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BLACKSTONE GROUP L.P.

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012**

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	**20-8875684**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

The number of the Registrant's voting common units representing limited partner interests outstanding as of April 27, 2012 was 410,249,947. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of April 27, 2012 was 101,334,234.

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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 our annual report on Form 10-K for the year ended December 31, 2011 and 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. Blackstone's Private Equity segment comprises its management of private equity funds (including our sector and regional focused funds), which we refer to collectively as our Blackstone Capital Partners ("BCP") funds, and certain multi-asset class investment funds. We refer to our real estate opportunistic funds as our Blackstone Real Estate Partners ("BREP") funds and our real estate debt investment funds as our "BREDS" funds. "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 four publicly registered 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 managed by us,

(b) the net asset value of our funds of hedge funds, hedge funds, 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 funds of hedge funds and 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 performance fees. Our fee-earning assets under management equals the sum of:

(a) for our Private Equity segment funds and carry funds in our Real Estate segment, which include certain real estate debt investment funds, the amount of capital commitments, remaining invested capital or par value of assets held, depending on the fee terms of the fund,

(b) for our credit-oriented carry funds, the amount of remaining invested capital (which may include leverage) or net asset value, depending on the fee terms of the fund,

(c) the remaining invested capital of co-investments managed by us on which we receive fees,

(d) the net asset value of our funds of hedge funds, hedge funds, certain credit-oriented closed-end registered investment companies, and our closed-end mutual funds,

(e) the fair value of assets we manage pursuant to separately managed accounts,

(f) the gross amount of underlying assets of our CLOs at cost, and

(g) the gross amount of assets (including leverage) for certain of 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.

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE BLACKSTONE GROUP L.P.

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

	March 31, 2012	December 31, 2011
Assets		
Cash and Cash Equivalents	$ 391,304	$ 754,744
Cash Held by Blackstone Funds and Other	784,086	724,762
Investments (including assets pledged of $187,884 and $101,298 at March 31, 2012 and December 31, 2011, respectively)	19,748,524	15,128,299
Accounts Receivable	576,566	406,140
Reverse Repurchase Agreements	83,761	139,485
Due from Affiliates	822,495	860,514
Intangible Assets, Net	689,565	595,488
Goodwill	1,703,602	1,703,602
Other Assets	455,888	337,396
Deferred Tax Assets	1,290,570	1,258,699
Total Assets	$26,546,361	$21,909,129
Liabilities and Partners' Capital		
Loans Payable	$12,693,529	$ 8,867,568
Due to Affiliates	1,723,993	1,811,468
Accrued Compensation and Benefits	820,683	903,260
Securities Sold, Not Yet Purchased	82,733	143,825
Repurchase Agreements	189,146	101,849
Accounts Payable, Accrued Expenses and Other Liabilities	1,011,428	828,873
Total Liabilities	16,521,512	12,656,843
Commitments and Contingencies		
Redeemable Non-Controlling Interests in Consolidated Entities	618,417	585,606
Partners' Capital		
Partners' Capital (common units: 504,801,275 issued and outstanding as of March 31, 2012; 489,430,907 issued and outstanding as of December 31, 2011)	4,380,744	4,281,841
Appropriated Partners' Capital	764,741	386,864
Accumulated Other Comprehensive Income	3,297	1,958
Non-Controlling Interests in Consolidated Entities	1,738,063	1,535,497
Non-Controlling Interests in Blackstone Holdings	2,519,587	2,460,520
Total Partners' Capital	9,406,432	8,666,680
Total Liabilities and Partners' Capital	$26,546,361	$21,909,129

continued…

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Financial Condition (Unaudited)
(Dollars in Thousands)

The following presents the portion of the consolidated balances presented above attributable to consolidated Blackstone Funds which are variable interest entities. The following assets may only be used to settle obligations of these consolidated Blackstone Funds and these liabilities are only the obligations of these consolidated Blackstone Funds and they do not have recourse to the general credit of Blackstone.

	March 31, 2012	December 31, 2011
Assets		
Cash Held by Blackstone Funds and Other	$ 705,575	$ 598,441
Investments	13,134,899	8,961,960
Accounts Receivable	46,318	33,405
Due from Affiliates	34,214	36,502
Other Assets	129,867	12,031
Total Assets	$14,050,873	$9,642,339
Liabilities		
Loans Payable	$11,639,749	$7,801,136
Due to Affiliates	224,782	311,909
Accounts Payable, Accrued Expenses and Other	483,695	244,488
Total Liabilities	$12,348,226	$8,357,533

See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

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

	Three Months Ended March 31,	
	2012	2011
Revenues		
Management and Advisory Fees, Net	$ 471,676	$ 412,738
Performance Fees		
Realized	18,839	96,203
Unrealized	365,931	512,401
Total Performance Fees	384,770	608,604
Investment Income		
Realized	16,335	12,783
Unrealized	72,826	107,395
Total Investment Income	89,161	120,178
Interest and Dividend Revenue	7,636	9,490
Other	(1,207)	2,259
Total Revenues	952,036	1,153,269
Expenses		
Compensation and Benefits		
Compensation	495,255	659,483
Performance Fee Compensation		
Realized	12,190	14,543
Unrealized	97,322	162,525
Total Compensation and Benefits	604,767	836,551
General, Administrative and Other	142,766	129,386
Interest Expense	14,518	13,803
Fund Expenses	21,742	11,124
Total Expenses	783,793	990,864
Other Income		
Net Gains (Losses) from Fund Investment Activities	288,142	(45,191)
Income Before Provision for Taxes	456,385	117,214
Provision for Taxes	38,753	38,850
Net Income	417,632	78,364
Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	39,609	22,025
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	212,293	(93,081)
Net Income Attributable to Non-Controlling Interests in Blackstone Holdings	107,405	106,716
Net Income Attributable to The Blackstone Group L.P.	$ 58,325	$ 42,704
Net Income Per Common Unit, Basic	$ 0.12	$ 0.10
Net Income Per Common Unit, Diluted	$ 0.11	$ 0.09
Weighted-Average Common Units Outstanding — Basic	506,985,529	447,742,389
Weighted-Average Common Units Outstanding — Diluted	517,389,558	457,652,916
Revenues Earned from Affiliates		
Management and Advisory Fees	$ 47,984	$ 70,038

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(Dollars in Thousands, Except Unit and Per Unit Data)

	Three Months Ended March 31,	
	2012	2011
Net Income	$417,632	$ 78,364
Other Comprehensive Income (Loss), Net of Tax — Currency Translation Adjustment	(2,174)	3,505
Comprehensive Income	415,458	81,869
Less:		
Comprehensive Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	39,609	22,025
Comprehensive Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	208,780	(88,375)
Comprehensive Income Attributable to Non-Controlling Interests in Blackstone Holdings	107,405	106,716
Comprehensive Income Attributable to The Blackstone Group L.P.	$ 59,664	$ 41,503

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in Thousands)

	Three Months Ended March 31,	
	2012	2011
Operating Activities		
Net Income	$ 417,632	$ 78,364
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Blackstone Funds Related:		
Unrealized Appreciation on Investments Allocable to Non-Controlling Interests in Consolidated Entities	(259,698)	(20,698)
Net Realized Gains on Investments	(79,174)	(179,148)
Changes in Unrealized Gains on Investments Allocable to The Blackstone Group L.P.	(46,967)	(89,106)
Unrealized Depreciation (Appreciation) on Hedge Activities	(794)	561
Non-Cash Performance Fees	(287,776)	(375,102)
Non-Cash Performance Fee Compensation	109,512	177,069
Equity-Based Compensation Expense	222,444	426,280
Amortization of Intangibles	48,142	40,846
Other Non-Cash Amounts Included in Net Income	34,134	14,806
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Cash Held by Blackstone Funds and Other	241,973	141,787
Cash Relinquished with Deconsolidation and Liquidation of Partnership	19,155	395
Accounts Receivable	(131,943)	130,920
Reverse Repurchase Agreements	55,725	(48,298)
Due from Affiliates	(4,466)	(984)
Other Assets	80,161	32,723
Accrued Compensation and Benefits	(102,276)	(273,284)
Securities Sold, Not Yet Purchased	(52,859)	93,711
Accounts Payable, Accrued Expenses and Other Liabilities	(513,451)	(283,179)
Repurchase Agreements	87,298	9,223
Due to Affiliates	(58,313)	22,307
Treasury Cash Management Strategies:		
Investments Purchased	(715,090)	(733,450)
Cash Proceeds from Sale of Investments	842,199	708,437
Blackstone Funds Related:		
Investments Purchased	(1,534,651)	(1,953,083)
Cash Proceeds from Sale or Pay Down of Investments	1,763,311	2,520,410
Net Cash Provided by Operating Activities	134,228	441,507
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(13,086)	(5,710)
Net Cash Paid for Acquisitions, Net of Cash Acquired	(156,972)	—
Changes in Restricted Cash	(166)	321
Net Cash Used in Investing Activities	(170,224)	(5,389)

continued…

See notes to condensed consolidated financial statements

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in Thousands)

	Three Months Ended March 31,	
	2012	2011
Financing Activities		
Distributions to Non-Controlling Interest Holders in Consolidated Entities	$ (47,338)	$(135,412)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	157,381	118,434
Purchase of Interests from Certain Non-Controlling Interest Holders	(16)	(2,056)
Net Settlement of Vested Common Units and Repurchase of Common and Holdings Units	(8,821)	(6,823)
Proceeds from Loans Payable	1,365	2,246
Repayment of Loans Payable	(8,952)	(17,713)
Distributions to Unitholders	(279,224)	(371,994)
Blackstone Funds Related:		
Proceeds from Loans Payable	3,839	200
Repayment of Loans Payable	(145,673)	(155,810)
Net Cash Used in Financing Activities	(327,439)	(568,928)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(5)	—
Net Decrease in Cash and Cash Equivalents	(363,440)	(132,810)
Cash and Cash Equivalents, Beginning of Period	754,744	588,621
Cash and Cash Equivalents, End of Period	$ 391,304	$ 455,811
Supplemental Disclosure of Cash Flows Information		
Payments for Interest	$ 37,409	$ 635
Payments for Income Taxes	$ 6,866	$ 17,611
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	$ (2,633)	$ 1,721
Net Assets Related to the Consolidation of CLO Vehicles	$ 233,541	$ —
In-kind Redemption of Capital	$ (2,017)	$ —
In-kind Contribution of Capital	$ 2,017	$ —
Transfer of Interests to Non-Controlling Interest Holders	$ (1,191)	$ (1,111)
Change in The Blackstone Group L.P.'s Ownership Interest	$ (8,867)	$ (5,772)
Net Settlement of Vested Common Units	$ 6,328	$ 4,369
Conversion of Blackstone Holdings Units to Common Units	$ 40,273	$ 137,961
Exchange of Founders' and Non-Controlling Interest Holders' Interests in Blackstone Holdings:		
Deferred Tax Asset	$ (41,029)	$(176,013)
Due to Affiliates	$ 34,122	$ 142,212
Partners' Capital	$ 6,907	$ 33,801

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

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

1. ORGANIZATION

The Blackstone Group L.P., together with its subsidiaries, ("Blackstone" or the "Partnership") is a leading global manager of private capital and provider of financial advisory services. The alternative asset management business includes the management of private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligation ("CLO") vehicles, separately managed accounts, 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 five segments: private equity, real estate, hedge fund solutions, credit businesses, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial

THE BLACKSTONE GROUP L.P.

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

statements, including these notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission.

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

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 VIE 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 VIE. The consolidation guidance requires an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a VIE 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. VIEs qualify for the deferral of the consolidation guidance if all of the following conditions have been met:

(a) The entity has all of the attributes of an investment company as defined under American Institute of Certified Public Accountants Accounting and Auditing Guide, *Investment Companies* ("Investment Company Guide") , or does not have all the attributes of an investment company but it is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the Investment Company Guide,

(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

THE BLACKSTONE GROUP L.P.

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

(c) The entity is not a securitization or asset-backed financing entity or an entity that was formerly considered a qualifying special purpose entity.

Where the VIEs have qualified for the deferral of the current consolidation guidance, the analysis is based on previous consolidation guidance. This guidance requires an analysis to determine (a) 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.

Assets of consolidated variable interest entities that can only be used to settle obligations of the consolidated VIE and liabilities of a consolidated VIE for which creditors (or beneficial interest holders) do not have recourse to the general credit of Blackstone are presented in a separate section in the Condensed Consolidated Statements of Financial Condition.

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

Fair Value of Financial Instruments

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

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

- Level I — Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I include listed equities, 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 and proprietary 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.

Transfers between levels of the fair value hierarchy are recognized at the beginning of the reporting period.

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 and credit-oriented investments.

Such investments are valued on a quarterly basis, taking into consideration any changes in key unobservable inputs and changes in economic and other relevant conditions and valuation models are updated accordingly. The valuation process also includes a review by an independent valuation party, at least annually for all investments, and quarterly for certain investments, to corroborate the values determined by management. The valuations of Blackstone's investments are reviewed quarterly by a valuation committee which is chaired by Blackstone's Vice Chairman and includes senior heads of each of Blackstone's businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone's investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee as well as the senior heads of each of Blackstone's businesses. The valuations are further tested by comparison to actual sales prices obtained on disposition of the investments.

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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.

Certain investments of Blackstone and of the consolidated Blackstone funds of hedge funds and credit-oriented funds measure their investments in underlying funds at fair value using NAV per share without adjustment. The terms of the investee's investment generally provide for minimum holding periods or lock-ups, the institution of gates on redemptions or the suspension of redemptions or an ability to side-pocket investments, at the discretion of the investee's fund manager, and as a result, investments may not be redeemable at, or within three months of, the reporting date. A side-pocket is used by hedge funds and funds of hedge funds to separate investments that may lack a readily ascertainable value, are illiquid or are subject to liquidity restriction. Redemptions are generally not permitted until the investments within a side pocket are liquidated or it is deemed that the conditions existing at the time that required the investment to be included in the side pocket no longer exist. As the timing of either of these events is uncertain, the timing at which the Partnership may redeem an investment held in a side-pocket cannot be estimated. Investments for which fair value is measured using NAV per share are reflected within the fair value hierarchy based on the observability of pricing inputs as described above. Further disclosure on instruments for which fair value is measured using NAV per share is presented in Note 5. "Net Asset Value as Fair Value".

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.

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Investments, at Fair Value

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

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

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

In addition, the Partnership has elected the fair value option for the assets and liabilities of CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts. 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. Assets of the consolidated CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. 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 and acquisition are presented within Net Gains (Losses) from Fund Investment Activities. 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 Condensed Consolidated Financial Statements.

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

Equity Method Investments

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

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 Condensed Consolidated Statements of Financial Condition at their contractual amounts and include accrued interest.

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 counterparty 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 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 Condensed 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 Condensed Consolidated Statements of Financial Condition.

Derivative Instruments

The Partnership recognizes all derivatives as assets or liabilities on its Condensed Consolidated Statements of Financial Condition at fair value. On the date the Partnership enters into a derivative contract, it designates and documents each derivative contract as one of the following: (a) a hedge of a recognized asset or liability ("fair

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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 ("freestanding 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 General, Adminstrative and Other in the Condensed Consolidated Statements of Operations. 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.

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. At least monthly, 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. The fair value of the derivative instrument is reflected within Other Assets in the Condensed Consolidated Statements of Financial Condition.

For freestanding derivative contracts, the Partnership presents changes in fair value in current period earnings. 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 Condensed Consolidated Statements of Operations. The fair value of freestanding derivative assets are recorded within Investments and freestanding derivative liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

Blackstone's other disclosures regarding derivative financial instruments are discussed in Note 6. "Derivative Financial Instruments".

Affiliates

Blackstone considers its Founder, senior managing directors, employees, the Blackstone Funds and the Portfolio Companies to be affiliates.

Distributions

Distributions are reflected in the condensed consolidated financial statements when paid.

Recent Accounting Developments

In April 2011, the Financial Accounting Standards Board ("FASB") amended existing guidance for agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments removed from the assessment of effective control (a) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee and (b) the collateral maintenance implementation guidance related to that criterion. The guidance was effective for the first interim or annual period beginning on

or after December 15, 2011. Blackstone enters into repurchase agreements that are currently accounted for as collateralized financing transactions. Adoption did not have a material impact on the Partnership's financial statements.

In May 2011, the FASB issued amended guidance on fair value measurements to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. The amended guidance specified that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or of liabilities. The amendments included requirements specific to measuring the fair value of those instruments, such as equity interests used as consideration in a business combination. An entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. With respect to financial instruments that are managed as part of a portfolio, an exception to fair value requirements was provided. That exception permits a reporting entity to measure the fair value of such financial assets and financial liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date. The amendments also clarified that premiums and discounts should only be applied if market participants would do so when pricing the asset or liability. Premiums and discounts related to the size of an entity's holding (e.g., a blockage factor) rather than as a characteristic of the asset or liability (e.g., a control premium) is not permitted in a fair value measurement.

The guidance also required enhanced disclosures about fair value measurements, including, among other things, (a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used by the reporting entity, and (3) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial position but for which fair value is disclosed). The guidance also amended disclosure requirements for significant transfers between Level I and Level II and now requires disclosure of all transfers between Levels I and II in the fair value hierarchy.

The amended guidance was effective for interim and annual periods beginning after December 15, 2011. As the impact of the guidance is primarily limited to enhanced disclosures, adoption did not have a material impact on the Partnership's financial statements.

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income. The amendments provided an entity with an option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity was required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In addition, an entity was required to present on the face of the financial statements reclassification adjustments for items that were reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income were presented. The guidance was effective for fiscal years, and interim periods within those years beginning after December 15, 2011 and was to be applied on a retrospective basis. As the amendments are limited to presentation only, adoption did not have a material impact on the Partnership's financial statements.

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In December 2011, the FASB issued a deferral of the effective date for certain disclosures relating to the comprehensive income, specifically with respect to the presentation of reclassifications of items out of accumulated other comprehensive income. The deferral was effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

In September 2011, the FASB issued enhanced guidance on testing goodwill for impairment. The amended guidance provides an entity with the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. Under the amended guidance, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The amended guidance includes examples of events or circumstances that an entity must consider in evaluating whether it is more likely than not that the fair value of reporting units is less than its carrying amount. The amended guidance no longer permits the carry forward of detailed calculations of a reporting unit's fair value from a prior year. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The amended guidance is not expected to have a material impact on the Partnership's financial statements.

In December 2011, the FASB issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (a) offset or (b) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the amended guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including (a) the gross amounts of those recognized assets and liabilities, (b) the amounts offset to determine the net amount presented in the statement of financial position, and (c) the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of (a) the amounts related to recognized financial instruments and other derivative instruments, (b) the amount related to financial collateral (including cash collateral), and (c) the overall net amount after considering amounts that have not been offset. The guidance is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments are limited to disclosure only, adoption is not expected to have a material impact on the Partnership's financial statements.

3. ACQUISITIONS, GOODWILL AND INTANGIBLE ASSETS

Acquisition of Harbourmaster

On January 5, 2012, Blackstone completed the acquisition of all of the outstanding share capital of Harbourmaster Capital (Holdings) Limited ("Harbourmaster"), an Island of Jersey entity, in accordance with the sale and purchase agreement entered into on October 6, 2011. The fair value of consideration transferred, comprised entirely of cash, was €181.4 million ($232.0 million). Harbourmaster is a European secured bank loan manager based in Dublin, Ireland. Harbourmaster manages various credit products including CLO vehicles.

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The following is a summary of the estimated fair values of assets acquired and liabilities assumed for the Harbourmaster acquisition:

Purchase Price — Cash	$232,044
Fair Value of Assets Acquired and Liabilities Assumed	
Assets	
Cash	$ 75,072
Investments in CLOs	9,305
Accounts Receivable	9,329
Other Assets	17,651
Intangible Assets	142,221
	253,578
Liabilities Assumed	
Accounts Payable, Accrued Expenses and Other Liabilities	21,534
Net Assets Acquired	$232,044

Harbourmaster's results from the date of acquisition have been included in the Credit Businesses segment.

The Partnership incurred $2.1 million of acquisition-related costs which were expensed as incurred and are reflected within the General, Administrative and Other in the Condensed Consolidated Statement of Operations.

The Condensed Consolidated Statement of Operations for the three months ended March 31, 2012 includes the results of Harbourmaster since the date of acquisition, January 5, 2012, through March 31, 2012. Supplemental information on an unaudited pro forma basis, as if the Harbourmaster acquisition had been consummated as of January 1, 2011 is as follows:

	Three Months Ended March 31, 2011 (Unaudited)
Total Revenues	$ 1,171,279
Net Income Attributable to The Blackstone Group L.P.	$ 50,817
Net Income Per Common Unit — Basic and Diluted	$ 0.11

The results for the period from January 1, 2012 to the acquisition date of January 5, 2012 are not material and, as a result, pro forma unaudited supplemental information has not been provided for 2012 as the amounts are materially consistent with the amounts recognized in the Condensed Consolidated Statements of Operations for the quarter ended March 31, 2012.

The unaudited pro forma supplemental information is based on estimates and assumptions, which the Partnership believes are reasonable. These results are not necessarily indicative of the Partnership's Condensed Consolidated Financial Condition or Statements of Operations in future periods or the results that actually would have been realized had the Partnership and Harbourmaster been a combined entity during the periods presented.

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Goodwill and Intangible Assets

Goodwill has been allocated to each of the Partnership's five segments as follows: Private Equity ($694.5 million), Real Estate ($421.7 million), Hedge Fund Solutions ($172.1 million), Credit Businesses ($346.4 million) and Financial Advisory ($68.9 million).

The carrying value of goodwill was $1.7 billion as of March 31, 2012 and December 31, 2011. As of March 31, 2012 and December 31, 2011, the fair value of the Partnership's operating segments substantially exceeded their respective carrying values.

Intangible Assets, Net consists of the following:

	March 31, 2012	December 31, 2011
Finite-Lived Intangible Assets / Contractual Rights	$1,536,244	$1,394,023
Accumulated Amortization	(846,679)	(798,535)
Intangible Assets, Net	$ 689,565	$ 595,488

Amortization expense associated with Blackstone's intangible assets was $48.1 million for the three months ended March 31, 2012 and $40.8 million for the three months ended March 31, 2011. Amortization expense is included within General, Administrative and Other in the accompanying Condensed Consolidated Statements of Operations.

Amortization of Intangible Assets held at March 31, 2012 is expected to be $139.3 million, $88.2 million, $83.3 million, $77.1 million, and $72.8 million for each of the years ending December 31, 2012, 2013, 2014, 2015, and 2016, respectively. Blackstone's intangible assets as of March 31, 2012 are expected to amortize over a weighted-average period of 8.85 years.

4. INVESTMENTS

Investment

Investments consist of the following:

	March 31, 2012	December 31, 2011
Investments of Consolidated Blackstone Funds	$14,628,978	$10,306,795
Equity Method Investments	2,309,689	2,218,103
Blackstone's Treasury Cash Management Strategies	595,634	685,859
Performance Fees	2,185,896	1,889,152
Other Investments	28,327	28,390
	$19,748,524	$15,128,299

Blackstone's share of Investments of Consolidated Blackstone Funds totaled $541.6 million and $449.6 million at March 31, 2012 and December 31, 2011, respectively.

At March 31, 2012 and December 31, 2011, 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 March 31, 2012 and December 31, 2011, no investment exceeded the 5% threshold.

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Investments of Consolidated Blackstone Funds

The following table presents the realized and net change in unrealized gains (losses) on investments held by the consolidated Blackstone Funds:

	Three Months Ended March 31,	
	2012	2011
Realized Gains	$ 44,350	$ 70,101
Net Change in Unrealized Gains (Losses)	155,685	(134,890)
	$ 200,035	$ (64,789)

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

	Three Months Ended March 31,	
	2012	2011
Realized and Net Change in Unrealized Gains (Losses) from Blackstone Funds	$ 200,035	$ (64,789)
Interest and Dividend Revenue Attributable to Consolidated Blackstone Funds	88,107	19,598
Other Income — Net Gains (Losses) from Fund Investment Activities	$ 288,142	$ (45,191)

Equity Method Investments

The Partnership recognized net gains related to its equity method investments of $58.1 million and $89.3 million for the three months ended March 31, 2012 and 2011, respectively.

Blackstone's equity method investments include its investments in private equity funds, real estate funds, funds of hedge funds and credit-oriented funds and other proprietary investments, which are not consolidated but in which the Partnership exerts significant influence.

Blackstone evaluates each of its equity method investments to determine if any were significant as defined by guidance from the United States Securities and Exchange Commission. As of and for the three months ended March 31, 2012, no individual equity method investment held by Blackstone met the significance criteria. As such, Blackstone is not required to present summarized financial information for any of its equity method investments.

Blackstone's Treasury Cash Management Strategies

The portion of Blackstone's Treasury cash management strategies included in Investments represents the Partnership's liquid investments in government, other investment and non-investment grade securities and other investments. These strategies are primarily managed by third-party institutions. The following table presents the realized and net change in unrealized gains (losses) on investments held by Blackstone's Treasury cash management strategies:

	Three Months Ended March 31,	
	2012	2011
Realized Losses	$ (2,157)	$ (301)
Net Change in Unrealized Gains (Losses)	(4,419)	629
	$ (6,576)	$ 328

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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:

	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Total
Performance Fees, December 31, 2011	$620,359	$ 943,859	$ 1,858	$323,076	$1,889,152
Performance Fees Allocated as a Result of Changes in Fund Fair Values	43,321	235,485	13,783	66,054	358,643
Foreign Exchange Gain	—	1,278	—	—	1,278
Fund Cash Distributions	(3,349)	(2,152)	(1,858)	(55,818)	(63,177)
Performance Fees, March 31, 2012	$660,331	$1,178,470	$ 13,783	$333,312	$2,185,896

Other Investments

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

	Three Months Ended March 31,	
	2012	2011
Realized Gains (Losses)	$ 255	$ —
Net Change in Unrealized Gains (Losses)	2,737	949
	$ 2,992	$ 949

5. NET ASSET VALUE AS FAIR VALUE

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 March 31, 2012 is presented below:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Instruments	$158,687	$ 7,912	(a)	(a)
Credit Driven	172,505	1,980	(b)	(b)
Event Driven	108,689	—	(c)	(c)
Equity	299,992	—	(d)	(d)
Commodities	48,335	—	(e)	(e)
	$788,208	$ 9,892		

(a) Diversified Instruments include investments in hedge funds that invest across multiple strategies. Investments representing 40% of the value of the investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 60% 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. Of this, the investee fund manager had elected to side-pocket 40% of Blackstone's investments. The time at which this redemption restriction may lapse cannot be estimated.

(b) The Credit Driven category includes investments in hedge funds that invest primarily in domestic and international bonds. Investments representing 64% of the value of the investments in this category may not be redeemed at, or within three months of, the reporting date. Investments representing 18% 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. Investments representing 1% 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 17% 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 85% of the total value of investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 15% 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.

(e) The Commodities category includes investments in commodities-focused hedge funds that primarily invest in futures and physical-based commodity driven strategies. Withdrawals are not permitted in this category. Distributions will be received as the underlying investments are liquidated.

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.

Freestanding Derivatives

Freestanding 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.

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Notes to Condensed Consolidated Financial Statements—Continued
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The table below summarizes the aggregate notional amount and fair value of the derivative financial instruments. The notional amount represents the absolute value amount of all outstanding derivative contracts.

	March 31, 2012				December 31, 2011			
	Assets		Liabilities		Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Fair Value Hedges								
Interest Rate Swaps	$ 450,000	$ 55,813	$ —	$ —	$450,000	$67,668	$ —	$ —
Freestanding Derivatives								
Blackstone — Other								
Interest Rate Contracts	160,300	1,172	146,100	157	221,350	768	502,200	1,291
Foreign Currency Contracts	7,395	125	8,407	477	22,698	1,016	7,293	103
Credit Default Swaps	—	—	850	91	—	—	—	—
Investments of Consolidated Blackstone Funds								
Foreign Currency Contracts	575,470	38,742	157,646	7,596	177,453	22,016	159,409	7,687
Interest Rate Contracts	182,734	7,948	176,400	5,318	95,482	7,270	191,400	10,867
Freestanding Derivatives	925,899	47,987	489,403	13,639	516,983	31,070	860,302	19,948
Total	$1,375,899	$103,800	$489,403	$13,639	$966,983	$98,738	$860,302	$19,948

The table below summarizes the impact to the Condensed Consolidated Statements of Operations from derivative financial instruments:

	Three Months Ended March 31,	
	2012	2011
Fair Value Hedges — Interest Rate Swaps		
Hedge Ineffectiveness	$ (794)	$ (567)
Excluded from Assessment of Effectiveness	$ (5,888)	$(7,423)
Freestanding Derivatives		
Realized Gains (Losses)		
Interest Rate Contracts	$ 136	$ 1,002
Foreign Currency Contracts	1,725	(701)
Other	—	(77)
Total	$ 1,861	$ 224
Net Change in Unrealized Gain (Loss)		
Interest Rate Contracts	$ 6,597	$(1,181)
Foreign Currency Contracts	13,721	(270)
Credit Default Swaps	4	—
Other	—	3
Total	$20,322	$(1,448)

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As of March 31, 2012 and December 31, 2011, 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 March 31, 2012	As of December 31, 2011
Assets		
Loans and Receivables	$ 105,004	$ 8,555
Assets of Consolidated CLO Vehicles		
Corporate Loans	11,904,542	7,901,020
Corporate Bonds	282,768	153,653
Other	84,631	77,295
	$12,376,945	$8,140,523
Liabilities		
Liabilities of Consolidated CLO Vehicles		
Senior Secured Notes	$10,984,018	$7,449,766
Subordinated Notes	857,772	630,236
	$11,841,790	$8,080,002

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

	Three Months Ended March 31,			
	2012		2011	
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	$ —	$ 6	$ —	$ —
Assets of Consolidated CLO Vehicles				
Corporate Loans	39,274	289,231	42,232	50,219
Corporate Bonds	407	12,682	2,047	(29)
Other	119	3,481	480	5,375
	$ 39,800	$ 305,400	$ 44,759	$ 55,565
Liabilities				
Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes	$ (44)	$ (93,203)	$ (5,395)	$ (239,958)
Subordinated Notes	—	(34,483)	—	(24,057)
	$ (44)	$ (127,686)	$ (5,395)	$ (264,015)

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The following table presents information for those financial instruments on which the fair value option was elected:

	As of March 31, 2012			As of December 31, 2011		
		For Financial Assets Past Due (a)			For Financial Assets Past Due (a)	
	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal
Loans and Receivables	$ 368	$ —	$ —	$ (162)	$ —	$ —
Assets of Consolidated CLO Vehicles						
Corporate Loans	(840,081)	140,300	(115,580)	(674,496)	17,574	(29,384)
Corporate Bonds	(6,764)	7,560	(2,656)	(9,360)	7,560	(2,656)
	$ (846,477)	$147,860	$ (118,236)	$ (684,018)	$25,134	$ (32,040)

(a) Past due Corporate Loans and Corporate Bonds within CLO assets are classified as past due if contractual payments are more than one day past due.

As of March 31, 2012 and December 31, 2011, no Loans and Receivables on which the fair value option was elected were past due or in non-accrual status.

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Notes to Condensed Consolidated Financial Statements—Continued
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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 March 31, 2012 and December 31, 2011, respectively:

	March 31, 2012			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)				
Investment Funds	$ —	$ 4,477	$ 759,143	$ 763,620
Equity Securities	115,762	17,981	219,985	353,728
Partnership and LLC Interests	—	548	512,951	513,499
Debt Instruments	—	707,094	19,096	726,190
Assets of Consolidated CLO Vehicles				
Corporate Loans	—	11,032,922	871,620	11,904,542
Corporate Bonds	—	282,768	—	282,768
Freestanding Derivatives — Foreign Currency Contracts	—	38,742	—	38,742
Freestanding Derivatives — Interest Rate Contracts	—	7,948	—	7,948
Other	258	30,202	7,481	37,941
Total Investments of Consolidated Blackstone Funds	116,020	12,122,682	2,390,276	14,628,978
Blackstone's Treasury Cash Management Strategies	163,630	431,804	200	595,634
Money Market Funds	101,516	—	—	101,516
Freestanding Derivatives				
Interest Rate Contracts	1,133	39	—	1,172
Foreign Currency Contracts	—	125	—	125
Derivative Instruments Used as Fair Value Hedges	—	55,813	—	55,813
Loans and Receivables	—	—	105,004	105,004
Other Investments	6,367	369	21,591	28,327
	$388,666	$12,610,832	$ 2,517,071	$15,516,569
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes	$ —	$ —	$10,984,018	$10,984,018
Subordinated Notes	—	—	857,772	857,772
Freestanding Derivatives — Foreign Currency Contracts	—	7,596	—	7,596
Freestanding Derivatives — Interest Rate Contracts	—	5,318	—	5,318
Freestanding Derivatives				
Interest Rate Contracts	95	62	—	157
Foreign Currency Contracts	—	477	—	477
Credit Default Swaps	—	91	—	91
Securities Sold, Not Yet Purchased	—	82,733	—	82,733
	$ 95	$ 96,277	$11,841,790	$11,938,162

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	December 31, 2011			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)				
Investment Funds	$ —	$ 5,119	$ 723,951	$ 729,070
Equity Securities	113,007	608	232,172	345,787
Partnership and LLC Interests	—	—	492,911	492,911
Debt Instruments	—	594,276	12,783	607,059
Assets of Consolidated CLO Vehicles				
Corporate Loans	—	7,259,204	635,944	7,895,148
Corporate Bonds	—	150,653	3,000	153,653
Freestanding Derivatives — Foreign Currency Contracts	—	22,016	—	22,016
Freestanding Derivatives — Interest Rate Contracts	—	7,270	—	7,270
Other	28,900	21,973	3,008	53,881
Total Investments of Consolidated Blackstone Funds	141,907	8,061,119	2,103,769	10,306,795
Blackstone's Treasury Cash Management Strategies	176,297	509,362	200	685,859
Money Market Funds	257,423	—	—	257,423
Freestanding Derivatives				
Interest Rate Contracts	159	609	—	768
Foreign Currency Contracts	—	1,016	—	1,016
Derivative Instruments Used as Fair Value Hedges	—	67,668	—	67,668
Loans and Receivables	—	—	8,555	8,555
Other Investments	8,066	360	19,964	28,390
	$583,852	$8,640,134	$2,132,488	$11,356,474
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes	$ —	$ —	$7,449,766	$ 7,449,766
Subordinated Notes	—	—	630,236	630,236
Freestanding Derivatives — Foreign Currency Contracts	—	7,687	—	7,687
Freestanding Derivatives — Interest Rate Contracts	—	10,867	—	10,867
Freestanding Derivatives				
Interest Rate Contracts	1,105	186	—	1,291
Foreign Currency Contracts	—	103	—	103
Securities Sold, Not Yet Purchased	—	143,825	—	143,825
	$ 1,105	$ 162,668	$8,080,002	$ 8,243,775

(a) Pursuant to GAAP consolidation guidance, the Partnership is required to consolidate all VIEs in which it has been identified as the primary beneficiary, including its investments in CLO vehicles and other funds in which a consolidated entity of the Partnership, as the general partner of the fund, is presumed to have control. While the Partnership is required to consolidate certain funds, including 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.

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Notes to Condensed Consolidated Financial Statements—Continued
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The following table summarizes the fair value transfers between Level I and Level II:

	Three Months Ended March 31, 2012
Transfers from Level I into Level II (a)	$ 29,516
Transfers from Level II into Level I (b)	271

(a) Transfers out of Level I represent those financial instruments for which restrictions exist and adjustments were made to an otherwise observable price to reflect fair value at the reporting date.
(b) Transfers into Level I represent those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset.

The following table summarizes the quantitative inputs and assumptions used for items categorized in Level III of the fair value hierarchy as of March 31, 2012. The disclosure below excludes financial instruments for which fair value is based on unobservable but non-quantitative inputs. Such items include financial instruments for which the determination of fair value is based on prices from prior transactions or third party pricing information without adjustment and financial instruments for which fair value is determined by net asset value.

	Fair Value at March 31, 2012	Valuation Techniques	Unobservable Inputs	Ranges
Financial Assets				
Equity Securities	$ 150,756	Discounted Cash Flows	Discount Rate Revenue CAGR Exit Multiple	8.0% - 23.4% 1.9% - 32.5% 6.0x - 17.0x
	5,084	Market Comparable Companies	Book Value Multiple EBITDA Multiple	0.9x - 1.2x 3.8x - 6.8x
Partnership and LLC Interests	492,338	Discounted Cash Flows	Discount Rate Revenue CAGR Exit Multiple Exit Capitalization Rate	5.6% - 22.0% -8.2% - 22.1% 4.5x - 13.9x 5.3% - 10.5%
Debt Instruments	11,892	Discounted Cash Flows	Discount Rate Revenue CAGR Exit Multiple Exit Capitalization Rate Default Rate Recovery Rate Recovery Lag Pre-payment Rate Reinvestment Rate Reinvestment Price	7.9% - 30.5% -5.6% - 7.0% 10.2x 6.3% - 8.0% 1.5% - 3.0% 65.0% 12 months 15.0% - 25.0% 4.3% - 5.0% 98.5% - 99.0%
	598	Market Comparable Companies	EBITDA Multiple Liquidity Discount	5.0x - 8.5x 25.0% - 30.0%
Assets of Consolidated CLO Vehicles	103,852	Discounted Cash Flows	Discount Rate	6.5% - 18.0%
	66,472	Market Comparable Companies	EBITDA Multiple Liquidity Discount	4.0x - 12.0x 0.5% - 15.0%
Loans and Receivables	46,649	Discounted Cash Flows	Discount Rate	8.5% - 29.8%

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	Fair Value at March 31, 2012	Valuation Techniques	Unobservable Inputs	Ranges
Financial Liabilities				
CLOs	$ 11,841,790	Discounted Cash Flows	Default Rate	1.5% - 3.0%
			Recovery Rate	65.0%
			Recovery Lag	12 months
			Pre-payment Rate	15.0% - 25.0%
			Reinvestment Rate	4.3% - 5.0%
			Reinvestment Price	98.5% - 99.0%
			Discount Rate	1.5% - 30.5%

CAGR	Compound annual growth rate.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
Exit Multiple	Ranges include the last twelve months EBITDA, forward EBITDA and price/earnings exit multiples.

The significant unobservable inputs used in the fair value measurement of the assets and obligations of consolidated CLO vehicles are discount rates, default rates, recovery rates, recovery lag, pre-payment rates, reinvestment rates and reinvestment prices. Increases (decreases) in any of the discount rates, default rates, recovery lag and pre-payment rates in isolation would result in a lower (higher) fair value measurement. Increases (decreases) in any of the recovery rates, reinvestment rates and reinvestment prices in isolation would result in a higher (lower) fair value measurement. Generally, a change in the assumption used for default rates may be accompanied by a directionally similar change in the assumption used for recovery lag and a directionally opposite change in the assumption used for recovery rates and pre-payment rates.

The significant unobservable inputs used in the fair value measurement of equity securities, partnership and LLC interests, debt instruments, assets of consolidated CLO vehicles and loans and receivables are discount rates, exit capitalization rates, exit multiples, book value multiples, EBITDA multiples, liquidity discount and revenue compound annual growth rates. Increases (decreases) in any of discount rates and exit capitalization rates in isolation can result in a lower (higher) fair value measurement. Increases (decreases) in any of exit multiples, book value multiples and revenue compound annual growth rates in isolation can result in a higher (lower) fair value measurement.

Since December 31, 2011, there have been no changes in valuation techniques within Level II and Level III that have had a material impact on the valuation of financial instruments.

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Notes to Condensed Consolidated Financial Statements—Continued
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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 Condensed Consolidated Statements of Operations.

	Level III Financial Assets at Fair Value Three Months Ended March 31, 2012			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total
Balance, Beginning of Period	$2,103,769	$ 8,555	$ 20,164	$2,132,488
Transfer In Due to Consolidation and Acquisition (a)	122,565	—	—	122,565
Transfer In to Level III (b)	135,998	—	—	135,998
Transfer Out of Level III (b)	(94,296)	—	—	(94,296)
Purchases	88,320	103,251	—	191,571
Sales	(60,083)	(7,379)	—	(67,462)
Settlements	—	(46)	—	(46)
Realized Gains (Losses), Net	3,532	—	99	3,631
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	90,471	623	1,528	92,622
Balance, End of Period	$2,390,276	$ 105,004	$ 21,791	$2,517,071

	Level III Financial Assets at Fair Value Three Months Ended March 31, 2011			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total
Balance, Beginning of Period	$1,602,371	$ 131,290	$ 19,672	$1,753,333
Transfer In to Level III (b)	6,555	—	—	6,555
Transfer Out of Level III (b)	(21,732)	—	—	(21,732)
Purchases	128,099	6,228	—	134,327
Sales	(62,965)	(122,180)	—	(185,145)
Settlements	(4,933)	(1,370)	—	(6,303)
Realized Gains (Losses), Net	7,851	—	—	7,851
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	86,446	66	1,298	87,810
Balance, End of Period	$1,741,692	$ 14,034	$ 20,970	$1,776,696

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Notes to Condensed Consolidated Financial Statements—Continued
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	Level III Financial Liabilities at Fair Value Three Months Ended March 31,					
	2012			2011		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	$ 7,449,766	$ 630,236	$ 8,080,002	$5,877,957	$ 555,632	$6,433,589
Transfer In Due to Consolidation and Acquisition (a)	3,419,084	149,225	3,568,309	—	—	—
Issuances	4,393	838	5,231	200	—	200
Settlements	(131,873)	(2,746)	(134,619)	(161,442)	(12,253)	(173,695)
Realized (Gains) Losses, Net	44	—	44	5,395	—	5,395
Changes in Unrealized (Gains) Losses Included in Earnings Related to Liabilities Still Held at the Reporting Date	242,604	80,219	322,823	301,782	24,057	325,839
Balance, End of Period	$10,984,018	$ 857,772	$11,841,790	$6,023,892	$ 567,436	$6,591,328

(a) Represents the transfer into Level III of financial assets and liabilities held by CLO vehicles as a result of the Harbourmaster acquisition on January 5, 2012.

(b) 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.

9. VARIABLE INTEREST ENTITIES

Pursuant to 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 adviser, 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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Notes to Condensed Consolidated Financial Statements—Continued
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The assets and liabilities of the consolidated VIEs included in the Condensed Consolidated Statements of Financial Condition were as follows:

	March 31, 2012			December 31, 2011		
	Consolidated CLO Vehicles	All Other Consolidated Blackstone Funds	Total	Consolidated CLO Vehicles	All Other Consolidated Blackstone Funds	Total
Assets						
Cash Held by Blackstone Funds and Other	$ 677,008	$ 28,567	$ 705,575	$ 562,388	$ 36,053	$ 598,441
Investments	12,271,942	862,957	13,134,899	8,131,968	829,992	8,961,960
Accounts Receivable	46,232	86	46,318	31,971	1,434	33,405
Due from Affiliates	—	34,214	34,214	—	36,502	36,502
Other Assets	127,430	2,437	129,867	9,581	2,450	12,031
Total Assets	$13,122,612	$ 928,261	$14,050,873	$8,735,908	$ 906,431	$9,642,339
Liabilities						
Loans Payable	$11,626,208	$ 13,541	$11,639,749	$7,787,630	$ 13,506	$7,801,136
Due to Affiliates	215,582	9,200	224,782	292,372	19,537	311,909
Accounts Payable, Accrued Expenses and Other	477,599	6,096	483,695	241,670	2,818	244,488
Total Liabilities	$12,319,389	$ 28,837	$12,348,226	$8,321,672	$ 35,861	$8,357,533

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 Condensed Consolidated Statements of Financial Condition.

The Partnership holds variable interests in certain VIEs which are not consolidated as it is determined that the Partnership is not the primary beneficiary. The Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by Blackstone relating to non-consolidated entities, any amounts due to non-consolidated entities and any clawback obligation relating to previously distributed Carried Interest. The assets and liabilities recognized in the Partnership's Condensed Consolidated Statements of Financial Condition related to the Partnership's interest in these non-consolidated VIEs and the Partnership's maximum exposure to loss relating to non-consolidated VIEs were as follows:

	March 31, 2012	December 31, 2011
Investments	$290,638	$ 238,503
Receivables	76,023	94,050
Total VIE Assets	366,661	332,553
VIE Liabilities	1,309	48
Potential Clawback Obligation	35,017	14,876
Maximum Exposure to Loss	$402,987	$ 347,477

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10. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

At March 31, 2012, 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 $83.2 million and cash as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of $83.2 million were repledged, delivered or used to settle Securities Sold, Not Yet Purchased. The Partnership also pledged securities with a carrying value of $187.9 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

11. BORROWINGS

The carrying value and fair value of the Blackstone issued notes as of March 31, 2012 and December 31, 2011 were:

	March 31, 2012		December 31, 2011	
	Carrying Value	Fair Value (a)	Carrying Value	Fair Value (a)
Blackstone Issued 5.875%, $400 Million Par, Notes Due 3/15/2021	$398,273	$411,640	$398,237	$404,160
Blackstone Issued 6.625%, $600 Million Par, Notes Due 8/15/2019	$648,388	$647,520	$653,467	$640,440

(a) Fair value is determined by broker quote and these notes would be classified as Level II within the fair value hierarchy.

Included within Loans Payable and Due to Affiliates are amounts due to holders of debt securities issued by Blackstone's consolidated CLO vehicles. At March 31, 2012 and December 31, 2011, the Partnership's borrowings through consolidated CLO vehicles consisted of the following:

	March 31, 2012			December 31, 2011		
	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes	$12,288,214	1.79%	4.2	$8,250,418	1.96%	4.3
Subordinated Notes	1,447,851	(a)	7.6	1,117,571	(a)	7.2
	$13,736,065			$9,367,989		

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

Included within Senior Secured Notes and Subordinated Notes as of March 31, 2012 are amounts due to non-consolidated affiliates of $22.0 million and $308.0 million, respectively. The fair value of Senior Secured and Subordinated Notes as of March 31, 2012 was $11.0 billion and $857.8 million, respectively, of which $16.9 million and $198.7 million represents the amounts due to affiliates.

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Included within Senior Secured Notes and Subordinated Notes as of December 31, 2011 are amounts due to non-consolidated affiliates of $101.8 million and $323.6 million, respectively. The fair value of Senior Secured and Subordinated Notes as of December 31, 2011 was $7.4 billion and $630.2 million, respectively, of which $86.9 million and $205.4 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 March 31, 2012 and December 31, 2011, the fair value of the consolidated CLO assets was $13.1 billion and $8.7 billion, respectively. 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 March 31, 2012.

Scheduled principal payments for borrowings as of March 31, 2012 were as follows:

	Operating Borrowings	Blackstone Fund Facilities / CLO Vehicles	Total Borrowings
2012	$ 891	$ 13,541	$ 14,432
2013	1,188	76,607	77,795
2014	5,040	301,035	306,075
2015	—	652,128	652,128
Thereafter	1,000,000	12,700,602	13,700,602
Total	$1,007,119	$ 13,743,913	$14,751,032

12. INCOME TAXES

Blackstone's effective tax rate was 8.49% and 33.14% for the three months ended March 31, 2012 and 2011, respectively. Blackstone's income tax provision was an expense of $38.8 million and an expense of $38.9 million for the three months ended March 31, 2012 and 2011, respectively.

Blackstone's effective tax rate for the three months ended March 31, 2012 and 2011 was substantially due to the following: (a) certain corporate subsidiaries are subject to federal, state, local and foreign income taxes as applicable and other subsidiaries are subject to New York City unincorporated business taxes, and (b) a portion of compensation charges are not deductible for tax purposes.

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13. NET INCOME (LOSS) PER COMMON UNIT

Basic and diluted net income (loss) per common unit for the three months ended March 31, 2012 and March 31, 2011 was calculated as follows:

	Three Months Ended March 31,	
	2012	2011
Net Income Attributable to The Blackstone Group L.P.	$ 58,325	$ 42,704
Basic Net Income Per Common Unit:		
Weighted-Average Common Units Outstanding	506,985,529	447,742,389
Basic Net Income Per Common Unit	$ 0.12	$ 0.10
Diluted Net Income Per Common Unit:		
Weighted-Average Common Units Outstanding	506,985,529	447,742,389
Weighted-Average Unvested Deferred Restricted Common Units	10,404,029	9,910,527
Weighted-Average Diluted Common Units Outstanding	517,389,558	457,652,916
Diluted Net Income Per Common Unit	$ 0.11	$ 0.09

The following table summarizes the anti-dilutive securities for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
Weighted-Average Blackstone Holdings Partnership Units	602,817,069	658,290,684

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 three months ended March 31, 2012, no units were repurchased. As of March 31, 2012, the amount remaining available for repurchases under this program was $335.8 million.

During the three months ended March 31, 2011, Blackstone repurchased 116,270 vested Blackstone Common Units as part of the unit repurchase program for a total fair value of $2.1 million. As of March 31, 2011, the amount remaining available for repurchases was $335.8 million under this program.

14. 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

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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, 2012, the Partnership had the ability to grant 162,195,378 units under the Equity Plan.

For the three months ended March 31, 2012 and March 31, 2011, the Partnership recorded compensation expense of $222.4 million and $426.3 million, respectively, in relation to its equity-based awards with corresponding tax benefits of $5.5 million and $4.2 million, respectively. As of March 31, 2012, there was $2.3 billion of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 3.1 years.

Total vested and unvested outstanding units, including Blackstone Common Units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,129,335,568 as of March 31, 2012. Total outstanding unvested phantom units were 219,398 as of March 31, 2012.

A summary of the status of the Partnership's unvested equity-based awards as of March 31, 2012 and a summary of changes during the period January 1, 2012 through March 31, 2012 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, 2011	89,644,650	$ 29.88	17,635,945	$ 18.50	218,583	$ 13.88
Granted	1,612,611	14.04	1,040,485	12.56	815	12.05
Vested	(848,201)	13.26	(1,187,227)	5.33	—	—
Forfeited	(2,011,653)	31.00	(260,079)	17.07	—	—
Balance, March 31, 2012	88,397,407	$ 29.72	17,229,124	$ 19.07	219,398	$ 15.11

Units Expected to Vest

The following unvested units, after expected forfeitures, as of March 31, 2012, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	83,361,721	3.0
Deferred Restricted Blackstone Common Units and Options	14,870,659	2.6
Total Equity-Based Awards	98,232,380	3.0
Phantom Units	202,875	3.2

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15. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

As of March 31, 2012 and December 31, 2011, Due from Affiliates and Due to Affiliates comprised the following:

	March 31, 2012	December 31, 2011
Due from Affiliates		
Accrual for Potential Clawback of Previously Distributed Carried Interest	$ 170,712	$ 167,415
Primarily Interest Bearing Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees for Investments in Blackstone Funds	198,085	223,281
Amounts Due from Portfolio Companies and Funds	261,224	234,254
Investments Redeemed in Non-Consolidated Funds of Funds	3,576	67,608
Management and Performance Fees Due from Non-Consolidated Funds of Funds	83,788	71,162
Payments Made on Behalf of Non-Consolidated Entities	98,176	87,711
Advances Made to Certain Non-Controlling Interest Holders and Blackstone Employees	6,934	9,083
	$ 822,495	$ 860,514

	March 31, 2012	December 31, 2011
Due to Affiliates		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreements	$1,136,816	$1,112,330
Accrual for Potential Repayment of Previously Received Performance Fees	269,702	266,300
Due to Note-Holders of Consolidated CLO Vehicles	215,582	292,372
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	26,293	20,526
Payable to Affiliates for Consolidated Funds in Liquidation	47,721	58,793
Distributions Received on Behalf of Blackstone Entities	21,864	42,620
Payments Made by Non-Consolidated Entities	6,015	18,527
	$1,723,993	$1,811,468

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 March 31, 2012 and December 31, 2011, the founder's, other senior managing directors' and employees' investments aggregated $776.9 million and $715.5 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 $33.4 million and $70.8 million for the three months ended March 31, 2012 and 2011, respectively.

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Revenues Earned from Affiliates

Management and Advisory Fees earned from affiliates totaled $48.0 million and $70.0 million for the three months ended March 31, 2012 and 2011, 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 $1.3 million and $0.7 million for the three months ended March 31, 2012 and 2011, 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 March 31, 2012. See Note 16. "Commitments and Contingencies — Contingencies — Contingent Obligations (Clawback)".

Aircraft and Other Services

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

Tax Receivable 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.

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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 $1,136.8 million over the next 15 years. The after-tax net present value of these estimated payments totals $318.9 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.

Other

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

16. COMMITMENTS AND CONTINGENCIES

Commitments

Investment Commitments

Blackstone had $1.4 billion of investment commitments as of March 31, 2012 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 $34.2 million as of March 31, 2012 which includes $12.3 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 $5.0 million as of March 31, 2012.

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On March 28, 2012, the Blackstone Holdings Partnerships entered into a guaranty agreement with a lending institution in which the Holdings Partnerships guarantee certain loans held by employees for investment in Blackstone funds. The amount guaranteed as of March 31, 2012 was $27.0 million.

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 affect its results of operations, financial position or cash flows.

Contingent Obligations (Clawback)

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.

The following table presents the clawback obligations by segment:

	March 31, 2012			December 31, 2011		
Segment	Blackstone Holdings	Current and Former Personnel	Total	Blackstone Holdings	Current and Former Personnel	Total
Private Equity	$ 68,150	$ 133,990	$202,140	$ 68,044	$ 128,756	$196,800
Real Estate	30,840	36,722	67,562	30,841	38,659	69,500
Total	$ 98,990	$ 170,712	$269,702	$ 98,885	$ 167,415	$266,300

A portion of the Carried Interest paid to current and former Blackstone personnel is held in segregated accounts in the event of a cash clawback obligation. These segregated accounts are not included in the Condensed Consolidated Financial Statements of the Partnership, except to the extent a portion of the assets held in the segregated accounts may be allocated to a consolidated Blackstone fund of hedge funds. At March 31, 2012, $411.8 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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17. 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 five segments:

- Private Equity — Blackstone's Private Equity segment comprises its management of private equity funds and certain multi-asset class investment funds.
- Real Estate — Blackstone's Real Estate segment primarily comprises its management of general opportunistic real estate funds and internationally focused opportunistic 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.
- Hedge Fund Solutions — Blackstone's Hedge Fund Solutions segment is comprised of Blackstone Alternative Asset Management ("BAAM"), an institutional solutions provider utilizing hedge funds across a variety of strategies.
- Credit Businesses — Blackstone's Credit Businesses segment is comprised principally of GSO and manages credit-oriented funds, CLOs, credit-focused separately managed accounts and publicly registered debt-focused 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. The Private Equity, Real Estate, Hedge Fund Solutions and Credit Businesses segments primarily earn 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.

Blackstone uses Economic Net Income ("ENI") as a key measure of value creation, a benchmark of its performance and in making resource deployment and compensation decisions across its five segments. ENI represents segment net income before taxes excluding transaction-related charges. Transaction-related charges arise from Blackstone's IPO and long-term retention programs outside of annual deferred compensation and other corporate actions, including acquisitions. Transaction-related charges include equity-based compensation charges, the amortization of intangible assets and contingent consideration associated with acquisitions. ENI presents revenues and expenses on a basis that deconsolidates the investment funds Blackstone manages.

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

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The following table presents the financial data for Blackstone's five segments as of and for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31, 2012					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	$ 85,789	$ 147,802	$ 81,821	$ 80,094	$ —	$ 395,506
Advisory Fees	—	—	—	—	75,846	75,846
Transaction and Other Fees, Net	18,097	14,412	92	5,725	145	38,471
Management Fee Offsets	(3,782)	(8,627)	(335)	(306)	—	(13,050)
Total Management and Advisory Fees, Net	100,104	153,587	81,578	85,513	75,991	496,773
Performance Fees						
Realized	3,933	8,616	3,298	2,992	—	18,839
Unrealized	34,051	229,414	23,187	80,265	—	366,917
Total Performance Fees	37,984	238,030	26,485	83,257	—	385,756
Investment Income (Loss)						
Realized	13,911	7,812	503	683	583	23,492
Unrealized	16,469	25,912	8,371	9,211	(49)	59,914
Total Investment Income	30,380	33,724	8,874	9,894	534	83,406
Interest and Dividend Revenue	2,420	2,552	386	2,425	1,562	9,345
Other	(215)	(709)	(127)	(238)	82	(1,207)
Total Revenues	170,673	427,184	117,196	180,851	78,169	974,073
Expenses						
Compensation and Benefits						
Compensation	52,547	68,889	28,233	37,143	67,960	254,772
Performance Fee Compensation						
Realized	320	4,079	1,378	6,413	—	12,190
Unrealized	(1,052)	58,043	7,294	33,037	—	97,322
Total Compensation and Benefits	51,815	131,011	36,905	76,593	67,960	364,284
Other Operating Expenses	28,881	28,924	13,934	17,096	20,686	109,521
Total Expenses	80,696	159,935	50,839	93,689	88,646	473,805
Economic Net Income	$ 89,977	$ 267,249	$ 66,357	$ 87,162	$ (10,477)	$ 500,268
Segment Assets as of March 31, 2012	$3,883,401	$4,356,603	$ 833,839	$1,793,851	$548,554	$11,416,248

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	Three Months Ended March 31, 2011					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	$ 79,935	$ 95,439	$ 75,612	$ 54,601	$ —	$ 305,587
Advisory Fees	—	—	—	—	70,252	70,252
Transaction and Other Fees, Net	35,342	21,543	727	745	6	58,363
Management Fee Offsets	(7,889)	(505)	(124)	(18)	—	(8,536)
Total Management and Advisory Fees, Net	107,388	116,477	76,215	55,328	70,258	425,666
Performance Fees						
Realized	82,389	2,593	893	9,725	—	95,600
Unrealized	32,537	368,104	19,253	85,303	—	505,197
Total Performance Fees	114,926	370,697	20,146	95,028	—	600,797
Investment Income						
Realized	17,907	2,919	1,341	1,235	97	23,499
Unrealized	29,126	61,406	7,120	4,532	393	102,577
Total Investment Income	47,033	64,325	8,461	5,767	490	126,076
Interest and Dividend Revenue	3,505	3,288	516	453	1,686	9,448
Other	811	860	104	98	386	2,259
Total Revenues	273,663	555,647	105,442	156,674	72,820	1,164,246
Expenses						
Compensation and Benefits						
Compensation	54,924	57,627	28,093	29,549	54,339	224,532
Performance Fee Compensation						
Realized	7,718	1,230	300	5,295	—	14,543
Unrealized	5,464	106,501	5,358	45,202	—	162,525
Total Compensation and Benefits	68,106	165,358	33,751	80,046	54,339	401,600
Other Operating Expenses	28,713	28,366	13,008	15,357	17,531	102,975
Total Expenses	96,819	193,724	46,759	95,403	71,870	504,575
Economic Net Income	$176,844	$361,923	$ 58,683	$ 61,271	$ 950	$ 659,671

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

The following table reconciles the Total Segments to Blackstone's Income (Loss) Before Provision for Taxes and Total Assets as of and for the three months ended March 31, 2012 and 2011:

	March 31, 2012 and the Three Months Then Ended		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ 974,073	$ (22,037)(a)	$ 952,036
Expenses	$ 473,805	$ 309,988(b)	$ 783,793
Other Income	$ —	$ 288,142(c)	$ 288,142
Economic Net Income	$ 500,268	$ (43,883)(d)	$ 456,385
Total Assets	$11,416,248	$ 15,130,113(e)	$26,546,361

	Three Months Ended March 31, 2011		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ 1,164,246	$ (10,977)(a)	$ 1,153,269
Expenses	$ 504,575	$ 486,289(b)	$ 990,864
Other Income	$ —	$ (45,191)(c)	$ (45,191)
Economic Net Income (Loss)	$ 659,671	$ (542,457)(d)	$ 117,214

(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:

	Three Months Ended March 31,	
	2012	2011
Fund Management Fees and Performance Fees Eliminated in Consolidation	$ 20,598	$ 9,103
Fund Expenses Added in Consolidation	22,707	12,213
Non-Controlling Interests in Income (Loss) of Consolidated Entities	251,902	(71,056)
Transaction-Related Other Income	(7,065)	4,549
Total Consolidation Adjustments and Reconciling Items	$ 288,142	$ (45,191)

THE BLACKSTONE GROUP L.P.

