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 JUNE 30, 2008**

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 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 July 31, 2008 was 155,657,249. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of July 31, 2008 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 section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as such factors may be updated from time to time in our periodic filings with the SEC,

which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

In this report, references to "Blackstone," "we," "us" or "our" refer (1) prior to the consummation of our reorganization into a holding partnership structure in June 2007 as described under "Item 1. Financial Information—Financial Statements—Notes to Condensed Consolidated and Combined Financial Statements (Unaudited)—Note 1. Organization and Basis of Presentation—Reorganization of the Partnership", to Blackstone Group, which comprised certain consolidated and combined entities historically under the common ownership of (a) our two founders, Mr. Stephen A. Schwarzman and Mr. Peter G. Peterson, and our other senior managing directors, (b) selected other individuals engaged in some of our businesses and (c) a subsidiary of American International Group, Inc., to whom we refer collectively as our "predecessor owners" or "pre-IPO owners," and (2) after our reorganization, to The Blackstone Group L.P. and its consolidated subsidiaries. Unless the context otherwise requires, references in this report to the ownership of our founders 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 corporate private equity funds, real estate funds, funds of hedge funds, debt funds, collateralized loan obligation ("CLO") vehicles, proprietary hedge funds and closed-end mutual funds that are managed by Blackstone. "Our carry funds" refer to the corporate private equity funds, real estate funds and debt funds that are managed by Blackstone. "Our hedge funds" refer to the funds of hedge funds and proprietary hedge funds that are managed by Blackstone.

"Assets under management" refers to the assets we manage. Our assets under management equal the sum of:

(1) the fair market 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 market value of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and as to which we receive fees or a carried interest allocation);

(2) the net asset value of our funds of hedge funds, proprietary hedge funds and closed-end mutual funds; and

(3) the amount of capital raised for our CLOs.

Our calculation of 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 employees regardless of whether such commitments or invested capital is subject to fees. Our definition of assets under management is not based on any definition of assets under management that is set forth in the agreements governing the investment funds that we manage.

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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)

	June 30, 2008	December 31, 2007
Assets		
Cash and Cash Equivalents	$ 217,660	$ 868,629
Cash Held by Blackstone Funds	79,426	163,696
Investments	7,195,586	7,145,156
Accounts Receivable	243,865	213,086
Due from Brokers	658,894	812,250
Investment Subscriptions Paid in Advance	54,999	36,698
Due from Affiliates	1,249,954	855,854
Intangible Assets, Net	1,206,450	604,681
Goodwill	1,689,976	1,597,474
Other Assets	148,100	99,366
Deferred Tax Assets	745,008	777,310
Total Assets	$ 13,489,918	$ 13,174,200
Liabilities and Partners' Capital		
Loans Payable	$ 378,056	$ 130,389
Amounts Due to Non-Controlling Interest Holders	734,802	269,901
Securities Sold, Not Yet Purchased	1,062,141	1,196,858
Due to Affiliates	1,040,911	831,609
Accrued Compensation and Benefits	291,443	188,997
Accounts Payable, Accrued Expenses and Other Liabilities	175,150	250,445
Total Liabilities	3,682,503	2,868,199
Commitments and Contingencies		
Non-Controlling Interests in Consolidated Entities	5,806,592	6,079,156
Partners' Capital		
Partners' Capital (common units: 264,146,570 issued and outstanding as of June 30, 2008; 260,471,862 issued and 259,826,700 outstanding as of December 31, 2007)	3,999,764	4,226,500
Accumulated Other Comprehensive Income	1,059	345
Total Partners' Capital	4,000,823	4,226,845
Total Liabilities and Partners' Capital	$ 13,489,918	$ 13,174,200

See notes to condensed consolidated and combined financial statements.

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THE BLACKSTONE GROUP L.P.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Management and Advisory Fees	$ 338,159	$ 341,694	$ 647,568	$ 789,096
Performance Fees and Allocations	(13,722)	453,749	(202,409)	1,116,247
Investment Income (Loss) and Other	29,215	156,685	(22,984)	273,153
Total Revenues	353,652	952,128	422,175	2,178,496
Expenses				
Compensation and Benefits	1,028,808	345,545	2,005,955	424,752
Interest	5,690	15,180	8,433	26,302
General, Administrative and Other	107,517	50,686	202,738	78,819
Fund Expenses	21,793	65,557	44,745	119,246
Total Expenses	1,163,808	476,968	2,261,871	649,119
Other Income (Loss)				
Net Gains (Losses) from Fund Investment Activities	189,678	2,360,343	(25,958)	5,396,825
Income (Loss) Before Non-Controlling Interests in Income (Loss) of Consolidated Entities and Provision (Benefit) for Taxes	(620,478)	2,835,503	(1,865,654)	6,926,202
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(434,969)	2,063,561	(1,433,426)	5,008,215
Income (Loss) Before Provision (Benefit) for Taxes	(185,509)	771,942	(432,228)	1,917,987
Provision (Benefit) for Taxes	(28,978)	(2,409)	(24,704)	11,560
Net Income (Loss)	$ (156,531)	$ 774,351	$ (407,524)	$ 1,906,427

	June 19, 2007 through June 30, 2007
Net Loss	$ (52,324)
Net Loss Per Common Unit	
Basic	$ (0.20)
Diluted	$ (0.20)
Weighted-Average Common Units Outstanding	
Basic	259,504,480
Diluted	259,504,480
Revenues Earned from Affiliates	
Management and Advisory Fees	$ 327,115

Net Loss Per Common Unit				
Basic	$ (0.60)		$ (1.57)	
Diluted	$ (0.60)		$ (1.57)	
Weighted-Average Common Units Outstanding				
Basic	260,394,534		260,127,602	
Diluted	260,394,534		260,127,602	
Revenues Earned from Affiliates				
Management and Advisory Fees	$ 24,252	$ 97,183	$ 52,659	

See notes to condensed consolidated and combined financial statements.

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THE BLACKSTONE GROUP L.P.

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

	Common Units	Partners' Capital	Accumulated Other Compre-hensive Income	Total Partners' Capital	Compre-hensive Income (Loss)
Balance at December 31, 2007	259,826,700	$4,226,500	$ 345	$4,226,845	—
Purchase of Interests from Predecessor Owners	—	(44,072)	—	(44,072)	—
Repurchase of Common Units	(10,000)	(195)	—	(195)	—
Deferred Tax Effects Resulting from Acquisition of Ownership Interests	—	(666)	—	(666)	—
Distributions to Common Unitholders	—	(157,993)	—	(157,993)	—
Net Loss	—	(407,524)	—	(407,524)	$ (407,524)
Currency Translation Adjustment	—		714	714	714
Equity-Based Compensation	—	400,942	—	400,942	—
Net Delivery of Vested Common Units	4,329,870	(17,228)	—	(17,228)	—
Balance at June 30, 2008	264,146,570	$3,999,764	$ 1,059	$4,000,823	$ (406,810)

See notes to condensed consolidated and combined financial statements.

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THE BLACKSTONE GROUP L.P.

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

	For the Six Months Ended June 30,	
	2008	2007
Operating Activities		
Net Income (Loss)	$ (407,524)	$ 1,906,427
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Blackstone Funds Related:		
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(1,344,738)	2,369,966
Net Realized (Gains) Losses on Investments	(118,299)	(3,474,975)
Changes in Unrealized (Gains) Losses on Investments Allocable to Blackstone Group	55,053	(13,185)
Non-Cash Performance Fees and Allocations	113,622	(483,101)
Equity-Based Compensation Expense	1,720,268	236,228
Intangible Amortization	74,213	7,200
Other Non-Cash Amounts Included in Net Income	8,947	4,775
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Cash Held by Blackstone Funds	84,268	339,340
Cash Relinquished with Deconsolidation of Partnership	—	(702,246)
Due from Brokers	153,356	(206,116)
Accounts Receivable	366,233	486,171
Due from Affiliates	(84,887)	(687,487)
Other Assets	(9,785)	(55,670)
Accrued Compensation and Benefits	18,288	41,856
Accounts Payable, Accrued Expenses and Other Liabilities	(38,711)	20,619
Due to Affiliates	(70,010)	713,145
Amounts Due to Non-Controlling Interest Holders	(51,869)	(3,385)
Cash Acquired from Consolidated Fund	3	—
Blackstone Funds Related:		
Investments Purchased	(17,912,140)	(10,469,572)
Cash Proceeds from Sale of Investments	17,661,009	9,142,902
Net Cash Provided by (Used in) Operating Activities	217,297	(827,108)
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(23,227)	(14,518)
Elimination of Cash for Non-Contributed Entities	—	(23,292)
Cash Paid for Acquisition, Net of Cash Acquired	(336,571)	—
Changes in Restricted Cash	(8,910)	—
Net Cash Used in Investing Activities	(368,708)	(37,810)
Financing Activities		
Issuance of Common Units in Initial Public Offering and to Beijing Wonderful Investments	—	7,501,240
Distributions to Non-Controlling Interest Holders in Consolidated Entities	(726,323)	(5,557,042)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	332,144	6,687,352
Contributions from Predecessor Owners	—	223,291
Distributions to Predecessor Owners	(20,917)	(1,861,633)
Purchase of Interests from Predecessor Owners	(79,627)	(4,569,110)
Net Settlement of Vested Common Units and Repurchase of Common Units	(17,423)	—
Proceeds from Loans Payable	458,862	5,221,309
Repayment of Loans Payable	(288,281)	(5,477,208)
Distributions to Common Unitholders	(157,993)	—
Net Cash Provided by (Used in) Financing Activities	(499,558)	2,168,199
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	639
Net Decrease in Cash and Cash Equivalents	(650,969)	1,303,920
Cash and Cash Equivalents, Beginning of Period	868,629	129,443
Cash and Cash Equivalents, End of Period	$ 217,660	$ 1,433,363

See notes to condensed consolidated and combined financial statements.

THE BLACKSTONE GROUP L.P.

Condensed Consolidated and Combined Statements of Cash Flows (Unaudited)—(Continued)
(Dollars in Thousands)

	For the Six Months Ended June 30,	
	2008	2007
Supplemental Disclosures of Cash Flow Information		
Payments for Interest	$ 9,376	$ 26,080
Payments for Income Taxes	$ 24,683	$ 42,859
Supplemental Disclosure of Non-Cash Operating Activities		
Net Activities Related to Investment Transactions of Consolidated Blackstone Funds	$ —	$ 139,219
Supplemental Disclosure of Non-Cash Financing Activities		
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	$ —	$ 139,219
Elimination of Capital of Non-Contributed Entities	$ —	$ 118,947
Elimination of Non-Controlling Interests of Non-Contributed Entities	$ —	$ 823,030
Transfer of Partners' Capital to Non-Controlling Interests	$ —	$ 2,058,065
Distribution Payable to Predecessor Owners	$ —	$ 623,942
Delivery of Vested Common Units	$ 165,250	$ —
Reorganization of the Partnership:		
Goodwill as a Result of Reorganization	$ 80,754	$(1,551,175)
Intangibles as a Result of Reorganization	$ (153,982)	$ (722,288)
Accounts Payable, Accrued Expenses and Other Liabilities	$ (8,800)	$ 17,659
Non-Controlling Interest in Consolidated Entities	$ 82,028	$ 2,255,804
Exchange of Founders and Senior Managing Directors' Interests in Blackstone Holdings:		
Deferred Tax Asset	$ 4,440	$(1,589,296)
Due to Affiliates	$ (3,774)	$ 1,350,902
Partners' Capital	$ (666)	$ 238,394
Acquisition of GSO Capital Partners LP:		
Fair Value of Assets Acquired	$1,018,747	$ —
Cash Paid for Acquisition	(356,972)	—
Fair Value of Non-Controlling Interests in Consolidated Entities and Liabilities Assumed	(381,375)	—
Units to be Issued	$ 280,400	$ —

See notes to condensed consolidated and combined financial statements.

THE BLACKSTONE GROUP L.P.

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

1. ORGANIZATION AND BASIS OF PRESENTATION

The Blackstone Group L.P. (the "Partnership"), together with its consolidated subsidiaries (collectively, "Blackstone"), is a leading global alternative asset manager and provider of financial advisory services based in New York. The alternative asset management businesses include the management of corporate private equity funds, real estate funds, funds of hedge funds, debt funds, collateralized loan obligation ("CLO") vehicles, proprietary hedge funds, closed-end mutual funds and related entities that invest in such funds, collectively referred to as the "Blackstone Funds." Blackstone also provides various financial advisory services, including corporate and mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

Basis of Presentation —The accompanying unaudited condensed consolidated and combined 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 and combined financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated and combined financial statements are presented fairly and that estimates made in preparing its condensed consolidated and combined 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 and combined financial statements should be read in conjunction with the audited consolidated and combined financial statements included in the Partnership's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The accompanying unaudited condensed consolidated and combined financial statements include (1) subsequent to the reorganization as described below, the consolidated accounts of Blackstone, and (2) prior to the reorganization the entities engaged in the above businesses under the common ownership of the two founders of Blackstone, Stephen A. Schwarzman and Peter G. Peterson (the "Founders"), Blackstone's other senior managing directors and selected other individuals engaged in some of Blackstone's businesses, personal planning vehicles beneficially owned by the families of these individuals and a subsidiary of American International Group, Inc. ("AIG"), collectively referred to as the "predecessor owners".

Certain of the Blackstone Funds are included in the condensed consolidated and combined financial statements of the Partnership. Consequently, the condensed consolidated and combined financial statements of the Partnership reflect the assets, liabilities, revenues, expenses and cash flows of these consolidated Blackstone Funds on a gross basis. The majority economic ownership interests in these funds are reflected as Non-Controlling Interests in Consolidated Entities in the condensed consolidated and combined financial statements. The consolidation of these Blackstone Funds has no net effect on the Partnership's Net Income or Partners' Capital.

The Partnership's interest in Blackstone Holdings (see "Reorganization of the Partnership" below) is within the scope of the Emerging Issues Task Force ("EITF") Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). Although the Partnership has a minority economic interest in Blackstone Holdings, it has a majority voting interest and controls the management of Blackstone Holdings. Additionally, although the Blackstone Holdings' limited partners hold a majority economic interest in Blackstone Holdings, they do not have the right to dissolve the partnership 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 interest for the economic interests of limited partners of the Blackstone Holdings partnerships.

THE BLACKSTONE GROUP L.P.

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

Certain prior period financial statement balances have been reclassified to conform to the current presentation.

Reorganization of the Partnership —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 the Founders and Blackstone's other senior managing directors.

Blackstone's business was historically conducted through a large number of entities as to which there was no single holding entity but which were separately owned by its predecessor owners. In order to facilitate the initial public offering, as described in further detail below, the predecessor owners completed a reorganization as of the close of business on June 18, 2007 (the "Reorganization") whereby, with certain limited exceptions, each of the operating entities of the predecessor organization and the intellectual property rights associated with the Blackstone name, were contributed ("Contributed Businesses") to five newly-formed 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. (collectively, "Blackstone Holdings")) or sold to wholly-owned subsidiaries of the Partnership (which in turn contributed them to Blackstone Holdings). The Partnership, through wholly-owned subsidiaries, is the sole general partner of each of the Blackstone Holdings partnerships.

The Reorganization was accounted for as an exchange of entities under common control for the interests in the Contributed Businesses which were 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 pursuant to Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations* ("SFAS No. 141").

Blackstone also entered into an exchange agreement with holders of partnership units in Blackstone Holdings (other than the Partnership's wholly-owned subsidiaries) so that these holders, subject to the vesting, minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, may up to four times each year exchange their Blackstone Holdings Partnership Units for Blackstone Common Units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A Blackstone Holdings limited partner must exchange one partnership unit in each of the five Blackstone Holdings partnerships to effect an exchange for one common unit in the Partnership. The terms "Blackstone Holdings Partnership Unit" or "partnership unit in/of Blackstone Holdings" refer collectively to a partnership unit in each of the Blackstone Holdings partnerships.

Undistributed earnings of the Contributed Businesses through the date of the Reorganization inured to the benefit of the predecessor owners.

Initial Public Offering —On June 27, 2007, the Partnership completed the initial public offering ("IPO") of its common units representing limited partner interests in the Partnership. Upon the completion of the IPO, public investors indirectly owned approximately 14.1% of the equity in Blackstone. Concurrently with the IPO, the Partnership completed the sale of non-voting common units, representing approximately 9.3% of the equity in Blackstone, to Beijing Wonderful Investments, an investment vehicle established by the People's Republic of China with respect to its foreign exchange reserve. Beijing Wonderful Investments is restricted in the future from engaging in a purchase of Blackstone Common Units that would result in its equity interest in Blackstone exceeding 10%.

THE BLACKSTONE GROUP L.P.

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

The Partnership contributed the proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to its wholly-owned subsidiaries, which in turn used these proceeds to (1) purchase interests in the Contributed Businesses from the predecessor owners (which interests were then contributed to Blackstone Holdings in exchange for newly-issued Blackstone Holdings Partnership Units) and (2) purchase additional newly-issued Blackstone Holdings Partnership Units from Blackstone Holdings.

Consolidation and Deconsolidation of Blackstone Funds —In accordance with GAAP, a number of the Blackstone Funds were historically consolidated into Blackstone's combined financial statements.

Concurrently with the Reorganization, the Contributed Businesses that act as a general partner of a consolidated Blackstone Fund (with the exception of Blackstone's then-existing proprietary hedge funds and five of the funds of hedge funds) took the necessary steps to grant rights to the unaffiliated investors in each respective fund to provide that a simple majority of the fund's unaffiliated investors will have the right, without cause, to remove the general partner of that fund or to accelerate the liquidation date of that fund in accordance with certain procedures. The granting of these rights results in the deconsolidation of such investment funds from the Partnership's consolidated financial statements and the accounting of Blackstone's interest in these funds under the equity method. With the exception of certain funds of hedge funds, these rights became effective on June 27, 2007 for all Blackstone funds where these rights were granted. The effective date of these rights for the applicable funds of hedge funds was July 1, 2007. In the Condensed Consolidated and Combined Statements of Income and Cash Flows for the three and six month periods ended June 30, 2007, the change from consolidation to the equity method of accounting was presented retroactively as if the rights that became effective on June 27, 2007 had been granted effective January 1, 2007. During the third quarter of 2007, Blackstone changed the presentation of these funds to reflect the consolidated results of these funds in the Partnership's condensed consolidated and combined financial statements until the rights became effective. This change has been reflected retrospectively to January 1, 2007. The retrospective change in the method of presentation had no impact on our financial statement information for prior years included within our filings.

THE BLACKSTONE GROUP L.P.

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

If the current presentation method had been applied for the three and six month periods ended June 30, 2007 as reported on Form 10-Q, the impact would have been as follows:

Condensed Consolidated and Combined Statements of Income (Unaudited)
(Dollars in Thousands)

	Three Months Ended June 30, 2007			Six Months Ended June 30, 2007		
	As Originally Reported	As Adjusted	Effect of Change	As Originally Reported	As Adjusted	Effect of Change
Total Revenues	$ 975,320	$ 952,128	$ (23,192)	$2,201,688	$2,178,496	$ (23,192)
Total Expenses	(430,943)	(476,968)	(46,025)	(560,841)	(649,119)	(88,278)
Net Gains from Fund Investment Activities	601,682	2,360,343	1,758,661	1,197,563	5,396,825	4,199,262
Income Before Non-Controlling Interests in Income of Consolidated Entities and Provision (Benefit) for Taxes	1,146,059	2,835,503	1,689,444	2,838,410	6,926,202	4,087,792
Non-Controlling Interests in Income of Consolidated Entities	374,117	2,063,561	1,689,444	920,423	5,008,215	4,087,792
Income Before Provision (Benefit) for Taxes	771,942	771,942	—	1,917,987	1,917,987	—
Provision (Benefit) for Taxes	(2,409)	(2,409)	—	11,560	11,560	—
Net Income	$ 774,351	$ 774,351	$ —	$1,906,427	$1,906,427	$ —

As there would have been no impact on Blackstone's Net Income, there would have been no effect to Basic Net Income (Loss) per Common Unit or Diluted Net Income (Loss) per Common Unit.

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

	For the Six Months Ended June 30, 2007		
	As Originally Reported	As Adjusted	Effect of Change
Cash Flows from Operating Activities			
Blackstone Funds Related:			
Non-Controlling Interests in Income of Consolidated Entities	$ 38,830	$ 2,369,966	$ 2,331,136
Net Realized Gains on Investments	(1,178,043)	(3,474,975)	(2,296,932)
Investments Purchased	(4,738,010)	(10,469,572)	(5,731,562)
Cash Proceeds from Sale of Investments	4,325,631	9,142,902	4,817,271
Cash Relinquished with Deconsolidation of Partnership	—	(702,246)	(702,246)
Due from Affiliates	(18,329)	(687,487)	(669,158)
Due to Affiliates	68,010	713,145	645,135
Other Operating Activities	2,173,131	2,281,159	108,028
Net Cash Provided by (Used in) Operating Activities	671,220	(827,108)	(1,498,328)
Cash Flows from Investing Activities	(37,810)	(37,810)	—
Cash Flows from Financing Activities			
Distributions to Non-Controlling Interest Holders in Consolidated Entities	(1,350,623)	(5,557,042)	(4,206,419)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	1,125,077	6,687,352	5,562,275
Proceeds from Loans Payable	1,617,483	5,221,309	3,603,826
Repayment of Loans Payable	(2,015,349)	(5,477,208)	(3,461,859)
Other Financing Activities	1,293,922	1,293,788	(134)
Net Cash Provided By Financing Activities	670,510	2,168,199	1,497,689
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	639	639
Net Increase in Cash and Cash Equivalents	1,303,920	1,303,920	—
Cash and Cash Equivalents, Beginning of Period	129,443	129,443	—
Cash and Cash Equivalents, End of Period	$ 1,433,363	$ 1,433,363	$ —

Acquisition of GSO Capital Partners LP —On March 3, 2008, the Partnership acquired GSO Capital Partners LP and certain of its affiliates ("GSO"). GSO is an alternative asset manager specializing in the leveraged finance marketplace. GSO manages various multi-strategy credit hedge funds, mezzanine funds, senior debt funds and various CLO vehicles. GSO's results from the date of acquisition have been included in the Marketable Alternative Asset Management segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments, At Fair Value —The Blackstone Funds are, for GAAP purposes, investment companies under the AICPA Audit and Accounting Guide *Investment Companies* . For those funds which the Partnership consolidates, such funds reflect their investments, including Securities Sold, Not Yet Purchased, on the Condensed Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses

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resulting from changes in fair value reflected as a component of Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated and Combined Statements of Income. 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). Additionally, the majority-owned and controlled investments of the Blackstone Funds (the "Portfolio Companies") are not consolidated by these funds. The Partnership has retained the specialized accounting for the Blackstone Funds pursuant to EITF Issue No. 85-12, *Retention of Specialized Accounting for Investments in Consolidation* .

The fair value of the Partnership's Investments and Securities Sold, Not Yet Purchased are based on observable market prices when available. Such prices are based on the last sales price on the measurement date, or, if no sales occurred on such date, at the "bid" price at the close of business on such date and if sold short, at the "ask" price at the close of business on such date. Futures and options contracts are valued based on closing market prices. Forward and swap contracts are valued based on market rates or prices obtained from recognized financial data service providers.

A significant number of the investments, including our carry fund investments, have been valued by the Partnership, in the absence of observable market prices, using the valuation methodologies described below. Additional information regarding these investments is provided in Note 4 to the condensed consolidated and combined financial statements. 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. The Partnership estimates the fair value of investments when market prices are not observable as follows.

Corporate private equity, real estate and debt investments —For investments for which observable market prices do not exist, such investments are reported at fair value as determined by the Partnership. Fair value is determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA") and balance sheets, public market or private transactions, valuations for comparable companies and other measures. With respect to real estate investments, in determining fair values management considered projected operating cash flows and balance sheets, sales of comparable assets and replacement costs among other measures. Analytical methods used to estimate the fair value of private investments include the discounted cash flow method and/or capitalization rates ("cap rates") analysis. Valuations may also 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. Corporate private equity and real estate investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value. These valuation methodologies involve a significant degree of management judgment.

Funds of hedge funds —Blackstone Funds' direct investments in hedge funds ("Investee Funds") are stated at fair value, based on the information provided by the Investee Funds which reflects the Partnership's share of the fair value of the net assets of the investment fund. If the Partnership determines, based on its own due diligence and investment procedures, that the valuation for any Investee Fund based on information provided by the Investee Fund's management does not represent fair value, the Partnership will estimate the fair value of the Investee Fund in good faith and in a manner that it reasonably chooses.

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Certain Blackstone Funds sell securities that they do not own, and will therefore be obligated to purchase such securities at a future date. The value of an open short position is recorded as a liability, and the fund records unrealized appreciation or depreciation to the extent of the difference between the proceeds received and the value of the open short position. The applicable Blackstone Fund records a realized gain or loss when a short position is closed. By entering into short sales, the applicable Blackstone Fund bears the market risk of increases in value of the security sold short. The unrealized appreciation or depreciation as well as the realized gain or loss associated with short positions is included in the Condensed Consolidated and Combined Statements of Income as Net Gains from Fund Investment Activities.

Securities transactions are recorded on a trade date basis.

3. ACQUISITIONS, GOODWILL AND INTANGIBLE ASSETS

Acquisition of Non-Controlling Interests at Reorganization

Pursuant to the Reorganization transaction described in Note 1, the Partnership acquired interests in the predecessor businesses from the predecessor owners. These interests were acquired, in part, through an exchange of Blackstone Holdings Partnership Units and, in part, through the payment of cash.

This transaction has been accounted for partially as a transfer of interests under common control and, partially, as an acquisition of non-controlling interests in accordance with SFAS No. 141. The vested Blackstone Holdings Partnership Units received by the Control Group in the Reorganization are reflected in the condensed consolidated and combined financial statements as non-controlling interests at the historical cost of the interests they contributed, as they are considered to be the Control Group of the predecessor organization. The vested Blackstone Holdings Partnership Units received by holders not included in the Control Group in the Reorganization are accounted for using the purchase method of accounting under SFAS No. 141 and reflected as non-controlling interests in the condensed consolidated financial statements at the fair value of the interests contributed as these holders are not considered to have been in the group controlling Blackstone prior to the Reorganization. Additionally, ownership interests were purchased with proceeds from the IPO. The cash paid in excess of the cost basis of the interests acquired from members of the Control Group has been charged to equity. Cash payments related to the acquisition of interests from holders outside of the Control Group has been accounted for using the purchase method of accounting.

The total consideration paid to holders outside of the Control Group was $2.79 billion and reflected (1) 69,093,969 Blackstone Holdings Partnership Units issued in the exchange, the fair value of which was $2.14 billion based on the initial public offering price of $31.00 per common unit, and (2) cash of $647.6 million. Accordingly, the Partnership has reflected the acquired tangible assets at the fair value of the consideration paid. The excess of the purchase price over the fair value of the tangible assets acquired approximated $2.34 billion, the remaining balance of which has been reported in the captions Goodwill and Intangible Assets in the Condensed Consolidated Statement of Financial Condition as of June 30, 2008. The finite-lived intangible assets of $876.3 million reflect the value ascribed for the future fee income relating to contractual rights and client or investor relationships for management, advisory and incentive fee arrangements as well as for those rights and relationships associated with the future carried interest income from the carry funds. The residual amount representing the purchase price in excess of tangible and intangible assets (including other liabilities of $55.2 million) is $1.52 billion and has been recorded as Goodwill.

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During the quarter ended March 31, 2008, the Partnership finalized the purchase price allocation, including the determination of goodwill attributable to the reporting segments, as provided in the tables below for the acquisition of non-controlling interests at Reorganization.

Purchase Price	$ 2,789,469
Goodwill	$ 1,516,720
Finite-Lived Intangible Assets/Contractual Rights	876,270
Other Liabilities	(55,158)
Increase to Non-Controlling Interests in Consolidated Entities	2,337,832
Net Assets Acquired, at Fair Value	451,637
Purchase Price Allocation	$ 2,789,469

Acquisition of GSO Capital Partners LP

In March 2008, the Partnership completed the acquisition of GSO, an alternative asset manager specializing in the leveraged finance marketplace. The purchase consideration of GSO consisted of cash and Blackstone Holdings Partnership Units valued at acquisition closing at $635 million in the aggregate, plus up to an additional targeted $310 million to be paid over the next five years contingent upon the realization of specified earnings targets over that period. The Partnership also incurred $7.8 million of acquisition costs. Additionally, profit sharing and other compensatory payments subject to performance and vesting may be paid to the GSO personnel.

This transaction has been accounted for as an acquisition using the purchase method of accounting under SFAS No. 141. The Partnership is in the process of finalizing this purchase price allocation. To the extent that the estimates used in the preliminary purchase price allocation need to be adjusted further, the Partnership will do so upon making that determination but not later than one year from the date of the acquisition.

