Management of Michigan L.L.C.	Delaware
BREA Property Management of Pennsylvania L.L.C.	Delaware
BREA V - NQ L.L.C.	Delaware
BREA V L.L.C.	Delaware
BREA VI - N.Q. L.L.C.	Delaware
BREA VI L.L.C.	Delaware
BREAI (Delaware) II L.L.C.	Delaware
BREAI II L.P.	Delaware

Name	Jurisdiction of Incorporation or Organization
BRECA LLC	Delaware
BREMAI II L.P.	Alberta
BREP Europe III - NQ GP L.L.C.	Delaware
BREP Europe III - NQ GP L.P.	Delaware
BREP Europe III GP L.L.C.	Delaware
BREP Europe III GP L.P.	Delaware
BREP International GP L.L.C.	Delaware
BREP International GP L.P.	Delaware
BREP International II GP L.L.C.	Delaware
BREP International II GP L.P.	Delaware
BREP International II-Q GP L.L.C.	Delaware
BREP International II-Q GP L.P.	Delaware
BREP IV - NQ Side-by Side GP L.L.C.	Delaware
BREP IV (Offshore) GP L.L.C.	Delaware
BREP IV (Offshore) GP L.P.	Delaware
BREP IV Side-by Side GP L.L.C.	Delaware
BREP V - NQ Side-by Side GP L.L.C.	Delaware
BREP V (Offshore) GP L.L.C.	Delaware
BREP V (Offshore) GP L.P.	Delaware
BREP V Side-by Side GP L.L.C.	Delaware
BREP VI - NQ Side-by Side GP L.L.C.	Delaware
BREP VI (Offshore) GP L.L.C.	Delaware
BREP VI (Offshore) GP L.P.	Delaware
BREP VI -Q (Offshore) GP L.L.C.	Delaware
BREP VI -Q (Offshore) GP L.P.	Delaware
BREP VI Side-by Side GP - L.L.C.	Delaware
BTD CP Holdings LP	Delaware
BZDIF Associates Ltd	Cayman
Callidus Debt Partners CDO Fund I, Ltd.	Cayman
Callidus Debt Partners CDO Fund II, Ltd.	Cayman
Callidus Debt Partners CDO Fund III, Ltd.	Cayman
Callidus Debt Partners CDO Fund IV, Ltd.	Cayman
Callidus Debt Partners CDO Fund V, Ltd.	Cayman
Callidus Debt Partners CDO Fund VI, Ltd.	Cayman
Callidus Debt Partners CDO Fund VII, Ltd.	Cayman
Chelsea Park CLO Ltd.	Cayman Islands
Columbus Park CDO Ltd.	Cayman Islands
Equity Healthcare L.L.C.	Delaware
Green Park CDO B.V.	The Netherlands
GSO Advisor Holdings L.L.C.	Delaware
GSO Associates LLC	Delaware
GSO Capital Advisors, LLC	Delaware
GSO Capital Opportunities Associates LLC	Delaware
GSO Capital Opportunities Overseas Associates LLC	Delaware
GSO Capital Partners (California) LLC	Delaware
GSO Capital Partners (Texas) LP	Delaware
GSO Capital Partners (UK) LTD	United Kingdom
GSO Capital Partners International LLP	United Kingdom
GSO Capital Partners LP	Delaware