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

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

	Three Months Ended March 31,	
	2012	2011
Economic Net Income	$ 500,268	$ 659,671
Adjustments		
Amortization of Intangibles	(50,888)	(44,174)
IPO and Acquisition-Related Charges	(244,897)	(427,227)
Non-Controlling Interests in Income (Loss) of Consolidated Entities	251,902	(71,056)
Total Consolidation Adjustments and Reconciling Items	(43,883)	(542,457)
Income (Loss) Before Provision (Benefit) for Taxes	$ 456,385	$ 117,214

(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.

18. SUBSEQUENT EVENTS

There have been no events since March 31, 2012 that require recognition or disclosure in the Condensed Consolidated Financial Statements.

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

THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition
(Dollars in Thousands)

	March 31, 2012			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 391,304	$ —	$ —	$ 391,304
Cash Held by Blackstone Funds and Other	22,030	762,056	—	784,086
Investments†	5,607,519	14,603,253	(462,248)	19,748,524
Accounts Receivable	488,757	87,809	—	576,566
Reverse Repurchase Agreements	83,761	—	—	83,761
Due from Affiliates	813,163	40,876	(31,544)	822,495
Intangible Assets, Net	689,565	—	—	689,565
Goodwill	1,703,602	—	—	1,703,602
Other Assets	325,976	129,912	—	455,888
Deferred Tax Assets	1,290,570	—	—	1,290,570
Total Assets	$11,416,247	$15,623,906	$ (493,792)	$26,546,361
Liabilities and Partners' Capital				
Loans Payable	$ 1,053,780	$11,639,749	$ —	$12,693,529
Due to Affiliates	1,453,164	333,623	(62,794)	1,723,993
Accrued Compensation and Benefits	820,683	—	—	820,683
Securities Sold, Not Yet Purchased	82,733	—	—	82,733
Repurchase Agreements	189,146	—	—	189,146
Accounts Payable, Accrued Expenses and Other Liabilities	396,095	615,333	—	1,011,428
Total Liabilities	3,995,601	12,588,705	(62,794)	16,521,512
Redeemable Non-Controlling Interests in Consolidated Entities	—	618,417	—	618,417
Partners' Capital				
Partners' Capital	4,380,744	432,150	(432,150)	4,380,744
Appropriated Partners' Capital	—	764,741	—	764,741
Accumulated Other Comprehensive Income	2,513	784	—	3,297
Non-Controlling Interests in Consolidated Entities	517,802	1,219,109	1,152	1,738,063
Non-Controlling Interests in Blackstone Holdings	2,519,587	—	—	2,519,587
Total Partners' Capital	7,420,646	2,416,784	(430,998)	9,406,432
Total Liabilities and Partners' Capital	$11,416,247	$15,623,906	$ (493,792)	$26,546,361

† Included within Investments of the Consolidated Operating Partnerships is $2.2 billion representing Performance Fees due from the Blackstone Funds.

THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition—(Continued)
(Dollars in Thousands)

	December 31, 2011			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 754,744	$ —	$ —	$ 754,744
Cash Held by Blackstone Funds and Other	46,282	678,480	—	724,762
Investments	5,289,125	10,282,084	(442,910)	15,128,299
Accounts Receivable	347,241	58,899	—	406,140
Reverse Repurchase Agreements	139,485	—	—	139,485
Due from Affiliates	784,095	107,042	(30,623)	860,514
Intangible Assets, Net	595,488	—	—	595,488
Goodwill	1,703,602	—	—	1,703,602
Other Assets	325,269	12,127	—	337,396
Deferred Tax Assets	1,258,699	—	—	1,258,699
Total Assets	$11,244,030	$11,138,632	$ (473,533)	$21,909,129
Liabilities and Partners' Capital				
Loans Payable	$ 1,066,432	$ 7,801,136	$ —	$ 8,867,568
Due to Affiliates	1,425,558	437,520	(51,610)	1,811,468
Accrued Compensation and Benefits	903,260	—	—	903,260
Securities Sold, Not Yet Purchased	143,825	—	—	143,825
Repurchase Agreements	101,849	—	—	101,849
Accounts Payable, Accrued Expenses and Other Liabilities	414,080	414,866	(73)	828,873
Total Liabilities	4,055,004	8,653,522	(51,683)	12,656,843
Redeemable Non-Controlling Interests in Consolidated Entities	—	585,606	—	585,606
Partners' Capital				
Partners' Capital	4,281,841	421,898	(421,898)	4,281,841
Appropriated Partners' Capital	—	386,864	—	386,864
Accumulated Other Comprehensive Income	1,272	686	—	1,958
Non-Controlling Interests in Consolidated Entities	445,393	1,090,056	48	1,535,497
Non-Controlling Interests in Blackstone Holdings	2,460,520	—	—	2,460,520
Total Partners' Capital	7,189,026	1,899,504	(421,850)	8,666,680
Total Liabilities and Partners' Capital	$11,244,030	$11,138,632	$ (473,533)	$21,909,129

(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 Alliance Fund II L.P.
Blackstone Strategic Equity Fund L.P.
Blackstone Value Recovery Fund L.P.
Blackstone/GSO Secured Trust Ltd

BTD CP Holdings, LP
GSO Legacy Associates II LLC
GSO Legacy Associates LLC
Shanghai Blackstone Equity Investment Partnership L.P.
Private equity side-by-side investment vehicles
Real estate side-by-side investment vehicles
Mezzanine side-by-side investment vehicles
Collateralized loan obligation vehicles

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

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

Our Business

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

Our business is organized into five business segments:

- **Private Equity.** We are a world leader in private equity investing, having managed six general private equity funds, as well as two sector focused funds and a regionally focused fund, since we established this business in 1987. We refer to these funds collectively as our Blackstone Capital Partners ("BCP") funds. We also manage certain multi-asset class investment funds. 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 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, three European focused real estate funds, 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 real estate platform and during the second half of 2011, we held our initial closing and commenced the investment period on our seventh opportunistic real estate fund. Our real estate funds have made significant investments in lodging, major urban office buildings, shopping centers and a variety of real estate operating companies. In addition, our debt investment funds target high yield real estate debt related investment opportunities in the public and private markets, primarily in the United States and Europe. We refer to our real estate opportunistic funds as our Blackstone Real Estate Partners ("BREP") funds and our real estate debt investment funds as our "BREDS" funds.
- **Hedge Fund Solutions.** Blackstone's Hedge Fund Solutions segment is comprised principally of Blackstone Alternative Asset Management ("BAAM"). BAAM was organized in 1990 and has developed into a leading institutional solutions provider utilizing hedge funds across a wide variety of strategies. BAAM is the world's largest discretionary allocator to hedge funds.
- **Credit Businesses.** Our Credit Businesses segment is comprised principally of GSO Capital Partners LP ("GSO"). GSO manages a variety of credit-oriented funds including senior credit-oriented funds, distressed debt funds, mezzanine funds, general credit-oriented funds and collateralized loan obligation ("CLO") vehicles. GSO is a world leader in credit-oriented products.
- **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 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 credit markets moved sharply higher in the first quarter of 2012. Improving investor sentiment and appetite for risk assets were driven by generally firming economic data as well as an improved outlook regarding the European sovereign debt situation. Stock indices in both developed and developing markets experienced double-digit percentage increases, and volatility declined nearly to a five-year low. In credit, benchmark rates remain near historic lows, and high yield spreads narrowed approximately 100 basis points. Average leveraged loan prices moderately increased to 94% of par. While capital markets activity generally increased, M&A volumes have remained muted.

Monetary policy throughout the world was mixed, but in the U.S., the Federal Reserve has indicated continued commitment to accommodative policy, largely due to the slow recovery in employment. While the unemployment rate has continued to decline, it remains well above its historical norm at this point in an economic recovery. Corporate balance sheets and cash flows remained very healthy, although companies still remain cautious in hiring.

Commercial real estate performance metrics remained healthy with overall demand for commercial space continuing to recover from cyclical lows. The office sector has seen improving leasing velocity, particularly in tech and energy based markets, which has led to an increase in rents. New supply within the retail sector remains severely constrained and as of March 31, 2012 there were virtually no regional U.S. malls under development. The industrial sector reported the eighth consecutive quarter of positive absorption, and new supply has been limited by a continued lack of new construction financing. Trends within the U.S. hotel market remained positive with RevPAR ("Revenue per Available Room") growing approximately 8% during the first quarter of 2012.

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.

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 "Part I. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Revenue Recognition" in our 2011 Annual Report on Form 10-K 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, 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 adviser 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 Condensed 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 Condensed Consolidated Statements of Financial Condition. Performance fees arising on Blackstone's onshore hedge funds are allocated to the general partner. Accrued but unpaid performance fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

In certain fund structures, specifically in private equity, real estate and certain credit-oriented funds ("Carry Funds"), performance fees ("Carried Interest") are allocated to the general partner based on cumulative fund performance to date, subject to a preferred return to limited partners. At the end of each reporting period, the Partnership calculates the Carried Interest that would be due to the Partnership for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as Carried Interest to reflect either (a) positive performance resulting in an increase in the Carried Interest allocated to the general partner or (b) negative performance that would cause the amount due to the Partnership to be less than the amount previously recognized as revenue, resulting in a negative adjustment to Carried Interest allocated to the general partner. In each scenario, it is necessary to calculate the Carried Interest on cumulative results compared to the Carried Interest recorded to date and make the required positive or negative adjustments. The Partnership ceases to record negative Carried Interest allocations once previously recognized Carried Interest allocations for such fund have been fully reversed. The Partnership is not obligated to pay guaranteed returns or hurdles, and therefore, cannot have negative Carried Interest over the life of a fund. Accrued but unpaid Carried Interest as of the reporting date is reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

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

Carried Interest is subject to clawback to the extent that the Carried Interest actually distributed to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received performance fees, 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 consists of foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars and other revenues.

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 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.

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 Blackstone Funds and side-by-side entities held by third party investors. The percentage interests held by third parties and employees is 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. In addition, all non-controlling interests in consolidated Blackstone Funds are attributed their share of income (loss) arising from the respective funds and their share of other comprehensive income, if applicable. Non-controlling interests related to funds of hedge funds and certain other credit-oriented funds are subject to annual, semi-annual or quarterly redemption by investors in these funds following the expiration of a specified period of time (typically between one and three years), or may be withdrawn subject to a redemption fee in the funds of hedge funds and certain credit-oriented funds during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third party interests in such consolidated funds are presented as Redeemable Non-Controlling Interests in Consolidated Entities within the Condensed Consolidated Statements of Financial Condition. When redeemable amounts become legally payable to investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed 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 Condensed Consolidated Statements of Financial Condition as Non-Controlling Interests in Consolidated Entities.

Income Taxes

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

Income taxes are accounted for using the asset and 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 tax rates in effect for the year in which the differences are expected to reverse. 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 Condensed 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 Condensed Consolidated Statements of Operations.

There remains some uncertainty regarding Blackstone's future taxation levels. Over the past several years, a number of legislative and administrative proposals to change the taxation of Carried Interest have been introduced and, in certain cases, have been passed by the U.S. House of Representatives. On May 28, 2010, the U.S. House of Representatives passed legislation, or "May 2010 House bill", that would have, in general, treated income and gains, including gain on sale, attributable to 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 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 was generally similar to the legislation passed by the U.S. House of

Representatives. More recently, Representative Levin and Senator Harkin separately introduced similar legislation, or "2012 bills", that would tax Carried Interest at ordinary income tax rates (which would be higher than the proposed blended rate under the May 2010 House bill). It is unclear whether or when the U.S. Congress will pass such legislation or what provisions will be included in any final legislation if enacted.

Each of the May 2010 House bill and the 2012 bills also 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 subject to the foregoing rules 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.

On September 12, 2011, the Obama administration submitted similar legislation to Congress in the American Jobs Act that would tax income and gain, including gain on sale, attributable to an ISPI at ordinary rates, with an exception for certain qualified capital interests. The proposed legislation would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the tax rules applicable to publicly traded partnerships after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. This proposed legislation follows several prior statements by the Obama administration in support of changing the taxation of Carried Interest. In its published revenue proposal for 2013, the Obama administration proposed that the current law regarding the treatment of Carried Interest be changed to subject such income to ordinary income tax. The Obama administration proposed similar changes in its published revenue proposals for 2010, 2011 and 2012.

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, several state and local jurisdictions are evaluating ways to subject partnerships to entity level taxation through the imposition of state or local income, franchise or other forms of taxation or to increase the amount of such taxation.

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. In addition, we, and our common unitholders, could be taxed on any such restructuring. 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.

On February 22, 2012, the Obama administration announced its "framework" of key elements to change the U.S. federal income tax rules for businesses. Few specifics were included, and it is unclear what any actual legislation would provide, when it would be proposed or what its prospects for enactment would be. Several parts of the framework, if enacted, could adversely affect us. First, the framework would reduce the deductibility of interest for corporations in some manner not specified. A reduction in interest deductions could increase our tax rate and thereby reduce cash available for distribution to investors or for other uses by us. Such a reduction could also increase the effective cost of financing by companies in which we invest, which could reduce the value of our Carried Interest in respect of such companies. The framework would also reduce the top marginal tax rate on corporations from 35% to 28%. Such a change could increase the effective cost of financing such investments, which could again reduce the value of our Carried Interest. The framework suggests some entities currently treated as partnerships for tax purposes should be subject to an entity-level income tax similar to the corporate income tax. If such a proposal caused us to be subject to additional entity-level taxes, it could reduce cash available for distribution to investors or for other uses by us. Finally, the framework reiterates the President's support for treatment of Carried Interest as ordinary income, as provided in the President's revenue proposal for 2013 described above. Because the framework did not include specifics, its effect on us is unclear.

Economic Net Income

Blackstone uses Economic Net Income ("ENI") as a key measure of value creation, a benchmark of its performance and in making resource deployment and compensation decisions across its five segments. ENI represents segment net income before taxes excluding transaction-related charges. Transaction-related charges arise from Blackstone's initial public offering ("IPO") and long-term retention programs outside of annual deferred compensation and other corporate actions, including acquisitions. Transaction-related charges include equity-based compensation charges, the amortization of intangible assets and contingent consideration associated with acquisitions. ENI presents revenues and expenses on a basis that deconsolidates the investment funds we manage. (See Note 17. "Segment Reporting" in the "Notes to Condensed Consolidated Financial Statements" in Part I. Item 1. Financial Statements.)

Distributable Earnings

Distributable Earnings, which is derived from our segment reported results, is a supplemental measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships. Distributable Earnings, which is a non-GAAP measure, is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from and reconciled to, 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 discussion of Distributable Earnings.

Distributable Earnings, which is a component of Economic Net Income, is the sum across all 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. It is Blackstone's current intention that on an annual basis it will distribute to unitholders all of its Distributable Earnings, less realized investment gains and returns of capital from investments and acquisitions, 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 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 our 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 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 managed by us,

(b) the net asset value of our funds of hedge funds, hedge funds, 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. 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 performance fees. Our Fee-Earning Assets Under Management equals the sum of:

(a) for our Private Equity segment funds and carry funds in our Real Estate segment, which include certain real estate debt investment funds, the amount of capital commitments, remaining invested capital or par value of assets held, depending on the fee terms of the fund,

(b) for our credit-oriented carry funds, the amount of remaining invested capital (which may include leverage) or net asset value, depending on the fee terms of the fund,

(c) the remaining invested capital of co-investments managed by us on which we receive fees,

(d) the net asset value of our funds of hedge funds, hedge funds, certain credit-oriented closed-end registered investment companies, and our closed-end mutual funds,

(e) the fair value of assets we manage pursuant to separately managed accounts,

(f) the gross amount of underlying assets of our CLOs at cost, and

(g) the gross amount of assets (including leverage) for certain of 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 the three months ended March 31, 2012 and 2011. For a more detailed discussion of the factors that affected the results of our five business segments (which are presented on a basis that deconsolidates the investment funds we manage) in these periods, see "— Segment Analysis" below.

The following table sets forth information regarding our consolidated results of operations and certain key operating metrics for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
Revenues				
Management and Advisory Fees, Net	$471,676	$ 412,738	$ 58,938	14%
Performance Fees				
Realized	18,839	96,203	(77,364)	-80%
Unrealized	365,931	512,401	(146,470)	-29%
Total Performance Fees	384,770	608,604	(223,834)	-37%
Investment Income				
Realized	16,335	12,783	3,552	28%
Unrealized	72,826	107,395	(34,569)	-32%
Total Investment Income	89,161	120,178	(31,017)	-26%
Interest and Dividend Revenue	7,636	9,490	(1,854)	-20%
Other	(1,207)	2,259	(3,466)	N/M
Total Revenues	952,036	1,153,269	(201,233)	-17%
Expenses				
Compensation and Benefits				
Compensation	495,255	659,483	(164,228)	-25%
Performance Fee Compensation				
Realized	12,190	14,543	(2,353)	-16%
Unrealized	97,322	162,525	(65,203)	-40%
Total Compensation and Benefits	604,767	836,551	(231,784)	-28%
General, Administrative and Other	142,766	129,386	13,380	10%
Interest Expense	14,518	13,803	715	5%
Fund Expenses	21,742	11,124	10,618	95%
Total Expenses	783,793	990,864	(207,071)	-21%
Other Income				
Net Gains (Losses) from Fund Investment Activities	288,142	(45,191)	333,333	N/M
Income Before Provision for Taxes	456,385	117,214	339,171	N/M
Provision for Taxes	38,753	38,850	(97)	-0%
Net Income	417,632	78,364	339,268	N/M
Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	39,609	22,025	17,584	80%
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	212,293	(93,081)	305,374	N/M
Net Income Attributable to Non-Controlling Interests in Blackstone Holdings	107,405	106,716	689	1%
Net Income Attributable to The Blackstone Group L.P.	$ 58,325	$ 42,704	$ 15,621	37%

N/M Not meaningful.

Revenues

Total Revenues were $952.0 million for the three months ended March 31, 2012, a decrease of $201.2 million compared to Total Revenues for the three months ended March 31, 2011 of $1.2 billion. The decrease in revenues was primarily attributable to a decrease of $223.8 million in Performance Fees and a decrease of $31.0 million in Investment Income, partially offset by an increase in Management and Advisory Fees of $58.9 million. The decrease in Performance Fees was across the Real Estate, Private Equity and Credit Businesses segments, primarily driven by decreases in the net appreciation of the fair value of our BREP V and BREP VI carry funds' investments in our Real Estate segment, the lower net return in the BCP IV portfolio in our Private Equity segment, and the weaker performance across the Credit Businesses' strategies. The increase in Management and Advisory Fees was primarily due to increases in Base Management Fees in our Real Estate segment, driven by fees earned from the commencement of BREP VII and management fees earned from our co-investments, and increases in Base Management Fees in our Credit Businesses, Hedge Fund Solutions and Private Equity segments. The increase in the Credit Businesses segment was driven by higher Fee-Earning Assets Under Management, which was due to the acquisition of Harbourmaster in January 2012 and the acquisition of the Allied Irish Banks CLOs during the second quarter of 2011. The increase in the Hedge Fund Solutions segment was driven by higher Fee-Earning Assets Under Management and the increase in the Private Equity segment was principally a result of fees generated by Blackstone Energy Partners ("BEP"), which commenced its investment period during the third quarter of 2011.

Expenses

Expenses were $783.8 million for the three months ended March 31, 2012, a decrease of $207.1 million, or 21%, compared to $990.9 million for the three months ended March 31, 2011. The decrease was primarily attributable to a decrease of $231.8 million in Compensation and Benefits driven by a decrease in Performance Fee Compensation due to weaker performance in our Real Estate, Private Equity and Credit Businesses segments, and a decrease in Compensation. Compensation decreased $164.2 million from the prior year period to $495.3 million. This decrease was primarily attributed to a decrease in the equity-based amortization charges on our transaction-related awards. General, Administrative and Other expenses were $142.8 million for the current year, an increase of $13.4 million, driven primarily by the levels of business activity, revenue growth and headcount.

Other Income

Other Income - Net Gains (Losses) from Fund Investment Activities is attributable to the consolidated Blackstone Funds which are largely held by third party investors. As such, most of this Other Income is eliminated from the results attributable to The Blackstone Group L.P. through the redeemable non-controlling interests and non-controlling interests items in the Condensed Consolidated Statements of Operations.

Other Income was $288.1 million for the three months ended March 31, 2012, an increase of $333.3 million compared to $(45.2) million for the three months ended March 31, 2011. The change was principally driven by increases in unrealized gains relating to the consolidated CLO vehicles. This increase was due to a greater demand in the market from the first quarter of 2011 for the underlying investments held by the consolidated CLO vehicles which raised asset values as well as the consolidation of the CLO vehicles from the Harbourmaster and Allied Irish Banks acquisitions.

Non-Controlling Interests in Consolidated Entities

The Net Income Attributable to Redeemable Non-Controlling Interests and Consolidated Entities and Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities is attributable to the consolidated Blackstone Funds. The amounts of these items vary directly with the performance of the consolidated Blackstone Funds and largely eliminate the amount of Other Income - Net Gains (Losses) from Fund Investment Activities from the Net Income Attributable to The Blackstone Group L.P.

The Net Income Attributable to Non-Controlling Interests in Blackstone Holdings for the first quarter of 2012 is largely unchanged from the first quarter of 2011.

Operating Metrics

The following tables present certain operating metrics for the three months ended March 31, 2012 and 2011. 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":

	Fee-Earning Assets Under Management, March 31,		Assets Under Management, March 31,	
	2012	2011	2012	2011
	(Dollars in Thousands)			
Private Equity	$ 37,323,635	$ 35,892,804	$ 47,624,013	$ 43,955,392
Real Estate	36,647,462	26,454,012	48,322,760	34,990,590
Hedge Fund Solutions	40,543,772	35,847,002	43,351,275	39,542,086
Credit Businesses	41,746,577	25,838,878	50,776,119	31,475,397
Balance, End of Period (a)	$156,261,446	$124,032,696	$190,074,167	$149,963,465

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Fee-Earning Assets Under Management		
Balance, Beginning of Period	$136,756,753	$109,500,222
Inflows, including Commitments (b)	19,555,937	18,038,657
Outflows, including Distributions (c)	(2,491,591)	(4,816,697)
Market Appreciation (d)	2,440,347	1,310,514
Balance, End of Period (a)	$156,261,446	$124,032,696
Increase	$ 19,504,693	$ 14,532,474
Increase	14%	13%

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Assets Under Management		
Balance, Beginning of Period	$166,228,504	$128,123,920
Inflows, including Commitments (b)	21,484,309	21,205,724
Outflows, including Distributions (c)	(3,114,052)	(4,272,437)
Market Appreciation (d)	5,475,406	4,906,258
Balance, End of Period (a)	$190,074,167	$149,963,465
Increase	$ 23,845,663	$ 21,839,545
Increase	14%	17%

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Capital Deployed				
Limited Partner Capital Invested	$2,719,772	$1,658,315	$1,061,457	64%

(a) Fee-Earning Assets Under Management and Assets Under Management as of March 31, 2012 included $297.8 million from a joint venture in which we are the minority interest holder.

(b) Inflows represent contributions in our hedge funds and closed-end mutual funds, 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.
(c) Outflows represent redemptions in our hedge funds and closed-end mutual funds, client withdrawals from our separately managed account programs, decreases in available capital for our carry funds (expired capital, expense drawdowns and decreased side-by-side commitments) and realizations from the disposition of assets by our carry funds. Also included is the distribution of funds associated with the discontinuation of our proprietary single manager hedge funds.
(d) Market appreciation (depreciation) includes realized and unrealized gains (losses) on portfolio investments and the impact of foreign exchange rate fluctuations.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $156.3 billion at March 31, 2012, an increase of $19.5 billion, or 14%, compared to $136.8 billion at December 31, 2011. Inflows of $19.6 billion were primarily related to inflows of $11.7 billion in our Credit Businesses segment primarily due to the acquisition of Harbourmaster during the first quarter of 2012 and inflows of $5.9 billion in our Real Estate segment primarily due to additional closings of commitments in BREP VII, and inflows of $1.4 billion in our Hedge Fund Solutions segment primarily due to growth in its customized and commingled investment products. Outflows of $2.5 billion were primarily attributable to outflows of $1.1 billion in our Credit Businesses segment primarily due to realizations in the rescue lending funds, outflows in the hedge funds and deleveraging of certain CLO vehicles post their reinvestment periods, outflows of $616.7 million in our Real Estate segment primarily due to realizations from various investments in the real estate segment's funds, and outflows of $420.6 million in our Private Equity segment primarily as a result of the dispositions of investments in funds which earn fees based on remaining invested capital.

Fee-Earning Assets Under Management were $124.0 billion at March 31, 2011, an increase of $14.5 billion, or 13%, compared to $109.5 billion at December 31, 2010. Inflows of $18.0 billion were primarily related to inflows of $14.3 billion in our Private Equity segment primarily due to the start of BCP VI's investment period and inflows of $2.5 billion in our Hedge Fund Solutions segment primarily due to growth in hedge fund manager seeding platform, long only solutions business and commingled and customized investment products. Outflows of $4.8 billion were primarily attributable to outflows of $2.6 billion in our Private Equity segment primarily as a result of the end of BCP V's investment period and dispositions in BCP IV which earn fees based on remaining invested capital, and outflows of $927.0 million in our Real Estate segment primarily due to realizations from a BREP co-investment entity and the Bank of America Merrill Lynch Asia real estate platform.

Assets Under Management

Assets Under Management were $190.1 billion at March 31, 2012, an increase of $23.8 million, or 14%, compared to $166.2 billion at December 31, 2011. Inflows of $21.5 billion were primarily related to inflows of $14.2 billion in our Credit Businesses segment driven by the acquisition of Harbourmaster in January 2012, inflows of $4.7 billion in our Real Estate segment driven by additional closings of commitments in BREP VII and inflows of $1.5 billion in our Hedge Fund Solutions segment due to growth in its customized and commingled investment products. Outflows of $3.1 billion were more than offset by market appreciation of $5.5 billion.

Assets Under Management were $150.0 billion at March 31, 2011, an increase of $21.8 million, or 17%, compared to $128.1 billion at December 31, 2010. Inflows of $21.2 billion were primarily related to inflows of $14.9 billion in our Private Equity segment driven by the start of BCP VI's investment period and inflows of $4.7 billion in our Hedge Fund Solutions segment due to growth in the hedge fund manager seeding platform, long only solutions business and its commingled and customized investment products. Outflows of $4.3 billion were more than offset by market appreciation of $4.9 billion.

Limited Partner Capital Invested

For the three months ended March 31, 2012, Limited Partner Capital Invested was $2.7 billion, an increase of $1.1 billion, or 64%, from $1.7 billion for the three months ended March 31, 2011. The change primarily reflected an increase of $773.9 million in our Credit Businesses segment primarily a result of greater capital deployment on behalf of new funds as a result of an accommodating credit investment environment and an increase of $489.1 million in our Real Estate segment due to increased investment activity by our BREP VII, BREP Europe III and BREDS funds.

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:

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Segment Revenues				
Management Fees				
Base Management Fees	$ 85,789	$ 79,935	$ 5,854	7%
Transaction and Other Fees, Net	18,097	35,342	(17,245)	-49%
Management Fee Offsets	(3,782)	(7,889)	4,107	52%
Total Management Fees	100,104	107,388	(7,284)	-7%
Performance Fees				
Realized	3,933	82,389	(78,456)	-95%
Unrealized	34,051	32,537	1,514	5%
Total Performance Fees	37,984	114,926	(76,942)	-67%
Investment Income				
Realized	13,911	17,907	(3,996)	-22%
Unrealized	16,469	29,126	(12,657)	-43%
Total Investment Income	30,380	47,033	(16,653)	-35%
Interest and Dividend Revenue	2,420	3,505	(1,085)	-31%
Other	(215)	811	(1,026)	N/M
Total Revenues	170,673	273,663	(102,990)	-38%
Expenses				
Compensation and Benefits				
Compensation	52,547	54,924	(2,377)	-4%
Performance Fee Compensation				
Realized	320	7,718	(7,398)	-96%
Unrealized	(1,052)	5,464	(6,516)	N/M
Total Compensation and Benefits	51,815	68,106	(16,291)	-24%
Other Operating Expenses	28,881	28,713	168	1%
Total Expenses	80,696	96,819	(16,123)	-17%
Economic Net Income	$ 89,977	$176,844	$ (86,867)	-49%

N/M Not meaningful.

Revenues

Revenues were $170.7 million for the three months ended March 31, 2012, a decrease of $103.0 million compared to $273.7 million for the three months ended March 31, 2011. The decrease in revenues was attributed to decreases in Performance Fees, Investment Income and Total Management Fees of $76.9 million, $16.7 million and $7.3 million, respectively.

Performance Fees, which are determined on a fund by fund basis, were $38.0 million for the three months ended March 31, 2012, due to a net return of 4% in our BCP IV portfolio which was driven by the increased stock prices of TRW and Kosmos, the fund's two largest public holdings. The Performance Fees, however, represented a decrease of $76.9 million, compared to $114.9 million for the three months ended March 31, 2011

as the 2011 quarterly net return for the BCP IV portfolio was 10%, driven by realizations from holdings in the energy and healthcare sectors. Investment Income was $30.4 million compared to $47.0 million for the three months ended March 31, 2011. Contributed funds, including fee-paying co-investments, appreciated 4.9% during the period driven by investments in the retail/consumer and industrial sectors, as well as market performance driving returns in our public holdings. At March 31, 2012, 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. On a realized/partially realized basis, this multiple was 2.2 times investors' original investments for contributed funds.

Total Management Fees were $100.1 million for the three months ended March 31, 2012, a decrease of $7.3 million compared to $107.4 million for the three months ended March 31, 2011, driven by lower Transaction and Other Fees but partially offset by higher Base Management Fees and Management Fee Offsets. Base Management Fees were $85.8 million for the three months ended March 31, 2012, an increase of $5.9 million compared to $79.9 million for the three months ended March 31, 2011, principally as a result of fees generated from BEP, which commenced its investment period during the third quarter of 2011. Transaction and Other Fees were $18.1 million for the three months ended March 31, 2012, a decrease of $17.2 million compared to $35.3 million for the three months ended March 31, 2011. The quarter ended March 31, 2011 included an accelerated monitoring fee associated with the initial public offering of Nielsen as well as fees earned from new investments made from our BCP V fund. Management Fee Offsets relate to a reduction of management fees payable by our limited partners in BCP VI based on the amount they reimbursed Blackstone for placement fees.

Expenses

Expenses were $80.7 million for the three months ended March 31, 2012, a decrease of $16.1 million compared to $96.8 million for the three months ended March 31, 2011. The $16.1 million decrease was primarily attributed to a $13.9 million decrease in Performance Fee Compensation and a $2.4 million decrease in Compensation. Performance Fee Compensation decreased as a result of the decreases in Performance Fees revenue described above. Compensation decreased as a portion of it is related to the segment's results, exclusive of Performance Fees and Investment Income. Other Operating Expenses of $28.9 million was flat compared to the three months ended March 31, 2011.

Operating Metrics

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

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Fee-Earning Assets Under Management		
Balance, Beginning of Period	$37,237,791	$24,188,555
Inflows, including Commitments	499,547	14,264,444
Outflows, including Distributions	(420,613)	(2,564,977)
Market Appreciation	6,910	4,782
Balance, End of Period (a)	$37,323,635	$35,892,804
Increase	$ 85,844	$11,704,249
Increase	0%	48%

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Assets Under Management		
Balance, Beginning of Period	$45,863,673	$29,319,136
Inflows, including Commitments	1,078,133	14,860,798
Outflows, including Distributions	(815,285)	(1,741,437)
Market Appreciation	1,497,492	1,516,895
Balance, End of Period (a)	$47,624,013	$43,955,392
Increase	$ 1,760,340	$14,636,256
Increase	4%	50%

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Capital Deployed				
Limited Partner Capital Invested	$643,383	$652,947	$(9,564)	1%

(a) Fee-Earning Assets Under Management and Assets Under Management as of March 31, 2012 included $297.8 million from a joint venture in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $37.3 billion at March 31, 2012, an increase of $85.8 million compared with $37.2 billion at December 31, 2011. Inflows of $499.5 million were primarily due to additional capital raised for our energy focused fund, BEP, and the final close for our BCP VI fund. Outflows of $420.6 million were primarily a result of the dispositions of investments in funds which earn fees based on remaining invested capital. After the close of a fund's investment period, management fees are based on invested capital and binding commitments to new investments. Market appreciation of $6.9 million was due primarily to the impact of foreign exchange rates.

Fee-Earning Assets Under Management were $35.9 billion at March 31, 2011, an increase of $11.7 billion, or 48%, compared with $24.2 billion at December 31, 2010. Inflows of $14.3 billion were mainly due to the start of BCP VI's investment period. Outflows of $2.6 billion were primarily a result of the end of BCP V's investment period and dispositions in BCP IV which earns fees based on remaining invested capital. Market appreciation of $4.8 million in the first quarter of 2011 was due to the impact of foreign exchange rates.

Assets Under Management

Assets Under Management were $47.6 billion at March 31, 2012, an increase of $1.8 billion, or 4%, compared with $45.9 billion at December 31, 2011. The increase was primarily due to inflows of $1.1 billion driven by the closing on a multi-asset class investment fund and additional closings on our BEP fund. Additionally, Assets Under Management was driven by market appreciation of $1.5 billion in our existing portfolio and partially offset by outflows of $815.3 million resulting from realizations in various investments.

Assets Under Management were $44.0 billion at March 31, 2011, an increase of $14.6 billion, or 50%, compared with $29.3 billion at December 31, 2010. The increase was primarily due to inflows of $14.9 billion driven by the start of BCP VI's investment period and market appreciation of $1.5 billion within our existing portfolio, partially offset by outflows of $1.7 billion resulting from dispositions of investments.

Limited Partner Capital Invested

Limited Partner Capital Invested was $643.4 million for the three months ended March 31, 2012, essentially flat compared to $652.9 million for the three months ended March 31, 2011.

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 internal rates of return of our significant private equity funds:

	Three Months Ended March 31,				March 31, 2012 Inception to Date			
	2012		2011		Total		Realized (b)	
Fund (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BCP IV	4%	4%	12%	10%	51%	38%	60%	45%
BCP V	5%	5%	3%	2%	3%	2%	14%	10%
BCP VI (c)	N/M	N/M	N/A	N/A	N/M	N/M	N/A	N/A
BEP (c)	N/M	N/M	N/A	N/A	N/M	N/M	N/A	N/A

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

N/M Not meaningful.
N/A Not applicable.
(a) Net returns are based on the change in carrying value (realized and unrealized) after management fees, expenses and Carried Interest allocations.
(b) Returns include partially realized investments. Investments are considered partially realized when realized proceeds, excluding current income (dividends, interest, etc.), are a material portion of invested capital.
(c) Returns for BCP VI and BEP are not meaningful as their initial investments occurred in May 2011 and August 2011, respectively.

The following table presents the investment record of the significant private equity funds from inception through March 31, 2012 for funds with closed investment periods including funds that are fully realized:

	Fully Invested Funds									
	Total Investments					Realized / Partially Realized Investments (a)				
Fund (Investment Period)	Total Invested Capital (b)	Carrying Value (c)	Gross IRR	Net IRR (d)	MOIC (e)	Total Invested Capital (b)	Carrying Value (c) (f)	Gross IRR	Net IRR (d)	MOIC (e)
	(Dollars in Millions)					(Dollars in Millions)				
BCP I (Oct 1987 / Oct 1993)	$ 679	$ 1,742	28%	19%	2.6	$ 679	$ 1,742	28%	19%	2.6
BCP II (Oct 1993 / Aug 1997)	1,292	3,256	50%	32%	2.5	1,292	3,256	50%	32%	2.5
BCP III (Aug 1997 / Nov 2002)	4,026	9,191	18%	14%	2.3	4,026	9,191	18%	14%	2.3
BCOM (June 2000 / Jun 2006)	2,145	2,836	13%	6%	1.3	1,449	2,583	25%	17%	1.8
BCP IV (Nov 2002 / Dec 2005)	7,432	19,495	51%	38%	2.6	5,986	16,980	60%	45%	2.8
BCP V (Dec 2005 / Jan 2011)	19,739	21,949	3%	2%	1.1	3,402	4,616	14%	10%	1.4

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) Invested Capital includes recalled capital and side-by-side investments made by our employees.
(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 $5.3 billion.

The following table presents the investment record of the significant private equity funds from inception through March 31, 2012 for funds with open investment periods:

	Funds in the Investment Period										
		Total Investments					Realized / Partially Realized Investments (a)				
		Total		Gross			Total				
Fund (Investment Period)	Available Capital (b)	Invested Capital (c)	Carrying Value (d)	IRR	Net IRR (e)	MOIC (f)	Invested Capital (c)	Carrying Value (d)	Gross IRR	Net IRR (e)	MOIC (f)
	(Dollars in Millions)						(Dollars in Millions)				
BCP VI (Jan 2011 / Jan 2017)	$ 13,016	$ 1,790	$ 1,771	N/M	N/M	1.0	$ —	$ —	N/A	N/A	N/A
BEP (Aug 2011 / Aug 2017)	$ 774	$ 338	$ 347	N/M	N/M	1.0	$ —	$ —	N/A	N/A	N/A

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

N/M Not meaningful.
N/A Not applicable.

(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, including side-by-side, adjusted for certain expenses and expired or recallable capital, less invested capital.
(c) Invested Capital includes recalled capital and side-by-side investments made by our employees.
(d) Carrying value includes realized proceeds and unrealized fair value.
(e) 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.
(f) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.

The Private Equity segment has three significant contributed funds with closed investment periods: BCP IV, BCP V and BCOM. As of March 31, 2012, 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 valued at zero. BCP V is currently below its Carried Interest threshold. BCOM is currently below its Carried Interest threshold but has generated inception-to-date positive returns. We are entitled to retain previously realized Carried Interest up to 20% of BCOM's net gains. As a result, Performance Fees are recognized from BCOM on current period gains and losses.

The following table presents the Carried Interest status of our private equity funds out of their investment period which are currently not generating performance fees as of March 31, 2012:

	Gain to Cross Carried Interest Threshold (a)	
Funds out of the Investment Period	Amount (Dollars in Millions)	% Change in Total Enterprise Value (b)
BCP V (Dec 2005 / Jan 2011)	$ 5,388	11%

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

Real Estate

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

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Segment Revenues				
Management Fees				
Base Management Fees	$147,802	$ 95,439	$ 52,363	55%
Transaction and Other Fees, Net	14,412	21,543	(7,131)	-33%
Management Fee Offsets	(8,627)	(505)	(8,122)	N/M
Total Management Fees	153,587	116,477	37,110	32%
Performance Fees				
Realized	8,616	2,593	6,023	N/M
Unrealized	229,414	368,104	(138,690)	-38%
Total Performance Fees	238,030	370,697	(132,667)	-36%
Investment Income				
Realized	7,812	2,919	4,893	168%
Unrealized	25,912	61,406	(35,494)	-58%
Total Investment Income	33,724	64,325	(30,601)	-48%
Interest and Dividend Revenue	2,552	3,288	(736)	-22%
Other	(709)	860	(1,569)	N/M
Total Revenues	427,184	555,647	(128,463)	-23%
Expenses				
Compensation and Benefits				
Compensation	68,889	57,627	11,262	20%
Performance Fee Compensation				
Realized	4,079	1,230	2,849	N/M
Unrealized	58,043	106,501	(48,458)	-46%
Total Compensation and Benefits	131,011	165,358	(34,347)	-21%
Other Operating Expenses	28,924	28,366	558	2%
Total Expenses	159,935	193,724	(33,789)	-17%
Economic Net Income	$267,249	$361,923	$ (94,674)	-26%

N/M Not meaningful.

Revenues

Revenues were $427.2 million for the three months ended March 31, 2012, a decrease of $128.5 million compared to $555.6 million for the three months ended March 31, 2011. The decrease in revenues was primarily attributed to a decrease of $132.7 million in Performance Fees and a decrease of $30.6 million in Investment Income, partially offset by an increase of $52.4 million in Base Management Fees.

Performance Fees, which are determined on a fund by fund basis, were $238.0 million for the three months ended March 31, 2012, a decrease of $132.7 million compared to $370.7 million for the three months ended March 31, 2011. Investment Income was $33.7 million for the three months ended March 31, 2012, a decrease of $30.6 million compared to $64.3 million for the three months ended March 31, 2011. Performance Fees

continued to benefit from the strong performance of our Real Estate carry funds. However, there was a year over year decrease in the net appreciation of our BREP V and BREP VI carry funds' investments which contributed to the decrease in Performance Fees for the three months ended March 31, 2012. The decrease in Investment Income was primarily driven by the year over year decrease in the net appreciation of investments related to the BREP VI fund, in which Blackstone owns a greater share of such investments. The carrying fair value of assets for Blackstone's contributed Real Estate funds, including fee-paying co-investments, increased 4.0% for the three months ended March 31, 2012. During the three months ended March 31, 2012, the continued improvement in operating fundamentals and historically low levels of new supply, as well as the strong performance of the segment's publicly traded retail investment, primarily resulted in the appreciation of our office and retail holdings within our contributed Real Estate funds, including fee-paying co-investments. As of March 31, 2012, the unrealized value and cumulative proceeds, before carried interest, fees and expenses, of our contributed Real Estate carry funds represented 1.4 times investors' original investments. On a realized/partially realized basis, this multiple was 2.1 times investors' original investments.

Total Management Fees were $153.6 million for the three months ended March 31, 2012, an increase of $37.1 million compared to $116.5 million for the three months ended March 31, 2011. Base Management Fees were $147.8 million for the three months ended March 31, 2012, an increase of $52.4 million compared to $95.4 million for the three months ended March 31, 2011, which was primarily related to the commencement of BREP VII. Transaction and Other Fees were $14.4 million for the three months ended March 31, 2012, a decrease of $7.1 million compared to $21.5 million for the three months ended March 31, 2011, which was primarily related to a decrease in transaction activity.

Expenses

Expenses were $159.9 million for the three months ended March 31, 2012, a decrease of $33.8 million, compared to $193.7 million for the three months ended March 31, 2011. The decrease was primarily attributed to a $45.6 million decrease in Performance Fee Compensation, a result of a decrease in Performance Fees revenue, partially offset by an increase in Compensation of $11.3 million to $68.9 million. Compensation rose primarily due to the increased profitability of the segment, exclusive of Performance Fees and Investment Income. Other Operating Expenses of $28.9 million was flat compared to the three months ended March 31, 2011.

Operating Metrics

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

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Fee-Earning Assets Under Management		
Balance, Beginning of Period	$31,236,540	$26,814,714
Inflows, including Commitments	5,892,884	287,996
Outflows, including Distributions	(616,731)	(926,978)
Market Appreciation	134,769	278,280
Balance, End of Period	$36,647,462	$26,454,012
Increase (Decrease)	$ 5,410,922	$ (360,702)
Increase (Decrease)	17%	-1%

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Assets Under Management		
Balance, Beginning of Period	$42,852,669	$33,165,124
Inflows, including Commitments	4,744,971	809,531
Outflows, including Distributions	(616,946)	(1,031,251)
Market Appreciation	1,342,066	2,047,186
Balance, End of Period	$48,322,760	$34,990,590
Increase	$ 5,470,091	$ 1,825,466
Increase	13%	6%

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Capital Deployed				
Limited Partner Capital Invested	$1,143,555	$654,428	$489,127	75%

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $36.6 billion at March 31, 2012, an increase of $5.4 billion, or 17%, compared with $31.2 billion at December 31, 2011. Inflows of $5.9 billion were primarily related to additional closings of commitments in BREP VII. Outflows were $616.7 million, primarily due to realizations from various investments within the real estate segment's funds. Market appreciation of $134.8 million was primarily related to net valuation increases from certain debt investment funds that charge management fees based on net asset value and favorable foreign exchange impact on commitments from our European focused real estate fund.

Fee-Earning Assets Under Management were $26.5 billion at March 31, 2011, a decrease of $360.7 million, or 1%, compared with $26.8 billion at December 31, 2010. Inflows of $288.0 million were primarily related to capital invested by our real estate debt investment funds. Outflows were $927.0 million, primarily due to realizations from a co-investment entity and the Bank of America Merrill Lynch Asia real estate platform. Market appreciation of $278.3 million was primarily due to the favorable foreign exchange impact on commitments from our European focused real estate fund.

Assets Under Management

At March 31, 2012, Assets Under Management were $48.3 billion, an increase of $5.5 billion, or 13%, compared with $42.9 billion at December 31, 2011. The change was primarily due to inflows of $4.7 billion attributable to additional closings of commitments in BREP VII along with market appreciation of $1.3 billion primarily from our real estate carry funds as a result of increases in the carrying values within the office and retail sectors of our real estate portfolio. These increases were partially offset by outflows of $616.9 million primarily related to realizations generated by our real estate carry funds, debt investment funds and Bank of America Merrill Lynch Asia real estate platform.

At March 31, 2011, Assets Under Management were $35.0 billion, an increase of $1.8 billion, or 6%, compared with $33.2 billion at December 31, 2010. The change was primarily due to inflows of $809.5 million attributable to capital raised by our debt investment funds, market appreciation of $2.0 billion from our real estate carry funds resulting from increases in the carrying values of our real estate portfolio, primarily within the office and hospitality sectors. These inflows were partially offset by outflows of $1.0 billion related to realizations generated by BREP VI co-investments and the managed Bank of America Merrill Lynch Asia real estate platform along with the expiration of the BREP International fund's term.

Limited Partner Capital Invested

For the three months ended March 31, 2012, Limited Partner Capital Invested was $1.1 billion, an increase of $489.1 million from $654.4 million for the three months ended March 31, 2011. This increase is primarily related to increased investment activity by our BREP VII, BREP Europe III and BREDS 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 Internal Rates of Return of our significant real estate funds:

	Three Months Ended March 31,				March 31, 2012 Inception to Date			
	2012		2011		Total		Realized (b)	
Fund (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BREP International (c)	—	—	1%	1%	33%	23%	33%	24%
BREP IV	1%	1%	7%	5%	25%	14%	94%	65%
BREP V	4%	3%	10%	7%	12%	9%	86%	63%
BREP International II (c)	-5%	-5%	3%	2%	-2%	-4%	6%	3%
BREP VI	4%	3%	9%	6%	14%	9%	43%	35%
BREP Europe III (c)	2%	1%	1%	-2%	66%	20%	N/A	N/A
BREP VII (d)	25%	14%	N/A	N/A	126%	58%	N/M	N/M
BSSF I	8%	7%	5%	4%	14%	10%	N/A	N/A
CMBS	8%	7%	5%	4%	18%	13%	N/A	N/A
BSSF II	5%	4%	4%	3%	18%	14%	41%	34%

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

N/A Not applicable.
N/M Not meaningful.
(a) Net returns are based on the change in carrying value (realized and unrealized) after management fees, expenses and performance fee allocations.
(b) Returns include 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) The BREP VII investment period commenced in August 2011.

The following table presents the investment record of the significant real estate carry funds from inception through March 31, 2012 for funds with closed investment periods:

	Fully Invested Funds									
	Total Investments					Realized / Partially Realized Investments (a)				
	Total					Total				
Fund (Investment Period)	Invested Capital (b)	Carrying Value (c)	Gross IRR	Net IRR (d)	MOIC (e)	Invested Capital (b)	Carrying Value (c) (f)	Gross IRR	Net IRR (d)	MOIC (e)
	(Amounts in Millions)					(Amounts in Millions)				
Pre-BREP	$ 141	$ 345	43%	33%	2.5	$ 141	$ 345	43%	33%	2.5
BREP I (Sep 1994 / Oct 1996)	$ 467	$ 1,328	51%	40%	2.8	$ 467	$ 1,328	51%	40%	2.8
BREP II (Oct 1996 / Mar 1999)	$ 1,219	$ 2,525	26%	19%	2.1	$1,219	$ 2,525	26%	19%	2.1
BREP III (Apr 1999 / Apr 2003)	$ 1,415	$ 3,326	27%	21%	2.3	$1,399	$ 3,323	28%	22%	2.4
BREP Int'l (Jan 2001 / Sep 2005)	€ 658	€ 1,321	33%	23%	2.0	€ 623	€ 1,244	33%	24%	2.0
BREP IV (Apr 2003 / Dec 2005)	$ 2,737	$ 4,130	25%	14%	1.5	$1,130	$ 2,691	94%	65%	2.4
BREP Int'l II (Sep 2005 / Jun 2008)	€ 1,336	€ 1,258	-1%	-3%	0.9	€ 162	€ 200	6%	3%	1.2
BREP V (Dec 2005 / Feb 2007)	$ 5,742	$ 8,609	12%	9%	1.5	$1,041	$ 2,531	86%	63%	2.4
BREP VI (Feb 2007 / Aug 2011)	$10,240	$14,676	14%	9%	1.4	$ 389	$ 729	43%	35%	1.9
BREP Co-Investment (Various) (g)	$ 2,939	$ 4,122	13%	11%	1.4	$ 114	$ 213	12%	11%	1.9

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) Invested Capital includes recalled capital and side-by-side investments made by our employees.
(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 Total Realized / Partially Realized Carrying Value includes remaining unrealized value of $1.2 billion and €150.7 million.
(g) BREP Co-Investment represents co-investment capital raised for various BREP investments. The Net IRR reflected is calculated by aggregating each co-investment's realized proceeds and unrealized value after management fees, expenses and Carried Interest.

The following table presents the investment record of the significant real estate carry funds, excluding separately managed accounts, from inception through March 31, 2012 for funds with open investment periods:

	Funds in the Investment Period					
		Total Investments				
		Total				
Fund (Investment Period)	Available Capital (a)	Invested Capital (b)	Carrying Value (c)	Gross IRR	Net IRR (d)	MOIC (e)
	(Amounts in Millions)					
BREP Europe III (Jun 2008 / Dec 2013)	€ 2,273	€ 944	€ 1,382	65%	20%	1.5
BSSF II (Jul 2009 / Aug 2017)	$ 654	$ 1,368	$ 1,624	18%	14%	1.2
BREP VII (Aug 2011 / Feb 2017) (f)	$ 8,365	$ 1,228	$ 1,429	126%	58%	1.2

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

N/M Not meaningful.

(a) Available Capital represents total investable capital commitments, including side-by-side, adjusted for certain expenses and expired or recallable capital, less invested capital, and includes $549.7 million committed to deals but not yet invested. Additionally, the segment has $1.6 billion of Available Capital that has been reserved for add-on investments in funds that are fully invested.

(b) Invested Capital includes recalled capital and side-by-side investments made by our employees.

(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 fair 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 BREP VII investment period commenced in August 2011 and as of May 7, 2012 continues to raise 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 March 31, 2012:

	Gain to Cross Carried Interest Threshold (a)	
		% Change in Total Enterprise
Fully Invested Funds	Amount	Value (b)
	(Amounts in Millions)	
BREP Int'l II (Sep 2005 / Jun 2008)	€ 911	19%

(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) Total Enterprise Value is the respective fund's pro rata ownership of the privately held portfolio companies' Enterprise Value.

The Real Estate segment has three funds in their investment period, which were above their respective Carried Interest thresholds as of March 31, 2012: BREP Europe III, BREP VII and BSSF II.

Hedge Fund Solutions

The following table presents our results of operations for our Hedge Fund Solutions segment:

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Segment Revenues				
Management Fees				
Base Management Fees	$ 81,821	$ 75,612	$ 6,209	8%
Transaction and Other Fees, Net	92	727	(635)	-87%
Management Fee Offsets	(335)	(124)	(211)	-170%
Total Management Fees	81,578	76,215	5,363	7%
Performance Fees				
Realized	3,298	893	2,405	N/M
Unrealized	23,187	19,253	3,934	20%
Total Performance Fees	26,485	20,146	6,339	31%
Investment Income				
Realized	503	1,341	(838)	-62%
Unrealized	8,371	7,120	1,251	18%
Total Investment Income	8,874	8,461	413	5%
Interest and Dividend Revenue	386	516	(130)	-25%
Other	(127)	104	(231)	N/M
Total Revenues	117,196	105,442	11,754	11%
Expenses				
Compensation and Benefits				
Compensation	28,233	28,093	140	0%
Performance Fee Compensation				
Realized	1,378	300	1,078	N/M
Unrealized	7,294	5,358	1,936	36%
Total Compensation and Benefits	36,905	33,751	3,154	9%
Other Operating Expenses	13,934	13,008	926	7%
Total Expenses	50,839	46,759	4,080	9%
Economic Net Income	$ 66,357	$ 58,683	$ 7,674	13%

N/M Not meaningful.

Revenues

Revenues were $117.2 million for the three months ended March 31, 2012, an increase of $11.8 million compared to $105.4 million for the three months ended March 31, 2011. The increase in revenues was primarily attributable to an increase of $6.3 million in Performance Fees to $26.5 million and an increase of $5.4 million in Total Management Fees to $81.6 million.

Performance Fees were $26.5 million for the three months ended March 31, 2012, an increase of $6.3 million compared to $20.1 million for the three months ended March 31, 2011, primarily due to higher returns and an increase in Fee-Earning Assets Under Management. The returns of the underlying assets for Blackstone's Hedge Fund Solutions' funds were 4.0% during the three months ended March 31, 2012. Fee-Earning Assets Under Management related to funds of funds above their respective high-water marks and/or

hurdle, and therefore eligible for Performance Fees, decreased during the three months ended March 31, 2012 compared to the three months ended March 31, 2011. This decrease was a result of the softer performance of the underlying assets of the segment in the latter quarters of 2011.

Total Management Fees were $81.6 million for the three months ended March 31, 2012, an increase of $5.4 million compared to $76.2 million for the three months ended March 31, 2011. Base Management Fees were $81.8 million for the three months ended March 31, 2012, an increase of $6.2 million compared to the prior year period, driven by an increase in Fee-Earning Assets Under Management of 13% from the prior year period, which was primarily from net inflows.

Expenses

Expenses were $50.8 million for the three months ended March 31, 2012, an increase of $4.1 million compared to the three months ended March 31, 2011. The $4.1 million increase was primarily attributed to a $3.2 million increase in Total Compensation and Benefits and a $0.9 million increase in Other Operating Expenses. Compensation was $28.2 million for the three months ended March 31, 2012, a decrease of $0.1 million, compared to $28.1 million for the prior year period. Other Operating Expenses increased $0.9 million to $13.9 million for the three months ended March 31, 2012, compared to $13.0 million for the three months ended March 31, 2011, primarily due to an increase in other expenses, partially offset by occupancy and equipment.

Operating Metrics

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

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Fee-Earning Assets Under Management		
Balance, Beginning of Period	$37,819,636	$33,159,795
Inflows, including Commitments	1,445,958	2,452,420
Outflows, including Distributions	(351,218)	(388,026)
Market Appreciation	1,629,396	622,813
Balance, End of Period	$40,543,772	$35,847,002
Increase	$ 2,724,136	$ 2,687,207
Increase	7%	8%

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Assets Under Management		
Balance, Beginning of Period	$40,534,768	$34,587,292
Inflows, including Commitments	1,465,945	4,721,176
Outflows, including Distributions	(377,086)	(408,034)
Market Appreciation	1,727,648	641,652
Balance, End of Period	$43,351,275	$39,542,086
Increase	$ 2,816,507	$ 4,954,794
Increase	7%	14%

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Capital Deployed				
Limited Partner Capital Invested	$4,661	$196,642	$(191,981)	-98%

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 March 31,		As of March 31,	
	2012	2011	2012	2011
	(Dollars in Thousands)			
BAAM Managed Funds (b)	$21,647,124	$18,144,730	52%	74%

(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 BAAM managed 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 and / or Hurdle, thereby resulting in an increase in Estimated % Above High Water Mark and/or Hurdle.

(b) For the BAAM managed funds, at March 31, 2012 the incremental appreciation needed for the 48% of Fee-Earning Assets Under Management below their respective High Water Marks and / or Hurdle to reach their respective High Water Marks and / or Hurdle was $392.3 million, an increase of $66.6 million, or 20.5%, compared to $325.7 million at March 31, 2011. Of the Fee-Earning Assets Under Management below their respective High Water Marks and / or Hurdle as of March 31, 2012, 77% were within 5% of reaching their respective High Water Mark and / or Hurdle.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $40.5 billion at March 31, 2012, an increase of $2.7 billion, or 7%, compared to $37.8 billion at December 31, 2011. The change was primarily due to market appreciation of $1.6 billion and inflows of $1.4 billion, mainly from BAAM's customized and commingled investment products, partially offset by outflows of $351.2 million. BAAM had net inflows of $737.8 million from April 1 through May 1, 2012.

Fee-Earning Assets Under Management were $35.8 billion at March 31, 2011, an increase of $2.7 billion, or 8%, compared to $33.2 billion at December 31, 2010. The change was primarily due to inflows of $2.5 billion, mainly from BAAM's long only solutions business and commingled and customized investment products.

Assets Under Management

Assets Under Management were $43.4 billion at March 31, 2012, an increase of $2.8 billion, or 7%, compared to $40.5 billion at December 31, 2011. The change was primarily due to market appreciation of $1.7 billion and inflows of $1.5 billion, which was mainly from BAAM's customized and commingled investment products, which was partially offset by outflows of $377.1 million.

Assets Under Management were $39.5 billion at March 31, 2011, an increase of $5.0 billion, or 14%, compared to $34.6 billion at December 31, 2010. The change was primarily due to inflows of $4.7 billion mainly from BAAM's hedge fund manager seeding platform, long only solutions business and commingled and customized investment products.

Limited Partner Capital Invested

Limited Partner Capital Invested was $4.7 million for the three months ended March 31, 2012, a decrease of $192.0 million compared to $196.6 million for the three months ended March 31, 2011. The decrease was primarily attributable to the relative investment opportunities for our funds that employ a capital commitment structure in the first quarter of 2012.

Composite Returns

Composite returns information is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The composite 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.

The following table presents the return information of the BAAM Managed Funds, Core Fund Composite:

	Three Months Ended March 31,				Average Annual Net Returns (a) Periods Ended March 31, 2012							
	2012		2011		One Year		Three Year		Five Year		Historical	
Composite	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BAAM Managed Funds, Core Funds Composite (b)	4%	4%	2%	2%	1%	—	9%	8%	3%	2%	7%	6%

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 BAAM managed 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.

Credit Businesses

The following table presents our results of operations for our Credit Businesses segment:

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Segment Revenues				
Management Fees				
Base Management Fees	$ 80,094	$ 54,601	$ 25,493	47%
Transaction and Other Fees, Net	5,725	745	4,980	N/M
Management Fee Offsets	(306)	(18)	(288)	N/M
Total Management Fees	85,513	55,328	30,185	55%
Performance Fees				
Realized	2,992	9,725	(6,733)	-69%
Unrealized	80,265	85,303	(5,038)	-6%
Total Performance Fees	83,257	95,028	(11,771)	-12%
Investment Income				
Realized	683	1,235	(552)	-45%
Unrealized	9,211	4,532	4,679	103%
Total Investment Income	9,894	5,767	4,127	72%
Interest and Dividend Revenue	2,425	453	1,972	N/M
Other	(238)	98	(336)	N/M
Total Revenues	180,851	156,674	24,177	15%
Expenses				
Compensation and Benefits				
Compensation	37,143	29,549	7,594	26%
Performance Fee Compensation				
Realized	6,413	5,295	1,118	21%
Unrealized	33,037	45,202	(12,165)	-27%
Total Compensation and Benefits	76,593	80,046	(3,453)	-4%
Other Operating Expenses	17,096	15,357	1,739	11%
Total Expenses	93,689	95,403	(1,714)	-2%
Economic Net Income	$ 87,162	$ 61,271	$ 25,891	42%

N/M Not meaningful.