The preliminary purchase price allocation for the GSO acquisition is as follows:

Finite-Lived Intangible Assets/Contractual Rights	$ 522,000
Goodwill	173,256
Other Liabilities	(55,447)
Net Assets Acquired, at Fair Value	3,000
Preliminary Purchase Price Allocation	$ 642,809

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The Condensed Consolidated Statement of Income for the six months ended June 30, 2008 includes the results of GSO's operations from the date of acquisition, March 3, 2008, through June 30, 2008. Supplemental information on an unaudited pro forma basis, as if the GSO acquisition had been consummated as of January 1, 2008 and January 1, 2007, respectively, is as follows:

	Six Months Ended June 30, (Unaudited)	
	2008	2007
Total Revenues	$ 447,526	$2,508,998
Net Income (Loss)	$(413,328)	$1,872,912
Net Loss per Common Unit		
Basic	$ (1.59)	N/A
Diluted	$ (1.59)	N/A

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

Goodwill and Intangible Assets

The following table outlines changes to the carrying amount of Goodwill and Intangible Assets:

	Goodwill	Intangible Assets
Balance at December 31, 2007	$1,597,474	$ 604,681
Additions—GSO Acquisition	173,256	522,000
Purchase Price Adjustments—Reorganization	(80,754)	153,982
Amortization	—	(74,213)
Balance at June 30, 2008	$1,689,976	$1,206,450

Total Goodwill has been allocated to each of the Partnership's segments as follows: Corporate Private Equity—$694,512, Real Estate—$421,739, Marketable Alternative Asset Management—$504,851, and Financial Advisory—$68,874.

Amortization expense is included in General, Administrative and Other in the accompanying Condensed Consolidated and Combined Statements of Income. Amortization of intangible assets held at June 30, 2008 is expected to be approximately $155.6 million for the year ending December 31, 2008.

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4. INVESTMENTS

Investments

A condensed summary of Investments consist of the following:

	June 30, 2008	December 31, 2007
Investments of Consolidated Blackstone Funds	$ 4,126,262	$ 3,992,638
Equity Method Investments	2,089,567	1,971,228
Performance Fees and Allocations Related Investments	902,692	1,150,264
Other Investments	77,065	31,026
	$ 7,195,586	$ 7,145,156

Blackstone's share of Investments of Consolidated Blackstone Funds totaled $968.8 million and $996.4 million at June 30, 2008 and December 31, 2007, respectively. Equity Method Investments represents investments in non-consolidated funds as described below, of which Blackstone's share totaled $1.91 billion and $1.88 billion at June 30, 2008 and December 31, 2007, respectively.

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Investments of Consolidated Blackstone Funds

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

Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
United States and Canada				
Investment Funds, principally related to marketable alternative asset management funds				
Credit Driven	$ 908,485	$ 929,902	22.0%	23.3%
Diversified Investments	804,666	693,798	19.5%	17.4%
Equity	176,031	174,534	4.3%	4.4%
Other	3,460	2,190	0.2%	0.1%
Investment Funds Total (Cost: 2008 $1,644,425; 2007 $1,547,295)	1,892,642	1,800,424	46.0%	45.2%
Equity Securities, principally related to marketable alternative asset management and corporate private equity funds				
Manufacturing	433,579	439,895	10.5%	10.8%
Services	259,730	410,109	6.3%	10.3%
Natural Resources	228,400	20,051	5.5%	0.5%
Real Estate Assets	3,193	2,153	0.1%	0.1%
Equity Securities Total (Cost: 2008 $882,280; 2007 $837,941)	924,902	872,208	22.4%	21.7%
Partnership and LLC Interests, principally related to corporate private equity and real estate funds				
Real Estate Assets	158,514	170,198	3.8%	4.3%
Services	137,702	143,209	3.3%	3.6%
Manufacturing	32,198	31,234	0.8%	0.8%
Natural Resources	64	—	0.0%	0.0%
Partnership and LLC Interests Total (Cost: 2008 $264,318; 2007 $260,372)	328,478	344,641	7.9%	8.7%
Debt Instruments, principally related to marketable alternative asset management funds				
Manufacturing	4,121	4,191	0.1%	0.1%
Services	3,542	2,977	0.1%	0.1%
Real Estate Assets	528	339	0.0%	0.0%
Debt Instruments Total (Cost: 2008 $8,090; 2007 $7,757)	8,191	7,507	0.2%	0.2%
United States and Canada Total (Cost: 2008 $2,799,113; 2007 $2,653,365)	3,154,213	3,024,780	76.5%	75.8%

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Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Europe				
Equity Securities, principally related to marketable alternative asset management and corporate private equity funds				
Manufacturing	$ 360,732	$ 523,244	8.7%	13.0%
Services	58,917	55,082	1.4%	1.4%
Equity Securities Total (Cost: 2008 $370,495; 2007 $513,237)	419,649	578,326	10.1%	14.4%
Partnership and LLC Interests, principally related to corporate private equity and real estate funds (Cost: 2008 $46,765; 2007 $45,859)	60,443	54,089	1.5%	1.4%
Debt Instruments, principally related to marketable alternative asset management funds (Cost: 2008 $1,244; 2007 $480)	1,253	452	0.0%	0.0%
Europe Total (Cost: 2008 $418,504; 2007 $559,576)	481,345	632,867	11.6%	15.8%
Asia				
Equity Securities, principally related to marketable alternative asset management and corporate private equity funds				
Services	192,552	129,090	4.7%	3.3%
Manufacturing	91,684	104,235	2.2%	2.6%
Natural Resources	2,956	17,525	0.1%	0.4%
Real Estate Assets	1,661	379	0.0%	0.0%
Equity Securities Total (Cost: 2008 $293,838; 2007 $223,382)	288,853	251,229	7.0%	6.3%
Debt Instruments, principally related to marketable alternative asset management funds (Cost: 2008 $285; 2007 $-)	246	—	0.0%	0.0%
Asia Total (Cost: 2008 $294,123; 2007 $223,382)	289,099	251,229	7.0%	6.3%
Other Total (principally related to corporate private equity and marketable alternative asset management funds) (Cost: 2008 $179,365; 2007 $63,918)	201,605	83,762	4.9%	2.1%
Total Investments of Consolidated Blackstone Funds (Cost: 2008 $3,691,105; 2007 $3,500,241)	$4,126,262	$3,992,638	100.0%	100.0%

At June 30, 2008 and December 31, 2007, there were no individual investments, which includes consideration of derivative contracts, with fair values exceeding 5.0% of Blackstone's net assets. At June 30, 2008 and December 31, 2007, consideration was given as to whether any individual consolidated fund of hedge funds, feeder fund or any other affiliate exceeded 5.0% of Blackstone's net assets. At June 30, 2008 and December 31, 2007, Blackport Capital Fund Ltd. had a fair value of $840.6 million and $903.3 million, respectively, and was the sole feeder fund investment to exceed the 5.0% threshold at each date.

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Securities Sold, Not Yet Purchased. The following table presents the Partnership's Securities Sold, Not Yet Purchased held by the consolidated Blackstone Funds, which are principally held by certain of Blackstone's proprietary hedge funds. These investments are presented as a percentage of Securities Sold, Not Yet Purchased.

	Fair Value		Percentage of Securities Sold Not Yet Purchased	
Geographic Region / Instrument Type / Industry Class	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
United States – Equity Instruments				
Services	$ 407,648	$ 597,880	38.4%	50.0%
Manufacturing	221,039	222,205	20.8%	18.6%
Natural Resources	133,390	123,498	12.6%	10.3%
Real Estate Assets	74,239	71,405	7.0%	6.0%
United States Total				
(Proceeds: 2008 $865,417; 2007 $1,013,691)	836,316	1,014,988	78.8%	84.9%
Europe – Equity Instruments				
Manufacturing	89,629	39,165	8.4%	3.3%
Other	24,826	26,398	2.3%	2.2%
Europe Total	114,455	65,563	10.7%	5.5%
(Proceeds: 2008 $99,647; 2007 $60,331)				
Asia – Equity Instruments				
Manufacturing	53,461	78,381	5.0%	6.5%
Other	27,278	25,546	2.6%	2.1%
Asia Total	80,739	103,927	7.6%	8.6%
(Proceeds: 2008 $80,313; 2007 $110,596)				
All other regions – Equity Instruments – Manufacturing				
(Proceeds: 2008 $33,559; 2007 $11,571)	30,631	12,380	2.9%	1.0%
Total (Proceeds: 2008 $1,078,936; 2007 $1,196,189)	$1,062,141	$1,196,858	100.0%	100.0%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Realized Gains (Losses)	$ 41,354	$2,105,145	$ 13,642	$2,832,396
Net Change in Unrealized Gains (Losses)	106,290	270,941	(130,798)	2,562,341
	$147,644	$2,376,086	$(117,156)	$5,394,737

Investments in Variable Interest Entities. Blackstone consolidates certain variable interest entities ("VIEs") in addition to those entities consolidated under EITF 04-5, when it is determined that Blackstone is the primary beneficiary, either directly or indirectly, through a consolidated entity or affiliate. The assets of the consolidated VIEs are classified within Investments. The liabilities of the consolidated VIEs are non-recourse to Blackstone's general credit.

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At June 30, 2008, Blackstone was the primary beneficiary of VIEs whose gross assets were $1.28 billion, which is the carrying amount of such financial assets in the condensed consolidated financial statements. The nature of these VIEs includes investments in corporate private equity, real estate, debt and funds of hedge funds assets.

Blackstone is also a significant variable interest holder in another VIE which is not consolidated, as Blackstone is not the primary beneficiary. This VIE is a fund of hedge funds. At June 30, 2008, gross assets of this entity was approximately $816.7 million. Blackstone's aggregate maximum exposure to loss was approximately $253.5 million as of June 30, 2008. Blackstone's involvement with this entity began on the date that it was formed, which was July 2002.

Equity Method Investments

Blackstone invests in corporate private equity funds, real estate funds, debt funds, funds of hedge funds and hedge funds that are not consolidated. The Partnership accounts for these investments under the equity method of accounting. Blackstone's share of operating income generated by these investments is recorded as a component of Investment Income and Other. That amount reflects the fair value of gains and losses of the associated funds' underlying investments.

A summary of Blackstone's equity method investments follows:

	Equity Held		Equity in Net Income (Loss)			
			Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2008	December 31, 2007	2008	2007	2008	2007
Equity Method Investments	$ 2,089,567	$ 1,971,228	$ 25,185	$ 7,427	$ (29,049)	$ 18,976

Performance Fees and Allocations

Blackstone manages corporate private equity funds, real estate funds, debt funds, funds of hedge funds and hedge funds that are not consolidated. The Partnership records as revenue the amount that would be due pursuant to the fund agreements at each period end as if the fair value of the investments were realized as of such date. In certain performance fee arrangements related to hedge funds in the marketable alternative asset management segment, Blackstone is entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees and allocations are accrued monthly or quarterly based on measuring account / fund performance to date versus the performance benchmark stated in the investment management agreement.

Other Investments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Realized Gains	$ 79	$13,609	$ 335	$13,559
Net Change in Unrealized Gains (Losses)	(1,051)	20,393	(1,565)	21,531
	$ (972)	$34,002	$(1,230)	$35,090

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Fair Value Measurements

SFAS No. 157, *Fair Value Measurements* , ("SFAS No. 157"), establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by SFAS No. 157, 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. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

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 investment 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 investment.

The following table summarizes the valuation of Blackstone's investments by the above SFAS No. 157 fair value hierarchy levels as of June 30, 2008:

	Total	Level I	Level II	Level III
Investments of Consolidated Blackstone Funds	$4,126,262	$1,681,841	$20,977	$2,423,444
Other Investments	77,065	37,294	—	39,771
Securities Sold, Not Yet Purchased	1,062,141	1,062,141	—	—

Blackstone's share of Investments of Consolidated Blackstone Funds totaled $968.8 million and $996.4 million at June 30, 2008 and December 31, 2007, respectively.

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The following table summarizes the Level III investments by valuation methodology as of June 30, 2008:

Fair Value Based on	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Total Investment Company Holdings
Third-Party Fund Managers	—	—	76.8%	76.8%
Specific Valuation Metrics	12.3%	8.8%	2.1%	23.2%
Total	12.3%	8.8%	78.9%	100.0%

The changes in investments measured at fair value for which the Partnership has used Level III inputs to determine fair value are as follows:

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Balance, Beginning of Period	$2,274,684	$2,362,542
Transfers In	160,040	160,040
Purchases (Sales), Net	6,703	29,959
Realized and Unrealized Gains (Losses), Net	21,788	(89,326)
Balance, June 30, 2008	$2,463,215	$2,463,215
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at Reporting Date	$ (795)	$ (125,444)

5. LOANS PAYABLE

As of June 30, 2008, the Partnership's assumed credit facilities from the GSO acquisition constituted a capital asset facility with $16.8 million of available credit which was fully drawn.

On May 12, 2008 Blackstone renewed its existing credit facility by entering into a new $1.0 billion revolving credit facility ("New Credit Facility") with 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., as joint and several co-borrowers. The New Credit Facility provides for revolving credit borrowings with a final maturity date of May 2009. Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus a margin, and undrawn commitments bear a commitment fee. The New Credit Facility contains customary representations, covenants and events of default applicable to the co-borrowers and certain of their subsidiaries. Covenants include limitations on incurrence of liens, indebtedness, employee loans and advances, mergers, consolidations, asset sales and certain acquisitions, lines of business, amendment of partnership agreements, ownership of core businesses, and restricted payments. 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. The New Credit Facility is unsecured and unguaranteed.

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6. INCOME TAXES

The Blackstone Holdings Partnerships 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 the New York City unincorporated business tax or, in the case of non-U.S. entities, to non-U.S. corporate income taxes. In addition, certain wholly-owned entities of the Partnership are subject to federal, state and local corporate income taxes. Prior to the Reorganization, Blackstone provided for New York City unincorporated business tax for certain entities based on a statutory rate of 4%.

Blackstone's effective income tax rate was a benefit of approximately 15.62% and 0.31% for the three months ended June 30, 2008 and 2007, respectively, and a benefit of 5.72% and a provision of 0.60% for the six months ended June 30, 2008 and 2007, respectively. Blackstone's benefit for income taxes totaled $29.0 million and $2.4 million for the three months ended June 30, 2008 and 2007, respectively, and a benefit of $24.7 million and a provision of $11.6 million for the six months ended June 30, 2008 and 2007, respectively.

Blackstone's effective tax rate for the three months and six months ended June 30, 2008 was due to the following: (1) certain wholly-owned subsidiaries were subject to federal, state and local corporate income taxes on income allocated to Blackstone and certain non-U.S. corporate entities continue to be subject to non-U.S. corporate income tax, and (2) a portion of the compensation charges that contribute to Blackstone's net loss are not deductible for tax purposes. Blackstone's effective tax rate for the three months and six months ended June 30, 2007 was due to the fact that prior to the Reorganization, Blackstone provided for New York City unincorporated business tax on certain businesses that were subject to such tax and corporate income tax on certain non-U.S. corporate entities.

7. NET LOSS PER COMMON UNIT

The Weighted-Average Common Units Outstanding, Basic and Diluted, are calculated as follows:

	Three Months Ended June 30, 2008		Six Months Ended June 30, 2008		June 19, 2007 through June 30, 2007	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
The Blackstone Group L.P. Weighted-Average Common Units Outstanding	260,394,534	260,394,534	260,127,602	260,127,602	259,504,480	259,504,480
Total Weighted-Average Common Units Outstanding	260,394,534	260,394,534	260,127,602	260,127,602	259,504,480	259,504,480

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Basic and diluted net loss per common unit are calculated as follows:

	Three Months Ended June 30, 2008		Six Months Ended June 30, 2008		June 19, 2007 through June 30, 2007	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net Loss Available to Common Unit Holders	$ (156,531)	$ (156,531)	$ (407,524)	$ (407,524)	$ (52,324)	$ (52,324)
Weighted-Average Common Units Outstanding	260,394,534	260,394,534	260,127,602	260,127,602	259,504,480	259,504,480
Net Loss per Common Unit	$ (0.60)	$ (0.60)	$ (1.57)	$ (1.57)	$ (0.20)	$ (0.20)

For the three months ended June 30, 2008, a total of 34,559,729 unvested deferred restricted common units and 836,010,555 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit. For the six months ended June 30, 2008, a total of 34,995,854 unvested deferred restricted common units and 833,995,410 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit. For the period June 19, 2007 to June 30, 2007, a total of 34,230,122 unvested deferred restricted common units and 827,516,625 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit.

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. Approximately $300 million of the authorization was intended to offset the issuance of units as part of the consideration in the GSO acquisition. During the six months ended June 30, 2008, Blackstone repurchased a combination of 8,329,101 vested and unvested Blackstone Holdings Partnership Units and Blackstone Common Units as part of the unit repurchase program for a total cost of $125.0 million.

8. EQUITY-BASED COMPENSATION

The Partnership granted equity-based compensation awards to Blackstone's senior managing directors, non-partner professionals, non-professionals and selected external advisors primarily in connection with the IPO. As of January 1, 2008, the Partnership had the ability to grant 162,109,845 units under the Partnership's 2007 Equity Incentive Plan during the year ended December 31, 2008.

For the three months and six months ended June 30, 2008, the Partnership recorded compensation expense of $805.6 million and $1.72 billion, respectively, in relation to its equity-based awards with a corresponding tax

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benefit of $3.9 million and $9.4 million, respectively. As of June 30, 2008, there was $10.70 billion of estimated unrecognized compensation expense related to unvested equity-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 5.1 years.

Total vested and unvested outstanding units, including Blackstone Common Units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,113,754,443 as of June 30, 2008. Total outstanding unvested phantom units were 653,546 as of June 30, 2008.

A summary of the status of the Partnership's unvested equity-based awards as of June 30, 2008 and a summary of changes for the six months ended June 30, 2008, are 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	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, December 31, 2007	439,153,982	$ 31.00	34,734,870	$ 26.65	967,923	$ 27.23
Granted	805,856	17.70	665,386	17.59	16,927	16.15
Repurchased	(7,510,488)	31.00	—	—	—	—
Vested	(78,093,010)	31.00	(5,740,288)	28.79	(288,850)	28.16
Exchanged	(128,200)	31.00	167,271	19.62	3,333	15.11
Forfeited	—	—	(872,621)	26.62	(45,787)	27.07
Balance, June 30, 2008	354,228,140	$ 30.97	28,954,618	$ 25.94	653,546	$ 26.47

In March 2008, the Partnership modified certain senior managing directors' Blackstone Holdings Partnership Unit award agreements and subsequently repurchased under the unit repurchase program both vested and unvested units in conjunction with the modifications. A percentage of the cash settlement was paid up front to the senior managing directors and the remaining percentage of the settlement will be held in escrow and in certain cases earned over a specified service period. At the date of modification the Partnership recognized total compensation expense of $167.2 million, which is included in the total equity-based compensation expense of $1.72 billion, related to the modifications and cash settlement. Additional compensation expense related to the portion of the settlement held in escrow will be recognized over the specified service period which ranges from approximately 18 to 50 months.

Units Expected to Vest

The following unvested units, as of June 30, 2008, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	326,068,344	4.8
Deferred Restricted Blackstone Common Units	22,919,423	5.6
Total Equity Settled Awards	348,987,767	4.9
Phantom Units	537,490	1.6

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Acquisition of GSO Capital Partners LP

In conjunction with the acquisition of GSO, the Partnership entered into equity-based compensation arrangements with certain GSO senior managing directors and other personnel. The arrangements stipulate that the recipient receive cash, equity instruments or a combination of cash and equity instruments to be earned over service periods ranging from three to five years or based upon the realization of specified earnings targets over the period 2008 through 2012. For the non-performance dependent compensation arrangements, the Partnership will recognize the estimated expense on a straight-line basis over the service period. For the performance-based compensation arrangements tied to specified earnings targets, the Partnership estimates compensation expense based upon whether it is probable that forecasted earnings will meet or exceed the required earnings targets and if so, recognizes the expense over the earnings period.

9. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

Blackstone Group considers its Founders, other senior managing directors, employees, the Blackstone Funds and the Portfolio Companies to be affiliates. As of June 30, 2008 and December 31, 2007, Due from Affiliates and Due to Affiliates were comprised of the following:

	June 30, 2008	December 31, 2007
Due from Affiliates		
Primarily Interest Bearing Advances Made on Behalf of Predecessor Owners and Blackstone Employees for Investments in Blackstone Funds	$ 224,537	$ 143,849
Payments Made on Behalf of Non-Consolidated Entities	171,909	204,701
Investments Redeemed in Non-Consolidated Funds of Funds	697,468	363,176
Management and Performance Fees Due from Non-Consolidated Funds of Funds	70,853	90,696
Amounts Due from Portfolio Companies	81,499	43,683
Advances Made to Predecessor Owners and Blackstone Employees	3,688	9,749
	$1,249,954	$ 855,854
Due to Affiliates		
Due to Predecessor Owners in Connection with the Tax Receivable Agreement	$ 687,697	$ 689,119
Distributions Received on Behalf of Predecessor Owners and Blackstone Employees	33,882	71,065
Due to Predecessor Owners and Blackstone Employees	280,400	65,995
Distributions Received on Behalf of Non-Consolidated Entities	35,756	3,315
Payments Made by Non-Consolidated Entities	3,176	2,115
	$1,040,911	$ 831,609

Interests of the Founders, Other Senior Managing Directors and Employees

In addition, the Founders, other senior managing directors and employees invest on a discretionary basis in the consolidated Blackstone Funds both directly and through consolidated entities. Their investments may be subject to preferential management fee and performance fee and allocation arrangements. As of June 30, 2008

and December 31, 2007, the Founders', other senior managing directors' and employees' investments aggregated $1.34 billion and $1.27 billion, respectively, and the Founders', other senior managing directors' and employees' share of the Non-Controlling Interests in Income (Loss) of Consolidated Entities aggregated $52.6 million and $157.0 million for the three months ended June 30, 2008 and 2007, respectively, and $(13.9) million and $312.6 million for the six months ended June 30, 2008 and 2007, respectively.

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 $1.6 million and $1.7 million for the three months ended June 30, 2008 and 2007, respectively, and $3.1 million and $3.8 million for the six months ended June 30, 2008 and 2007, respectively.

Contingent Repayment Guarantee

Blackstone personnel who have received carried interest distributions have guaranteed payment on a several basis (subject to a cap) to the carry funds of any contingent repayment (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 Blackstone fails to fulfill its clawback obligation, if any.

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 partnership units in 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.

Certain subsidiaries of the Partnership which are corporate taxpayers have entered into tax receivable agreements with each of the predecessor owners and additional tax receivable agreements have been executed, and will continue to be executed, with newly-admitted senior managing directors and others who acquire Blackstone Holdings Partnership Units. The agreements provide for the payment by the corporate taxpayers to such owners of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the corporate taxpayers actually realize as 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 $687.7 million over the next 15 years. The present value of these estimated payments totals $194.6 million assuming a 15% discount rate and using an estimate of 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.

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10. COMMITMENTS AND CONTINGENCIES

Guarantees —Blackstone had approximately $12.0 million of letters of credit outstanding to provide collateral support related to a credit facility at June 30, 2008.

Certain real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. At June 30, 2008, such guarantees amounted to $27.3 million.

Debt Covenants —Blackstone's debt obligations contain various customary loan covenants. In management's opinion, these covenants do not materially restrict Blackstone's investment or financing strategy. Blackstone was in compliance with all of its loan covenants as of June 30, 2008.

Investment Commitments —The Blackstone Funds had signed investment commitments with respect to investments representing commitments of $249.6 million as of June 30, 2008. Included in this is $111.7 million of signed investment commitments for portfolio company acquisitions in the process of closing.

The general partners of the Blackstone Funds had unfunded commitments to each of their respective funds totaling $1.04 billion as of June 30, 2008.

Certain of Blackstone's funds of hedge funds not consolidated in these financial statements have unfunded investment commitments to unaffiliated hedge funds of $3.05 billion as of June 30, 2008. The funds of hedge funds consolidated in these financial statements may, but are not required to, allocate assets to these funds.

Contingent Obligations (Clawback) —Carried interest is subject to clawback to the extent that the carried interest recorded to date exceeds the amount due to Blackstone based on cumulative results. For financial reporting purposes at each period end, the general partner may reflect a clawback obligation to the limited partners of a fund due to changes in unrealized value of a fund on which there have been carried interest realizations; however the settlement of a potential obligation is not due until the end of the life of the respective fund. If, at June 30, 2008, all of the investments held by the carry funds, which are at fair value, were deemed worthless, a possibility that management views as remote, the amount of carried interest subject to potential clawback would be $1.59 billion, on an after tax basis, at an assumed tax rate of 35.0%. As of June 30, 2008, due to the funds' performance results, none of the general partners of the corporate private equity, real estate or debt funds had an actual clawback obligation to any limited partners of the funds.

Contingent Performance Fees and Allocations —Performance fees and allocations related to marketable alternative asset management funds for the six months ended June 30, 2008 included $65.3 million attributable to arrangements where the measurement period has not ended.

Litigation —From time to time, Blackstone is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. After consultation with legal counsel, management believes the ultimate liability arising from such actions that existed as of June 30, 2008, if any, will not materially affect Blackstone's results of operations, financial position or cash flows.

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11. SEGMENT REPORTING

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

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

- Corporate Private Equity—Blackstone's Corporate Private Equity segment comprises its management of corporate private equity funds.
- Real Estate—Blackstone's Real Estate segment comprises its management of real estate funds.
- Marketable Alternative Asset Management—Blackstone's Marketable Alternative Asset Management segment whose consistent focus is current earnings is comprised of its management of funds of hedge funds, debt funds, mezzanine funds, CLOs, proprietary hedge funds and publicly-traded closed-end mutual funds. GSO's results from the date of acquisition have been included in this segment.
- Financial Advisory—Blackstone's Financial Advisory segment comprises its corporate and mergers and acquisitions advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds.

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

Economic Net Income ("ENI") is a key performance measure used by management. ENI represents segment net income excluding the impact of income taxes and transaction related items including charges associated with equity-based compensation, the amortization of intangibles and corporate actions including acquisitions. Blackstone's historical combined financial statements for periods prior to the IPO do not include these transaction related charges nor do such financial statements reflect certain compensation expenses including profit-sharing arrangements associated with senior managing directors, departed partners and other selected employees. Those compensation expenses were accounted for as partnership distributions prior to the IPO but are included in the financial statements for periods following the IPO as a component of compensation and benefits expense. Therefore, ENI is equivalent to Income Before Provision for Taxes in the historical combined financial statements prior to the IPO. The aggregate of ENI for all reportable segments equals Total Reportable Segment ENI. ENI is used by the management primarily in making resource deployment and compensation decisions across Blackstone's four segments.

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

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The following table presents the financial data for Blackstone's four reportable segments for the three months ended June 30, 2008 and as of and for the six months ended June 30, 2008:

	Three Months Ended June 30, 2008				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues					
Management and Advisory Fees	$70,896	$ 74,505	$ 130,333	$71,080	$346,814
Performance Fees and Allocations	21,960	(77,133)	45,027	—	(10,146)
Investment Income (Loss) and Other	(408)	(11,788)	49,885	1,826	39,515
Total Revenues	92,448	(14,416)	225,245	72,906	376,183
Expenses					
Compensation and Benefits	40,283	32,083	84,162	48,574	205,102
Other Operating Expenses	20,880	12,581	25,158	12,537	71,156
Total Expenses	61,163	44,664	109,320	61,111	276,258
Economic Net Income (Loss)	$31,285	$(59,080)	$ 115,925	$11,795	$ 99,925

	June 30, 2008 and the Six Months then Ended				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues					
Management and Advisory Fees	$ 140,659	$ 152,647	$ 234,648	$139,643	$ 667,597
Performance Fees and Allocations	(141,470)	(107,195)	50,085	—	(198,580)
Investment Income (Loss) and Other	(23,458)	(11,964)	(29,498)	4,423	(60,497)
Total Revenues	(24,269)	33,488	255,235	144,066	408,520
Expenses					
Compensation and Benefits	(40,469)*	67,771	140,435	95,541	263,278
Other Operating Expenses	43,080	28,741	43,465	23,598	138,884
Total Expenses	2,611	96,512	183,900	119,139	402,162
Economic Net Income (Loss)	$ (26,880)	$ (63,024)	$ 71,335	$ 24,927	$ 6,358
Segment Assets	$2,962,661	$2,731,957	$3,001,274	$406,359	$9,102,251

* The credit balance in Compensation and Benefits for the Corporate Private Equity segment is primarily the result of a $112.5 million accrual for clawback of prior period carried interest allocations made to certain partners that are participating in the Partnership's profit sharing arrangements based on changes in fair values.

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The following table reconciles the Total Reportable Segments to Blackstone's Income (Loss) Before Provision (Benefit) for Taxes and Total Assets for the three months ended June 30, 2008 and as of and for the six months ended June 30, 2008:

	Three Months Ended June 30, 2008			
	Total Reportable Segments	Consolidation Adjustments		Blackstone Consolidated
Revenues	$ 376,183	$ (22,531)	(a)	$ 353,652
Expenses	$ 276,258	$ 887,550	(b)	$ 1,163,808
Other Income	$ —	$ 189,678	(c)	$ 189,678
Economic Net Income (Loss)	$ 99,925	$ (285,434)	(d)	$ (185,509)

	June 30, 2008 and the Six Months then Ended			
	Total Reportable Segments	Consolidation Adjustments		Blackstone Consolidated
Revenues	$ 408,520	$ 13,655	(a)	$ 422,175
Expenses	$ 402,162	$ 1,859,709	(b)	$ 2,261,871
Other Income (Loss)	$ —	$ (25,958)	(c)	$ (25,958)
Economic Net Income (Loss)	$ 6,358	$ (438,586)	(d)	$ (432,228)
Total Assets	$9,102,251	$ 4,387,667	(e)	$13,489,918

(a) The Revenues adjustment principally represents management and performance fees and allocations earned from Blackstone Funds to arrive at Blackstone consolidated and combined revenues which were eliminated in consolidation.

(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 equity-based compensation to arrive at Blackstone consolidated and combined expenses.