Name	Jurisdiction of Incorporation or Organization
GSO Co-Investments Partners LLC	Delaware
GSO Debt Funds Management LLC	Delaware
GSO Holdings I L.L.C.	Delaware
GSO Holdings II L.L.C.	Delaware
GSO Holdings III L.L.C.	Delaware
GSO Legacy Associates II LLC	Delaware
GSO Legacy Associates LLC	Delaware
GSO Liquidity Associates LLC	Delaware
GSO Liquidity Overseas Associates LLC	Delaware
GSO Liquidity Overseas Associates Ltd	Cayman
GSO MAK Associates LLC	Delaware
GSO Origination Associates LLC	Delaware
GSO Overseas Associates LLC	Delaware
GSO SJ Partners Associates LLC	Delaware
GSO Targeted Opportunity Associates LLC	Delaware
GSO Targeted Opportunity Master Associates LLC	Delaware
GSO Targeted Opportunity Overseas Associates LLC	Delaware
GSO VIPs L.L.C.	Delaware
Lafayette Square CDO Ltd.	Cayman Islands
MAPS CLOS Fund II, Ltd.	Cayman
MB Asia REA L.L.C.	Delaware
MB Asia REA L.P.	Cayman
MB Asia REA Ltd.	Cayman
MB Asia Real Estate Associates L.P.	Cayman
Morningside Park CLO, Ltd.	Cayman
Park Hill Group Asia K.K.	Japan
Park Hill Group Holdings L.L.C.	Delaware
Park Hill Group Holdings Limited	United Kingdom
Park Hill Group L.L.C.	Delaware
Park Hill Real Estate Group L.L.C.	Delaware
Pat Holdings IV LLC	Brazil
PHG Holdings L.L.C.	Delaware
PHREG Holdings L.L.C.	Delaware
Prospect Park CDO Ltd.	Cayman Islands
Riverside Park CLO Ltd.	Cayman Islands
St. James’s Park CDO B.V.	The Netherlands
StoneCO IV Corporation	Delaware
TBG Realty Corp.	New York
TBGHK Holdings Limited	Hong Kong
TBGHKL - Australian branch	Australia
The Asia Opportunities Fund L.P.	Delaware
The Blackstone Group (Asia) Limited	Hong Kong
The Blackstone Group (HK) Associates Ltd	Hong Kong
The Blackstone Group (HK) Limited	Hong Kong
The Blackstone Group Deutschland GmbH	Germany
The Blackstone Group Europe Limited	United Kingdom
The Blackstone Group Germany GmbH	Germany
The Blackstone Group International (Cayman) Limited	Cayman
The Blackstone Group International Limited	United Kingdom

Name	Jurisdiction of Incorporation or Organization
The Blackstone Group International Partners LLP	United Kingdom
The Blackstone Group International Partners LLP	Paris - France
The Blackstone Group Japan K.K.	Japan
The Blackstone Group Mauritius II Ltd.	Mauritius
The Blackstone Group Mauritius Ltd.	Mauritius
Tribeca Park CLO Ltd.	Cayman Islands

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated February 25, 2011, relating to the consolidated financial statements of The Blackstone Group L.P. and subsidiaries ("Blackstone"), and the effectiveness of Blackstone's internal control over financial reporting (which reports express an unqualified opinion and includes an explanatory paragraph relating to the adoption of guidance issued by the Financial Accounting Standards Board related to variable interest entities), appearing in this Annual Report on Form 10-K of Blackstone for the year ended December 31, 2010:

- Registration Statement No. 333-157632 (Common Units Representing Limited Partnership Interests) on Form S-3ASR
- Registration Statement No. 333-151853 (Common Units Representing Limited Partnership Interests) on Form S-3ASR
- Registration Statement No. 333-165115 (The Blackstone Group L.P. 2007 Equity Incentive Plan) on Form S-8
- Registration Statement No. 333-157635 (The Blackstone Group L.P. 2007 Equity Incentive Plan) on Form S-8
- Registration Statement No. 333-143948 (The Blackstone Group L.P. 2007 Equity Incentive Plan) on Form S-8.

/s/ DELOITTE & TOUCHE LLP
New York, New York
February 25, 2011

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Stephen A. Schwarzman, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 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 fiscal 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: February 25, 2011

/s/ Stephen A. Schwarzman

Stephen A. Schwarzman
Chief Executive Officer
of Blackstone Group Management L.L.C.

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Laurence A. Tosi, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 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 fiscal 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: February 25, 2011

/s/ Laurence A. Tosi
Laurence A. Tosi
Chief Financial Officer
of Blackstone Group Management L.L.C.

Exhibit 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

In connection with the Annual Report of The Blackstone Group L.P. (the "Partnership") on Form 10-K for the year ended December 31, 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: February 25, 2011

/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.

Exhibit 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

In connection with the Annual Report of The Blackstone Group L.P. (the “Partnership”) on Form 10-K for the year ended December 31, 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: February 25, 2011

/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.