Revenues

Revenues were $180.9 million for the three months ended March 31, 2012, an increase of $24.2 million compared to the three months ended March 31, 2011. The increase in revenues was primarily attributed to an increase of $30.2 million in Total Management Fees and an increase of $4.1 million in Investment Income, partially offset by a decrease of $11.8 million in Performance Fees.

Performance Fees were $83.3 million for the three months ended March 31, 2012, a decrease of $11.8 million from the prior year period. Despite lower Performance Fees from the prior year, the overall performance across the Credit Businesses' strategies was strong. The decrease in Performance Fees reflected a slower overall rate of appreciation from the prior year. The returns of the underlying assets for Blackstone's credit-oriented business were 4.6% for the hedge funds, 6.5% for the mezzanine funds and 7.5% for the rescue lending funds for the three months ended March 31, 2012.

Total Management Fees were $85.5 million for the three months ended March 31, 2012, an increase of $30.2 million from the prior year period. Base Management Fees were $80.1 million for the three months ended March 31, 2012, an increase of $25.5 million compared to the prior year period, primarily due to an increase in Fee-Earning Assets Under Management.

Expenses

Expenses were $93.7 million for the three months ended March 31, 2012, a decrease of $1.7 million, or 2%, compared to the three months ended March 31, 2011. The $1.7 million decrease in expenses was primarily attributed to a decrease of $11.0 million in Performance Fee Compensation, partially offset by an increase in Compensation of $7.6 million and an increase of $1.7 million in Other Operating Expenses. Performance Fee Compensation was $39.5 million for the three months ended March 31, 2012, compared to $50.5 million for the prior year period. The decrease was primarily due to lower Performance Fees in the current quarter compared to the prior year period. Other Operating Expenses increased $1.7 million to $17.1 million for the three months ended March 31, 2012, compared to $15.4 million for the prior year period. The increase was primarily due to an increase in depreciation and amortization expense related to a one-time write-off of leasehold improvements and an increase in business development expenses related to the closing of the Harbourmaster acquisition.

Operating Metrics

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

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Fee-Earning Assets Under Management		
Balance, Beginning of Period	$30,462,786	$25,337,158
Inflows, including Commitments	11,717,548	1,033,797
Outflows, including Distributions	(1,103,029)	(936,716)
Market Appreciation	669,272	404,639
Balance, End of Period	$41,746,577	$25,838,878
Increase	$11,283,791	$ 501,720
Increase	37%	2%

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Assets Under Management		
Balance, Beginning of Period	$36,977,394	$31,052,368
Inflows, including Commitments	14,195,260	814,219
Outflows, including Distributions	(1,304,735)	(1,091,715)
Market Appreciation	908,200	700,525
Balance, End of Period	$50,776,119	$31,475,397
Increase	$13,798,725	$ 423,029
Increase	37%	1%

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Capital Deployed				
Limited Partner Capital Invested	$928,173	$154,298	$773,875	N/M

N/M Not meaningful.

As of March 31, 2012, 97% of the Fee-Earning Assets Under Management of $2.9 billion in the credit-oriented flagship hedge funds were above their respective high water marks compared to 99% of the Fee-Earning Assets Under Management of $2.8 billion as of March 31, 2011.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $41.7 billion at March 31, 2012, an increase of $11.3 billion, or 37%, compared to $30.5 billion at December 31, 2011. The $11.3 billion increase was primarily due to the acquisition of Harbourmaster during the first quarter of 2012. This growth was partially offset by outflows of $1.1 billion since December 31, 2011, principally due to realizations in the rescue lending funds, outflows in the hedge funds and deleveraging of certain CLO vehicles post their reinvestment periods.

Fee-Earning Assets Under Management were $25.8 billion at March 31, 2011, an increase of $501.7 million, or 2%, compared to $25.3 billion at December 31, 2010. The increase was primarily due to market appreciation in our long only and hedge fund businesses compared to the prior year period.

Assets Under Management

Assets Under Management were $50.8 billion at March 31, 2012, an increase of $13.8 billion, or 37%, compared to $37.0 billion at December 31, 2011. The increase was primarily due to inflows of $14.2 billion, principally due to the Harbourmaster acquisition representing $10.2 billion of inflows. This was partially offset by outflows of $1.3 billion due to realizations in the rescue lending funds, outflows in the hedge funds and the deleveraging of certain CLO vehicles post their reinvestment periods.

Assets Under Management were $31.5 billion at March 31, 2011, an increase of $423.0 million, or 1%, compared to $31.1 billion at December 31, 2010. The increase was primarily due to net market appreciation across our funds.

Limited Partner Capital Invested

For the three months ended March 31, 2012, Limited Partner Capital Invested was $928.2 million, an increase of $773.9 million from $154.3 million for the three months ended March 31, 2011. The increase was primarily due to greater capital deployment on behalf of new funds as a result of an accommodating credit investment environment.

Fund Returns

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 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. 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 return information of the segment's Flagship Hedge Funds:

	Three Months Ended March 31,				Average Annual Net Returns (a) Periods Ended March 31, 2012							
	2012		2011		One Year		Three Year		Five Year		Historical	
Composite	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Flagship Hedge Funds (b)	5%	4%	8%	6%	5%	4%	22%	18%	10%	7%	11%	8%

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

(a) Average annual returns present a summarized asset weighted return measure to evaluate the overall performance of the applicable class of Blackstone Funds.

(b) The Flagship 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 Internal Rates of Return of our significant Credit Businesses drawdown funds:

	Three Months Ended March 31,				March 31, 2012 Inception to Date	
	2012		2011			
Fund (a)	Gross	Net	Gross	Net	Gross	Net
Mezzanine Funds (b)	7%	5%	9%	7%	23%	17%
Rescue Lending Funds (c)	8%	4%	9%	6%	22%	14%

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

(a) Net returns are based on the change in carrying value (realized and unrealized) after management fees, expenses and performance fee allocations.

(b) The Mezzanine Funds' returns represent the weighted-average return for the U.S. domestic and offshore funds including, as applicable, for the new significant mezzanine fund. The inception to date return is from July 16, 2007, which is before Blackstone's acquisition of GSO in March 2008.

(c) The Rescue Lending Funds' returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The inception to date returns are from September 29, 2009, which is when the funds commenced investing.

The following table presents the investment record of the significant Credit Businesses drawdown funds from inception through March 31, 2012:

		Total Investments					Realized / Partially Realized Investments (a)		
		Total					Total		
Fund	Available Capital (b)	Invested Capital (c)	Carrying Value (d)	Gross IRR	Net IRR (e)	MOIC (f)	Invested Capital (c)	Carrying Value (d) (g)	MOIC (f)
	(Dollars in Millions)						(Dollars in Millions)		
Mezzanine Funds	$ 3,557	$ 3,694	$ 4,774	23%	17%	1.3	$ 1,077	$ 1,698	1.6
Rescue Lending Funds	1,255	2,934	3,380	22%	14%	1.2	957	1,083	1.1

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

(a) Investments are considered partially realized when 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) Invested Capital includes recalled capital.
(d) Carrying value includes realized proceeds and unrealized fair value.
(e) 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.
(f) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.
(g) The Realized / Partially Realized Carrying Value includes remaining unrealized value of $351.5 million.

As of March 31, 2012, the significant Credit Businesses drawdown funds 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).

Financial Advisory

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

	Three Months Ended March 31,		2012 vs. 2011	
	2012	2011	$	%
	(Dollars in Thousands)			
Segment Revenues				
Advisory Fees	$ 75,846	$70,252	$ 5,594	8%
Transaction and Other Fees, Net	145	6	139	N/M
Total Advisory and Transaction Fees	75,991	70,258	5,733	8%
Investment Income				
Realized	583	97	486	N/M
Unrealized	(49)	393	(442)	N/M
Total Investment Income	534	490	44	9%
Interest and Dividend Revenue	1,562	1,686	(124)	-7%
Other	82	386	(304)	-79%
Total Revenues	78,169	72,820	5,349	7%
Expenses				
Compensation and Benefits				
Compensation	67,960	54,339	13,621	25%
Other Operating Expenses	20,686	17,531	3,155	18%
Total Expenses	88,646	71,870	16,776	23%
Economic Net Income	$(10,477)	$ 950	$(11,427)	N/M

N/M Not meaningful.

Revenues

Revenues were $78.2 million for the three months ended March 31, 2012, an increase of $5.3 million, or 7%, compared to $72.8 million for the three months ended March 31, 2011. The increase in revenues was driven primarily by increases in Blackstone's restructuring and reorganization business and in Blackstone Advisory Partners' business, partially offset by a decrease in Blackstone's fund placement business. The increase in

Blackstone's restructuring and reorganization business was driven primarily by a higher amount of transaction fees recorded relative to the prior year period. The increase in Blackstone Advisory Partners' business was due to an increase in the number of transactions compared to the prior year period. The pipelines for both the restructuring and reorganization business and the Blackstone Advisory Partners' business remained steady across a diverse group of industries. The decrease in fees earned by Blackstone's fund placement business was primarily due to the timing of certain transactions; however, market conditions were still moderate compared to the three months ended March 31, 2011.

Expenses

Expenses were $88.6 million for the three months ended March 31, 2012, an increase of $16.8 million, or 23%, compared to $71.9 million for the three months ended March 31, 2011. Compensation and Benefits increased $13.6 million compared to the three months ended March 31, 2011, principally due to an increase in compensation expense across all of our businesses. Compensation expense for these businesses is related to their financial performance. Other Operating Expenses increased $3.2 million over the three months ended March 31, 2011, principally due to increases in all other expenses.

Liquidity and Capital Resources

General

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

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

Total assets were $26.5 billion as of March 31, 2012, an increase of $4.6 billion from December 31, 2011. The increase in total assets was primarily attributable to a $4.6 billion increase in Investments which was primarily attributable to the Harbourmaster acquisition. Total liabilities were $16.5 billion as of March 31, 2012, an increase of $3.9 billion from December 31, 2011. The increase in total liabilities was primarily due to an increase in Loans Payable of $3.8 billion which was primarily attributable to the Harbourmaster acquisition.

For the three months ended March 31, 2012, we had Total Fee Related Revenues of $511.2 million and related expenses of $373.2 million, generating Net Fee Related Earnings from Operations of $138.0 million and Distributable Earnings of $162.1 million.

Sources of Liquidity

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 March 31, 2012, Blackstone had $391.3 million in cash, $586.8 million invested in Blackstone's Treasury cash management strategies, $136.1 million invested in liquid Blackstone Funds, $1.9 billion invested in illiquid Blackstone Funds and $140.0 million invested in other investments, against $1.0 billion in borrowings from our 2009 and 2010 bond issuances.

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.

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 and others who are limited partners of the Blackstone Holdings partnerships. Distributable Earnings 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 and reconciled to, 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 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.

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

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Fee Related Earnings		
Revenues		
Total Management and Advisory Fees (a)	$496,773	$425,666
Interest and Dividend Revenue (a)	9,345	9,448
Other (a)	(1,207)	2,259
Investment Income — Blackstone's Treasury Cash Management Strategies (b)	6,310	1,302
Total Revenues	511,221	438,675
Expenses		
Compensation and Benefits — Compensation (a)	254,772	224,532
Other Operating Expenses (a)	109,521	102,975
Cash Taxes (c)	8,903	12,622
Total Expenses	373,196	340,129
Net Fee Related Earnings from Operations	138,025	98,546
Performance Fees, Net of Related Compensation		
Performance Fees — Realized (a)	18,839	95,600
Compensation and Benefits — Performance Fee Compensation — Realized (a)	(12,190)	(14,543)
Total Performance Fees, Net of Compensation	6,649	81,057
Investment Income and Other		
Investment Income (Loss) — Realized (a)	23,492	23,499
Adjustment Related to Realized Investment Income — Blackstone's Treasury Cash Management Strategies (d)	(5,897)	(1,010)
Other Payables Including Payable Under Tax Receivable Agreement	(148)	(177)
Total Investment Income and Other	17,447	22,312
Distributable Earnings	$162,121	$201,915

(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.

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

	Three Months Ended March 31,	
	2012	2011
	(Dollars in Thousands)	
Income Before Provision for Taxes	$ 456,385	$ 117,214
IPO and Acquisition-Related Charges (a)	244,897	427,227
Amortization of Intangibles (b)	50,888	44,174
(Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities (c)	(251,902)	71,056
Total Segments, Economic Net Income	500,268	659,671
Performance Fees Adjustment (d)	(385,756)	(600,797)
Investment Income (Loss) Adjustment (e)	(83,406)	(126,076)
Investment Income — Blackstone's Treasury Cash Management Strategies (f)	6,310	1,302
Performance Fee Compensation and Benefits Adjustment (g)	109,512	177,068
Taxes Payable (h)	(8,903)	(12,622)
Net Fee Related Earnings from Operations	138,025	98,546
Realized Performance Fees (i)	6,649	81,057
Realized Investment Income (j)	23,492	23,499
Adjustment Related to Realized Investment Income — Blackstone's Treasury Cash Management Strategies (k)	(5,897)	(1,010)
Other Payables Including Payable Under Tax Receivable Agreement	(148)	(177)
Distributable Earnings	$ 162,121	$ 201,915
Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations (l)	$ 178,596	$ 137,423

(a) This adjustment adds back to Income Before Provision for Taxes amounts for Transaction-Related Charges which include principally equity-based compensation charges associated with Blackstone's initial public offering and long-term retention programs outside of annual deferred compensation and other corporate actions.

(b) This adjustment adds back to Income 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 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 (h), and segment interest and segment depreciation and amortization. The cash taxes payable component of (h) was $8.9 million and $12.6 million for the three months ended March 31, 2012 and 2011, respectively. Interest was $13.6 million and $12.7 million for the three months ended March 31, 2012 and 2011, respectively. Depreciation and amortization was $10.3 million and $8.2 million for the three months ended March 31, 2012 and 2011, respectively. Amortization of non-cash deferred compensation was $7.8 million and $5.4 million for the three months ended March 31, 2012 and 2011, respectively.

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 March 31, 2012 consisted of the following:

Fund	Original Commitment	Remaining Commitment
	(Dollars in Thousands)	
Private Equity		
BCP VI	$ 719,718	$ 635,406
BCP V	629,356	73,717
BCP IV	150,000	6,982
BCOM	50,000	4,766
Blackstone Energy Partners ("BEP")	29,432	21,405
China Fund ("RMB")	7,043	6,004
Blackstone Tactical Opportunity Fund	15,000	14,239
Woori Blackstone Korea I	5,388	2,263
Blackstone Clean Technology Partners	4,575	515
Real Estate Funds		
BREP VII	300,000	261,356
BREP VI	750,000	86,288
BREP V	52,545	2,458
BREP International II	26,505	2,221
BREP Europe III	100,000	70,235
Blackstone Real Estate Special Situations Fund II	43,016	8,878
Blackstone Real Estate Special Situations Fund G	2,500	618
Blackstone Commercial Real Estate Debt Fund	10,000	2,966
Hedge Fund Solutions		
Strategic Alliance II	50,000	30,761
Strategic Alliance	50,000	2,033
Credit Businesses		
Capital Opportunities Fund II L.P. ("COF")	100,000	79,260
Blackstone / GSO Capital Solutions	50,000	19,150
BMezz	41,000	2,590
Blackstone Credit Liquidity Partners	32,244	3,192
BMezz II	17,692	3,085
Other (a)	23,772	15,939
Total	$3,259,786	$1,356,327

(a) Represents capital commitments to a number of other Credit Businesses 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, BREP Europe III, BREP VII and COF II, it is intended that our senior managing directors and certain other professionals will fund $250 million, $150 million, $35 million, $100 million, and $96.1 million, respectively, of the aggregate applicable general partner original 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, indirect subsidiaries of Blackstone entered into an unsecured revolving credit facility (the "Credit Facility") with Citibank, N.A., as Administrative Agent. On November 23, 2010, the Credit Facility was amended to set the facility aggregate borrowing limit at $1.02 billion. On April 8, 2011, the Credit Facility was further amended to extend the maturity date from March 23, 2013 to April 8, 2016. 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 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 three months ended March 31, 2012, no units were repurchased. As of March 31, 2012, the amount remaining available for repurchases was $335.8 million under this program.

Distributions

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 or any of our debt instruments or other agreements, or to provide for future distributions to our unitholders for any ensuing quarter. In most years the aggregate amounts of our distributions to unitholders will typically be less than our Distributable Earnings for that year.

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 less the amount of our realized investment gains and returns of capital from investments and acquisitions. This determination has been based on the continued pace of organic and inorganic growth and the potential for further strategic initiatives and the retained amount will be used for those purposes. The retained cash will be deducted from the fourth quarter distribution which is made in the first quarter of the ensuing calendar year. All distributions are subject to Blackstone's discretion to retain additional amounts from the amount of annual Distributable Earnings to be distributed as described above.

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 remain unchanged at $0.10 per unit. For the fourth quarter of each year, we expect to pay the remaining amount of the year's Distributable Earnings less realized investment gains and returns of capital from investments and acquisitions. As such, the distributions for the first three quarters are expected to be smaller than the final quarterly distribution in respect of such year.

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 subsidiaries of The Blackstone Group L.P. must pay taxes and make payments under the tax receivable agreements described in Blackstone's 2011 Annual Report on Form 10-K, the amounts ultimately distributed by The Blackstone Group L.P. to its common unitholders in respect of each fiscal year 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.

Leverage

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 March 31, 2012, we had total partners' capital of $9.4 billion, including $391.3 million in cash, $586.8 million invested in Blackstone's Treasury cash management strategies, $136.1 million invested in liquid Blackstone Funds, $1.9 billion invested in illiquid Blackstone Funds and $140.0 million in other investments, against $1.0 billion in borrowings from our 2009 and 2010 bond issuances.

Included in our Treasury cash management strategies are reverse repurchase agreements, repurchase agreements and securities sold, not yet purchased. All of these positions are held in a separately managed portfolio. Reverse repurchase agreements are entered into primarily to take advantage of opportunistic yields otherwise absent in the overnight markets and also to use the collateral received to cover securities sold, not yet purchased. Repurchase agreements are entered into primarily to opportunistically yield higher spreads on purchased securities. The balances held in these financial instruments fluctuate based on Blackstone's liquidity needs, market conditions and investment risk profiles. The following table presents information regarding these financial instruments:

	Reverse Repurchase Agreements	Repurchase Agreements	Securities Sold, Not Yet Purchased
		(Dollars in Millions)	
Balance, March 31, 2012	$ 83.8	$ 189.1	$ 82.7
Balance, December 31, 2011	139.5	101.8	143.8
Three Months Ended March 31, 2012			
Average Daily Balance	108.9	137.6	108.7
Maximum Daily Balance	147.4	202.4	191.7

Our private equity funds, real estate funds and funds of hedge funds have not historically utilized substantial leverage at the fund level other than (a) for short-term borrowings between the date of an investment and the receipt of capital from the investing fund's investors, and (b) long-term borrowings for certain investments in aggregate amounts which are generally 2% to 10% of the capital commitments of the respective fund. 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 Hedge Fund Solutions and Credit Businesses 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.

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations as of March 31, 2012 on a consolidated basis and on a basis deconsolidating the Blackstone funds:

Contractual Obligations	April 1, 2012 to December 31, 2012	2013–2014	2015–2016	Thereafter	Total
			(Dollars in Thousands)		
Operating Lease Obligations (a)	$ 47,358	$ 108,964	$ 96,643	$ 225,112	$ 478,077
Purchase Obligations	11,031	7,736	1,548	991	21,306
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	139,990	456,240
Blackstone Operating Entities Loan and Credit Facilities Payable (d)	891	6,228	—	—	7,119
Interest on Blackstone Operating Entities Loan and Credit Facilities Payable (e)	100	88	—	—	188
Blackstone Funds and CLO Vehicles Debt Obligations Payable (f)	13,541	377,642	652,128	12,700,602	13,743,913
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (g)	184,306	472,524	417,751	956,036	2,030,617
Blackstone Funds Capital Commitments to Investee Funds (h)	34,186	—	—	—	34,186
Due to Certain Non-Controlling Interest Holders in Connection with Tax Receivable Agreements (i)	—	82,076	121,346	975,138	1,178,560
Blackstone Operating Entities Capital Commitments to Blackstone Funds and Other (j)	1,356,327	—	—	—	1,356,327
Unrecognized Tax Benefits, Including Interest (k)	3,678	3,628	—	—	7,306
Consolidated Contractual Obligations	1,714,668	1,185,386	1,415,916	15,997,869	20,313,839
Blackstone Funds and CLO Vehicles Debt Obligations Payable (f)	(13,541)	(377,642)	(652,128)	(12,700,602)	(13,743,913)
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (g)	(184,306)	(472,524)	(417,751)	(956,036)	(2,030,617)
Blackstone Funds Capital Commitments to Investee Funds (h)	(34,186)	—	—	—	(34,186)
Blackstone Operating Entities Contractual Obligations	$ 1,482,635	$ 335,220	$ 346,037	$ 2,341,231	$ 4,505,123

(a) We lease our primary office space under agreements that expire through 2024. In connection with certain lease agreements, we are responsible for escalation payments. The contractual obligation table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases for financial statement purposes and as such are not recorded as liabilities on the Condensed Consolidated Statements of Financial Condition. The amounts are presented net of contractual sublease commitments.

(b) Represents the principal amount due on the 6.625% and 5.875% senior notes we issued. As of March 31, 2012, 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 March 31, 2012, at spreads to market rates pursuant to the financing agreements, and range from 1.08% to 1.50%.
(f) These obligations are those of the Blackstone Funds including the consolidated CLO vehicles.
(g) Represents interest to be paid over the maturity of the related 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 March 31, 2012, at spreads to market rates pursuant to the financing agreements, and range from 0.30% to 17.00%. The majority of the borrowings are due on demand and for purposes of this schedule are assumed to mature within one year. Interest on the majority of these borrowings rolls over into the principal balance at each reset date.
(h) These obligations represent commitments of the consolidated Blackstone Funds to make capital contributions to investee funds and portfolio companies. These amounts are generally due on demand and are therefore presented in the less than one year category.
(i) Represents obligations by the Partnership's corporate subsidiary to make payments under the Tax Receivable 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 Condensed Consolidated Financial Statements and shown in Note 15. "Related Party Transactions" (see "Part I. Item 1. Financial Statements") differs to reflect the net present value of the payments due to certain non-controlling interest holders.
(j) These obligations represent commitments by us to provide general partner capital funding to the Blackstone Funds, limited partner capital funding to other funds and Blackstone principal investment commitments. These amounts are generally due on demand and are therefore presented in the less than one year category; however, a substantial amount of the capital commitments are expected to be called over the next three years. We expect to continue to make these general partner capital commitments as we raise additional amounts for our investment funds over time.
(k) The total represents gross unrecognized tax benefits of $6.4 million and interest of $0.9 million. In addition, Blackstone is not able to make a reasonably reliable estimate of the timing of payments in individual years in connection with gross unrecognized benefits of $8.2 million and interest of $1.2 million; therefore, such amounts are not included in the above contractual obligations table.

Guarantees

Blackstone and certain of its consolidated funds provide financial guarantees. The amounts and nature of these guarantees are described in Note 16. "Commitments and Contingencies — Contingencies — Guarantees" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

Indemnifications

In many of its service contracts, Blackstone agrees to indemnify the third party service provider under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our Condensed Consolidated Financial Statements as of March 31, 2012.

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.

As of March 31, 2012, the clawback obligations were $269.7 million, of which $99.0 million related to Blackstone Holdings and $170.7 million related to current and former Blackstone personnel. (See Note 15. "Related Party Transactions" and Note 16. "Commitments and Contingencies" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.)

Critical Accounting Policies

We prepare our Condensed 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 Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.)

Principles of Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner is presumed to have control. Although the Partnership has a 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 VIE 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 VIE. The consolidation guidance requires an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a VIE, 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. VIEs qualify for the deferral of the consolidation guidance if all of the following conditions have been met:

(a) The entity has all of the attributes of an investment company as defined under AICPA Accounting and Auditing Guide, *Investment Companies* ("Investment Company Guide") , or does not have all the attributes of an investment company but it is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the Investment Company Guide,

(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 or asset-backed financing entity or an entity that was formerly considered a qualifying special purpose entity.

Where the VIEs have qualified for the deferral of the consolidation guidance as discussed in Note 2. "Summary of Significant Accounting Policies" in the "notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements", the analysis is based on previous consolidation guidance. This guidance requires an analysis to determine (a) 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.

Assets of consolidated VIEs that can only be used to settle obligations of the consolidated VIE and liabilities of a consolidated VIE for which creditors (or beneficial interest holders) do not have recourse to the general credit of Blackstone are presented in a separate section in the Condensed Consolidated Statements of Financial Condition.

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" in our 2011 Annual Report on Form 10-K 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:

- 0.30% to 1.75% of committed capital during the commitment period,
- 0.50% to 1.75% of invested capital subsequent to the investment period for private equity and real estate funds, and
- 1.00% to 1.50% of invested capital or net asset value for certain credit-oriented funds.

On credit-oriented funds structured like hedge funds:

- 0.75% to 2.00% of net asset value.

On credit-oriented funds separately managed accounts:

- 0.35% to 1.00% of net asset value.

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

- 0.50% to 1.25% of assets under management.

On CLO vehicles:

- 0.40% to 1.25% of total assets.

On closed-end mutual funds and registered investment companies:

- 0.50% to 1.50% 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 adviser 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 Condensed 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 Condensed Consolidated Statements of Financial Condition. Performance fees arising on Blackstone's onshore hedge funds are allocated to the general partner. Accrued but unpaid performance fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

In certain fund structures, specifically in private equity, real estate and certain credit-oriented funds ("Carry Funds"), performance fees ("Carried Interest") are allocated to the general partner based on cumulative fund performance to date, subject to a preferred return to limited partners. Carried Interest allocations range between 10% and 20% of fund appreciation. At the end of each reporting period, the Partnership calculates the Carried Interest that would be due to the Partnership for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as Carried Interest to reflect either (a) positive performance resulting in an increase in the Carried Interest allocated to the general partner or (b) negative performance that would cause the amount due to the Partnership to be less than the amount previously recognized as revenue, resulting in a negative adjustment to Carried Interest allocated to the general partner. In each scenario, it is necessary to calculate the Carried Interest on cumulative results compared to the Carried Interest recorded to date and make the required positive or negative adjustments. The Partnership ceases to record negative Carried Interest allocations once previously recognized Carried Interest allocations for such fund have been fully reversed. The Partnership is not obligated to pay guaranteed returns or hurdles, and therefore, cannot have negative Carried Interest over the life of a fund. Accrued but unpaid Carried Interest as of the reporting date is reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

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

Carried Interest is subject to clawback to the extent that the Carried Interest actually distributed to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received performance fees, 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 consists of foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars and other revenues.

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. 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.

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 and proprietary 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.

Transfers between levels of the fair value hierarchy are recognized at the beginning of the reporting period.

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, certain funds of hedge funds and credit-oriented investments.

Such investments are valued on a quarterly basis, taking into consideration any changes in key unobservable inputs and changes in economic and other relevant conditions and valuation models are updated accordingly. The valuation process also includes a review by an independent valuation party, at least annually for all investments, and quarterly for certain investments, to corroborate the values determined by management. The valuations of Blackstone's investments are reviewed quarterly by a valuation committee which is chaired by Blackstone's Vice Chairman and includes senior heads of each of Blackstone's businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone's investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee as well as the senior heads of each of Blackstone's businesses. The valuations are further tested by comparison to actual sales prices obtained on disposition of the investments.

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.

Certain investments of Blackstone and of the consolidated Blackstone funds of hedge funds and credit-oriented funds measure their investments in underlying funds at fair value using NAV per share without adjustment. The terms of the investee's investment generally provide for minimum holding periods or lock-ups, the institution of gates on redemptions or the suspension of redemptions or an ability to side-pocket investments, at the discretion of the investee's fund manager, and as a result, investments may not be redeemable at, or within three months of, the reporting date. A side-pocket is used by hedge funds and funds of hedge funds to separate investments that may lack a readily ascertainable value, are illiquid or are subject to liquidity restriction. Redemptions are generally not permitted until the investments within a side pocket are liquidated or it is deemed that the conditions existing at the time that required the investment to be included in the side pocket no longer exist. As the timing of either of these events is uncertain, the timing at which the Partnership may redeem an investment held in a side-pocket cannot be estimated. Investments for which fair value is measured using NAV per share are reflected within the fair value hierarchy based on the observability of pricing inputs as described above. Further disclosure on instruments for which fair value is measured using NAV per share is presented in Note 5. "Net Asset Value as Fair Value" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

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

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

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

In addition, the Partnership has elected the fair value option for the assets and liabilities of CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts. 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. 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 and acquisition are presented within Net Gains from Fund Investment Activities. 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 Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

Intangibles and Goodwill

Blackstone's intangible assets consist of contractual rights to earn future fee income, including management and advisory fees and Carried Interest from its Carry Funds. Identifiable finite-lived intangible assets are amortized on a straight line basis over their estimated useful lives, ranging from 4 to 20 years, reflecting the contractual lives of such funds. Amortization expense is included within General, Administrative and Other in the accompanying Condensed Consolidated Statements of Operations. The Partnership does not hold any indefinite-lived intangible assets.

Goodwill comprises goodwill arising from the contribution and reorganization of the Partnership's predecessor entities in 2007 immediately prior to its IPO and the acquisition of GSO in 2008.

The carrying value of goodwill was $1.7 billion as of March 31, 2012 and December 31, 2011. Intangible Assets and Goodwill are reviewed for impairment at least annually, or more frequently if circumstances indicate impairment may have occurred. As of March 31, 2012 and December 31, 2011, 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 five 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 four years and assume a terminal value by segment. We do not apply a control premium. The discounted cash flow analysis includes the Blackstone issued notes and borrowings under the revolving credit facility, if any, and includes an allocation of interest expense to each segment for the unused commitment fee on Blackstone's revolving credit facility. We use a discount rate that reflects the weighted average cost of capital adjusted for the risks inherent in the future cash flows.

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 Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing as follows:

- Note 6. "Derivative Financial Instruments",
- Note 9. "Variable Interest Entities", and
- Note 16. "Commitments and Contingencies — 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 Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our predominant exposure to market risk is related to our role as general partner or investment adviser 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 hedge fund solutions and credit businesses funds, we continuously monitor a variety of markets for attractive trading opportunities, applying a number of traditional and customized risk management metrics to analyze risk related to specific assets or

portfolios. In addition, we perform extensive credit and cash-flow analyses of borrowers, credit-based assets and underlying hedge fund managers, and have extensive asset management teams that monitor covenant compliance by, and relevant financial data of, borrowers and other obligors, asset pool performance statistics, tracking of cash payments relating to investments and ongoing analysis of the credit status of investments.

Effect on Fund Management Fees

Our management fees are based on (a) third parties' capital commitments to a Blackstone Fund, (b) third parties' capital invested in a Blackstone Fund or (c) the net asset value, or NAV, of a Blackstone Fund, as described in our Condensed Consolidated Financial Statements. Management fees will only be directly affected by short-term changes in market conditions to the extent they are based on NAV or represent permanent impairments of value. These management fees will be increased (or reduced) in direct proportion to the effect of changes in the market value of our investments in the related funds. The proportion of our management fees that are based on NAV is dependent on the number and types of Blackstone Funds in existence and the current stage of each fund's life cycle. For the three months ended March 31, 2012 and March 31, 2011, the approximate percentage of our fund management fees based on the NAV of the applicable funds or separately managed accounts, were as follows:

	As of March 31,	
	2012	2011
Fund Management Fees Based on the NAV of the Applicable Funds or Separately Managed Accounts	26%	32%

Market Risk

The Blackstone Funds hold investments which are reported at fair value. Based on the fair value as of March 31, 2012 and March 31, 2011, we estimate that a 10% decline in fair value of the investments would have the following effects:

	March 31,					
	2012			2011		
	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income
	(Dollars in Thousands)					
10% Decline in Fair Value of the Investments	$ 47,926	$ 1,065,477	$235,080	$ 44,362	$ 503,568	$214,424

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 as follows:

	Total Assets Under Management, Excluding Undrawn Capital Commitments and the Amount of Capital Raised for CLOs (Dollars in Thousands)	Percentage Amount Classified as Level III Investments
Private Equity	$ 29,446,553	75%
Real Estate	34,423,393	95%
Hedge Fund Solutions	41,863,596	79%
Credit Businesses	16,710,760	47%

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" in our 2011 Annual Report on Form 10-K. Also see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Investments, at Fair Value.") We believe these 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 and funds of 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 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 March 31, 2012 and March 31, 2011, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would have the following effects:

	March 31,					
	2012			2011		
	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income
	(Dollars in Thousands)					
10% Decline in the Rate of Exchange of All Foreign Currencies Against the U.S. Dollar	$ 14,032	$ 83,612	$ 32,676	$ 9,190	$ 94,647	$ 30,093

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 March 31, 2012 and March 31, 2011, and our outstanding interest rate swaps, we estimate that interest expense relating to variable rates would increase on an annual basis, in the event interest rates were to increase by one percentage point, as follows:

	March 31,	
	2012	2011
	(Dollars in Thousands)	
Increase in Interest Expense Due to a One Percentage Point Increase in Interest Rates	$ 4,707	$ 4,780

Blackstone's Treasury cash management strategies consists of a diversified portfolio of 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, freestanding derivative contracts, repurchase and reverse repurchase agreements and other investments. We estimate that our annualized investment income would decrease by $8.1 million, or 1.4% 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 $3.1 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 $5.1 million, or 0.9% of the Treasury Liquidity Portfolio, if credit spreads were to increase by one percentage point.

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

ITEM 4. CONTROLS AND PROCEDURES

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. See "Part I. Item 1A. Risk Factors" in our 2011 Annual Report on Form 10-K. We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our consolidated financial statements.

In December 2007, a purported class of shareholders in public companies acquired by one or more private equity firms filed a lawsuit against sixteen private equity firms and investment banks, including The Blackstone Group L.P., in the United States District Court in Massachusetts (*Kirk Dahl, et al. v. Bain Capital Partners, LLC, et al.*). 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. Following the completion of fact discovery, plaintiffs may be permitted to amend their complaint further to add a number of additional leveraged buyout transactions.

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 (*Landmen Partners Inc. v. The Blackstone Group L.P., et al.*) 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) one private equity investment would be adversely affected by trends in mortgage default rates, particularly for sub-prime mortgage loans, (b) another private equity investment was adversely affected by the loss of an exclusive manufacturing agreement, and (c) prior to the IPO the U.S. real estate market had started to deteriorate, adversely affecting the value of Blackstone's real estate investments; and (2) the financial statements in the IPO prospectus were materially inaccurate principally because they overstated the value of the investments referred to in clause (1).

In September 2009 the District Court judge dismissed the complaint with prejudice, ruling that even if the allegations in the complaint were assumed to be true, the alleged omissions were immaterial. Analyzing both quantitative and qualitative factors, the District Court reasoned that the alleged omissions were immaterial as a matter of law given the size of the investments at issue relative to Blackstone as a whole, and taking into account Blackstone's structure as an asset manager and financial advisory firm.

In February 2011, a three-judge panel of the Second Circuit reversed the District Court's decision, ruling that the District Court incorrectly found that plaintiffs' allegations were, if true, immaterial as a matter of law. The Second Circuit disagreed with the District Court, concluding that the complaint "plausibly" alleged that the initial public offering documents omitted material information concerning two of Blackstone funds' individual investments and inadequately disclosed information relating to market risks to their real estate investments. Because this was a motion to dismiss, in reaching this decision the Second Circuit accepted all of the complaint's factual allegations as true and drew every reasonable inference in plaintiffs' favor. The Second Circuit did not consider facts other than those in the plaintiffs' complaint. On June 28, 2011, defendants filed a petition for writ of certiorari with the United States Supreme Court, which was subsequently denied. On August 8, 2011, defendants filed their answer to the complaint and discovery commenced and is continuing in this action.

In June 2011, three related suits (*Walker, Truesdell, Roth & Assocs. v. The Blackstone Group L.P., et al.*) were filed against Blackstone, various Blackstone entities including some of its private equity and real estate funds, and specified Blackstone personnel relating to the sale of Extended Stay Hotels in June 2007 by certain entities in which such Blackstone funds owned significant equity interests (the "2007 Sale"). Other defendants in such suits include the buyer of Extended Stay, financial advisors to both the sellers and the buyer and specified lenders for the purchase of Extended Stay. Extended Stay subsequently filed for bankruptcy in 2009, at which time it was still owned by the buyer pursuant to the 2007 Sale. The suits, which are in the U.S. Bankruptcy Court for the Southern District of New York, were brought by a litigation trust for the benefit of creditors of Extended Stay and allege that Extended Stay was rendered insolvent by the 2007 Sale. One suit includes asserted claims of fraudulent conveyance and seeks to recover $2.1 billion allegedly transferred to the sellers in the 2007 Sale. The other two suits contain the same allegations as the first suit, assert claims for breach of fiduciary duty, unjust enrichment, illegal distributions and other claims, and seek $2.1 billion in compensatory damages and $6.3 billion in punitive damages.

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

ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011 and in our subsequently filed Quarterly Reports on Form 10-Q, all of which are accessible on the Securities and Exchange Commission's website at www.sec.gov.

See "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Environment" in this report for a discussion of the conditions in the financial markets and economic conditions affecting our businesses. This discussion updates, and should be read together with, the risk factor entitled "Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital and reducing the volume of the transactions involving our financial advisory business, each of which could materially reduce our revenue and cash flows and adversely affect our financial condition" in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

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

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 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. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. No purchases of our common units were made by us or on our behalf during the three months ended March 31, 2012. See "Part I. Item 1. Financial Statements — Notes to Condensed Consolidated Financial Statements — Note 13. Net Income (Loss) Per Common Unit" and "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Our Sources of Cash and Liquidity Needs" for further information regarding this unit repurchase program.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
10.1	GSO Energy Partners-A Associates LLC Second Amended and Restated Limited Liability Company Agreement, dated as of February 28, 2012.
10.2	BTOA L.L.C. Amended and Restated Limited Liability Company Agreement, dated as of February 15, 2012.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

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

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: May 7, 2012

The Blackstone Group L.P.

By: Blackstone Group Management L.L.C.,
its General Partner

/s/ L AURENCE A. T OSI

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

Exhibit 10.1

EXECUTION VERSION

HIGHLY CONFIDENTIAL & TRADE SECRET

GSO ENERGY PARTNERS-A ASSOCIATES LLC

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

DATED AS OF FEBRUARY 28, 2012

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GSO ENERGY PARTNERS-A ASSOCIATES LLC

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of GSO Energy Partners-A Associates LLC (the " Company "), dated as of February 28, 2012, by and among GSO Holdings I L.L.C., a Delaware limited liability company (the " Managing Member " or " Holdings "), the other members of the Company as set forth in the books and records of the Company, and such other persons that are admitted to the Company as members after the date hereof in accordance herewith.

W I T N E S S E T H

WHEREAS, the original limited liability company agreement of the Company was executed as of February 13, 2012 (the " Original Agreement "); and

WHEREAS, the Original Agreement was amended and restated to make certain modifications pursuant to the Amended and Restated Limited Liability Company Agreement dated as of February 17, 2012 (the " Existing Agreement ").

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

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

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

" Admission Letter " has the meaning set forth in Section 10.4.

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

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

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

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

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

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

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

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

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

" BCTP " means (i) Blackstone Clean Technology Partners L.P., a Delaware limited partnership, and (ii) any alternative vehicle relating thereto and any parallel fund.

" BEP " means (i) Blackstone Energy Partners L.P. and Blackstone Energy Partners Q L.P., each a Delaware limited partnership, and (ii) 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 Company (which includes serving as general partner of such funds).

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

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

" BFREP " means Blackstone Real Estate Capital Associates L.P., Blackstone Real Estate Capital Associates II L.P., Blackstone Real Estate Capital Associates III L.P., Blackstone Family Real Estate Partnership L.P., Blackstone Family Real Estate Partnership II L.P., Blackstone Family Real Estate Partnership III L.P., Blackstone Family Real Estate Partnership International-A-SMD L.P., Blackstone Family Real Estate Partnership IV-SMD L.P., Blackstone Family Real Estate Partnership International II-SMD L.P., Blackstone Family Real Estate Partnership V-SMD L.P., Blackstone Family Real Estate Partnership VI-SMD L.P., Blackstone Family Real Estate Partnership VII-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 VII 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 VII, BSSF II or BSSF Europe and any other funds with substantially similar investment objectives to BREP VII, BSSF II or BSSF Europe and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

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

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

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

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

" BREP VII " means (i) Blackstone Real Estate Partners VII L.P., Blackstone Real Estate Partners VII.TE.1 L.P., Blackstone Real Estate Partners VII.TE.2 L.P. and Blackstone Real Estate Partners VII.F L.P., each a Delaware limited partnership, (ii) any other Parallel Funds or other Supplemental Capital Vehicles (each as defined in the respective partnership agreements for the partnerships referred to in clause (i) above), or (iii) any other investment vehicle established pursuant to Article 2 of the respective partnership agreements for any of the partnerships referred to in clause (i) above.

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

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

" BTO " means (i) Blackstone Tactical Opportunities Fund – A (PE) L.P., Blackstone Tactical Opportunities Fund – A (RA) L.P. and Blackstone Tactical Opportunities Fund - C L.P., each a Delaware limited partnership, and (ii) any alternative vehicle relating thereto and any parallel fund.

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

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

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

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

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

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

" Capital Commitment Distributions " means, with respect to each Capital Commitment Investment, all amounts of distributions received by the Company with respect to such Capital Commitment Investment solely in respect of the Capital Commitment GEP Interest, if any, less any costs, fees and expenses of the Company with

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

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

" Capital Commitment GEP Interest " means the Interest (as defined in the GEP Partnership Agreement), if any, of the Company as a capital partner (and, if applicable, a limited partner and/or general partner) in GEP.

" Capital Commitment GEP Investment " means the Company's interest in a specific investment of GEP through the Capital Commitment GEP Interest.

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

" Capital Commitment Investment " means any investment of the Company in respect of the Capital Commitment GEP Interest, including any Capital Commitment GEP Investment, but excluding any GP-Related Investment.

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

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

" Capital Commitment Member Interest " means a Member's interest in the Company which relates to the Capital Commitment GEP Interest, if any.

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

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

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

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

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

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

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

" Carried Interest " means (i) the "Carried Interest," as defined in the GEP Partnership Agreement, and (ii) any other carried interest distribution to a Fund GP pursuant to any GEP Agreement. In the case of each of (i) and (ii) above, except as determined by the Managing Member, the amount shall not be less any costs, fees and expenses of the Company with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Company that are anticipated with respect thereto (in each case which the Managing Member may allocate 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 Member or Withdrawn Member, subject to Section 5.8(e), the percentage determined by dividing (A) the aggregate amount of distributions received by such Member or Withdrawn Member from the Company or any Other Fund GPs in respect of Carried Interest by (B) the aggregate amount of distributions made to all Members, Withdrawn Members or any other person by the Company or any Other Fund GP in respect of Carried Interest. For purposes of determining any "Carried Interest Give Back Percentage" hereunder, all Trust Amounts contributed to the Trust by the Company or any Other Fund GPs on behalf of a Member or Withdrawn Member (but not the Trust Income thereon) shall be deemed to have been initially distributed or paid to the Members and Withdrawn Members as members, partners or other equity owners of the Company or any of the Other Fund GPs.

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

" Cause " with respect to any Member has the meaning ascribed to such term in the letter agreement between such Member and Blackstone setting forth the terms of such Member becoming a Senior Managing Director or otherwise an employee (as applicable) of Blackstone (such agreement as from time to time amended and as in effect as of the applicable date, the " Employment Agreement "); provided , that with respect to any Member who is not a party to an Employment Agreement, "Cause" means the occurrence or existence of any of the following with respect to such Member, as determined fairly, reasonably, on an informed basis and in good faith by the Managing Member: (i) (w) any breach by any Member of any provision of any non-competition agreement, (x) any material breach of this Agreement or any rules or regulations applicable to such Member that are established by the Managing Member, (y) such Member's deliberate failure to perform his or her duties to the Company or any of its Affiliates, or (z) such Member's committing to or engaging in any conduct or behavior that is or may be harmful to the Company or any of its Affiliates in a material way as determined by the Managing Member; *provided*, that in the case of any of the foregoing clauses (w), (x), (y) and (z), the Managing Member has given such Member written notice (a " Notice of Breach ") within fifteen days after the Managing Member becomes aware of such action and such Member fails to cure such breach, failure to perform or conduct or behavior within fifteen days after receipt of such Notice of Breach from the Managing Member (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure, provided that such Member is diligently pursuing such cure); (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Company or any of its Affiliates; or (iii) conviction (on the basis of a trial or by an accepted plea of guilty or *nolo contendere*) of a felony or crime (including any misdemeanor charge involving moral turpitude, false statements or misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery), or a determination by a court of competent jurisdiction, by a regulatory body or by a self-regulatory body having authority with respect to securities laws, rules or regulations of the applicable securities industry, that such Member individually has violated any applicable securities laws or any rules or regulations thereunder, or any rules of any such self-regulatory body (including, without limitation, any licensing requirement), if such conviction or determination has a material adverse effect on (A) such Member's ability to function as a Member of the Company, taking into account the services required of such Member and the nature of the business of the Company and its Affiliates or (B) the business of the Company and its Affiliates.

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

" Clawback Amount " means the "Clawback Amount" and the "Interim Clawback Amount" (both as as defined in Article I of the GEP Partnership Agreement) and any other clawback amount payable to the limited partners of GEP pursuant to any GEP Agreement, as applicable.

" Clawback Provisions " means Sections 9.4 and 3.5 of the GEP Partnership Agreement and any other similar provisions in any other GEP Agreement existing heretofore or hereafter entered into.

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

" Commitment Agreements " means the agreements between the Company or an Affiliate thereof and Members, pursuant to which each Member undertakes certain obligations, including the obligation to make capital contributions pursuant to Sections 4.1 and/or 7.1. Each Commitment Agreement is hereby incorporated by reference as between the Company and the relevant Member.

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

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

The term " control " when used with reference to any person means the power to direct the management and policies of such person, directly or indirectly, by or through stock or other equity ownership, agency or otherwise, or pursuant to or in connection with an agreement, arrangement or understanding (written or oral) with one or more other persons by or through stock 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 Member " means any Member or Withdrawn Member who has died or who suffers from Incompetence. For purposes hereof, references to a Deceased Member shall refer collectively to the Deceased Member and the estate and heirs or legal representative of such Deceased Member, as the case may be, that have received such Deceased Member's interest in the Company.

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

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

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

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

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

" Existing Agreement " has the meaning set forth in the recitals hereto.

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

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

" Firm Advances " has the meaning set forth in Section 7.1.

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

" Firm Collateral Realization " has the meaning set forth in Section 4.1(d).

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

" Fund GP " means the Company (only with respect to the GP-Related GEP Interest) and the Other Fund GPs.

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

" Giveback Amount " means the amount of the Company's obligations under the Giveback Provisions.

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

" GEP " means (i) GSO Energy Partners-A LP, a Delaware limited partnership, and (ii) any parallel fund and any alternative vehicle formed pursuant to the GEP Agreements.

" GEP Agreements " means (i) the GEP Partnership Agreement, and (ii) any other GEP partnership agreements, as any of them may be amended, supplemented, restated or otherwise modified from time to time.

" GEP Partnership Agreement " means the Amended and Restated Limited Partnership Agreement, dated as of the date set forth therein, of GSO Energy Partners-A LP, as it may be amended, supplemented, restated or otherwise modified from time to time.

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

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

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

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

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

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

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

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

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

" GP-Related GEP Interest " means the interest held by the Company in GEP, in the Company's capacity as general partner of GEP, excluding any Capital Commitment GEP Interest that may be held by the Company.

" GP-Related GEP Investment " means the Company's interest in an Investment (for purposes of this definition, as defined in the GEP Partnership Agreement), in the Company's capacity as the general partner of GEP, excluding any Capital Commitment Investment.

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

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

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

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

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

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

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

" GP-Related Unrealized Net Income (Loss) " attributable to any GP-Related GEP Investment as of any date means the GP-Related Net Income (Loss) that would be realized by the Company with respect to such GP-Related GEP Investment if GEP'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 GEP to the Company (indirectly through the general partner of GEP) pursuant to the GEP Partnership Agreement with respect to such GP-Related GEP 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 Company with respect to such GP-Related Investment if such GP-Related Investment were sold on such date for cash in an amount equal to its value on such date (determined in accordance with Section 5.1(e)).

" GSO Fund " means (i) any of GSO Capital Opportunities Fund LP, GSO Capital Opportunities Overseas Fund L.P., GSO Capital Opportunities Overseas Master Fund L.P., GSO Liquidity Partners LP, GSO Liquidity Overseas Partners LP, Blackstone / GSO Capital Solutions Fund LP, Blackstone / GSO Capital Solutions Overseas Fund L.P., Blackstone / GSO Capital Solutions Overseas Master Fund L.P., GSO Targeted Opportunity Partners LP, GSO Targeted Opportunity Overseas Partners L.P., GSO Targeted Opportunity Overseas Intermediate Partners L.P., GSO Targeted Opportunity Master Partners L.P., GSO SJ Partners LP, GSO Capital Opportunities Fund II LP, GSO Capital Opportunities Cayman Overseas Fund II LP, GSO NMERB LP or GSO Energy Partners-A LP and (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 " has the meaning set forth in the preamble hereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

" Managing Member " has the meaning specified in the preamble hereto.

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

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

" Moody's " means Moody's Investors 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, all amounts of distributions, other than Carried Interest and other than Capital Commitment Distributions, received by the Company with respect to such GP-Related Investment, less any costs, fees and expenses of the Company with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Company that are anticipated with respect thereto, in each case which the Managing Member may allocate to all or any portion of the GP-Related Investments as it may determine in good faith is appropriate.

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

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

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

" Original Agreement " has the meaning set forth in the recitals hereto.

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

" Other Fund GPs " means any entity (other than the Company) through which any Member or Withdrawn Member directly receives any amounts of Carried Interest and any successor thereto; provided , that this includes any other entity which has in its organizational documents a provision which indicates that it is a "Fund GP" or an "Other Fund GP"; provided further , that notwithstanding any of the foregoing, neither Holdings nor any estate planning vehicle established for the benefit of family members of any Member or 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 Member Carried Interest (which shall include amounts of Capital Commitment Member Carried Interest which are not distributed or paid to a Member but are instead contributed to a trust (or similar arrangement) to satisfy any "holdback" obligation with respect thereto), and (ii) distributions from Blackstone Collateral Entities (other than the Company) to such Member.

" Pledgable Blackstone Interest " 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 Managing Member as a "Qualifying Fund".

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

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

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

" Retained Portion " has the meaning set forth in Section 7.6.

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

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

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

" SMD Agreements " means the agreements between the Company and/or one or more of its Affiliates and certain of the Members, pursuant to which each such Member undertakes certain obligations with respect to the Company and/or its Affiliates. The SMD Agreements are hereby incorporated by reference as between the Company and the relevant Member.

" Special Firm Collateral " means interests in a Qualifying Fund or other assets that have been pledged to the Trustee(s) to satisfy all or any portion of a Member's or Withdrawn Member's Holdback obligation (excluding any Excess Holdback) as more fully described in the Company's books and records.

" Special Firm Collateral Realization " has the meaning set forth in Section 4.1(d).

" Special Member " means any person shown on the books and records of the Company as a Special Member of the Company, including any Nonvoting Special Member and any Investor Special Member.

" S&P " means Standard & Poor's Ratings Group, and any successor thereto.

" Subject Investment " has the meaning set forth in Section 5.8(e).

" Subject Member " has the meaning set forth in Section 4.1(d).

" Successor in Interest " means any (i) shareholder of; (ii) trustee, custodian, receiver or other person acting in any Bankruptcy or reorganization proceeding with respect to; (iii) assignee for the benefit of the creditors of; (iv) officer, director or partner of; (v) trustee or receiver, or former officer, director or partner, or other fiduciary acting for or with respect to the dissolution, liquidation or termination of; or (vi) other executor, administrator, committee, legal representative or other successor or assign of, any Partner, whether by operation of law or otherwise.

" Total Disability " means the inability of a Member substantially to perform the services required of a Regular Member for a period of six consecutive months by reason of physical or mental illness or incapacity and whether arising out of sickness, accident or otherwise.

" Trust Account " has the meaning set forth in the Trust Agreement.

" Trust Agreement " means the Trust Agreement, dated as of the date set forth therein, as amended, supplemented, restated or otherwise modified from time to time, among the Members, the Trustee(s) and certain other persons that may receive distributions in respect of or relating to Carried Interest from time to time.

" Trust Amount " has the meaning set forth in the Trust Agreement.

" Trust Income " has the meaning set forth in the Trust Agreement.

" Trustee(s) " has the meaning set forth in the Trust Agreement.

" Unadjusted Carried Interest Distribution " has the meaning set forth in Section 5.8(e).

" Unallocated Capital Commitment Interests " has the meaning set forth in Section 8.1(f).

" Withdraw " or " Withdrawal " with respect to a Member means a Member ceasing to be a member of the Company (except as a Retaining Withdrawn Member) for any reason (including death, disability, removal, resignation or retirement, whether such is voluntary or involuntary), unless the context shall limit the type of withdrawal to a specific reason, and "Withdrawn" with respect to a Member means, as aforesaid, a Member who has ceased to be a member of the Company.

" Withdrawal Date " means the date of the Withdrawal from the Company of a Withdrawn Member.

" Withdrawn Member " means a Member whose GP-Related Member Interest or Capital Commitment Member Interest in the Company has been terminated for any reason, including the occurrence of an event specified in Section 6.2, and shall include, unless the context requires otherwise, the estate or legal representatives of any such Member.

1.2. Terms Generally . The definitions in Section 1.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term “person” includes individuals, partnerships (including limited liability partnerships), companies (including limited liability companies), joint ventures, corporations, trusts, governments (or agencies or political subdivisions thereof) and other associations and entities. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

ARTICLE II

GENERAL PROVISIONS

2.1. Managing, Regular and Special Members . The Members may be Managing Members, Regular Members or Special Members (including Investor Special Members). The Managing Member as of the date hereof is Holdings, the Regular Members as of the date hereof are those persons shown as Regular Members in the books and records of the Company, and the Special Members as of the date hereof are persons shown as Special Members in the books and records of the Company. The books and records of the Company contain the GP-Related Profit Sharing Percentage and GP-Related Commitment of each such Member with respect to the GP-Related Investments of the Company as of the date hereof. The books and records of the Company contain the Capital Commitment Profit Sharing Percentage and Capital Commitment-Related Commitment of each such Member with respect to the Capital Commitment Investments of the Company as of the date hereof. The books and records of the Company shall be amended by the Managing Member from time to time to reflect additional GP-Related Investments, additional Capital Commitment Investments, dispositions by the Company of GP-Related Investments, dispositions by the Company of Capital Commitment Investments, the GP-Related Profit Sharing Percentages of the Members, as modified from time to time, the Capital Commitment Profit Sharing Percentages of the Members, as modified from time to time, the admission and withdrawal of Members and the transfer or assignment of interests in the Company pursuant to the terms of this Agreement. At the time of admission of each additional Member, the Managing Member shall determine in its sole discretion the GP-Related Investments and Capital Commitment Investments in which such Member shall participate and such Member’s GP-Related Commitment, Capital Commitment-Related Commitment, GP-Related Profit Sharing Percentage with respect to each such GP-Related Investment and Capital Commitment Profit Sharing Percentage with respect to each such Capital Commitment Investment. Each Member may have a GP-Related Member Interest and/or a Capital Commitment Member Interest.

2.2. Formation; Name; Foreign Jurisdictions . The Company is hereby continued as a limited liability company pursuant to the LLC Act and shall continue to conduct its activities under the name of GSO Energy Partners-A Associates LLC. The certificate of formation of the Company may be amended and/or restated from time to time by the Managing Member, as an “authorized person” (within the meaning of the LLC Act). The Managing Member is further authorized to execute and deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

2.3. Term . The term of the Company shall continue until December 31, 2061, unless earlier dissolved and its affairs wound up in accordance with this Agreement.

2.4. Purposes; Powers . (a) The purposes of the Company shall be, directly or indirectly through subsidiaries or Affiliates,

(i) to serve as the general partner of GEP and perform the functions of a general partner of GEP specified in the GEP Agreements,

(ii) to serve as, and hold the Capital Commitment GEP as, a capital partner (and, if applicable, a limited partner and/or a general partner) of GEP and perform the functions of a capital partner (and, if applicable, a limited partner and/or a general partner) of GEP specified in the GEP Agreements,

(iii) to serve as a general partner or limited partner of other partnerships and perform the functions of a general partner or limited partner specified in the respective partnership agreements, as amended, supplemented, restated or otherwise modified from time to time, of any such partnership,

(iv) to serve as a member of limited liability companies and perform the functions of a member specified in the respective limited liability company agreements, as amended, supplemented, restated or otherwise modified from time to time, of any such limited liability company,

(v) to invest in Capital Commitment Investments and/or GP-Related Investments and acquire and invest in Securities or other property (directly or indirectly through GEP, including, without limitation, in connection with any action referred to in any of clauses (i) through (iv) above,

(vi) to carry on such other businesses, perform such other services and make such other investments as are deemed desirable by the Managing Member and as are permitted under the LLC Act, the GEP Agreements, and the respective partnership agreement of any partnership referred to in clause (iii) above and the respective limited liability company agreement of any limited liability company referred to in clause (iv) above, in the case of each of the foregoing, as amended, supplemented, restated or otherwise modified from time to time,

(vii) any other lawful purpose, and

(viii) to do all things necessary, desirable, convenient or incidental thereto.