(c) The Other Income (Loss) adjustment results from the following:

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Fund Management Fees and Performance Fees and Allocations Eliminated in Consolidation	$ 21,582	$ (17,738)
Intersegment Elimination	—	—
Fund Expenses Added in Consolidation	24,108	46,902
Non-Controlling Interests in Income of Consolidated Entities	143,988	(55,122)
Total Consolidation Adjustments	$ 189,678	$ (25,958)

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

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Economic Net Income (Loss)	$ 99,925	$ 6,358
Consolidation Adjustments		
Amortization of Intangibles	(40,685)	(74,213)
Transaction-Related Compensation Charges	(818,026)	(1,736,997)
Decrease in Loss Associated with Non-Controlling Interests in Income (Loss) of Consolidated Entities Primarily Relating to the Blackstone Holdings Partnership Units Held by Blackstone Holdings Limited Partners	573,277	1,372,624
Total Adjustments	(285,434)	(438,586)
Income (Loss) Before Provision (Benefit) for Taxes	$ (185,509)	$ (432,228)

(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 and combined assets.

The following table presents financial data for Blackstone's four reportable segments for the three and six months ended June 30, 2007:

	Three Months Ended June 30, 2007				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues					
Management and Advisory Fees	$106,268	$ 78,933	$ 75,602	$97,518	$ 358,321
Performance Fees and Allocations	254,466	157,425	61,906	—	473,797
Investment Income and Other	65,415	83,853	31,138	1,034	181,440
Total Revenues	426,149	320,211	168,646	98,552	1,013,558
Expenses					
Compensation and Benefits	24,603	22,077	42,000	22,342	111,022
Other Operating Expenses	19,887	8,183	20,253	8,638	56,961
Total Expenses	44,490	30,260	62,253	30,980	167,983
Economic Net Income	$381,659	$289,951	$ 106,393	$67,572	$ 845,575

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	Six Months Ended June 30, 2007				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues					
Management and Advisory Fees	$166,026	$ 325,834	$ 138,571	$190,044	$ 820,475
Performance Fees and Allocations	394,888	633,783	129,967	—	1,158,638
Investment Income and Other	92,511	147,324	56,397	2,718	298,950
Total Revenues	653,425	1,106,941	324,935	192,762	2,278,063
Expenses					
Compensation and Benefits	41,881	40,405	70,630	38,253	191,169
Other Operating Expenses	32,071	14,612	34,749	13,842	95,274
Total Expenses	73,952	55,017	105,379	52,095	286,443
Economic Net Income	$579,473	$1,051,924	$ 219,556	$140,667	$1,991,620

The following table reconciles the Total Reportable Segments to Blackstone's Income Before Provision (Benefit) for Taxes for the three and six months ended June 30, 2007:

	Three Months Ended June 30, 2007			
	Total Reportable Segments	Consolidation Adjustments		Blackstone Consolidated
Revenues	$1,013,558	$ (61,430)	(a)	$ 952,128
Expenses	$ 167,983	$ 308,985	(b)	$ 476,968
Other Income	$ —	$ 2,360,343	(c)	$2,360,343
Economic Net Income	$ 845,575	$ (73,633)	(d)	$ 771,942

	June 30, 2007 and the Six Months then Ended			
	Total Reportable Segments	Consolidation Adjustments		Blackstone Consolidated
Revenues	$2,278,063	$ (99,567)	(a)	$2,178,496
Expenses	$ 286,443	$ 362,676	(b)	$ 649,119
Other Income	$ —	$ 5,396,825	(c)	$5,396,825
Economic Net Income	$1,991,620	$ (73,633)	(d)	$1,917,987

(a) The Revenues adjustment principally represents management and performance fees and allocations earned from Blackstone Funds to arrive at Blackstone combined revenues which were eliminated in consolidation.

(b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone unconsolidated expenses to arrive at Blackstone consolidated and combined expenses.

(c) The Other Income adjustment results from the following:

	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
Fund Management Fees and Performance Fees and Allocations Eliminated in Consolidation	$ 61,430	$ 99,567
Fund Expenses Added in Consolidation	65,557	119,246
Non-Controlling Interests in Income of Consolidated Entities	2,233,356	5,178,012
Total Consolidation Adjustments	$ 2,360,343	$ 5,396,825

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 and combined financial statements and the related notes included in this Quarterly Report on Form 10-Q.

During 2007 we consummated a number of significant transactions, including the reorganization on June 18, 2007, the concurrent completion of our initial public offering and sale of non-voting common units to Beijing Wonderful Investments on June 27, 2007, and the deconsolidation of a number of Blackstone Funds (effective June 27, 2007 and July 1, 2007).

On March 3, 2008, we acquired GSO Capital Partners L.P. and certain of its affiliates ("GSO"). GSO is an alternative asset manager specializing in the leveraged finance marketplace. GSO manages various multi-strategy credit hedge funds, mezzanine funds, senior debt funds and various collateralized loan obligation ("CLO") vehicles. GSO's results from the date of acquisition are included in our Marketable Alternative Asset Management segment.

These transactions have had significant effects on many of the items within our condensed consolidated and combined financial statements and affect the comparison of the current year's period with those of the prior year.

Our Business

Blackstone is one of the largest independent alternative asset managers in the world. We also provide a wide range of financial advisory services, including corporate and mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

Our business is organized into four business segments:

- **Corporate Private Equity.** We are a world leader in private equity investing, having managed five general private equity funds, as well as one specialized fund focusing on media and communications-related investments, since we established this business in 1987. In addition, we are in the process of raising our sixth general private equity fund. Through our corporate private equity funds we pursue transactions throughout the world, including leveraged buyout acquisitions of seasoned companies, transactions involving start-up businesses in established industries, turnarounds, minority investments, corporate partnerships and industry consolidations.
- **Real Estate.** Our Real Estate segment is diversified geographically and across a variety of sectors. We launched our first real estate fund in 1994 and have managed six general real estate funds, two internationally focused real estate funds and a European focused real estate fund. Our real estate funds have made significant investments in lodging, major urban office buildings, distribution and warehousing centers and a variety of real estate operating companies. In addition, we have recently launched a real estate special situations hedge fund, which will target global non-controlling debt and equity investment opportunities in the public and private markets.
- **Marketable Alternative Asset Management.** Established in 1990, our marketable alternative asset management segment is comprised of our management of funds of hedge funds, debt funds and CLOs, proprietary hedge funds and publicly-traded closed-end mutual funds. These products are intended to provide investors with greater levels of current income and for certain products, a greater level of liquidity.
- **Financial Advisory** . Our financial advisory segment serves a diverse and global group of clients with corporate and mergers and acquisitions advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds.

We generate our revenue from fees earned pursuant to contractual arrangements with funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees), and from corporate and mergers and acquisitions 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 cyclicality of the different businesses in which we operate. Net investment gains and resultant investment income generated by the Blackstone Funds, principally corporate private equity and real estate funds, are driven by value created by our strategic initiatives as well as overall market conditions. Our funds initially record fund investments at cost and then such investments are subsequently recorded at fair value. Fair values are affected by changes in the fundamentals of the portfolio company, the portfolio company's industry, the overall economy as well as other market conditions.

Our most significant expense is compensation and benefits. Prior to our initial public offering ("IPO") in June 2007, all payments for services rendered by our senior managing directors and selected other individuals engaged in our businesses had been accounted for as partnership distributions rather than as employee compensation and benefits expense. Following the IPO, we have included all payments for services rendered by our senior managing directors as employee compensation and benefits expense. Currently, some senior managing directors and certain other personnel share in profits based on their Blackstone Holdings Partnership Units as well as receive a portion of the performance fees and allocations earned with respect to certain of the funds. Personnel also receive cash compensation and in the case of non-partner professionals, own deferred restricted common units and phantom cash settled awards.

Significant Transactions

Blackstone's Reorganization, Initial Public Offering and Consolidation and Deconsolidation of Blackstone Funds

During 2007 we consummated a number of significant transactions, including the reorganization on June 18, 2007 (the "Reorganization") whereby the pre-IPO operating entities were contributed to the newly-formed Blackstone Holdings Partnerships (collectively, "Blackstone Holdings") or sold to wholly-owned subsidiaries of Blackstone (which in turn contributed them to Blackstone Holdings), the concurrent completion of our IPO and sale of non-voting common units to Beijing Wonderful Investments on June 27, 2007, and the deconsolidation of a number of Blackstone Funds (effective June 27, 2007 and July 1, 2007). These transactions have had significant effects on many of the items within our condensed consolidated and combined financial statements and are described in "Item 1. Financial Information—Financial Statements—Notes to Condensed Consolidated and Combined Financial Statements (Unaudited)—Note 1. Organization and Basis of Presentation".

Acquisition of GSO Capital Partners LP

On March 3, 2008, we acquired GSO, an alternative asset manager specializing in the leveraged finance marketplace. GSO manages various multi-strategy credit hedge funds, mezzanine funds, senior debt funds and various CLO vehicles. GSO's results from the date of acquisition have been included in our Marketable Alternative Asset Management segment.

The purchase price consisted of cash and Blackstone Holdings Partnership Units valued at acquisition closing at $635 million in the aggregate, plus up to an additional targeted $310 million to be paid over the next five years contingent upon the realization of specified earnings targets over that period. The Partnership also incurred $7.8 million in acquisition costs. Additionally, profit sharing and other compensatory payments subject to performance and vesting may be paid to the GSO personnel.

Key Financial Measures and Indicators

Revenues

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

Management and Advisory Fees. Management and advisory fees consist of (1) fund management fees and (2) advisory fees.

(1) *Fund Management Fees* . Fund management fees are comprised of fees charged directly to funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees). Such fees are based upon the contractual terms of investment advisory and related agreements and are recognized as earned over the specified contract period. Our investment advisory agreements generally require that the investment advisor share a portion of certain fees and expenses with the limited partners of the fund. These shared items ("management fee reductions") reduce the management fees received from the limited partners.

(2) *Advisory Fees.* Advisory fees consist of advisory retainer and transaction-based fee arrangements related to mergers, acquisitions, restructurings, divestitures and fund placement services for alternative investment funds. Advisory retainer fees are recognized when services are rendered. Transaction fees are recognized when (i) there is evidence of an arrangement with a client, (ii) agreed upon services have been provided, (iii) fees are fixed or determinable and (iv) collection is reasonably assured. Fund placement services revenue is recognized as earned upon the acceptance by a fund of capital or capital commitments.

Performance Fees and Allocations. Performance fees and allocations represent the preferential allocations of profits ("carried interest") which are a component of our general partner interests in the carry funds. We are entitled to carried interest from an investment fund in the event investors in the fund achieve cumulative investment returns in excess of a specified rate. We record as revenue the amount that would be due to us pursuant to the fund agreements at each period end as if the fair value of the investments were realized as of such date. In certain performance fee arrangements related to funds of hedge funds and hedge funds in our Marketable Alternative Asset Management segment, we are entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees and allocations are accrued monthly or quarterly based on measuring account / fund performance to date versus the performance benchmark stated in the investment management agreement.

Investment Income . Blackstone invests in corporate private equity funds, real estate funds, debt funds, funds of hedge funds and hedge funds that are not consolidated. The Partnership accounts for these investments under the equity method of accounting. Blackstone's share of operating income generated by these investments is recorded as a component of Investment Income and Other. That amount reflects the fair value gains and losses of the associated funds' underlying investments as we retain the specialized investment company accounting of these funds pursuant to EITF 85-12. These funds generate realized and unrealized gains from underlying corporate private equity and real estate investments and investments in marketable alternative asset management funds which reflect a combination of internal and external factors as described below. In addition, third-party hedge fund managers provide information regarding the valuation of hedge fund investments.

Expenses

Compensation and Benefits Expense. Prior to the IPO in June 2007, our compensation and benefits expense reflected compensation (primarily salary and bonus) paid or accrued solely to our non-senior managing director employees. Subsequent to our IPO, compensation and benefits expense reflects (1) employee compensation and benefits expense paid and payable to our employees, including our senior managing directors, (2) equity-based

compensation associated with grants of equity-based awards to senior managing directors, other employees and selected other individuals engaged in our businesses and (3) profit sharing-based compensation payments for Blackstone personnel and profit sharing interests in carried interest.

(1) *Employee Compensation and Benefits* . Our compensation costs reflect the increased investment in people as we expand geographically and create new products and businesses. Prior to the IPO, all payments for services rendered by our senior managing directors and selected other individuals engaged in our businesses have been accounted for as partnership distributions rather than as employee compensation and benefits expense. As a result, our employee compensation and benefits expense had not reflected amounts for services rendered by these individuals. Following the IPO, we have included all payments for services rendered by our senior managing directors as employee compensation and benefits expense.

(2) *Equity-based Compensation* . Represents non-cash equity-based compensation expense associated with the issuance of equity-based awards to our senior managing directors, other employees and selected other individuals engaged in some of our businesses primarily associated with our IPO. The expense is recognized over the corresponding service period of the underlying grant.

(3) *Profit Sharing Arrangements* . We have implemented profit sharing arrangements for Blackstone personnel working in our businesses across our different operations designed to achieve a relationship between compensation levels and results that are appropriate for each operation given prevailing market conditions. In addition, Blackstone personnel working in our businesses, other professionals and selected other individuals who work on our carry and hedge funds have a profit sharing interest in the performance fees earned in relation to these funds in order to better align their interests with our own and with those of the investors in these funds. Departed partners are also entitled to their vested share of carried interest distributions received and (as other partners) may be subject to a recontribution of previously received carried interest from our carry funds and are also liable for their applicable share of losses on carry funds up to the amount of the after-tax carried interest distributions they received from a carry fund. Therefore, as our net revenues increase, our compensation costs also rise; as our net revenues decrease, our compensation costs may decrease.

General, Administrative and Other. The balance of our expenses include interest expense, occupancy and equipment expenses and general, administrative and other expenses, which consist of professional fees, public company costs, travel and related expenses, communications and information services, depreciation and amortization and other operating expenses. As part of the Reorganization, we acquired interests in our businesses from Blackstone personnel. We accounted for the acquisition of the interests from Blackstone personnel other than our Founders and other senior managing directors using the purchase method of accounting, and reflected the excess of the purchase price over the fair value of the tangible assets acquired and liabilities assumed as goodwill and intangible assets in our Condensed Consolidated Statement of Financial Condition. We have recorded $876.3 million of finite lived intangible assets (in addition to $1.52 billion of goodwill). We have been amortizing these finite lived intangibles over their estimated useful lives, which range between three and fifteen years, using the straight line method. In addition, as part of the Reorganization, Blackstone personnel received 827,516,625 Blackstone Holdings Partnership Units, of which 439,711,537 were unvested. The grant date fair value of the unvested Blackstone Holdings Partnership Units (which is based on the initial public offering price per common unit of $31.00) is charged to expense as the Blackstone Holdings Partnership Units vest over the assumed service periods, which range up to eight years from the date of the IPO, on a straight line basis. The amortization of these finite lived intangible assets and of this non-cash equity-based compensation will increase our expenses substantially during the relevant periods and, as a result, we expect to record significant net losses for a number of years.

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 Income of Consolidated Entities

Prior to the IPO, non-controlling interests in income of consolidated entities has primarily consisted of interests of unaffiliated third-party investors and AIG's investments in Blackstone Funds pursuant to AIG's mandated limited partner capital commitments, on which we receive carried interest allocations and which we refer to collectively as "Limited Partners" or "LPs" as well as discretionary investments by Blackstone personnel and employees. Non-controlling interests related to carry funds are subject to on-going realizations and distributions of proceeds therefrom during the life of a fund with a final distribution at the end of each respective fund's term, which could occur under certain circumstances in advance of or subsequent to that fund's scheduled termination date. Non-controlling interests related to our funds of hedge funds and hedge funds are generally subject to annual, semi-annual or quarterly withdrawal or redemption by investors in our hedge funds following the expiration of a specified period of time when capital may not be withdrawn or may only be withdrawn subject to a redemption fee (typically between one and three years). When redeemed amounts become legally payable to investors in our hedge funds on a current basis, they are reclassified as a liability. On the date of the Reorganization, such non-controlling interests were initially recorded at their historical carry-over basis as those interests remained outstanding and were not being exchanged for Blackstone Holdings Partnership Units.

Following the IPO, we are no longer consolidating most of our investment funds, as we granted to the unaffiliated investors the right, without cause, to remove the general partner of each applicable fund or to accelerate the liquidation of each applicable fund in accordance with certain procedures (see "—Blackstone's Reorganization, Initial Public Offering and Consolidation and Deconsolidation of Blackstone Funds"), and accordingly non-controlling interests in income of consolidated entities related to the Limited Partner interests in the deconsolidated funds were subsequently no longer reflected in our financial results. However, we record significant non-controlling interests in income of consolidated entities relating to the ownership interests of the limited partners of the Blackstone Holdings Partnerships and the limited partner interests in our investment funds that remain consolidated. The Blackstone Group L.P. is, through wholly-owned subsidiaries, the sole general partner of each of the Blackstone Holdings partnerships. The Blackstone Group L.P. consolidates the financial results of Blackstone Holdings and its consolidated subsidiaries, and the ownership interest of the limited partners of Blackstone Holdings is reflected as a non-controlling interest in The Blackstone Group L.P.'s condensed consolidated and combined financial statements.

Income Taxes

Prior to the IPO, we operated as a partnership or limited liability company for U.S. federal income tax purposes and primarily as a corporate entity in non-U.S. jurisdictions. As a result, our income was not subject to U.S. federal and state income taxes. Generally, the tax liability related to income earned by these entities represents obligations of the individual partners and members. Income taxes shown on The Blackstone Group's historical combined income statements are attributable to the New York City unincorporated business tax and other income taxes on certain entities located in non-U.S. jurisdictions.

Following the IPO, the Blackstone Holdings partnerships and certain of their subsidiaries continue to operate in the United States 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 will continue to be subject to New York City unincorporated business taxes or non-U.S. income taxes. In addition, certain of the wholly-owned subsidiaries of The Blackstone Group L.P. and the Blackstone Holdings partnerships are subject to corporate federal, state and local income taxes that are reflected in our condensed consolidated and combined financial statements.

There remains some uncertainty regarding Blackstone's future taxation levels. In June 2007, a bill was introduced in the U.S. Senate that would preclude Blackstone from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules. In addition, other bills relating to the taxation of investment partnerships have previously been introduced in the U.S. House of Representatives. In June 2008, the House of Representatives approved a bill that would generally (1) treat carried interest as non-qualifying income under the tax rules applicable to publicly traded partnerships, which would require Blackstone to hold interests in entities earning such income through taxable subsidiary corporations and (2) tax

carried interest as ordinary income for U.S. federal income tax purposes, rather than in accordance with the character of income derived by the underlying fund, which is in many cases capital gain. If any such proposed legislation were to be enacted and it applied to us, it would materially increase the amount of taxes payable by Blackstone and/or its unitholders.

Operating Metrics

The alternative asset management business is a complex business that is unusual due to its ability to support rapid growth without requiring substantial capital investment. However, there also can be volatility associated with its earnings and cash flow. Since our inception, we have developed and used various key operating metrics to assess and monitor the operating performance of our various alternative asset management businesses in order to monitor the effectiveness of our value creating strategies.

Assets Under Management. Assets under management refers to the assets we manage. Our assets under management equal the sum of: (1) the fair value of the investments held by our carry funds plus the capital that we are entitled to call from investors in those funds pursuant to the terms of their capital commitments to those funds (plus the fair value of co-investments arranged by us that were made by limited partners in portfolio investments of our funds as to which we receive fees or a carried interest allocation); (2) the net asset value of our funds of hedge funds, proprietary hedge funds and closed-end mutual funds; and (3) the amount of capital raised for our CLOs. The assets under management measure also includes assets under management relating to our own and our employees' investments in funds for which we charge either no or nominal management fees. As a result of raising new funds with sizeable capital commitments, increases in the net asset values of our funds and their retained profits and our acquisition of GSO, our assets under management have increased significantly over the periods presented.

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 portfolio investments of our corporate private equity and real estate funds as to which we receive fees or a carried interest allocation. Over our history we have earned aggregate multiples of invested capital for realized and partially realized investments of 2.5x and 2.4x in our corporate private equity and real estate funds, respectively.

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.

Business Environment

Blackstone's businesses are materially affected by conditions in the financial markets and economic conditions in the United States, Western Europe, Asia and to some extent elsewhere in the world.

Market conditions remained challenging during the second quarter of 2008 as global economic growth slowed. Fixed income and equity markets remained challenged globally and market volatility was high. During the second quarter, the S&P 500 declined 3.2%, the European equity index declined 5.2% and the Asian Index declined 2.7%. Credit spreads narrowed by 80-100 basis points during the quarter, but widened by approximately 50 basis points during the month of July.

Reduced liquidity, which accelerated in the first quarter of 2008, persisted in the second quarter. Commercial banks and investment banks reduced the carrying value of some of their fixed income holdings, raised new capital and increased their credit reserves. The U.S. and other governments continued to inject additional liquidity into the financial system and lower benchmark lending rates.

Lenders continue to severely restrict commitments to new debt, limiting industry-wide leveraged acquisition activity levels in both corporate and real estate markets. Private equity-led acquisitions and real estate acquisitions and general acquisition activity have declined, which collectively have had a significant impact on several of our businesses.

Oil prices reached record levels and other commodities rose, raising concern about a stagflation environment. United States and European economic indicators continue to point to a slowdown in growth. Emerging economies, while still growing, have moderated, while at the same time, the price of global commodities has risen.

The duration of current economic and market conditions is unknown.

Condensed Consolidated and Combined Results of Operations

Following is a discussion of our condensed consolidated and combined results of operations for the three and six months ended June 30, 2008 and 2007. For a more detailed discussion of the operating results of our four business segments (which are presented on a basis that deconsolidates the investment funds we manage) in these periods, see "—Segment Analysis" below.

The following table sets forth information regarding our condensed consolidated and combined results of operations and certain key operating metrics for the three and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Revenues								
Management and Advisory Fees	$ 338,159	$ 341,694	$ (3,535)	(1)%	$ 647,568	$ 789,096	$ (141,528)	(18)%
Performance Fees and Allocations	(13,722)	453,749	(467,471)	(103)%	(202,409)	1,116,247	(1,318,656)	(118)%
Investment Income (Loss) and Other	29,215	156,685	(127,470)	(81)%	(22,984)	273,153	(296,137)	(108)%
Total Revenues	353,652	952,128	(598,476)	(63)%	422,175	2,178,496	(1,756,321)	(81)%
Expenses								
Compensation and Benefits	1,028,808	345,545	683,263	198%	2,005,955	424,752	1,581,203	372%
Interest	5,690	15,180	(9,490)	(63)%	8,433	26,302	(17,869)	(68)%
General, Administrative and Other	107,517	50,686	56,831	112%	202,738	78,819	123,919	157%
Fund Expenses	21,793	65,557	(43,764)	(67)%	44,745	119,246	(74,501)	(62)%
Total Expenses	1,163,808	476,968	686,840	144%	2,261,871	649,119	1,612,752	248%
Other Income (Loss)								
Net Gains (Losses) from Fund Investment Activities	189,678	2,360,343	(2,170,665)	(92)%	(25,958)	5,396,825	(5,422,783)	(100)%
Income (Loss) Before Non-Controlling Interests in Income (Loss) of Consolidated Entities and Provision (Benefit) for Taxes	(620,478)	2,835,503	(3,455,981)	(122)%	(1,865,654)	6,926,202	(8,791,856)	(127)%
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(434,969)	2,063,561	(2,498,530)	(121)%	(1,433,426)	5,008,215	(6,441,641)	(129)%
Income (Loss) Before Provision (Benefit) for Taxes	(185,509)	771,942	(957,451)	(124)%	(432,228)	1,917,987	(2,350,215)	(123)%
Provision (Benefit) for Taxes	(28,978)	(2,409)	(26,569)	1103%	(24,704)	11,560	(36,264)	(314)%
Net Income (Loss)	$ (156,531)	$ 774,351	$ (930,882)	(120)%	$ (407,524)	$ 1,906,427	$ (2,313,951)	(121)%
Assets Under Management (at Period End)	$ 119,413,033	$ 91,768,870	$ 27,644,163	30%	$ 119,413,033	$ 91,768,870	$ 27,644,163	30%
Capital Deployed:								
Limited Partner Capital Invested	$ 1,794,598	$ 1,729,914	$ 64,684	4%	$ 2,523,308	$ 5,608,276	$ (3,084,968)	(55)%

Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Revenues

Revenues were $353.7 million for the second quarter of 2008, a decrease of $598.5 million or 63%. The lower Performance Fees and Allocations resulted primarily from decreases of $232.5 million in our Corporate Private Equity segment and $234.6 million in our Real Estate segment. The change in Investment Income (Loss) and Other was principally due to decreases of $95.6 million in our Real Estate segment and $65.8 million in our Corporate Private Equity segment, partially offset by an increase of $18.7 million in our Marketable Alternative Asset Management segment. The slight decrease in Management and Advisory Fees was primarily due to decreases in our Corporate Private Equity and Financial Advisory segments of $35.4 million and $26.4 million, respectively, partially offset by an increase in our Marketable Alternative Asset Management segment of $54.7 million.

For the second quarter of 2008, our Corporate Private Equity segment's Performance Fees and Allocations and Investment Income and Other decreased $232.5 million and $65.8 million, respectively, due to a net decline in the underlying portfolio assets compared to a net appreciation during the second quarter of 2007. The net value of the segment's underlying portfolio decreased by approximately 1% in the second quarter of 2008 compared to an increase in net value of approximately 10% in the second quarter of 2007. Management Fees decreased $35.4 million driven by a decrease in transaction fees of $39.2 million primarily as a result of fewer closed transactions that generate fees. This decrease in transaction fees was partially offset by an increase in fund management fees of $4.1 million, primarily due to $1.17 billion of additional capital raised for Blackstone Capital Partners V ("BCP V") since June 30, 2007.

Performance Fees and Allocations and Investment Income and Other in our Real Estate segment decreased in the second quarter of 2008 due to net depreciation in the underlying portfolio assets of 2%, primarily the result of both modest increases in capitalization rates as well as weaker operating performance in some hotels owned by our real estate funds. This compares to a net appreciation in the underlying portfolio of 7% in second quarter of 2007, which was due primarily to accretive sales in the office portfolio. The segment's Management Fees decreased by $4.4 million due principally to a decrease in transaction fees of $12.1 million primarily from an advisory fee earned in the second quarter of 2007 associated with our Equity Office Properties Trust investment. The decrease in transaction fees was partially offset by increased fund management fees of $8.1 million primarily due to $3.53 billion of additional capital raised since June 30, 2007.

Management Fees in our Marketable Alternative Asset Management segment increased $54.7 million in the second quarter of 2008, primarily due to an increase of $22.99 billion in Assets Under Management, principally due to growth of our funds of hedge funds business. Investment Income and Other increased $18.7 million primarily due to an increase in invested capital as compared with the second quarter of 2007 principally related to our investment of a portion of our IPO proceeds in our funds of hedge funds and the acquisition of GSO.

Financial Advisory segment revenues decreased $25.6 million in the second quarter of 2008. The change was primarily due to a decrease in fees from our corporate and mergers and acquisitions advisory services business, partially offset by an increase in fees generated by our restructuring and reorganization advisory services business.

Expenses

Expenses were $1.16 billion for the second quarter of 2008, an increase of $686.8 million. The change reflected higher Compensation and Benefits of $683.3 million, principally resulting from the incremental amortization of equity-based compensation of $569.4 million. Compensation including profit sharing arrangements associated with our senior managing directors and other selected employees which were accounted for as partnership distributions prior to our IPO, as well as our acquisition of GSO, were also factors in the increase in Compensation and Benefits. Additionally, General, Administrative and Other increased $56.8 million

primarily due to $33.5 million of incremental amortization expense associated with our intangible assets related to our IPO and an increase of expenses due to the costs of being a public company.

Other Income (Loss)

Other Income (Loss) was $189.7 million for the second quarter of 2008, a decrease of $2.17 billion or 92%. The change was due to the deconsolidation of certain of our funds in our Corporate Private Equity, Real Estate and Marketable Alternative Asset Management segments as described above in "—Blackstone's Reorganization, Initial Public Offering and Consolidation and Deconsolidation of Blackstone Funds." These gains arose at the Blackstone Funds level, of which $144.0 million and $2.23 billion were allocated to non-controlling interest holders for the second quarter ended June 30, 2008 and June 30, 2007, respectively.

Capital Deployed

Limited Partner Capital Invested was $1.79 billion for the second quarter of 2008, a increase of $64.7 million or 4%. The change largely reflects an increase of $753.6 million in our Marketable Alternative Asset Management segment which reflects investments made by our new credit liquidity funds, partially offset by a decrease in size and volume of investment activity in our Corporate Private Equity segment in the second quarter of 2008, compared to the prior year period.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Revenues

Revenues were $422.2 million for the six months ended June 30, 2008, a decrease of $1.76 billion or 81%. Performance Fees and Allocations decreased $741.0 million in our Real Estate segment, $536.4 million in our Corporate Private Equity segment and $79.9 million in our Marketable Alternative Asset Management segment. Investment Income (Loss) and Other declined $159.3 million in our Real Estate segment, $116.0 million in our Corporate Private Equity segment, and $85.9 million in our Marketable Alternative Asset Management segment. The change in Management and Advisory Fees was primarily due to decreases in our Real Estate and Financial Advisory segments of $173.2 million and $50.4 million, respectively, partially offset by an increase in our Marketable Alternative Asset Management segment of $96.1 million.