(b) In furtherance of its purposes, the Company shall have all powers necessary, suitable or convenient for the accomplishment of its purposes, alone or with others, as principal or agent, including the following:

(i) to be and become a general or limited partner of partnerships, a member of limited liability companies, a holder of common and preferred stock of corporations and/or an investor in the foregoing entities or other entities, in connection with the making of Investments or the acquisition, holding or disposition of Securities or other property or as otherwise deemed appropriate by the Managing Member in the conduct of the Company’s business, and to take any action in connection therewith;

(ii) to acquire and invest in general or limited partner interests, in limited liability company interests, in common and preferred stock of corporations and/or in other interests in or obligations of the foregoing entities or other entities and in Investments and Securities or other property or direct or indirect interests therein, whether such Investments and Securities or other property are readily marketable or not, and to receive, hold, sell, dispose of or otherwise transfer any such partner interests, limited liability company interests, stock, interests, obligations, Investments or Securities or other property and any dividends and distributions thereon and to purchase and sell, on margin, and be long or short, futures contracts and to purchase and sell, and be long or short, options on futures contracts;

(iii) to buy, sell and otherwise acquire investments, whether such investments are readily marketable or not;

(iv) to invest and reinvest the cash assets of the Company in money-market or other short-term investments;

(v) to hold, receive, mortgage, pledge, lease, transfer, exchange or otherwise dispose of, grant options with respect to, and otherwise deal in and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to, all property held or owned by the Company;

(vi) to borrow or raise money from time to time and to issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and non-negotiable instruments and evidences of indebtedness, to secure payment of the principal of any such indebtedness and the interest thereon by mortgage, pledge, conveyance or assignment in trust of, or the granting of a security interest in, the whole or any part of the property of the Company, whether at the time owned or thereafter acquired, to guarantee the obligations of others and to buy, sell, pledge or otherwise dispose of any such instrument or evidence of indebtedness;

(vii) to lend any of its property or funds, either with or without security, at any legal rate of interest or without interest;

(viii) to have and maintain one or more offices within or without the State of Delaware, and in connection therewith, to rent or acquire office space, engage personnel and compensate them and do such other acts and things as may be advisable or necessary in connection with the maintenance of such office or offices;

(ix) to open, maintain and close accounts, including margin accounts, with brokers;

(x) to open, maintain and close bank accounts and draw checks and other orders for the payment of moneys;

(xi) to engage accountants, auditors, custodians, investment advisers, attorneys and any and all other agents and assistants, both professional and nonprofessional, and to compensate any of them as may be necessary or advisable;

(xii) to form or cause to be formed and to own the stock of one or more corporations, whether foreign or domestic, to form or cause to be formed and to participate in partnerships and joint ventures, whether foreign or domestic and to form or cause to be formed and be a member or manager or both of one or more limited liability companies;

(xiii) to enter into, make and perform all contracts, agreements and other undertakings as may be necessary, convenient, advisable or incident to carrying out its purposes;

(xiv) to sue and be sued, to prosecute, settle or compromise all claims against third parties, to compromise, settle or accept judgment to claims against the Company, and to execute all documents and make all representations, admissions and waivers in connection therewith;

(xv) to distribute, subject to the terms of this Agreement, at any time and from time to time to the Members cash or investments or other property of the Company, or any combination thereof; and

(xvi) to take such other actions necessary, desirable, convenient or incidental thereto and to engage in such other businesses as may be permitted under Delaware law.

2.5. Place of Business . The Company shall maintain a registered office at The Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Company shall maintain an office and principal place of business at such place or places as the Managing Member specifies from time to time and as set forth in the books and records of the Company. The name and address of the Company's registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Managing Member may from time to time change the registered agent or office by an amendment to the certificate of formation of the Company.

ARTICLE III

MANAGEMENT

3.1. Managing Member . (a) Holdings shall be an original managing member (the " Managing Member "). The Managing Member shall cease to be the Managing Member only if (i) it Withdraws from the Company for any reason, (ii) it consents in its sole discretion to resign as the Managing Member, or (iii) a Final Event with respect to it occurs. The Managing Member may not be removed without its consent. There may be one or more Managing Members. In the event that one or more other Managing Members is admitted to the Company as such, all references herein to the "Managing Member" in the singular form shall be deemed to also refer to such other Managing Members as may be appropriate. The relative rights and responsibilities of such Managing Members will be as agreed upon from time to time between them.

(b) Upon the Withdrawal from the Company or voluntary resignation of the last remaining Managing Member, all of the powers formerly vested therein pursuant to this Agreement and the LLC Act shall be exercised by a Majority in Interest of the Members.

3.2. Member Voting, etc . (a) Except as otherwise expressly provided herein and except as may be expressly required by the LLC Act, Members (including Special Members) as such shall have no right to, and shall not, take part in the management or control of the Company's business or act for or bind the Company, and shall have only the rights and powers granted to Members of the applicable class herein.

(b) To the extent a Member is entitled to vote with respect to any matter relating to the Company, such Member shall not be obligated to abstain from voting on any matter (or vote in any particular manner) because of any interest (or conflict of interest) of such Member (or any Affiliate thereof) in such matter.

(c) Meetings of the Members may be called only by the Managing Member.

3.3. Management . (a) The management, control and operation of the Company and the formulation and execution of business and investment policy shall be vested in the Managing Member. The Managing Member shall, in its discretion, exercise all powers necessary and convenient for the purposes of the Company, including those enumerated in Section 2.4, on behalf and in the name of the Company. All decisions and determinations (howsoever described herein) to be made by the Managing Member pursuant to this Agreement shall be made in its sole discretion, subject only to the express terms and conditions of this Agreement.

(b) Notwithstanding any provision in this Agreement to the contrary, the Company is hereby authorized, without the need for any further act, vote or consent of any person (directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as a general partner, capital partner and/or limited partner of GEP, or in the Company's capacity as a general or limited partner, member or other equity owner of any Company Affiliate (as hereinafter defined), (i) to execute and deliver, and to perform the Company's obligations under the GEP Agreements, including, without limitation, serving as a general partner of GEP, (ii) to execute and deliver, and to perform the Company's obligations under, the governing agreement, as amended, supplemented, restated or otherwise modified (each a " Company Affiliate Governing Agreement "), of any other partnership, limited liability company or other entity (each a " Company Affiliate ") of which the Company is to become a general or limited partner, member or other equity owner, including without limitation, serving as a general or limited partner, member or other equity owner of each Company Affiliate, and (iii) to take any action, in the applicable capacity, contemplated by or arising out of this Agreement, the GEP Agreements or any Company Affiliate Governing Agreement (and any amendment, supplement, restatement and/or other modification of any of the foregoing).

(c) The Managing Member and any other person designated by the Managing Member, each acting individually, is hereby authorized and empowered, as an authorized person of the Company or the Managing Member within the meaning of the LLC Act or otherwise (the Managing Member hereby authorizing and ratifying any of the following actions):

(i) to execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as general partner, capital partner and/or limited partner of GEP, or in the Company's capacity as a general or limited partner, member or other equity owner of any Company Affiliate), any of the following:

(A) any agreement, certificate, instrument or other document of the Company, GEP or any Company Affiliate (and any amendments, supplements, restatements and/or other modifications thereof), including, without limitation, the following: (I) the GEP Agreements and each Company Affiliate Governing Agreement, (II) Subscription Agreements on behalf of GEP and/or the Company, (III) side letters issued on behalf of GEP and/or the Company in connection with investments in GEP, and (IV) such other agreements, certificates, instruments and other documents as may be necessary or desirable in furtherance of the purposes of the Company, GEP or any Company Affiliate (and any amendments, supplements, restatements and/or other modifications of any of the foregoing referred to in (I) through (IV) hereof);

(B) the certificates of formation, certificates of limited partnership and/or other organizational documents of the Company, GEP or any Company Affiliate (and any amendments, supplements, restatements and/or other modifications thereof); and

(C) any other certificates, notices, applications or other documents (and any amendments, supplements, restatements and/or other modifications thereof) to be filed with any government or governmental or regulatory body, including, without limitation, any such document that may be necessary for the Company, GEP or any Company Affiliate to qualify to do business in a jurisdiction in which the Company, GEP or such Company Affiliate desires to do business;

(ii) to prepare or cause to be prepared, and to sign, execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as general partner, capital partner and/or limited partner of GEP, or in the Company's capacity as a general or limited partner, member or other equity owner of any Company Affiliate): (A) any certificates, forms, notices, applications or other documents to be filed

with any government or governmental or regulatory body on behalf of the Company, GEP or any Company Affiliate, (B) any certificates, forms, notices, applications or other documents that may be necessary or advisable in connection with any bank account of the Company, GEP or any Company Affiliate or any banking facilities or services that may be utilized by the Company, GEP or any Company Affiliate, and all checks, notes, drafts and other documents of the Company, GEP or any Company Affiliate that may be required in connection with any such bank account or banking facilities or services, (C) resolutions with respect to any of the foregoing matters (which resolutions, when executed by any person authorized as provided in this Section 3.3(c), each acting individually, shall be deemed to have been adopted by the Managing Member, the Company, GEP or any Company Affiliate, as applicable, for all purposes).

The authority granted to any person (other than the Managing Member) in this Section 3.3(c) may be revoked at any time by the Managing Member by an instrument in writing signed by the Managing Member.

3.4. Responsibilities of Members . (a) Unless otherwise determined by the Managing Member in a particular case, each Regular Member shall devote substantially all his time and attention to the businesses of the Company and its Affiliates, and each Special Member shall not be required to devote any time or attention to the businesses of the Company or its Affiliates.

(b) All outside business or investment activities of the Members (including outside directorships or trusteeships) shall be subject to such rules and regulations as are established by the Managing Member from time to time.

(c) The Managing Member may from time to time establish such other rules and regulations applicable to Members or other employees as the Managing Member deems appropriate, including rules governing the authority of Members or other employees to bind the Company to financial commitments or other obligations.

3.5. Exculpation and Indemnification . (a) Liability to Members . Notwithstanding any other provision of this Agreement, whether express or implied, to the fullest extent permitted by law, no Member nor any of such Member's representatives, agents or advisors nor any partner, member, officer, employee, representative, agent or advisor of the Company or any of its Affiliates (individually, a " Covered Person " and collectively, the " Covered Persons ") shall be liable to the Company or any other Member for any act or omission (in relation to the Company, this Agreement, any related document or any transaction or investment contemplated hereby or thereby) taken or omitted by a Covered Person (other than any act or omission constituting Cause), unless there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interests of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful. Each Covered Person shall be entitled to rely in good faith on the advice of legal counsel to the Company, accountants and other experts or professional advisors, and no action taken by any Covered Person in reliance on such advice

shall in any event subject such person to any liability to any Member or the Company. To the extent that, at law or in equity, a Member has duties (including fiduciary duties) and liabilities relating thereto to the Company or to another Member, to the fullest extent permitted by law, such Member acting under this Agreement shall not be liable to the Company or to any such other Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of a Member otherwise existing at law or in equity, are agreed by the Members, to the fullest extent permitted by law, to modify to that extent such other duties and liabilities of such Member.

(b) Indemnification . (i) To the fullest extent permitted by law, the Company shall indemnify and hold harmless (but only to the extent of the Company's assets (including, without limitation, the remaining capital commitments of the Members) each Covered Person from and against any and all claims, damages, losses, costs, expenses and liabilities (including, without limitation, amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim), joint and several, of any nature whatsoever, known or unknown, liquidated or unliquidated (collectively, for purposes of this Section 3.5, " Losses "), arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of such Covered Person's management of the affairs of the Company or which relate to or arise out of or in connection with the Company, its property, its business or affairs (other than claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising out of any act or omission of such Covered Person constituting Cause); provided , that a Covered Person shall not be entitled to indemnification under this Section with respect to any claim, issue or matter if there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interest of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful; provided further , that if such Covered Person is a Member or a Withdrawn Member, such Covered Person shall bear its share of such Losses in accordance with such Covered Person's GP-Related Profit Sharing Percentage in the Company as of the time of the actions or omissions that gave rise to such Losses. To the fullest extent permitted by law, expenses (including legal fees) incurred by a Covered Person (including, without limitation, the Managing Member) in defending any claim, demand, action, suit or proceeding may, with the approval of the Managing Member, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of a written undertaking by or on behalf of the Covered Person to repay such amount to the extent that it shall be subsequently determined that the Covered Person is not entitled to be indemnified as authorized in this Section, and the Company and its Affiliates shall have a continuing right of offset against such Covered Person's interests/investments in the Company and such Affiliates and shall have the right to withhold amounts otherwise distributable to such Covered Person to satisfy such repayment obligation. If a Member institutes litigation against a Covered Person which gives rise to an indemnity obligation hereunder, such Member shall be responsible, up to the amount of such Member's Interests and remaining capital commitment, for such Member's pro rata share of the Company's expenses related to such indemnity obligation, as determined by the Managing

Member. The Company may purchase insurance, to the extent available at reasonable cost, to cover losses, claims, damages or liabilities covered by the foregoing indemnification provisions. Members will not be personally obligated with respect to indemnification pursuant to this Section.

(ii) (A) Notwithstanding anything to the contrary herein, for greater certainty, it is understood and/or agreed that the Company's obligations hereunder are not intended to render the Company as a primary indemnitor for purposes of the indemnification, advancement of expenses and related provisions under applicable law governing GEP 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 entity and/or GEP, second by the applicable portfolio entity through which such investment is indirectly held, and third by GEP (only to the extent the foregoing sources are exhausted).

(B) The Company'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 GEP and/or the applicable portfolio entity (including by virtue of any applicable insurance policies maintained thereby), and to the extent the Company (or any Affiliate thereof) pays or causes to be paid any amounts that should have been paid by GEP and/or the applicable portfolio entity (including by virtue of any applicable insurance policies maintained thereby), it is agreed among the Partners that the Company shall have a subrogation claim against GEP and/or such portfolio entity in respect of such advancement or payments. The Managing Member and the Company shall be specifically empowered to structure any such advancement or payment as a loan or other arrangement (except for a loan to an executive officer of The Blackstone Group L.P. or any of its Affiliates, which shall not be permitted) as the Managing Member may determine necessary or advisable to give effect to or otherwise implement the foregoing.

3.6. Representations of Members . (a) Each Regular or Special Member by execution of this Agreement (or by otherwise becoming bound by the terms and conditions hereof as provided herein or in the LLC Act) represents and warrants to every other Member and to the Company, except as may be waived by the Managing Member, that such Member is acquiring each of such Member's Interests for such Member's own account for investment and not with a view to resell or distribute the same or any part hereof, and that no other person has any interest in any such Interest or in the rights of such Member hereunder; *provided*, that a Member may choose to make transfers for estate and charitable planning purposes (in accordance with the terms hereof). Each Regular or Special Member represents and warrants that such Member understands that the Interests have not been registered under the Securities Act of 1933 and therefore such Interests may not be resold without registration under such Act or exemption from such registration, and that accordingly such Member must bear the economic risk of an investment in the Company for an indefinite period of time. Each Regular or Special Member represents that such Member has such knowledge and experience in financial and business matters, that such Member is capable of evaluating the merits and risks of an investment in the

Company, and that such Member is able to bear the economic risk of such investment. Each Regular or Special Member represents that such Member's overall commitment to the Company and other investments which are not readily marketable is not disproportionate to the Member's net worth and the Member has no need for liquidity in the Member's investment in Interests. Each Regular or Special Member represents that to the full satisfaction of the Member, the Member has been furnished any materials that such Member has requested relating to the Company, any Investment and the offering of Interests and has been afforded the opportunity to ask questions of representatives of the Company concerning the terms and conditions of the offering of Interests and any matters pertaining to each Investment and to obtain any other additional information relating thereto. Each Regular or Special Member represents that the Member has consulted to the extent deemed appropriate by the Member with the Member's own advisers as to the financial, tax, legal and related matters concerning an investment in Interests and on that basis believes that an investment in the Interests is suitable and appropriate for the Member.

(b) Each Regular or Special Member agrees that the representations and warranties contained in paragraph (a) above shall be true and correct as of any date that such Member (1) makes a capital contribution to the Company (whether as a result of Firm Advances made to such Member or otherwise) with respect to any Investment, and such Member hereby agrees that such capital contribution shall serve as confirmation thereof and/or (2) repays any portion of the principal amount of a Firm Advance, and such Member hereby agrees that such repayment shall serve as confirmation thereof.

3.7. Tax Information . Each Regular or Special Member certifies that (A) if the Member is a United States person (as defined in the Code) (x) (i) the Member's name, social security number (or, if applicable, employer identification number) and address provided to the Company and its Affiliates pursuant to an IRS Form W-9, Payer's Request for Taxpayer Identification Number Certification (" W-9 ") or otherwise are correct and (ii) the Member will complete and return a W-9, and (y) (i) the Member is a United States person (as defined in the Code) and (ii) the Member will notify the Company within 60 days of a change to foreign (non-United States) status or (B) if the Member is not a United States person (as defined in the Code) (x) (i) the information on the completed IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (" W-8BEN ") or other applicable form, including but not limited to IRS Form W-8IMY, Certificate of Foreign Intermediary, Foreign Partnership, or Certain U.S. Branches for United States Tax Withholding (" W-8IMY "), or otherwise is correct and (ii) the Member will complete and return the applicable IRS form, including but not limited to a W-8BEN or W-8IMY, and (y) (i) the Member is not a United States person (as defined in the Code) and (ii) the Member will notify the Company within 60 days of any change of such status. The Member agrees to properly execute and provide to the Company in a timely manner any tax documentation that may be reasonably required by the Company or the Managing Member.

ARTICLE IV

CAPITAL OF THE COMPANY

4.1. Capital Contributions by Members . (a) Each Regular Member shall be required to make capital contributions to the Company (" GP-Related Capital Contributions ") at such times and in such amounts (the " GP-Related Required Amounts ") as are required to satisfy the Company's obligation to make capital contributions to GEP in respect of the GP-Related GEP Interest with respect to any GP-Related GEP Investment and as are otherwise determined by the Managing Member from time to time or as may be set forth in such Regular Member's Commitment Agreement or SMD Agreement, if any. Special Members shall not be required to make GP-Related Capital Contributions to the Company in excess of the GP-Related Required Amounts, except (i) as a condition of an increase in such Special Member's GP-Related Profit Sharing Percentage or (ii) as specifically set forth in this Agreement; provided , that the Managing Member and any Special Member may agree from time to time that such Special Member shall make an additional GP-Related Capital Contribution to the Company; provided further , that each Investor Special Member shall maintain its GP-Related Capital Accounts at an aggregate level equal to the product of (i) its GP-Related Profit Sharing Percentage from time to time and (ii) the total capital of the Company related to the GP-Related GEP Interest.

(b) Each GP-Related Capital Contribution by a Member shall be credited to the appropriate GP-Related Capital Account of such Member in accordance with Section 5.2, subject to Section 5.10.

(c) The Managing Member may elect on a case by case basis to (i) cause the Company to loan any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members who are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) the amount of any GP-Related Capital Contribution required to be made by such Member or (ii) permit any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members who are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) to make a required GP-Related Capital Contribution to the Company in installments, in each case on terms determined by the Managing Member.

(d) (i) The Members and the Withdrawn Members have entered into the Trust Agreement, pursuant to which certain amounts of Carried Interest will be paid to the Trustee(s) for deposit in the Trust Account (such amounts to be paid to the Trustee(s) for deposit in the Trust Account constituting a " Holdback "). The Managing Member shall determine, as set forth below, the percentage of each distribution of Carried Interest that shall be withheld for any Managing Member (including, without limitation, Holdings) and each Member Category (such withheld percentage constituting the Managing Member's and such Member Category's " Holdback Percentage "). The applicable Holdback Percentages initially shall be 0% for the Managing Member, 15% for Existing Members (other than the Managing Member), 21% for Retaining Withdrawn Members (other than the Managing Member) and 24% for Deceased Members (the " Initial Holdback Percentages "). Any provision of this Agreement not the contrary notwithstanding, the Holdback Percentage for the Managing Member (including, without limitation, Holdings) shall not be subject to change pursuant to clause (ii), (iii) or (iv) of this Section 4.1(d).

(ii) The Holdback Percentage may not be reduced for any individual Member as compared to the other Members in his Member Category (except as provided in clause (iv) below). The Managing Member may only reduce the Holdback Percentages among the Member Categories on a proportionate basis. For example, if the Holdback Percentage for Existing Members is decreased to 12.5%, the Holdback Percentage for Retaining Withdrawn Members and Deceased Members shall be reduced to 17.5% and 20%, respectively. Any reduction in the Holdback Percentage for any Member shall apply only to distributions relating to Carried Interest made after the date of such reduction.

(iii) The Holdback Percentage may not be increased for any individual Member as compared to the other Members in his Member Category (except as provided in clause (iv) below). The Managing Member may not increase the Retaining Withdrawn Members' Holdback Percentage beyond 21% unless the Managing Member concurrently increases the Existing Members' Holdback Percentage to the Holdback Percentage of the Retaining Withdrawn Members. The Managing Member may not increase the Deceased Members' Holdback Percentage beyond 24% unless the Managing Member increases the Holdback Percentage for both Existing Members and Retaining Withdrawn Members to 24%. The Managing Member may not increase the Holdback Percentage of any Member Category beyond 24% unless such increase applies equally to all Member Categories. Any increase in the Holdback Percentage for any Member shall apply only to distributions relating to Carried Interest made after the date of such increase. The foregoing shall in no way prevent the Managing Member from proportionately increasing the Holdback Percentage of any Member Category (following a reduction of the Holdback Percentages below the Initial Holdback Percentages), if the resulting Holdback Percentages are consistent with the above. For example, if the Managing Member reduces the Holdback Percentages for Existing Members, Retaining Withdrawn Members and Deceased Members to 12.5%, 17.5% and 20%, respectively, the Managing Member shall have the right to subsequently increase the Holdback Percentages to the Initial Holdback Percentages.

(iv) (A) Notwithstanding anything contained herein to the contrary, the Company may increase or decrease the Holdback Percentage for any Member in any Member Category (in such capacity, the " Subject Member ") pursuant to a majority vote of the Regular Members (a " Holdback Vote "); provided , that, notwithstanding anything to the contrary contained herein, the Holdback Percentage applicable to any Managing Member shall not be increased or decreased without its prior written consent; provided further , that a Subject Member's Holdback Percentage shall not be (I) increased prior to such time as such Subject Member (x) is notified by the Company of the decision to increase such Subject Member's Holdback Percentage and (y) has, if requested by such Subject Member, been given 30 days to gather and provide information to the Company for consideration before a second Holdback Vote (requested by the Subject Member) or (II) decreased unless such decrease occurs subsequent to an increase in a Subject Member's Holdback Percentage pursuant to a Holdback Vote under this clause (iv); provided further , that such decrease shall not exceed an amount such that such Subject Member's Holdback Percentage is less than the prevailing Holdback Percentage for the Member Category of such Subject Member; provided further , that a Member shall not vote to increase a Subject Member's Holdback Percentage unless such voting Member determines, in his good faith judgment, that the facts and circumstances indicate that it is

reasonably likely that such Subject Member, or any of his successors or assigns (including his estate or heirs) who at the time of such vote holds the GP-Related Member Interest or otherwise has the right to receive distributions relating thereto, will not be capable of satisfying any GP-Related Recontribution Amounts that may become due.

(B) A Holdback Vote shall take place at a Company meeting. Each Regular Member shall be entitled to cast one vote with respect to the Holdback Vote regardless of such Regular Member's interest in the Company. Such vote may be cast by any Regular Member in person or by proxy.

(C) If the result of the second Holdback Vote is an increase in a Subject Member's Holdback Percentage, such Subject Member may submit the decision to an arbitrator, the identity of which is mutually agreed upon by both the Subject Member and the Company; provided , that if the Company and the Subject Member cannot agree upon a mutually satisfactory arbitrator within 10 days of the second Holdback Vote, each of the Company and the Subject Member shall request their candidate for arbitrator to select a third arbitrator satisfactory to such candidates; provided further , that if such candidates fail to agree upon a mutually satisfactory arbitrator within 30 days of such request, the then sitting President of the American Arbitration Association shall unilaterally select the arbitrator. Each Subject Member that submits the decision of the Company pursuant to the second Holdback Vote to arbitration and the Company shall estimate their reasonably projected out-of-pocket expenses relating thereto, and each such party shall, to the satisfaction of the arbitrator and prior to any determination being made by the arbitrator, pay the total of such estimated expenses (i.e., both the Subject Member's and the Company's expenses) into an escrow account to be controlled by Simpson Thacher & Bartlett LLP, as escrow agent (or such other comparable law firm as the Company and the Subject Member shall agree). The arbitrator shall direct the escrow agent to pay out of such escrow account all expenses associated with such arbitration (including costs leading thereto) and to return to the "victorious" party the entire amount of funds such party paid into such escrow account. If the amount contributed to the escrow account by the losing party is insufficient to cover the expenses of such arbitration, such "losing" party shall then provide any additional funds necessary to cover such costs to such "victorious" party. For purposes hereof, the "victorious" party shall be the Company if the Holdback Percentage ultimately determined by the arbitrator is closer to the percentage determined in the second Holdback Vote than it is to the prevailing Holdback Percentage for the Subject Member's Member Category; otherwise, the Subject Member shall be the "victorious" party. The party that is not the "victorious" party shall be the "losing" party.

(D) In the event of a decrease in a Subject Member's Holdback Percentage (1) pursuant to a Holdback Vote under this clause (iv) or (2) pursuant to a decision of an arbitrator under paragraph (C) of this clause (iv), the Company shall release and distribute to such Subject Member any Trust Amounts (and the Trust Income thereon (except as expressly provided herein with respect to using Trust Income as Firm Collateral)) which exceed the required Holdback of such Subject Member (in accordance with such Subject Member's reduced Holdback Percentage) as though such reduced Holdback Percentage had applied since the increase of the Subject Member's Holdback Percentage pursuant to a previous Holdback Vote under this clause (iv).

(v) (A) If a Member's Holdback Percentage exceeds 15% (such percentage in excess of 15% constituting the " Excess Holdback Percentage "), such Member may satisfy the portion of his Holdback obligation in respect of his Excess Holdback Percentage (such portion constituting such Member's " Excess Holdback "), and such Member (or a Withdrawn Member with respect to amounts contributed to the Trust Account while he was a Member), to the extent his Excess Holdback obligation has previously been satisfied in cash, may obtain the release of the Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) satisfying such Member's or Withdrawn Member's Excess Holdback obligation, by pledging or otherwise making available to the Company, on a first priority basis (except as provided below), all or any portion of his Firm Collateral in satisfaction of his Excess Holdback obligation. Any Member seeking to satisfy all or any portion of the Excess Holdback utilizing Firm Collateral shall sign such documents and otherwise take such other action as is necessary or appropriate (in the good faith judgment of the Managing Member) to perfect a first priority security interest in, and otherwise assure the ability of the Company to realize on (if required), such Firm Collateral; provided , that, in the case of entities listed in the Company's books and records in which Members are permitted to pledge their interests therein to finance all or a portion of their capital contributions thereto (" Pledgable Blackstone Interests "), to the extent a first priority security interest is unavailable because of an existing lien on such Firm Collateral, the Member or Withdrawn Member seeking to utilize such Firm Collateral shall grant the Company a second priority security interest therein in the manner provided above; provided further , that (x) in the case of Pledgable Blackstone Interests, to the extent that neither a first priority nor a second priority security interest is available, or (y) if the Managing Member otherwise determines in its good faith judgment that a security interest in Firm Collateral (and the corresponding documents and actions) are not necessary or appropriate, the Member or Withdrawn Member shall (in the case of either clause (x) or (y) above) irrevocably instruct in writing the relevant partnership, limited liability company or other entity listed in the Company's books and records to remit any and all net proceeds resulting from a Firm Collateral Realization on such Firm Collateral to the Trustee(s) as more fully provided in clause (B) below. The Company shall, at the request of any Member or Withdrawn Member, assist such Member or Withdrawn Member in taking such action necessary to enable such Member or Withdrawn Member to use Firm Collateral as provided hereunder.

(B) If upon a sale or other realization of all or any portion of any Firm Collateral (a " Firm Collateral Realization "), the remaining Firm Collateral is insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement, then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Firm Collateral Realization (including distributions subject to the repayment of financing sources as in the case of Pledgable Blackstone Interests) shall be paid into the Trust Account to fully satisfy such Excess Holdback requirement (allocated to such Member or Withdrawn Member) and shall be deemed to be Trust Amounts for purposes hereunder. Any net proceeds from such Firm Collateral Realization in excess of the amount necessary to satisfy such Excess Holdback requirement shall be distributed to such Member or Withdrawn Member.

(C) Upon any valuation or revaluation of Firm Collateral that results in a decreased valuation of such Firm Collateral so that such Firm Collateral is insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement (including upon a Firm Collateral Realization, if net proceeds therefrom and the remaining Firm Collateral are insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement), the Company shall provide notice of the foregoing to such Member or Withdrawn Member and such Member or Withdrawn Member shall, within 30 days of receiving such notice, contribute cash (or additional Firm Collateral) to the Trust Account in an amount necessary to satisfy his Excess Holdback requirement. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(iii) shall apply thereto; provided , that clause (A) of the first sentence of Section 5.8(d)(iii) shall be deemed inapplicable to a default under this clause (C); provided further , that for purposes of applying Section 5.8 (d)(iii) to a default under this clause (C): (I) the term "GP-Related Defaulting Party" where such term appears in such Section 5.8(d)(iii) shall be construed as "defaulting party" for purposes hereof and (II) the terms "Net GP-Related Recontribution Amount" and "GP-Related Recontribution Amount" where such terms appear in such Section 5.8(d)(iii) shall be construed as the amount due pursuant to this clause (C).

(vi) Any Member or Withdrawn Member may (A) obtain the release of any Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) or Firm Collateral, in each case, held in the Trust Account for the benefit of such Member or Withdrawn Member or (B) require the Company to distribute all or any portion of amounts otherwise required to be placed in the Trust Account (whether cash or Firm Collateral), by obtaining a letter of credit (an " L/C ") for the benefit of the Trustee(s) in such amounts. Any Member or Withdrawn Member choosing to furnish an L/C to the Trustee(s) (in such capacity, an " L/C Member ") shall deliver to the Trustee(s) an unconditional and irrevocable L/C from a commercial bank whose (x) short-term deposits are rated at least A-1 by S&P and P-1 by Moody's (if the L/C is for a term of 1 year or less), or (y) long-term

deposits are rated at least A+ by S&P or A1 by Moody's (if the L/C is for a term of 1 year or more) (each a " Required Rating "). If the relevant rating of the commercial bank issuing such L/C drops below the relevant Required Rating, the L/C Member shall supply to the Trustee(s), within 30 days of such occurrence, a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, in lieu of the insufficient L/C. In addition, if the L/C has a term expiring on a date earlier than the latest possible termination date of GEP, the Trustee(s) shall be permitted to drawdown on such L/C if the L/C Member fails to provide a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, at least 30 days prior to the stated expiration date of such existing L/C. The Trustee(s) shall notify an L/C Member 10 days prior to drawing on any L/C. The Trustee(s) may (as directed by the Company in the case of clause (I) below) draw down on an L/C only if (I) such a drawdown is necessary to satisfy an L/C Member's obligation relating to the Company's obligations under the Clawback Provisions or (II) an L/C Member has not provided a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating (or the requisite amount of cash and/or Firm Collateral (to the extent permitted hereunder)), at least 30 days prior to the stated expiration of an existing L/C in accordance with this clause (vi). The Trustee(s), as directed by the Company, shall return to any L/C Member his L/C upon (1) the termination of the Trust Account and satisfaction of the Company's obligations, if any, in respect of the Clawback Provisions, (2) an L/C Member satisfying his entire Holdback obligation in cash and Firm Collateral (to the extent permitted hereunder), or (3) the release, by the Trustee(s), as directed by the Company, of all amounts in the Trust Account to the Members or Withdrawn Members. If an L/C Member satisfies a portion of his Holdback obligation in cash and/or Firm Collateral (to the extent permitted hereunder) or if the Trustee(s), as directed by the Company, release a portion of the amounts in the Trust Account to the Members or Withdrawn Members in the Member Category of such L/C Member, the L/C of an L/C Member may be reduced by an amount corresponding to such portion satisfied in cash and/or Firm Collateral (to the extent permitted hereunder) or such portion released by the Trustee(s), as directed by the Company; provided , that in no way shall the general release of any Trust Income cause an L/C Member to be permitted to reduce the amount of an L/C by any amount.

(vii) (A) Any in-kind distributions by the Company relating to Carried Interest shall be made in accordance herewith as though such distributions consisted of cash. The Company may direct the Trustee(s) to dispose of any in-kind distributions held in the Trust Account at any time. The net proceeds therefrom shall be treated as though initially contributed to the Trust Account.

(B) In lieu of the foregoing, any Existing Member may pledge with respect to any in-kind distribution the Special Firm Collateral referred to in the applicable category in the Company's books and records; provided , that the initial contribution of such Special Firm Collateral shall initially equal 130% of the required Holdback Amount for a period of 90 days, and thereafter shall equal at least 115% of the required Holdback Amount. Paragraphs 4.1(d)(viii)(C) and (D) shall apply to such Special Firm Collateral. To the extent such Special Firm Collateral exceeds the applicable minimum percentage of the required Holdback Amount specified in the first sentence of this clause (vii)(B), the related Member may obtain a release of such excess amount from the Trust Account.

(viii) (A) Any Regular Member or Withdrawn Member may satisfy all or any portion of his Holdback (excluding any Excess Holdback), and such Member or a Withdrawn Member may, to the extent his Holdback (excluding any Excess Holdback) has been previously been satisfied in cash or by the use of an L/C as provided herein, obtain a release of Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) that satisfy such Member's or Withdrawn Member's Holdback (excluding any Excess Holdback) by pledging to the Trustee(s) on a first priority basis all of his Special Firm Collateral in a particular Qualifying Fund, which at all times must equal or exceed the amount of the Holdback distributed to the Member or Withdrawn Member (as more fully set forth below). Any Member seeking to satisfy such Member's Holdback utilizing Special Firm Collateral shall sign such documents and otherwise take such other action as is necessary or appropriate (in the good faith judgment of the Managing Member) to perfect a first priority security interest in, and otherwise assure the ability of the Trustee(s) to realize on (if required), such Special Firm Collateral.

(B) If upon a distribution, withdrawal, sale, liquidation or other realization of all or any portion of any Special Firm Collateral (a " Special Firm Collateral Realization "), the remaining Special Firm Collateral (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund and is being used in connection with an Excess Holdback) is insufficient to cover any Member's or Withdrawn Member's Holdback (when taken together with other means of satisfying the Holdback as provided herein (i.e., cash contributed to the Trust Account or an L/C in the Trust Account)), then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Special Firm Collateral Realization (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund or other asset and is being used in connection with an Excess Holdback) shall be paid into the Trust (and allocated to such Member or Withdrawn Member) to fully satisfy such Holdback and shall be deemed thereafter to be Trust Amounts for purposes hereunder. Any net proceeds from such Special Firm Collateral Realization in excess of the amount necessary to satisfy such Holdback (excluding any Excess Holdback) shall be distributed to such Member or Withdrawn Member. To the extent a Qualifying Fund distributes Securities to a Member or Withdrawn Member in connection with a Special Firm Collateral Realization, such Member or Withdrawn Member shall be required to promptly fund such Member's or Withdrawn Member's deficiency with respect to his Holdback in cash or an L/C.

(C) Upon any valuation or revaluation of the Special Firm Collateral and/or any adjustment in the Applicable Collateral Percentage applicable to a Qualifying Fund (as provided in the Company's books and records), if such Member's or Withdrawn Member's Special Firm Collateral is valued at less than such Member's Holdback (excluding any Excess Holdback) as provided in the Company's books and records, taking into account other permitted means of satisfying the Holdback hereunder, the Company shall provide notice of the foregoing to such Member or Withdrawn Member and, within 10 business days of receiving such notice, such Member or Withdrawn Member shall contribute cash or additional Special Firm Collateral to the Trust Account in an amount necessary to make up such deficiency. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(iii) shall apply thereto; provided , that the first sentence of Section 5.8(d)(iii) shall be deemed inapplicable to such default; provided further , that for purposes of applying Section 5.8(d)(iii) to a default under this clause (C): (I) the term "GP-Related Defaulting Party" where such term appears in such Section 5.8(d)(iii) shall be construed as "defaulting party" for purposes hereof and (II) the terms "Net GP-Related Recontribution Amount" and "GP-Related Recontribution Amount" where such terms appear in such Section 5.8(d)(iii) shall be construed as the amount due pursuant to this clause (C).

(D) Upon a Member becoming a Withdrawn Member, at any time thereafter the Managing Member may revoke the ability of such Withdrawn Member to use Special Firm Collateral as set forth in this Section 4.1(d)(viii), notwithstanding anything else in this Section 4.1(d)(viii). In that case the provisions of clause (C) above shall apply to the Withdrawn Member's obligation to satisfy the Holdback (except that 30 days' notice of such revocation shall be given), given that the Special Firm Collateral is no longer available to satisfy any portion of the Holdback (excluding any Excess Holdback).

(E) Nothing in this Section 4.1(d)(viii) shall prevent any Member or Withdrawn Member from using any amount of such Member's interest in a Qualifying Fund as Firm Collateral; provided that at all times Section 4.1(d)(v) and this Section 4.1(d)(viii) are each satisfied.

4.2. Interest . No interest shall accrue or be payable on the balances in a Member's GP-Related Capital Accounts or Capital Commitment-Related Capital Accounts.

4.3. Withdrawals of Capital . Each Member may make partial withdrawals in respect of such Member's GP-Related Capital Accounts or Capital Commitment-Related Capital Accounts in such amounts and at such times as may be permitted by the Managing Member from time to time. Payments with respect to any such partial withdrawals will be made at such times and in cash or in kind as may be determined by the Managing Member.

ARTICLE V

PARTICIPATION IN PROFITS AND LOSSES

5.1. General Accounting Matters . (a) GP-Related Net Income (Loss) shall be determined by the Managing Member at the end of each accounting period and shall be allocated as described in Section 5.4.

(b) " GP-Related Net Income (Loss) " from any activity of the Company related to the GP-Related GEP Interest for any accounting period means (i) the gross income realized by the Company from such activity during such accounting period less (ii) all expenses of the Company, and all other items that are deductible from gross income, for such accounting period that are allocable to such activity (determined as provided below).

" GP-Related Net Income (Loss) " from any GP-Related Investment for any accounting period in which such GP-Related Investment has not been sold or otherwise disposed of means (i) the gross amount of dividends, interest or other income received by the Company from such GP-Related Investment during such accounting period less (ii) all expenses of the Company for such accounting period that are allocable to such GP-Related Investment (determined as provided below).

" GP-Related Net Income (Loss) " from any GP-Related Investment for the accounting period in which such GP-Related Investment is sold or otherwise disposed of means (i) the sum of the gross proceeds from the sale or other disposition of such GP-Related Investment and the gross amount of dividends, interest or other income received by the Company from such GP-Related Investment during such accounting period less (ii) the sum of the cost or other basis to the Company of such GP-Related Investment and all expenses of the Company for such accounting period that are allocable to such GP-Related Investment.

GP-Related Net Income (Loss) shall be determined in accordance with the accounting method used by the Company for U.S. federal income tax purposes with the following adjustments: (i) any income of the Company that is exempt from U.S. federal income taxation and not otherwise taken into account in computing GP-Related Net Income (Loss) shall be added to such taxable income or loss; (ii) if any asset has a value on the books of the Company that differs from its adjusted tax basis for U.S. federal income tax purposes, any depreciation, amortization or gain resulting from a disposition of such asset shall be calculated with reference to such value; (iii) upon an adjustment to the value of any asset on the books of the Company pursuant to Regulation Section 1.704-1(b)(2), the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; (iv) any expenditures of the Company not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing GP-Related Net Income (Loss) pursuant to this definition shall be treated as deductible items; (v) any income from a GP-Related Investment that is payable to Company employees in respect of "phantom interests" in such GP-Related Investment awarded by the Managing Member to employees shall be included as an expense in the calculation of GP-Related Net Income (Loss) from such GP-Related Investment, and (vi) items of income and expense (including interest income and overhead and other indirect expenses) of the Company, Holdings and other Affiliates of the Company shall be allocated among the Company, Holdings

and such Affiliates, among various Company activities and GP-Related Investments and between accounting periods, in each case as determined by the Managing Member. Any adjustments to GP-Related Net Income (Loss) by the Managing Member, including adjustments for items of income accrued but not yet received, unrealized gains, items of expense accrued but not yet paid, unrealized losses, reserves (including reserves for taxes, bad debts, actual or threatened litigation, or any other expenses, contingencies or obligations) and other appropriate items shall be made in accordance with U.S. generally accepted accounting principles (" GAAP "); provided , that the Managing Member shall not be required to make any such adjustment.

(c) An accounting period shall be a Fiscal Year, except that, at the option of the Managing Member, an accounting period will terminate and a new accounting period will begin on the admission date of an additional Member or the Settlement Date of a Withdrawn Member, if any such date is not the first day of a Fiscal Year. If any event referred to in the preceding sentence occurs and the Managing Member does not elect to terminate an accounting period and begin a new accounting period, then the Managing Member may make such adjustments as it deems appropriate to the Members' GP-Related Profit Sharing Percentages for the accounting period in which such event occurs (prior to any allocations of GP-Related Unallocated Percentages or adjustments to GP-Related Profit Sharing Percentages pursuant to Section 5.3) to reflect the Members' average GP-Related Profit Sharing Percentages during such accounting period; provided , that the GP-Related Profit Sharing Percentages of Members in GP-Related Net Income (Loss) from GP-Related Investments acquired during such accounting period will be based on GP-Related Profit Sharing Percentages in effect when each such GP-Related Investment was acquired.

(d) In establishing GP-Related Profit Sharing Percentages and allocating GP-Related Unallocated Percentages pursuant to Section 5.3, the Managing Member may consider such factors as it deems appropriate.

(e) All determinations, valuations and other matters of judgment required to be made for accounting purposes under this Agreement shall be made by the Managing Member and approved by the Company's independent accountants. Such approved determinations, valuations and other accounting matters shall be conclusive and binding on all Members, all Withdrawn Members, their successors, heirs, estates or legal representatives and any other person, and to the fullest extent permitted by law no such person shall have the right to an accounting or an appraisal of the assets of the Company or any successor thereto.

5.2. GP-Related Capital Accounts . (a) There shall be established for each Member on the books of the Company, to the extent and at such times as may be appropriate, one or more capital accounts as the Managing Member may deem to be appropriate for purposes of accounting for such Member's interests in the capital of the Company related to the GP-Related GEP Interest and the GP-Related Net Income (Loss) of the Company (each a " GP-Related Capital Account ").

(b) As of the end of each accounting period or, in the case of a contribution to the Company by one or more of the Members with respect to such Member or Members' GP-Related Member Interests or a distribution by the Company to one or more of the Members with respect to such Member or Members' GP-Related Member Interests, at the time of such

contribution or distribution, (i) the appropriate GP-Related Capital Accounts of each Member shall be credited with the following amounts: (A) the amount of cash and the value of any property contributed by such Member to the capital of the Company related to such Member's GP-Related Member Interest during such accounting period, and (B) the GP-Related Net Income allocated to such Member for such accounting period; and (ii) the appropriate GP-Related Capital Accounts of each Member shall be debited with the following amounts: (x) the amount of cash, the principal amount of any subordinated promissory note of the Company referred to in Section 6.5 (as such amount is paid) and the value of any property distributed to such Member during such accounting period with respect to such Member's GP-Related Member Interest and (y) the GP-Related Net Loss allocated to such Member for such accounting period.

5.3. GP-Related Profit Sharing Percentages . (a) Prior to the beginning of each annual accounting period, the Managing Member shall establish the profit sharing percentage (the " GP-Related Profit Sharing Percentage ") of each Member in each category of GP-Related Net Income (Loss) for such annual accounting period pursuant to Section 5.1(a) taking into account such factors as the Managing Member deems appropriate; provided , that (i) the Managing Member may elect to establish GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment acquired by the Company during such accounting period at the time such GP-Related Investment is acquired in accordance with paragraph (d) below and (ii) GP-Related Net Income (Loss) for such accounting period from any GP-Related Investment shall be allocated in accordance with the GP-Related Profit Sharing Percentages in such GP-Related Investment established in accordance with paragraph (d) below. The Managing Member may establish different GP-Related Profit Sharing Percentages for any Member in different categories of GP-Related Net Income (Loss). In the case of the Withdrawal of a Member, such former Member's GP-Related Profit Sharing Percentages shall be allocated by the Managing Member to one or more of the remaining Members as the Managing Member shall determine. In the case of the admission of any Member to the Company as an additional Member, the GP-Related Profit Sharing Percentages of the other Members shall be reduced by an amount equal to the GP-Related Profit Sharing Percentage allocated to such new Member pursuant to Section 6.1(b); such reduction of each other Member's GP-Related Profit Sharing Percentage shall be pro rata based upon such Member's GP-Related Profit Sharing Percentage as in effect immediately prior to the admission of the new Member. Notwithstanding the foregoing, the Managing Member may also adjust the GP-Related Profit Sharing Percentage of any Member for any annual accounting period at the end of such annual accounting period in its sole discretion.

(b) The Managing Member may elect to allocate to the Members less than 100% of the GP-Related Profit Sharing Percentages of any category for any annual accounting period at the time specified in Section 5.3(a) for the annual fixing of GP-Related Profit Sharing Percentages (any remainder of such GP-Related Profit Sharing Percentages being called an " GP-Related Unallocated Percentage "); provided , that any GP-Related Unallocated Percentage in any category of GP-Related Net Income (Loss) for any annual accounting period that is not allocated by the Managing Member within 90 days after the end of such accounting period shall be deemed to be allocated among all Members (including the Managing Member) in the manner determined by the Managing Member in its sole discretion.

(c) Unless otherwise determined by the Managing Member in a particular case, (i) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment shall be allocated in proportion to the Members' respective GP-Related Capital Contributions in respect of such GP-Related Investment and (ii) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from each GP-Related Investment shall be fixed at the time such GP-Related Investment is acquired and shall not thereafter change, subject to any repurchase rights established by the Managing Member pursuant to Section 5.7.

5.4. Allocations of GP-Related Net Income (Loss) . (a) Except as provided in Section 5.4(d), GP-Related Net Income of the Company for each GP-Related Investment shall be allocated to the GP-Related Capital Accounts related to such GP-Related Investment of all the Members participating in such GP-Related Investment (including the Managing Member): first, in proportion to and to the extent of the amount of Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest distributed to the Members; second, to Members that received Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest in years prior to the years such GP-Related Net Income is being allocated to the extent such Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest exceeded GP-Related Net Income allocated to such Members in such earlier years; and third, to the Members in the same manner that such Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest would have been distributed if cash were available to distribute with respect thereto.

(b) GP-Related Net Loss of the Company shall be allocated as follows: (i) GP-Related Net Loss relating to realized losses suffered by GEP and allocated to the Company with respect to its pro rata share thereof (based on capital contributions made by the Company to GEP with respect to the GP-Related GEP Interest) shall be allocated to the Members in accordance with each Member's Non-Carried Interest Sharing Percentage with respect to the GP-Related Investment giving rise to such loss suffered by GEP and (ii) GP-Related Net Loss relating to realized losses suffered by GEP and allocated to the Company with respect to the Carried Interest shall be allocated in accordance with a Member's (including Withdrawn Member's) Carried Interest Give Back Percentage (as of the date of such loss) (subject to adjustment pursuant to Section 5.8(e)).

(c) Notwithstanding Section 5.4(a) above, GP-Related Net Income relating to Carried Interest allocated after the allocation of a GP-Related Net Loss pursuant to clause (ii) of Section 5.4(b) shall be allocated in accordance with such Carried Interest Give Back Percentages until such time as the Members have been allocated GP-Related Net Income relating to Carried Interest equal to the aggregate amount of GP-Related Net Loss previously allocated in accordance with clause (ii) of Section 5.4(b). Withdrawn Members shall remain Members for purposes of allocating such GP-Related Net Loss with respect to Carried Interest.

(d) To the extent the Company has any GP-Related Net Income (Loss) for any accounting period unrelated to GEP, such GP-Related Net Income (Loss) will be allocated in accordance with GP-Related Profit Sharing Percentages prevailing at the beginning of such accounting period.

(e) The Managing Member may authorize from time to time advances to Members (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members who are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) against their allocable shares of GP-Related Net Income (Loss).

5.5. Liability of Members . Except as otherwise provided in the LLC Act or as expressly provided in this Agreement, no Member shall be personally obligated for any debt, obligation or liability of the Company or of any other Member solely by reason of being a Member. In no event shall any Member or Withdrawn Member (i) be obligated to make any capital contribution or payment to or on behalf of the Company or (ii) have any liability to return distributions received by such Member from the Company, in each case except as specifically provided in Sections 4.1(d) or 5.8 or otherwise in this Agreement, as such Member shall otherwise expressly agree in writing or as may be required by applicable law.

5.6. [Intentionally omitted.]

5.7. Repurchase Rights, etc. . The Managing Member may from time to time establish such repurchase rights and/or other requirements with respect to the Members' GP-Related Member Interests relating to GP-Related GEP Investments as the Managing Member may determine. The Managing Member shall have authority to (a) withhold any distribution otherwise payable to any Member until any such repurchase rights have lapsed or any such requirements have been satisfied, (b) pay any distribution to any Member that is Contingent as of the distribution date and require the refund of any portion of such distribution that is Contingent as of the Withdrawal Date of such Member, (c) amend any previously established repurchase rights or other requirements from time to time and (d) make such exceptions thereto as it may determine on a case by case basis.

5.8. Distributions . (a) The Company shall make distributions of available cash (subject to reserves and other adjustments as provided herein) or other property to Members with respect to such Members' GP-Related Member Interests at such times and in such amounts as are determined by the Managing Member. The Managing Member shall, if it deems it appropriate, determine the availability for distribution of, and distribute, cash or other property separately for each category of GP-Related Net Income (Loss) established pursuant to Section 5.1(a). Distributions of cash or other property with respect to Non-Carried Interest shall be made among the Members in accordance with their respective Non-Carried Interest Sharing Percentages, and, subject to Sections 4.1(d) and 5.8(e), distributions of cash or other property with respect to Carried Interest shall be made among Members in accordance with their respective Carried Interest Sharing Percentages. At any time that a sale, exchange, transfer or other disposition by GEP of a portion of a GP-Related Investment is being considered by the Company (a " GP-Related Disposable Investment "), at the election of the Managing Member each Member's GP-Related Member Interest with respect to such GP-Related Investment shall be vertically divided into two separate GP-Related Member Interests, a GP-Related Member Interest attributable to the GP-Related Disposable Investment (a Member's " GP-Related Class B Interest "), and a GP-Related Member Interest attributable to such GP-Related Investment excluding the GP-Related Disposable Investment (a Member's " GP-Related Class A Interest "). Distributions (including those resulting from a sale, transfer, exchange or other disposition by GEP) 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 GEP) relating to a GP-Related Investment excluding such GP-Related Disposable Investment (with respect to both Carried Interest and Non-Carried Interest) shall be made only to holders of GP-Related Class A Interests with respect to such GP-Related Investment in accordance with their respective GP-Related Profit Sharing Percentages relating to such GP-Related Class A Interests. Except as provided above, distributions of cash or other property with respect to each category of GP-Related Net Income (Loss) shall be allocated among the Members in the same proportions as the allocations of GP-Related Net Income (Loss) of each such category.

(b) Subject to the Company's having sufficient available cash in the reasonable judgment of the Managing Member, the Company shall make cash distributions to each Member with respect to each Fiscal Year of the Company in an aggregate amount at least equal to the total Federal, New York State and New York City income and other taxes that would be payable by such Member with respect to all categories of GP-Related Net Income (Loss) allocated to such Member for such Fiscal Year, the amount of which shall be calculated (i) on the assumption that each Member is an individual subject to the then prevailing maximum Federal, New York State and New York City income tax rates, (ii) taking into account the deductibility of state and local income and other taxes for Federal income tax purposes and (iii) taking into account any differential in applicable rates due to the type and character of Net Income (Loss) allocated to such Member. Notwithstanding the provisions of the foregoing sentence, the Managing Member may refrain from making any distribution if, in the reasonable judgment of the Managing Member, such distribution is prohibited by § 18-607 of the LLC Act.

(c) The Managing Member may provide that the GP-Related Member Interest of any Member or employee (including such Member's or employee's right to distributions and investments of the Company related thereto) may be subject to repurchase by the Company during such period as the Managing Member shall determine (a " Repurchase Period "). Any Contingent distributions from GP-Related Investments subject to repurchase rights will be withheld by the Company and will be distributed to the recipient thereof (together with interest thereon at rates determined by the Managing Member from time to time) as the recipient's rights to such distributions become Non-Contingent (by virtue of the expiration of the applicable Repurchase Period or otherwise). The Managing Member may elect in an individual case to have the Company distribute any Contingent distribution to the applicable recipient thereof irrespective of whether the applicable Repurchase Period has lapsed. If a Member Withdraws from the Company for any reason other than his death, Total Disability or Incompetence, the undistributed share of any GP-Related Investment that remains Contingent as of the applicable Withdrawal Date shall be repurchased by the Company at a purchase price determined at such time by the Managing Member. Unless determined otherwise by the Managing Member, the repurchased portion thereof will be allocated among the remaining Members with interests in such GP-Related Investment in proportion to their respective percentage interests in such GP-Related Investment, or if no other Member has a percentage interest in such specific GP-Related Investment, to the Managing Member; provided , that the Managing Member may allocate the Withdrawn Member's share of unrealized investment income from a repurchased GP-Related Investment attributable to the period after the

Withdrawn Member's Withdrawal Date on any basis it may determine, including to existing or new Members who did not previously have interests in such GP-Related Investment, except that, in any event, each Investor Special Member shall be allocated a share of such unrealized investment income equal to its respective GP-Related Profit Sharing Percentage of such unrealized investment income.

(d) (i) (A) If the Company is obligated under the Clawback Provisions or Giveback Provisions to contribute to GEP a Clawback Amount or a Giveback Amount (other than a Capital Commitment Giveback Amount) (the amount of any such obligation of the Company with respect to such a Giveback Amount being herein called a " GP-Related Giveback Amount "), the Company shall call for such amounts as are necessary to satisfy such obligations of the Company as determined by the Managing Member, in which case each Member and Withdrawn Member shall contribute to the Company, in cash, when and as called by the Company, such an amount of prior distributions by the Company (and the Other Fund GPs) with respect to Carried Interest (and/or Non-Carried Interest in the case of a GP-Related Giveback Amount) (the " GP-Related Recontribution Amount ") which equals (I) the product of (a) a Member's or Withdrawn Member's Carried Interest Give Back Percentage and (b) the aggregate Clawback Amount payable by the Company in the case of Clawback Amounts and (II) with respect to a GP-Related Giveback Amount, such Member's pro rata share of prior distributions of Carried Interest and/or Non-Carried Interest in connection with (a) the GP-Related GEP 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 GEP Investments other than the one giving rise to such obligation, but only those amounts received by the Members with an interest in the GP-Related GEP Investment referred to in clause (II)(a) above and (c) if the GP-Related Giveback Amount is unrelated to a specific GP-Related GEP Investment, all GP-Related GEP Investments. Each Member and Withdrawn Member shall promptly contribute to the Company, along with satisfying his comparable obligations to the Other Fund GPs, if any, upon such call such Member's or Withdrawn Member's GP-Related Recontribution Amount, less the amount paid out of the Trust Account on behalf of such Member or Withdrawn Member by the Trustee(s) pursuant to written instructions from the Company, or if applicable, any of the Other Fund GPs with respect to Carried Interest (and/or Non-Carried Interest in the case of GP-Related Giveback Amounts) (the " Net GP-Related Recontribution Amount "), irrespective of the fact that the amounts in the Trust Account may be sufficient on an aggregate basis to satisfy the Company's and the Other Fund GPs' obligation under the Clawback Provisions and/or Giveback Provisions; provided , that to the extent a Member's or Withdrawn Member's share of the amount paid with respect to the Clawback Amount or the GP-Related Giveback Amount exceeds his GP-Related Recontribution Amount, such excess shall be repaid to such Member or Withdrawn Member as promptly as reasonably practicable, subject to clause (ii) below; provided further , that such written instructions from the Company shall specify each Member's and Withdrawn Member's GP-Related Recontribution Amount. Prior to such time, the Company may, in its discretion (but shall be under no obligation to), provide notice that in the Company's judgment, the potential obligations in respect of the Clawback Provisions or the Giveback Provisions will probably materialize (and an estimate of the aggregate amount of such obligations); provided further , that any amount from a Member's Trust Account used to pay any GP-Related Giveback Amount (or such lesser amount as may be required by the Managing Member) shall be contributed by such Member to such Member's Trust Account no later than 30 days after the Net GP-Related Recontribution Amount is paid with respect to such GP-Related Giveback Amount.

(B) To the extent any Member or Withdrawn Member has satisfied any Holdback obligation with Firm Collateral, such Member or Withdrawn Member shall, within 10 days of the Company's call for GP-Related 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 Member or Withdrawn Member equals the sum of (I) such Member's or Withdrawn Member'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 Member or Withdrawn Member equal to the amount of such cash payment. If the amount of such cash payment is less than the amount of Firm Collateral of such Member or Withdrawn Member, the balance of such Firm Collateral if any, shall be retained to secure the payment of GP-Related Deficiency Contributions, if any, and shall be fully released upon the satisfaction of the Company's and the Other Fund GPs' obligation to pay the Clawback Amount. The failure of any Member or Withdrawn Member to make a cash payment in accordance with this clause (B) (to the extent applicable) shall constitute a default under Section 5.8(d)(iii) as if such cash payment hereunder constitutes a Net GP-Related Recontribution Amount under Section 5.8(d)(iii).

(ii) In the event any Member or Withdrawn Member initially fails to recontribute all or any portion of such Member or Withdrawn Member's pro rata share of any Clawback Amount pursuant to Section 5.8(d)(i)(A), the Company shall use its reasonable efforts to collect the amount which such Member or Withdrawn Member so fails to recontribute.

(iii) In the event any Member or Withdrawn Member (a " GP-Related Defaulting Party ") fails to recontribute all or any portion of such GP-Related Defaulting Party's Net GP-Related Recontribution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Carried Interest Give Back Percentages in the case of Clawback Amounts, and GP-Related Profit Sharing Percentages in the case of GP-Related Giveback Amounts (as more fully described in clause (II) of Section 5.8(d)(i)(A) above)), such amounts as are necessary to fulfill the GP-Related Defaulting Party's obligation to pay such GP-Related Defaulting Party's Net GP-Related Recontribution Amount (a " GP-Related Deficiency Contribution ") if the Managing Member determines in its good faith judgment that the Company (or an Other Fund GP) will be unable to collect such amount in cash from such GP-Related Defaulting Party for payment of the Clawback Amount or GP-Related Giveback Amount, as the case may be, at least 20 Business Days prior to the latest date that the Company, and the Other Fund GPs, if applicable, are permitted to pay the Clawback Amount or GP-Related Giveback Amount, as the case may be; provided , that, subject to Section 5.8(e),

no Member or Withdrawn Member shall as a result of such GP-Related Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Net GP-Related Recontribution Amount initially requested from such Member or Withdrawn Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the Managing Member or (2) pursue any and all remedies (at law or equity) available to the Company against the GP-Related Defaulting Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the GP-Related Defaulting Party. It is agreed that the Company shall have the right (effective upon such GP-Related Defaulting Party becoming a GP-Related Defaulting Party) to set-off as appropriate and apply against such GP-Related Defaulting Party's Net GP-Related Recontribution Amount any amounts otherwise payable to the GP-Related Defaulting Party by the Company or any Affiliate thereof (including amounts unrelated to Carried Interest, such as returns of capital and profit thereon). Each Member and Withdrawn Member hereby grants to the Company a security interest, effective upon such Member or Withdrawn Member becoming a GP-Related Defaulting Party, in all accounts receivable and other rights to receive payment from any Affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member and Withdrawn Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or Withdrawn Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Net GP-Related Recontribution Amount of a GP-Related Defaulting Party from the date such GP-Related Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

(iv) Any Member's or Withdrawn Member's failure to make a GP-Related Deficiency Contribution shall cause such Member or Withdrawn Member to be a GP-Related Defaulting Party with respect to such amount. The Company shall first seek any remaining Trust Amounts (and Trust Income thereon) allocated to such Member or Withdrawn Member to satisfy such Member's or Withdrawn Member's obligation to make a GP-Related Deficiency Contribution before seeking cash contributions from such Member or Withdrawn Member in satisfaction of such Member's or Withdrawn Member's obligation to make a GP-Related Deficiency Contribution.

(v) A Member's or Withdrawn Member's obligation to make contributions to the Company under this Section 5.8(d) shall survive the termination of the Company.

(vi) The obligations of the Company and the Members set forth in this Section 5.8(d) shall be subject to and governed by the Clawback Provisions, and, in the event of any conflict between this Section 5.8(d) and the Clawback Provisions, the Clawback Provisions shall control.