As described above in "—Business Environment", equity and debt markets experienced declines during the six month period ended June 30, 2008 which caused us to reduce the carrying values of certain investments despite the fact that we have no current intentions to sell these investments. For the six months ended June 30, 2008, the net value of the Corporate Private Equity segment's underlying portfolio decreased by approximately 5% as compared to an increase in net value of approximately 15% during the six months ended June 30, 2007. This segment's negative Performance Fees and Allocations and Investment Income (Loss) and Other in the six month period was primarily attributable to a decline in the value of our funds' investment in Deutsche Telekom AG notwithstanding increased profitability at the company. The decline in value was due to a decline in its publicly traded share price from €15.03 at December 31, 2007 to €10.40 at June 30, 2008, reflecting a general decline in the German stock market and in telecommunications stocks during the period.

For the six months ended June 30, 2008, Performance Fees and Allocations and Investment Income (Loss) and Other in our Real Estate segment decreased principally due to depreciation in the net value of underlying portfolio investments of 3% for the six months ended June 30, 2008, as compared with net appreciation in the underlying portfolio investments of 38% for the six months ended June 30, 2007. The net depreciation of the portfolio assets for the six months ended June 30, 2008 was primarily the result of both modest increases in capitalization rates as well as weaker operating performance in some hotels owned by our real estate funds. The segment's Management Fees decreased $173.2 million as the first six months of 2008 did not have any significant transaction fees, while the prior year had a substantial transaction fee resulting from our funds'

acquisition of Equity Office Properties Trust in February 2007. The change in transaction fees was partially offset by an increase in fund management fees of $37.1 million primarily due to $3.53 billion of additional capital since June 2007, as well as a full six months of management fees from BREP VI which commenced in February 2007.

For the six months ended June 30, 2008, Investment Income (Loss) and Other in our Marketable Alternative Asset Management decreased $85.9 million which reflects overall market declines during the first six months of 2008 principally in certain of our funds of hedge funds and proprietary hedge funds. Performance Fees and Allocations decreased $79.9 million attributable to declines in the net appreciation as compared to the six months ended June 30, 2007 in the investment portfolios, partially offset by the impact of the acquisition of GSO and the addition of our Credit Liquidity Partners fund which commenced investing in April. Management Fees increased $96.1 million primarily as a result of an increase in Assets Under Management of $22.99 billion principally due to growth of our funds of hedge funds business. The acquisition of GSO contributed $39.1 million to the overall increase in Management Fees.

Financial Advisory segment revenues decreased $48.7 million or 25% for the six months ended June 30, 2008. The change was driven by decreases in fees from our corporate and mergers and acquisitions advisory services business and fund placement business, partially offset by an increase in fees generated by our restructuring and reorganization advisory services business.

Expenses

Expenses were $2.26 billion for the six months ended June 30, 2008, an increase of $1.61 billion. The change reflected higher Compensation and Benefits of $1.58 billion, principally resulting from the incremental amortization of equity-based compensation of $1.48 billion as well as compensation including profit sharing arrangements associated with our senior managing directors and other selected employees which were accounted for as partnership distributions prior to our IPO. Net addition of personnel to support the growth of each of our business segments, including expansion into Asia and our expanding hedge fund businesses, also contributed to the increase in Compensation and Benefits. These increases were partially offset by a decrease in compensation of $112.5 million reflecting an accrual for certain partners' clawback obligations since the negative Performance Fees and Allocations in the six months ended June 30, 2008 would cause a clawback of carried interest previously received by these partners. The accrual for clawback obligations was accounted for as a reduction in compensation costs. General, Administrative and Other increased $123.9 million primarily due to $67.0 million of incremental amortization expense associated with our intangible assets related to our IPO and an increase of fees due to the costs of being a public company. Our expenses are primarily driven by levels of business activity, revenue growth and headcount expansion.

Other Income (Loss)

Other Income (Loss) was $(26.0) million for the six months ended June 30, 2008, a decrease of $5.42 billion. The change was due to the deconsolidation of certain of our funds in our Corporate Private Equity, Real Estate and Marketable Alternative Asset Management segments as described above in "—Blackstone's Reorganization, Initial Public Offering and Consolidation and Deconsolidation of Blackstone Funds." These gains/(losses) arose at the Blackstone Funds level, of which $(0.1) million of losses and $5.18 billion of gains were allocated to non-controlling interest holders for the six months ended June 30, 2008 and June 30, 2007, respectively.

Assets Under Management

Assets Under Management were $119.41 billion at June 30, 2008, an increase of $27.64 billion or 30% since June 30, 2007. The increase was comprised of increases in our Marketable Alternative Asset Management and Real Estate segments of $22.99 billion and $6.12 billion, respectively, primarily due to $12.60 billion from

our acquisition of GSO, $9.68 billion from our funds of hedge funds and $6.79 billion of capital, raised by our Real Estate segment. This was partially offset by a decrease of $1.46 billion in our Corporate Private Equity segment due to $2.82 billion of realizations and changes in unrealized values that more than offset $1.17 billion of additional capital raised for BCP V.

Capital Deployed

Limited Partner Capital Invested was $2.52 billion for the six months ended June 30, 2008, a decrease of $3.08 billion or 55%. The change reflects a decrease in the size of consummated transactions, compared to the prior year period that most notably reflected our funds' acquisition of Equity Office Properties Trust for $3.27 billion in February 2007.

Segment Analysis

Discussed below are our results of operations for each of our reportable segments. This information is reflected in the manner utilized by our senior management to make operating decisions, assess performance and allocate resources. A key performance measure used by management is Economic Net Income ("ENI"). References to "our" sectors or investments refer to portfolio companies and investments of the underlying funds that we manage.

ENI represents segment net income excluding the impact of income taxes and transaction related items, including charges associated with equity-based compensation, the amortization of intangibles and corporate actions including acquisitions. Blackstone's historical combined financial statements for periods prior to the IPO do not include these transaction related charges nor do such financial statements reflect certain compensation expenses including profit-sharing arrangements associated with senior managing directors, departed partners and other selected employees. Those compensation expenses were accounted for as partnership distributions prior to the IPO but are included in the financial statements for periods following the IPO as a component of compensation and benefits expense. Therefore, ENI is equivalent to segment income before taxes in the historical combined financial statements prior to the IPO. ENI is used by management primarily in making resource deployment and compensation decisions across Blackstone's four segments.

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 and combined 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 and combined GAAP basis. Furthermore, segment expenses are lower than related amounts presented on a consolidated and combined GAAP basis due to the exclusion of fund expenses that are paid by Limited Partners and the elimination of non-controlling interests.

Corporate Private Equity

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

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees	$70,896	$106,268	$ (35,372)	(33)%	$ 140,659	$166,026	$ (25,367)	(15)%
Performance Fees and Allocations	21,960	254,466	(232,506)	(91)%	(141,470)	394,888	(536,358)	(136)%
Investment Income (Loss) and Other	(408)	65,415	(65,823)	(101)%	(23,458)	92,511	(115,969)	(125)%
Total Revenues	92,448	426,149	(333,701)	(78)%	(24,269)	653,425	(677,694)	(104)%
Expenses								
Compensation and Benefits	40,283	24,603	15,680	64%	(40,469)	41,881	(82,350)	(197)%
Other Operating Expenses	20,880	19,887	993	5%	43,080	32,071	11,009	34%
Total Expenses	61,163	44,490	16,673	37%	2,611	73,952	(71,341)	(96)%
Economic Net Income (Loss)	$31,285	$381,659	$(350,374)	(92)%	$ (26,880)	$579,473	$(606,353)	(105)%

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

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Assets Under Management (at Period End)	$30,299,340	$31,758,025	$(1,458,685)	(5)%	$30,299,340	$31,758,025	$(1,458,685)	(5)%
Capital Deployed:								
Limited Partner Capital Invested	$ 775,944	$ 1,603,508	$ (827,564)	(52)%	$ 1,116,063	$ 1,660,203	$ (544,140)	(33)%

Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Revenues

Revenues were $92.4 million for the second quarter of 2008, a decrease of $333.7 million or 78%. The decrease in Performance Fees and Allocations and Investment Income (Loss) and Other was due to a net depreciation in the underlying portfolio assets compared to a net appreciation during the second quarter of 2007. The net value of the segment's underlying portfolio decreased by approximately 1% in the second quarter of 2008 compared to an increase in net value of approximately 10% in the second quarter of 2007. We are entitled to carried interest from an investment fund in the event investors in the fund achieve cumulative investment returns in excess of a specified rate. Each fund is considered separately in this regard and for a given fund, performance fees can never be negative in the aggregate. As a result, despite the net decrease in the value of the segment's underlying portfolio, we recorded positive performance fees for the quarter. The decrease in Management Fees was driven by a decline in transaction fees of $39.2 million primarily as a result of fewer closed transactions, partially offset by an increase in fund management fees of $4.1 million, primarily due to $1.17 billion of additional capital raised for BCP V since June 30, 2007.

Expenses

Expenses were $61.2 million for the second quarter of 2008, an increase of $16.7 million or 37%. The increase in Compensation and Benefits of $15.7 million was principally related to compensation including profit sharing arrangements associated with our senior managing directors, departed partners and other selected employees which were accounted for as partnership distributions prior to our IPO. Additionally, Other Operating Expenses increased $1.0 million primarily due to an increase in professional fees related to the costs of being a public company.

Capital Deployed

Limited Partner Capital Invested in private equity transactions was $775.9 million for the second quarter of 2008, a decrease of $827.6 million or 52%. This decrease reflects a reduction in the number and size of investments closed during the second quarter of 2008.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Revenues

Revenues were $(24.3) million for the six months ended June 30, 2008, a decrease of $677.7 million. Most of this segment's negative Performance Fees and Allocations and Investment Income (Loss) and Other were driven by a decline in the net carrying value of the underlying funds' portfolio investment in Deutsche Telekom AG, notwithstanding increased profitability at the company. Deutsche Telekom's publicly traded share price decreased from €15.03 at December 31, 2007 to €10.40 at June 30, 2008, which reflected a decline in the German stock market and in telecommunications stocks during the period. Overall, the net value of the segment's underlying portfolio decreased by approximately 5% in the first six months of 2008, compared to an increase in net value of approximately 15% in the first six months of 2007. The decrease in Management Fees was primarily driven by a decrease in transaction fees of $39.2 million primarily as a result of fewer closed transactions, partially offset by an increase in fund management fees of $12.6 million, primarily the result of $1.17 billion of additional capital raised for BCP V since June 30, 2007.

Expenses

Expenses were $2.6 million for the six months ended June 30, 2008, a decrease of $71.3 million. The decrease in Compensation and Benefits of $82.4 million resulted principally from the accrual for a clawback obligation of prior period carried interest allocations from certain partners totaling $112.5 million primarily due to the decrease in carrying value of Deutsche Telekom AG. This was partially offset by profit sharing arrangements associated with our senior managing directors and other selected employees which were accounted for as partnership distributions prior to our IPO. Additionally, Other Operating Expenses increased $11.0 million principally due to an $10.4 million increase in professional fees primarily related to the costs of being a public company.

Assets Under Management

Assets Under Management were $30.30 billion at June 30, 2008, a decrease of $1.46 billion or 5% compared with June 30, 2007. The decrease was primarily due to realizations and changes in unrealized value of approximately $2.82 billion. This was partially offset by $1.17 billion of additional capital raised for BCP V since June 30, 2007.

Capital Deployed

Limited Partner Capital Invested was $1.12 billion for the six months ended June 30, 2008, a decrease of $544.1 million or 33%. This decrease reflects a reduction in number and size of investments closed during 2008.

Real Estate

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

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees	$ 74,505	$ 78,933	$ (4,428)	(6)%	$ 152,647	$ 325,834	$ (173,187)	(53)%
Performance Fees and Allocations	(77,133)	157,425	(234,558)	(149)%	(107,195)	633,783	(740,978)	(117)%
Investment Income (Loss) and Other	(11,788)	83,853	(95,641)	(114)%	(11,964)	147,324	(159,288)	(108)%
Total Revenues	(14,416)	320,211	(334,627)	(105)%	33,488	1,106,941	(1,073,453)	(97)%
Expenses								
Compensation and Benefits	32,083	22,077	10,006	45%	67,771	40,405	27,366	68%
Other Operating Expenses	12,581	8,183	4,398	54%	28,741	14,612	14,129	97%
Total Expenses	44,664	30,260	14,404	48%	96,512	55,017	41,495	75%
Economic Net Income (Loss)	$(59,080)	$289,951	$(349,031)	(120)%	$ (63,024)	$1,051,924	$(1,114,948)	(106)%

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

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Assets Under Management (at Period End)	$29,176,414	$23,060,599	$6,115,815	27%	$29,176,414	$23,060,599	$ 6,115,815	27%
Capital Deployed:								
Limited Partner Capital Invested	$ 209,779	$ 71,088	$ 138,691	195%	$ 578,981	$ 3,859,232	$(3,280,251)	(85)%

Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Revenues

Revenues were $(14.4) million for the second quarter of 2008, a decrease of $334.6 million. The decrease in Performance Fees and Allocations and Investment Income (Loss) and Other is due to a net depreciation in the underlying portfolio assets of 2% compared with net appreciation of 7% in the second quarter of 2007. The net decline in the value of the portfolio assets in the second quarter of 2008 was primarily the result of both modest increases in capitalization rates as well as weaker operating performance in some hotels held by our real estate funds. The net increase in carrying values in the second quarter of 2007 was primarily driven by accretive sales in our office portfolio. Management Fees decreased by $4.4 million due principally to a decrease in transaction fees of $12.1 million primarily due to an advisory fee earned in the second quarter of 2007 associated with our Equity Office Properties Trust investment. The decrease in transaction fees was partially offset by increased fund management fees of $8.1 million primarily due to $3.53 billion of additional capital raised for BREP VI since June 30, 2007.

Expenses

Expenses were $44.7 million for the second quarter of 2008, an increase of $14.4 million or 48%. The increase in Compensation and Benefits of $10.0 million was principally related to compensation including profit sharing arrangements associated with our senior managing directors and other selected employees which were accounted for as partnership distributions prior to our IPO. Other Operating Expenses increased $4.4 million primarily driven by an increase in professional fees of $4.6 million due to the costs of being a public company.

Capital Deployed

Limited Partner Capital Invested was $209.8 million for the second quarter of 2008, an increase of $138.7 million. This increase reflects a higher volume of closed transactions, primarily additional capital invested in existing investments.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Revenues

Revenues were $33.5 million for the six months ended June 30, 2008, a decrease of $1.07 billion or 97%. Performance Fees and Allocations and Investment Income (Loss) and Other decreased from high levels in the comparable 2007 period due principally to a lower net value of underlying portfolio investments of 3% for the six months ended June 30, 2008, as compared with net appreciation in the underlying portfolio investments of 38% for the six months ended June 30, 2007. For the six months ended June 30, 2008, this decline was primarily the result of both modest increases in capitalization rates as well as weaker operating performance in some hotels held by our real estate funds. For the six months ended June 30, 2007, the net appreciation was driven by accretive sales within our office and limited service hospitality portfolio. Management Fees decreased $173.2 million as the first six months of 2008 did not have any significant transaction fees, while the prior year had a substantial transaction fee resulting from our funds' acquisition of Equity Office Properties Trust in February 2007. The decrease in transaction fees was partially offset by an increase in fund management fees of $37.1 million primarily due to $3.53 billion of additional capital raised for BREP VI since June 2007 as well as a full six months of management fees from BREP VI which commenced in February 2007.

Expenses

Expenses were $96.5 million for the six months ended June 30, 2008, an increase of $41.5 million or 75%. Compensation and Benefits increased $27.4 million, principally related to compensation including profit sharing arrangements associated with our senior managing directors and other selected employees which were accounted for as partnership distributions prior to our IPO. Headcount additions required as a result of our expansion into Asia and the launch of new funds also contributed to the increase in Compensation and Benefits. Other Operating Expenses increased $14.1 million, primarily driven by an increase in professional fees of $12.2 million due to the costs of being a public company.

Assets Under Management

Assets Under Management were $29.18 billion at June 30, 2008, an increase of $6.12 billion or 27% compared with June 30, 2007. The change was primarily due to $6.79 billion of additional capital raised since June 30, 2007, primarily in our BREP VI and BREP Europe funds.

Capital Deployed

Limited Partner Capital Invested was $579.0 million for the six months ended June 30, 2008, a decrease of $3.28 billion or 85%. The change reflects a decrease in the size of consummated transactions, compared to the prior year period that most notably reflected our funds' acquisition of Equity Office Properties Trust for $3.27 billion in February 2007.

Marketable Alternative Asset Management

The following table presents our results of operations for our Marketable Alternative Asset Management segment:

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees	$130,333	$ 75,602	$ 54,731	72%	$234,648	$138,571	$ 96,077	69%
Performance Fees and Allocations	45,027	61,906	(16,879)	(27)%	50,085	129,967	(79,882)	(61)%
Investment Income (Loss) and Other	49,885	31,138	18,747	60%	(29,498)	56,397	(85,895)	(152)%
Total Revenues	225,245	168,646	56,599	34%	255,235	324,935	(69,700)	(21)%
Expenses								
Compensation and Benefits	84,162	42,000	42,162	100%	140,435	70,630	69,805	99%
Other Operating Expenses	25,158	20,253	4,905	24%	43,465	34,749	8,716	25%
Total Expenses	109,320	62,253	47,067	76%	183,900	105,379	78,521	75%
Economic Net Income	$115,925	$106,393	$ 9,532	9%	$ 71,335	$219,556	$(148,221)	(68)%

The following operating metric is used in the management of this business segment:

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Assets Under Management	$59,937,279	$36,950,246	$22,987,033	62%	$59,937,279	$36,950,246	$22,987,033	62%
Capital Deployed:								
Limited Partner Capital Invested	$ 808,875	$ 55,318	$ 753,557	1362%	$ 828,264	$ 88,841	$ 739,423	832%

Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Revenues

Revenues were $225.2 million for the second quarter of 2008, an increase of $56.6 million or 34%. The $54.7 million increase in Management Fees was primarily due to an increase of $22.99 billion in Assets Under Management, particularly in our funds of hedge funds. In addition, the acquisition of GSO contributed $31.0 million to the overall increase in Management Fees. The increase of $18.7 million in Investment Income (Loss) and Other was primarily due to an increase in invested capital as compared with the second quarter of 2007 principally related to our investment of a portion of our IPO proceeds in our funds of hedge funds. The decrease in Performance Fees and Allocations was attributable to modest declines in the investment performance of our funds in contrast to investment gains in the comparable 2007 quarter, partially offset by the impact of the acquisition of GSO and the addition of our Blackstone Credit Liquidity Partners fund which commenced investing in April 2008.

Expenses

Expenses were $109.3 million for the second quarter of 2008, an increase of $47.1 million or 76%. The increase in Compensation and Benefits of $42.2 million was principally related to the acquisition of GSO which contributed $27.4 million to the overall increase. Additionally, compensation including profit sharing arrangements associated with our senior managing directors and other selected employees which were accounted for as partnership distributions prior to our IPO were a factor in the increase. Other Operating Expenses increased $4.9 million, primarily due to the acquisition of GSO offset by a decrease in interest expense driven by decreased investment activity.

Capital Deployed

Limited Partner Capital Invested was $808.9 million for the second quarter of 2008, an increase of $753.6 million. This increase principally reflects investments made by our new credit liquidity funds.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Revenues

Revenues were $255.2 million for the six months ended June 30, 2008, a decrease of $69.7 million or 21%. The decline in Investment Income (Loss) and Other reflected overall market declines during the first six months of 2008, principally in certain of our funds of hedge funds and proprietary hedge funds. The decrease in Performance Fees and Allocations was attributable to lower net appreciation of the investment portfolios as compared to the six months ended June 30, 2007, partially offset by the impact of the acquisition of GSO and the addition of our Blackstone Credit Liquidity Partners fund which commenced investing in April 2008. Management Fees increased $96.1 million primarily as a result of an increase in Assets Under Management of $22.99 billion principally in our funds of hedge funds business as well as from the acquisition of GSO. The acquisition of GSO contributed $39.1 million to the overall increase in Management Fees.

Expenses

Expenses were $183.9 million for the six months ended June 30, 2008, an increase of $78.5 million. The increase in Compensation and Benefits of $69.8 million was principally related to the acquisition of GSO which contributed $33.9 million of the overall increase. Additionally, compensation including profit sharing arrangements associated with our senior managing directors and other selected employees which were accounted for as partnership distributions prior to our IPO were a factor in the increase. To a lesser extent, headcount additions required to support our increased investment activity, due to expansion into Asia and the launch of new funds, also contributed to the increase in Compensation and Benefits. Other Operating Expenses increased $8.7 million, primarily due to the acquisition of GSO partially offset by a decrease in interest expense driven by decreased investment activity.

Assets Under Management

Assets Under Management were $59.94 billion at June 30, 2008, a net increase of $22.99 billion or 62%. The increase was primarily due to the acquisition of GSO which contributed $12.60 billion of the overall increase, as well as significant inflows from our globally diverse investor base in our funds of hedge funds, which experienced a $9.68 billion increase from June 30, 2007. Additionally, the commencement of our Blackstone Credit Liquidity Partners fund in April 2008 contributed $1.39 billion to our Assets Under Management.

Capital Deployed

Limited Partner Capital Invested was $828.3 million for the six months ended June 30, 2008, an increase of $739.4 million. This increase principally reflects investments made by our new credit liquidity funds.

Financial Advisory

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

	Three Months Ended June 30,		2008 vs. 2007		Six Months Ended June 30,		2008 vs. 2007	
	2008	2007	$	%	2008	2007	$	%
	(Dollars in Thousands)							
Segment Revenues								
Advisory Fees	$71,080	$97,518	$(26,438)	(27)%	$139,643	$190,044	$ (50,401)	(27)%
Investment Income and Other	1,826	1,034	792	77%	4,423	2,718	1,705	63%
Total Revenues	72,906	98,552	(25,646)	(26)%	144,066	192,762	(48,696)	(25)%
Expenses								
Compensation and Benefits	48,574	22,342	26,232	117%	95,541	38,253	57,288	150%
Other Operating Expenses	12,537	8,638	3,899	45%	23,598	13,842	9,756	70%
Total Expenses	61,111	30,980	30,131	97%	119,139	52,095	67,044	129%
Economic Net Income	$11,795	$67,572	$(55,777)	(83)%	$ 24,927	$140,667	$(115,740)	(82)%

Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Revenues

Revenues were $72.9 million for the second quarter of 2008, a decrease of $25.6 million or 26%. The decrease was primarily due to a decrease of $32.5 million in fees from our corporate and mergers and acquisitions advisory services business. The environment for mergers and acquisitions activities was less favorable than the environment during the second quarter of 2007 when strong global equity and credit markets contributed to an increase in mergers and acquisitions during that period. This decrease was partially offset by an increase of $6.4 million in fees generated by our restructuring and reorganization advisory services business as continued credit market turmoil and low level of available liquidity led to increased bankruptcies, debt defaults and debt restructurings. Fees generated by our fund placement business were flat as compared with the second quarter of 2007. The revenues generated by each of the businesses in our financial advisory segment are transactional in nature and therefore results can fluctuate significantly from period to period.

Expenses

Expenses were $61.1 million for the second quarter of 2008, an increase of $30.1 million or 97%. Compensation and Benefits expenses increased $26.2 million, principally related to compensation associated with our senior managing directors which were accounted for as partnership distributions prior to our IPO. Personnel additions in our fund placement and corporate and mergers and acquisitions advisory services businesses also contributed to the overall increase in Compensation and Benefits. Additionally, Other Operating Expenses increased $3.9 million, principally due to increased professional fees of $1.7 million and costs related to the expansion of our London-based corporate and mergers and acquisitions advisory and debt restructuring services business.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Revenues

Revenues were $144.1 million for the six months ended June 30, 2008, a decrease of $48.7 million or 25%. The decrease was primarily driven by decreases of $37.6 million in fees from our corporate and mergers and acquisitions advisory services business and $35.3 million in fees generated from our fund placement business. The decrease in fees generated from our corporate and mergers and acquisitions advisory services business was due to a less favorable mergers and acquisitions environment than during the six months ended June 30, 2007. The principal reason for the decrease in our fund placement business revenues was related to a substantial fee earned from one transaction which closed during the first quarter of 2007. These decreases were partially offset by an increase of $22.4 million in fees generated by our restructuring and reorganization advisory services business as continued credit market turmoil and low level of available liquidity led to increased bankruptcies, debt defaults and debt restructurings.

Expenses

Expenses were $119.1 million for the six months ended June 30, 2008, an increase of $67.0 million. Compensation and Benefits increased $57.3 million principally related to compensation associated with our senior managing directors which were accounted for as partnership distributions prior to our IPO. Personnel additions in our fund placement and corporate and mergers and acquisitions advisory services businesses also contributed to the overall increase in Compensation and Benefits. Additionally, Other Operating Expenses increased $9.8 million, principally due to increased professional fees of $4.6 million and costs related to the expansion of our London-based corporate and mergers and acquisitions advisory and debt restructuring services business.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

On a historical basis we have drawn primarily on committed capital from our Limited Partners in order to fund the investment requirements of the Blackstone Funds. In addition, we require limited capital resources to support the working capital needs of our businesses as well as to fund growth and investments in new business initiatives. We have multiple sources of liquidity to meet these capital needs, including accumulated earnings in the businesses and access to the committed credit facility described below.

Our historical Condensed Consolidated and Combined Statements of Cash Flows reflect the cash flows of the Blackstone operating businesses as well as those of our consolidated Blackstone Funds. The assets of the consolidated Blackstone Funds, on a gross basis, were much larger than the assets of our operating businesses and therefore had a substantial effect on the reported cash flows reflected in our statement of cash flows. Our assets under management, which are primarily the Blackstone Funds we manage, have grown significantly during the periods reflected in our condensed consolidated and combined financial statements. The growth in assets under management is a result of funds raising capital and generating gains from investments, as well as the GSO acquisition. The cash flows from Blackstone Funds, which were historically reflected in our Combined Statement of Cash Flows, increased substantially as a result of the growth in assets under management. As described above under "—Blackstone's Reorganization, Initial Public Offering and Consolidation and Deconsolidation of Blackstone Funds," we consummated a number of significant transactions, including the deconsolidation of a number of Blackstone Funds (effective June 27 and July 1, 2007), which have had significant effects on many of the items within our condensed consolidated and combined financial statements.

We have managed our historical liquidity and capital requirements by focusing on our deconsolidated cash flows. Our primary cash flow activities on this deconsolidated basis are (1) generating cash flow from operations, (2) funding general partner capital commitments to Blackstone Funds, (3) funding capital expenditures, (4) funding new business initiatives, (5) borrowings and repayments under credit agreements and (6) distributing

cash to owners. Cash distributed to unitholders may be provided through cash flows from operating activities, distributions received from Blackstone Funds or borrowings from our credit facility described below. We use Adjusted Cash Flow from Operations as a supplemental non-GAAP measure to assess liquidity and amounts available for distribution to owners. See a discussion of our cash distribution policy under "—Our Future Sources of Cash and Liquidity Needs."

As noted above, in accordance with GAAP, certain of the Blackstone Funds are consolidated into the condensed consolidated and combined financial statements of Blackstone, notwithstanding the fact that Blackstone has only a minority economic interest in these funds. Consequently, Blackstone's condensed consolidated and combined financial statements reflect the cash flow of the consolidated Blackstone Funds on a gross basis rather than the cash flow attributable to Blackstone. Adjusted Cash Flow from Operations is therefore intended to reflect the cash flow attributable to Blackstone and is equal to cash flow from operating activities presented in accordance with GAAP, adjusted for cash flow relating to changes in our operating assets and liabilities, Blackstone Funds related investment activity, net realized gains on investments, differences in the timing of realized gains between Blackstone and Blackstone Funds, non-controlling interest related to departed partners and non-controlling interests in income of consolidated entities and other non-cash adjustments. We believe that Adjusted Cash Flow from Operations provides investors with useful information on the cash flows of Blackstone Group relating to our required capital investments and our ability to make annual cash distributions. However, Adjusted Cash Flow from Operations should not be considered in isolation or as an alternative to cash flow from operations presented in accordance with GAAP.

The following table is a reconciliation of Net Cash Provided by (Used In) Operating Activities presented on a GAAP basis to Adjusted Cash Flow from Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Dollars in Thousands)		(Dollars in Thousands)	
Net Cash Provided by (Used in) Operating Activities	$102,143	$ 516,847	$ 217,297	$ (827,108)
Changes in Operating Assets and Liabilities	(55,230)	342,933	(366,886)	53,773
Blackstone Funds Related Investment Activities	2,697	(599,372)	251,131	1,326,670
Net Realized Gains on Investments	118,555	2,424,334	118,299	3,474,975
Non-controlling Interests in Income of Consolidated Entities	556,261	(1,625,043)	1,344,738	(2,369,966)
Other Non-Cash Adjustments	(5,102)	(17,782)	(8,947)	(4,775)
Adjusted Cash Flow from Operations	$719,324	$ 1,041,917	$1,555,632	$ 1,653,569

Operating Activities

Our Net Cash Flow Provided by Operating Activities was $217.3 million for the six months ended June 30, 2008, an increase of $1.04 billion compared to Net Cash Flow Used in Operating Activities of $827.1 million for the six months ended June 30, 2007. Our operating activities generated cash inflows from the reduction of accounts receivable and amounts due from brokers of $519.6 million during the six months ended June 30, 2008. These inflows were partially offset by a $251.1 million usage of cash for the purchases of investments by consolidated Blackstone Funds, net of proceeds from sales of investments.