(e) The Members acknowledge that the Managing Member will (and is hereby authorized to) take such steps as it deems appropriate, in its good faith judgment, to further the objective of providing for the fair and equitable treatment of all Members, including by allocating writedowns and losses on GP-Related GEP Investments that have been the subject of a writedown and/or losses (each, a " Loss Investment ") to those Members who participated in such Loss Investments based on their Carried Interest Sharing Percentage therein to the extent that such Members receive or have received Carried Interest distributions from other GP-Related GEP Investments. Consequently and notwithstanding anything herein to the contrary, adjustments to Carried Interest distributions shall be made as set forth in this Section 5.8(e).

(i) At the time the Company is making Carried Interest distributions in connection with a GP-Related GEP Investment (the " Subject Investment ") that have been reduced under the GEP Agreements as a result of one or more Loss Investments, the Managing Member shall calculate amounts distributable to or due from each such Member as follows:

(A) determine each Member's share of each such Loss Investment based on his Carried Interest Sharing Percentage in each such Loss Investment (which may be zero) to the extent such Loss Investment has reduced the Carried Interest distributions otherwise available for distribution to all Members (indirectly through the Company from GEP) from the Subject Investment (such reduction, the " Loss Amount ");

(B) determine the amount of Carried Interest distributions otherwise distributable to such Member with respect to the Subject Investment (indirectly through the Company from GEP) before any reduction in respect of the amount determined in clause (A) above (the " Unadjusted Carried Interest Distributions "); and

(C) subtract (I) the Loss Amounts relating to all Loss Investments from (II) the Unadjusted Carried Interest Distributions for such Member, to determine the amount of Carried Interest distributions to actually be paid to such Member (" Net Carried Interest Distribution ").

To the extent that the Net Carried Interest Distribution for a Member as calculated in this clause (i) is a negative number, the Managing Member shall (I) notify such Member, at or prior to the time such Carried Interest distributions are actually made to the Members, of his obligation to recontribute to the Company prior Carried Interest distributions (a " Net Carried Interest Distribution Recontribution Amount "), up to the amount of such negative Net Carried Interest Distribution, and (II) to the extent amounts recontributed pursuant to clause (I) are insufficient to satisfy such negative Net Carried Interest Distribution amount, reduce future Carried Interest distributions otherwise due

such Member, up to the amount of such remaining negative Net Carried Interest Distribution. If a Member's (x) Net Carried Interest Distribution Recontribution Amount exceeds (y) the aggregate amount of prior Carried Interest distributions less the amount of tax thereon, calculated based on the Assumed Tax Rate (as defined in the GEP Agreements) in effect in the Fiscal Years of such distributions (the " Excess Tax-Related Amount "), then such Member may, in lieu of paying such Member's Excess Tax-Related Amount, defer such amounts as set forth below. Such deferred amount shall accrue interest at the Prime Rate. Such deferred amounts shall be reduced and repaid by the amount of Carried Interest otherwise distributable to such Member in connection with future Carried Interest distributions until such balance is reduced to zero. Any deferred amounts shall be payable in full upon the earlier of (i) such time as the Clawback Amount is determined (as provided herein) and (ii) such time as the Member becomes a Withdrawn Member.

To the extent there is an amount of negative Net Carried Interest Distribution with respect to a Member remaining after the application of this clause (i), notwithstanding clause (II) of the preceding paragraph, such remaining amount of negative Net Carried Interest Distribution shall be allocated to the other Members pro rata based on each of their Carried Interest Sharing Percentages in the Subject Investment.

A Member who fails to pay a Net Carried Interest Distribution Recontribution Amount promptly upon notice from the Managing Member (as provided above) shall be deemed a GP-Related Defaulting Party for all purposes hereof.

A Member may satisfy in part any Net Carried Interest Distribution Recontribution Amount from cash that is then subject to a Holdback, to the extent that the amounts that remain subject to a Holdback satisfy the Holdback requirements hereof as they relate to the reduced amount of aggregate Carried Interest distributions received by such Member (taking into account any Net Carried Interest Distribution Recontribution Amount contributed to the Company by such Member).

Any Net Carried Interest Distribution Recontribution Amount contributed by a Member, including amounts of cash subject to a Holdback as provided above, shall increase the amount available for distribution to the other Members as Carried Interest distributions with respect to the Subject Investment; provided , that any such amounts then subject to a Holdback may be so distributed to the other Members to the extent a Member receiving such distribution has satisfied the Holdback requirements with respect to such distribution (taken together with the other Carried Interest distributions received by such Member to date).

(ii) In the case of Clawback Amounts which are required to be contributed to the Company as otherwise provided herein, the obligation of the Members with respect to any Clawback Amount shall be adjusted by the Managing Member as follows:

(A) determine each Member's share of any losses in any GP-Related GEP Investments which gave rise to the Clawback Amount (i.e. , the losses that followed the last GP-Related GEP Investment with respect to which Carried Interest distributions were made), based on such Member's Carried Interest Sharing Percentage in such GP-Related GEP Investments;

(B) determine each Member's obligation with respect to the Clawback Amount based on such Member's Carried Interest Give Back Percentage as otherwise provided herein; and

(C) subtract the amount determined in clause (B) above from the amount determined in clause (A) above with respect to each Member to determine the amount of adjustment to each Member's share of the Clawback Amount (a Member's " Clawback Adjustment Amount ").

A Member's share of the Clawback Amount shall for all purposes hereof be decreased by such Member's Clawback Adjustment Amount, to the extent it is a negative number (except to the extent expressly provided below). A Member's share of the Clawback Amount shall for all purposes hereof be increased by such Member's Clawback Adjustment Amount (to the extent it is a positive number); provided , that in no way shall a Member's aggregate obligation to satisfy a Clawback Amount as a result of this clause (ii) exceed the aggregate Carried Interest distributions received by such Member. To the extent a positive Clawback Adjustment Amount remains after the application of this clause (ii) with respect to a Member, such remaining Clawback Adjustment Amount shall be allocated to the Members (including any Member whose Clawback Amount was increased pursuant to this clause (ii)) pro rata based on their Carried Interest Give Back Percentages (determined without regard to this clause (ii)).

Any distribution or contribution adjustments pursuant to this Section 5.8(e) by the Managing Member shall be based on its good faith judgment, and no Member shall have any claim against the Company, the Managing Member or any other Members as a result of any adjustment made as set forth above. This Section 5.8(e) applies to all Members, including Withdrawn Members.

It is agreed and acknowledged that this Section 5.8(e) is an agreement among the Members and in no way modifies the obligations of each Member regarding the Clawback Amount as provided in the GEP Agreements.

5.9. Business Expenses . The Company shall reimburse the Members for reasonable travel, entertainment and miscellaneous expenses incurred by them in the conduct of the Company's business in accordance with rules and regulations established by the Managing Member from time to time.

5.10. Tax Capital Accounts; Tax Allocations . (a) For U.S. federal income tax purposes, there shall be established for each Member a single capital account combining such Member's Capital Commitment Capital Account and GP-Related Capital Account, with such adjustments as the Managing Member determines is appropriate so that such single capital account is maintained in compliance with the principles and requirements of Section 704(b) of the Code and the Regulations thereunder.

(b) For federal, state and local income tax purposes only, Company income, gain, loss, deduction or expense (or any item thereof) for each fiscal year shall be allocated to and among the Members in a manner corresponding to the manner in which corresponding items are allocated among the Members pursuant to clause (a) above, provided the Managing Member may in its sole discretion make such allocations for tax purposes as it determines is appropriate so that allocations have substantial economic effect or are in accordance with the interests of the Members, within the meaning of the Code and the Regulations thereunder.

ARTICLE VI

ADDITIONAL MEMBERS; WITHDRAWAL OF MEMBERS; SATISFACTION AND DISCHARGE OF COMPANY INTERESTS; TERMINATION

6.1. Additional Members . (a) Effective on the first day of any month (or on such other date as shall be determined by the Managing Member in its sole discretion), the Managing Member shall have the right to admit one or more additional persons into the Company as Regular Members or Special Members. Each such person shall make the representations and certifications with respect to itself set forth in Sections 3.6 and 3.7. The Managing Member shall determine and negotiate with the additional Member (which term shall include, without limitation, any substitute Member) all terms of such additional Member's participation in the Company, including the additional Member's initial GP-Related Capital Contribution, Capital Commitment-Related Capital Contribution, GP-Related Profit Sharing Percentage and Capital Commitment Profit Sharing Percentage. Each additional Member shall have such voting rights as may be determined by the Managing Member from time to time unless, upon the admission to the Company of any Special Member, the Managing Member shall designate that such Special Member shall not have such voting rights (any such Special Member being called a " Nonvoting Special Member "). Any additional Member shall, as a condition to becoming a Member, agree to become a party to, and be bound by the terms and conditions of, the Trust Agreement.

(b) The GP-Related Profit Sharing Percentages, if any, to be allocated to an additional Member as of the date such Member is admitted to the Company, together with the pro rata reduction in all other Members' GP-Related Profit Sharing Percentages as of such date, shall be established by the Managing Member pursuant to Section 5.3. The Capital Commitment Profit Sharing Percentages, if any, to be allocated to an additional Member as of the date such Member is admitted to the Company, together with the pro rata reduction in all other Members' Capital Commitment Profit Sharing Percentages as of such date, shall be established by the Managing Member.

(c) An additional Member shall be required to contribute to the Company his pro rata share of the Company's total capital, excluding capital in respect of GP-Related Investments and Capital Commitment Investments in which such Member does not acquire any interests, at such times and in such amounts as shall be determined by the Managing Member in accordance with Sections 4.1 and 7.1.

(d) The admission of an additional Member will be evidenced by (i) the execution of a counterpart copy of this Agreement by such additional Member, or (ii) the execution of an amendment to this Agreement by the Managing Member and the additional Member, as determined by the Managing Member, or (iii) the execution by such additional Member of any other writing evidencing the intent of such person to become an additional Member and to be bound by the terms of this Agreement and such writing being acceptable to the Managing Member on behalf of the Company. In addition, each additional Member shall sign a counterpart copy of the Trust Agreement or any other writing evidencing the intent of such person to become a party to the Trust Agreement that is acceptable to the Managing Member on behalf of the Company.

6.2. Withdrawal of Members . (a) Any Member may Withdraw voluntarily from the Company on the last day of any calendar month (or on such other date as shall be determined by the Managing Member in its sole discretion), on not less than 15 days' prior written notice by such Member to the Managing Member (or on such shorter notice period as may be mutually agreed upon between such Member and the Managing Member); provided , that a Member may not voluntarily Withdraw without the consent of the Managing Member if such Withdrawal would (i) cause the Company to be in default under any of its contractual obligations or (ii) in the reasonable judgment of the Managing Member, have a material adverse effect on the Company or its business; provided further, that a Member may Withdraw from the Company with respect to such Member's GP-Related Member Interest without Withdrawing from the Company with respect to such Member's Capital Commitment Member Interest, and a Member may Withdraw from the Company with respect to such Member's Capital Commitment Member Interest without Withdrawing from the Company with respect to such Member's GP-Related Member Interest.

(b) Upon the Withdrawal of any Member, including by the occurrence of any withdrawal event under the LLC Act with respect to any Member, such Member shall thereupon cease to be a Member, except as expressly provided herein.

(c) Upon the Total Disability of a Regular Member, such Member shall thereupon cease to be a Regular Member with respect to such person's GP-Related Member Interest; provided , that the Managing Member may elect to admit such Withdrawn Member to the Company as a Nonvoting Special Member with respect to such person's GP-Related Member Interest, with such GP-Related Member Interest as the Managing Member may determine. The determination of whether any Member has suffered a Total Disability shall be made by the Managing Member in its sole discretion after consultation with a qualified medical doctor. In the absence of agreement between the Managing Member and such Member, each party shall nominate a qualified medical doctor and the two doctors shall select a third doctor, who shall make the determination as to Total Disability.

(d) If the Managing Member determines that it shall be in the best interests of the Company for any Member (including any Member who has given notice of voluntary Withdrawal pursuant to paragraph (a) above) to Withdraw from the Company (whether or not Cause exists) with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, such Member, upon written notice by the Managing Member to such Member, shall be required to Withdraw with respect to such

person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, as of a date specified in such notice, which date shall be on or after the date of such notice. If the Managing Member requires any Member to Withdraw for Cause with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, such notice shall state that it has been given for Cause and shall describe the particulars thereof in reasonable detail.

(e) The withdrawal from the Company of any Member shall not, in and of itself, affect the obligations of the other Members to continue the Company during the remainder of its term.

6.3. GP-Related Member Interests Not Transferable . No Member may sell, assign, pledge or otherwise transfer or encumber all or any portion of such Member's GP-Related Member Interest other than as permitted by written agreement between such Member and the Company; provided , that this Section 6.3 shall not impair transfers by operation of law, transfers by will or by other testamentary instrument occurring by virtue of the death or dissolution of a Member, or transfers required by trust agreements; provided further , that a Regular Member may transfer, for estate planning purposes, up to 25% of his GP-Related Profit Sharing Percentage to any estate planning trust, limited partnership, or limited liability company with respect to which a Regular Member controls investments related to any interest in the Company held therein (an " Estate Planning Vehicle "). Each Estate Planning Vehicle will be a Nonvoting Special Member. Such Regular Member and the Nonvoting Special Member shall be jointly and severally liable for all obligations of both such Regular Member and such Nonvoting Special Member with respect to the Company (including the obligation to make additional GP-Related Capital Contributions), as the case may be. The Managing Member may at its sole option exercisable at any time require any Estate Planning Vehicle to withdraw from the Company on the terms of this Article VI. Except as provided in the second proviso to the first sentence of this Section 6.3, no assignee, legatee, distributee, heir or transferee (by conveyance, operation of law or otherwise) of the whole or any portion of any Member's GP-Related Member Interest shall have any right to be a Member without the prior written consent of the Managing Member (which consent may be withheld without giving any reason therefor). Notwithstanding the granting of a security interest in the entire Interest of any Member, such Member shall continue to be a Member of the Company.

6.4. Consequences upon Withdrawal of a Member . (a) The Withdrawal of a Regular Member shall not dissolve the Company if at the time of such Withdrawal there are one or more remaining Regular Members and any one or more of such remaining Regular Members continue the business of the Company (any and all such remaining Regular Members being hereby authorized to continue the business of the Company without dissolution and hereby agreeing to do so). Notwithstanding Section 6.4(b), if upon the Withdrawal of a Regular Member there shall be no remaining Regular Member, the Company shall be dissolved and shall be wound up unless, within 90 days after the occurrence of such Withdrawal, all remaining Special Members agree in writing to continue the business of the Company and to the appointment, effective as of the date of such Withdrawal, of one or more Regular Members.

(b) The Company shall not be dissolved, in and of itself, by the Withdrawal of any Member, but shall continue with the surviving or remaining Members as members thereof in accordance with and subject to the terms and provisions of this Agreement.

6.5. Satisfaction and Discharge of a Withdrawn Member's GP-Related Member Interest . (a) The terms of this Section 6.5 shall apply to the GP-Related Member Interest of a Withdrawn Member, but, except as otherwise expressly provided in this Section 6.5, shall not apply to the Capital Commitment Member Interest of a Withdrawn Member. For purposes of this Section 6.5, the term " Settlement Date " means the date as of which a Withdrawn Member's GP-Related Member Interest in the Company is settled as determined under paragraph (b) below. Notwithstanding the foregoing, any Regular Member who Withdraws from the Company, and all or any portion of whose GP-Related Member Interest is retained as a Special Member, shall be considered a Withdrawn Member for all purposes hereof.

(b) Except where a later date for the settlement of a Withdrawn Member's GP-Related Member Interest in the Company may be agreed to by the Managing Member and a Withdrawn Member, a Withdrawn Member's Settlement Date shall be his Withdrawal Date; provided , that if a Withdrawn Member's Withdrawal Date is not the last day of a month, then the Managing Member may elect for such Withdrawn Member's Settlement Date to be the last day of the month in which his Withdrawal Date occurs. During the interval, if any, between a Withdrawn Member's Withdrawal Date and Settlement Date, such Withdrawn Member shall have the same rights and obligations with respect to GP-Related Capital Contributions, interest on capital, allocations of GP-Related Net Income (Loss) and distributions as would have applied had such Withdrawn Member remained a Member of the Company during such period.

(c) In the event of the Withdrawal of a Member, with respect to such Withdrawn Member's GP-Related Member Interest, the Managing Member shall promptly after such Withdrawn Member's Settlement Date (i) determine and allocate to the Withdrawn Member's GP-Related Capital Accounts such Withdrawn Member's allocable share of the GP-Related Net Income (Loss) of the Company for the period ending on such Settlement Date in accordance with Article V and (ii) credit the Withdrawn Member's GP-Related Capital Accounts with interest in accordance with Section 5.2. In making the foregoing calculations, the Managing Member shall be entitled to establish such reserves (including reserves for taxes, bad debts, unrealized losses, actual or threatened litigation or any other expenses, contingencies or obligations) as it deems appropriate. Unless otherwise determined by the Managing Member in a particular case, a Withdrawn Member shall not be entitled to receive any GP-Related Unallocated Percentage in respect of the accounting period during which such Member Withdraws from the Company (whether or not previously awarded or allocated) or any GP-Related Unallocated Percentage in respect of prior accounting periods that have not been paid or allocated (whether or not previously awarded) as of such Withdrawn Member's Withdrawal Date.

(d) From and after the Settlement Date of the Withdrawn Member, the Withdrawn Member's GP-Related Profit Sharing Percentages shall, unless otherwise allocated by the Managing Member pursuant to Section 5.3(a), be deemed to be GP-Related Unallocated Percentages (except for GP-Related Profit Sharing Percentages with respect to GP-Related Investments as provided in paragraph (f) below).

(e) (i) Upon the Withdrawal from the Company of a Member with respect to such Member's GP-Related Member Interest, such Withdrawn Member thereafter shall not, except as expressly provided in this Section 6.5, have any rights of a Member (including voting rights) with respect to such Member's GP-Related Member Interest, and, except as expressly provided in this Section 6.5, such Withdrawn Member shall not have any interest in the Company's GP-Related Net Income (Loss), or in distributions related to such Member's GP-Related Member Interest, GP-Related Investments or other assets related to such Member's GP-Related Member Interest. If a Member Withdraws from the Company with respect to such Member's GP-Related Member Interest for any reason other than for Cause pursuant to Section 6.2, then the Withdrawn Member shall be entitled to receive, at the time or times specified in Section 6.5(i) below, in satisfaction and discharge in full of the Withdrawn Member's GP-Related Member Interest in the Company, (x) payment equal to the aggregate credit balance, if any, as of the Settlement Date of the Withdrawn Member's GP-Related Capital Accounts, (excluding any GP-Related Capital Account or portion thereof attributable to any GP-Related Investment) and (y) the Withdrawn Member's percentage interest attributable to each GP-Related Investment in which the Withdrawn Member has an interest as of the Settlement Date as provided in paragraph (f) below (which shall be settled in accordance with paragraph (f) below), subject to all the terms and conditions of paragraphs (a)-(r) of this Section 6.5. If the amount determined pursuant to clause (x) above is an aggregate negative balance, the Withdrawn Member shall pay the amount thereof to the Company upon demand by the Managing Member on or after the date of the statement referred to in Section 6.5(i) below; provided , that if the Withdrawn Member was solely a Special Member on his Withdrawal Date, such payment shall be required only to the extent of any amounts payable to such Withdrawn Member pursuant to this Section 6.5. Any aggregate negative balance in the GP-Related Capital Accounts of a Withdrawn Member who was solely a Special Member, upon the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5, shall be allocated among the other Members' GP-Related Capital Accounts in accordance with their respective GP-Related Profit Sharing Percentages in the categories of GP-Related Net Income (Loss) giving rise to such negative balance as determined by the Managing Member as of such Withdrawn Member's Settlement Date. In the settlement of any Withdrawn Member's GP-Related Member Interest in the Company, no value shall be ascribed to goodwill, the Company name or the anticipation of any value the Company or any successor thereto might have in the event the Company or any interest therein were to be sold in whole or in part.

(ii) Notwithstanding clause (i) of this Section 6.5(e), in the case of a Member whose Withdrawal with respect to such Member's GP-Related Member Interest resulted from such Member's death or Incompetence, such Member's estate or legal representative, as the case may be, may elect, at the time described below, to receive a Nonvoting Special Member GP-Related Member Interest and retain such Member's GP-Related Profit Sharing Percentage in all (but not less than all) illiquid investments of the Company in lieu of a cash payment (or Note) in settlement of that portion the Withdrawn Member's GP-Related Member Interest. The election referred to above shall be made within 60 days after the Withdrawn Member's Settlement Date, based on a statement of the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5.

(f) For purposes of clause (y) of paragraph (e)(i) above, a Withdrawn Member's "percentage interest" means his GP-Related Profit Sharing Percentage as of the Settlement Date in the relevant GP-Related Investment. The Withdrawn Member shall retain his percentage interest in such GP-Related Investment and shall retain his GP-Related Capital Account or portion thereof attributable to such GP-Related Investment, in which case such Withdrawn Member (a " Retaining Withdrawn Member ") shall become and remain a Special Member for such purpose (and, if the Managing Member so designates, such Special Member shall be a Nonvoting Special Member). The GP-Related Member Interest of a Retaining Withdrawn Member pursuant to this paragraph (f) shall be subject to the terms and conditions applicable to GP-Related Member Interests of any kind hereunder and such other terms and conditions as are established by the Managing Member. At the option of the Managing Member in its sole discretion, the Managing Member and the Retaining Withdrawn Member may agree to have the Company acquire such GP-Related Member Interest without the approval of the other Members; provided , that the Managing Member shall reflect in the books and records of the Company the terms of any acquisition pursuant to this sentence.

(g) The Managing Member may elect, in lieu of payment in cash of any amount payable to a Withdrawn Member pursuant to paragraph (e) above, to (i) have the Company issue to the Withdrawn Member a subordinated promissory note and/or to (ii) distribute in kind to the Withdrawn Member such Withdrawn Member's pro rata share (as determined by the Managing Member) of any securities or other investments of the Company in relation to such Member's GP-Related Member Interest. If any securities or other investments are distributed in kind to a Withdrawn Member under this paragraph (g), the amount described in clause (x) of paragraph (e)(i) shall be reduced by the value of such distribution as valued on the latest balance sheet of the Company in accordance with generally accepted accounting principles or, if not appearing on such balance sheet, as reasonably determined by the Managing Member.

(h) [Intentionally omitted.]

(i) Within 120 days after each Settlement Date, the Managing Member shall submit to the Withdrawn Member a statement of the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5 together with any cash payment, subordinated promissory note and in kind distributions to be made to such Member as shall be determined by the Managing Member. The Managing Member shall submit to the Withdrawn Member supplemental statements with respect to additional amounts payable to or by the Withdrawn Member in respect of the settlement of his GP-Related Member Interest in the Company (e.g. , payments in respect of GP-Related Investments pursuant to paragraph (f) above or adjustments to reserves pursuant to paragraph (j) below) promptly after such amounts are determined by the Managing Member. To the fullest extent permitted by law, such statements and the valuations on which they are based shall be accepted by the Withdrawn Member without examination of the accounting books and records of the Company or other inquiry. Any amounts payable by the Company to a Withdrawn Member pursuant to this Section 6.5 shall be subordinate in right of payment and subject to the prior payment or provision for payment in full of claims of all present or future creditors of the Company or any successor thereto arising out of matters occurring prior to the applicable date of payment or distribution; provided , that such Withdrawn Member shall otherwise rank pari

passu in right of payment (x) with all persons who become Withdrawn Members and whose Withdrawal Date is within one year before the Withdrawal Date of the Withdrawn Member in question and (y) with all persons who become Withdrawn Members and whose Withdrawal Date is within one year after the Withdrawal Date of the Withdrawn Member in question.

(j) If the aggregate reserves established by the Managing Member as of the Settlement Date in making the foregoing calculations should prove, in the determination of the Managing Member, to be excessive or inadequate, the Managing Member may elect, but shall not be obligated, to pay the Withdrawn Member or his estate such excess, or to charge the Withdrawn Member or his estate such deficiency, as the case may be.

(k) Any amounts owed by the Withdrawn Member to the Company at any time on or after the Settlement Date (e.g. , outstanding Company loans or advances to such Withdrawn Member) shall be offset against any amounts payable or distributable by the Company to the Withdrawn Member at any time on or after the Settlement Date or shall be paid by the Withdrawn Member to the Company, in each case as determined by the Managing Member. All cash amounts payable by a Withdrawn Member to the Company under this Section 6.5 shall bear interest from the due date to the date of payment at a floating rate equal to the lesser of (x) the rate of interest publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate or (y) the maximum rate of interest permitted by applicable law. The "due date" of amounts payable by a Withdrawn Member pursuant to Section 6.5(i) above shall be 120 days after a Withdrawn Member's Settlement Date. The "due date" of amounts payable to or by a Withdrawn Member in respect of GP-Related Investments for which the Withdrawn Member has retained a percentage interest in accordance with paragraph (f) above shall be 120 days after realization with respect to such GP-Related Investment. The "due date" of any other amounts payable by a Withdrawn Member shall be 60 days after the date such amounts are determined to be payable.

(l) At the time of the settlement of any Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5, the Managing Member may, to the fullest extent permitted by applicable law, impose any restrictions it deems appropriate on the assignment, pledge, encumbrance or other transfer by such Withdrawn Member of any interest in any GP-Related Investment retained by such Withdrawn Member, any securities or other investments distributed in kind to such Withdrawn Member or such Withdrawn Member's right to any payment from the Company.

(m) If a Member is required to Withdraw from the Company with respect to such Member's GP-Related Member Interest for Cause pursuant to Section 6.2(d), then his GP-Related Member Interest shall be settled in accordance with paragraphs (a)-(r) of this Section 6.5; provided , that the Managing Member may elect (but shall not be required) to apply any or all the following terms and conditions to such settlement:

(i) In settling the Withdrawn Member's interest in any GP-Related Investment in which he has an interest as of his Settlement Date, the Managing Member may elect to (A) determine the GP-Related Unrealized Net Income (Loss) attributable to each such GP-Related Investment as of the Settlement Date and allocate to the appropriate GP-Related Capital Account of the Withdrawn Member his allocable share of

such GP-Related Unrealized Net Income (Loss) for purposes of calculating the aggregate balance of such Withdrawn Member's GP-Related Capital Account pursuant to clause (x) of paragraph (e)(i) above, (B) credit or debit, as applicable, the Withdrawn Member with the balance of his GP-Related Capital Account or portion thereof attributable to each such GP-Related Investment as of his Settlement Date without giving effect to the GP-Related Unrealized Net Income (Loss) from such GP-Related Investment as of his Settlement Date, which shall be forfeited by the Withdrawn Member or (C) apply the provisions of paragraph (f) above, provided , that the maximum amount of GP-Related Net Income (Loss) allocable to such Withdrawn Member with respect to any GP-Related Investment shall equal such Member's percentage interest of the GP-Related Unrealized Net Income, if any, attributable to such GP-Related Investment as of the Settlement Date (the balance of such GP-Related Net Income (Loss), if any, shall be allocated as determined by the Managing Member). The Withdrawn Member shall not have any continuing interest in any GP-Related Investment to the extent an election is made pursuant to (A) or (B) above.

(ii) Any amounts payable by the Company to the Withdrawn Member pursuant to this Section 6.5 shall be subordinate in right of payment and subject to the prior payment in full of claims of all present or future creditors of the Company or any successor thereto arising out of matters occurring prior to or on or after the applicable date of payment or distribution.

(n) The payments to a Withdrawn Member pursuant to this Section 6.5 may be conditioned on the compliance by such Withdrawn Member with any lawful and reasonable (under the circumstances) restrictions against engaging or investing in a business competitive with that of the Company or any of its subsidiaries and Affiliates for a period not exceeding two years determined by the Managing Member. Upon written notice to the Managing Member, any Withdrawn Member who is subject to noncompetition restrictions established by the Managing Member pursuant to this paragraph (n) may elect to forfeit the principal amount payable in the final installment of his subordinated promissory note, together with interest to be accrued on such installment after the date of forfeiture, in lieu of being bound by such restrictions.

(o) In addition to the foregoing, the Managing Member shall have the right to pay a Withdrawn Member (other than the Managing Member) a discretionary additional payment in an amount and based upon such circumstances and conditions as it determines to be relevant.

(p) The provisions of this Section 6.5 shall apply to any Investor Special Member relating to a Regular Member or Special Member and to any transferee of any GP-Related Member Interest of such Member pursuant to Section 6.3 if such Member Withdraws from the Company.

(q) (i) The Company will assist a Withdrawn Member or his estate or guardian, as the case may be, in the settlement of the Withdrawn Member's GP-Related Member Interest in the Company. Third party costs incurred by the Company in providing this assistance will be borne by the Withdrawn Member or his estate.

(ii) The Company may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Members or their estates or guardians, as referred to above. In such instances, the Company will obtain the prior approval of a Withdrawn Member or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Member (or his estate or guardian) declines to incur such costs, the Company will provide such reasonable assistance as and when it can so as not to interfere with the Company's day-to-day operating, financial, tax and other related responsibilities to the Company and the Members.

(r) Each Member (other than the Managing Member) hereby irrevocably appoints the Managing Member as such Member's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file, on behalf of such Member, any and all agreements, instruments, consents, ratifications, documents and certificates which the Managing Member deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in this Section 6.5, including, without limitation, the performance of any obligation of such Member or the Company or the exercise of any right of such Member or the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Company of any Member for any reason and shall not be affected by the death, disability or incapacity of such Member.

6.6. Dissolution of the Company . The Managing Member may dissolve the Company prior to the expiration of its term at any time on not less than 60 days' notice of the dissolution date given to the other Members.

6.7. Certain Tax Matters . (a) All items of income, gain, loss, deduction and credit of the Company shall be allocated among the Members for Federal, state and local income tax purposes in the same manner as such items of income, gain, loss, deduction and credit shall be allocated among the Members pursuant to this Agreement, except as may otherwise be provided herein or by the Code or other applicable law. To the extent Treasury Regulations promulgated pursuant to Subchapter K of the Code (including under Sections 704(b) and (c) of the Code) or other applicable law require allocations for tax purposes that differ from the foregoing allocations, the Managing Member may determine the manner in which such tax allocations shall be made so as to comply more fully with such Treasury Regulations or other applicable law and, at the same time, preserve the economic relationships among the Members as set forth in this Agreement. In the event there is a net decrease in partnership minimum gain or partner nonrecourse debt minimum gain (determined in accordance with the principles of Regulations Sections 1.704-2(d) and 1.704-2(i)) during any taxable year of the Company, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to its respective share of such net decrease during such year, determined pursuant to Regulations Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f). In addition, this Agreement shall be considered to contain a "qualified income offset" as provided in Regulations Section 1.704-1(b)(2)(ii)(d).

(b) The Managing Member shall cause to be prepared all Federal, state and local tax returns of the Company for each year for which such returns are required to be filed and, after approval of such returns by the Managing Member, shall cause such returns to be timely filed. The Managing Member shall determine the appropriate treatment of each item of income, gain, loss, deduction and credit of the Company and the accounting methods and conventions under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of any such item or any other method or procedure related to the preparation of such tax returns. The Managing Member may cause the Company to make or refrain from making any and all elections permitted by such tax laws. Each Member agrees that he shall not, unless he provides prior notice of such action to the Company, (i) treat, on his individual income tax returns, any item of income, gain, loss, deduction or credit relating to his interest in the Company in a manner inconsistent with the treatment of such item by the Company as reflected on the Form K-1 or other information statement furnished by the Company to such Member for use in preparing his income tax returns or (ii) file any claim for refund relating to any such item based on, or which would result in, such inconsistent treatment. In respect of an income tax audit of any tax return of the Company, the filing of any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Company, or any administrative or judicial proceedings arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, (A) the Tax Matters Member (as defined below) shall be authorized to act for, and his decision shall be final and binding upon, the Company and all Members except to the extent a Member shall properly elect to be excluded from such proceeding pursuant to the Code, (B) all expenses incurred by the Tax Matters Member in connection therewith (including, without limitation, attorneys', accountants' and other experts' fees and disbursements) shall be expenses of the Company and (C) no Member shall have the right to (1) participate in the audit of any Company tax return, (2) file any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Company (unless he provides prior notice of such action to the Company as provided above), (3) participate in any administrative or judicial proceedings conducted by the Company or the Tax Matters Member arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, or (4) appeal, challenge or otherwise protest any adverse findings in any such audit conducted by the Company or the Tax Matters Member or with respect to any such amended return or claim for refund filed by the Company or the Tax Matters Member or in any such administrative or judicial proceedings conducted by the Company or the Tax Matters Member. The Company and each Member hereby designate any Member selected by the Managing Member as the "tax matters partner" for purposes of Section 6231(a)(7) of the Code (the " Tax Matters Member "). To the fullest extent permitted by applicable law, each Member agrees to indemnify and hold harmless the Company and all other Members from and against any and all liabilities, obligations, damages, deficiencies and expenses resulting from any breach or violation by such Member of the provisions of this Section 6.7 and from all actions, suits, proceedings, demands, assessments, judgments, costs and expenses, including reasonable attorneys' fees and disbursements, incident to any such breach or violation.

(c) Each individual Member shall provide to the Company copies of each Federal, state and local income tax return of such Member (including any amendment thereof) within 30 days after filing such return.

6.8. Special Basis Adjustments . In connection with any assignment or transfer of a Company interest permitted by the terms of this Agreement, the Managing Member may cause the Company, on behalf of the Members and at the time and in the manner provided in Code Regulations Section 1.754-1(b), to make an election to adjust the basis of the Company's property in the manner provided in Sections 734(b) and 743(b) of the Code.

ARTICLE VII

CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS; ALLOCATIONS; DISTRIBUTIONS

7.1. Capital Commitment Interests, etc . (a) This Article VII and Article VIII hereof set forth certain terms and conditions with respect to the Capital Commitment Member Interests and the Capital Commitment GEP Interest and matters related to the Capital Commitment Member Interests and the Capital Commitment GEP Interest. Except as otherwise expressly provided in this Article VII or in Article VIII, the terms and provisions of this Article VII and Article VIII shall not apply to the GP-Related Member Interests or the GP-Related GEP Interest.

(b) Each Member, severally, agrees to make contributions of capital to the Company (" Capital Commitment-Related Capital Contributions ") as required to fund the Company's capital contributions to GEP in respect of the Capital Commitment GEP Interest, if any. No Member shall be obligated to make Capital Commitment-Related Capital Contributions to the Company in an amount in excess of such Member's Capital Commitment-Related Commitment. The Commitment Agreements and SMD Agreements of the Members may include provisions with respect to the foregoing matters. It is understood that a Member will not necessarily participate in each Capital Commitment Investment (which may include additional amounts invested in an existing Capital Commitment Investment) nor will a Member necessarily have the same Capital Commitment Profit Sharing Percentage with respect to each Capital Commitment Investment in which such Member participates; provided , that this in no way limits the terms of any Commitment Agreement or SMD Agreement. In addition, nothing contained herein shall be construed to give any Member the right to obtain financing with respect to the purchase of any Capital Commitment Interest, and nothing contained herein shall limit or dictate the terms upon which the Company and its Affiliates may provide such financing. The acquisition of a Capital Commitment Interest by a Member shall be evidenced by receipt by the Company of funds equal to such Member's Capital Commitment- Related Commitment then due with respect to such Capital Commitment Interest and such appropriate documentation as the Managing Member may submit to the Members from time to time.

(c) The Company or one of its Affiliates (in such capacity, the " Advancing Party ") may in its sole discretion advance to any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members that are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) all or any portion of the Capital Commitment Capital Contributions due to the Company from such Member with respect to any Capital Commitment Investment (" Firm Advances "). Each such Member shall pay interest to the Advancing Party on each Firm Advance from the date of such Firm Advance

until the repayment thereof by such Member. Each Firm Advance shall be repayable in full, including accrued interest to the date of such repayment, upon prior written notice by the Advancing Party. The making and repayment of each Firm Advance shall be recorded in the books and records of the Company, and such recording shall be conclusive evidence of each such Firm Advance, binding on the Member and the Advancing Party absent manifest error. Except as provided below, the interest rate applicable to a Firm Advance shall equal the cost of funds of the Advancing Party at the time of the making of such Firm Advance. The Advancing Party shall inform any Member of such rate upon such Member's request; provided , that such interest rate shall not exceed the maximum interest rate allowable by applicable law; provided further , that amounts that are otherwise payable to such Member pursuant to Section 7.4(a) shall be used to repay such Firm Advance (including interest thereon). The Advancing Party may, in its sole discretion, change the terms of Firm Advances (including the terms contained herein) and/or discontinue the making of Firm Advances; provided , that (i) the Advancing Party shall notify the relevant Members of any material changes to such terms and (ii) the interest rate applicable to such Firm Advances and overdue amounts thereon shall not exceed the maximum interest rate allowable by applicable law.

7.2. Capital Commitment Capital Accounts . (a) There shall be established for each Member on the books of the Company as of the date of formation of the Company, or such later date on which such Member is admitted to the Company, and on each such other date as such Member first acquires a Capital Commitment Interest in a particular Capital Commitment Investment, a Capital Commitment Capital Account for each Capital Commitment Investment in which such Member acquires a Capital Commitment Interest on such date. Each Capital Commitment Capital Contribution of a Member shall be credited to the appropriate Capital Commitment Capital Account of such Member on the date such Capital Commitment Capital Contribution is paid to the Company. Capital Commitment Capital Accounts shall be adjusted to reflect any transfer of a Member's interest in the Company related to his Capital Commitment Member Interest as provided in this Agreement.

(b) A Member shall not have any obligation to the Company or to any other Member to restore any negative balance in the Capital Commitment Capital Account of such Member. Until distribution of any such Member's interest in the Company with respect to a Capital Commitment Interest as a result of the disposition by the Company of the related Capital Commitment Investment and in whole upon the dissolution of the Company, neither such Member's Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption except with the consent of the Managing Member.

7.3. Allocations . (a) Capital Commitment Net Income (Loss) of the Company for each Capital Commitment Investment shall be allocated to the related Capital Commitment Capital Accounts of all the Members (including the Managing Member) participating in such Capital Commitment Investment in proportion to their respective Capital Commitment Profit Sharing Percentages for such Capital Commitment Investment. Capital Commitment Net Income (Loss) on any Unallocated Capital Commitment Interest shall be allocated to each Member in

the proportion which such Member's aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Members; provided, that if any Member makes the election provided for in Section 7.6, Capital Commitment Net Income (Loss) of the Company for each Capital Commitment Investment shall be allocated to the related Capital Commitment Capital Accounts of all the Members participating in such Capital Commitment Investment who do not make such election in proportion to their respective Capital Commitment Profit Sharing Percentages for such Capital Commitment Investment.

(b) Any special costs relating to distributions pursuant to Section 7.6 or 7.7 shall be specially allocated to the electing Member.

7.4. Distributions . (a) Each Member's allocable portion of Capital Commitment Net Income received from his Capital Commitment Investments, distributions to such Member that constitute returns of capital, and other Capital Commitment Net Income of the Company (including, without limitation, Capital Commitment Net Income attributable to Unallocated Capital Commitment Interests) during a fiscal year of the Company will be credited to payment of the Investor Notes to the extent required below as of the last day of such fiscal year (or on such earlier date as related distributions are made in the sole discretion of the Managing Member) with any cash amount distributable to such Member pursuant to clauses (ii) and (vii) below to be distributed within 45 days after the end of each fiscal year of the Company (or in each case on such earlier date as selected by the Managing Member in its sole discretion) as follows (subject to Section 7.4(c) below):

(i) First, to the payment of interest then due on all Investor Notes (relating to Capital Commitment Investments or otherwise) of such Member (to the extent Capital Commitment Net Income and distributions or payments from Other Sources do not equal or exceed all interest payments due, the selection of those of such Member's Investor Notes upon which interest is to be paid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor);

(ii) Second, to distribution to the Member of an amount equal to the Federal, state and local income taxes on income of the Company allocated to such Member for such year in respect of such Member's Capital Commitment Member Interest (the aggregate amount of any such distribution shall be determined by the Managing Member, subject to the limitation that the minimum aggregate amount of such distribution be the tax that would be payable if the taxable income of the Company related to all Members' Capital Commitment Member Interests were all allocated to an individual subject to the then-prevailing maximum Federal, New York State and New York City tax rates (taking into account the extent to which such taxable income allocated by the Company was composed of long-term capital gains and the deductibility of state and local income taxes for Federal income tax purposes)); provided , that additional amounts shall be paid to the Member pursuant to this clause (ii) to the extent that such amount reduces the amount otherwise distributable to the Member pursuant to a comparable provision in any other BCE Agreement and there are not sufficient amounts to fully satisfy such provision from the relevant partnership or other entity; provided

further , that amounts paid pursuant to the provisions in such other BCE Agreements comparable to the immediately preceding proviso shall reduce those amounts otherwise distributable to the Member pursuant to provisions in such other BCE Agreements that are comparable to this clause (ii);

(iii) Third, to the payment in full of the principal amount of the Investor Note financing (A) any Capital Commitment Investment disposed of during or prior to such fiscal year or (B) any BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such fiscal year, to the extent not repaid from Other Sources;

(iv) Fourth, to the return to such Member of (A) all Capital Commitment - 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 Company) in respect of interests therein relating to BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such fiscal year (including all principal paid on the related Investor Notes), to the extent not repaid from amounts of Other Sources (other than amounts of Capital Commitment Member Carried Interest);

(v) Fifth, to the payment of principal (including any previously deferred amounts) then owing under all other Investor Notes of such Member (including those unrelated to the Company), the selection of those of such Member's Investor Notes to be repaid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor;

(vi) Sixth, up to 50% of any Capital Commitment Net Income remaining after application pursuant to clauses (i) through (v) above shall be applied pro rata to prepayment of principal of all remaining Investor Notes of such Member (including those unrelated to the Company), the selection of those of such Member's Investor Notes to be repaid, the division of payments among such Investor Notes and the percentage of remaining Capital Commitment Net Income to be applied thereto to be determined by the Lender or Guarantor; and

(vii) Seventh, to such Member to the extent of any amount of Capital Commitment Net Income remaining after making the distributions in clauses (i) through (vi) above, and such amount is not otherwise required to be applied to Investor Notes pursuant to the terms thereof.

To the extent there is a partial disposition of a Capital Commitment Investment or any other BCE Investment, as applicable, the payments in clauses (iii) and (iv) above shall be based on that portion of the Capital Commitment Investment or other BCE Investment, as applicable, disposed of, and the principal amount and related interest payments of such Investor Note shall be adjusted to reflect such partial payment so that there are equal payments over the remaining term of the related Investor Note. For a Member who is no longer an employee or officer of Holdings or its Affiliates, distributions shall be made pursuant

to clauses (i) through (iii) above, and then, unless the Company or its Affiliate has exercised its rights pursuant to Section 8.1 hereof, any remaining income or other distribution in respect of such Member's Capital Commitment Member Interest shall be applied to the prepayment of the outstanding Investor Notes of such Member, until all such Member's Investor Notes have been repaid in full, with any such income or other distribution remaining thereafter distributed to such Member.

Distributions of Capital Commitment Net Income may be made at any other time at the discretion of the Managing Member. At the Managing Member's discretion, any amounts distributed to a Member in respect of such Member's Capital Commitment Member Interest will be net of any interest and principal payable on his Investor Notes for the full period in respect of which the distribution is made.

(b) [Intentionally omitted.]

(c) To the extent that the foregoing Company distributions and distributions and payments from Other Sources are insufficient to satisfy any principal and/or interest due on Investor Notes, and to the extent that the Managing Member in its sole discretion elect to apply this paragraph (e) to any individual payments due, such unpaid interest will be added to the remaining principal amount of such Investor Notes and shall be payable on the next scheduled principal payment date (along with any deferred principal and any principal and interest due on such date); provided , that such deferral shall not apply to a Member that is no longer an employee or officer of Holdings or an Affiliate thereof. All unpaid interest on such Investor Notes shall accrue interest at the interest rate then in effect for such Investor Notes.

(d) [Intentionally omitted.]

(e) The Capital Commitment Capital Account of each Member shall be reduced by the amount of any distribution to such Member pursuant to paragraph (a) of this Section 7.4.

(f) At any time that a sale, exchange, transfer or other disposition of a portion of a Capital Commitment Investment is being considered by the Company or GEP (a " Capital Commitment Disposable Investment "), at the election of the Managing Member each Member's Capital Commitment Interest with respect to such Capital Commitment Investment shall be vertically divided into two separate Capital Commitment Interests, a Capital Commitment Interest attributable to the Capital Commitment Disposable Investment (a Member's " Capital Commitment Class B Interest "), and a Capital Commitment Interest attributable to such Capital Commitment Investment excluding the Capital Commitment Disposable Investment (a Member's " Capital Commitment Class A Interest "). Distributions (including those resulting from a direct or indirect sale, transfer, exchange or other disposition by the Company) relating to a Capital Commitment Disposable Investment shall be made only to holders of Capital Commitment Class B Interests with respect to such Capital Commitment Investment in accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class B Interests, and distributions (including those resulting from the direct or indirect sale, transfer, exchange or other disposition by the Company) relating to a Capital Commitment Investment excluding such Capital Commitment

Disposable Investment shall be made only to holders of Capital Commitment Class A Interests with respect to such Capital Commitment Investment in accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class A Interests.

(g) (i) If the Company is obligated under the Giveback Provisions to contribute a Giveback Amount to GEP in respect of any Capital Commitment GEP Interest that may be held by the Company (the amount of any such obligation of the Company with respect to such a Giveback Amount being herein called a " Capital Commitment Giveback Amount "), the Company shall call for such amounts as are necessary to satisfy such obligation of the Company as determined by the Managing Member, in which case each Member or Withdrawn Member shall contribute to the Company, in cash, when and as called by the Company, such an amount of prior distributions by the Company with respect to the Capital Commitment GEP Interest (the " Capital Commitment Recontribution Amount ") which equals such Member's pro rata share of prior distributions in connection with (a) the Capital Commitment GEP 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 GEP Investments other than the one giving rise to such obligation, but only those amounts received by the Members with an interest in the Capital Commitment GEP Investment referred to in clause (a) above, and (c) if the Capital Commitment Giveback Amount is unrelated to a specific Capital Commitment GEP Investment, all Capital Commitment GEP Investments. Each Member shall promptly contribute to the Company upon notice thereof such Member's Capital Commitment Recontribution Amount. Prior to such time, the Company may, at the Managing Member's discretion (but shall be under no obligation to), provide notice that in the Managing Member's judgment, the potential obligations in respect of the Capital Commitment Giveback Amount will probably materialize (and an estimate of the aggregate amount of such obligations).

(ii) In the event any Member (a " Capital Commitment Defaulting Party ") fails to recontribute all or any portion of such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Capital Commitment Profit Sharing Percentages), such amounts as are necessary to fulfill the Capital Commitment Defaulting Party's obligation to pay such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount (a " Capital Commitment Deficiency Contribution ") if the Managing Member determines in its good faith judgment that the Company will be unable to collect such amount in cash from such Capital Commitment Defaulting Party for payment of the Capital Commitment Giveback Amount at least 20 Business Days prior to the latest date that the Company is permitted to pay the Capital Commitment Giveback Amount; provided , that no Member shall as a result of such Capital Commitment Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Capital Commitment Recontribution Amount initially requested from such Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the Managing Member or (2) pursue

any and all remedies (at law or equity) available to the Company against the Capital Commitment Defaulting Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the Capital Commitment Defaulting Party. It is agreed that the Company shall have the right (effective upon such Capital Commitment Defaulting Party becoming a Capital Commitment Defaulting Party) to set-off as appropriate and apply against such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount any amounts otherwise payable to the Capital Commitment Defaulting Party by the Company or any Affiliate thereof. Each Member hereby grants to the Company a security interest, effective upon such Member becoming a Capital Commitment Defaulting Party, in all accounts receivable and other rights to receive payment from the Company or any Affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Capital Commitment Recontribution Amount of a Capital Commitment Defaulting Party from the date such Capital Commitment Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

(iii) Any Member's failure to make a Capital Commitment Deficiency Contribution shall cause such Member to be a Capital Commitment Defaulting Party with respect to such amount.

(iv) A Member's obligation to make contributions to the Company under this Section 7.4(g) shall survive the termination of the Company.

7.5. Valuations . Capital Commitment Investments shall be valued annually as of the end of each year (and at such other times as deemed appropriate by the Managing Member) in accordance with the principles utilized by the Company (or any Affiliate of the Company that is a general partner of GEP) in valuing investments of GEP or, in the case of investments not held by GEP, in the good faith judgment of the Managing Member, subject in each case to the second proviso of the immediately succeeding sentence. The value of any Capital Commitment Interest as of any date (the " Capital Commitment Value ") shall be based on the value of the underlying Capital Commitment Investment as set forth above; provided , that the Capital Commitment Value may be determined as of an earlier date if determined appropriate by the Managing Member in good faith; provided further , that such value may be adjusted by the Managing Member to take into account factors relating solely to the value of a Capital Commitment Interest (as compared to the value of the underlying Capital Commitment Investment), such as restrictions on transferability, the lack of a market for such Capital Commitment Interest and lack of control of the underlying Capital Commitment Investment. To the full extent permitted by applicable law such valuations shall be final and binding on all Members; provided further, that the immediately preceding proviso shall not apply to any Capital Commitment Interests held by a person who is or was at any time a direct Member of the Company.

7.6. Disposition Election . (a) At any time prior to the date of the Company's execution of a definitive agreement to dispose of a Capital Commitment Investment, the Managing Member may in its sole discretion permit a Member to retain all or any portion of its pro rata share of such Capital Commitment Investment (as measured by such Member's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment). If the Managing Member so permits, such Member shall instruct the Managing Member in writing prior to such date (i) not to dispose of all or any portion of such Member's pro rata share of such Capital Commitment Investment (the "Retained Portion") and (ii) either to (A) distribute such Retained Portion to such Member on the closing date of such disposition or (B) retain such Retained Portion in the Company on behalf of such Member until such time as such Member shall instruct the Managing Member upon 5 days notice to distribute such Retained Portion to such Member. Such Member's Capital Commitment Capital Account shall not be adjusted in any way to reflect the retention in the Company of such Retained Portion or the Company's disposition of other Members' pro rata shares of such Capital Commitment Investment; provided, that such Member's Capital Commitment Capital Account shall be adjusted upon distribution of such Retained Portion to such Member or upon distribution of proceeds with respect to a subsequent disposition thereof by the Company.

(b) No distribution of such Retained Portion shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such distribution.

7.7. Capital Commitment Special Distribution Election . (a) From time to time during the term of this Agreement, the Managing Member may in its sole discretion, upon receipt of a written request from a Member, distribute to such Member any portion of its pro rata share of a Capital Commitment Investment (as measured by such Member's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment) (a " Capital Commitment Special Distribution "). Such Member's Capital Commitment Capital Account shall be adjusted upon distribution of such Capital Commitment Special Distribution.

(b) No Capital Commitment Special Distributions shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such Capital Commitment Special Distribution.

ARTICLE VIII

WITHDRAWAL, ADMISSION OF NEW MEMBERS

8.1. Member Withdrawal; Repurchase of Capital Commitment Interests . (a) Capital Commitment Interests (or a portion thereof) that were financed by Investor Notes will be treated as not subject to repurchase for purposes hereof based upon the proportion of (a) the sum of Capital Commitment Capital Contributions not financed by an Investor Note with respect to each Capital Commitment Interest and principal payments on the

related Investor Note to (b) the sum of the Capital Commitment Capital Contributions not financed by an Investor Note with respect to such Capital Commitment Interest, the original principal amount of such Investor Note and all deferred amounts of interest which from time to time comprise part of the principal amount of the Investor Note. A Member may prepay a portion of any outstanding principal on the Investor Notes; provided , that in the event that a Member prepays all or any portion of the principal amount of the Investor Notes within nine months prior to the date on which such Member is no longer an employee or officer of Holdings or an Affiliate thereof, the Company (or its designee) shall have the right, in its sole discretion, to purchase the Capital Commitment Interest that became Non-Contingent as a result of such prepayment; provided further , that the purchase price for such Capital Commitment Interest shall be determined in accordance with the determination of the purchase price of a Member's Contingent Capital Commitment Interests as set forth in paragraph (b) below. Prepayments made by a Member shall apply pro rata against all of such Member's Investor Notes; provided , that such Member may request that such prepayments be applied only to Investor Notes related to BCE Investments that are related to one or more Blackstone Collateral Entities specified by such Member. Except as expressly provided herein, Capital Commitment Interests that were not financed in any respect with Investor Notes shall be treated as Non-Contingent Capital Commitment Interests.

(b) Upon a Member ceasing to be an officer or employee of the Company or any of its Affiliates, other than as a result of such Member dying or suffering a Total Disability, such Member (the " Withdrawn Member ") and the Company or any other person designated by the Managing Member shall each have the right (exercisable by the Withdrawn Member within 30 days and by the Company or its designee(s) within 45 days of such Member's ceasing to be such an officer or employee) or any time thereafter, upon 30 days notice, but not the obligation, to require the Company, subject to the LLC Act, to buy (in the case of exercise of such right by such Withdrawn Member) or the Withdrawn Member to sell (in the case of exercise of such right by the Company or its designee(s)) all (but not less than all) such Withdrawn Member's Contingent Capital Commitment Interests. The purchase price for each such Contingent Capital Commitment Interest will be an amount equal to (i) the outstanding principal amount of the related Investor Note plus accrued interest thereon to the date of purchase (such portion of the purchase price to be made in cash) and (ii) an additional amount (the " Adjustment Amount ") equal to (x) all interest paid by the Member on the portion of the principal amount of the Investor Note relating to the portion of the related Capital Commitment Interest remaining Contingent plus (y) all Capital Commitment Net Losses allocated to the Withdrawn Member on the Contingent portion of such Capital Commitment Interest minus (z) all Capital Commitment Net Income allocated to the Withdrawn Member on the Contingent portion of such Capital Commitment Interest; provided , that, if the Withdrawn Member was terminated from employment or his position as an officer for Cause, the amounts referred to in clause (x) or (y) of the Adjustment Amount, in the Managing Member's sole discretion, may be deemed to equal zero. The Adjustment Amount shall, if positive, be payable by the holders of the purchased Capital Commitment Interests to the Withdrawn Member from the next Capital Commitment Net Income received by such holders on the Contingent portion of such Withdrawn Member's Capital Commitment Interests at the time such Capital Commitment Net Income is received. If the Adjustment Amount resulting from an exchange is negative, it shall be payable to the holders of the purchased Capital Commitment Interest by the Withdrawn Member at the time such Capital Commitment Net Income is received by the Withdrawn

Member from the next Capital Commitment Net Income on the Non-Contingent portion of the Withdrawn Member's Capital Commitment Interests or, if the Company or its designee(s) elect to purchase such Withdrawn Member's Non-Contingent Capital Commitment Interests, in cash by the Withdrawn Member at the time of such purchase; provided , that the Company and its Affiliates may offset any amounts otherwise owing to a Withdrawn Member against any Adjustment Amount owed by such Withdrawn Member. Until so paid, such remaining Adjustment Amount will not itself bear interest. At the time of such purchase of the Withdrawn Member's Contingent Capital Commitment Interests, his related Investor Note shall be payable in full. If neither the Withdrawn Member nor the Company nor its designee(s) exercise the right to require repurchase of such Contingent Capital Commitment Interests, then the Withdrawn Member shall retain the Contingent portion of his Capital Commitment Interests and the Investor Notes shall remain outstanding, shall become fully recourse to the Withdrawn Member in his individual capacity, shall be payable in accordance with their remaining original maturity schedules and shall be prepayable at any time by the Withdrawn Member at his option, and the Company shall apply such prepayments against outstanding Investor Notes on a pro rata basis. To the extent that another Member purchases a portion of a Capital Commitment Interest of a Withdrawn Member, the purchasing Member's Capital Commitment Capital Account and Capital Commitment Profit Sharing Percentage for such Capital Commitment Investment shall be correspondingly increased.

(c) Upon the occurrence of a Final Event with respect to any Member, such Member shall thereupon cease to be a Member with respect to such Member's Capital Commitment Member Interest. If such a Final Event shall occur, no Successor in Interest to any such Member shall for any purpose hereof become or be deemed to become a Member. The sole right, as against the Company and the remaining Members, acquired hereunder by, or resulting hereunder to, a Successor in Interest to any Member shall be to receive any distributions and allocations with respect to such Member's Capital Commitment Member Interest pursuant to Article VII and this Article VIII, subject to the right of the Company to purchase the Capital Commitment Interests of such former Member pursuant to Section 8.1(b) or Section 8.1(d)) to the extent, at the time, in the manner and in the amount otherwise payable to such Member had such a Final Event not occurred, and no other right shall be acquired hereunder by, or shall result hereunder to, a Successor in Interest to such Member, whether by operation of law or otherwise. Until distribution of any such Member's interest in the Company upon the dissolution of the Company as provided in Section 9.2, neither his Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption without the consent of the Managing Member. The Company shall be entitled to treat any Successor in Interest to such Member as the only person entitled to receive distributions and allocations hereunder with respect to such Member's Capital Commitment Member Interest.

(d) If a Member dies or suffers a Total Disability, all Contingent Capital Commitment Interests of such Member shall be purchased by the Company or its designee (within 30 days of the first date on which the Company knows or has reason to know of such Member's death or Total Disability) as provided in Section 8.1(b) (except that any Adjustment Amount shall be payable by or to the estate or personal representative in cash) and any Investor Notes financing such Contingent Capital Commitment Interests shall thereupon be prepaid as provided in Section 8.1(b). In addition, in the case of the death or Total Disability of a

Member, if the estate or personal representative of such Member so requests in writing within 180 days of the Member's death or ceasing to be an employee or member (directly or indirectly) of the Company or any of its Affiliates by reason of Total Disability (such requests shall not exceed one per calendar year), the Company or its designee may but is not obligated to purchase for cash all (but not less than all) Non-Contingent Capital Commitment Interests of such Member as of the last day of the Company's then current fiscal year at a price equal to the Capital Commitment Value thereof. Each Member shall be required to include appropriate provisions in his will to reflect such provisions of this Agreement. In addition, the Company may, in the sole discretion of the Managing Member, upon notice to the estate or personal representative of such Member within 30 days of the first date on which the Company knows or has reason to know of such Member's death or Total Disability, determine either (i) to distribute Securities or other property to the estate or personal representative in exchange for such Non-Contingent Capital Commitment Interests as provided in Section 8.1(e) or (ii) to require sale of such Non-Contingent Capital Commitment Interests to the Company or its designee as of the last day of any fiscal year of the Company (or earlier period, as determined by the Managing Member in its sole discretion) for an amount in cash equal to the Capital Commitment Value thereof.

(e) In lieu of retaining a Withdrawn Member as a Member with respect to any Non-Contingent Capital Commitment Interests, the Managing Member may, in its sole discretion, by notice to such Withdrawn Member within 45 days of his ceasing to be an employee or officer of the Company or any of its Affiliates, or at any time thereafter, upon 30 days written notice, determine (1) to distribute to such Withdrawn Member the pro rata portion of the Securities or other property underlying such Withdrawn Member's Non-Contingent Capital Commitment Interests, subject to any restrictions on distributions associated with the Securities or other property, in satisfaction of his Non-Contingent Capital Commitment Interests in the Company or (2) to cause, as of the last day of any fiscal year of the Company (or earlier period, as determined by the Managing Member in its sole discretion), the Company or another person designated by the Managing Member (who may be itself another Member or another Affiliate of the Company) to purchase all (but not less than all) of such Withdrawn Member's Non-Contingent Capital Commitment Interests for a price equal to the Capital Commitment Value thereof. The Managing Member shall condition any distribution or purchase of voting Securities pursuant to paragraph (d) above or this paragraph (e) upon the Withdrawn Member's execution and delivery to the Company of an appropriate irrevocable proxy, in favor of the Company or its nominee, relating to such Securities.