For the six months ended June 30, 2007, our operating cash usage primarily consisted of $1.33 billion of purchases of investments by consolidated Blackstone Funds, net of investment sale proceeds partially offset by a $486.2 million reduction of accounts receivable.

Investing Activities

Our Net Cash Flow Used in Investing Activities was $368.7 million for the six months ended June 30, 2008, an increase of $330.9 million compared with the six months ended June 30, 2007. The increase from 2007 was primarily due to our acquisition of GSO in March 2008. The total aggregate cost of the acquisition of $642.8

million included cash of $336.6 million, net of cash acquired, Blackstone Holdings Partnership Units to be delivered and acquisition costs. Additionally, up to a targeted $310 million of additional consideration may be paid in a combination of cash and/or equity instruments or over the next five years contingent upon the realization of specified earnings targets over that period.

For the six months ended June 30, 2007, our Net Cash Flow Used in Investing Activities reflected purchases of furniture, equipment and leasehold improvements and elimination of cash for non-contributed entities (see "—Blackstone's Reorganization, Initial Public Offering and Consolidation and Deconsolidation of Blackstone Funds").

Financing Activities

Our Net Cash Used in Financing Activities was $499.6 million for the six months ended June 30, 2008, a decrease of $2.67 billion from the six months ended June 30, 2007. For the six months ended June 30, 2008, cash usage in financing activities was due to distributions to non-controlling interest holders of $696.6 million, distributions paid to unitholders and holders of Blackstone Holdings Partnership Units of $158.0 million and the purchase of interests from predecessor owners of $79.6 million. These outflows were partially offset by contributions from non-controlling interest holders in consolidated entities of $302.4 million related to the funding of capital commitments and $170.6 million of borrowing on loans payables, net of repayments.

For the six months ended June 30, 2007, our financing activities generated cash inflows of $2.17 billion primarily from $7.50 billion in cash proceeds from the issuance of units in our IPO and the sale of non-voting common units to Beijing Wonderful Investments (see "—Blackstone's Reorganization, Initial Public Offering and Consolidation and Deconsolidation of Blackstone Funds"), as well as $6.91 billion of contributions from non-controlling interest holders in consolidated entities and predecessor owners. These inflows were partially offset by outflows of $7.42 billion in distributions to non-controlling interest holders in consolidated entities and predecessor owners, $4.57 billion related to the purchase of interests from our predecessor owners and $255.9 million of repayments on loans payables, net of borrowings.

Our Future Sources of Cash and Liquidity Needs

We expect that our primary liquidity needs will be cash to (1) provide capital to facilitate the growth of our existing businesses, (2) provide capital to facilitate our expansion into new businesses that are complementary, (3) pay operating expenses, including cash compensation to our employees, (4) fund capital expenditures, (5) repay borrowings and related interest costs, (6) pay income taxes and (7) make distributions to our unitholders and the holders of Blackstone Holdings Partnership Units. Our own capital commitments to our funds and funds we invest in as of June 30, 2008, consisted of the following:

Fund	Original Commitment	Remaining Commitment
	(Dollars in Thousands)	
Corporate Private Equity and Related Funds		
BCP V	$ 629,356	$ 301,656
BCP IV	150,000	23,661
BCOM	50,000	6,578
Real Estate Funds		
BREP VI	750,000	452,856
BREP V	52,545	9,206
BREP International II	31,576	6,119
BREP IV	50,000	3,403
BREP International	20,000	3,525
BREP Europe III	100,000	100,000
Real Estate Special Situations	50,000	50,000
Marketable Alternative Asset Management		
BMEZZ II	17,692	6,338
BMEZZ	41,000	1,377
Strategic Alliance	50,000	34,474
Value Recovery	32,244	20,085
Blackstone Credit Liquidity Partners	25,000	15,744
GSO Capital Opportunities	1,000	592
GSO Liquidity Partners	601	136
Total	$ 2,051,014	$ 1,035,750

Taking into account generally expected market conditions, we believe that the sources of liquidity described below will be sufficient to fund our working capital requirements.

In addition to the cash we received in connection with our IPO, we receive (1) cash generated from operating activities, (2) carried interest and incentive income realizations and (3) realizations on the investments that we make. The amount of cash received from the latter two sources in particular may vary substantially from year to year and quarter to quarter depending on the frequency—and size—of realization events experienced by our investment funds. Our available capital will be adversely affected if there are prolonged periods of few substantial realizations from our investment funds accompanied by substantial capital calls from those investment funds.

We expect to use this cash to assist us in making cash distributions to our common unitholders on a quarterly basis in accordance with our distribution policy. Our ability to make cash distributions to our unitholders will depend on a number of factors, including among others general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions,

restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us and such other factors as our general partner may deem relevant. Cash distributed to unitholders may be provided through cash flows from operating activities or borrowings from our existing or future credit facilities.

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. Approximately $300 million of our authorization was intended to offset the issuance of units as part of the consideration in the GSO acquisition. In 2008, we have repurchased a combination of 8,329,101 vested and unvested Blackstone Holdings Partnership Units and Blackstone Common Units as part of the unit repurchase program for a total cost of $125.0 million.

We intend to use leverage opportunistically and over time to create the most efficient capital structure for Blackstone and our public common unitholders. We do not anticipate approaching significant leverage levels over the next year or two since the net proceeds from the IPO and the sale of non-voting common units to the Beijing Wonderful Investments are expected to be our principal source of financing for our business during that period. However, our debt-to-equity ratio may increase in the future.

On May 12, 2008, we renewed our existing credit facility by entering into a new $1.0 billion revolving credit facility (“New Credit Facility”) with 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., as joint and several co-borrowers. The New Credit Facility provides for revolving credit borrowings, with a final maturity date of May 2009. Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus a margin, and undrawn commitments bear a commitment fee. The New Credit Facility contains customary representations, covenants and events of default applicable to the co-borrowers and certain of their subsidiaries. Covenants include limitations on incurrence of liens, indebtedness, employee loans and advances, mergers, consolidations, asset sales and certain acquisitions, lines of business, amendment of partnership agreements, ownership of core businesses, and restricted payments. 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. The New Credit Facility is unsecured and unguaranteed.

Our corporate private equity funds, real estate funds and funds of hedge funds have not historically utilized substantial leverage at the fund level other than for short-term borrowings between the date of an investment and the receipt of capital from the investing fund’s investors. Our corporate private equity funds and real estate funds make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies. For companies under our funds’ control or over which our funds have significant influence, it is our policy to endeavor to cause the portfolio company to maintain appropriate controls over its liquidity and interest rate exposures.

Our Marketable Alternative Asset Management entities use leverage within their funds 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. The fair value of derivatives generally will be between 0% to 20% of these funds’ net asset values. Generally, gross leverage will be in the range of 0% to 300% of these funds’ net asset values, and net leverage exposure on certain of these funds is generally in the range of (50%) to 90% of such funds’ net asset values. Additionally, these funds generally hold between 0% to 40% of their net asset values in cash and cash equivalents.

Critical Accounting Policies

We prepare our condensed consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States. In applying many of these accounting principles, we need to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective. Actual results may be affected negatively based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. See the notes to our condensed consolidated and combined financial statements for a summary of our significant accounting policies.

Principles of Consolidation

Our policy is to combine, or consolidate, as appropriate, those entities in which, through Blackstone personnel, we have control over significant operating, financial or investing decisions of the entity.

For entities that are determined to be VIE's, we consolidate those entities where we absorb a majority of the expected losses or a majority of the expected residual returns, or both, of such entity pursuant to the requirements of Financial Accounting Standards Board ("FASB") Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities-an interpretation of ARB No. 51* ("FIN 46(R)"). The evaluation of whether a fund is subject to the requirements of FIN 46(R) as a VIE and the determination of whether we should consolidate such a VIE requires management's judgment. In addition, we consolidate those entities we control through a majority voting interest or otherwise, including those Blackstone Funds in which the general partners are presumed to have control over them pursuant to Emerging Issues Task Force ("EITF") Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). The provisions under both FIN 46(R) and EITF 04-5 have been applied retrospectively to prior periods. All significant intercompany transactions and balances have been eliminated.

For operating entities over which we may exercise significant influence but which do not meet the requirements for consolidation, we use the equity method of accounting whereby we record our share of the underlying income or losses of these entities.

In those cases where our investment is less than 20% (3% in the case of partnership interests) and significant influence does not exist, such investments are carried at fair value.

Revenue Recognition

Revenues consist of primarily management and advisory fees, performance fees and allocations and investment income and other revenues. Our revenue recognition policies are as follows:

(1) *Fund Management Fees* . Fund management fees are comprised of fees charged directly to funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees). Such fees are based upon the contractual terms of investment advisory and related agreements and are recognized as earned over the specified contract period. Our investment advisory agreements generally require that the investment advisor share a portion of certain fees and expenses with the limited partners of the fund. These shared items ("management fee reductions") reduce the management fees received from the limited partners.

(2) *Advisory Fees.* Financial advisory fees consist of advisory retainer and transaction-based fee arrangements related to mergers, acquisitions, restructurings, divestitures and fund placement services for alternative investment funds. Advisory retainer fees are recognized when services are rendered.

Transaction fees are recognized when (i) there is evidence of an arrangement with a client, (ii) agreed upon services have been provided, (iii) fees are fixed or determinable and (iv) collection is reasonably assured. Fund placement services revenue is recognized as earned upon the acceptance by a fund of capital or capital commitments.

Performance Fees and Allocations. Performance fees and allocations represent the preferential allocations of investment gains ("carried interest") which are a component of our general partner interests in the corporate private equity, real estate and debt funds. We are entitled to carried interest from an investment fund in the event investors in the fund achieve cumulative investment returns in excess of a specified rate. We record as revenue the amount that would be due to us pursuant to the fund agreements at each period end as if the fair value of the investments were realized as of such date. In certain performance fee arrangements related to funds of hedge funds and hedge funds in our Marketable Alternative Asset Management segment, we are entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees and allocations are accrued monthly or quarterly based on measuring account / fund performance to date versus the performance benchmark stated in the investment management agreement.

Investment Income . Blackstone invests in corporate private equity funds, real estate funds, mezzanine funds, debt funds, funds of hedge funds and hedge funds that are not consolidated. The Partnership accounts for these investments under the equity method of accounting. Blackstone's share of operating income generated by these investments is recorded as a component of Investment Income and Other. That amount reflects the fair value gains and losses of the associated funds' underlying investments as we retain the specialized investment company accounting of these funds pursuant to EITF 85-12. These funds generate realized and unrealized gains from underlying corporate private equity and real estate investments and investments in marketable alternative asset management funds which reflect a combination of internal and external factors as described below. In addition, third-party hedge fund managers provide information regarding the valuation of hedge fund investments.

Investments, at Fair Value

The Blackstone Funds are, for GAAP purposes, investment companies under the AICPA Audit and Accounting Guide *Investment Companies* . For those funds which the Partnership consolidates, such funds reflect their investments, including securities sold, not yet purchased, on the Condensed Consolidated and Combined Statements of Financial Condition at their estimated 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 and Combined Statements of Income. Fair value is the amount that would be received to sell the investments or transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). Additionally, these funds do not consolidate their majority-owned and controlled investments. We have retained the specialized accounting of the Blackstone Funds pursuant to EITF Issue No. 85-12, *Retention of Specialized Accounting for Investments in Consolidation* .

Effective January 1, 2007 we, as well as our carry funds, adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157"), which among other things, requires enhanced disclosures about financial instruments carried at fair value. See Notes 2 and 4 to the condensed consolidated and combined financial statements for the additional information about the level of market observability associated with investments carried at fair value.

We have valued our investments, including our carry fund investments, in the absence of observable market prices, using the valuation methodologies described below 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 management's judgment taking into consideration a combination of internal and external factors. Internal factors that are considered are described below. The external factors associated with our valuations vary by asset class but are broadly driven by the market considerations discussed at "—Business Environment" above.

Investments for which market prices are not observable are generally either private investments in the equity of operating companies or real estate properties or investments in funds managed by others. Fair values of private investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA") and balance sheets, public market or private transactions, valuations for comparable companies and other measures. With respect to real estate investments, in determining fair values we considered, projected operating cash flows and balance sheets, sales of comparable assets and replacement costs among other measures. Analytical methods used to estimate the fair value of private investments include the discounted cash flow method and/or capitalization rates ("cap rates") analysis. Valuations may also 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. Private investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value. These valuation methodologies involve a significant degree of management judgment.

After our adoption of SFAS 157, investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by SFAS 157, we do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably affect 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. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.
- Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

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 investment is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in earnings. SFAS No. 159 was effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Partnership adopted SFAS No. 159 as of January 1, 2008. The adoption of SFAS No. 159 did not have a material impact on the Partnership's consolidated financial statements.

In June 2007, the EITF reached consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* ("EITF 06-11"). EITF 06-11 requires that the tax benefit related to dividend equivalents paid on restricted stock units, which are expected to vest, be recorded as an increase to

additional paid-in capital. EITF 06-11 was applied prospectively for tax benefits on dividends declared in fiscal years beginning after December 15, 2007. The adoption of EITF 06-11 as of January 1, 2008 did not have a material impact on Blackstone's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS No. 141(R)"). SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets, liabilities, contractual contingencies and contingent consideration obtained in the transaction (whether for a full or partial acquisition); establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) applies to all transactions or other events in which the Partnership obtains control of one or more businesses, including those sometimes referred to as "true mergers" or "mergers of equals" and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* ("SFAS No. 160"). SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS No. 160 applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements which will be applied retrospectively for all periods presented.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand how those instruments and activities are accounted for; how and why they are used; and their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Partnership is currently evaluating the impact that the adoption of SFAS No. 161 will have on the Partnership's financial statement disclosures.

In March 2008, the EITF reached a consensus on Issue No. 07-4, *Application of the Two-Class Method under FASB Statement No. 128, Earnings Per Share, to Master Limited Partnerships* ("EITF 07-4"). EITF 07-4 applies to master limited partnerships that make incentive equity distributions. EITF 07-4 is to be applied retrospectively beginning with financial statements issued in the interim periods of fiscal years beginning after December 15, 2008. The Partnership is currently evaluating the impact that EITF 07-4 may have on the consolidated financial statements.

In April 2008, the FASB issued Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP No. 142-3"). FSP No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets* . FSP No. 142-3 affects entities with recognized intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The new guidance applies prospectively to (1) intangible assets that are acquired individually or with a group of other assets and (2) both intangible assets acquired in business combinations and asset acquisitions.

In June 2008, the FASB issued Staff Position EITF No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ("FSP EITF No. 03-6-1"). FSP EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, "Earnings per Share." FSP EITF No. 03-6-1

requires entities to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. This FSP is effective for fiscal years beginning after December 15, 2008; earlier application is not permitted. The Partnership is currently evaluating the impact that the adoption of FSP EITF No. 03-6-1 may have on the consolidated financial statements.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in off-balance sheet arrangements, including establishing certain special purpose entities ("SPEs"), owning securities or interests in SPEs and providing investment and collateral management services to SPEs. There are two main types of SPEs—qualifying special purposes entities ("QSPEs"), which are entities whose permitted activities are limited to passively holding financial interests in distributing cash flows generated by the assets, and VIEs. Certain combined entities of the Blackstone Funds transact regularly with VIEs which do not meet the QSPE criteria due to their permitted activities not being sufficiently limited or because the assets are not deemed qualifying financial instruments. Under FIN 46(R), we consolidate those VIEs where we absorb either a majority of the expected losses or residual returns (as defined) and are therefore considered the primary beneficiary. Our primary involvement with VIEs consists of investments in corporate private equity, real estate, debt and funds of hedge funds. For additional information about our involvement with VIEs, see Note 4, "Investments—Investment in Variable Interest Entities" in the Notes to the condensed consolidated and combined financial statements.

In addition to VIEs, in the ordinary course of business certain combined entities of the Blackstone Funds issue various guarantees to counterparties in connection with investments, debt, leasing and other transactions. See Note 10, "Commitments and Contingencies" in Notes to the condensed consolidated and combined financial statements for a discussion of guarantees.

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations as of June 30, 2008 on a consolidated basis and on a basis deconsolidating the Blackstone Funds:

Contractual Obligations	July 1, 2008 to December 31, 2008	2009–2010	2011–2012	Thereafter	Total
			(Dollars in Thousands)		
Operating Lease Obligations (1)	$ 16,178	$ 95,836	$ 92,711	$ 385,022	$ 589,747
Purchase Obligations	10,515	11,185	148	—	21,848
Blackstone Operating Entities Loan and Credit Facilities Payable (2)	264,344	58,877	35,378	11,404	370,003
Interest on Blackstone Operating Entities Loan and Credit Facilities Payable (3)	2,306	5,225	2,073	1,194	10,798
Blackstone Funds Debt Obligations Payable (4)	8,053	—	—	—	8,053
Interest on Blackstone Funds Debt Obligations Payable (5)	83	—	—	—	83
Blackstone Fund Capital Commitments to Investee Funds (6)	249,555	—	—	—	249,555
Due to Predecessor Owners in Connection with Tax Receivable Agreement (7)	17,715	41,053	61,170	634,432	754,370
Blackstone Operating Entities Capital Commitments to Blackstone Funds (8)	1,035,750	—	—	—	1,035,750
Consolidated Contractual Obligations	1,604,499	212,176	191,480	1,032,052	3,040,207
Blackstone Funds Debt Obligations Payable (4)	(8,053)	—	—	—	(8,053)
Interest on Blackstone Funds Debt Obligations Payable (5)	(83)	—	—	—	(83)
Blackstone Fund Capital Commitments to Investee Funds (6)	(249,555)	—	—	—	(249,555)
Blackstone Operating Entities Contractual Obligations	$ 1,346,808	$212,176	$191,480	$1,032,052	$2,782,516

(1) We lease our primary office space and certain office equipment 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 Statement of Financial Condition as of June 30, 2008.

(2) Represents borrowings under our revolving credit facilities and for employee term facilities program and for a corporate debt investment program.

(3) Represents interest to be paid over the maturity of the related debt obligation which has been calculated assuming no prepayments are made and debt is held until its final maturity date. The future interest payments are calculated using variable rates in effect as of June 30, 2008, at spreads to market rates pursuant to the financing agreements, and range from 3.25% to 5.00%.

(4) These obligations are those of the Blackstone Funds.

(5) Represents interest to be paid over the maturity of the related Blackstone Funds' debt obligations which has been calculated assuming no prepayments will be made and debt will be held until its final maturity date. The future interest payments are calculated using variable rates in effect as of June 30, 2008, at spreads to market rates pursuant to the financing agreements, and range from 2.90% to 6.21%.

(6) 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.

(7) Represents obligations by the Partnership's corporate subsidiaries' to make payments under the Tax Receivable Agreement to the predecessor owners for the tax savings realized from the taxable purchases of their interests in connection with the Reorganization. The timing of the payments is dependent on the tax savings actually realized as determined annually.

(8) These obligations represent commitments by us to provide general partner capital funding to the Blackstone Funds and limited partner capital funding to other funds. These amounts are generally due on demand and are therefore presented in the less than one year category; however, the capital commitments are expected to be called substantially over the next three years. We expect to continue to make these general partner capital commitments as we raise additional amounts for our investment funds over time.

Guarantees

We had approximately $12.0 million of letters of credit outstanding to provide collateral support related to a credit facility at June 30, 2008.

Certain real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. At June 30, 2008, such guarantees amounted to $27.3 million.

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 and combined financial statements as of June 30, 2008.

Clawback Obligations

At June 30, 2008, due to the funds' performance results, none of the general partners of our corporate private equity, real estate or debt funds had an actual clawback obligation to any limited partners of the funds. For financial reporting purposes at period end, the general partner may reflect a clawback obligation to the limited partners of a fund due to changes in unrealized value of a fund on which there have been previously distributed carried interest realizations; however, the settlement of a potential obligation is not due until the end of the life of the respective fund. Since the inception of the funds, the general partners have not been required to make a clawback payment.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our predominant exposure to market risk is related to our role as general partner or investment advisor to the Blackstone Funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, performance fees and allocations and investment income. There are no material market risk exposures to our net gains from fund investment activities after consideration of the allocation to non-controlling interest holders.

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 marketable alternative asset management 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 (1) third parties' capital commitments to a Blackstone Fund, (2) third parties' capital invested in a Blackstone Fund or (3) the net asset value, or NAV, of a Blackstone Fund, as described in our consolidated and combined financial statements. Management fees will only be directly affected by short-term changes in market risk conditions to the extent they are based on NAV. 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. As of June 30, 2008 and after considering the effect of the deconsolidation of certain funds of hedge funds on July 1, 2007, approximately 37% of our fund management fees were based on the NAV of the applicable funds.

Market Risk

The Blackstone Funds hold investments and securities sold not yet purchased, both of which are reported at fair value. Based on the fair value as of June 30, 2008, we estimate that a 10% decline in fair value of the investments and securities would have the following effects: (1) management fees would decrease by $47.9 million on an annual basis, (2) performance fees and allocations would decrease by $432.8 million, and (3) investment income would decrease by $218.5 million. Total assets under management, excluding undrawn capital commitments and the amount of capital raised for our CLO's, by segment, and the percentage amount classified as Level III investments as defined within SFAS No. 157, are: Corporate Private Equity $20.48 billion, 92%, Real Estate $17.27 billion, 100%, and Marketable Alternative Asset Management $43.62 billion, 79%, respectively. The fair value of our investments and securities can vary significantly based on a number of factors that take into consideration the diversity of the Blackstone Funds' investment portfolio. The fair value of our Level III assets also varies significantly based on a number of factors and inputs such as similar transactions, financial metrics, and industry comparatives, among others. (See "Part II, Item 1A. Risk Factors" below. Also

see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Investments, at Fair Value.”) We believe these estimated fair value amounts should be utilized with caution as our strategy is to hold investments and securities until market conditions are beneficial for investment sales.

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-US dollar currencies. We estimate that as of June 30, 2008, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would have the following effects: (1) management fees would decrease by $7.9 million on an annual basis, (2) performance fees and allocations would decrease by $90.5 million and (3) investment income would decrease by $22.8 million.

Interest Rate Risk

Blackstone has debt obligations payable that accrue interest at variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. Based on our debt obligations payable as of June 30, 2008, we estimate that interest expense relating to variable rate debt obligations payable would increase by $3.8 million on an annual basis, in the event interest rates were to increase by one percentage point.

Credit Risk

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

Our entities generally invest substantially all of their excess cash in an open-end money market fund and a money market demand account, which are included in cash and cash equivalents. The money market fund invests primarily in government securities and other short-term, highly liquid instruments with a low risk of loss. We continually monitor the fund’s performance in order to manage any risk associated with these investments.

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 4T. 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 and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, 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 we cannot provide absolute assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our results of operations or financial condition. See "—Item 1A. Risk Factors" below.

In December 2007, a purported class of shareholders in public companies acquired by one or more private equity firms filed a lawsuit against sixteen private equity firms and investment banks, including The Blackstone Group L.P., in the United States District Court in Massachusetts. The suit alleges that from mid-2003 defendants have violated antitrust laws by allegedly conspiring to rig bids, restrict the supply of private equity financing, fix the prices for target companies at artificially low levels, and divide up an alleged market for private equity services for leveraged buyouts. The complaint seeks injunctive relief on behalf of all persons who sold securities to any of the defendants in leveraged buyout transactions. The complaint also includes three purported sub-classes of plaintiffs seeking damages and/or restitution and comprised of shareholders of three companies, including one purchased by an investor group that included one of our private equity funds. In February 2008, a virtually identical lawsuit was filed in the same court (and subsequently consolidated with the previous action) by a purported class of shareholders of the one company referred to in the preceding sentence that was purchased by an investor group that included one of Blackstone's private equity funds. In July 2008, plaintiffs filed an amended complaint, which added two more purported subclasses of plaintiffs seeking damages and/or restitution and comprised of shareholders of two additional companies, including one purchased by an investor group that included one of our private equity funds.

In May 2007, Aladdin Solutions, Inc. ("Aladdin"), an acquisition vehicle set up by Blackstone Capital Partners V ("BCP"), entered into a merger agreement with Alliance Data Systems Corporation ("ADS") providing for BCP's acquisition of ADS (the "Merger Agreement"). Among the preconditions to the closing of this transaction was receipt of the required approval by the Office of the Comptroller of the Currency (the "OCC") of the change in control of an important subsidiary of ADS, a credit card bank (the "Bank"). The Merger Agreement obligated Aladdin to use its "reasonable best efforts" to obtain OCC approval. Aladdin made extensive efforts to secure that approval, but the OCC put forth onerous and unacceptable demands as a condition to providing its approval. Despite months of discussions with the OCC, the OCC continued to insist on various demands that in BCP's opinion would be materially harmful to BCP's investment in ADS, and therefore on April 18, 2008 Aladdin exercised its right to terminate the Merger Agreement due to the failure to obtain the required OCC approval. Later that same day, ADS filed an action against BCP claiming that Aladdin failed to use its reasonable best efforts to obtain OCC approval and therefore breached the provisions of the Merger Agreement. Through that suit, currently pending in the Delaware Chancery Court ADS seeks to collect a $170 million business interruption fee which is payable to ADS by Aladdin (and guaranteed by BCP) if Aladdin breaches its obligations under the Merger Agreement. (Under the terms of BCP's limited partnership agreement, Blackstone would ultimately bear approximately 50% of any payment made in respect of such business interruption fee.) In essence, ADS is contending that Aladdin was required to accede to the demands put forth by the OCC regardless of how onerous those demands were and to force Blackstone entities not parties to the Merger Agreement to provide financial support. However, Blackstone believes that a reasonable best efforts obligation does not require a party to a merger agreement to do things that are materially adverse to its prospective investment or force entities they do not control to assume financial obligations they were not contractually obligated to assume. Blackstone believes that Aladdin fulfilled its obligation to use its reasonable best efforts to obtain OCC approval and therefore that it did not breach the Merger Agreement in any way.

In April and May 2008, five substantially identical complaints were brought in the United States District Court for the Southern District of New York and a sixth complaint was brought in the Northern District of Texas against Blackstone, Stephen A. Schwarzman and Michael A. Puglisi (Blackstone's Chairman and Chief

Executive Officer and its Chief Financial Officer respectively). These suits purport to be class actions on behalf of purchasers of Blackstone common units in Blackstone's June 21, 2007 initial public offering and claim that the prospectus for the initial public offering was false and misleading for failing to disclose that certain investments made by Blackstone private equity funds were performing poorly at the time of the initial public offering and were materially impaired.

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, 2007, which is accessible on the Securities and Exchange Commission's website at www.sec.gov.

See Part I. Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" in this report for a discussion of the conditions in the financial markets and economic conditions affecting our businesses. This discussion updates, and should be read together with, the risk factor entitled "Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital and reducing the volume of the transactions involving our financial advisory business, each of which could materially reduce our revenue and cash flow and adversely affect our financial condition" in our annual report on Form 10-K for the year ended December 31, 2007.

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

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

In January 2008, the Board of Directors authorized the repurchase of up to $500 million of Blackstone common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased in open market transactions, in privately negotiated transactions or otherwise. The unit repurchase program may be suspended or discontinued at any time and does not have a final specified date. See "Item2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Future Sources of Cash and Liquidity Needs" for further information regarding this unit repurchase program.

The following table below sets forth information regarding repurchases of our common units during the quarter ended June 30, 2008.

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Units that May Yet Be Purchased Under the Program
Apr. 1 – Apr. 30, 2008	—	—	—	—
May 1 – May 31, 2008	10,000	$ 19.50	10,000	375.0
Jun. 1 – June. 30, 2008	—	—	—	—
Total	10,000		10,000	$ 375.0

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.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

Exhibit Index:

10.28	Third Amended and Restated Agreement of Limited Partnership of Blackstone Real Estate Management Associates Europe III L.P., dated as of June 30, 2008.
10.29	Second Amended and Restated Limited Liability Company Agreement of Blackstone Real Estate Special Situations Associates L.L.C., dated as of June 30, 2008.
10.36	Form of Deferred Restricted Common Unit Award Agreement (Directors).
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).

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SIGNATURE

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

Date: August 8, 2008

The Blackstone Group L.P.

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

/s/ MICHAEL A. PUGLISI

Name: **Michael A. Puglisi**
Title: **Chief Financial Officer**

Exhibit 10.28

BLACKSTONE REAL ESTATE MANAGEMENT ASSOCIATES EUROPE III L.P.
THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
Dated as of June 30, 2008

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BLACKSTONE REAL ESTATE MANAGEMENT ASSOCIATES EUROPE III L.P.

THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of Blackstone Real Estate Management Associates Europe III L.P. (the " *Partnership* ") dated as of June 30, 2008, by and between BREP Europe III GP L.P., a Delaware limited partnership (" *BREP GP Delaware* "), Blackstone Real Estate Europe (Cayman) III Ltd., a Cayman Islands exempted limited company (" *BREE (Cayman),* " and together with BREP GP Delaware, the " *General Partners* " or, collectively, the " *General Partner* "), and the limited partners listed as Limited Partners in the books and records of the Partnership, as limited partners.

PRELIMINARY STATEMENT

The Partnership was formed under the laws of Alberta, Canada pursuant to a Certificate of Limited Partnership, dated as of December 19, 2007, which was filed with the Registrar of Corporations (Alberta).

The original partnership agreement of the Partnership was executed as of December 19, 2007 (the " *Original Agreement* ").

The Original Agreement was amended and restated in its entirety by the Amended and Restated Agreement of Limited Partnership dated as of April 2, 2008 of the Partnership and by the Second Amended and Restated Agreement of Limited Partnership dated as of June 30, 2008 of the Partnership (the " *Second Amended and Restated Agreement* ").

The parties hereto now wish to amend and restate the Second Amended and Restated Agreement in its entirety as of the date hereof and as hereinafter set forth.

Accordingly, the parties agree as follows:

ARTICLE I
DEFINITIONS

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

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

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

" *Agreement* " means this Third Amended and Restated Agreement of Limited Partnership, as it may be further amended, supplemented or otherwise modified from time to time.

" *Alternative Investment Vehicle* " means any investment vehicle or structure formed pursuant to paragraph 2.7.1 of the agreement referred to in clause (i) of the definition of "BREP Europe III Agreement" in this Article I, or any other "Alternative Investment Vehicle" (as defined in any other BREP Europe III Agreement).

" *Applicable Collateral Percentage* " shall have the meaning with respect to any Firm Collateral or Special Firm Collateral as set forth in the books and records of the Partnership 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.

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

" *BCP* " means the collective reference to Blackstone Capital Partners L.P., a Delaware limited partnership, and any other investment vehicle established in accordance with the terms of Blackstone Capital Partners L.P.'s partnership agreement to invest in lieu of Blackstone Capital Partners L.P. on behalf of one or more of the partners thereof.

" *BCP II* " means the collective reference to Blackstone Capital Partners II Merchant Banking Fund L.P., a Delaware limited partnership formerly known as Blackstone Domestic Capital Partners II L.P., Blackstone Offshore Capital Partners II L.P., a Cayman Islands exempted limited partnership, and any other investment vehicle established pursuant to paragraph 2.7 of the respective partnership agreements of either of such partnerships.

" *BCP III* " means the collective reference to Blackstone Capital Partners III Merchant Banking Fund L.P., a Delaware limited partnership, Blackstone Offshore Capital Partners III L.P., a Cayman Islands exempted limited partnership, and any other investment vehicle established pursuant to paragraph 2.7 of the respective partnership agreements of either of such partnerships.

"*BCP IV* " is the collective reference to Blackstone Capital Partners IV L.P., a Delaware limited partnership, and any other investment vehicle or structure formed to invest in lieu thereof (in whole or in part).

" *BCP V* " is the collective reference to (i) Blackstone Capital Partners V L.P., a Delaware limited partnership, and any alternative investment vehicle relating thereto, (ii) BCP V-S L.P., a Delaware limited partnership, and any alternative investment vehicle relating thereto, and (iii) any parallel fund formed in connection with either of such partnerships.

"*BFCOMP*" means Blackstone Family Communications Partnership I L.P., Blackstone Family Communications Partnership I-SMD L.P. and any other entity that is an Affiliate thereof

and has terms substantially similar to those of the foregoing partnerships and is formed in connection with the participation by one or more partners thereof directly or indirectly in investments in securities also purchased by BCOM or any other funds with substantially similar investment objectives to BCOM and that are sponsored or managed by an Affiliate of the General Partner (which includes serving as general partner of such funds).

" *BFCOMP Agreement* " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFCOMP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFCOMP limited partnership agreement or other governing document.

" *BFCOMP Investment* " means any direct or indirect investment by BFCOMP.

" *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. 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, BCP II, BCP III, BCP IV, BCP V or any other fund with substantially similar investment objectives to BCP, BCP II, BCP III, BCP IV and BCP V and that are sponsored or managed by an Affiliate of the General Partner (which includes serving as general partner of such funds).

" *BFIP Agreement* " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFIP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFIP limited partnership agreement or other governing document.

" *BFIP Investment* " means any direct or indirect investment by BFIP.

" *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 GSO Capital Opportunities Fund L.P. 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, GSO Capital Opportunities Fund L.P. or any other funds with substantially similar investment objectives to BMEZP I, BMEZP II or GSO Capital Opportunities Fund L.P. and that are sponsored or managed by an Affiliate of the General Partner (which includes serving as general partner of such funds).

" *BFMEZP Agreement* " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFMEZP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFMEZP limited partnership agreement or other governing document.

" *BFMEZP Investment* " means any direct or indirect investment by BFMEZP.

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

" *BFREP Agreement* " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFREP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFREP limited partnership agreement or other governing document.

" *BFREP Investment* " means any direct or indirect investment by BFREP.

" *Blackstone* " shall mean collectively, The Blackstone Group L.P., a Delaware limited partnership, and any Affiliate thereof (excluding any natural persons and any portfolio companies of any Blackstone-sponsored fund).

"Blackstone Co-Investment Rights " has the meaning set forth in the BREP Europe III Agreement.

" *Blackstone Commitment* " has the meaning set forth in the BREP Europe III Agreement.

" *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.

" *BREE (Cayman)* " means Blackstone Real Estate Europe (Cayman) III Ltd., a Cayman Islands exempted limited company and a general partner of the Partnership.

" *BREA Europe III* " means Blackstone Real Estate Associates Europe III L.P., a Delaware limited partnership and the general partner of BREP Europe III.

" *BREP GP Delaware* " means BREP Europe III GP L.P., a Delaware limited partnership and a general partner of the Partnership.

"BREP Europe III" means the collective reference to: (i) Blackstone Real Estate Partners Europe III L.P., 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 other investment vehicle established pursuant to Article 2 of the partnership agreement for the partnership referred to in clause (i) above, and (iii) any investment vehicle formed to co-invest with the partnership 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 agreement).

" *BREP Europe III Agreement* " means (i) the Amended and Restated Agreement of Limited Partnership dated March 17, 2008, of the partnership referred to in clause (i) of the definition of "BREP Europe III" in this Article I, as such agreement may be amended supplemented or otherwise modified from time to time, and (ii) any other BREP Europe III partnership agreement.

" *Capital Commitment BREA Europe III Partner Interest* " means the Partnership's interest in BREA Europe III with respect to the Capital Commitment BREP Europe III Interest.

" *Capital Commitment BREP Europe III Commitment* " means BREA Europe III's Commitment (as defined in the BREP Europe III Agreement) to BREP Europe III that relates solely to the Capital Commitment BREP Europe III Interest.

" *Capital Commitment BREP Europe III Interest* " means the Interest (as defined in the BREP Europe III Agreement) of BREA Europe III, if any, as a capital partner in BREP Europe III.

" *Capital Commitment BREP Europe III Investment* " means the Partnership's indirect interest in BREA Europe III's indirect interest in a specific investment of BREP Europe III pursuant to the BREP Europe III Agreements in BREA Europe III's capacity as a capital partner of BREP Europe III, but does not include any GP-Related Investment.

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

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

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

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

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

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

" *Capital Commitment Distributions* " means, with respect to each Capital Commitment Investment, all amounts of distributions, received by the Partnership with respect to such Capital Commitment Investment solely in respect of the Partnership's Capital Commitment BREA Europe III Partner Interest, less any costs, fees and expenses of the Partnership with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership that are anticipated with respect thereto, in each case which the General Partner may allocate to all or any portion of such Capital Commitment Investment as it may determine in good faith is appropriate.

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

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

" *Capital Commitment Investment* " means any Capital Commitment BREP Europe III Investment, but shall exclude any GP-Related Investment. The General Partner shall determine who may participate in such Capital Commitment Investment.

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

" *Capital Commitment Net Income (Loss)* " with respect to each Capital Commitment Investment means all amounts of income received by the Partnership with respect to such Capital Commitment Investment, including without limitation gain or loss in respect of the disposition, in whole or in part, of such Capital Commitment Investment, less any costs, fees and expenses of the Partnership allocated thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership anticipated to be allocated thereto; provided , that any income received in respect of the Partnership's Capital Commitment BREA Europe III Partner Interest that is unrelated to any Capital Commitment Investment (as determined by the General Partner in its sole discretion) shall be allocated to the Partners in accordance with their Capital Commitment Profit Sharing Percentages.

" *Capital Commitment Partner Interest* " means a Partner's interest in the Partnership with respect to the Partnership's Capital Commitment BREA Europe III Partner Interest.

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

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

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

" *Capital Commitment-Related Commitment* ", with respect to any Partner, means such Partner's commitment to the Partnership relating to such Partner's Capital Commitment Partner Interest, as set forth in the books and records of the Partnership, including any such commitment set forth in such Partner's Commitment Agreement.

" *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* " shall mean (i) carried interest distributions to the general partner of BREP Europe III (including BREA Europe III) pursuant to paragraphs 4.2.1(c) and (d), paragraphs 4.2.2(c) and (d) and paragraph 4.2.8 of the BREP Europe III Agreement (or similar provisions of investment vehicles formed after the date hereof) and (ii) any other carried interest payable pursuant to the BREP Europe III Agreement. In the case of each of (i) and (ii) above, the amount shall be less any costs, fees and expenses of the Partnership with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership that are anticipated with respect thereto (in each case which the General Partner may allocate among all or any portion of the GP-Related Investments as it determines in good faith is appropriate).

" *Carried Interest Give Back Percentage* " shall mean, for any Partner or Withdrawn Partner, subject to Section 5.8(e), the percentage determined by dividing (A) the aggregate amount of distributions received by such Partner or Withdrawn Partner from the Partnership, any Other Fund GPs or their Affiliates (other than Holdings), in respect of Carried Interest by (B) the aggregate amount of distributions made to all Partners, Withdrawn Partners or any other person by the Partnership, any Other Fund GP or their Affiliates (other than Holdings) (in any capacity), 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 Partnership, Other Fund GPs or their Affiliates (other than Holdings) on behalf of a Partner or Withdrawn Partner (but not the Trust Income thereon) shall be deemed to have been initially distributed or paid to the Partners and Withdrawn Partners as Partners or partners of the Partnership, any of the Other Fund GPs or their Affiliates (other than Holdings).

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

" *Cause* " means the occurrence or existence of any of the following with respect to any Partner, as determined fairly, reasonably, on an informed basis and in good faith by the General Partner: (i) (w) any breach by any Partner of any provision of any non-competition agreement, (x) any material breach of this Agreement or any rules or regulations applicable to such Partner that are established by the General Partner, (y) such Partner's deliberate failure to perform his or her duties to the Partnership, or (z) such Partner's committing to or engaging in any conduct or behavior that is or may be harmful to the Partnership in a material way as determined by the

General Partner; provided , that in the case of any of the foregoing clauses (w), (x), (y) and (z), the General Partner has given such Partner written notice (a " *Notice of Breach* ") within fifteen days after the General Partner becomes aware of such action and such Partner fails to cure such breach, failure to perform or conduct or behavior within fifteen days after receipt of such Notice of Breach from the General Partner (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure, provided that such Partner is diligently pursuing such cure); (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Partnership; or (iii) conviction (on the basis of a trial or by an accepted plea of guilty or nolo contendere) of a felony or crime (including any misdemeanor charge involving moral turpitude, false statements or misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery), or a determination by a court of competent jurisdiction, by a regulatory body or by a self-regulatory body having authority with respect to securities laws, rules or regulations of the applicable securities industry, that such Partner individually has violated any applicable securities laws or any rules or regulations thereunder, or any rules of any such self-regulatory body (including, without limitation, any licensing requirement), if such conviction or determination has a material adverse effect on (A) such Partner's ability to function as a Partner of the Partnership, taking into account the services required of such Partner and the nature of the Partnership.

" *CC Carried Interest* " means, with respect to any Limited Partner, the aggregate amount of distributions or payments received by such Limited Partner (in any capacity) from Affiliates of the Partnership in respect of or relating to "carried interest", including the amount of any bonuses received by a Limited Partner as an employee of an Affiliate of the Partnership that relate to the amount of "carried interest" received by an Affiliate of the Partnership. "CC Carried Interest" includes any amount initially received by an Affiliate of the Partnership from any fund (including BCP V and BREP Europe III, any similar funds formed prior to or after the date hereof, and any other private equity merchant banking, real estate or debt funds, whether or not in existence as of the date hereof) to which such Affiliate serves as general partner (or other similar capacity) that exceeds such Affiliate's pro rata share of distributions from such fund based upon capital contributions thereto (or the capital contributions to make the investment of such fund giving rise to such "carried interest").

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

" *Clawback Amount* " shall mean the "Clawback Amount" and the "Interim Clawback Amount," both as set forth in Article One of the BREP Europe III Agreement, and any other clawback amount payable to the limited partners of or investors in BREP Europe III pursuant to any BREP Europe III Agreement, as applicable.

" *Clawback Provisions* " shall mean paragraphs 4.2.9 and 9.2.6 of the BREP Europe III Agreement and any other similar provisions in any other BREP Europe III Agreement existing heretofore or hereafter entered into.

" *Code* " means the United States 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 shall mean, where appropriate, the corresponding provision in any successor statute.

" *Commitment Agreement* " means a commitment agreement, pursuant to which a Partner has committed to fund certain amounts with respect to the GP-Related BREP Europe III Investments, the Capital Commitment BREP Europe III Investments and certain expenses of BREP Europe III.

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

" *Covered Person* " has the meaning set forth in Section 3.6(a).

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

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

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

" *Default Rate* " shall mean 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.

" *Delaware LLC GP* " means BREP Europe III GP L.L.C., a Delaware limited liability company.

" *Disabling Event* " means (a) the withdrawal of a General Partner, other than in accordance with Section 6.2(b)(ii), (b) the incapacity of a General Partner, (c) a General Partner (i) makes an assignment for the benefit of its creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent or has entered against it an order for relief in any bankruptcy or insolvency proceeding, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in proceeding described in clause (iv), or (v) seeks, consents to, or acquiesces in, the appointment of a trustee, receiver or liquidator of the General Partner or of all or substantially all of its properties, or (d) any other event that causes the General Partner to cease to be a general partner of the Partnership as provided in the Partnership Act.

" *Estate Planning Vehicle* " has the meaning set forth in Section 6.3(a).

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

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

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

" *Existing Partner* " shall mean any Partner who is neither a Retaining Withdrawn Partner nor a Deceased Partner.

" *Feeder Vehicle* " shall mean any Limited Partner formed to serve as a collective investment vehicle for real estate-related investments in the United Kingdom which invests all or a portion of its investable resources in the Partnership.

" *Final Event* " means the death, Total Disability, Incompetence, Bankruptcy, liquidation, dissolution or withdrawal from the Partnership of any person who is a Partner.

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

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

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

" *Fiscal Year* " shall mean a calendar year, or any other period chosen by the General Partner.

" *Fund GP* " means the Partnership (only with respect to the Partnership's GP-Related BREA Europe III Partner Interest) and the Other Fund GPs.

" *GAAP* " means U.S. generally accepted accounting principles.

" *General Partner* " or " *General Partners* " means BREE (Cayman) and BREP GP Delaware and any person admitted to the Partnership as an additional General Partner in accordance with the provisions of this Agreement (until such time as such person ceases to be a general partner of the Partnership as provided herein or in the Partnership Act), subject to the provisions of Section 3.4.

" *Giveback* " has the meaning set forth in the BREP Europe III Agreement.

" *Giveback Amount* " shall mean an "Investment - Related Giveback Amount", as such term is defined in the BREP Europe III Agreement.

" *Giveback Provisions* " shall mean paragraph 3.4.3 of the BREP Europe III Agreement and any other similar provisions in any other BREP Europe III partnership agreement existing heretofore or hereafter entered into.

" *GP-Related BREA Europe III Partner Interest* " means the Partnership's interest in BREA Europe III with respect to the GP-Related BREP Europe III Interest.

" *GP-Related BREP Europe III Interest* " means the interest of BREA Europe III in BREP Europe III as general partner of BREP Europe III, excluding any Capital Commitment BREP Europe III Interest.

" *GP-Related BREP Europe III Investment* " means the Partnership's indirect interest in BREA Europe III's indirect interest in an Investment (for purposes of this definition, as defined in the BREP Europe III Partnership Agreement) in BREA Europe III's capacity as the general partner of BREP Europe III, but does not include any Capital Commitment Investment.

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

" *GP-Related Capital Contributions* " means capital contributions to the Partnership as are necessary to fund the amounts required to satisfy the Partnership's obligations to make capital contributions to BREA Europe III to satisfy BREA Europe III's obligations to make capital contributions to BREP Europe III in respect of the GP-Related BREP Europe III Interest, as determined by the General Partner from time to time.

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

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

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

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

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

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

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

" *GP-Related Investment* " means any investment (direct or indirect) of the Partnership in respect of the Partnership's GP-Related BREA Europe III Partner Interest (including, without limitation, any GP-Related BREP Europe III Investment but excluding any Capital Commitment Investment).

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

" *GP-Related Partner Interest* " of a Partner means all interests of such Partner in the Partnership (other than such Partner's Capital Commitment Partner Interest), including, without limitation, such Partner's interest in the Partnership with respect to the Partnership's GP-Related BREA Europe III Partner Interest and with respect to all GP-Related Investments.

" *GP-Related Profit Sharing Percentage* " means the "Carried Interest Sharing Percentage" and "Non-Carried Interest Sharing Percentage" of each Partner; provided that any reference in this Agreement to any GP-Related Profit Sharing Percentage that specifically refers to GP-Related Net Income unrelated to BREP Europe III shall continue to refer to the amount of each Partner's percentage interest in a category of GP-Related Net Income (Loss) established by the General Partner from time to time pursuant to Section 5.3; 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* " means amounts equal to the Partnership's portion of the required capital contribution in respect of any GP-Related BREP Europe III Investment to be made by the general partner of BREP Europe III (including, without limitation, BREA Europe III), as determined by the General Partner from time to time, which amounts shall be used by the Partnership to fund capital contributions to the general partner of BREP Europe III (including, without limitation, BREA Europe III).

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

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

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

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

" *Holdings* " means Blackstone Holdings IV L.P., a *societé en commandite* organized in Québec.

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

" *Inflation Index* " means (i) the GNP deflator, which is the fixed-weighted price index representing the average change in the United States gross national product as published in the Survey of Current Business by the National Income and Wealth Division of the Bureau of Economic Analysis of the U.S. Department of Commerce, or (ii) such other index measuring changes in economic prices in the United States as shall be selected by the General Partner.

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

" *Interest* " means a Partner's interest in the Partnership, including such Partner's GP-Related Partner Interest (including, without limitation, that which is held by a Retaining Withdrawn Partner) and Capital Commitment Partner Interest.

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

“ *Investor Limited Partner* ” means any Limited Partner so designated at the time of its admission as a partner of the Partnership.

“ *Investor Note* ” means a promissory note of a limited partner in BFREP, BFIP, BFMEZP or BFCOMP evidencing loans made to such limited partner by Blackstone to purchase an interest in BFREP, BFIP, BFMEZP or BFCOMP.

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

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

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

“ *Lender or Guarantor* ” means Blackstone, in its capacity as lender or guarantor under the Investor Notes, including any Affiliate of the General Partner that makes or guarantees loans to enable a Partner to acquire Capital Commitment Interests, other interests in BFREP or interests in BFIP, interests in BFMEZP or interests in BFCOMP.

“ *Limited Partner* ” means any of the persons who is shown on the books and records of the Partnership as a Limited Partner of the Partnership, including any Special Limited Partner, any Investor Limited Partner and any Nonvoting Limited Partner.

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

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

“ *Majority in Interest of the Partners* ” on any date (a “ *vote date* ”) means one or more persons who are Partners (including the General Partner and the Special Limited Partners but excluding Nonvoting Limited Partners) on the vote date and who, as of the last day of the most recent accounting period ending on or prior to the vote date (or as of such later date on or prior to the vote date selected by the General Partner as of which the Partners’ GP-Related Capital Account balances can be determined), have aggregate GP-Related Capital Account balances representing at least a majority in amount of the total GP-Related Capital Account balances of all the persons who are Partners (including the General Partner and the Special Limited Partners but excluding Nonvoting Limited Partners) on the vote date.

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

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

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

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

" *Non-Carried Interest* " means, with respect to each GP-Related Investment (including any GP-Related BREP Europe III Investment), all amounts of distributions, other than Carried Interest and other than Capital Commitment Distributions, received by the Partnership with respect to such GP-Related Investment (including any GP-Related BREP Europe III Investment), less any costs, fees and expenses of the Partnership with respect thereto and less reasonable reserves for payment of costs, fees and expenses of the Partnership that are anticipated with respect thereto, in each case which the General Partner may allocate to all or any portion of the GP-Related Investments (including any GP-Related BREP Europe III Investment) as it may determine in good faith is appropriate.

" *Non-Carried Interest Sharing Percentage* " means, with respect to each GP-Related Investment (including GP-Related BREP Europe III Investments), the percentage interest of a Partner in Non-Carried Interest from such GP-Related Investment (including GP-Related BREP Europe III Investments) set forth in the books and records of the Partnership.

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

" *Nonvoting Limited Partner* " has the meaning set forth in Section 6.1(a).

" *Original Agreement* " has the meaning set forth in the Preamble.

" *Other Fund GPs* " means BREP GP Delaware, the Delaware LLC GP, BREA Europe III (only with respect to BREA Europe III's GP-Related BREP Europe III Interest) and any other entity (other than the Partnership) through which any Partner, Withdrawn Partner or any other person directly receives any amounts of Carried Interest, and any successor thereto; provided , that this includes any other entity which has in its organizational documents a provision which indicates that it is a "Fund GP" or an "Other Fund GP"; provided further , that notwithstanding the foregoing, none of Holdings, any estate planning vehicles established for the benefit of family members of any Partner or of any member or partner of any Other Fund GP shall be considered an "Other Fund GP" for purposes hereof; provided further , that the foregoing exclusion of such estate planning vehicles shall in no way limit such Partners' obligations pursuant to Section 5.8(d).

" *Other Sources* " means (i) distributions or payments of CC Carried Interest (which shall include amounts of CC Carried Interest which are not distributed or paid to a Limited Partner but are instead contributed to a trust (or similar arrangement) to satisfy any "holdback" obligation with respect thereto), (ii) bonuses paid by Blackstone to a Limited Partner (not covered by clause (i) above) and (iii) distributions from BFREP (other than from the Partnership), BFIP, BFMEZP and BFCOMP to such Limited Partner.

" *Partner* " means any person who is a partner of the Partnership, whether a General Partner or a Limited Partner in whatsoever Partner Category.

" *Partner Category* " shall mean the Existing Partners, Retaining Withdrawn Partners or Deceased Partners, each referred to as a group for purposes hereof.

" *Partnership* " means Blackstone Real Estate Management Associates Europe III L.P., an Alberta, Canada limited partnership.

" *Partnership Act* " means the Partnership Act (Revised Statutes of Alberta, 2000, C, P.-3, *et seq.)* , as it may be amended from time to time, and any successor to such statute.

“ *Pledgable Blackstone Interests* ” has the meaning set forth in Section 4.1(a).

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

“ *Qualifying Fund* ” means any fund designated by the General Partner as a “Qualifying Fund.”

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

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

“ *Retained Portion* ” has the meaning set forth in Section 7.7.

“ *Retaining Withdrawn Partner* ” shall mean a Withdrawn Partner who has retained a GP-Related Partner Interest in the Partnership, pursuant to Section 6.5(f) or otherwise. A Retaining Withdrawn Partner shall be considered a Partner for all purposes hereof.

“ *Second Amended and Restated Agreement* ” has the meaning set forth in the Preliminary Statement.

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

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

“ *SMD Agreements* ” means the agreements between the Partnership and/or one or more of its Affiliates and certain of the Partners, pursuant to which each such Partner undertakes certain obligations with respect to the Partnership and/or its Affiliates. The SMD Agreements are hereby incorporated by reference as between the Partnership and the relevant Partner.

“ *Special Firm Collateral* ” means interests in a Qualifying Fund that have been pledged to the Trustee(s) to satisfy all or any portion of a Partner’s or Withdrawn Partner’s Holdback obligation (excluding any Excess Holdback) as more fully described in the books and records of the Partnership.

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

“ *Special Limited Partner* ” means any of the persons shown in the books and records of the Partnership as a Special Limited Partner and any person admitted to the Partnership as an additional Special Limited Partner in accordance with the provisions of this Agreement.

“ *S&P* ” means Standard & Poor’s Ratings Group, and any successor thereto.

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

“ *Subject Partner* ” has the meaning set forth in Section 4.1(d).

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

“ *Tax Matters Partner* ” has the meaning set forth in Section 6.7(b).

“ *TM* ” has the meaning set forth in Section 10.2

“ *Total Disability* ” means the inability of a Limited Partner substantially to perform the obligations required of such Limited Partner (in its capacity as such or in any other capacity with respect to any Affiliate of the Partnership) for a period of six consecutive months by reason of physical or mental illness or incapacity and whether arising out of sickness, accident or otherwise.

“ *Transfer* ” has the meaning set forth in Section 8.2.

“ *Trust Account* ” has the meaning set forth in the Trust Agreement.

“ *Trust Agreement* ” means the Trust Agreement dated as of the date hereof, as amended to date, among the Partners, the Trustee(s) and certain other persons that may receive distributions in respect of or relating to Carried Interest from time to time.

“ *Trust Amount* ” has the meaning set forth in the Trust Agreement.

“ *Trust Income* ” has the meaning set forth in the Trust Agreement.

“ *Trustee(s)* ” has the meaning set forth in the Trust Agreement.

“ *Unadjusted Carried Interest Distributions* ” has the meaning set forth in Section 5.8(e).

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

“ *Unfunded Capital Commitment-Related Commitment* ” has the meaning set forth in Section 7.1(ii).

“ *Unfunded Commitment* ” has the meaning set forth in Section 7.1(ii).

“ *Withdraw* ” or “ *Withdrawal* ” with respect to a Partner means a Partner ceasing to be a partner of the Partnership (except as a Retaining Withdrawn Partner) for any reason (including death, disability, removal, resignation or retirement, whether such is voluntary or involuntary), unless the context shall limit the type of withdrawal to a specific reason and subject to any written agreements between a Partner and the Partnership or any Affiliate thereof, and “Withdrawn” with respect to a Partner means, as aforesaid, a Partner who has ceased to be a partner of the Partnership.

" *Withdrawal Date* " means the date of the Withdrawal from the Partnership of a Withdrawn Partner.

" *Withdrawn Partner* " means a Limited Partner whose Interest in the Partnership has been terminated for any reason, including the occurrence of an event specified in Section 6.2, and shall include, unless the context requires otherwise, the estate or legal representative of any such Partner.

" *W-8BEN* " has the meaning set forth in Section 3.8.

" *W-8IMY* " has the meaning set forth in Section 3.8.

" *W-9* " has the meaning set forth in Section 3.8.

Section 1.2. 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

Section 2.1. General Partner and Limited Partners . The Partners may be General Partners or Limited Partners. The General Partners are BREE (Cayman) and BREP GP Delaware. The Limited Partners shall be as shown on the books and records of the Partnership. The books and records of the Partnership contain the GP-Related Profit Sharing Percentage and GP-Related Commitment of each Partner (including, without limitation, BREP GP Delaware) with respect to the GP-Related Investments of the Partnership as of the date hereof. The books and records of the Partnership contain the Capital Commitment Profit Sharing Percentage and Capital Commitment-Related Commitment of each Partner (including, without limitation, BREP GP Delaware) with respect to the Capital Commitment Investments of the Partnership as of the date hereof. The books and records of the Partnership shall be amended by the General Partner from time to time to reflect additional GP-Related Investments, additional Capital Commitment Investments, dispositions by the Partnership of GP-Related Investments, dispositions by the Partnership of Capital Commitment Investments, the GP-Related Profit Sharing Percentages of the Partners (including, without limitation, BREP GP Delaware) as modified from time to time, the Capital Commitment Profit Sharing Percentages of the Partners (including, without limitation, BREP GP Delaware) as modified from time to time, the admission of additional Partners, the withdrawal of Partners and the transfer or assignment of interests in the Partnership pursuant to the terms of this Agreement. At the time of admission of each additional Partner, the General Partner shall determine in its sole discretion the GP-Related Investments and Capital Commitment Investments in which such Partner shall participate and such Partner's GP-Related Commitment, Capital Commitment-Related Commitment, GP-Related Profit Sharing Percentage with respect to each such GP-Related Investment and Capital Commitment Profit Sharing Percentage with respect to each such Capital Commitment Investment.

Section 2.2. Formation; Name . The Partnership was formed upon the filing and recording of a Certificate with the Registrar of Corporations on December 21, 2007 (L.P. No. 13708227) and is hereby continued as a limited partnership pursuant to the Partnership Act and shall conduct its activities under the name of Blackstone Real Estate Management Associates Europe III L.P.

Section 2.3. Term . The term of the Partnership shall continue until December 31, 2058, unless earlier dissolved and terminated in accordance with this Agreement.

Section 2.4. Purpose; Powers . (a) The purpose and character of the business of the Partnership shall be, directly or indirectly through subsidiaries or Affiliates, (i) to serve as a limited partner of BREA Europe III or of any Other Fund GP and perform the obligations of a limited partner specified in such entities' respective partnership or similar agreements, (ii) to invest in GP-Related Investments, Capital Commitment Investments and other Investments and to acquire and invest in Securities or other property (directly or indirectly), (iii) to serve as general partner or limited partner of other partnerships and/or a member of limited liability companies, and hold interests in companies, corporations and other entities, (iv) to carry on such other businesses for profit, perform such other services and make such other investments for profit as are deemed desirable by the General Partner, (v) any other lawful purpose, and (vi) to do all things necessary and incidental thereto.