(f) The Company may subsequently transfer any Unallocated Capital Commitment Interest or portion thereof which is purchased by it as described above to any other person approved by the Managing Member. In connection with such purchase or transfer or the purchase of a Capital Commitment Interest or portion thereof by the Company's designee(s), Holdings may loan all or a portion of the purchase price of the transferred or purchased Capital Commitment Interest to the Company, the transferee or the designee-purchaser(s), as applicable (excluding any of the foregoing who is an executive officer of The Blackstone Group L.P. or any of its Affiliates). To the extent that a Withdrawn Member's Capital Commitment Interests (or portions thereof) are repurchased by the Company and not transferred to or purchased by another person, all or any portion of such repurchased Capital Commitment Interests may, in the sole discretion of the Managing Member, (i) be

allocated to each Member already participating in the Capital Commitment Investment to which the repurchased Capital Commitment Interest relates, (ii) be allocated to each Member in the Company, whether or not already participating in such Capital Commitment Investment, and/or (iii) continue to be held by the Company itself as an unallocated Capital Commitment Investment (such Capital Commitment Interests being herein called " Unallocated Capital Commitment Interests "). To the extent that a Capital Commitment Interest is allocated to Members as provided in clause (i) and/or (ii) above, any indebtedness incurred by the Company to finance such repurchase shall also be allocated to such Members. All such Capital Commitment Interests allocated to Members shall be deemed to be Contingent and shall become Non-Contingent as and to the extent that the principal amount of such related indebtedness is repaid. The Members receiving such allocations shall be responsible for such related indebtedness only on a nonrecourse basis to the extent appropriate as provided in this Agreement, except as such Members and the Managing Member shall otherwise agree. If the indebtedness financing such repurchased interests is not so limited, the Company may require an assumption by the Members of such indebtedness on the terms thereof as a precondition to allocation of the related Capital Commitment Interests to such Members; provided , that a Member shall not, except as set forth in his Investor Note, be obligated to accept any personally recourse obligation unless his prior consent is obtained. So long as the Company itself retains the Unallocated Capital Commitment Interests pursuant to clause (iii) above, such Unallocated Capital Commitment Interests shall belong to the Company and any indebtedness financing the Unallocated Capital Commitment Interests shall be an obligation of the Company to which all income of the Company is subject except as otherwise agreed by the lender of such indebtedness. Any Capital Commitment Net Income (Loss) on an Unallocated Capital Commitment Interest shall be allocated to each Member in the proportion his aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Members; debt service on such related financing will be an expense of the Company allocable to all Members in such proportions.

(g) If a Member is required to Withdraw from the Company with respect to such Member's Capital Commitment Member Interest for Cause, then his Capital Commitment Interest shall be settled in accordance with paragraphs (a)-(f) and (j) of this Section 8.1; provided , that if such Member was not at any time a direct member of Blackstone Family GP L.L.C., the Managing Member may elect (but shall not be required) to apply any or all the following terms and conditions to such settlement:

(i) purchase for cash all of such Withdrawn Member's Non-Contingent Capital Commitment Interests. The purchase price for each such Non-Contingent Capital Commitment Interest shall be the lower of (A) the original cost of such Non-Contingent Capital Commitment Interest or (B) an amount equal to the Capital Commitment Value thereof;

(ii) allow the Withdrawn Member to retain such Non- Contingent Capital Commitment Interests; provided , that the maximum amount of Capital Commitment Net Income allocable to such Withdrawn Member with respect to any Capital Commitment Investment shall equal the amount of Capital Commitment Net Income that would have been allocated to such Withdrawn Member if such Capital Commitment Investment had been sold as of the Settlement Date at the then prevailing Capital Commitment Value thereof; or

(iii) in lieu of cash, purchase such Non-Contingent Capital Commitment Interests by providing the Withdrawn Member with a promissory note in the amount determined in (i) above. Such promissory note shall have a maximum term of ten (10) years with interest at the Federal Funds Rate.

(h) The Company will assist a Withdrawn Member or his estate or guardian, as the case may be, in the settlement of the Withdrawn Member's Capital Commitment Member Interest in the Company. Third party costs incurred by the Company in providing this assistance will be borne by the Withdrawn Member or his estate.

(i) The Company may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Members or their estates or guardians, as referred to above. In such instances, the Company will obtain the prior approval of a Withdrawn Member or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Member (or his estate or guardian) declines to incur such costs, the Company will provide such reasonable assistance as and when it can so as not to interfere with the Company's day-to-day operating, financial, tax and other related responsibilities to the Company and the Members.

(j) Each Member hereby irrevocably appoints the Managing Member as such Member's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file, on behalf of such Member, any and all agreements, instruments, documents and certificates which such Managing Member deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in this Section 8.1, including, without limitation, the performance of any obligation of such Member or the Company or the exercise of any right of such Member or the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Company of any Member for any reason and shall not be affected by the death, disability or incapacity of such Member.

8.2. Transfer of Member's Capital Commitment Interest . Except as otherwise agreed by the Managing Member, no Member or former Member shall have the right to sell, assign, mortgage, pledge or otherwise dispose of or transfer (" Transfer ") all or part of any such Member's Capital Commitment Member Interest in the Company; provided , that this Section 8.2 shall in no way impair Transfers (i) as permitted in Section 8.1 above, in the case of the purchase of a Withdrawn Member's or deceased or Totally Disabled Member's Capital Commitment Interests, (ii) Transfers by a Member to another Member of Non- Contingent Capital Commitment Interests, (iii) Transfers of up to 25% of a Regular Member's Capital Commitment Member Interest to an Estate Planning Vehicle and (iv) with the prior written consent of the Managing Member (which consent may be withheld without giving any reason therefor). No person acquiring an interest in the Company pursuant to this Section 8.2 shall become a Member of the Company, or acquire such Member's right to participate in the affairs of the Company, unless such person shall be admitted as a Member pursuant to Section 6.1. A Member shall not cease to be a Member of the Company upon the collateral assignment of, or the pledging or granting of a security interest in, its entire Interest in the Company in accordance with the provisions of this Agreement.

8.3. Compliance with Law . Notwithstanding any provision hereof to the contrary, no sale or Transfer of a Capital Commitment Interest in the Company may be made except in compliance with all Federal, state and other applicable laws, including Federal and state securities laws.

ARTICLE IX

DISSOLUTION

9.1. Dissolution . The Company shall be dissolved and subsequently terminated:

(a) pursuant to Section 6.6; or

(b) upon the expiration of the Term.

9.2. Final Distribution . Upon the dissolution of the Company, and following the payment of creditors of the Company and the making of provisions for the payment of any contingent, conditional or unmatured claims known to the Company as required under the LLC Act:

(a) The Members' respective interests in the Company shall be valued and settled in accordance with the procedures set forth in Section 6.5 which provide for allocations to the GP-Related Capital Accounts of the Members and distributions in accordance with the GP-Related Capital Account balances of the Members; and

(b) With respect to each Member's Capital Commitment Member Interest, an amount shall be paid to such Member in cash or Securities in an amount equal to such Member's respective Capital Commitment Liquidating Share for each Capital Commitment Investment; provided , that if the remaining assets relating to any Capital Commitment Investment shall not be equal to or exceed the aggregate Capital Commitment Liquidating Shares for such Capital Commitment Investment, to each Member in proportion to its Capital Commitment Liquidating Share for such Capital Commitment Investment; and the remaining assets of the Company related to the Members' Capital Commitment Member Interests shall be paid to the Members in cash or Securities in proportion to their respective Capital Commitment Profit Sharing Percentages for each Capital Commitment Investment from which such cash or Securities are derived.

The Managing Member shall be the liquidator. In the event that the Managing Member is unable to serve as liquidator, a liquidating trustee shall be chosen by the affirmative vote of a Majority in Interest of the Members voting at a meeting of Members (excluding Nonvoting Special Members).

9.3. Amounts Reserved Related to Capital Commitment Member Interests . (a) If there are any Securities or other property or other investments or securities related to the Members' Capital Commitment Member Interests which, in the judgment of the liquidator, cannot be sold, or properly distributed in kind in the case of dissolution, without sacrificing a significant portion of the value thereof, the value of a Member's interest in each such Security or other investment or security may be excluded from the amount distributed to the Members participating in the related Capital Commitment Investment pursuant to clause (ii) of Section 9.2(b). Any interest of a Member, including his pro rata interest in any gains, losses or distributions, in Securities or other property or other investments or securities so excluded shall not be paid or distributed until such time as the liquidator shall determine.

(b) If there is any pending transaction, contingent liability or claim by or against the Company related to the Members' Capital Commitment Member Interests as to which the interest or obligation of any Member therein cannot, in the judgment of the liquidator, be then ascertained, the value thereof or probable loss therefrom may be deducted from the amount distributable to such Member pursuant to Section 9.2(b). No amount shall be paid or charged to any such Member on account of any such transaction or claim until its final settlement or such earlier time as the liquidator shall determine. The Company may meanwhile retain from other sums due such Member in respect of such Member's Capital Commitment Member Interest an amount which the liquidator estimates to be sufficient to cover the share of such Member in any probable loss or liability on account of such transaction or claim.

(c) Upon determination by the liquidator that circumstances no longer require the exclusion of any Securities or other property or retention of sums as provided in paragraphs (a) and (b) of this Section 9.3, the liquidator shall, at the earliest practicable time, distribute as provided in Section 9.2(b) such sums or such Securities or other property or the proceeds realized from the sale of such Securities or other property to each Member from whom such sums or Securities or other property were withheld.

ARTICLE X

MISCELLANEOUS

10.1. Submission to Jurisdiction; Waiver of Jury Trial . (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York, NY, in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of paragraph (a), the Managing Member may bring, or may cause the Company to bring, on behalf of the Managing Member or the Company or on behalf of one or more Members, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Member (i) expressly consents to the application of paragraph (c) of this Section 10.1 to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Managing Member as such Member's agent for service of process in connection with any such action or proceeding and agrees that service of process upon any such agent, who shall promptly advise such Member of any such service of process, shall be deemed in every respect effective service of process upon the Member in any such action or proceeding.

(c) (i) EACH MEMBER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF 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.

10.2. Ownership and Use of the Blackstone Name . The Company acknowledges that Blackstone TM L.L.C. (" TM "), a Delaware limited liability company with a principal place of business at 345 Park Avenue, New York, New York 10154, (or its successors or assigns) is the sole and exclusive owner of the mark and name BLACKSTONE and that the ownership of, and the right to use, sell or otherwise dispose of, the firm name or any abbreviation or modification thereof which consists of or includes BLACKSTONE, shall belong exclusively to TM. The Company shall not be permitted to use the BLACKSTONE name and service mark without the prior written consent of TM. To the extent the Company is permitted to use the BLACKSTONE name and service mark, all services rendered by the Company under the BLACKSTONE mark and name will be rendered in a manner and with quality levels that are consistent with the high reputation heretofore developed for the BLACKSTONE mark by TM and its Affiliates and licensees. The Company understands that, to the extent TM hereinafter permits the Company to use the BLACKSTONE name and service mark, TM may thereafter terminate the Company's right to use BLACKSTONE at any time in TM's sole discretion by giving the Company written notice of termination. Promptly following any such termination, the Company will take all steps necessary to change its company name to one which does not include BLACKSTONE or any confusingly similar term and cease all use of BLACKSTONE or any term confusingly similar thereto as a service mark or otherwise.

10.3. Written Consent . Any action required or permitted to be taken by a vote of Members at a meeting may be taken without a meeting if a Majority in Interest of the Members consent thereto in writing.

10.4. Letter Agreements; Schedules . The Managing Member may, or may cause the Company to, enter into separate letter agreements with individual Members, officers or employees with respect to GP-Related Profit Sharing Percentages, Capital Commitment Profit Sharing Percentages, any other profit sharing agreements, benefits or any other matter (such letter agreements, the " Admission Letters "). For the avoidance of doubt, any provision of this Agreement to the contrary notwithstanding, in the event of a conflict between this Agreement, on the one hand, and a Member's Admission Letter, on the other hand, the terms and provisions of the Admission Letter of such Member shall control as between the Company and such Member. The Managing Member may from time to time execute and deliver to the Members schedules which set forth the then current capital balances, GP-Related Profit Sharing Percentages and Capital Commitment Profit Sharing Percentages of the Members and any other matters deemed appropriate by the Managing Member. Such schedules shall be for information purposes only and shall not be deemed to be part of this Agreement for any purpose whatsoever; provided , that this in no way limits the effectiveness of any Commitment Agreement.

10.5. Governing Law; Separability of Provisions . This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflict of laws. In particular, the Company has been formed pursuant to the LLC Act, and the rights and liabilities of the Members shall be as provided therein, except as herein otherwise expressly provided. If any provision of this Agreement shall be held to be invalid, such provision shall be given its meaning to the maximum extent permitted by law and the remainder of this Agreement shall not be affected thereby.

10.6. Successors and Assigns . This Agreement shall be binding upon and shall, subject to the penultimate sentence of Section 6.3 (a), inure to the benefit of the parties hereto, their respective heirs and personal representatives, and any successor to a trustee of a trust which is or becomes a party hereto; provided , that no person claiming by, through or under a Member

(whether such Member's heir, personal representative or otherwise), as distinct from such Member itself, shall have any rights as, or in respect to, a Member (including the right to approve or vote on any matter or to notice thereof) except the right to receive only those distributions expressly payable to such person pursuant to Articles VI and VIII. Any Member or Withdrawn Member shall remain liable for the obligations under this Agreement (including any Net GP-Related Recontribution Amounts and any Capital Commitment Recontribution Amounts) of any transferee of all or any portion of such Member's or Withdrawn Member's interest in the Company, unless waived by the Managing Member. The Company shall, if the Managing Member determines, in its good faith judgment, based on the standards set forth in Sections 5.8(d)(iii) and 7.4(g), to pursue such transferee, pursue payment (including any Net GP-Related Recontribution Amounts and/or Capital Commitment Recontribution Amounts) from the transferee with respect to any such obligations. Nothing in this Agreement is intended, nor shall anything herein be construed, to confer any rights, legal or equitable, on any person other than the Members and their respective legal representatives, heirs, successors and permitted assigns.

10.7. Confidentiality . By executing this Agreement, each Member expressly agrees, at all times during the term of the Company and thereafter and whether or not at the time a Member of the Company, to maintain the confidentiality of, and not to disclose to any person other than the Company, another Member or a person designated by the Company, any information relating to the business, financial structure, financial position or financial results, clients or affairs of the Company that shall not be generally known to the public or the securities industry, except as otherwise required by law or by any regulatory or self-regulatory organization having jurisdiction; provided , that any corporate Member may disclose any such information it is required by law, rule, regulation or custom to disclose. Notwithstanding anything in this Agreement to the contrary, to comply with Treasury Regulation Section 1.6011-4(b)(3)(i), each Member (and any employee, representative or other agent of such Member) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Company, it being understood and agreed, for this purpose, (1) the name of, or any other identifying information regarding (a) the Members or any existing or future investor (or any Affiliate thereof) in any of the Members, or (b) any investment or transaction entered into by the Members; (2) any performance information relating to any of the Members or their investments; and (3) any performance or other information relating to previous funds or investments sponsored by any of the Members, does not constitute such tax treatment or tax structure information.

10.8. Notices . Whenever notice is required or permitted by this Agreement to be given, such notice shall be in writing (including telecopy or similar writing) and shall be given to any Member at its address or telecopy number shown in the Company's books and records or, if given to the Managing Member, at the address of the Company provided herein. Each such notice shall be effective (i) if given by telecopy, upon dispatch, and (ii) if given by hand delivery, when delivered to the address of such Member or Managing Member specified as aforesaid.

10.9. Counterparts . This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute a single instrument.

10.10. Power of Attorney . Each Member hereby irrevocably appoints the Managing Member as such Member's true and lawful representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file all instruments, documents and certificates which, from time to time, may be required to set forth any amendment to this Agreement or may be required by this Agreement or by the laws of the United States of America, the State of Delaware or any other state in which the Company shall determine to do business, or any political subdivision or agency thereof, to execute, implement and continue the valid and subsisting existence of the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the subsequent Withdrawal from the Company of any Member for any reason and shall not be affected by the subsequent disability or incapacity of such Member.

10.11. Member's Will . Each Member and Withdrawn Member shall include in his or her will a provision that addresses certain matters in respect of his or her obligations relating to the Company that is satisfactory to the Managing Member and each such Member and Withdrawn Member shall confirm annually to the Company, in writing, that such provision remains in his current will. Where applicable, any estate planning trust of such Member or Withdrawn Member to which a portion of such Member's or Withdrawn Member's Interest is transferred shall include a provision substantially similar to such provision and the trustee of such trust shall confirm annually to the Company, in writing, that such provision or its substantial equivalent remains in such trust. In the event any Member or Withdrawn Member fails to comply with the provisions of this Section 10.11 after the Company has notified such Member or Withdrawn Member of his failure to so comply and such failure to so comply is not cured within 30 days of such notice, the Company may withhold any and all distributions to such Member until the time at which such party complies with the requirements of this Section 10.11.

10.12. Cumulative Remedies . Rights and remedies under this Agreement are cumulative and do not preclude use of other rights and remedies available under applicable law.

10.13. Legal Fees . Except as more specifically provided herein, in the event of a legal dispute (including litigation, arbitration or mediation) between any Member or Withdrawn Member and the Company, arising in connection with any party seeking to enforce Section 4.1 (d) or any other provision of this Agreement relating to the Holdback, the Clawback Amount, the GP-Related Giveback Amount, the Capital Commitment Giveback Amount, the Net GP-Related Recontribution Amount or the Capital Commitment Recontribution Amount, the "losing" party to such dispute shall promptly reimburse the "victorious party" for all reasonable legal fees and expenses incurred in connection with such dispute (such determination to be made by the relevant adjudicator). Any amounts due under this Section 10.13 shall be paid within 30 days of the date upon which such amounts are due to be paid and such amounts remaining unpaid after such date shall accrue interest at the Default Interest Rate.

10.14. Entire Agreement . This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. Subject to Section 10.4, this Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written. In the event that it is impracticable to obtain the signature of any one or more of the Members to this Agreement, this Agreement shall be binding among the other Members executing the same.

MANAGING MEMBER:

GSO Holdings I L.L.C.

By: Blackstone Holdings I L.P., its managing member

By: Blackstone Holdings I/II GP Inc., its general partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Authorized Person

Exhibit 10.2

EXECUTION VERSION

HIGHLY CONFIDENTIAL & TRADE SECRET

BTOA L.L.C.

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

DATED AS OF FEBRUARY 15, 2012

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BTOA L.L.C.

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of BTOA L.L.C., a Delaware limited liability company (the " Company "), dated as of February 15, 2012, by and among Blackstone Holdings III L.P., a Québec société en commandite (the " Managing Member " or " Holdings "), the other members of the Company as set forth in the books and records of the Company, and such other persons that are admitted to the Company as members after the date hereof in accordance herewith.

W I T N E S S E T H

WHEREAS, the Company was formed under the LLC Act (defined below) pursuant to a certificate of formation filed in the office of the Secretary of State of the State of Delaware on February 6, 2012;

WHEREAS, the original limited liability company agreement of the Company was executed as of February 6, 2012 (the " Original Operating Agreement "); and

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

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

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

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

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

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

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

" 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 Company with respect thereto.

" Associates " means Blackstone Tactical Opportunities Associates L.L.C., a Delaware limited liability company and the general partner of BTO.

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

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

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

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

" BCOM " is 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 VI " is the collective reference to (i) Blackstone Capital Partners VI L.P., a Delaware limited partnership, and (ii) any alternative investment vehicle relating thereto and any parallel fund.

" BCTP " means (i) Blackstone Clean Technology Partners L.P., a Delaware limited partnership, and (ii) any alternative vehicle relating thereto and any parallel fund.

" BEP " means (i) Blackstone Energy Partners L.P. and Blackstone Energy Partners Q L.P., each a Delaware limited partnership, and (ii) 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 Company (which includes serving as general partner of such funds).

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

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

" BFREP " means Blackstone Real Estate Capital Associates L.P., Blackstone Real Estate Capital Associates II L.P., Blackstone Real Estate Capital Associates III L.P., Blackstone Family Real Estate Partnership L.P., Blackstone Family Real Estate Partnership II L.P., Blackstone Family Real Estate Partnership III L.P., Blackstone Family Real Estate Partnership International-A-SMD L.P., Blackstone Family Real Estate Partnership IV-SMD L.P., Blackstone Family Real Estate Partnership International II-SMD L.P., Blackstone Family Real Estate Partnership V-SMD L.P., Blackstone Family Real Estate Partnership VI-SMD L.P., Blackstone Family Real Estate Partnership VII-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 VII 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 VII, BSSF II or BSSF Europe and any other funds with substantially similar investment objectives to BREP VII, BSSF II or BSSF Europe and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

" Blackstone Commitment " has the meaning set forth in the BTO Partnership Agreement.

" Blackstone Co-Investment Rights " has the meaning set forth in the BTO Partnership Agreement.

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

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

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

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

" BREP VII " means (i) Blackstone Real Estate Partners VII L.P., Blackstone Real Estate Partners VII.TE.1 L.P., Blackstone Real Estate Partners VII.TE.2 L.P. and Blackstone Real Estate Partners VII.F L.P., each a Delaware limited partnership, (ii) any other Parallel Funds or other Supplemental Capital Vehicles (each as defined in the respective partnership agreements for the partnerships referred to in clause (i) above), or (iii) any other investment vehicle established pursuant to Article 2 of the respective partnership agreements for any of the partnerships referred to in clause (i) above.

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

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

" BTO " means (i) Blackstone Tactical Opportunities Fund – A (PE) L.P., Blackstone Tactical Opportunities Fund – A (RA) L.P. and Blackstone Tactical Opportunities Fund - C L.P., each a Delaware limited partnership, (ii) any Alternative Vehicle relating thereto and any other parallel fund relating thereto, and (iii) any other limited partnership, limited liability company or other entity (in each case, whether now or hereafter established) of which Associates or the Company serves, directly or indirectly, as the general partner or managing member or in a similar capacity.

" BTO Agreements " means the collective reference to (i) the BTO Partnership Agreement and (ii) any other BTO partnership, limited liability company or other governing agreements, as each may be amended, supplemented, restated or otherwise modified from time to time.

" BTO Partnership Agreement " means the collective reference to the Amended and Restated Agreement of Limited Partnership of each limited partnership named in clause (i) of the definition of "BTO," as each may be amended, supplemented, restated or otherwise modified from time to time.

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

" Capital Commitment BTO Commitment " means the Capital Commitment (as defined in the BTO Partnership Agreement), if any, of the Company or Associates to BTO that relates solely to the Capital Commitment BTO Interest, if any.

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

" Capital Commitment BTO Investment " means the Company's interest in a specific investment of BTO, which interest may be held by the Company (i) through the Company's direct interest in BTO through the Company's Capital Commitment BTO Interest, if the Company holds the Capital Commitment BTO Interest, or (ii) through the Company's interest in Associates and Associates' interest in BTO through Associates' Capital Commitment BTO Interest, if Associates holds the Capital Commitment BTO Interest.

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

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

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

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

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

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

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

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

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

" Capital Commitment Investment " means any Capital Commitment BTO Investment, but shall exclude any GP-Related Investment.

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

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

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

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

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

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

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

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

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

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

" Carried Interest " means (i) "Carried Interest" as defined in the BTO Partnership Agreement, and (ii) any other carried interest distribution to a Fund GP pursuant to any BTO Agreement. In the case of each of (i) and (ii) above, except as determined by the Managing Member, the amount shall not be less any costs, fees and expenses of the Company with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Company that are anticipated with respect thereto (in each case which the Managing Member may allocate 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 Member or Withdrawn Member, subject to Section 5.8(e), the percentage determined by dividing (A) the aggregate amount of distributions received by such Member or Withdrawn Member from the Company or any Other Fund GPs in respect of Carried Interest by (B) the aggregate amount of distributions made to all Members, Withdrawn Members or any other person by the Company or any Other Fund GP in respect of Carried Interest. For purposes of determining any "Carried Interest Give Back Percentage" hereunder, all Trust Amounts contributed to the Trust by the Company or any Other Fund GPs on behalf of a Member or Withdrawn Member (but not the Trust Income thereon) shall be deemed to have been initially distributed or paid to the Members and Withdrawn Members as members, partners or other equity owners of the Company or any of the Other Fund GPs.

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

" Cause " means the occurrence or existence of any of the following with respect to any Member, as determined fairly, reasonably, on an informed basis and in good faith by the Managing Member: (i) (w) any breach by any Member of any provision of any non-competition agreement, (x) any material breach of this Agreement or any rules or regulations applicable to such Member that are established by the Managing Member, (y) such Member's deliberate failure to perform his or her duties to the Company or any of its Affiliates, or (z) such Member's committing to or engaging in any conduct or behavior that is or may be harmful to the Company or any of its Affiliates in a material way as determined by the Managing Member; *provided*, that in the case of any of the foregoing clauses (w), (x), (y) and (z), the Managing Member has given such Member written notice (a " Notice of Breach ") within fifteen days after the Managing Member becomes aware of such action and such Member fails to cure such breach, failure to perform or conduct or behavior within fifteen days after receipt of such Notice of Breach from the Managing Member (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure, provided that such Member is diligently pursuing such cure); (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Company or any of its Affiliates; or (iii) conviction (on the basis of a trial or by an accepted plea of guilty or *nolo contendere*) of a felony or crime (including any misdemeanor charge involving moral turpitude, false statements or misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery), or a determination by a court of competent jurisdiction, by a regulatory body or by a self-regulatory body having authority with respect to securities laws, rules or regulations of the applicable securities industry, that such Member individually has violated any applicable securities laws or any rules or regulations thereunder, or any rules of any such self-regulatory body (including, without limitation, any licensing requirement), if such conviction or determination has a material adverse effect on (A) such Member's ability to function as a Member of the Company, taking into account the services required of such Member and the nature of the business of the Company and its Affiliates or (B) the business of the Company and its Affiliates.

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

" Clawback Amount " means the "Clawback Amount" and (to the extent applicable to any limited partnership, limited liability company or other entity named or referred to in the definition of "BTO") the "Interim Clawback Amount," each as defined in the BTO Partnership Agreement, and any other clawback amount payable pursuant to any BTO Agreement, as applicable.

" Clawback Provisions " means Sections 3.5 and 9.4 of the BTO Partnership Agreement and any other similar provisions in any other BTO Agreement existing heretofore or hereafter entered into.

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

" Commitment Agreements " means the agreements between the Company or an Affiliate thereof and Members, pursuant to which each Member undertakes certain obligations, including the obligation to make capital contributions pursuant to Sections 4.1 and/or 7.1. Each Commitment Agreement is hereby incorporated by reference as between the Company and the relevant Member.

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

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

The term " control " when used with reference to any person means the power to direct the management and policies of such person, directly or indirectly, by or through stock or other equity ownership, agency or otherwise, or pursuant to or in connection with an agreement, arrangement or understanding (written or oral) with one or more other persons by or through stock 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 Member " means any Member or Withdrawn Member who has died or who suffers from Incompetence. For purposes hereof, references to a Deceased Member shall refer collectively to the Deceased Member and the estate and heirs or legal representative of such Deceased Member, as the case may be, that have received such Deceased Member's interest in the Company.

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

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

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

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

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

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

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

" Firm Advances " has the meaning set forth in Section 7.1.

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

" Firm Collateral Realization " has the meaning set forth in Section 4.1(d).

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

" Fund GP " means the Company (only with respect to the GP-Related BTO Interest) and the Other Fund GPs.

" GAAP " has the meaning specified in Section 5.1(b).

" Giveback Amount(s) " means the amount(s) payable by partners of BTO pursuant to the Giveback Provisions.

" Giveback Provisions " means Section 5.2 of the BTO Partnership Agreement and any other similar provisions in any other BTO Agreement existing heretofore or hereafter entered into.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

" GP-Related Profit Sharing Percentage " means the "Carried Interest Sharing Percentage" and "Non-Carried Interest Sharing Percentage" of each Member; provided that any references in this Agreement to GP-Related Profit Sharing Percentages made (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 Member; provided further that, the term "GP-Related Profit Sharing Percentage" shall not include any Capital Commitment Profit Sharing Percentage.

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

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

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

" GP-Related Unrealized Net Income (Loss) " attributable to any GP-Related BTO Investment as of any date means the GP-Related Net Income (Loss) that would be realized by the Company with respect to such GP-Related BTO Investment if BTO'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 BTO to the Company (indirectly through the general partner of BTO) pursuant to the BTO Partnership Agreement with respect to such GP-Related BTO 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 Company with respect to such GP-Related Investment if such GP-Related Investment were sold on such date for cash in an amount equal to its value on such date (determined in accordance with Section 5.1(e)).

" GSO Fund " means (i) any of GSO Capital Opportunities Fund LP, GSO Capital Opportunities Overseas Fund L.P., GSO Capital Opportunities Overseas Master Fund L.P., GSO Liquidity Partners LP, GSO Liquidity Overseas Partners LP, Blackstone / GSO Capital Solutions Fund LP, Blackstone / GSO Capital Solutions Overseas Fund L.P., Blackstone / GSO Capital Solutions Overseas Master Fund L.P., GSO Targeted Opportunity Partners LP, GSO Targeted Opportunity Overseas Partners L.P., GSO Targeted Opportunity Overseas Intermediate Partners L.P., GSO Targeted Opportunity Master Partners L.P., GSO SJ Partners LP, GSO Capital Opportunities Fund II L.P., GSO Capital Opportunities Cayman Overseas Fund II L.P. or GSO NMERB LP 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 " has the meaning set forth in the preamble hereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

" Managing Member " has the meaning specified in the preamble hereto.

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

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

" Moody's " means Moody's Investors 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, all amounts of distributions, other than Carried Interest and other than Capital Commitment Distributions, received by the Company with respect to such GP-Related Investment, less any costs, fees and expenses of the Company with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Company that are anticipated with respect thereto, in each case which the Managing Member may allocate to all or any portion of the GP-Related Investments as it may determine in good faith is appropriate.

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

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

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

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

" Other Fund GPs " means any entity (other than the Company) through which any Member or Withdrawn Member directly receives any amounts of Carried Interest and any successor thereto; provided , that this includes any other entity which has in its organizational documents a provision which indicates that it is a "Fund GP" or an "Other Fund GP"; provided further , that notwithstanding any of the foregoing, neither Holdings nor any estate planning vehicle established for the benefit of family members of any Member 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 Member Carried Interest (which shall include amounts of Capital Commitment Member Carried Interest which are not distributed or paid to a Member but are instead contributed to a trust (or similar arrangement) to satisfy any "holdback" obligation with respect thereto), and (ii) distributions from Blackstone Collateral Entities (other than the Company) to such Member.

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

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

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

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

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

" Retained Portion " has the meaning set forth in Section 7.6.

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

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

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

" SMD Agreements " means the agreements between the Company and/or one or more of its Affiliates and certain of the Members, pursuant to which each such Member undertakes certain obligations with respect to the Company and/or its Affiliates. The SMD Agreements are hereby incorporated by reference as between the Company and the relevant Member.

" Special Firm Collateral " means interests in a Qualifying Fund or other assets that have been pledged to the Trustee(s) to satisfy all or any portion of a Member's or Withdrawn Member's Holdback obligation (excluding any Excess Holdback) as more fully described in the Company's books and records.

" Special Firm Collateral Realization " has the meaning set forth in Section 4.1(d).

" Special Member " means any person shown on the books and records of the Company as a Special Member of the Company, including any Nonvoting Special Member and any Investor Special Member.

" S&P " means Standard & Poor's Ratings Group, and any successor thereto.

" Subject Investment " has the meaning set forth in Section 5.8(e).

" Subject Member " has the meaning set forth in Section 4.1(d).

" Successor in Interest " means any (i) shareholder of; (ii) trustee, custodian, receiver or other person acting in any Bankruptcy or reorganization proceeding with respect to; (iii) assignee for the benefit of the creditors of; (iv) officer, director or partner of; (v) trustee or receiver, or former officer, director or partner, or other fiduciary acting for or with respect to the dissolution, liquidation or termination of; or (vi) other executor, administrator, committee, legal representative or other successor or assign of, any Partner, whether by operation of law or otherwise.

" Total Disability " means the inability of a Member substantially to perform the services required of a Regular Member for a period of six consecutive months by reason of physical or mental illness or incapacity and whether arising out of sickness, accident or otherwise.

" Trust Account " has the meaning set forth in the Trust Agreement.

" Trust Agreement " means the Trust Agreement, dated as of the date set forth therein, as amended, supplemented, restated or otherwise modified from time to time, among the Members, the Trustee(s) and certain other persons that may receive distributions in respect of or relating to Carried Interest from time to time.

" Trust Amount " has the meaning set forth in the Trust Agreement.

" Trust Income " has the meaning set forth in the Trust Agreement.

" Trustee(s) " has the meaning set forth in the Trust Agreement.

" Unadjusted Carried Interest Distribution " has the meaning set forth in Section 5.8(e).

" Unallocated Capital Commitment Interests " has the meaning set forth in Section 8.1(f).

" Withdraw " or " Withdrawal " with respect to a Member means a Member ceasing to be a member of the Company (except as a Retaining Withdrawn Member) for any reason (including death, disability, removal, resignation or retirement, whether such is voluntary or involuntary), unless the context shall limit the type of withdrawal to a specific reason, and "Withdrawn" with respect to a Member means, as aforesaid, a Member who has ceased to be a member of the Company.

" Withdrawal Date " means the date of the Withdrawal from the Company of a Withdrawn Member.

" Withdrawn Member " means a Member whose GP-Related Member Interest or Capital Commitment Member Interest in the Company has been terminated for any reason, including the occurrence of an event specified in Section 6.2, and shall include, unless the context requires otherwise, the estate or legal representatives of any such Member.

1.2. Terms Generally . The definitions in Section 1.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, partnerships (including limited liability partnerships), companies (including limited liability companies), joint ventures, corporations, trusts, governments (or agencies or political subdivisions thereof) and other associations and entities. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

ARTICLE II

GENERAL PROVISIONS

2.1. Managing, Regular and Special Members . The Members may be Managing Members, Regular Members or Special Members (including Investor Special Members). The Managing Member as of the date hereof is Holdings, the Regular Members as of the date hereof are those persons shown as Regular Members in the books and records of the Company, and the Special Members as of the date hereof are persons shown as Special Members in the books and records of the Company. The books and records of the Company contain the GP-Related Profit Sharing Percentage and GP-Related Commitment of each such Member with respect to the GP-Related Investments of the Company as of the date hereof. The books and records of the Company contain the Capital Commitment Profit Sharing Percentage and Capital Commitment-Related Commitment of each such Member with respect to the Capital Commitment Investments of the Company as of the date hereof. The books and records of the Company shall be amended by the Managing Member from time to time to reflect additional GP-Related

Investments, additional Capital Commitment Investments, dispositions by the Company of GP-Related Investments, dispositions by the Company of Capital Commitment Investments, the GP-Related Profit Sharing Percentages of the Members, as modified from time to time, the Capital Commitment Profit Sharing Percentages of the Members, as modified from time to time, the admission and withdrawal of Members and the transfer or assignment of interests in the Company pursuant to the terms of this Agreement. At the time of admission of each additional Member, the Managing Member shall determine in its sole discretion the GP-Related Investments and Capital Commitment Investments in which such Member shall participate and such Member's GP-Related Commitment, Capital Commitment-Related Commitment, GP-Related Profit Sharing Percentage with respect to each such GP-Related Investment and Capital Commitment Profit Sharing Percentage with respect to each such Capital Commitment Investment. Each Member may have a GP-Related Member Interest and/or a Capital Commitment Member Interest.

2.2. Formation; Name; Foreign Jurisdictions . The Company is hereby continued as a limited liability company pursuant to the LLC Act and shall conduct its activities on and after the date hereof under the name of BTOA L.L.C. The certificate of formation of the Company may be amended and/or restated from time to time by the Managing Member, as an "authorized person" (within the meaning of the LLC Act). The Managing Member is further authorized to execute and deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

2.3. Term . The term of the Company shall continue until December 31, 2062, unless earlier dissolved and its affairs wound up in accordance with this Agreement.

2.4. Purposes; Powers . (a) The purposes of the Company shall be, directly or indirectly through subsidiaries or Affiliates:

(i) to serve as a member, the sole member and the managing member of Associates and perform the functions of a member, the sole member and the managing member of Associates specified in the Associates LLC Agreement and, if applicable, the BTO Agreements,

(ii) if applicable, to serve as, and hold the Capital Commitment BTO Interest as, a capital partner of BTO and perform the functions of a capital partner of BTO specified in the BTO Agreements,

(iii) to invest in Capital Commitment Investments and/or GP-Related Investments and acquire and invest in Securities or other property (directly or indirectly through Associates and/or BTO,

(iv) to make the Blackstone Commitment or a portion thereof, either directly or indirectly through Associates,

(v) to serve as a general partner or limited partner of other partnerships and perform the functions of a general partner or limited partner specified in the respective partnership agreements, as amended, supplemented, restated or otherwise modified from time to time, of any such partnership,

(vi) to serve as a member of limited liability companies and perform the functions of a member specified in the respective limited liability company agreements, as amended, supplemented, restated or otherwise modified from time to time, of any such limited liability company,

(vii) to carry on such other businesses, perform such other services and make such other investments as are deemed desirable by the Managing Member and as are permitted under the LLC Act, the Associates LLC Agreement, the BTO Agreements, and the respective partnership agreement of any partnership referred to in clause (v) above and the respective limited liability company agreement of any limited liability company referred to in clause (vi) above, in the case of each of the foregoing, as amended, supplemented, restated or otherwise modified from time to time,

(viii) any other lawful purpose, and

(ix) to do all things necessary, desirable, convenient or incidental thereto.

(b) In furtherance of its purposes, the Company shall have all powers necessary, suitable or convenient for the accomplishment of its purposes, alone or with others, as principal or agent, including the following:

(i) to be and become a general or limited partner of partnerships, a member of limited liability companies, a holder of common and preferred stock of corporations and/or an investor in the foregoing entities or other entities, in connection with the making of Investments or the acquisition, holding or disposition of Securities or other property or as otherwise deemed appropriate by the Managing Member in the conduct of the Company's business, and to take any action in connection therewith;

(ii) to acquire and invest in general or limited partner interests, in limited liability company interests, in common and preferred stock of corporations and/or in other interests in or obligations of the foregoing entities or other entities and in Investments and Securities or other property or direct or indirect interests therein, whether such Investments and Securities or other property are readily marketable or not, and to receive, hold, sell, dispose of or otherwise transfer any such partner interests, limited liability company interests, stock, interests, obligations, Investments or Securities or other property and any dividends and distributions thereon and to purchase and sell, on margin, and be long or short, futures contracts and to purchase and sell, and be long or short, options on futures contracts;

(iii) to buy, sell and otherwise acquire investments, whether such investments are readily marketable or not;

(iv) to invest and reinvest the cash assets of the Company in money-market or other short-term investments;

(v) to hold, receive, mortgage, pledge, lease, transfer, exchange or otherwise dispose of, grant options with respect to, and otherwise deal in and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to, all property held or owned by the Company;

(vi) to borrow or raise money from time to time and to issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and non-negotiable instruments and evidences of indebtedness, to secure payment of the principal of any such indebtedness and the interest thereon by mortgage, pledge, conveyance or assignment in trust of, or the granting of a security interest in, the whole or any part of the property of the Company, whether at the time owned or thereafter acquired, to guarantee the obligations of others and to buy, sell, pledge or otherwise dispose of any such instrument or evidence of indebtedness;

(vii) to lend any of its property or funds, either with or without security, at any legal rate of interest or without interest;

(viii) to have and maintain one or more offices within or without the State of Delaware, and in connection therewith, to rent or acquire office space, engage personnel and compensate them and do such other acts and things as may be advisable or necessary in connection with the maintenance of such office or offices;

(ix) to open, maintain and close accounts, including margin accounts, with brokers;

(x) to open, maintain and close bank accounts and draw checks and other orders for the payment of moneys;

(xi) to engage accountants, auditors, custodians, investment advisers, attorneys and any and all other agents and assistants, both professional and nonprofessional, and to compensate any of them as may be necessary or advisable;

(xii) to form or cause to be formed and to own the stock of one or more corporations, whether foreign or domestic, to form or cause to be formed and to participate in partnerships and joint ventures, whether foreign or domestic and to form or cause to be formed and be a member or manager or both of one or more limited liability companies;

(xiii) to enter into, make and perform all contracts, agreements and other undertakings as may be necessary, convenient, advisable or incident to carrying out its purposes;

(xiv) to sue and be sued, to prosecute, settle or compromise all claims against third parties, to compromise, settle or accept judgment to claims against the Company, and to execute all documents and make all representations, admissions and waivers in connection therewith;

(xv) to distribute, subject to the terms of this Agreement, at any time and from time to time to the Members cash or investments or other property of the Company, or any combination thereof; and

(xvi) to take such other actions necessary, desirable, convenient or incidental thereto and to engage in such other businesses as may be permitted under Delaware law.

2.5. Place of Business . The Company shall maintain a registered office at The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Company shall maintain an office and principal place of business at such place or places as the Managing Member specifies from time to time and as set forth in the books and records of the Company. The name and address of the Company's registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Managing Member may from time to time change the registered agent or office by an amendment to the certificate of formation of the Company.

ARTICLE III

MANAGEMENT

3.1. Managing Member . (a) Holdings shall be an original managing member (the " Managing Member "). The Managing Member shall cease to be the Managing Member only if (i) it Withdraws from the Company for any reason, (ii) it consents in its sole discretion to resign as the Managing Member, or (iii) a Final Event with respect to it occurs. The Managing Member may not be removed without its consent. There may be one or more Managing Members. In the event that one or more other Managing Members is admitted to the Company as such, all references herein to the "Managing Member" in the singular form shall be deemed to also refer to such other Managing Members as may be appropriate. The relative rights and responsibilities of such Managing Members will be as agreed upon from time to time between them.

(b) Upon the Withdrawal from the Company or voluntary resignation of the last remaining Managing Member, all of the powers formerly vested therein pursuant to this Agreement and the LLC Act shall be exercised by a Majority in Interest of the Members.

3.2. Member Voting, etc . (a) Except as otherwise expressly provided herein and except as may be expressly required by the LLC Act, Members (including Special Members), other than Managing Members, as such shall have no right to, and shall not, take part in the management or control of the Company's business or act for or bind the Company, and shall have only the rights and powers granted to Members of the applicable class herein.

(b) To the extent a Member is entitled to vote with respect to any matter relating to the Company, such Member shall not be obligated to abstain from voting on any matter (or vote in any particular manner) because of any interest (or conflict of interest) of such Member (or any Affiliate thereof) in such matter.

(c) Meetings of the Members may be called only by the Managing Member.

3.3. Management . (a) The management, control and operation of the Company and the formulation and execution of business and investment policy shall be vested in the Managing Member. The Managing Member shall, in its discretion, exercise all powers necessary and convenient for the purposes of the Company, including those enumerated in Section 2.4, on behalf and in the name of the Company. All decisions and determinations (howsoever described herein) to be made by the Managing Member pursuant to this Agreement shall be made in its sole discretion, subject only to the express terms and conditions of this Agreement.

(b) Notwithstanding any provision in this Agreement to the contrary, the Company is hereby authorized, without the need for any further act, vote or consent of any person (directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member and/or managing member of Associates on Associates' own behalf or in Associates' capacity as general partner, capital partner and/or limited partner of BTO or as general or limited partner, member or other equity owner of any Company Affiliate (as hereinafter defined) or, if applicable, in the Company's capacity as a capital partner of BTO or as general or limited partner, member or other equity owner of any Company Affiliate): (i) to execute and deliver, and to perform the Company's obligations under, any limited liability company agreement of Associates (including, without limitation, the Associates LLC Agreement), including, without limitation, serving as a member, the sole member and the managing member of Associates, (ii) to execute and deliver, and to cause Associates to perform Associates' obligations under, the BTO Agreements, including, without limitation, serving as a general partner of BTO and, if applicable, a capital partner of BTO, (iii) if applicable, to execute and deliver, and to perform the Company's obligations under, the BTO Agreements, including, without limitation, serving as a capital partner of BTO, (iv) to execute and deliver, and to perform, or, if applicable, to cause Associates to perform, the Company's or Associates' obligations under, the governing agreement, as amended, supplemented, restated or otherwise modified (each a " Company Affiliate Governing Agreement "), of any other partnership, limited liability company or other entity (each a " Company Affiliate ") of which the Company or Associates is, or is to become, a general or limited partner, member or other equity owner, including, without limitation, serving as a general or limited partner, member or other equity owner of each Company Affiliate, and (iv) to take any action, in the applicable capacity, contemplated by or arising out of this Agreement, any limited liability company agreement of Associates (including, without limitation, the Associates LLC Agreement), the BTO Agreements or each Company Affiliate Governing Agreement (and any amendment, supplement, restatement and/or other modification of any of the foregoing).

(c) The Managing Member and any other person designated by the Managing Member, each acting individually, is hereby authorized and empowered, as an authorized person of the Company within the meaning of the LLC Act, or otherwise, or as an authorized representative of the Managing Member (the Managing Member hereby authorizing and ratifying any of the following actions):

(i) to execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member and/or managing member of Associates on Associates' own behalf or in Associates' capacity as general partner,

capital partner and/or limited partner of BTO or as general or limited partner, member or other equity owner of any Company Affiliate (as hereinafter defined) or, if applicable, in the Company's capacity as a capital partner of BTO or as general or limited partner, member or other equity owner of any Company Affiliate), any of the following:

(A) any agreement, certificate, instrument or other document of the Company, Associates, BTO or any Company Affiliate (and any amendments, supplements, restatements and/or other modifications thereof), including, without limitation, the following: (I) any limited liability company agreement of Associates (including, without limitation, the Associates LLC Agreement), the BTO Agreements and each Company Affiliate Governing Agreement, (II) Subscription Agreements on behalf of BTO or Associates, (III) side letters issued in connection with investments in BTO, and (IV) such other agreements, certificates, instruments and other documents as may be necessary or desirable in furtherance of the purposes of Company, Associates, BTO or any Company Affiliate (and any amendments, supplements, restatements and/or other modifications of any of the foregoing referred to in (I) through (IV) above);

(B) the certificates of formation, certificates of limited partnership and/or other organizational documents of the Company, Associates, BTO and any Company Affiliate (and any amendments, supplements, restatements and/or other modifications of any of the foregoing); and

(C) any other certificates, notices, applications and other documents (and any amendments, supplements, restatements and/or other modifications thereof) to be filed with any government or governmental or regulatory body, including, without limitation, any such document that may be necessary for the Company, Associates, BTO or any Company Affiliate to qualify to do business in a jurisdiction in which the Company, Associates, BTO or such Company Affiliate desires to do business;

(ii) to prepare or cause to be prepared, and to sign, execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member and/or managing member of Associates on Associates' own behalf or in Associates' capacity as general partner, capital partner and/or limited partner of BTO or as general or limited partner, member or other equity owner of any Company Affiliate (as hereinafter defined) or, if applicable, in the Company's capacity as a capital partner of BTO or as general or limited partner, member or other equity owner of any Company Affiliate): (A) any certificates, forms, notices, applications and other documents to be filed with any government or governmental or regulatory body on behalf of the Company, Associates, BTO and/or any Company Affiliate, (B) any certificates, forms, notices, applications and other documents that may be necessary or advisable in connection with any bank account of the Company, Associates, BTO or any Company Affiliate or any banking facilities or services that may be utilized by the Company, Associates, BTO or any Company Affiliate, and all checks, notes, drafts and other

documents of the Company, Associates, BTO or any Company Affiliate that may be required in connection with any such bank account or banking facilities or services, (C) resolutions with respect to any of the foregoing matters (which resolutions, when executed by any person authorized as provided in this Section 3.3(c), each acting individually, shall be deemed to have been adopted by the Managing Member, the Company, Associates, BTO or any Company Affiliate, as applicable, for all purposes).

The authority granted to any person (other than the Managing Member) in this Section 3.3(c) may be revoked at any time by the Managing Member by an instrument in writing signed by the Managing Member.

3.4. Responsibilities of Members . (a) Unless otherwise determined by the Managing Member in a particular case, each Regular Member shall devote substantially all his time and attention to the businesses of the Company and its Affiliates, and each Special Member shall not be required to devote any time or attention to the businesses of the Company or its Affiliates.

(b) All outside business or investment activities of the Members (including outside directorships or trusteeships) shall be subject to such rules and regulations as are established by the Managing Member from time to time.

(c) The Managing Member may from time to time establish such other rules and regulations applicable to Members or other employees as the Managing Member deems appropriate, including rules governing the authority of Members or other employees to bind the Company to financial commitments or other obligations.

3.5. Exculpation and Indemnification . (a) Liability to Members . Notwithstanding any other provision of this Agreement, whether express or implied, to the fullest extent permitted by law, no Member nor any of such Member's representatives, agents or advisors nor any partner, member, officer, employee, representative, agent or advisor of the Company or any of its Affiliates (individually, a " Covered Person " and collectively, the " Covered Persons ") shall be liable to the Company or any other Member for any act or omission (in relation to the Company, this Agreement, any related document or any transaction or investment contemplated hereby or thereby) taken or omitted by a Covered Person (other than any act or omission constituting Cause), unless there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interests of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful. Each Covered Person shall be entitled to rely in good faith on the advice of legal counsel to the Company, accountants and other experts or professional advisors, and no action taken by any Covered Person in reliance on such advice shall in any event subject such person to any liability to any Member or the Company. To the extent that, at law or in equity, a Member has duties (including fiduciary duties) and liabilities relating thereto to the Company or to another Member, to the fullest extent permitted by law, such Member acting under this Agreement shall not be liable to the Company or to any such other Member for its good faith reliance on the provisions of this Agreement. The provisions of

this Agreement, to the extent that they expand or restrict the duties and liabilities of a Member otherwise existing at law or in equity, are agreed by the Members, to the fullest extent permitted by law, to modify to that extent such other duties and liabilities of such Member.

(b) Indemnification . (i) To the fullest extent permitted by law, the Company shall indemnify and hold harmless (but only to the extent of the Company's assets (including, without limitation, the remaining capital commitments of the Members) each Covered Person from and against any and all claims, damages, losses, costs, expenses and liabilities (including, without limitation, amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim), joint and several, of any nature whatsoever, known or unknown, liquidated or unliquidated (collectively, for purposes of this Section 3.5, " Losses "), arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of such Covered Person's management of the affairs of the Company or which relate to or arise out of or in connection with the Company, its property, its business or affairs (other than claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising out of any act or omission of such Covered Person constituting Cause); provided , that a Covered Person shall not be entitled to indemnification under this Section with respect to any claim, issue or matter if there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interest of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful; provided further , that if such Covered Person is a Member or a Withdrawn Member, such Covered Person shall bear its share of such Losses in accordance with such Covered Person's GP-Related Profit Sharing Percentage in the Company as of the time of the actions or omissions that gave rise to such Losses. To the fullest extent permitted by law, expenses (including legal fees) incurred by a Covered Person (including, without limitation, the Managing Member) in defending any claim, demand, action, suit or proceeding may, with the approval of the Managing Member, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of a written undertaking by or on behalf of the Covered Person to repay such amount to the extent that it shall be subsequently determined that the Covered Person is not entitled to be indemnified as authorized in this Section, and the Company and its Affiliates shall have a continuing right of offset against such Covered Person's interests/investments in the Company and such Affiliates and shall have the right to withhold amounts otherwise distributable to such Covered Person to satisfy such repayment obligation. If a Member institutes litigation against a Covered Person which gives rise to an indemnity obligation hereunder, such Member shall be responsible, up to the amount of such Member's Interests and remaining capital commitment, for such Member's pro rata share of the Company's expenses related to such indemnity obligation, as determined by the Managing Member. The Company may purchase insurance, to the extent available at reasonable cost, to cover losses, claims, damages or liabilities covered by the foregoing indemnification provisions. Members will not be personally obligated with respect to indemnification pursuant to this Section.

(ii) (A) Notwithstanding anything to the contrary herein, for greater certainty, it is understood and/or agreed that the Company's obligations hereunder are not intended to render the Company as a primary indemnitor for purposes of the indemnification, advancement of expenses and related provisions under applicable law governing BTO 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 entity and/or BTO, second by the applicable portfolio entity through which such investment is indirectly held, third by BTO and fourth by Associates (only to the extent the foregoing sources are exhausted).

(B) The Company'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 BTO and/or the applicable portfolio entity (including by virtue of any applicable insurance policies maintained thereby), and to the extent the Company (or any Affiliate thereof) pays or causes to be paid any amounts that should have been paid by Associates, BTO and/or the applicable portfolio entity (including by virtue of any applicable insurance policies maintained thereby), it is agreed among the Partners that the Company shall have a subrogation claim against Associates and/or BTO and/or such portfolio entity in respect of such advancement or payments. The Managing Member and the Company shall be specifically empowered to structure any such advancement or payment as a loan or other arrangement (except for a loan to an executive officer of The Blackstone Group L.P. or any of its Affiliates, which shall not be permitted) as the Managing Member may determine necessary or advisable to give effect to or otherwise implement the foregoing.

3.6. Representations of Members . (a) Each Regular or Special Member by execution of this Agreement (or by otherwise becoming bound by the terms and conditions hereof as provided herein or in the LLC Act) represents and warrants to every other Member and to the Company, except as may be waived by the Managing Member, that such Member is acquiring each of such Member's Interests for such Member's own account for investment and not with a view to resell or distribute the same or any part hereof, and that no other person has any interest in any such Interest or in the rights of such Member hereunder; *provided*, that a Member may choose to make transfers for estate and charitable planning purposes (in accordance with the terms hereof). Each Regular or Special Member represents and warrants that such Member understands that the Interests have not been registered under the Securities Act of 1933 and therefore such Interests may not be resold without registration under such Act or exemption from such registration, and that accordingly such Member must bear the economic risk of an investment in the Company for an indefinite period of time. Each Regular or Special Member represents that such Member has such knowledge and experience in financial and business matters, that such Member is capable of evaluating the merits and risks of an investment in the Company, and that such Member is able to bear the economic risk of such investment. Each Regular or Special Member represents that such Member's overall commitment to the Company and other investments which are not readily marketable is not disproportionate to the Member's net worth and the Member has no need for liquidity in the Member's investment in Interests. Each Regular or Special Member represents that to the full satisfaction of the

Member, the Member has been furnished any materials that such Member has requested relating to the Company, any Investment and the offering of Interests and has been afforded the opportunity to ask questions of representatives of the Company concerning the terms and conditions of the offering of Interests and any matters pertaining to each Investment and to obtain any other additional information relating thereto. Each Regular or Special Member represents that the Member has consulted to the extent deemed appropriate by the Member with the Member's own advisers as to the financial, tax, legal and related matters concerning an investment in Interests and on that basis believes that an investment in the Interests is suitable and appropriate for the Member.

(b) Each Regular or Special Member agrees that the representations and warranties contained in paragraph (a) above shall be true and correct as of any date that such Member (1) makes a capital contribution to the Company (whether as a result of Firm Advances made to such Member or otherwise) with respect to any Investment, and such Member hereby agrees that such capital contribution shall serve as confirmation thereof and/or (2) repays any portion of the principal amount of a Firm Advance, and such Member hereby agrees that such repayment shall serve as confirmation thereof.

3.7. Tax Information . Each Regular or Special Member certifies that (A) if the Member is a United States person (as defined in the Code) (x) (i) the Member's name, social security number (or, if applicable, employer identification number) and address provided to the Company and its Affiliates pursuant to an IRS Form W-9, Payer's Request for Taxpayer Identification Number Certification (" W-9 ") or otherwise are correct and (ii) the Member will complete and return a W-9, and (y) (i) the Member is a United States person (as defined in the Code) and (ii) the Member will notify the Company within 60 days of a change to foreign (non-United States) status or (B) if the Member is not a United States person (as defined in the Code) (x) (i) the information on the completed IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (" W-8BEN ") or other applicable form, including but not limited to IRS Form W-8IMY, Certificate of Foreign Intermediary, Foreign Partnership, or Certain U.S. Branches for United States Tax Withholding (" W-8IMY "), or otherwise is correct and (ii) the Member will complete and return the applicable IRS form, including but not limited to a W-8BEN or W-8IMY, and (y) (i) the Member is not a United States person (as defined in the Code) and (ii) the Member will notify the Company within 60 days of any change of such status. The Member agrees to properly execute and provide to the Company in a timely manner any tax documentation that may be reasonably required by the Company or the Managing Member.

ARTICLE IV

CAPITAL OF THE COMPANY

4.1. Capital Contributions by Members . (a) Each Regular Member shall be required to make capital contributions to the Company (" GP-Related Capital Contributions ") at such times and in such amounts (the " GP-Related Required Amounts ") as are required to satisfy the Company's obligation to make capital contributions to Associates in respect of the GP-Related Associates Member Interest to fund Associates' capital contributions with respect to any GP-Related BTO Investment and as are otherwise determined by the Managing Member from

time to time or as may be set forth in such Regular Member's Commitment Agreement or SMD Agreement, if any; provided , that additional GP-Related Capital Contributions in excess of the GP-Related Required Amounts may be made pro rata among the Regular Members based upon each Regular Member's Carried Interest Sharing Percentage. GP-Related Capital Contributions in excess of the GP-Related Required Amounts which are to be used for ongoing business operations (as distinct from financing, legal or other specific liabilities of the Company (including those specifically set forth in Sections 4.1(d) and 5.8(d)) shall be determined by the Managing Member. Special Members shall not be required to make additional GP-Related Capital Contributions to the Company in excess of the GP-Related Required Amounts, except (i) as a condition of an increase in such Special Member's GP-Related Profit Sharing Percentage or (ii) as specifically set forth in this Agreement; provided , that the Managing Member and any Special Member may agree from time to time that such Special Member shall make an additional GP-Related Capital Contribution to the Company; provided further , that each Investor Special Member shall maintain its GP-Related Capital Accounts at an aggregate level equal to the product of (i) its GP-Related Profit Sharing Percentage from time to time and (ii) the total capital of the Company related to the GP-Related BTO Interest.

(b) Each GP-Related Capital Contribution by a Member shall be credited to the appropriate GP-Related Capital Account of such Member in accordance with Section 5.2, subject to Section 5.10.

(c) The Managing Member may elect on a case by case basis to (i) cause the Company to loan any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members who are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) the amount of any GP-Related Capital Contribution required to be made by such Member or (ii) permit any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members who are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) to make a required GP-Related Capital Contribution to the Company in installments, in each case on terms determined by the Managing Member.

(d) (i) The Members and the Withdrawn Members have entered into the Trust Agreement, pursuant to which certain amounts of Carried Interest will be paid to the Trustee(s) for deposit in the Trust Account (such amounts to be paid to the Trustee(s) for deposit in the Trust Account constituting a " Holdback "). The Managing Member shall determine, as set forth below, the percentage of each distribution of Carried Interest that shall be withheld for any Managing Member (including, without limitation, Holdings) and each Member Category (such withheld percentage constituting the Managing Member's and such Member Category's " Holdback Percentage "). The applicable Holdback Percentages initially shall be 0% for any Managing Member, 15% for Existing Members (other than the Managing Member), 21% for Retaining Withdrawn Members (other than the Managing Member) and 24% for Deceased Members (the " Initial Holdback Percentages "). Any provision of this Agreement to the contrary notwithstanding, the Holdback Percentage for the Managing Member (including, without limitation, Holdings) shall not be subject to change pursuant to clause (ii), (iii) or (iv) of this Section 4.1(d).