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

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

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

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

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

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

(vi) to borrow or raise money from time to time and to issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and

non-negotiable instruments and evidences of indebtedness, to secure payment of the principal of any such indebtedness and the interest thereon by mortgage, pledge, conveyance or assignment in trust of, or the granting of a security interest in, the whole or any part of the property of the Partnership, whether at the time owned or thereafter acquired, to guarantee the obligations of others and to buy, sell, pledge or otherwise dispose of any such instrument or evidence of indebtedness;

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

(viii) to have and maintain one or more offices within or without the Province of Alberta, Canada, 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 them as may be necessary or advisable;

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

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

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

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

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

Section 2.5. Place of Business . The Partnership shall maintain an office and principal place of business at 345 Park Avenue, New York, New York 10154 U.S.A., or such other place or places as may from time to time be designated by the General Partner.

Section 2.6. Feeder Vehicle . (a) The Interest of the Feeder Vehicle shall be treated as Interests held by more than one Limited Partner for purposes of determining the appropriate treatment of the Feeder Vehicle in connection herewith, in light of the multiple interest holders in the Feeder Vehicle. This shall include (i) reflecting on the books and records of the Partnership a separate Interest held by the Feeder Vehicle with respect to each interest holder therein and (ii) applying the provisions of Article IV as though the interest holder were a direct Limited Partner in the Partnership.

(b) If any interest holder of the Feeder Vehicle fails to make a Capital Contribution to the Feeder Vehicle, the Feeder Vehicle may be treated as a Defaulting Limited Partner in accordance with the provisions hereof, but solely with respect to such interest holder's indirect interest in the Partnership.

(c) In the case of any vote of Limited Partners under this Agreement or any law, the Feeder Vehicle shall vote its Interest in proportion to the votes on such matter of the interest holders thereof, based on their pro rata interest therein, that are unaffiliated with the General Partner.

(d) The General Partner may make any adjustments to the Interest of the Feeder Vehicle to accomplish the overall objectives of this Section 2.6; provided , that such adjustments shall in no way have a materially adverse effect on the Interests of any other Partner.

ARTICLE III
MANAGEMENT

Section 3.1. General Partners . BREE (Cayman) and BREP GP Delaware shall be the "General Partners," subject to Section 3.4. A General Partner may not be removed without its consent. The management of the business and affairs of the Partnership shall be vested in the General Partners as provided in Section 3.4.

Section 3.2. Limitations on Limited Partners . Except as may be expressly required or permitted by the Partnership Act, Limited Partners as such shall have no right to, and shall not, take part in the control of the Partnership's business or act for or bind the Partnership, and shall have only the rights and powers of a limited partner as provided in both the Partnership Act and this Agreement.

Section 3.3. Partner Voting . (a) To the extent a Partner is entitled to vote with respect to any matter relating to the Partnership, such Partner shall not be obligated to abstain from voting on any matter (or vote in any particular manner) because of any interest (or conflict of interest) of such Partner (or any Affiliate thereof) in such matter.

(b) Meetings of the Partners may be held only when called by the General Partner.

Section 3.4. Management . (a) The full management, control and operation of the Partnership and the formulation and execution of business and investment policy shall be vested in the General Partners, and the General Partners shall have full control over the business and affairs of the Partnership; provided that, except as otherwise required by applicable law, (i) BREE (Cayman) shall have exclusive power, authority, management, control and operation with respect to the voting of securities of portfolio companies of BREP Europe III, (ii) BREP GP Delaware shall have exclusive power, authority, management, control and operation with respect to all matters of any kind except the voting of securities of portfolio companies of BREP Europe III, and (iii) each reference to the "General Partner" in this Agreement means BREP GP Delaware, unless such reference relates to the voting of securities of portfolio companies of BREP Europe III, in which case, such reference means BREE (Cayman). Subject

to the proviso to the immediately preceding sentence, the General Partners shall, in the General Partners' discretion, exercise all powers necessary and convenient for the purposes of the Partnership, including, without limitation, those enumerated in Section 2.4, on behalf and in the name of the Partnership. All decisions and determinations (howsoever described herein) to be made by the General Partners pursuant to this Agreement shall be made in the General Partners' discretion, subject only to the express terms and conditions of this Agreement.

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

Section 3.5. Responsibilities of Partners . The General Partner may from time to time establish such rules and regulations applicable to Partners as the General Partner deems appropriate.

Section 3.6. Exculpation and Indemnification . (a) Liability to Partners . Notwithstanding any other provision of this Agreement, whether express or implied, to the fullest extent permitted by law, no Partner nor any of such Partner's representatives, agents or advisors nor any partner, member, officer, employee, representative, agent or advisor of the Partnership or any of its Affiliates (individually, a " *Covered Person* " and collectively, the " *Covered Persons* ") shall be liable to the Partnership or any other Partner for any act or omission (in relation to the Partnership, this Agreement, any related document or any transaction or investment contemplated hereby or thereby) taken or omitted by a Covered Person (other than any act or omission constituting Cause), unless there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interests of the Partnership and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful. Each Covered Person shall be entitled to rely in good faith on the advice of legal counsel to the Partnership, accountants and other experts or professional advisors, and no action taken by any Covered Person in reliance on such advice shall in any event subject such person to any liability to any Partner or the Partnership. To the extent that, at law or in equity, a Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to another Partner, to the fullest extent permitted by law, such Partner acting under this Agreement shall not be liable to the Partnership or to any such other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of a Partner otherwise existing at law or in equity, are agreed by the Partners, to the fullest extent permitted by law, to modify to that extent such other duties and liabilities of such Partner.

(b) Indemnification . To the fullest extent permitted by law, the Partnership shall indemnify and hold harmless (but only to the extent of the Partnership's assets (including, without limitation, the remaining GP-Related Commitments and Capital Commitment - Related Commitments of the Partners) each Covered Person from and against any and all claims, damages, losses, costs, expenses and liabilities (including, without limitation, amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim), joint and several, of any nature whatsoever, known or unknown, liquidated or unliquidated (collectively, for purposes of this Section 3.6, " *Losses* "), arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of such Covered Person's management of the affairs of the Partnership or which relate to or arise out of or in connection with the Partnership, its property, its business or affairs (other than claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising out of any act or omission of such Covered Person constituting Cause); provided , that a Covered Person

shall not be entitled to indemnification under this Section with respect to any claim, issue or matter if there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interest of the Partnership and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful; provided further , that if such Covered Person is a Partner or a Withdrawn Partner, such Covered Person shall bear its share of such Losses in accordance with such Covered Person's GP-Related Profit Sharing Percentage in the Partnership as of the time of the actions or omissions that gave rise to such Losses. To the fullest extent permitted by law, expenses (including legal fees) incurred by a Covered Person (including, without limitation, the General Partner) in defending any claim, demand, action, suit or proceeding may, with the approval of the General Partner, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of a written undertaking by or on behalf of the Covered Person to repay such amount to the extent that it shall be subsequently determined that the Covered Person is not entitled to be indemnified as authorized in this Section, and the Partnership and its Affiliates shall have a continuing right of offset against such Covered Person's interests/investments in the Partnership and such Affiliates and shall have the right to withhold amounts otherwise distributable to such Covered Person to satisfy such repayment obligation. If a Partner institutes litigation against a Covered Person which gives rise to an indemnity obligation hereunder, such Partner shall be responsible, up to the amount of such Partner's Interests and remaining GP-Related Commitment and Capital Commitment - Related Commitment, for such Partner's pro rata share of the Partnership's expenses related to such indemnity obligation, as determined by the General Partner. The Partnership may purchase insurance, to the extent available at reasonable cost, to cover losses, claims, damages or liabilities covered by the foregoing indemnification provisions. Partners will not be personally obligated with respect to indemnification pursuant to this Section.

Section 3.7. Representations of Limited Partners .

(a) Each Limited Partner by execution of this Agreement (or by otherwise becoming bound by the terms and conditions hereof as provided herein or in the Partnership Act) represents and warrants to every other Partner and to the Partnership, except as may be waived by the General Partner, that such Limited Partner is acquiring each of such Limited Partner's Interests for such Limited Partner's own account for investment and not with a view to resell or distribute the same or any part hereof, and that no other person has any interest in any such Interest or in the rights of such Limited Partner hereunder. Each Limited Partner represents and warrants that such Limited Partner understands that the Interests have not been registered under the Securities Act of 1933 and therefore such Interests may not be resold without registration under such Act or exemption from such registration, and that accordingly such Limited Partner must bear the economic risk of an investment in the Partnership for an indefinite period of time. Each Limited Partner represents that such Limited Partner has such knowledge and experience in financial and business matters that such Limited Partner is capable of evaluating the merits and risks of an investment in the Partnership, and that such Limited Partner is able to bear the economic risk of such investment. Each Limited Partner represents that such Limited Partner's overall commitment to the Partnership and other investments which are not readily marketable is not disproportionate to the Limited Partner's net worth and the Limited Partner has no need for liquidity in the Limited Partner's investment in Interests. Each Limited Partner represents that to the full satisfaction of the Limited Partner, the Limited Partner has been furnished any materials that such Limited Partner has requested relating to the Partnership, any Investment and the offering of Interests and has been afforded the opportunity to ask questions of representatives of the Partnership concerning the terms and conditions of the offering of Interests and any matters pertaining to each Investment and to obtain any other additional information relating thereto. Each Limited Partner represents that the Limited Partner has consulted to the extent deemed appropriate by the Limited Partner with the Limited Partner's own advisers as to the financial, tax, legal and related matters concerning an investment in Interests and on that basis believes that an investment in the Interests is suitable and appropriate for the Limited Partner.

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

Section 3.8. Tax Representation . Each Limited Partner certifies that (A) if the Limited Partner is a United States person (as defined in the Code) (x) (i) the Limited Partner's name, social security number (or, if applicable, employer identification number) and address provided to the Partnership and its Affiliates pursuant to an IRS Form W-9, Payer's Request for Taxpayer Identification Number Certification (" *W-9* ") or otherwise are correct and (ii) the Limited Partner will complete and return a W-9, and (y) (i) the Limited Partner is a United States person (as defined in the Code) and (ii) the Limited Partner will notify the Partnership within 60 days of a change to foreign (non-United States) status or (B) if the Limited Partner is not a United States person (as defined in the Code) (x) (i) the information on the completed IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (" *W-8BEN* ") or other applicable form, including but not limited to IRS Form W-8IMY, Certificate of Foreign Intermediary, Foreign Partnership, or Certain U.S. Branches for United States Tax Withholding (" *W-8IMY* "), or otherwise is correct and (ii) the Limited Partner will complete and return the applicable IRS form, including but not limited to a W-8BEN or W-8IMY, and (y) (i) the Limited Partner is not a United States person (as defined in the Code) and (ii) the Limited Partner will notify the Partnership within 60 days of any change of such status. The Limited Partner agrees to properly execute and provide to the Partnership in a timely manner any tax documentation that may be reasonably required by the General Partner.

ARTICLE IV
CAPITAL OF THE PARTNERSHIP

Section 4.1. Capital Contributions by Partners . (a) Each Partner (other than BREE (Cayman)) may be required to make GP-Related Capital Contributions to the Partnership at such times and in such amounts as are required to fund the GP-Related Required Amounts, as determined by the General Partner from time to time; provided , that (i) such GP-Related Capital Contributions may be made pro rata among the Partners (other than BREE (Cayman)) based upon the allocation of the Carried Interest in each GP-Related BREP Europe III Investment by the General Partner and (ii) additional GP-Related Capital Contributions in excess of GP-Related Required Amounts which are to be used for ongoing business operations (as distinct from financing legal or other specific liabilities of the Partnership) (including those specifically set forth in Sections 4.1(d) and 5.8(d)) shall be determined by the General Partner; provided further , that the General Partner may excuse any Partner from making GP-Related Capital Contributions to fund GP-Related Required Amounts as provided in the books and records of the Partnership. Limited Partners (other than Special Limited Partners or any Affiliates thereof) shall not be required to make additional GP-Related Capital Contributions to the Partnership except (i) as a condition of an increase in such Limited Partner's GP-Related Profit Sharing Percentage, or (ii) as specifically set forth in this Agreement; provided, however , that the General Partner and any Partner (other than BREE (Cayman)) may agree from time to time that such Partner shall make an additional GP-Related Capital Contribution to the Partnership; and provided further that each Investor Limited Partner shall maintain its GP-Related Capital Account at a level equal to the product of (i) its GP-Related Profit Sharing Percentage from time to time and (ii) the total capital of the Partnership related to the Partnership's GP-Related

BREA Europe III Partner Interest; provided further , that the foregoing in no way limits any other provision of this Agreement (including without limitation, Sections 5.8(d) and (e) and 6.5) or of any written agreement between a Partner and the Partnership or an Affiliate thereof which requires the making of any such additional GP-Related Capital Contribution; provided further , that if required by applicable law, the maximum amount of capital a Partner is obligated to contribute to the Partnership at any time in respect of such Partner's GP-Related Partner Interest shall be disclosed in a Certificate filed in accordance with the Partnership Act; and provided further , that, any provision of this Agreement to the contrary notwithstanding, BREE (Cayman) shall be required to make a maximum capital contribution of (U.S.)$10. Notwithstanding the foregoing, the unfunded amount of the commitment of any Partner (other than BREE (Cayman)) to make GP-Related Capital Contributions to the Partnership (such Partner's " *Unfunded Commitment* ") may be determined and redetermined by the General Partner from time to time (including, without limitation, any redetermination that results in a reduction in such Partner's Unfunded Commitment, which reduction may be retroactive); provided that each Partner (other than BREE (Cayman)) agrees to make GP-Related Capital Contributions in the full amount of such Partner's Unfunded Commitment at any time, on condition that the General Partner does not thereafter make a redetermination that results in a reduction in such Partner's Unfunded Commitment and subject to all other terms and conditions set forth herein and/or in any other agreement relating thereto; and provided further , that, following an initial determination of the commitment of a Partner (other than BREE (Cayman)), such Partner's Unfunded Commitment shall not be increased without the consent of such Partner. Any provision of this Agreement to the contrary notwithstanding, no GP-Related Capital Contribution shall become due and payable or be required to be made by any Partner, unless and until it shall be called by the General Partner for the purposes set forth herein or in the Commitment Agreement of such Partner.

(b) The General Partner may elect on a case by case basis to (i) cause the Partnership to loan any Partner (including any additional Partner admitted to the Partnership pursuant to Section 6.1 but excluding any Partners that are also executive officers of Blackstone) the amount of any GP-Related Capital Contribution required to be made by such Partner or (ii) permit any Partner (including any additional Partner admitted to the Partnership pursuant to Section 6.1) to make a required GP-Related Capital Contribution to the Partnership in installments, in each case on terms determined by the General Partner in accordance with Section 5.2.

(c) Each GP-Related Capital Contribution by a Partner shall be credited to the appropriate GP-Related Capital Account of such Partner in accordance with Section 5.2.

(d)(i) The Partners and the Withdrawn Partners have entered into the Trust Agreement, pursuant to which certain amounts of the distributions relating to the Carried Interest will be paid to the Trustee(s) for deposit in the Trust Account (such amounts to be paid to the Trustee (s) for deposit in the Trust Account constituting a " *Holdback* "). The General Partner shall determine, as set forth below, the percentage of each distribution of Carried Interest that shall be withheld for BREP GP Delaware and each Partner Category (such withheld percentage constituting BREP GP Delaware's and such Partner Category's " *Holdback Percentage* "). The applicable Holdback Percentages initially shall be 0% for BREP GP Delaware, 15% for Existing Partners (other than BREP GP Delaware), 21% for Retaining Withdrawn Partners (other than BREP GP Delaware) and 24% for Deceased Partners (the " *Initial Holdback Percentages* ") Any provision of this Agreement to the contrary notwithstanding, the Holdback Percentage for BREP GP Delaware shall not be subject to change pursuant to clause (ii), (iii) or (iv) of this Section 4.1(d).

(ii) The Holdback Percentage may not be reduced for any individual Partner as compared to the other Partners in his Partner Category (except as provided in clause (iv) below). The General Partner may only reduce the Holdback Percentages among the Partner

Categories on a proportionate basis. For example, if the Holdback Percentage for Existing Partners is decreased to 12.5%, the Holdback Percentage for Retaining Withdrawn Partners and Deceased Partners shall be reduced to 17.5% and 20%, respectively. Any reduction in the Holdback Percentage for any Partner shall apply only to distributions relating to Carried Interest made after the date of such reduction.

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

(iv)(A) Notwithstanding anything contained herein to the contrary, the Partnership may increase or decrease the Holdback Percentage for any Partner in any Partner Category (in such capacity, the " *Subject Partner* ") pursuant to a majority vote of the Special Limited Partners and BREP GP Delaware (a " *Holdback Vote* "); provided , that a Subject Partner's Holdback Percentage shall not be (I) increased prior to such time as such Subject Partner (x) is notified by the Partnership of the decision to increase such Subject Partner's Holdback Percentage and (y) has, if requested by such Subject Partner, been given 30 days to gather and provide information to the Partnership for consideration before a second Holdback Vote (requested by the Subject Partner) and (II) decreased unless such decrease occurs subsequent to an increase in a Subject Partner's Holdback Percentage pursuant to a Holdback Vote under this clause (iv); provided further , that such decrease shall not exceed an amount such that such Subject Partner's Holdback Percentage is less than the prevailing Holdback Percentage for such Subject Partner's Partner Category; provided further , that a Partner shall not vote to increase a Subject Partner's Holdback Percentage unless such voting partner determines, in his good faith judgment, that the facts and circumstances indicate that it is reasonably likely that such Subject Partner, or any of his successors or assigns (including his estate or heirs) who at the time of such vote holds the Partnership interest or otherwise has the right to receive distributions relating thereto, will not be capable of satisfying any GP-Related Recontribution Amounts that may become due.

(B) A Holdback Vote shall take place at a Partnership meeting. Each of the Special Limited Partners and BREP GP Delaware shall be entitled to cast one vote with respect to the Holdback Vote regardless of such Partner's interest in the Partnership. Such vote may be cast by any such Partner in person or by proxy.

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

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

(v)(A) If a Partner's Holdback Percentage exceeds 15% (such percentage in excess of 15% constituting the " *Excess Holdback Percentage* "), such Partner may satisfy the portion of his Holdback obligation in respect of his Excess Holdback Percentage (such portion constituting such Partner's " *Excess Holdback* "), and such Partner (or a Withdrawn Partner with respect to amounts contributed to the Trust Account while he was a Partner), to the extent his Excess Holdback obligation has previously been satisfied in cash, may obtain the release of the Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Partner or Withdrawn Partner) satisfying such Partner's or Withdrawn Partner's Excess Holdback obligation, by pledging or otherwise making available to the Partnership, on a first priority basis (except as provided below), all or any portion of his Firm Collateral in satisfaction of his Excess Holdback obligation. Any Partner seeking to satisfy all or any portion of the Excess Holdback utilizing Firm Collateral shall sign such documents and otherwise take such other action as is necessary or appropriate (in the good faith judgment of the General Partner) to perfect a first priority security interest in, and otherwise assure the ability of the

Partnership to realize on (if required), such Firm Collateral; provided , that in the case of entities listed in the books and records of the Partnership, in which Partners/members are permitted to pledge their interests therein to finance all or a portion of their capital contributions thereof (" *Pledgable Blackstone Interests* "), to the extent a first priority security interest is unavailable because of an existing lien on such Firm Collateral, the Partner or Withdrawn Partner seeking to utilize such Firm Collateral shall grant the Partnership a second priority security interest therein in the manner provided above; provided further , that (x) to the extent that neither a first priority nor a second priority security interest in Pledgable Blackstone Interests is available, or (y) if the General Partner otherwise determines in its good faith judgment that a security interest in Firm Collateral (and the corresponding documents and actions) are not necessary or appropriate, the Partner or Withdrawn Partner shall (in the case of either clause (x) or (y) above) irrevocably instruct in writing the relevant partnership, limited liability company or other entity listed on Exhibit A to remit any and all net proceeds resulting from a Firm Collateral Realization on such Firm Collateral to the Trustee(s) as more fully provided in clause (B) below. The Partnership shall, at the request of any Partner or Withdrawn Partner, assist such Partner or Withdrawn Partner in taking such action as is necessary to enable such Partner or Withdrawn Partner to use Firm Collateral as provided hereunder.

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

(C) Upon any valuation or revaluation of Firm Collateral that results in a decreased valuation of such Firm Collateral so that such Firm Collateral is insufficient to cover any Partner's or Withdrawn Partner's Excess Holdback requirement (including upon a Firm Collateral Realization, if net proceeds therefrom and the remaining Firm Collateral are insufficient to cover any Partner's or Withdrawn Partner's Excess Holdback requirement), the Partnership shall provide notice of the foregoing to such Partner or Withdrawn Partner and such Partner or Withdrawn Partner shall, within 30 days of receiving such notice, contribute cash (or additional Firm Collateral) to the Trust Account in an amount necessary to satisfy his Excess Holdback requirement. If any such Partner or Withdrawn Partner defaults upon his obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided , that 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): (1) 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 (2) the terms "Net GP-Related Recontribution Amount" and "GP-Related Recontribution Amount" where such terms appear in such Section 5.8(d)(ii) shall be construed as the amount due pursuant to this clause (C).

(vi) Any Partner or Withdrawn Partner may (i) obtain the release of any Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Partner or Withdrawn Partner) or Firm Collateral, in each case, held in the Trust Account for the benefit of such Partner or Withdrawn Partner or (ii) require the Partnership to distribute all or any portion of amounts otherwise required to be placed in the Trust Account (whether cash or Firm Collateral), by obtaining a letter of credit for the benefit of the Trustee(s) (an " *L/C* ") in such amounts. Any Partner or Withdrawn Partner choosing to furnish an L/C to the Trustee(s) (in such capacity, an " *L/C Partner* ") shall deliver to the Trustee(s) an unconditional and irrevocable L/C from a commercial bank whose (A) short-term deposits are rated at least A-1 by S&P and P-1 by Moody's (if the L/C is for a term of 1 year or less), or (B) long-term deposits are rated at least A+ by S&P or A1 by Moody's (if the L/C is for a term of 1 year or more) (each a " *Required Rating* "). If the relevant rating of the commercial bank issuing such L/C drops below the relevant Required Rating, the L/C Partner shall supply to the Trustee(s), within 30 days of such occurrence, a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, in lieu of the insufficient L/C. In addition, if the L/C has a term expiring on a date earlier than the latest possible termination date of BREP Europe III, the Trustee(s) shall be permitted to drawdown on such L/C if the L/C Partner fails to provide a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, at least 30 days prior to the stated expiration date of such existing L/C. The Trustee(s) shall notify an L/C Partner 10 days prior to drawing on any L/C. The Trustee(s) may (as directed by the Partnership in the case of clause (1) below) draw down on an L/C only if (1) such a drawdown is necessary to satisfy an L/C Partner's obligation relating to the Partnership's obligations under the Clawback Provisions or (2) an L/C Partner has not provided a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating (or the requisite amount of cash and/or Firm Collateral (to the extent permitted hereunder)), at least 30 days prior to the stated expiration of an existing L/C in accordance with this clause (vi). The Trustee(s), as directed by the Partnership, shall return to any L/C Partner his L/C upon (1) termination of the Trust Account and satisfaction of the Partnership's obligations, if any, in respect of the Clawback Provisions, (2) an L/C Partner satisfying his entire Holdback obligation in cash and Firm Collateral (to the extent permitted hereunder), or (3) the release, by the Trustee(s), as directed by the Partnership, of all amounts in the Trust Account to Partners or Withdrawn Partners. If an L/C Partner satisfies a portion of his Holdback obligation in cash and/or Firm Collateral (to the extent permitted hereunder) or if the Trustee(s), as directed by the Partnership, release a portion of the amounts in the Trust Account to the Partners or Withdrawn Partners in the Partner Category of such L/C Partner, an L/C Partner's L/C may be reduced by an amount corresponding to such portion satisfied in cash and/or Firm Collateral (to the extent permitted hereunder) or such portion released by the Trustee(s), as directed by the Partnership; provided, that in no way shall the general release of any Trust Income cause an L/C Partner to be permitted to reduce the amount of an L/C by any amount.

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

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

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

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

(C) Upon any valuation or revaluation of the Special Firm Collateral and/or any adjustment in the Applicable Collateral Percentage applicable to a Qualifying Fund (as provided in the books and records of the Partnership), if such Partner's or Withdrawn Partner's Special Firm Collateral valued at less than such Partner's Holdback (excluding any Excess Holdback) as provided in the books and records of the Partnership, taking into account other permitted means of satisfying the Holdback hereunder, the Partnership shall provide notice of the foregoing to such Partner or Withdrawn Partner and, within 10 business days of receiving such notice, such Partner or Withdrawn Partner shall contribute cash or additional Special Firm Collateral to the Trust Account in an amount necessary to make up such deficiency. If any such Partner or Withdrawn Partner defaults upon his obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided , that clause (A) of the first sentence of Section 5.8(d)(ii) shall be deemed inapplicable to such default; provided further , that for purposes of applying

Section 5.8(d)(ii) to a default under this clause (C): (I) the term "GP-Related Defaulting Party" where such term appears in such Section 5.8(d)(ii) shall be construed as "defaulting party" for purposes hereof and (II) the terms "GP-Related Net Recontribution Amount" and "GP-Related Recontribution Amount" where such terms appear in such Section 5.8(d)(ii) shall be construed as the amount due pursuant to this clause (C).

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

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

Section 4.2. Interest . Interest on the balances of the Partners' capital (excluding capital invested in GP-Related Investments and, if deemed appropriate by the General Partner, capital invested in any other investment of the Partnership) shall be credited to the Partners' GP-Related Capital Accounts at the end of each accounting period pursuant to Section 5.2, or at any other time as determined by the General Partner, at rates determined by the General Partner from time to time, and shall be charged as an expense of the Partnership.

Section 4.3. Withdrawals of Capital . The Partners may not withdraw capital related to such Partner's GP-Related Partner Interest from the Partnership except (i) for distributions of cash or other property pursuant to Section 5.8, (ii) as otherwise expressly provided in this Agreement, or (iii) as determined by the General Partner.

ARTICLE V
PARTICIPATION IN PROFITS AND LOSSES

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

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

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

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

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

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

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

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

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

(b) As of the end of each accounting period or, in the case of a contribution to the Partnership by one or more of the Partners in respect of such Partner or Partners' GP-Related Partner Interests or a distribution by the Partnership to one or more of the Partners in respect of such Partner or Partners' GP-Related Partner Interests, at the time of such contribution or distribution, (i) the appropriate GP-Related Capital Accounts of each Partner shall be credited with the following amounts: (A) the amount of cash and the value of any property contributed by such Partner to the capital of the Partnership in respect of such Partner's GP-Related Partner Interest during such accounting period, (B) the GP-Related Net Income allocated to such Partner for such accounting period and (C) the interest credited on the balance of such Partner's capital in respect of such Partner's GP-Related Partner Interest for such accounting period pursuant to Section 4.2; and (ii) the appropriate GP-Related Capital Accounts of each Partner shall be debited with the following amounts: (x) the amount of cash, the principal amount of any subordinated promissory note of the Partnership referred to in Section 6.5 (as such amount is paid) and the value of any property distributed to such Partner in respect of such Partner's GP-Related Partner Interest during such accounting period and (y) the GP-Related Net Loss allocated to such Partner for such accounting period.

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

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

(c) Unless otherwise determined by the General Partner in a particular case, (i) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment shall be allocated in proportion to the Partners' respective GP-Related Capital Contributions in respect of such GP-Related Investment and (ii) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from each GP-Related Investment shall be fixed at the time such GP-Related Investment is acquired and shall not thereafter change, subject to any repurchase rights or other requirements established by the General Partner pursuant to Section 5.7. BREE (Cayman) shall have no GP-Related Profit Sharing Percentage in GP-Related Net Income (Loss) from any GP-Related Investment, but shall receive its pro rata share, based on its capital contribution, of earnings on short-term and temporary investments of the Partnership.

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

(b) GP-Related Net Loss of the Partnership shall be allocated as follows: (i) GP-Related Net Loss relating to realized losses suffered by BREP Europe III and allocated (indirectly) to the Partnership with respect to its pro rata share thereof (based on GP-Related Capital Contributions made (indirectly) to BREP Europe III) shall be allocated to the Partners in accordance with each Partner's Non-Carried Interest Sharing Percentage with respect to the GP-Related Investment giving rise to such loss suffered by BREP Europe III and (ii) GP-Related Net Loss relating to realized losses suffered by BREP Europe III and allocated (indirectly) to the Partnership with respect to the Carried Interest shall be allocated in accordance with a Partner's (including Withdrawn Partner's) Carried Interest Give Back Percentage (as of the date of such loss) (subject to adjustment pursuant to Section 5.8(e));

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

(d) To the extent the Partnership has any GP-Related Net Income (Loss) for any accounting period unrelated to BREP Europe III, 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, except as provided in Section 5.4(e).

(e) The General Partner may authorize from time to time advances to Partners against their allocable shares of GP-Related Net Income (Loss).

Section 5.5. Liability of General Partners . General Partners shall have unlimited liability for the satisfaction and discharge of all losses, liabilities and expenses of the Partnership.