(ii) The Holdback Percentage may not be reduced for any individual Member as compared to the other Members in his Member Category (except as provided in clause (iv) below). The Managing Member may only reduce the Holdback Percentages among the Member Categories on a proportionate basis. For example, if the Holdback Percentage for Existing Members is decreased to 12.5%, the Holdback Percentage for Retaining Withdrawn Members and Deceased Members shall be reduced to 17.5% and 20%, respectively. Any reduction in the Holdback Percentage for any Member shall apply only to distributions relating to Carried Interest made after the date of such reduction.

(iii) The Holdback Percentage may not be increased for any individual Member as compared to the other Members in his Member Category (except as provided in clause (iv) below). The Managing Member may not increase the Retaining Withdrawn Members' Holdback Percentage beyond 21% unless the Managing Member concurrently increases the Existing Members' Holdback Percentage to 21%. The Managing Member may not increase the Deceased Members' Holdback Percentage beyond 24% unless the Managing Member increases the Holdback Percentage for both Existing Members and Retaining Withdrawn Members to 24%. The Managing Member may not increase the Holdback Percentage of any Member Category beyond 24% unless such increase applies equally to all Member Categories. Any increase in the Holdback Percentage for any Member shall apply only to distributions relating to Carried Interest made after the date of such increase. The foregoing shall in no way prevent the Managing Member from proportionately increasing the Holdback Percentage of any Member Category (following a reduction of the Holdback Percentages below the Initial Holdback Percentages), if the resulting Holdback Percentages are consistent with the above. For example, if the Managing Member reduces the Holdback Percentages for Existing Members, Retaining Withdrawn Members and Deceased Members to 12.5%, 17.5% and 20%, respectively, the Managing Member shall have the right to subsequently increase the Holdback Percentages to the Initial Holdback Percentages.

(iv) (A) Notwithstanding anything contained herein to the contrary, the Company may increase or decrease the Holdback Percentage for any Member in any Member Category (in such capacity, the " Subject Member ") pursuant to a majority vote of the Regular Members (a " Holdback Vote "); provided , that, notwithstanding anything to the contrary contained herein, the Holdback Percentage applicable to any Managing Member shall not be increased or decreased without its prior written consent; provided further , that a Subject Member's Holdback Percentage shall not be (I) increased prior to such time as such Subject Member (x) is notified by the Company of the decision to increase such Subject Member's Holdback Percentage and (y) has, if requested by such Subject Member, been given 30 days to gather and provide information to the Company for consideration before a second Holdback Vote (requested by the Subject Member) or (II) decreased unless such decrease occurs subsequent to an increase in a Subject Member's Holdback Percentage pursuant to a Holdback Vote under this clause (iv); provided further , that such decrease shall not exceed an amount such that such Subject Member's Holdback Percentage is less than the prevailing Holdback Percentage for the Member Category of such Subject

Member; provided further , that a Member shall not vote to increase a Subject Member's Holdback Percentage unless such voting Member determines, in such Member's good faith judgment, that the facts and circumstances indicate that it is reasonably likely that such Subject Member, or any of such Subject Member's successors or assigns (including such Subject Member's estate or heirs) who at the time of such vote holds the GP-Related Member Interest or otherwise has the right to receive distributions relating thereto, will not be capable of satisfying any GP-Related Recontribution Amounts that may become due.

(B) A Holdback Vote shall take place at a Company meeting. Each Regular Member shall be entitled to cast one vote with respect to the Holdback Vote regardless of such Regular Member's interest in the Company. Such vote may be cast by any Regular Member in person or by proxy.

(C) If the result of the second Holdback Vote is an increase in a Subject Member's Holdback Percentage, such Subject Member may submit the decision to an arbitrator, the identity of which is mutually agreed upon by both the Subject Member and the Company; provided , that if the Company and the Subject Member cannot agree upon a mutually satisfactory arbitrator within 10 days of the second Holdback Vote, each of the Company and the Subject Member shall request their candidate for arbitrator to select a third arbitrator satisfactory to such candidates; provided further , that if such candidates fail to agree upon a mutually satisfactory arbitrator within 30 days of such request, the then sitting President of the American Arbitration Association shall unilaterally select the arbitrator. Each Subject Member that submits the decision of the Company pursuant to the second Holdback Vote to arbitration and the Company shall estimate their reasonably projected out-of-pocket expenses relating thereto, and each such party shall, to the satisfaction of the arbitrator and prior to any determination being made by the arbitrator, pay the total of such estimated expenses (i.e., both the Subject Member's and the Company's expenses) into an escrow account to be controlled by Simpson Thacher & Bartlett LLP, as escrow agent (or such other comparable law firm as the Company and the Subject Member shall agree). The arbitrator shall direct the escrow agent to pay out of such escrow account all expenses associated with such arbitration (including costs leading thereto) and to return to the "victorious" party the entire amount of funds such party paid into such escrow account. If the amount contributed to the escrow account by the losing party is insufficient to cover the expenses of such arbitration, such "losing" party shall then provide any additional funds necessary to cover such costs to such "victorious" party. For purposes hereof, the "victorious" party shall be the Company if the Holdback Percentage ultimately determined by the arbitrator is closer to the percentage determined in the second Holdback Vote than it is to the prevailing Holdback Percentage for the Subject Member's Member Category; otherwise, the Subject Member shall be the "victorious" party. The party that is not the "victorious" party shall be the "losing" party.

(D) In the event of a decrease in a Subject Member's Holdback Percentage (1) pursuant to a Holdback Vote under this clause (iv) or (2) pursuant to a decision of an arbitrator under paragraph (C) of this clause (iv), the Company shall release and distribute to such Subject Member any Trust Amounts (and the Trust Income thereon (except as expressly provided herein with respect to using Trust Income as Firm Collateral)) which exceed the required Holdback of such Subject Member (in accordance with such Subject Member's reduced Holdback Percentage) as though such reduced Holdback Percentage had applied since the increase of the Subject Member's Holdback Percentage pursuant to a previous Holdback Vote under this clause (iv).

(v) (A) If a Member's Holdback Percentage exceeds 15% (such percentage in excess of 15% constituting the " Excess Holdback Percentage "), such Member may satisfy the portion of his Holdback obligation in respect of his Excess Holdback Percentage (such portion constituting such Member's " Excess Holdback "), and such Member (or a Withdrawn Member with respect to amounts contributed to the Trust Account while he was a Member), to the extent his Excess Holdback obligation has previously been satisfied in cash, may obtain the release of the Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) satisfying such Member's or Withdrawn Member's Excess Holdback obligation, by pledging or otherwise making available to the Company, on a first priority basis (except as provided below), all or any portion of his Firm Collateral in satisfaction of his Excess Holdback obligation. Any Member seeking to satisfy all or any portion of the Excess Holdback utilizing Firm Collateral shall sign such documents and otherwise take such other action as is necessary or appropriate (in the good faith judgment of the Managing Member) to perfect a first priority security interest in, and otherwise assure the ability of the Company to realize on (if required), such Firm Collateral; provided , that, in the case of entities listed in the Company's books and records in which Members are permitted to pledge their interests therein to finance all or a portion of their capital contributions thereto (" Pledgable Blackstone Interests "), to the extent a first priority security interest is unavailable because of an existing lien on such Firm Collateral, the Member or Withdrawn Member seeking to utilize such Firm Collateral shall grant the Company a second priority security interest therein in the manner provided above; provided further , that (x) in the case of Pledgable Blackstone Interests, to the extent that neither a first priority nor a second priority security interest is available, or (y) if the Managing Member otherwise determines in its good faith judgment that a security interest in Firm Collateral (and the corresponding documents and actions) are not necessary or appropriate, the Member or Withdrawn Member shall (in the case of either clause (x) or (y) above) irrevocably instruct in writing the relevant partnership, limited liability company or other entity listed in the Company's books and records to remit any and all net proceeds resulting from a Firm Collateral Realization on such Firm Collateral to the Trustee(s) as more fully provided in clause (B) below. The Company shall, at the request of any Member or Withdrawn Member, assist such Member or Withdrawn Member in taking such action as is necessary to enable such Member or Withdrawn Member to use Firm Collateral as provided hereunder.

(B) If upon a sale or other realization of all or any portion of any Firm Collateral (a " Firm Collateral Realization "), the remaining Firm Collateral is insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement, then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Firm Collateral Realization (including distributions subject to the repayment of financing sources as in the case of Pledgable Blackstone Interests) shall be paid into the Trust Account to fully satisfy such Excess Holdback requirement (allocated to such Member or Withdrawn Member) and shall be deemed to be Trust Amounts for purposes hereunder. Any net proceeds from such Firm Collateral Realization in excess of the amount necessary to satisfy such Excess Holdback requirement shall be distributed to such Member or Withdrawn Member.

(C) Upon any valuation or revaluation of Firm Collateral that results in a decreased valuation of such Firm Collateral so that such Firm Collateral is insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement (including upon a Firm Collateral Realization, if net proceeds therefrom and the remaining Firm Collateral are insufficient to cover any Member's or Withdrawn Member's Excess Holdback requirement), the Company shall provide notice of the foregoing to such Member or Withdrawn Member and such Member or Withdrawn Member shall, within 30 days of receiving such notice, contribute cash (or additional Firm Collateral) to the Trust Account in an amount necessary to satisfy his Excess Holdback requirement. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(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 Member or Withdrawn Member may (A) obtain the release of any Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) or Firm Collateral, in each case, held in the Trust Account for the benefit of such Member or Withdrawn Member or (B) require the Company to distribute all or any portion of amounts otherwise required to be placed in the Trust Account (whether cash or Firm Collateral), by obtaining a letter of credit (an " L/C ") for the benefit of the Trustee(s) in such amounts. Any Member or Withdrawn Member choosing to furnish an L/C to the Trustee(s) (in

such capacity, an " L/C Member ") shall deliver to the Trustee(s) an unconditional and irrevocable L/C from a commercial bank whose (x) short-term deposits are rated at least A-1 by S&P and P-1 by Moody's (if the L/C is for a term of 1 year or less), or (y) long-term deposits are rated at least A+ by S&P or A1 by Moody's (if the L/C is for a term of 1 year or more) (each a " Required Rating "). If the relevant rating of the commercial bank issuing such L/C drops below the relevant Required Rating, the L/C Member shall supply to the Trustee(s), within 30 days of such occurrence, a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, in lieu of the insufficient L/C. In addition, if the L/C has a term expiring on a date earlier than the latest possible termination date of BTO, the Trustee(s) shall be permitted to drawdown on such L/C if the L/C Member fails to provide a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, at least 30 days prior to the stated expiration date of such existing L/C. The Trustee(s) shall notify an L/C Member 10 days prior to drawing on any L/C. The Trustee(s) may (as directed by the Company in the case of clause (I) below) draw down on an L/C only if (I) such a drawdown is necessary to satisfy an L/C Member's obligation relating to the Company's obligations under the Clawback Provisions or (II) an L/C Member has not provided a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating (or the requisite amount of cash and/or Firm Collateral (to the extent permitted hereunder)), at least 30 days prior to the stated expiration of an existing L/C in accordance with this clause (vi). The Trustee(s), as directed by the Company, shall return to any L/C Member his L/C upon (1) the termination of the Trust Account and satisfaction of the Company's obligations, if any, in respect of the Clawback Provisions, (2) an L/C Member satisfying his entire Holdback obligation in cash and Firm Collateral (to the extent permitted hereunder), or (3) the release, by the Trustee(s), as directed by the Company, of all amounts in the Trust Account to the Members or Withdrawn Members. If an L/C Member satisfies a portion of his Holdback obligation in cash and/or Firm Collateral (to the extent permitted hereunder) or if the Trustee(s), as directed by the Company, release a portion of the amounts in the Trust Account to the Members or Withdrawn Members in the Member Category of such L/C Member, the L/C of an L/C Member may be reduced by an amount corresponding to such portion satisfied in cash and/or Firm Collateral (to the extent permitted hereunder) or such portion released by the Trustee(s), as directed by the Company; provided , that in no way shall the general release of any Trust Income cause an L/C Member to be permitted to reduce the amount of an L/C by any amount.

(vii) (A) Any in-kind distributions by the Company relating to Carried Interest shall be made in accordance herewith as though such distributions consisted of cash. The Company may direct the Trustee(s) to dispose of any in-kind distributions held in the Trust Account at any time. The net proceeds therefrom shall be treated as though initially contributed to the Trust Account.

(B) In lieu of the foregoing, any Existing Member may pledge with respect to any in-kind distribution the Special Firm Collateral referred to in the applicable category in the Company's books and records; provided , that the initial contribution of such Special Firm Collateral shall initially equal 130% of the required Holdback Amount for a period of 90

days, and thereafter shall equal at least 115% of the required Holdback Amount. Paragraphs 4.1(d)(viii)(C) and (D) shall apply to such Special Firm Collateral. To the extent such Special Firm Collateral exceeds the applicable minimum percentage of the required Holdback Amount specified in the first sentence of this clause (vii)(B), the related Member may obtain a release of such excess amount from the Trust Account.

(viii) (A) Any Regular Member or Withdrawn Member may satisfy all or any portion of his Holdback (excluding any Excess Holdback), and such Member or a Withdrawn Member may, to the extent his Holdback (excluding any Excess Holdback) has been previously been satisfied in cash or by the use of an L/C as provided herein, obtain a release of Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) that satisfy such Member's or Withdrawn Member's Holdback (excluding any Excess Holdback) by pledging to the Trustee(s) on a first priority basis all of his Special Firm Collateral in a particular Qualifying Fund, which at all times must equal or exceed the amount of the Holdback distributed to the Member or Withdrawn Member (as more fully set forth below). Any Member seeking to satisfy such Member's Holdback utilizing Special Firm Collateral shall sign such documents and otherwise take such other action as is necessary or appropriate (in the good faith judgment of the Managing Member) to perfect a first priority security interest in, and otherwise assure the ability of the Trustee(s) to realize on (if required), such Special Firm Collateral.

(B) If upon a distribution, withdrawal, sale, liquidation or other realization of all or any portion of any Special Firm Collateral (a " Special Firm Collateral Realization "), the remaining Special Firm Collateral (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund and is being used in connection with an Excess Holdback) is insufficient to cover any Member's or Withdrawn Member's Holdback (when taken together with other means of satisfying the Holdback as provided herein (i.e., cash contributed to the Trust Account or an L/C in the Trust Account)), then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Special Firm Collateral Realization (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund or other asset and is being used in connection with an Excess Holdback) shall be paid into the Trust (and allocated to such Member or Withdrawn Member) to fully satisfy such Holdback and shall be deemed thereafter to be Trust Amounts for purposes hereunder. Any net proceeds from such Special Firm Collateral Realization in excess of the amount necessary to satisfy such Holdback (excluding any Excess Holdback) shall be distributed to such Member or Withdrawn Member. To the extent a Qualifying Fund distributes Securities to a Member or Withdrawn Member in connection with a Special Firm Collateral Realization, such Member or Withdrawn Member shall be required to promptly fund such Member's or Withdrawn Member's deficiency with respect to his Holdback in cash or an L/C.

(C) Upon any valuation or revaluation of the Special Firm Collateral and/or any adjustment in the Applicable Collateral Percentage applicable to a Qualifying Fund (as provided in the Company's books and records), if such Member's or Withdrawn Member's Special Firm Collateral is valued at less than such Member's Holdback (excluding any Excess Holdback) as provided in the Company's books and records, taking into account other permitted means of satisfying the Holdback hereunder, the Company shall provide notice of the foregoing to such Member or Withdrawn Member and, within 10 business days of receiving such notice, such Member or Withdrawn Member shall contribute cash or additional Special Firm Collateral to the Trust Account in an amount necessary to make up such deficiency. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided , that the first sentence of Section 5.8(d)(ii)(A) 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 Member becoming a Withdrawn Member, at any time thereafter the Managing Member may revoke the ability of such Withdrawn Member to use Special Firm Collateral as set forth in this Section 4.1(d)(viii), notwithstanding anything else in this Section 4.1(d)(viii). In that case the provisions of clause (C) above shall apply to the Withdrawn Member's obligation to satisfy the Holdback (except that 30 days' notice of such revocation shall be given), given that the Special Firm Collateral is no longer available to satisfy any portion of the Holdback (excluding any Excess Holdback).

(E) Nothing in this Section 4.1(d)(viii) shall prevent any Member or Withdrawn Member from using any amount of such Member's interest in a Qualifying Fund as Firm Collateral; provided that at all times Section 4.1(d)(v) and this Section 4.1(d)(viii) are each satisfied.

4.2. Interest . Interest on the balances of the Members' capital related to the Members' GP-Related Member Interests (excluding capital invested in GP-Related Investments and, if deemed appropriate by the Managing Member, capital invested in any other investment of the Company) shall be credited to the Members' GP-Related Capital Accounts at the end of each accounting period pursuant to Section 5.2, or at any other time as determined by the Managing Member, at rates determined by the Managing Member from time to time, and shall be charged as an expense of the Company.

4.3. Withdrawals of Capital . No Member may withdraw capital related to such Member's GP-Related Member Interest from the Company except (i) for distributions of cash or other property pursuant to Section 5.8, (ii) as otherwise expressly provided in this Agreement or (iii) as determined by the Managing Member.

ARTICLE V

PARTICIPATION IN PROFITS AND LOSSES

5.1. General Accounting Matters . (a) GP-Related Net Income (Loss) shall be determined by the Managing Member at the end of each accounting period and shall be allocated as described in Section 5.4.

(b) " GP-Related Net Income (Loss) " from any activity of the Company related to the GP-Related BTO Interest for any accounting period means (i) the gross income realized by the Company from such activity during such accounting period less (ii) all expenses of the Company, and all other items that are deductible from gross income, for such accounting period that are allocable to such activity (determined as provided below).

" GP-Related Net Income (Loss) " from any GP-Related Investment for any accounting period in which such GP-Related Investment has not been sold or otherwise disposed of means (i) the gross amount of dividends, interest or other income received by the Company from such GP-Related Investment during such accounting period less (ii) all expenses of the Company for such accounting period that are allocable to such GP-Related Investment (determined as provided below).

" GP-Related Net Income (Loss) " from any GP-Related Investment for the accounting period in which such GP-Related Investment is sold or otherwise disposed of means (i) the sum of the gross proceeds from the sale or other disposition of such GP-Related Investment and the gross amount of dividends, interest or other income received by the Company from such GP-Related Investment during such accounting period less (ii) the sum of the cost or other basis to the Company of such GP-Related Investment and all expenses of the Company for such accounting period that are allocable to such GP-Related Investment.

GP-Related Net Income (Loss) shall be determined in accordance with the accounting method used by the Company for U.S. federal income tax purposes with the following adjustments: (i) any income of the Company that is exempt from U.S. federal income taxation and not otherwise taken into account in computing GP-Related Net Income (Loss) shall be added to such taxable income or loss; (ii) if any asset has a value on the books of the Company that differs from its adjusted tax basis for U.S. federal income tax purposes, any depreciation, amortization or gain resulting from a disposition of such asset shall be calculated with reference to such value; (iii) upon an adjustment to the value of any asset on the books of the Company pursuant to Regulation Section 1.704-1(b)(2), the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; (iv) any expenditures of the Company not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing GP-Related Net Income (Loss) pursuant to this definition shall be treated as deductible items; (v) any income from a GP-Related Investment that is payable to Company

employees in respect of "phantom interests" in such GP-Related Investment awarded by the Managing Member to employees shall be included as an expense in the calculation of GP-Related Net Income (Loss) from such GP-Related Investment, and (vi) items of income and expense (including interest income and overhead and other indirect expenses) of the Company, Holdings and other Affiliates of the Company shall be allocated among the Company, Holdings and such Affiliates, among various Company activities and GP-Related Investments and between accounting periods, in each case as determined by the Managing Member. Any adjustments to GP-Related Net Income (Loss) by the Managing Member, including adjustments for items of income accrued but not yet received, unrealized gains, items of expense accrued but not yet paid, unrealized losses, reserves (including reserves for taxes, bad debts, actual or threatened litigation, or any other expenses, contingencies or obligations) and other appropriate items shall be made in accordance with U.S. generally accepted accounting principles (" GAAP "); provided , that the Managing Member shall not be required to make any such adjustment.

(c) An accounting period shall be a Fiscal Year, except that, at the option of the Managing Member, an accounting period will terminate and a new accounting period will begin on the admission date of an additional Member or the Settlement Date of a Withdrawn Member, if any such date is not the first day of a Fiscal Year. If any event referred to in the preceding sentence occurs and the Managing Member does not elect to terminate an accounting period and begin a new accounting period, then the Managing Member may make such adjustments as it deems appropriate to the Members' GP-Related Profit Sharing Percentages for the accounting period in which such event occurs (prior to any allocations of GP-Related Unallocated Percentages or adjustments to GP-Related Profit Sharing Percentages pursuant to Section 5.3) to reflect the Members' average GP-Related Profit Sharing Percentages during such accounting period; provided , that the GP-Related Profit Sharing Percentages of Members in GP-Related Net Income (Loss) from GP-Related Investments acquired during such accounting period will be based on GP-Related Profit Sharing Percentages in effect when each such GP-Related Investment was acquired.

(d) In establishing GP-Related Profit Sharing Percentages and allocating GP-Related Unallocated Percentages pursuant to Section 5.3, the Managing Member may consider such factors as it deems appropriate.

(e) All determinations, valuations and other matters of judgment required to be made for accounting purposes under this Agreement shall be made by the Managing Member and approved by the Company's independent accountants. Such approved determinations, valuations and other accounting matters shall be conclusive and binding on all Members, all Withdrawn Members, their successors, heirs, estates or legal representatives and any other person, and to the fullest extent permitted by law no such person shall have the right to an accounting or an appraisal of the assets of the Company or any successor thereto.

5.2. GP-Related Capital Accounts . (a) There shall be established for each Member on the books of the Company, to the extent and at such times as may be appropriate, one or more capital accounts as the Managing Member may deem to be appropriate for purposes of accounting for such Member's interests in the capital of the Company related to the GP-Related BTO Interest and the GP-Related Net Income (Loss) of the Company (each a " GP-Related Capital Account ").

(b) As of the end of each accounting period or, in the case of a contribution to the Company by one or more of the Members with respect to such Member or Members' GP-Related Member Interests or a distribution by the Company to one or more of the Members with respect to such Member or Members' GP-Related Member Interests, at the time of such contribution or distribution, (i) the appropriate GP-Related Capital Accounts of each Member shall be credited with the following amounts: (A) the amount of cash and the value of any property contributed by such Member to the capital of the Company related to such Member's GP-Related Member Interest during such accounting period, (B) the GP-Related Net Income allocated to such Member for such accounting period and (C) the interest credited on the balance of such Member's capital related to such Member's GP-Related Member Interest for such accounting period pursuant to Section 4.2; and (ii) the appropriate GP-Related Capital Accounts of each Member shall be debited with the following amounts: (x) the amount of cash, the principal amount of any subordinated promissory note of the Company referred to in Section 6.5 (as such amount is paid) and the value of any property distributed to such Member during such accounting period with respect to such Member's GP-Related Member Interest and (y) the GP-Related Net Loss allocated to such Member for such accounting period.

5.3. GP-Related Profit Sharing Percentages . (a) Prior to the beginning of each annual accounting period, the Managing Member shall establish the profit sharing percentage (the " GP-Related Profit Sharing Percentage ") of each Member in each category of GP-Related Net Income (Loss) for such annual accounting period pursuant to Section 5.1(a) taking into account such factors as the Managing Member deems appropriate; provided , that (i) the Managing Member may elect to establish GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment acquired by the Company during such accounting period at the time such GP-Related Investment is acquired in accordance with paragraph (d) below and (ii) GP-Related Net Income (Loss) for such accounting period from any GP-Related Investment shall be allocated in accordance with the GP-Related Profit Sharing Percentages in such GP-Related Investment established in accordance with paragraph (d) below. The Managing Member may establish different GP-Related Profit Sharing Percentages for any Member in different categories of GP-Related Net Income (Loss). In the case of the Withdrawal of a Member, such former Member's GP-Related Profit Sharing Percentages shall be allocated by the Managing Member to one or more of the remaining Members as the Managing Member shall determine. In the case of the admission of any Member to the Company as an additional Member, the GP-Related Profit Sharing Percentages of the other Members shall be reduced by an amount equal to the GP-Related Profit Sharing Percentage allocated to such new Member pursuant to Section 6.1(b); such reduction of each other Member's GP-Related Profit Sharing Percentage shall be pro rata based upon such Member's GP-Related Profit Sharing Percentage as in effect immediately prior to the admission of the new Member. Notwithstanding the foregoing, the Managing Member may also adjust the GP-Related Profit Sharing Percentage of any Member for any annual accounting period at the end of such annual accounting period in its sole discretion.

(b) The Managing Member may elect to allocate to the Members less than 100% of the GP-Related Profit Sharing Percentages of any category for any annual accounting period at the time specified in Section 5.3(a) for the annual fixing of GP-Related Profit Sharing Percentages (any remainder of such GP-Related Profit Sharing Percentages being called an " GP-Related Unallocated Percentage "); provided , that any GP-Related Unallocated Percentage

in any category of GP-Related Net Income (Loss) for any annual accounting period that is not allocated by the Managing Member within 90 days after the end of such accounting period shall be deemed to be allocated among all the Members (including the Managing Member) in the manner determined by the Managing Member in its sole discretion.

(c) Unless otherwise determined by the Managing Member in a particular case, (i) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment shall be allocated in proportion to the Members' respective GP-Related Capital Contributions in respect of such GP-Related Investment and (ii) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from each GP-Related Investment shall be fixed at the time such GP-Related Investment is acquired and shall not thereafter change, subject to any repurchase rights established by the Managing Member pursuant to Section 5.7.

5.4. Allocations of GP-Related Net Income (Loss) . (a) Except as provided in Section 5.4(d), GP-Related Net Income of the Company for each GP-Related Investment shall be allocated to the GP-Related Capital Accounts related to such GP-Related Investment of all the Members participating in such GP-Related Investment (including the Managing Member): first, in proportion to and to the extent of the amount of Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest distributed to the Members; second, to Members that received Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest in years prior to the years such GP-Related Net Income is being allocated to the extent such Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest exceeded GP-Related Net Income allocated to such Members in such earlier years; and third, to the Members in the same manner that such Non-Carried Interest (other than amounts representing a return of GP-Related Capital Contributions) or Carried Interest would have been distributed if cash were available to distribute with respect thereto.

(b) GP-Related Net Loss of the Company shall be allocated as follows: (i) GP-Related Net Loss relating to realized losses suffered by BTO and allocated to the Company with respect to its pro rata share thereof (based on capital contributions made by the Company to BTO with respect to the GP-Related BTO Interest) shall be allocated to the Members in accordance with each Member's Non-Carried Interest Sharing Percentage with respect to the GP-Related Investment giving rise to such loss suffered by BTO and (ii) GP-Related Net Loss relating to realized losses suffered by BTO and allocated to the Company with respect to the Carried Interest shall be allocated in accordance with a Member's (including a Withdrawn Member's) Carried Interest Give Back Percentage (as of the date of such loss) (subject to adjustment pursuant to Section 5.8(e)).

(c) Notwithstanding Section 5.4(a) above, GP-Related Net Income relating to Carried Interest allocated after the allocation of a GP-Related Net Loss pursuant to clause (ii) of Section 5.4(b) shall be allocated in accordance with such Carried Interest Give Back Percentages until such time as the Members have been allocated GP-Related Net Income relating to Carried Interest equal to the aggregate amount of GP-Related Net Loss previously allocated in accordance with clause (ii) of Section 5.4(b). Withdrawn Members shall remain Members for purposes of allocating such GP-Related Net Loss with respect to Carried Interest.

(d) To the extent the Company has any GP-Related Net Income (Loss) for any accounting period unrelated to BTO, such GP-Related Net Income (Loss) will be allocated in accordance with GP-Related Profit Sharing Percentages prevailing at the beginning of such accounting period.

(e) The Managing Member may authorize from time to time advances to Members (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members who are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) against their allocable shares of GP-Related Net Income (Loss).

5.5. Liability of Members . Except as otherwise provided in the LLC Act or as expressly provided in this Agreement, no Member shall be personally obligated for any debt, obligation or liability of the Company or of any other Member solely by reason of being a Member. In no event shall any Member or Withdrawn Member (i) be obligated to make any capital contribution or payment to or on behalf of the Company or (ii) have any liability to return distributions received by such Member from the Company, in each case except as specifically provided in Sections 4.1(d) or 5.8 or otherwise in this Agreement, as such Member shall otherwise expressly agree in writing or as may be required by applicable law.

5.6. [Intentionally omitted.]

5.7. Repurchase Rights, etc. . The Managing Member may from time to time establish such repurchase rights and/or other requirements with respect to the Members' GP-Related Member Interests relating to GP-Related BTO Investments as the Managing Member may determine. The Managing Member shall have authority to (a) withhold any distribution otherwise payable to any Member until any such repurchase rights have lapsed or any such requirements have been satisfied, (b) pay any distribution to any Member that is Contingent as of the distribution date and require the refund of any portion of such distribution that is Contingent as of the Withdrawal Date of such Member, (c) amend any previously established repurchase rights or other requirements from time to time and (d) make such exceptions thereto as it may determine on a case by case basis.

5.8. Distributions . (a) (i) The Company shall make distributions of available cash (subject to reserves and other adjustments as provided herein) or other property to Members with respect to such Members' GP-Related Member Interests at such times and in such amounts as are determined by the Managing Member. The Managing Member shall, if it deems it appropriate, determine the availability for distribution of, and distribute, cash or other property separately for each category of GP-Related Net Income (Loss) established pursuant to Section 5.1(a). Distributions of cash or other property with respect to Non-Carried Interest shall be made among the Members in accordance with their respective Non-Carried Interest Sharing Percentages, and, subject to Sections 4.1(d) and 5.8(e), distributions of cash or other property with respect to Carried Interest shall be made among Members in accordance with their respective Carried Interest Sharing Percentages.

(ii) At any time that a sale, exchange, transfer or other disposition by BTO of a portion of a GP-Related Investment is being considered by the Company (a " GP-Related Disposable Investment "), at the election of the Managing Member each Member's GP-Related

Member Interest with respect to such GP-Related Investment shall be vertically divided into two separate GP-Related Member Interests, a GP-Related Member Interest attributable to the GP-Related Disposable Investment (a Member's " GP-Related Class B Interest "), and a GP-Related Member Interest attributable to such GP-Related Investment excluding the GP-Related Disposable Investment (a Member's " GP-Related Class A Interest "). Distributions (including those resulting from a sale, transfer, exchange or other disposition by BTO) 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 BTO) relating to a GP-Related Investment excluding such GP-Related Disposable Investment (with respect to both Carried Interest and Non-Carried Interest) shall be made only to holders of GP-Related Class A Interests with respect to such GP-Related Investment in accordance with their respective GP-Related Profit Sharing Percentages relating to such GP-Related Class A Interests. Except as provided above, distributions of cash or other property with respect to each category of GP-Related Net Income (Loss) shall be allocated among the Members in the same proportions as the allocations of GP-Related Net Income (Loss) of each such category.

(b) Subject to the Company's having sufficient available cash in the reasonable judgment of the Managing Member, the Company shall make cash distributions to each Member with respect to each Fiscal Year of the Company in an aggregate amount at least equal to the total Federal, New York State and New York City income and other taxes that would be payable by such Member with respect to all categories of GP-Related Net Income (Loss) allocated to such Member for such Fiscal Year, the amount of which shall be calculated (i) on the assumption that each Member is an individual subject to the then prevailing maximum Federal, New York State and New York City and other income tax rates, (ii) taking into account the deductibility of State and local income and other taxes for Federal income tax purposes and (iii) taking into account any differential in applicable rates due to the type and character of GP-Related Net Income (Loss) allocated to such Member. Notwithstanding the provisions of the foregoing sentence, the Managing Member may refrain from making any distribution if, in the reasonable judgment of the Managing Member, such distribution is prohibited by § 18-607 of the LLC Act.

(c) The Managing Member may provide that the GP-Related Member Interest of any Member or employee (including such Member's or employee's right to distributions and investments of the Company related thereto) may be subject to repurchase by the Company during such period as the Managing Member shall determine (a " Repurchase Period "). Any Contingent distributions from GP-Related Investments subject to repurchase rights will be withheld by the Company and will be distributed to the recipient thereof (together with interest thereon at rates determined by the Managing Member from time to time) as the recipient's rights to such distributions become Non-Contingent (by virtue of the expiration of the applicable Repurchase Period or otherwise). The Managing Member may elect in an individual case to have the Company distribute any Contingent distribution to the applicable recipient thereof irrespective of whether the applicable Repurchase Period has lapsed. If a Member Withdraws from the Company for any reason other than his death, Total Disability or Incompetence, the undistributed share of any GP-Related Investment that remains Contingent

as of the applicable Withdrawal Date shall be repurchased by the Company at a purchase price determined at such time by the Managing Member. Unless determined otherwise by the Managing Member, the repurchased portion thereof will be allocated among the remaining Members with interests in such GP-Related Investment in proportion to their respective percentage interests in such GP-Related Investment, or if no other Member has a percentage interest in such specific GP-Related Investment, to the Managing Member; provided , that the Managing Member may allocate the Withdrawn Member's share of unrealized investment income from a repurchased GP-Related Investment attributable to the period after the Withdrawn Member's Withdrawal Date on any basis it may determine, including to existing or new Members who did not previously have interests in such GP-Related Investment, except that, in any event, each Investor Special Member shall be allocated a share of such unrealized investment income equal to its respective GP-Related Profit Sharing Percentage of such unrealized investment income.

(d) (i) (A) If Associates is obligated under the Clawback Provisions or Giveback Provisions to contribute to BTO a Clawback Amount or a Giveback Amount (other than a Capital Commitment Giveback Amount) and the Company is obligated to contribute any such amount to Associates in respect of the Company's GP-Related Associates Member Interest (the amount of any such obligation of the Company with respect to such a Giveback Amount being herein called a " GP-Related Giveback Amount "), the Company shall call for such amounts as are necessary to satisfy such obligations of the Company as determined by the Managing Member, in which case each Member and Withdrawn Member shall contribute to the Company, in cash, when and as called by the Company, such an amount of prior distributions by the Company (and the Other Fund GPs) with respect to Carried Interest (and/or Non-Carried Interest in the case of a GP-Related Giveback Amount) (the " GP-Related Recontribution Amount ") which equals (I) the product of (a) a Member's or Withdrawn Member's Carried Interest Give Back Percentage and (b) the aggregate Clawback Amount payable by the Company in the case of Clawback Amounts and (II) with respect to a GP-Related Giveback Amount, such Member's pro rata share of prior distributions of Carried Interest and/or Non-Carried Interest in connection with (a) the GP-Related BTO 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 BTO Investments other than the one giving rise to such obligation, but only those amounts received by the Members with an interest in the GP-Related BTO Investment referred to in clause (II)(a) above, and (c) if the GP-Related Giveback Amount pursuant to an applicable BTO Agreement is unrelated to a specific GP-Related BTO Investment, all GP-Related BTO Investments. Each Member and Withdrawn Member shall promptly contribute to the Company, along with satisfying his comparable obligations to the Other Fund GPs, if any, upon such call such Member's or Withdrawn Member's GP-Related Recontribution Amount, less the amount paid out of the Trust Account on behalf of such Member or Withdrawn Member by the Trustee(s) pursuant to written instructions from the Company, or if applicable, any of the Other Fund GPs with respect to Carried Interest (and/or Non-Carried Interest in the case of GP-Related Giveback Amounts) (the " Net GP-Related Recontribution Amount "), irrespective of the fact that the amounts in the Trust Account may be sufficient on an aggregate basis to satisfy the Company's and the Other Fund GPs' obligation under the Clawback Provisions and/or Giveback Provisions; provided , that to the extent a Member's or Withdrawn Member's share of the amount paid with respect to the Clawback Amount or the GP-Related

Giveback Amount exceeds his GP-Related Recontribution Amount, such excess shall be repaid to such Member or Withdrawn Member as promptly as reasonably practicable, subject to clause (ii) below; provided further , that such written instructions from the Company shall specify each Member's and Withdrawn Member's GP-Related Recontribution Amount. Prior to such time, the Company may, in its discretion (but shall be under no obligation to), provide notice that in the Company's judgment, the potential obligations in respect of the Clawback Provisions or the Giveback Provisions will probably materialize (and an estimate of the aggregate amount of such obligations); provided further , that any amount from a Member's Trust Account used to pay any GP-Related Giveback Amount (or such lesser amount as may be required by the Managing Member) shall be contributed by such Member to such Member's Trust Account no later than 30 days after the Net GP-Related Recontribution Amount is paid with respect to such GP-Related Giveback Amount.

(B) To the extent any Member or Withdrawn Member has satisfied any Holdback obligation with Firm Collateral, such Member or Withdrawn Member shall, within 10 days of the Company's call for GP-Related 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 Member or Withdrawn Member equals the sum of (I) such Member's or Withdrawn Member'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 Member or Withdrawn Member equal to the amount of such cash payment. If the amount of such cash payment is less than the amount of Firm Collateral of such Member or Withdrawn Member, the balance of such Firm Collateral if any, shall be retained to secure the payment of GP-Related Deficiency Contributions, if any, and shall be fully released upon the satisfaction of the Company's and the Other Fund GPs' obligation to pay the Clawback Amount. The failure of any Member or Withdrawn Member to make a cash payment in accordance with this clause (B) (to the extent applicable) shall constitute a default under Section 5.8(d)(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 Member or Withdrawn Member (a " GP-Related Defaulting Party ") fails to recontribute all or any portion of such GP-Related Defaulting Party's Net GP-Related Recontribution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Carried Interest Give Back Percentages in the case of Clawback Amounts, and GP-Related Profit Sharing Percentages in the case of GP-Related Giveback Amounts (as more fully described in clause (II) of Section 5.8(d)(i)(A) above)), such amounts as are necessary to fulfill the GP-Related Defaulting Party's obligation to pay such GP-Related Defaulting Party's Net GP-Related Recontribution Amount (a " GP-Related Deficiency Contribution ") if the Managing Member determines in its good faith judgment that the Company (or an Other Fund GP) will be unable to collect such amount in cash from such GP-Related Defaulting Party for payment

of the Clawback Amount or GP-Related Giveback Amount, as the case may be, at least 20 Business Days prior to the latest date that the Company, and the Other Fund GPs, if applicable, are permitted to pay the Clawback Amount or GP-Related Giveback Amount, as the case may be; provided , that, subject to Section 5.8(e), no Member or Withdrawn Member shall as a result of such GP-Related Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Net GP-Related Recontribution Amount initially requested from such Member or Withdrawn Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the Managing Member or (2) pursue any and all remedies (at law or equity) available to the Company against the GP-Related Defaulting Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the GP-Related Defaulting Party. It is agreed that the Company shall have the right (effective upon such GP-Related Defaulting Party becoming a GP-Related Defaulting Party) to set-off as appropriate and apply against such GP-Related Defaulting Party's Net GP-Related Recontribution Amount any amounts otherwise payable to the GP-Related Defaulting Party by the Company or any Affiliate thereof (including amounts unrelated to Carried Interest, such as returns of capital and profit thereon). Each Member and Withdrawn Member hereby grants to the Company a security interest, effective upon such Member or Withdrawn Member becoming a GP-Related Defaulting Party, in all accounts receivable and other rights to receive payment from any Affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member and Withdrawn Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or Withdrawn Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Net GP-Related Recontribution Amount of a GP-Related Defaulting Party from the date such GP-Related Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

(B) Any Member's or Withdrawn Member's failure to make a GP-Related Deficiency Contribution shall cause such Member or Withdrawn Member to be a GP-Related Defaulting Party with respect to such amount. The Company shall first seek any remaining Trust Amounts (and Trust Income thereon) allocated to such Member or Withdrawn Member to satisfy such Member's or Withdrawn Member's obligation to make a GP-Related Deficiency Contribution before seeking cash contributions from such Member or Withdrawn Member in satisfaction of such Member's or Withdrawn Member's obligation to make a GP-Related Deficiency Contribution.

(iii) In the event any Member or Withdrawn Member initially fails to recontribute all or any portion of such Member or Withdrawn Member's pro rata share of any Clawback Amount pursuant to Section 5.8(d)(i)(A), the Company shall use its reasonable efforts to collect the amount which such Member or Withdrawn Member so fails to recontribute.

(iv) A Member's or Withdrawn Member's obligation to make contributions to the Company under this Section 5.8(d) shall survive the termination of the Company.

(e) The Members acknowledge that the Managing Member will (and is hereby authorized to) take such steps as it deems appropriate, in its good faith judgment, to further the objective of providing for the fair and equitable treatment of all Members, including by allocating Aggregate Net Losses from Writedowns and Losses (as defined in the BTO Agreements) on GP-Related BTO Investments that have been the subject of a writedown and/or Net Realized Loss (each, a " Loss Investment ") to those Members who participated in such Loss Investments based on their Carried Interest Sharing Percentage therein to the extent that such Members receive or have received Carried Interest distributions from other GP-Related BTO Investments. Consequently and notwithstanding anything herein to the contrary, adjustments to Carried Interest distributions shall be made as set forth in this Section 5.8(e).

(i) At the time the Company is making Carried Interest distributions in connection with a GP-Related BTO Investment (the " Subject Investment ") that have been reduced under any BTO Agreement as a result of one or more Loss Investments, the Managing Member shall calculate amounts distributable to or due from each such Member as follows:

(A) determine each Member's share of each such Loss Investment based on his Carried Interest Sharing Percentage in each such Loss Investment (which may be zero) to the extent such Loss Investment has reduced the Carried Interest distributions otherwise available for distribution to all Members (indirectly through the Company from BTO) from the Subject Investment (such reduction, the " Loss Amount ");

(B) determine the amount of Carried Interest distributions otherwise distributable to such Member with respect to the Subject Investment (indirectly through the Company from BTO) before any reduction in respect of the amount determined in clause (A) above (the " Unadjusted Carried Interest Distributions "); and

(C) subtract (I) the Loss Amounts relating to all Loss Investments from (II) the Unadjusted Carried Interest Distributions for such Member, to determine the amount of Carried Interest distributions to actually be paid to such Member (" Net Carried Interest Distribution ").

To the extent that the Net Carried Interest Distribution for a Member as calculated in this clause (i) is a negative number, the Managing Member shall (I) notify such Member, at or prior to the time such Carried Interest distributions are actually made to the Members, of his obligation to recontribute to the Company prior Carried Interest distributions (a " Net Carried Interest Distribution Recontribution Amount "), up to the amount of such negative Net Carried Interest Distribution, and (II) to the extent amounts recontributed pursuant to clause (I) are insufficient to satisfy such negative Net Carried Interest Distribution amount, reduce future Carried Interest distributions otherwise due such Member, up to the amount of such remaining negative Net Carried Interest Distribution. If a Member's (x) Net Carried Interest Distribution Recontribution Amount exceeds (y) the aggregate amount of prior Carried Interest distributions less the amount of tax thereon, calculated based on the Assumed Tax Rate (as defined in the BTO Agreements) in effect in the Fiscal Years of such distributions (the " Excess Tax-Related Amount "), then such Member may, in lieu of paying such Member's Excess Tax-Related Amount, defer such amounts as set forth below. Such deferred amount shall accrue interest at the Prime Rate. Such deferred amounts shall be reduced and repaid by the amount of Carried Interest otherwise distributable to such Member in connection with future Carried Interest distributions until such balance is reduced to zero. Any deferred amounts shall be payable in full upon the earlier of (i) such time as the Clawback Amount is determined (as provided herein) and (ii) such time as the Member becomes a Withdrawn Member.

To the extent there is an amount of negative Net Carried Interest Distribution with respect to a Member remaining after the application of this clause (i), notwithstanding clause (II) of the preceding paragraph, such remaining amount of negative Net Carried Interest Distribution shall be allocated to the other Members pro rata based on each of their Carried Interest Sharing Percentages in the Subject Investment.

A Member who fails to pay a Net Carried Interest Distribution Recontribution Amount promptly upon notice from the Managing Member (as provided above) shall be deemed a GP-Related Defaulting Party for all purposes hereof.

A Member may satisfy in part any Net Carried Interest Distribution Recontribution Amount from cash that is then subject to a Holdback, to the extent that the amounts that remain subject to a Holdback satisfy the Holdback requirements hereof as they relate to the reduced amount of aggregate Carried Interest distributions received by such Member (taking into account any Net Carried Interest Distribution Recontribution Amount contributed to the Company by such Member).

Any Net Carried Interest Distribution Recontribution Amount contributed by a Member, including amounts of cash subject to a Holdback as provided above, shall increase the amount available for distribution to the other Members as Carried Interest distributions with respect to the Subject Investment; provided , that any such amounts then subject to a Holdback may be so distributed to the other Members to the extent a Member receiving such distribution has satisfied the Holdback requirements with respect to such distribution (taken together with the other Carried Interest distributions received by such Member to date).

(ii) In the case of Clawback Amounts which are required to be contributed to the Company as otherwise provided herein, the obligation of the Members with respect to any Clawback Amount shall be adjusted by the Managing Member as follows:

(A) determine each Member's share of any Net Realized Losses in any GP-Related BTO Investments which gave rise to the Clawback Amount (i.e. , the Losses that followed the last GP-Related BTO Investment with respect to which Carried Interest distributions were made), based on such Member's Carried Interest Sharing Percentage in such GP-Related BTO Investments;

(B) determine each Member's obligation with respect to the Clawback Amount based on such Member's Carried Interest Give Back Percentage as otherwise provided herein; and

(C) subtract the amount determined in clause (B) above from the amount determined in clause (A) above with respect to each Member to determine the amount of adjustment to each Member's share of the Clawback Amount (a Member's " Clawback Adjustment Amount ").

A Member's share of the Clawback Amount shall for all purposes hereof be decreased by such Member's Clawback Adjustment Amount, to the extent it is a negative number (except to the extent expressly provided below). A Member's share of the Clawback Amount shall for all purposes hereof be increased by such Member's Clawback Adjustment Amount (to the extent it is a positive number); provided , that in no way shall a Member's aggregate obligation to satisfy a Clawback Amount as a result of this clause (ii) exceed the aggregate Carried Interest distributions received by such Member. To the extent a positive Clawback Adjustment Amount remains after the application of this clause (ii) with respect to a Member, such remaining Clawback Adjustment Amount shall be allocated to the Members (including any Member whose Clawback Amount was increased pursuant to this clause (ii)) pro rata based on their Carried Interest Give Back Percentages (determined without regard to this clause (ii)).

Any distribution or contribution adjustments pursuant to this Section 5.8(e) by the Managing Member shall be based on its good faith judgment, and no Member shall have any claim against the Company, the Managing Member or any other Members as a result of any adjustment made as set forth above. This Section 5.8(e) applies to all Members, including Withdrawn Members.

It is agreed and acknowledged that this Section 5.8(e) is an agreement among the Members and in no way modifies the obligations of each Member regarding the Clawback Amount as provided in the BTO Agreements.

5.9. Business Expenses . The Company shall reimburse the Members for reasonable travel, entertainment and miscellaneous expenses incurred by them in the conduct of the Company's business in accordance with rules and regulations established by the Managing Member from time to time.

5.10. Tax Capital Accounts; Tax Allocations . (a) For Federal income tax purposes, there shall be established for each Member a single capital account combining such Member's Capital Commitment Capital Account and GP-Related Capital Account, with such adjustments as the Managing Member determines is appropriate so that such single capital account is maintained in compliance with the principles and requirements of Section 704(b) of the Code and the Regulations thereunder.

(b) For Federal, State and local income tax purposes only, Company income, gain, loss, deduction or expense (or any item thereof) for each fiscal year shall be allocated to and among the Members in a manner corresponding to the manner in which corresponding items are allocated among the Members pursuant to clause (a) above, provided the Managing Member may in its sole discretion make such allocations for tax purposes as it determines is appropriate so that allocations have substantial economic effect or are in accordance with the interests of the Members, within the meaning of the Code and the Regulations thereunder.

ARTICLE VI

ADDITIONAL MEMBERS; WITHDRAWAL OF MEMBERS; SATISFACTION AND DISCHARGE OF COMPANY INTERESTS; TERMINATION

6.1. Additional Members . (a) Effective on the first day of any month (or on such other date as shall be determined by the Managing Member in its sole discretion), the Managing Member shall have the right to admit one or more additional or substitute persons into the Company as Regular Members or Special Members. Each such person shall make the representations and certifications with respect to itself set forth in Sections 3.6 and 3.7. The Managing Member shall determine and negotiate with the additional Member (which term shall include, without limitation, any substitute Member) all terms of such additional Member's participation in the Company, including the additional Member's initial GP-Related Capital Contribution, Capital Commitment-Related Capital Contribution, GP-Related Profit Sharing Percentage and Capital Commitment Profit Sharing Percentage. Each additional Member shall have such voting rights as may be determined by the Managing Member from time to time unless, upon the admission to the Company of any Special Member, the Managing Member shall designate that such Special Member shall not have such voting rights (any such Special Member being called a " Nonvoting Special Member "). Any additional Member shall, as a condition to becoming a Member, agree to become a party to, and be bound by the terms and conditions of, the Trust Agreement.

(b) The GP-Related Profit Sharing Percentages, if any, to be allocated to an additional Member as of the date such Member is admitted to the Company, together with the pro rata reduction in all other Members' GP-Related Profit Sharing Percentages as of such date, shall be established by the Managing Member pursuant to Section 5.3. The Capital Commitment Profit Sharing Percentages, if any, to be allocated to an additional Member as of the date such Member is admitted to the Company, together with the pro rata reduction in all other Members' Capital Commitment Profit Sharing Percentages as of such date, shall be established by the Managing Member.

(c) An additional Member shall be required to contribute to the Company his pro rata share of the Company's total capital, excluding capital in respect of GP-Related Investments and Capital Commitment Investments in which such Member does not acquire any interests, at such times and in such amounts as shall be determined by the Managing Member in accordance with Sections 4.1 and 7.1.

(d) The admission of an additional Member will be evidenced by (i) the execution of a counterpart copy of this Agreement by such additional Member, or (ii) the execution of an amendment to this Agreement by the Managing Member and the additional Member, as determined by the Managing Member, or (iii) the execution by such additional Member of any other writing evidencing the intent of such person to become an additional Member and to be bound by the terms of this Agreement and such writing being acceptable to the Managing Member on behalf of the Company. In addition, each additional Member shall sign a counterpart copy of the Trust Agreement or any other writing evidencing the intent of such person to become a party to the Trust Agreement that is acceptable to the Managing Member on behalf of the Company.

6.2. Withdrawal of Members . (a) Any Member may Withdraw voluntarily from the Company on the last day of any calendar month (or on such other date as shall be determined by the Managing Member in its sole discretion), on not less than 15 days' prior written notice by such Member to the Managing Member (or on such shorter notice period as may be mutually agreed upon between such Member and the Managing Member); provided , that a Member may not voluntarily Withdraw without the consent of the Managing Member if such Withdrawal would (i) cause the Company to be in default under any of its contractual obligations or (ii) in the reasonable judgment of the Managing Member, have a material adverse effect on the Company or its business; provided further, that a Member may Withdraw from the Company with respect to such Member's GP-Related Member Interest without Withdrawing from the Company with respect to such Member's Capital Commitment Member Interest, and a Member may Withdraw from the Company with respect to such Member's Capital Commitment Member Interest without Withdrawing from the Company with respect to such Member's GP-Related Member Interest.

(b) Upon the Withdrawal of any Member, including by the occurrence of any withdrawal event under the LLC Act with respect to any Member, such Member shall thereupon cease to be a Member, except as expressly provided herein.

(c) Upon the Total Disability of a Regular Member, such Member shall thereupon cease to be a Regular Member with respect to such person's GP-Related Member Interest; provided , that the Managing Member may elect to admit such Withdrawn Member to the Company as a Nonvoting Special Member with respect to such person's GP-Related Member Interest, with such GP-Related Member Interest as the Managing Member may determine. The determination of whether any Member has suffered a Total Disability shall be made by the Managing Member in its sole discretion after consultation with a qualified medical doctor. In the absence of agreement between the Managing Member and such Member, each party shall nominate a qualified medical doctor and the two doctors shall select a third doctor, who shall make the determination as to Total Disability.

(d) If the Managing Member determines that it shall be in the best interests of the Company for any Member (including any Member who has given notice of voluntary Withdrawal pursuant to paragraph (a) above) to Withdraw from the Company (whether or not Cause exists) with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, such Member, upon written notice by the Managing Member to such Member, shall be required to Withdraw with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, as of a date specified in such notice, which date shall be on or after the date of such notice. If the Managing Member requires any Member to Withdraw for Cause with respect to such person's GP-Related Member Interest and/or with respect to such person's Capital Commitment Member Interest, such notice shall state that it has been given for Cause and shall describe the particulars thereof in reasonable detail.

(e) The withdrawal from the Company of any Member shall not, in and of itself, affect the obligations of the other Members to continue the Company during the remainder of its term.

6.3. GP-Related Member Interests Not Transferable . No Member may sell, assign, pledge or otherwise transfer or encumber all or any portion of such Member's GP-Related Member Interest other than as permitted by written agreement between such Member and the Company; provided , that this Section 6.3 shall not impair transfers by operation of law, transfers by will or by other testamentary instrument occurring by virtue of the death or dissolution of a Member, or transfers required by trust agreements; provided further , that a Regular Member may transfer, for estate planning purposes, up to 25% of his GP-Related Profit Sharing Percentage to any estate planning trust, limited partnership, or limited liability company with respect to which a Regular Member controls investments related to any interest in the Company held therein (an " Estate Planning Vehicle "). Each Estate Planning Vehicle will be a Nonvoting Special Member. Such Regular Member and the Nonvoting Special Member shall be jointly and severally liable for all obligations of both such Regular Member and such Nonvoting Special Member with respect to the Company (including the obligation to make additional GP-Related Capital Contributions), as the case may be. The Managing Member may at its sole option exercisable at any time require any Estate Planning Vehicle to withdraw from the Company on the terms of this Article VI. Except as provided in the second proviso to the first sentence of this Section 6.3, no assignee, legatee, distributee, heir or transferee (by conveyance, operation of law or otherwise) of the whole or any portion of any Member's GP-Related Member Interest shall have any right to be a Member without the prior written consent of the Managing Member (which consent may be withheld without giving any reason therefor). Notwithstanding the granting of a security interest in the entire Interest of any Member, such Member shall continue to be a Member of the Company.

6.4. Consequences upon Withdrawal of a Member . (a) The Withdrawal of a Regular Member shall not dissolve the Company if at the time of such Withdrawal there are one or more remaining Regular Members and any one or more of such remaining Regular Members continue the business of the Company (any and all such remaining Regular Members being hereby authorized to continue the business of the Company without dissolution and hereby agreeing to do so). Notwithstanding Section 6.4(b), if upon the Withdrawal of a Regular Member there shall be no remaining Regular Member, the Company shall be dissolved and shall be wound up unless, within 90 days after the occurrence of such Withdrawal, all remaining Special Members agree in writing to continue the business of the Company and to the appointment, effective as of the date of such Withdrawal, of one or more Regular Members.

(b) The Company shall not be dissolved, in and of itself, by the Withdrawal of any Member, but shall continue with the surviving or remaining Members as members thereof in accordance with and subject to the terms and provisions of this Agreement.

6.5. Satisfaction and Discharge of a Withdrawn Member's GP-Related Member Interests . (a) The terms of this Section 6.5 shall apply to the GP-Related Member Interest of a Withdrawn Member, but, except as otherwise expressly provided in this Section 6.5, shall not apply to the Capital Commitment Member Interest of a Withdrawn Member. For purposes of this Section 6.5, the term " Settlement Date " means the date as of which a Withdrawn Member's GP-Related Member Interest in the Company is settled as determined under paragraph (b) below. Notwithstanding the foregoing, any Regular Member who Withdraws from the Company, and all or any portion of whose GP-Related Member Interest is retained as a Special Member, shall be considered a Withdrawn Member for all purposes hereof.

(b) Except where a later date for the settlement of a Withdrawn Member's GP-Related Member Interest in the Company may be agreed to by the Managing Member and a Withdrawn Member, a Withdrawn Member's Settlement Date shall be his Withdrawal Date; provided , that if a Withdrawn Member's Withdrawal Date is not the last day of a month, then the Managing Member may elect for such Withdrawn Member's Settlement Date to be the last day of the month in which his Withdrawal Date occurs. During the interval, if any, between a Withdrawn Member's Withdrawal Date and Settlement Date, such Withdrawn Member shall have the same rights and obligations with respect to GP-Related Capital Contributions, interest on capital, allocations of GP-Related Net Income (Loss) and distributions as would have applied had such Withdrawn Member remained a Member of the Company during such period.

(c) In the event of the Withdrawal of a Member, with respect to such Withdrawn Member's GP-Related Member Interest, the Managing Member shall promptly after such Withdrawn Member's Settlement Date (i) determine and allocate to the Withdrawn Member's GP-Related Capital Accounts such Withdrawn Member's allocable share of the GP-Related Net Income (Loss) of the Company for the period ending on such Settlement Date in accordance with Article V and (ii) credit the Withdrawn Member's GP-Related Capital Accounts with interest in accordance with Section 5.2. In making the foregoing calculations, the Managing Member shall be entitled to establish such reserves (including reserves for taxes, bad debts, unrealized losses, actual or threatened litigation or any other expenses, contingencies or obligations) as it deems appropriate. Unless otherwise determined by the Managing Member in a particular case, a Withdrawn Member shall not be entitled to receive any GP-Related Unallocated Percentage in respect of the accounting period during which such Member Withdraws from the Company (whether or not previously awarded or allocated) or any GP-Related Unallocated Percentage in respect of prior accounting periods that have not been paid or allocated (whether or not previously awarded) as of such Withdrawn Member's Withdrawal Date.

(d) From and after the Settlement Date of the Withdrawn Member, the Withdrawn Member's GP-Related Profit Sharing Percentages shall, unless otherwise allocated by the Managing Member pursuant to Section 5.3(a), be deemed to be GP-Related Unallocated Percentages (except for GP-Related Profit Sharing Percentages with respect to GP-Related Investments as provided in paragraph (f) below).

(e) (i) Upon the Withdrawal from the Company of a Member with respect to such Member's GP-Related Member Interest, such Withdrawn Member thereafter shall not, except as expressly provided in this Section 6.5, have any rights of a Member (including voting rights) with respect to such Member's GP-Related Member Interest, and, except as expressly provided in this Section 6.5, such Withdrawn Member shall not have any interest in the Company's GP-Related Net Income (Loss), or in distributions related to such Member's GP-Related Member Interest, GP-Related Investments or other assets related to such Member's GP-Related Member Interest. If a Member Withdraws from the Company with respect to such Member's GP-Related Member Interest for any reason other than for Cause pursuant to Section 6.2, then the Withdrawn Member shall be entitled to receive, at the time or times specified in Section 6.5(i) below, in satisfaction and discharge in full of the Withdrawn Member's GP-Related Member Interest in the Company, (x) payment equal to the aggregate credit balance, if any, as of the Settlement Date of the Withdrawn Member's GP-Related Capital Accounts, (excluding any GP-Related Capital Account or portion thereof attributable to any GP-Related Investment) and (y) the Withdrawn Member's percentage interest attributable to each GP-Related Investment in which the Withdrawn Member has an interest as of the Settlement Date as provided in paragraph (f) below (which shall be settled in accordance with paragraph (f) below), subject to all the terms and conditions of paragraphs (a)-(r) of this Section 6.5. If the amount determined pursuant to clause (x) above is an aggregate negative balance, the Withdrawn Member shall pay the amount thereof to the Company upon demand by the Managing Member on or after the date of the statement referred to in Section 6.5(i) below; provided , that if the Withdrawn Member was solely a Special Member on his Withdrawal Date, such payment shall be required only to the extent of any amounts payable to such Withdrawn Member pursuant to this Section 6.5. Any aggregate negative balance in the GP-Related Capital Accounts of a Withdrawn Member who was solely a Special Member, upon the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5, shall be allocated among the other Members' GP-Related Capital Accounts in accordance with their respective GP-Related Profit Sharing Percentages in the categories of GP-Related Net Income (Loss) giving rise to such negative balance as determined by the Managing Member as of such Withdrawn Member's Settlement Date. In the settlement of any Withdrawn Member's GP-Related Member Interest in the Company, no value shall be ascribed to goodwill, the Company name or the anticipation of any value the Company or any successor thereto might have in the event the Company or any interest therein were to be sold in whole or in part.

(ii) Notwithstanding clause (i) of this Section 6.5(e), in the case of a Member whose Withdrawal with respect to such Member's GP-Related Member Interest resulted from such Member's death or Incompetence, such Member's estate or legal representative, as the case may be, may elect, at the time described below, to receive a Nonvoting Special Member GP-Related Member Interest and retain such Member's GP-Related Profit Sharing Percentage in all (but not less than all) illiquid investments of the

Company in lieu of a cash payment (or Note) in settlement of that portion the Withdrawn Member's GP-Related Member Interest. The election referred to above shall be made within 60 days after the Withdrawn Member's Settlement Date, based on a statement of the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5.

(f) For purposes of clause (y) of paragraph (e)(i) above, a Withdrawn Member's "percentage interest" means his GP-Related Profit Sharing Percentage as of the Settlement Date in the relevant GP-Related Investment. The Withdrawn Member shall retain his percentage interest in such GP-Related Investment and shall retain his GP-Related Capital Account or portion thereof attributable to such GP-Related Investment, in which case such Withdrawn Member (a " Retaining Withdrawn Member ") shall become and remain a Special Member for such purpose (and, if the Managing Member so designates, such Special Member shall be a Nonvoting Special Member). The GP-Related Member Interest of a Retaining Withdrawn Member pursuant to this paragraph (f) shall be subject to the terms and conditions applicable to GP-Related Member Interests of any kind hereunder and such other terms and conditions as are established by the Managing Member. At the option of the Managing Member in its sole discretion, the Managing Member and the Retaining Withdrawn Member may agree to have the Company acquire such GP-Related Member Interest without the approval of the other Members; provided , that the Managing Member shall reflect in the books and records of the Company the terms of any acquisition pursuant to this sentence.

(g) The Managing Member may elect, in lieu of payment in cash of any amount payable to a Withdrawn Member pursuant to paragraph (e) above, to (i) have the Company issue to the Withdrawn Member a subordinated promissory note and/or to (ii) distribute in kind to the Withdrawn Member such Withdrawn Member's pro rata share (as determined by the Managing Member) of any securities or other investments of the Company in relation to such Member's GP-Related Member Interest. If any securities or other investments are distributed in kind to a Withdrawn Member under this paragraph (g), the amount described in clause (x) of paragraph (e)(i) shall be reduced by the value of such distribution as valued on the latest balance sheet of the Company in accordance with generally accepted accounting principles or, if not appearing on such balance sheet, as reasonably determined by the Managing Member.

(h) [Intentionally omitted.]

(i) Within 120 days after each Settlement Date, the Managing Member shall submit to the Withdrawn Member a statement of the settlement of such Withdrawn Member's GP-Related Member Interest in the Company pursuant to this Section 6.5 together with any cash payment, subordinated promissory note and in kind distributions to be made to such Member as shall be determined by the Managing Member. The Managing Member shall submit to the Withdrawn Member supplemental statements with respect to additional amounts payable to or by the Withdrawn Member in respect of the settlement of his GP-Related Member Interest in the Company (e.g. , payments in respect of GP-Related Investments pursuant to paragraph (f) above or adjustments to reserves pursuant to paragraph (j) below) promptly after such amounts are determined by the Managing Member. To the fullest extent permitted by law, such statements and the valuations on which they are based shall be accepted

by the Withdrawn Member without examination of the accounting books and records of the Company or other inquiry. Any amounts payable by the Company to a Withdrawn Member pursuant to this Section 6.5 shall be subordinate in right of payment and subject to the prior payment or provision for payment in full of claims of all present or future creditors of the Company or any successor thereto arising out of matters occurring prior to the applicable date of payment or distribution; provided , that such Withdrawn Member shall otherwise rank pari passu in right of payment (x) with all persons who become Withdrawn Members and whose Withdrawal Date is within one year before the Withdrawal Date of the Withdrawn Member in question and (y) with all persons who become Withdrawn Members and whose Withdrawal Date is within one year after the Withdrawal Date of the Withdrawn Member in question.

(j) If the aggregate reserves established by the Managing Member as of the Settlement Date in making the foregoing calculations should prove, in the determination of the Managing Member, to be excessive or inadequate, the Managing Member may elect, but shall not be obligated, to pay the Withdrawn Member or his estate such excess, or to charge the Withdrawn Member or his estate such deficiency, as the case may be.

(k) Any amounts owed by the Withdrawn Member to the Company at any time on or after the Settlement Date (e.g. , outstanding Company loans or advances to such Withdrawn Member) shall be offset against any amounts payable or distributable by the Company to the Withdrawn Member at any time on or after the Settlement Date or shall be paid by the Withdrawn Member to the Company, in each case as determined by the Managing Member. All cash amounts payable by a Withdrawn Member to the Company under this Section 6.5 shall bear interest from the due date to the date of payment at a floating rate equal to the lesser of (x) the rate of interest publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate or (y) the maximum rate of interest permitted by applicable law. The “due date” of amounts payable by a Withdrawn Member pursuant to Section 6.5(i) above shall be 120 days after a Withdrawn Member’s Settlement Date. The “due date” of amounts payable to or by a Withdrawn Member in respect of GP-Related Investments for which the Withdrawn Member has retained a percentage interest in accordance with paragraph (f) above shall be 120 days after realization with respect to such GP-Related Investment. The “due date” of any other amounts payable by a Withdrawn Member shall be 60 days after the date such amounts are determined to be payable.

(l) At the time of the settlement of any Withdrawn Member’s GP-Related Member Interest in the Company pursuant to this Section 6.5, the Managing Member may, to the fullest extent permitted by applicable law, impose any restrictions it deems appropriate on the assignment, pledge, encumbrance or other transfer by such Withdrawn Member of any interest in any GP-Related Investment retained by such Withdrawn Member, any securities or other investments distributed in kind to such Withdrawn Member or such Withdrawn Member’s right to any payment from the Company.

(m) If a Member is required to Withdraw from the Company with respect to such Member's GP-Related Member Interest for Cause pursuant to Section 6.2(d), then his GP-Related Member Interest shall be settled in accordance with paragraphs (a)-(r) of this Section 6.5; provided , that the Managing Member may elect (but shall not be required) to apply any or all the following terms and conditions to such settlement:

(i) In settling the Withdrawn Member's interest in any GP-Related Investment in which he has an interest as of his Settlement Date, the Managing Member may elect to (A) determine the GP-Related Unrealized Net Income (Loss) attributable to each such GP-Related Investment as of the Settlement Date and allocate to the appropriate GP-Related Capital Account of the Withdrawn Member his allocable share of such GP-Related Unrealized Net Income (Loss) for purposes of calculating the aggregate balance of such Withdrawn Member's GP-Related Capital Account pursuant to clause (x) of paragraph (e)(i) above, (B) credit or debit, as applicable, the Withdrawn Member with the balance of his GP-Related Capital Account or portion thereof attributable to each such GP-Related Investment as of his Settlement Date without giving effect to the GP-Related Unrealized Net Income (Loss) from such GP-Related Investment as of his Settlement Date, which shall be forfeited by the Withdrawn Member or (C) apply the provisions of paragraph (f) above, provided , that the maximum amount of GP-Related Net Income (Loss) allocable to such Withdrawn Member with respect to any GP-Related Investment shall equal such Member's percentage interest of the GP-Related Unrealized Net Income, if any, attributable to such GP-Related Investment as of the Settlement Date (the balance of such GP-Related Net Income (Loss), if any, shall be allocated as determined by the Managing Member). The Withdrawn Member shall not have any continuing interest in any GP-Related Investment to the extent an election is made pursuant to (A) or (B) above.

(ii) Any amounts payable by the Company to the Withdrawn Member pursuant to this Section 6.5 shall be subordinate in right of payment and subject to the prior payment in full of claims of all present or future creditors of the Company or any successor thereto arising out of matters occurring prior to or on or after the applicable date of payment or distribution.

(n) The payments to a Withdrawn Member pursuant to this Section 6.5 may be conditioned on the compliance by such Withdrawn Member with any lawful and reasonable (under the circumstances) restrictions against engaging or investing in a business competitive with that of the Company or any of its subsidiaries and Affiliates for a period not exceeding two years determined by the Managing Member. Upon written notice to the Managing Member, any Withdrawn Member who is subject to noncompetition restrictions established by the Managing Member pursuant to this paragraph (n) may elect to forfeit the principal amount payable in the final installment of his subordinated promissory note, together with interest to be accrued on such installment after the date of forfeiture, in lieu of being bound by such restrictions.

(o) In addition to the foregoing, the Managing Member shall have the right to pay a Withdrawn Member (other than the Managing Member) a discretionary additional payment in an amount and based upon such circumstances and conditions as it determines to be relevant.

(p) The provisions of this Section 6.5 shall apply to any Investor Special Member relating to a Regular Member or Special Member and to any transferee of any GP-Related Member Interest of such Member pursuant to Section 6.3 if such Member Withdraws from the Company.

(q) (i) The Company will assist a Withdrawn Member or his estate or guardian, as the case may be, in the settlement of the Withdrawn Member's GP-Related Member Interest in the Company. Third party costs incurred by the Company in providing this assistance will be borne by the Withdrawn Member or his estate.

(ii) The Company may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Members or their estates or guardians, as referred to above. In such instances, the Company will obtain the prior approval of a Withdrawn Member or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Member (or his estate or guardian) declines to incur such costs, the Company will provide such reasonable assistance as and when it can so as not to interfere with the Company's day-to-day operating, financial, tax and other related responsibilities to the Company and the Members.

(r) Each Member (other than the Managing Member) hereby irrevocably appoints the Managing Member as such Member's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file, on behalf of such Member, any and all agreements, instruments, consents, ratifications, documents and certificates which the Managing Member deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in this Section 6.5, including, without limitation, the performance of any obligation of such Member or the Company or the exercise of any right of such Member or the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Company of any Member for any reason and shall not be affected by the death, disability or incapacity of such Member.

6.6. Dissolution of the Company . The Managing Member may dissolve the Company prior to the expiration of its term at any time on not less than 60 days' notice of the dissolution date given to the other Members.

6.7. Certain Tax Matters . (a) All items of income, gain, loss, deduction and credit of the Company shall be allocated among the Members for Federal, State and local income tax purposes in the same manner as such items of income, gain, loss, deduction and credit shall be allocated among the Members pursuant to this Agreement, except as may otherwise be provided herein or by the Code or other applicable law. To the extent Treasury Regulations promulgated pursuant to Subchapter K of the Code (including under Sections 704(b) and (c) of the Code) or other applicable law require allocations for tax purposes that differ from the foregoing allocations, the Managing Member may determine the manner in which such tax allocations shall be made so as to comply more fully with such Treasury Regulations or other applicable law and, at the same time, preserve the economic relationships among the Members as set forth in this Agreement. In the event there is a net decrease in partnership minimum gain or partner nonrecourse debt minimum gain (determined in accordance with the principles of Regulations Sections 1.704-2(d) and 1.704-2(i)) during any taxable year of the Company, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to its respective share of such net decrease during such year, determined pursuant to Regulations Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f). In addition, this Agreement shall be considered to contain a "qualified income offset" as provided in Regulations Section 1.704-1(b)(2)(ii)(d).

(b) The Managing Member shall cause to be prepared all Federal, State and local tax returns of the Company for each year for which such returns are required to be filed and, after approval of such returns by the Managing Member, shall cause such returns to be timely filed. The Managing Member shall determine the appropriate treatment of each item of income, gain, loss, deduction and credit of the Company and the accounting methods and conventions under the tax laws of the United States, the several States and other relevant jurisdictions as to the treatment of any such item or any other method or procedure related to the preparation of such tax returns. The Managing Member may cause the Company to make or refrain from making any and all elections permitted by such tax laws. Each Member agrees that he shall not, unless he provides prior notice of such action to the Company, (i) treat, on his individual income tax returns, any item of income, gain, loss, deduction or credit relating to his interest in the Company in a manner inconsistent with the treatment of such item by the Company as reflected on the Form K-1 or other information statement furnished by the Company to such Member for use in preparing his income tax returns or (ii) file any claim for refund relating to any such item based on, or which would result in, such inconsistent treatment. In respect of an income tax audit of any tax return of the Company, the filing of any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Company, or any administrative or judicial proceedings arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, (A) the Tax Matters Member (as defined below) shall be authorized to act for, and his decision shall be final and binding upon, the Company and all Members except to the extent a Member shall properly elect to be excluded from such proceeding pursuant to the Code, (B) all expenses incurred by the Tax Matters Member in connection therewith (including, without limitation, attorneys', accountants' and other experts' fees and disbursements) shall be expenses of the Company and (C) no Member shall have the right to (1) participate in the audit of any Company tax return, (2) file any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Company (unless he provides prior notice of such action to the Company as provided above), (3) participate in any administrative or judicial proceedings conducted by the Company or the Tax Matters Member arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, or (4) appeal, challenge or otherwise protest any adverse findings in any such audit conducted by the Company or the Tax Matters Member or with respect to any such amended return or claim for refund filed by the Company or the Tax Matters Member or in any such administrative or judicial proceedings conducted by the Company or the Tax Matters Member. The Company and each Member hereby designate any Member selected by the Managing Member as the "tax matters partner" for purposes of Section 6231(a)(7) of the Code (the " Tax Matters Member "). To the fullest extent permitted by applicable law, each Member agrees to indemnify and hold harmless the Company and all other Members from and against any and all liabilities, obligations, damages, deficiencies and expenses resulting from any breach or violation by such Member of the provisions of this Section 6.7 and from all actions, suits, proceedings, demands, assessments, judgments, costs and expenses, including reasonable attorneys' fees and disbursements, incident to any such breach or violation.

(c) Each individual Member shall provide to the Company copies of each Federal, state and local income tax return of such Member (including any amendment thereof) within 30 days after filing such return.

6.8. Special Basis Adjustments . In connection with any assignment or transfer of a Company interest permitted by the terms of this Agreement, the Managing Member may cause the Company, on behalf of the Members and at the time and in the manner provided in Code Regulations Section 1.754-1(b), to make an election to adjust the basis of the Company's property in the manner provided in Sections 734(b) and 743(b) of the Code.

ARTICLE VII

CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS; ALLOCATIONS; DISTRIBUTIONS

7.1. Capital Commitment Interests, etc . (a) This Article VII and Article VIII hereof set forth certain terms and conditions with respect to the Capital Commitment Member Interests and the Capital Commitment BTO Interest and matters related to the Capital Commitment Member Interests and the Capital Commitment BTO Interest. Except as otherwise expressly provided in this Article VII or in Article VIII, the terms and provisions of this Article VII and Article VIII shall not apply to the GP-Related Member Interests or the GP-Related BTO Interest.

(b) Each Member, severally, agrees to make contributions of capital to the Company (" Capital Commitment-Related Capital Contributions ") as required to fund the Company's capital contributions to BTO or Associates in respect of the Capital Commitment BTO Interest, if any, and the related Capital Commitment BTO Commitment, if any (including, without limitation, funding all or a portion of the Blackstone Commitment). No Member shall be obligated to make Capital Commitment-Related Capital Contributions to the Company in an amount in excess of such Member's Capital Commitment-Related Commitment. The Commitment Agreements and SMD Agreements, if any, of the Members may include provisions with respect to the foregoing matters. It is understood that a Member will not necessarily participate in each Capital Commitment Investment (which may include additional amounts invested in an existing Capital Commitment Investment) nor will a Member necessarily have the same Capital Commitment Profit Sharing Percentage with respect to (i) the Company's portion of the Blackstone Commitment or (ii) the making of each Capital Commitment Investment in which such Member participates; provided , that this in no way limits the terms of any Commitment Agreement or SMD Agreement. In addition, nothing contained herein shall be construed to give any Member the right to obtain financing with respect to the purchase of any Capital Commitment Interest, and nothing contained herein shall limit or dictate the terms upon which the Company and its Affiliates may provide such financing. The acquisition of a Capital Commitment Interest by a Member shall be evidenced by receipt by the Company of funds equal to such Member's Capital Commitment- Related Commitment then due with respect to such Capital Commitment Interest and such appropriate documentation as the Managing Member may submit to the Members from time to time.

(c) The Company or one of its Affiliates (in such capacity, the " Advancing Party ") may in its sole discretion advance to any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Members that are also executive officers of The Blackstone Group L.P. or any Affiliate thereof) all or any portion of the Capital Commitment Capital Contributions due to the Company from such Member with respect to any Capital Commitment Investment (" Firm Advances "). Each such Member shall pay interest to the Advancing Party on each Firm Advance from the date of such Firm Advance until the repayment thereof by such Member. Each Firm Advance shall be repayable in full, including accrued interest to the date of such repayment, upon prior written notice by the Advancing Party. The making and repayment of each Firm Advance shall be recorded in the books and records of the Company, and such recording shall be conclusive evidence of each such Firm Advance, binding on the Member and the Advancing Party absent manifest error. Except as provided below, the interest rate applicable to a Firm Advance shall equal the cost of funds of the Advancing Party at the time of the making of such Firm Advance. The Advancing Party shall inform any Member of such rate upon such Member's request; provided , that such interest rate shall not exceed the maximum interest rate allowable by applicable law; provided further , that amounts that are otherwise payable to such Member pursuant to Section 7.4(a) shall be used to repay such Firm Advance (including interest thereon). The Advancing Party may, in its sole discretion, change the terms of Firm Advances (including the terms contained herein) and/or discontinue the making of Firm Advances; provided , that (i) the Advancing Party shall notify the relevant Members of any material changes to such terms and (ii) the interest rate applicable to such Firm Advances and overdue amounts thereon shall not exceed the maximum interest rate allowable by applicable law.

7.2. Capital Commitment Capital Accounts . (a) There shall be established for each Member on the books of the Company as of the date of formation of the Company, or such later date on which such Member is admitted to the Company, and on each such other date as such Member first acquires a Capital Commitment Interest in a particular Capital Commitment Investment, a Capital Commitment Capital Account for each Capital Commitment Investment in which such Member acquires a Capital Commitment Interest on such date. Each Capital Commitment Capital Contribution of a Member shall be credited to the appropriate Capital Commitment Capital Account of such Member on the date such Capital Commitment Capital Contribution is paid to the Company. Capital Commitment Capital Accounts shall be adjusted to reflect any transfer of a Member's interest in the Company related to his Capital Commitment Member Interest as provided in this Agreement.

(b) A Member shall not have any obligation to the Company or to any other Member to restore any negative balance in the Capital Commitment Capital Account of such Member. Until distribution of any such Member's interest in the Company with respect to a Capital Commitment Interest as a result of the disposition by the Company of the related Capital Commitment Investment and in whole upon the dissolution of the Company, neither such Member's Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption except with the consent of the Managing Member.

7.3. Allocations . (a) Capital Commitment Net Income (Loss) of the Company for each Capital Commitment Investment shall be allocated to the related Capital Commitment Capital Accounts of all the Members (including the Managing Member) participating in such Capital Commitment Investment in proportion to their respective Capital Commitment Profit Sharing Percentages for such Capital Commitment Investment. Capital Commitment Net Income (Loss) on any Unallocated Capital Commitment Interest shall be allocated to each Member in the proportion which such Member's aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Members; provided, that if any Member makes the election provided for in Section 7.6, Capital Commitment Net Income (Loss) of the Company for each Capital Commitment Investment shall be allocated to the related Capital Commitment Capital Accounts of all the Members participating in such Capital Commitment Investment who do not make such election in proportion to their respective Capital Commitment Profit Sharing Percentages for such Capital Commitment Investment.

(b) Any special costs relating to distributions pursuant to Section 7.6 or 7.7 shall be specially allocated to the electing Member.

7.4. Distributions . (a) Each Member's allocable portion of Capital Commitment Net Income received from his Capital Commitment Investments, distributions to such Member that constitute returns of capital, and other Capital Commitment Net Income of the Company (including, without limitation, Capital Commitment Net Income attributable to Unallocated Capital Commitment Interests) during a fiscal year of the Company will be credited to payment of the Investor Notes to the extent required below as of the last day of such fiscal year (or on such earlier date as related distributions are made in the sole discretion of the Managing Member) with any cash amount distributable to such Member pursuant to clauses (ii) and (vii) below to be distributed within 45 days after the end of each fiscal year of the Company (or in each case on such earlier date as selected by the Managing Member in its sole discretion) as follows (subject to Section 7.4(c) below):

(i) First, to the payment of interest then due on all Investor Notes (relating to Capital Commitment Investments or otherwise) of such Member (to the extent Capital Commitment Net Income and distributions or payments from Other Sources do not equal or exceed all interest payments due, the selection of those of such Member's Investor Notes upon which interest is to be paid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor);

(ii) Second, to distribution to the Member of an amount equal to the Federal, State and local income taxes on income of the Company allocated to such Member for such year in respect of such Member's Capital Commitment Member Interest (the aggregate amount of any such distribution shall be determined by the Managing Member, subject to the limitation that the minimum aggregate amount of such distribution be the tax that would be payable if the taxable income of the Company related to all Members' Capital Commitment Member Interests were all allocated to an individual subject to the then-prevailing maximum Federal, New York State and New York City tax rates (taking into account the extent to which such taxable income

allocated by the Company was composed of long-term capital gains and the deductibility of State and local income taxes for Federal income tax purposes)); provided , that additional amounts shall be paid to the Member pursuant to this clause (ii) to the extent that such amount reduces the amount otherwise distributable to the Member pursuant to a comparable provision in any other BCE Agreement and there are not sufficient amounts to fully satisfy such provision from the relevant partnership or other entity; provided further , that amounts paid pursuant to the provisions in such other BCE Agreements comparable to the immediately preceding proviso shall reduce those amounts otherwise distributable to the Member pursuant to provisions in such other BCE Agreements that are comparable to this clause (ii);

(iii) Third, to the payment in full of the principal amount of the Investor Note financing (A) any Capital Commitment Investment disposed of during or prior to such fiscal year or (B) any BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such fiscal year, to the extent not repaid from Other Sources;

(iv) Fourth, to the return to such Member of (A) all Capital Commitment-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 Company) in respect of interests therein relating to BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such fiscal year (including all principal paid on the related Investor Notes), to the extent not repaid from amounts of Other Sources (other than amounts of Capital Commitment Member Carried Interest);

(v) Fifth, to the payment of principal (including any previously deferred amounts) then owing under all other Investor Notes of such Member (including those unrelated to the Company), the selection of those of such Member's Investor Notes to be repaid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor;

(vi) Sixth, up to 50% of any Capital Commitment Net Income remaining after application pursuant to clauses (i) through (v) above shall be applied pro rata to prepayment of principal of all remaining Investor Notes of such Member (including those unrelated to the Company), the selection of those of such Member's Investor Notes to be repaid, the division of payments among such Investor Notes and the percentage of remaining Capital Commitment Net Income to be applied thereto to be determined by the Lender or Guarantor; and

(vii) Seventh, to such Member to the extent of any amount of Capital Commitment Net Income remaining after making the distributions in clauses (i) through (vi) above, and such amount is not otherwise required to be applied to Investor Notes pursuant to the terms thereof.

To the extent there is a partial disposition of a Capital Commitment Investment or any other BCE Investment, as applicable, the payments in clauses (iii) and (iv) above shall be based on that portion of the Capital Commitment Investment or other BCE Investment, as applicable, disposed of, and the principal amount and related interest payments of such Investor Note shall be adjusted to reflect such partial payment so that there are equal payments over the remaining term of the related Investor Note. For a Member who is no longer an employee or officer of Holdings or its Affiliates, distributions shall be made pursuant to clauses (i) through (iii) above, and then, unless the Company or its Affiliate has exercised its rights pursuant to Section 8.1 hereof, any remaining income or other distribution in respect of such Member's Capital Commitment Member Interest shall be applied to the prepayment of the outstanding Investor Notes of such Member, until all such Member's Investor Notes have been repaid in full, with any such income or other distribution remaining thereafter distributed to such Member.

Distributions of Capital Commitment Net Income may be made at any other time at the discretion of the Managing Member. At the Managing Member's discretion, any amounts distributed to a Member in respect of such Member's Capital Commitment Member Interest will be net of any interest and principal payable on his Investor Notes for the full period in respect of which the distribution is made.

(b) [Intentionally omitted.]

(c) To the extent that the foregoing Company distributions and distributions and payments from Other Sources are insufficient to satisfy any principal and/or interest due on Investor Notes, and to the extent that the Managing Member in its sole discretion 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 Member that is no longer an employee or officer of Holdings or an Affiliate thereof. All unpaid interest on such Investor Notes shall accrue interest at the interest rate then in effect for such Investor Notes.

(d) [Intentionally omitted.]

(e) The Capital Commitment Capital Account of each Member shall be reduced by the amount of any distribution to such Member pursuant to paragraph (a) of this Section 7.4.

(f) At any time that a sale, exchange, transfer or other disposition of a portion of a Capital Commitment Investment is being considered by the Company or BTO (a " Capital Commitment Disposable Investment "), at the election of the Managing Member each Member's Capital Commitment Interest with respect to such Capital Commitment Investment shall be vertically divided into two separate Capital Commitment Interests, a Capital Commitment Interest attributable to the Capital Commitment Disposable Investment (a Member's " Capital Commitment Class B Interest "), and a Capital Commitment Interest attributable to such Capital Commitment Investment excluding the Capital Commitment Disposable Investment (a Member's " Capital Commitment Class A Interest "). Distributions

(including those resulting from a direct or indirect sale, transfer, exchange or other disposition by the Company) relating to a Capital Commitment Disposable Investment shall be made only to holders of Capital Commitment Class B Interests with respect to such Capital Commitment Investment in accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class B Interests, and distributions (including those resulting from the direct or indirect sale, transfer, exchange or other disposition by the Company) relating to a Capital Commitment Investment excluding such Capital Commitment Disposable Investment shall be made only to holders of Capital Commitment Class A Interests with respect to such Capital Commitment Investment in accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class A Interests.

(g) (i) If (x) the Company is obligated under the Giveback Provisions to contribute a Giveback Amount to BTO in respect of any Capital Commitment BTO Interest that may be held by the Company or (y) Associates is obligated under the Giveback Provisions to contribute to BTO a Giveback Amount with respect to any Capital Commitment BTO Interest that may be held by Associates and the Company is obligated to contribute any such amount to Associates in respect of the Company's Capital Commitment Associates Member Interest (the amount of any such obligation of the Company with respect to such a Giveback Amount in the case of either (x) or (y) being herein called a " Capital Commitment Giveback Amount "), the Company shall call for such amounts as are necessary to satisfy such obligation of the Company as determined by the Managing Member, in which case, each Member and Withdrawn Member shall contribute to the Company, in cash, when and as called by the Company, such an amount of prior distributions by the Company with respect to the Capital Commitment BTO Interest (the " Capital Commitment Recontribution Amount ") which equals such Member's pro rata share of prior distributions in connection with (a) the Capital Commitment BTO 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 BTO Investments other than the one giving rise to such obligation, and (c) if the Capital Commitment Giveback Amount pursuant to an applicable BTO Agreement is unrelated to a specific Capital Commitment BTO Investment, all Capital Commitment BTO Investments. Each Member shall promptly contribute to the Company upon notice thereof such Member's Capital Commitment Recontribution Amount. Prior to such time, the Company may, at the Managing Member's discretion (but shall be under no obligation to), provide notice that in the Managing Member's judgment, the potential obligations in respect of the Capital Commitment Giveback Amount will probably materialize (and an estimate of the aggregate amount of such obligations).

(ii) (A) In the event any Member (a " Capital Commitment Defaulting Party ") fails to recontribute all or any portion of such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Capital Commitment Profit Sharing Percentages), such amounts as are necessary to fulfill the Capital Commitment Defaulting Party's obligation to pay such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount (a " Capital Commitment Deficiency Contribution ") if the Managing Member determines in its good faith judgment that the Company will be unable to collect such amount in cash

from such Capital Commitment Defaulting Party for payment of the Capital Commitment Giveback Amount at least 20 Business Days prior to the latest date that the Company is permitted to pay the Capital Commitment Giveback Amount; provided , that no Member shall as a result of such Capital Commitment Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Capital Commitment Recontribution Amount initially requested from such Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the Managing Member or (2) pursue any and all remedies (at law or equity) available to the Company against the Capital Commitment Defaulting Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the Capital Commitment Defaulting Party. It is agreed that the Company shall have the right (effective upon such Capital Commitment Defaulting Party becoming a Capital Commitment Defaulting Party) to set-off as appropriate and apply against such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount any amounts otherwise payable to the Capital Commitment Defaulting Party by the Company or any Affiliate thereof. Each Member hereby grants to the Company a security interest, effective upon such Member becoming a Capital Commitment Defaulting Party, in all accounts receivable and other rights to receive payment from the Company or any Affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Capital Commitment Recontribution Amount of a Capital Commitment Defaulting Party from the date such Capital Commitment Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

(B) Any Member's failure to make a Capital Commitment Deficiency Contribution shall cause such Member to be a Capital Commitment Defaulting Party with respect to such amount.

(iii) A Member's obligation to make contributions to the Company under this Section 7.4(g) shall survive the termination of the Company.

7.5. Valuations . Capital Commitment Investments shall be valued annually as of the end of each year (and at such other times as deemed appropriate by the Managing Member) in accordance with the principles utilized by Associates (or any other Affiliate of the Company that is a general partner of BTO) in valuing investments of BTO or, in the case of investments not held by BTO, in the good faith judgment of the Managing Member, subject in each case to the second proviso of the immediately succeeding sentence. The value of any Capital Commitment Interest as of any date (the " Capital Commitment Value ") shall be based on the value of the underlying Capital Commitment Investment as set forth above; provided , that the Capital Commitment Value may be determined as of an earlier date if determined appropriate by

the Managing Member in good faith; provided further , that such value may be adjusted by the Managing Member to take into account factors relating solely to the value of a Capital Commitment Interest (as compared to the value of the underlying Capital Commitment Investment), such as restrictions on transferability, the lack of a market for such Capital Commitment Interest and lack of control of the underlying Capital Commitment Investment. To the full extent permitted by applicable law such valuations shall be final and binding on all Members; provided further , that the immediately preceding proviso shall not apply to any Capital Commitment Interests held by a person who is or was at any time a direct partner of a Managing Member of the Company.

7.6. Disposition Election . (a) At any time prior to the date of the Company's execution of a definitive agreement to dispose of a Capital Commitment Investment, the Managing Member may in its sole discretion permit a Member to retain all or any portion of its pro rata share of such Capital Commitment Investment (as measured by such Member's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment). If the Managing Member so permits, such Member shall instruct the Managing Member in writing prior to such date (i) not to dispose of all or any portion of such Member's pro rata share of such Capital Commitment Investment (the "Retained Portion") and (ii) either to (A) distribute such Retained Portion to such Member on the closing date of such disposition or (B) retain such Retained Portion in the Company on behalf of such Member until such time as such Member shall instruct the Managing Member upon 5 days notice to distribute such Retained Portion to such Member. Such Member's Capital Commitment Capital Account shall not be adjusted in any way to reflect the retention in the Company of such Retained Portion or the Company's disposition of other Members' pro rata shares of such Capital Commitment Investment; provided, that such Member's Capital Commitment Capital Account shall be adjusted upon distribution of such Retained Portion to such Member or upon distribution of proceeds with respect to a subsequent disposition thereof by the Company.

(b) No distribution of such Retained Portion shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such distribution.

7.7. Capital Commitment Special Distribution Election . (a) From time to time during the term of this Agreement, the Managing Member may in its sole discretion, upon receipt of a written request from a Member, distribute to such Member any portion of its pro rata share of a Capital Commitment Investment (as measured by such Member's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment) (a " Capital Commitment Special Distribution "). Such Member's Capital Commitment Capital Account shall be adjusted upon distribution of such Capital Commitment Special Distribution.

(b) No Capital Commitment Special Distributions shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such Capital Commitment Special Distribution.

ARTICLE VIII

WITHDRAWAL, ADMISSION OF NEW MEMBERS

8.1. Member Withdrawal; Repurchase of Capital Commitment Interests . (a) Capital Commitment Interests (or a portion thereof) that were financed by Investor Notes will be treated as not subject to repurchase for purposes hereof based upon the proportion of (a) the sum of Capital Commitment Capital Contributions not financed by an Investor Note with respect to each Capital Commitment Interest and principal payments on the related Investor Note to (b) the sum of the Capital Commitment Capital Contributions not financed by an Investor Note with respect to such Capital Commitment Interest, the original principal amount of such Investor Note and all deferred amounts of interest which from time to time comprise part of the principal amount of the Investor Note. A Member may prepay a portion of any outstanding principal on the Investor Notes; provided , that in the event that a Member prepays all or any portion of the principal amount of the Investor Notes within nine months prior to the date on which such Member is no longer an employee or officer of Holdings or an Affiliate thereof, the Company (or its designee) shall have the right, in its sole discretion, to purchase the Capital Commitment Interest that became Non-Contingent as a result of such prepayment; provided further , that the purchase price for such Capital Commitment Interest shall be determined in accordance with the determination of the purchase price of a Member's Contingent Capital Commitment Interests as set forth in paragraph (b) below. Prepayments made by a Member shall apply pro rata against all of such Member's Investor Notes; provided , that such Member may request that such prepayments be applied only to Investor Notes related to BCE Investments that are related to one or more Blackstone Collateral Entities specified by such Member. Except as expressly provided herein, Capital Commitment Interests that were not financed in any respect with Investor Notes shall be treated as Non-Contingent Capital Commitment Interests.

(b) Upon a Member ceasing to be an officer or employee of the Company or any of its Affiliates, other than as a result of such Member dying or suffering a Total Disability, such Member (the " Withdrawn Member ") and the Company or any other person designated by the Managing Member shall each have the right (exercisable by the Withdrawn Member within 30 days and by the Company or its designee(s) within 45 days of such Member's ceasing to be such an officer or employee) or any time thereafter, upon 30 days notice, but not the obligation, to require the Company, subject to the LLC Act, to buy (in the case of exercise of such right by such Withdrawn Member) or the Withdrawn Member to sell (in the case of exercise of such right by the Company or its designee(s)) all (but not less than all) such Withdrawn Member's Contingent Capital Commitment Interests. The purchase price for each such Contingent Capital Commitment Interest will be an amount equal to (i) the outstanding principal amount of the related Investor Note plus accrued interest thereon to the date of purchase (such portion of the purchase price to be made in cash) and (ii) an additional amount (the " Adjustment Amount ") equal to (x) all interest paid by the Member on the portion of the principal amount of the Investor Note relating to the portion of the related Capital Commitment Interest remaining Contingent plus (y) all Capital Commitment Net Losses allocated to the Withdrawn Member on the Contingent portion of such Capital Commitment Interest minus (z) all Capital Commitment Net Income allocated to the Withdrawn Member on the Contingent portion of

such Capital Commitment Interest; provided , that, if the Withdrawn Member was terminated from employment or his position as an officer for Cause, the amounts referred to in clause (x) or (y) of the Adjustment Amount, in the Managing Member's sole discretion, may be deemed to equal zero. The Adjustment Amount shall, if positive, be payable by the holders of the purchased Capital Commitment Interests to the Withdrawn Member from the next Capital Commitment Net Income received by such holders on the Contingent portion of such Withdrawn Member's Capital Commitment Interests at the time such Capital Commitment Net Income is received. If the Adjustment Amount resulting from an exchange is negative, it shall be payable to the holders of the purchased Capital Commitment Interest by the Withdrawn Member at the time such Capital Commitment Net Income is received by the Withdrawn Member from the next Capital Commitment Net Income on the Non-Contingent portion of the Withdrawn Member's Capital Commitment Interests or, if the Company or its designee(s) elect to purchase such Withdrawn Member's Non-Contingent Capital Commitment Interests, in cash by the Withdrawn Member at the time of such purchase; provided , that the Company and its Affiliates may offset any amounts otherwise owing to a Withdrawn Member against any Adjustment Amount owed by such Withdrawn Member. Until so paid, such remaining Adjustment Amount will not itself bear interest. At the time of such purchase of the Withdrawn Member's Contingent Capital Commitment Interests, his related Investor Note shall be payable in full. If neither the Withdrawn Member nor the Company nor its designee(s) exercise the right to require repurchase of such Contingent Capital Commitment Interests, then the Withdrawn Member shall retain the Contingent portion of his Capital Commitment Interests and the Investor Notes shall remain outstanding, shall become fully recourse to the Withdrawn Member in his individual capacity, shall be payable in accordance with their remaining original maturity schedules and shall be prepayable at any time by the Withdrawn Member at his option, and the Company shall apply such prepayments against outstanding Investor Notes on a pro rata basis. To the extent that another Member purchases a portion of a Capital Commitment Interest of a Withdrawn Member, the purchasing Member's Capital Commitment Capital Account and Capital Commitment Profit Sharing Percentage for such Capital Commitment Investment shall be correspondingly increased.

(c) Upon the occurrence of a Final Event with respect to any Member, such Member shall thereupon cease to be a Member with respect to such Member's Capital Commitment Member Interest. If such a Final Event shall occur, no Successor in Interest to any such Member shall for any purpose hereof become or be deemed to become a Member. The sole right, as against the Company and the remaining Members, acquired hereunder by, or resulting hereunder to, a Successor in Interest to any Member shall be to receive any distributions and allocations with respect to such Member's Capital Commitment Member Interest pursuant to Article VII and this Article VIII, subject to the right of the Company to purchase the Capital Commitment Interests of such former Member pursuant to Section 8.1(b) or Section 8.1(d)) to the extent, at the time, in the manner and in the amount otherwise payable to such Member had such a Final Event not occurred, and no other right shall be acquired hereunder by, or shall result hereunder to, a Successor in Interest to such Member, whether by operation of law or otherwise. Until distribution of any such Member's interest in the Company upon the dissolution of the Company as provided in Section 9.2, neither his Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption without the consent of the Managing Member. The Company shall be entitled to treat any Successor in Interest to such Member as the only person entitled to receive distributions and allocations hereunder with respect to such Member's Capital Commitment Member Interest.

(d) If a Member dies or suffers a Total Disability, all Contingent Capital Commitment Interests of such Member shall be purchased by the Company or its designee (within 30 days of the first date on which the Company knows or has reason to know of such Member's death or Total Disability) as provided in Section 8.1(b) (except that any Adjustment Amount shall be payable by or to the estate or personal representative in cash) and any Investor Notes financing such Contingent Capital Commitment Interests shall thereupon be prepaid as provided in Section 8.1(b). In addition, in the case of the death or Total Disability of a Member, if the estate or personal representative of such Member so requests in writing within 180 days of the Member's death or ceasing to be an employee or member (directly or indirectly) of the Company or any of its Affiliates by reason of Total Disability (such requests shall not exceed one per calendar year), the Company or its designee may but is not obligated to purchase for cash all (but not less than all) Non-Contingent Capital Commitment Interests of such Member as of the last day of the Company's then current fiscal year at a price equal to the Capital Commitment Value thereof. Each Member shall be required to include appropriate provisions in his will to reflect such provisions of this Agreement. In addition, the Company may, in the sole discretion of the Managing Member, upon notice to the estate or personal representative of such Member within 30 days of the first date on which the Company knows or has reason to know of such Member's death or Total Disability, determine either (i) to distribute Securities or other property to the estate or personal representative in exchange for such Non-Contingent Capital Commitment Interests as provided in Section 8.1 (e) or (ii) to require sale of such Non-Contingent Capital Commitment Interests to the Company or its designee as of the last day of any fiscal year of the Company (or earlier period, as determined by the Managing Member in its sole discretion) for an amount in cash equal to the Capital Commitment Value thereof.

(e) In lieu of retaining a Withdrawn Member as a Member with respect to any Non-Contingent Capital Commitment Interests, the Managing Member may, in its sole discretion, by notice to such Withdrawn Member within 45 days of his ceasing to be an employee or officer of the Company or any of its Affiliates, or at any time thereafter, upon 30 days written notice, determine (1) to distribute to such Withdrawn Member the pro rata portion of the Securities or other property underlying such Withdrawn Member's Non-Contingent Capital Commitment Interests, subject to any restrictions on distributions associated with the Securities or other property, in satisfaction of his Non-Contingent Capital Commitment Interests in the Company or (2) to cause, as of the last day of any fiscal year of the Company (or earlier period, as determined by the Managing Member in its sole discretion), the Company or another person designated by the Managing Member (who may be itself another Member or another Affiliate of the Company) to purchase all (but not less than all) of such Withdrawn Member's Non-Contingent Capital Commitment Interests for a price equal to the Capital Commitment Value thereof. The Managing Member shall condition any distribution or purchase of voting Securities pursuant to paragraph (d) above or this paragraph (e) upon the Withdrawn Member's execution and delivery to the Company of an appropriate irrevocable proxy, in favor of the Company or its nominee, relating to such Securities.

(f) The Company may subsequently transfer any Unallocated Capital Commitment Interest or portion thereof which is purchased by it as described above to any other person approved by the Managing Member. In connection with such purchase or transfer or the purchase of a Capital Commitment Interest or portion thereof by the Company's designee(s), Holdings may loan all or a portion of the purchase price of the transferred or purchased Capital Commitment Interest to the Company, the transferee or the designee-purchaser(s), as applicable (excluding any of the foregoing who is an executive officer of The Blackstone Group L.P. or any Affiliate thereof). To the extent that a Withdrawn Member's Capital Commitment Interests (or portions thereof) are repurchased by the Company and not transferred to or purchased by another person, all or any portion of such repurchased Capital Commitment Interests may, in the sole discretion of the Managing Member, (i) be allocated to each Member already participating in the Capital Commitment Investment to which the repurchased Capital Commitment Interest relates, (ii) be allocated to each Member in the Company, whether or not already participating in such Capital Commitment Investment, and/or (iii) continue to be held by the Company itself as an unallocated Capital Commitment Investment (such Capital Commitment Interests being herein called " Unallocated Capital Commitment Interests "). To the extent that a Capital Commitment Interest is allocated to Members as provided in clause (i) and/or (ii) above, any indebtedness incurred by the Company to finance such repurchase shall also be allocated to such Members. All such Capital Commitment Interests allocated to Members shall be deemed to be Contingent and shall become Non-Contingent as and to the extent that the principal amount of such related indebtedness is repaid. The Members receiving such allocations shall be responsible for such related indebtedness only on a nonrecourse basis to the extent appropriate as provided in this Agreement, except as such Members and the Managing Member shall otherwise agree. If the indebtedness financing such repurchased interests is not so limited, the Company may require an assumption by the Members of such indebtedness on the terms thereof as a precondition to allocation of the related Capital Commitment Interests to such Members; provided , that a Member shall not, except as set forth in his Investor Note, be obligated to accept any personally recourse obligation unless his prior consent is obtained. So long as the Company itself retains the Unallocated Capital Commitment Interests pursuant to clause (iii) above, such Unallocated Capital Commitment Interests shall belong to the Company and any indebtedness financing the Unallocated Capital Commitment Interests shall be an obligation of the Company to which all income of the Company is subject except as otherwise agreed by the lender of such indebtedness. Any Capital Commitment Net Income (Loss) on an Unallocated Capital Commitment Interest shall be allocated to each Member in the proportion his aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Members; debt service on such related financing will be an expense of the Company allocable to all Members in such proportions.

(g) If a Member is required to Withdraw from the Company with respect to such Member's Capital Commitment Member Interest for Cause, then his Capital Commitment Interest shall be settled in accordance with paragraphs (a)-(f) and (j) of this Section 8.1; provided , that if such Member was not at any time a direct partner of a Managing Member of the Company, the Managing Member may elect (but shall not be required) to apply any or all the following terms and conditions to such settlement:

(i) purchase for cash all of such Withdrawn Member's Non-Contingent Capital Commitment Interests. The purchase price for each such Non-Contingent Capital Commitment Interest shall be the lower of (A) the original cost of such Non-Contingent Capital Commitment Interest or (B) an amount equal to the Capital Commitment Value thereof;

(ii) allow the Withdrawn Member to retain such Non- Contingent Capital Commitment Interests; provided , that the maximum amount of Capital Commitment Net Income allocable to such Withdrawn Member with respect to any Capital Commitment Investment shall equal the amount of Capital Commitment Net Income that would have been allocated to such Withdrawn Member if such Capital Commitment Investment had been sold as of the Settlement Date at the then prevailing Capital Commitment Value thereof; or

(iii) in lieu of cash, purchase such Non-Contingent Capital Commitment Interests by providing the Withdrawn Member with a promissory note in the amount determined in (i) above. Such promissory note shall have a maximum term of ten (10) years with interest at the Federal Funds Rate.

(h) The Company will assist a Withdrawn Member or his estate or guardian, as the case may be, in the settlement of the Withdrawn Member's Capital Commitment Member Interest in the Company. Third party costs incurred by the Company in providing this assistance will be borne by the Withdrawn Member or his estate.

(i) The Company may reasonably determine in good faith to retain outside professionals to provide the assistance to Withdrawn Members or their estates or guardians, as referred to above. In such instances, the Company will obtain the prior approval of a Withdrawn Member or his estate or guardian, as the case may be, prior to engaging such professionals. If the Withdrawn Member (or his estate or guardian) declines to incur such costs, the Company will provide such reasonable assistance as and when it can so as not to interfere with the Company's day-to-day operating, financial, tax and other related responsibilities to the Company and the Members.

(j) Each Member hereby irrevocably appoints the Managing Member as such Member's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file, on behalf of such Member, any and all agreements, instruments, documents and certificates which such Managing Member deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in this Section 8.1, including, without limitation, the performance of any obligation of such Member or the Company or the exercise of any right of such Member or the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Company of any Member for any reason and shall not be affected by the death, disability or incapacity of such Member.

8.2. Transfer of Member's Capital Commitment Interest . Except as otherwise agreed by the Managing Member, no Member or former Member shall have the right to sell, assign, mortgage, pledge or otherwise dispose of or transfer (" Transfer ") all or part of any such

Member's Capital Commitment Member Interest in the Company; provided , that this Section 8.2 shall in no way impair Transfers (i) as permitted in Section 8.1 above, in the case of the purchase of a Withdrawn Member's or deceased or Totally Disabled Member's Capital Commitment Interests, (ii) Transfers by a Member to another Member of Non- Contingent Capital Commitment Interests, (iii) Transfers of up to 25% of a Regular Member's Capital Commitment Member Interest to an Estate Planning Vehicle and (iv) with the prior written consent of the Managing Member (which consent may be withheld without giving any reason therefor). No person acquiring an interest in the Company pursuant to this Section 8.2 shall become a Member of the Company, or acquire such Member's right to participate in the affairs of the Company, unless such person shall be admitted as a Member pursuant to Section 6.1. A Member shall not cease to be a Member of the Company upon the collateral assignment of, or the pledging or granting of a security interest in, its entire Interest in the Company in accordance with the provisions of this Agreement.

8.3. Compliance with Law . Notwithstanding any provision hereof to the contrary, no sale or Transfer of a Capital Commitment Interest in the Company may be made except in compliance with all Federal, State and other applicable laws, including Federal and State securities laws.

ARTICLE IX

DISSOLUTION

9.1. Dissolution . The Company shall be dissolved and subsequently terminated:

(a) pursuant to Section 6.6; or

(b) upon the expiration of the Term.

9.2. Final Distribution . Upon the dissolution of the Company, and following the payment of creditors of the Company and the making of provisions for the payment of any contingent, conditional or unmatured claims known to the Company as required under the LLC Act:

(a) The Members' respective interests in the Company shall be valued and settled in accordance with the procedures set forth in Section 6.5 which provide for allocations to the GP-Related Capital Accounts of the Members and distributions in accordance with the GP-Related Capital Account balances of the Members; and

(b) With respect to each Member's Capital Commitment Member Interest, an amount shall be paid to such Member in cash or Securities in an amount equal to such Member's respective Capital Commitment Liquidating Share for each Capital Commitment Investment; provided , that if the remaining assets relating to any Capital Commitment Investment shall not be equal to or exceed the aggregate Capital Commitment Liquidating Shares for such Capital Commitment Investment, to each Member in proportion to its Capital Commitment Liquidating Share for such Capital Commitment Investment; and the remaining assets of the Company related to the Members' Capital Commitment Member Interests shall be paid to the Members in cash or Securities in proportion to their respective Capital Commitment Profit Sharing Percentages for each Capital Commitment Investment from which such cash or Securities are derived.

The Managing Member shall be the liquidator. In the event that the Managing Member is unable to serve as liquidator, a liquidating trustee shall be chosen by the affirmative vote of a Majority in Interest of the Members voting at a meeting of Members (excluding Nonvoting Special Members).

9.3. Amounts Reserved Related to Capital Commitment Member Interests . (a) If there are any Securities or other property or other investments or securities related to the Members' Capital Commitment Member Interests which, in the judgment of the liquidator, cannot be sold, or properly distributed in kind in the case of dissolution, without sacrificing a significant portion of the value thereof, the value of a Member's interest in each such Security or other investment or security may be excluded from the amount distributed to the Members participating in the related Capital Commitment Investment pursuant to Section 9.2(b). Any interest of a Member, including his pro rata interest in any gains, losses or distributions, in Securities or other property or other investments or securities so excluded shall not be paid or distributed until such time as the liquidator shall determine.

(b) If there is any pending transaction, contingent liability or claim by or against the Company related to the Members' Capital Commitment Member Interests as to which the interest or obligation of any Member therein cannot, in the judgment of the liquidator, be then ascertained, the value thereof or probable loss therefrom may be deducted from the amount distributable to such Member pursuant to Section 9.2(b). No amount shall be paid or charged to any such Member on account of any such transaction or claim until its final settlement or such earlier time as the liquidator shall determine. The Company may meanwhile retain from other sums due such Member in respect of such Member's Capital Commitment Member Interest an amount which the liquidator estimates to be sufficient to cover the share of such Member in any probable loss or liability on account of such transaction or claim.

(c) Upon determination by the liquidator that circumstances no longer require the exclusion of any Securities or other property or retention of sums as provided in paragraphs (a) and (b) of this Section 9.3, the liquidator shall, at the earliest practicable time, distribute as provided in Section 9.2(b) such sums or such Securities or other property or the proceeds realized from the sale of such Securities or other property to each Member from whom such sums or Securities or other property were withheld.

ARTICLE X

MISCELLANEOUS

10.1. Submission to Jurisdiction; Waiver of Jury Trial . (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York, NY, in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of paragraph (a), the Managing Member may bring, or may cause the Company to bring, on behalf of the Managing Member or the Company or on behalf of one or more Members, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Member (i) expressly consents to the application of paragraph (c) of this Section 10.1 to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Managing Member as such Member's agent for service of process in connection with any such action or proceeding and agrees that service of process upon any such agent, who shall promptly advise such Member of any such service of process, shall be deemed in every respect effective service of process upon the Member in any such action or proceeding.

(c) (i) EACH MEMBER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF 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.

10.2. Ownership and Use of the Blackstone Name . The Company acknowledges that Blackstone TM L.L.C. (" TM "), a Delaware limited liability company with a principal place of business at 345 Park Avenue, New York, New York 10154, (or its successors or assigns) is the sole and exclusive owner of the mark and name BLACKSTONE and that the ownership of, and the right to use, sell or otherwise dispose of, the firm name or any abbreviation or modification thereof which consists of or includes BLACKSTONE, shall belong exclusively to TM. The Company shall not be permitted to use the BLACKSTONE name and service mark without the prior written consent of TM. To the extent the Company is permitted to use the BLACKSTONE name and service mark, all services rendered by the Company under the BLACKSTONE mark and name will be rendered in a manner and with quality levels that are consistent with the high reputation heretofore developed for the BLACKSTONE mark by TM and its Affiliates and licensees. The Company understands that, to the extent TM hereinafter permits the Company to use the BLACKSTONE name and service mark, TM may thereafter terminate the Company's right to use BLACKSTONE at any time in TM's sole discretion by giving the Company written notice of termination. Promptly following any such termination, the Company will take all steps necessary to change its company name to one which does not include BLACKSTONE or any confusingly similar term and cease all use of BLACKSTONE or any term confusingly similar thereto as a service mark or otherwise.

10.3. Written Consent . Any action required or permitted to be taken by a vote of Members at a meeting may be taken without a meeting if a Majority in Interest of the Members consent thereto in writing.

10.4. Letter Agreements; Schedules . The Managing Member may, or may cause the Company to, enter into separate letter agreements with individual Members, officers or employees with respect to GP-Related Profit Sharing Percentages, Capital Commitment Profit Sharing Percentages, benefits or any other matter. The Managing Member may from time to time execute and deliver to the Members schedules which set forth the then current capital balances, GP-Related Profit Sharing Percentages and Capital Commitment Profit Sharing Percentages of the Members and any other matters deemed appropriate by the Managing Member. Such schedules shall be for information purposes only and shall not be deemed to be part of this Agreement for any purpose whatsoever; provided , that this in no way limits the effectiveness of any Commitment Agreement.

10.5. Governing Law; Separability of Provisions . This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflict of laws. In particular, the Company has been formed pursuant to the LLC Act, and the rights and liabilities of the Members shall be as provided therein, except as herein otherwise expressly provided. If any provision of this Agreement shall be held to be invalid, such provision shall be given its meaning to the maximum extent permitted by law and the remainder of this Agreement shall not be affected thereby.

10.6. Successors and Assigns; 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 Member (whether such Member's heir, personal representative or otherwise), as distinct from such Member itself, shall have any rights as, or in respect to, a Member (including the right to approve or vote on any matter or to notice thereof) except the right to receive only those distributions expressly payable to such person pursuant to Articles VI and VIII. Any Member or Withdrawn Member shall remain liable for the obligations under this Agreement (including any Net GP-Related Recontribution Amounts and any Capital Commitment Recontribution Amounts) of any transferee of all or any portion of such Member's or Withdrawn Member's interest in the Company, unless waived by the Managing Member. The Company shall, if the Managing Member 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 Capital Commitment Recontribution Amounts) from the transferee with respect to any such obligations. Nothing in this Agreement is intended, nor shall anything herein be construed, to confer any rights, legal or equitable, on any person other than the Members and their respective legal representatives, heirs, successors and permitted assigns.

10.7. Confidentiality . By executing this Agreement, each Member expressly agrees, at all times during the term of the Company and thereafter and whether or not at the time a Member of the Company, to maintain the confidentiality of, and not to disclose to any person other than the Company, another Member or a person designated by the Company, any information relating to the business, financial structure, financial position or financial results, clients or affairs of the Company that shall not be generally known to the public or the securities industry, except as otherwise required by law or by any regulatory or self-regulatory organization having jurisdiction; provided , that any corporate Member may disclose any such information it is required by law, rule, regulation or custom to disclose. Notwithstanding anything in this Agreement to the contrary, to comply with Treasury Regulation Section 1.6011-4(b)(3)(i), each Member (and any employee, representative or other agent of such Member) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Company, it being understood and agreed, for this purpose, (1) the name of, or any other identifying information regarding (a) the Members or any existing or future investor (or any Affiliate thereof) in any of the Members, or (b) any investment or transaction entered into by the Members; (2) any performance information relating to any of the Members or their investments; and (3) any performance or other information relating to previous funds or investments sponsored by any of the Members, does not constitute such tax treatment or tax structure information.

10.8. Notices . Whenever notice is required or permitted by this Agreement to be given, such notice shall be in writing (including telecopy or similar writing) and shall be given to any Member at its address or telecopy number shown in the Company's books and records or, if given to the Managing Member, at the address of the Company provided herein. Each such notice shall be effective (i) if given by telecopy, upon dispatch, and (ii) if given by hand delivery, when delivered to the address of such Member or Managing Member specified as aforesaid.

10.9. Counterparts . This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute a single instrument.

10.10. Power of Attorney . Each Member hereby irrevocably appoints the Managing Member as such Member's true and lawful representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file all instruments, documents and certificates which, from time to time, may be required to set forth any amendment to this Agreement or may be required by this Agreement or by the laws of the United States of America, the State of Delaware or any other state in which the Company shall determine to do business, or any political subdivision or agency thereof, to execute, implement and continue the valid and subsisting existence of the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the subsequent Withdrawal from the Company of any Member for any reason and shall not be affected by the subsequent disability or incapacity of such Member.

10.11. Member's Will . Each Member and Withdrawn Member shall include in his or her will a provision that addresses certain matters in respect of his or her obligations relating to the Company that is satisfactory to the Managing Member and each such Member and Withdrawn Member shall confirm annually to the Company, in writing, that such provision remains in his current will. Where applicable, any estate planning trust of such Member or Withdrawn Member to which a portion of such Member's or Withdrawn Member's Interest is transferred shall include a provision substantially similar to such provision and the trustee of such trust shall confirm annually to the Company, in writing, that such provision or its substantial equivalent remains in such trust. In the event any Member or Withdrawn Member fails to comply with the provisions of this Section 10.11 after the Company has notified such Member or Withdrawn Member of his failure to so comply and such failure to so comply is not cured within 30 days of such notice, the Company may withhold any and all distributions to such Member until the time at which such party complies with the requirements of this Section 10.11.

10.12. Cumulative Remedies . Rights and remedies under this Agreement are cumulative and do not preclude use of other rights and remedies available under applicable law.

10.13. Legal Fees . Except as more specifically provided herein, in the event of a legal dispute (including litigation, arbitration or mediation) between any Member or Withdrawn Member and the Company, arising in connection with any party seeking to enforce Section 4.1 (d) or any other provision of this Agreement relating to the Holdback, the Clawback Amount, the GP-Related Giveback Amount, the Capital Commitment Giveback Amount, the Net GP-Related Recontribution Amount or the Capital Commitment Recontribution Amount, the "losing" party to such dispute shall promptly reimburse the "victorious party" for all reasonable legal fees and expenses incurred in connection with such dispute (such determination to be made by the relevant adjudicator). Any amounts due under this Section 10.13 shall be paid within 30 days of the date upon which such amounts are due to be paid and such amounts remaining unpaid after such date shall accrue interest at the Default Interest Rate.

10.14. Entire Agreement . This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. Subject to Section 10.4, this Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written. In the event that it is impracticable to obtain the signature of any one or more of the Members to this Agreement, this Agreement shall be binding among the other Members executing the same.

MANAGING MEMBER:

BLACKSTONE HOLDINGS III L.P.

By: Blackstone Holdings III GP L.P., its General Partner

By: Blackstone Holdings III GP Management L.L.C., its General Partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Authorized Person

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Stephen A. Schwarzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 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: May 7, 2012

/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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 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: May 7, 2012

/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 Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended March 31, 2012 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. Section § 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: May 7, 2012

/s/ Stephen A. Schwarzman
Stephen A. Schwarzman
Chief Executive Officer
of Blackstone Group Management L.L.C.

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* 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 Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended March 31, 2012 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. Section § 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: May 7, 2012

/s/ Laurence A. Tosi
Laurence A. Tosi
Chief Financial Officer
of Blackstone Group Management L.L.C.

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* 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.