Section 5.6. Liability of Limited Partners . Each Limited Partner (including each Special Limited Partner) and former Limited Partner shall be liable for the satisfaction and discharge of all losses, liabilities and expenses of the Partnership allocable to him pursuant to Section 5.4, but only to the extent of his aggregate capital contributions to the Partnership pursuant to this Agreement. Except as otherwise provided in the following sentence, in no event shall any Limited Partner (including any Special Limited Partner) or former Limited Partner be obligated to make any additional capital contributions to the Partnership in excess of his aggregate GP-Related Capital Contribution and Capital Commitment – Related Capital Contribution to the Partnership pursuant to Sections 4.1 and 7.1, or have any liability in excess of such aggregate GP-Related Capital Contribution and Capital Commitment - Related Capital Contribution for the satisfaction and discharge of the losses, liabilities and expenses of the Partnership. In no way does any of the foregoing limit any Partner's obligations under Section 4.1(d) or 5.8(d) or otherwise to make GP-Related Capital Contributions as provided hereunder. Notwithstanding anything contained herein, each Partner agrees that the exercise of any right or power provided in this Agreement shall not make any Limited Partner liable as a general partner.

Section 5.7. Repurchase Rights, etc . The General Partner may from time to time establish such repurchase rights and/or requirements with respect to the Partners' interests in partnership assets (including GP-Related BREP Europe III Investments) as the General Partner may determine. The General Partner shall, prior to the dissolution of the Partnership, have authority to (a) withhold any distribution otherwise payable to any Partner until any such repurchase rights have lapsed or any such requirements have been satisfied, (b) pay any distribution to any Partner that is Contingent as of the distribution date and require the refund of any portion of such distribution that is Contingent as of the Withdrawal Date of such Partner, (c) amend any previously established repurchase rights or other requirements from time to time and (d) make such exceptions thereto as it may determine on a case by case basis.

Section 5.8. Distributions . (a) (i) The Partnership shall make distributions of available cash (subject to reserves and adjustments established by the General Partner as provided in Section 5.1) or other property to Partners in respect of such Partners' GP-Related Partner Interests at such times and in such amounts as are determined by the General Partner. The General Partner shall determine the availability for distribution of, and shall distribute, cash or other property separately for each category of GP-Related Net Income (Loss) established pursuant to Section 5.1(a). Distributions of cash or other property with respect to Non-Carried Interest shall be made among the Partners in accordance with their respective Non-Carried Interest Sharing Percentages, and, subject to Sections 4.1(d) and 5.8(e), distributions of cash or other property with respect to Carried Interest shall be made among Partners in accordance with their respective Carried Interest Sharing Percentages.

(ii) At any time that a sale, exchange, transfer or other disposition by BREP Europe III of a portion of a GP-Related Investment is being considered by the Partnership (a " *GP-Related Disposable Investment* "), at the election of the General Partner each Partner's GP-Related Partner Interest with respect to such GP-Related Investment shall be vertically divided into two separate GP-Related Partner Interests, a GP-Related Partner Interest attributable to the GP-Related Disposable Investment (a Partner's " *GP-Related Class B Interest* "), and a GP-Related Partner Interest attributable to such GP-Related Investment excluding the GP-Related Disposable Investment (a Partner's " *GP-Related Class A Interest* "). Distributions (including those resulting from a sale, transfer, exchange or other disposition by BREP Europe III) 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 the disposition by BREP Europe III) relating to a GP-Related Investment excluding such GP-Related Disposable Investment (with respect to both Carried Interest and Non-Carried Interest) shall be made only to holders of GP-Related Class A Interests with respect to such GP-Related Investment in accordance with their respective GP-Related Profit Sharing Percentages relating to such GP-Related Class A Interests. Except as provided above, distributions of cash or other property with respect to each category of GP-Related Net Income (Loss) shall be allocated among the Partners in the same proportions as the allocations of GP-Related Net Income (Loss) of each such category.

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

(c) The General Partner may provide that a Partner's or employee of the Partnership's right to distributions and investments of the Partnership in respect of such Partner's GP-Related Partner Interest may be subject to repurchase by the Partnership during such period as the General Partner shall determine (a " *Repurchase Period* "). Any Contingent distributions from investments in respect of such Partner's GP-Related Partner Interest that are subject to repurchase rights will be withheld by the Partnership and will be distributed to the recipient thereof (together with interest thereon at rates determined by the General Partner from time to time) as the recipient's rights to such distributions become Non-Contingent (by virtue of the expiration of the applicable Repurchase Period or otherwise). The General Partner may elect in an individual case to have the Partnership distribute any Contingent distribution in respect of a Partner's GP-Related Partner Interest to the applicable recipient thereof irrespective if whether the applicable Repurchase Period has lapsed. If a Partner (other than the General Partner) Withdraws from the Partnership for any reason other than his death, Total Disability or Incompetence, the undistributed share of any investment in respect of such Partner's GP-Related Partner Interest that remains Contingent as of the applicable Withdrawal Date shall be repurchased by the Partnership at a purchase price determined at such time by the General Partner. Unless determined

otherwise by the General Partner, the repurchased portion thereof will be allocated among the remaining Partners with interests in such investment in respect of such Partners' GP-Related Partner Interests in proportion to their respective percentage interests in such investment in respect of such Partners' GP-Related Partner Interests, or if no other Partner has a percentage interest in such specific investment, to BREP GP Delaware, as General Partner; provided , however , that the General Partner may allocate the Withdrawn Partner's share of unrealized investment income from a forfeited investment in respect of such Withdrawn Partner's GP-Related Partner Interest attributable to the period after the Withdrawn Partner's Withdrawal Date on any basis it may determine, including to existing or new Partners who did not previously have interests in such investment in respect of such Partners' GP-Related Partner Interests, except that, in any event, each Investor Limited Partner shall be allocated a share of such unrealized investment income equal to its respective GP-Related Profit Sharing Percentage of such unrealized investment income.

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

(B) To the extent any Partner or Withdrawn Partner has satisfied any Excess Holdback obligation with Firm Collateral, such Partner or Withdrawn Partner shall, within 10 days of the Partnership's call for GP-Related Recontribution Amounts, make a cash payment into the Trust Account in an amount equal to the amount of the Excess Holdback obligation satisfied with such Firm Collateral, or such lesser amount such that the amount in the Trust Account allocable to such Partner or Withdrawn Partner equals the sum of (I) such Partner's or Withdrawn Partner's GP-Related Recontribution Amount and (II) any similar amounts payable to any Other Fund GPs. Immediately upon receipt of such cash, the Trustee(s) shall take such steps as are necessary to release such Firm Collateral of such Partner or Withdrawn Partner equal to the amount of such cash payment. If the amount of such cash payment is less than the amount of Firm Collateral of such Partner or Withdrawn Partner, the balance of such Firm Collateral if any, shall be retained to secure the payment of GP-Related Deficiency Contributions, if any, and shall be fully released upon the satisfaction of the Partnership's and the Other Fund GPs' obligation to pay the Clawback Amount. The failure of any Partner or Withdrawn Partner to make a cash payment in accordance with this clause (B) (to the extent applicable) shall constitute a default under Section 5.8(d)(ii) as if such cash payment hereunder constitutes a Net GP-Related Recontribution Amount under Section 5.8(d)(ii).

(ii)(A) In the event any Partner or Withdrawn Partner or a partner or other equity holder in any Other Fund GP (a " *GP-Related Defaulting Party* ") fails to recontribute all or any portion of such GP-Related Defaulting Party's Net GP-Related Recontribution Amount for any reason, the Partnership shall require all other Partners and Withdrawn Partners to contribute, on a *pro rata* basis (based on each of their respective Carried Interest Give Back Percentages in the case of Clawback Amounts, and GP-Related Profit Sharing Percentages in the case of GP-Related Giveback Amounts (as more fully described in clause (II) of Section 5.8(d)(i)(A) above)), such amounts as are necessary to fulfill the GP-Related Defaulting Party's obligation to pay such GP-Related Defaulting Party's Net GP-Related Recontribution Amount (a " *GP-Related Deficiency Contribution* ") if the General Partner determines in its good faith judgment that the Partnership (or Other Fund GP) will be unable to collect such amount in cash from such GP-Related Defaulting Party for payment of the Clawback Amount or GP-Related Giveback Amount, as the case may be, at least 20 Business Days prior to the latest date that the Partnership, and the Other Fund GPs, if applicable, are permitted to pay the Clawback Amount or GP-Related Giveback Amount, as the case may be; provided , that, subject to Section 5.8(e), no Partner or Withdrawn Partner shall as a result of such GP-Related Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Net GP-Related Recontribution Amount initially requested from such Partner or Withdrawn Partner in respect of such default. Thereafter, the General Partner shall determine in its good faith judgment that the Partnership should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the General Partner or (2) pursue any and all remedies (at law or equity) available to the Partnership against the GP-Related Defaulting Party, the cost of which shall be a Partnership expense to the extent not ultimately reimbursed by the GP-Related Defaulting Party. It is agreed that the Partnership shall have the right (effective upon such GP-Related Defaulting Party becoming a GP-Related Defaulting Party) to set-off as appropriate and apply against such GP-Related Defaulting Party's Net GP-Related Recontribution Amount any amounts otherwise payable to the GP-Related Defaulting Party by the Partnership or any Affiliate thereof (including amounts unrelated to Carried Interest, such as returns of capital and profit thereon). Each Partner and

Withdrawn Partner hereby grants to the Partnership a security interest, effective upon such Partner or Withdrawn Partner becoming a GP-Related Defaulting Party, in all accounts receivable and other rights to receive payment from any Affiliate of the Partnership and agrees that, upon the effectiveness of such security interest, the Partnership may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Partner and Withdrawn Partner hereby appoints the Partnership as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Partner or Withdrawn Partner or in its own name, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Partnership shall be entitled to collect interest on the Net GP-Related Recontribution Amount of a GP-Related Defaulting Party from the date such Net GP-Related Recontribution Amount was required to be contributed to the Partnership at a rate equal to the Default Rate.

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

(iii) A Partner or Withdrawn Partner's obligation to make contributions to the Partnership under this Section 5.8(d) shall survive the termination of the Partnership.

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

(i) At the time the Partnership is making Carried Interest distributions in connection with a GP-Related BREP Europe III Investment (the " *Subject Investment* ") that have been reduced under the BREP Europe III Agreement as a result of one or more Loss Investments, the General Partner shall calculate amounts distributable to or due from each such Partner as follows:

(A) determine each Partner's share of each such Loss Investment based on his Carried Interest Sharing Percentage in each such Loss Investment (which may be zero) to the extent such Loss Investment has reduced the Carried Interest distributions otherwise available for distribution to all Partners (indirectly through BREA Europe III and the Partnership from BREP Europe III) from the Subject Investment (such reduction, the " *Loss Amount* ");

(B) determine the amount of Carried Interest distributions otherwise distributable to such Partner with respect to the Subject Investment (indirectly through BREA Europe III and the Partnership from BREP Europe III) 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 Interests Distributions for such Partner, to determine the amount of Carried Interest distributions to actually be paid to such Partner (" *Net Carried Interest Distribution* ").

To the extent that the Net Carried Interest Distribution for a Partner as calculated in this clause (i) is a negative number, the General Partner shall (I) notify such Partner, at or prior to the time such Carried Interest distributions are actually made to the Partners, of his obligation to recontribute to the Partnership prior Carried Interest distributions (a " *Net Carried Interest Distribution Recontribution Amount* "), up to the amount of such negative Net Carried Interest Distribution, and (II) to the extent amounts recontributed pursuant to clause (I) are insufficient to satisfy such negative Net Carried Interest Distribution amount, reduce future Carried Interest distributions otherwise due such Partner, up to the amount of such remaining negative Net Carried Interest Distribution. If a Partner's (x) Net Carried Interest Distribution Recontribution Amount exceeds (y) the aggregate amount of prior Carried Interest distributions less the amount of tax thereon, calculated based on the Assumed Tax Rate (as defined in the BREP Europe III Agreement) in effect in the Fiscal Years of such distributions (the " *Excess Tax-Related Amount* "), then such Partner may, in lieu of paying such Partner's Excess Tax-Related Amount, defer such amounts as set forth below. Such deferred amount shall accrue interest at the Prime Rate. Such deferred amounts shall be reduced and repaid by the amount of Carried Interest otherwise distributable to such Partner in connection with future Carried Interest distributions until such balance is reduced to zero. Any deferred amounts shall be payable in full upon the earlier of (i) such time as the Clawback Amount is determined (as provided herein) and (ii) such time as the Partner becomes a Withdrawn Partner.

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

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

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

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

(ii) In the case of Clawback Amounts which are required to be contributed to the Partnership as otherwise provided herein, the obligation of the Partners with respect to any Clawback Amount shall be adjusted by the General Partner as follows:

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

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

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

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

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

It is agreed and acknowledged that this Section 5.8(e) is an agreement among the Partners and in no way modifies the obligations of each Partner regarding the Clawback Amount as provided in the BREP Europe III Agreement.

Section 5.9. Business Expenses . The Partnership shall reimburse the Partners for reasonable travel, entertainment and miscellaneous expenses incurred by them in their participation in the Partnership's affairs in accordance with rules and regulations established by the General Partner from time to time.

Section 5.10. Tax Capital Accounts; Tax Allocations .

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

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

ARTICLE VI
ADDITIONAL PARTNERS; WITHDRAWAL OF PARTNERS; SATISFACTION AND DISCHARGE OF PARTNERSHIP INTERESTS; TERMINATION

Section 6.1. Additional Partners . (a) Effective on the first day of any month (or on such other date as shall be determined by the General Partner in its sole discretion), the General Partner shall have the right to admit one or more additional persons into the Partnership as General Partners or Limited Partners. Each such person shall make the representations with respect to itself set forth in Section 3.6. The General Partner shall determine and negotiate with the additional Partner all terms of such additional Partner's participation in the Partnership, including the additional Partner's initial GP-Related Capital Contribution, Capital Commitment-Related Capital Contribution, GP-Related Profit Sharing Percentage and Capital Commitment Profit Sharing Percentage. Each additional Partner shall have such voting rights as determined by the General Partner from time to time unless, upon the admission to the Partnership of any Limited Partner, the General Partner shall designate that such Limited Partner shall not have such voting rights (any such Limited Partner being called a " *Nonvoting Limited Partner* "). Any additional Partner shall, as a condition to becoming a Partner, agree to become a party to, and be bound by the terms and conditions of, the Trust Agreement. If Blackstone or another or subsequent holder of an Investor Note approved by the General Partner for purposes of this Section 6.1 (a) shall foreclose upon a Limited Partner's Investor Note issued to finance such Limited Partner's purchase of his Capital Commitment Interests, Blackstone or such other or subsequent holder shall succeed to such Limited Partner's Capital Commitment Interests and shall be deemed to have become a Limited Partner to such extent.

(b) The GP-Related Profit Sharing Percentages to be allocated to an additional Partner as of the date such Partner is admitted to the Partnership, together with the pro rata reduction in all other Partners' GP-Related Profit Sharing Percentages as of such date, shall be established by the General Partner pursuant to Section 5.3. The Capital Commitment Profit Sharing Percentages to be allocated to an additional Partner as of the date such Partner is admitted to the Partnership, together with the *pro rata* reduction in all other Partners' Capital Commitment Profit Sharing Percentages as of such date, shall be established by the General Partner.

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

(d) The admission of an additional Partner will be evidenced by the execution of a counterpart copy of this Agreement by such additional Partner or the execution of an amendment to this Agreement by all the Partners (including the additional Partner), as determined by the General Partner, or the execution by such additional Partner of any other writing evidencing the intent of such Person to become a substitute or additional Limited Partner and such writing being accepted by the General Partner on behalf of the Partnership, and the filing of any certificates or notifications pursuant to the Partnership Act. In addition, each additional Partner shall sign a counterpart copy of the Trust Agreement or any other writing evidencing the intent of such Person to become a party to the Trust Agreement.

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

(b)(i) Upon the death or Incompetence of any Limited Partner, or the occurrence of any other mandatory Withdrawal event under the Partnership Act with respect to any Limited Partner, such Limited Partner shall thereupon cease to be a Limited Partner.

(ii) The General Partner may not assign or transfer all or any portion of its interest in the Partnership (including its GP-Related Partner Interest and its Capital Commitment Partner Interest) without the prior consent of all the Limited Partners. Each Limited Partner agrees not to withhold its consent in the event an assignment or transfer has been approved by Limited Partners whose GP-Related Profit Sharing Percentages exceed two-thirds of the GP-Related Profit Sharing Percentages of all Limited Partners (in each case, as last determined as of the date of the consent). Notwithstanding the foregoing or any other provision of this Agreement, the General Partner may, at any time prior to any Disabling Event with respect to such General Partner and without the consent of any other Partner, convert or merge into, or otherwise assign or transfer its interest as the General Partner of the Partnership to, any other person, and such person will succeed to the position of general partner of the Partnership, with all the rights, powers and obligations associated therewith, provided that any individuals who are partners of the Partnership will control and own (in the aggregate), directly or indirectly, not less than a majority of the equity interests in such other person. The Partners, upon the request of the General Partner, agree to provide the General Partner a written ratification of such succession. If the General Partner is converted to another type of entity pursuant to this Section 6.2(b)(ii), the General Partner will not cease to be the General Partner of the Partnership and, upon such conversion, the Partnership will continue without dissolution. If a merger of the General Partner into another person pursuant to this Section 6.2(b)(ii) will not result in the General Partner being the surviving entity of the merger, the person that will be the surviving entity in the merger with the General Partner will itself be admitted to the Partnership as an additional general partner of the Partnership immediately preceding the merger upon its execution of a counterpart to this Agreement and, upon such merger, the Partnership will continue without dissolution. Any purported assignment or transfer pursuant to this Section 6.2(b)(ii) which is not in accordance with this Agreement shall be null and void. The General Partner shall not cease to be the general partner of the Partnership upon the collateral assignment of, or the pledging or granting of a security interest in, its entire interest in the Partnership.

(c) Upon the Total Disability of a Special Limited Partner, such Partner shall thereupon cease to be a Special Limited Partner with respect to such person's GP-Related Partner Interest; provided, however, that the General Partner may elect to admit such Withdrawn Partner to the Partnership

as a Nonvoting Limited Partner with respect to such Partner's GP-Related Partner Interest, with such partnership interest as it may determine. The determination of whether any Partner has suffered a Total Disability shall be made by the General Partner in its sole discretion after consultation with a qualified medical doctor. In the absence of agreement between the General Partner and such Partner, each party shall nominate a qualified medical doctor and the two doctors shall select a third doctor, who shall make the determination as to Total Disability.

(d) If the General Partner determines that it shall be in the best interests of the Partnership for any Partner (including any Partner who has given notice of voluntary Withdrawal pursuant to paragraph (a) above) to Withdraw from the Partnership (whether or not Cause exists) with respect to such Partner's GP-Related Partner Interest and/or with respect to such Partner's Capital Commitment Partner Interest, such Partner, upon written notice by the General Partner to such Partner, shall be required to Withdraw with respect to such Partner's GP-Related Partner Interest and/or with respect to such Partner's Capital Commitment Partner Interest, as determined by the General Partner, as of a date specified in such notice, which date shall be on or after the date of such notice. If the General Partner requires any Partner to Withdraw for Cause with respect to such Partner's GP-Related Partner Interest and/or with respect to such Partner's Capital Commitment Partner Interest, such notice shall state that it has been given for Cause and shall describe the particulars thereof in reasonable detail.

(e) The withdrawal from the Partnership of any Partner shall not, in and of itself, affect the obligations of the other Partners to continue the Partnership during the remainder of its term. A Withdrawn General Partner shall remain liable for all obligations of the Partnership incurred while he was a General Partner and resulting from his acts or omissions as a General Partner to the fullest extent provided by law.

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

Section 6.4. General Partner Withdrawal; Transfer of General Partner's Interest . Except as contemplated by Section 6.2(b)(ii), withdrawal by a General Partner is not permitted. The General Partner may, in accordance with Section 6.2(b)(ii), transfer or assign its interest as a general partner in the Partnership to a person who makes such representations with respect to itself as the General Partner deems necessary or appropriate (with regard to compliance with applicable law or otherwise). A person who is admitted as an additional or substitute General Partner shall thereby become a General Partner and

shall have the right to manage the affairs and take part in the control of the Partnership and to vote as a Partner to the extent of the interest in the Partnership so acquired. The General Partner shall not cease to be the general partner of the Partnership upon the collateral assignment of or the pledging or granting of a security interest in its entire interest in the Partnership.

Section 6.5. Satisfaction and Discharge of a Withdrawn Partner's Interest . (a) The terms of this Section 6.5 shall apply to the GP-Related Partner Interest of a Withdrawn Partner, but, except as otherwise expressly provided in this Section 6.5, shall not apply to the Capital Commitment Partner Interest of a Withdrawn Partner. The term " *Settlement Date* " shall mean the date as of which a Withdrawn Partner's GP-Related Partner Interest in the Partnership is settled as determined under paragraph (b) below.

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

(c) In the event of the Withdrawal of a Limited Partner, the General Partner shall promptly after such Withdrawn Partner's Settlement Date (i) determine and allocate to the Withdrawn Partner's GP-Related Capital Account such Withdrawn Partner's allocable share of the GP-Related Net Income (Loss) of the Partnership for the period ending on such Settlement Date in accordance with Article V and (ii) credit the Withdrawn Partner's GP-Related Capital Account with interest in accordance with Section 5.2. In making the foregoing calculations, the General Partner shall be entitled to establish such reserves (including reserves, taxes, bad debts, unrealized losses, actual or threatened litigation or any other expenses, contingencies or obligations) as it deems appropriate. Except as provided in Section 6.5(c) and unless otherwise determined by the General Partner in a particular case, a Withdrawn Partner shall not be entitled to receive any amounts or GP-Related Unallocated Percentage in respect of the accounting period during which such Partner Withdraws from the Partnership (whether or not previously awarded or allocated) or any amounts or GP-Related Unallocated Percentage in respect of prior accounting periods that have not been paid or allocated (whether or not previously awarded) as of such Withdrawn Partner's Withdrawal Date.

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

(e)(i) Upon the Withdrawal from the Partnership of a Partner with respect to such Partner's GP-Related Partner Interest, such Withdrawn Partner thereafter shall not, except as expressly provided in this Section 6.5, have any rights of a Partner (including voting rights) with respect to such Partner's GP-Related Partner Interest, and, except as expressly provided in this Section 6.5, such Withdrawn Partner shall not have any interest in the Partnership's GP-Related Net Income (Loss) or in distributions, investments or other assets related to such Partner's GP-Related Partner Interest. If a Partner Withdraws from the Partnership with respect to such Partner's GP-Related Partner Interest for any reason other than for Cause pursuant to Section 6.2, then the Withdrawn Partner shall be entitled to

receive, at the time or times specified in Section 6.5(i) below, in satisfaction and discharge in full of the Withdrawn Partner's GP-Related Partner Interest in the Partnership, (x) payment equal to the aggregate credit balance, if any, as of the Settlement Date of the Withdrawn Partner's GP-Related Capital Accounts, (excluding any GP-Related Capital Account or portion thereof attributable to any GP-Related Investment) and (y) the Withdrawn Partner's percentage interest attributable to each GP-Related Investment in which the Withdrawn Partner has an interest as of the Settlement Date as provided in paragraph (f) below (which shall be settled in accordance with paragraph (f) below), subject to all the terms and conditions of paragraphs (a)-(p) of this Section 6.5. If the amount determined pursuant to clause (x) above is an aggregate negative balance, the Withdrawn Partner shall pay the amount thereof to the Partnership upon demand by the General Partner on or after the date of the statement referred to in Section 6.5(i) below; provided , that if the Withdrawn Partner was solely a Limited Partner (other than a Special Limited Partner) on his Withdrawal Date, such payment shall be required only to the extent of any amounts payable to such Withdrawn Partner pursuant to this Section 6.5. Any aggregate negative balance in the GP-Related Capital Accounts of a Withdrawn Partner who was solely a Limited Partner (other than a Special Limited Partner), upon the settlement of such Withdrawn Partner's GP-Related Partner Interest in the Partnership pursuant to this Section 6.5, shall be allocated among the other Partners' GP-Related Capital Accounts in accordance with their respective GP-Related Profit Sharing Percentages in the categories of GP-Related Net Income (Loss) giving rise to such negative balance as determined by the General Partner as of such Withdrawn Partner's Settlement Date. In the settlement of any Withdrawn Partner's GP-Related Partner Interest in the Partnership, no value shall be ascribed to goodwill, the Partnership name or in anticipation of any value the Partnership or any successor thereto might have in the event the Partnership or any interest therein were to be sold in whole or in part.

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

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

(g) The General Partner may elect, in lieu of payment in cash of any amount payable to a Withdrawn Partner pursuant to paragraph (e) above, to have the Partnership issue the Withdrawn Partner a subordinated promissory note and/or to distribute in kind to the Withdrawn Partner such Withdrawn Partner's pro rata share (as determined by the General Partner) of any securities or other

investments of the Partnership in relation to such Partner's GP-Related Partner Interest. If any securities or other investments are distributed in kind to a Withdrawn Partner under this paragraph (g), the amount described in clause (x) of paragraph (e)(i) shall be reduced by the value of such distribution as valued on the latest balance sheet of the Partnership in accordance with generally accepted accounting principles or, if not appearing on such balance sheet, as reasonably determined by the General Partner.

(h) [intentionally omitted].

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

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

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

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

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

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

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

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

(o) In addition to the foregoing, the General Partner shall have the right to pay a Withdrawn Partner (other than BREE (Cayman) or BREP GP Delaware) a discretionary additional payment in an amount and based upon such circumstances and conditions as it determines to be relevant.

The provisions of this Section 6.5 shall apply to any Investor Limited Partner relating to a Limited Partner and to any transferee of any interest of such Partner pursuant to Section 6.3 if such Partner Withdraws from the Partnership.

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

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

(q) Each Limited Partner hereby irrevocably appoints the General Partner as such Limited Partner's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Limited Partner's name, place and stead, to make, execute, sign and file, on behalf of such Limited Partner, any and all agreements, instruments, consents, ratifications, documents and certificates which the General Partner deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in Section 9.1 or this Section 6.5, including, without limitation, the performance of any obligation of such Limited Partner or the Partnership or the exercise of any right of such Limited Partner or the Partnership. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Partnership of any Limited Partner for any reason and shall not be affected by the death, disability or incapacity of such Limited Partner.

Section 6.6. Termination of Partnership . The General Partner may dissolve the Partnership at any time on not less than 60 days' notice of the dissolution date given to the other Partners. Upon the dissolution of the Partnership, the Partners' respective interests in the Partnership shall be valued and settled in accordance with the procedures set forth in Sections 6.5, 8.1 and Article IX, which provide for allocations to the capital accounts of the Partners and distributions in accordance with the capital account balances of the Partners.

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

(b) The General Partner shall cause to be prepared all U.S. Federal, state and local tax returns of the Partnership for each year for which such returns are required to be filed and, after approval of such returns by the General Partner, shall cause such returns to be timely filed. The General Partner shall determine the appropriate treatment of each item of income, gain, loss, deduction and credit of the Partnership and the accounting methods and conventions under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of any such item or any other method or procedure related to the preparation of such tax returns. The General Partner may cause the Partnership to make or refrain from making any and all elections permitted by such tax laws. Each Partner agrees that he shall not, unless he provides prior notice of such action to the Partnership, (i) treat, on his individual income tax returns, any item of income, gain, loss, deduction or credit relating to his interest in the Partnership in a manner inconsistent with the treatment of such item by the Partnership as reflected on the Form K-1 or other information statement furnished by the Partnership to such Partner for use in preparing his income tax returns or (ii) file any claim for refund relating to any such item based on, or which would result in, such inconsistent treatment. In respect of an income tax audit of any tax return of the Partnership, the filing of any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Partnership, or any administrative or judicial proceedings arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, (A) the Tax Matters Partner (as defined below) shall be authorized to act for, and his decision shall be final and binding upon, the Partnership and all Partners except to the extent a Partner shall properly elect to be excluded from such proceeding pursuant to the Code, (B) all expenses incurred by the Tax Matters Partner in connection therewith (including, without limitation, attorneys', accountants' and other experts' fees and disbursements) shall be expenses of the Partnership and (C) no Partner shall have the right to (1) participate in the audit of any Partnership tax return, (2) file any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Partnership (unless he provides prior notice of such action to the Partnership as provided above), (3) participate in any administrative or judicial proceedings conducted by the Partnership or the Tax Matters Partner arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim, or (4) appeal, challenge or otherwise protest any adverse findings in any such audit conducted by the Partnership or the Tax Matters Partner or with respect to any such amended return or claim for refund filed by the Partnership or the Tax Matters Partner or in any such administrative or judicial proceedings conducted by the Partnership or the Tax Matters Partner. The Partnership and each Partner hereby designate any Partner selected by the General Partner as the "tax matters partner" for purposes of Section 6231(a)(7) of the Code (the " Tax Matters Partner "). To the fullest extent permitted by applicable law, each Partner agrees to indemnify and hold harmless the Partnership and all other Partners from and against any and all liabilities, obligations, damages, deficiencies and expenses resulting from any breach or violation by such Partner of the provisions of this Section 6.8 and from all actions, suits, proceedings, demands, assessments, judgments, costs and expenses, including reasonable attorneys' fees and disbursements, incident to any such breach or violation.

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

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

ARTICLE VII
CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS;
ALLOCATIONS; DISTRIBUTIONS

Section 7.1. Capital Commitment Interests, etc.

(a)(i) This Article VII and Article VIII hereof set forth certain terms and conditions with respect to the Capital Commitment Partner Interests and the Capital Commitment BREP Europe III Interest and matters related to the Capital Commitment Partner Interests and the Capital Commitment BREP Europe III 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 Partner Interests or the GP-Related BREA Europe III Interest.

(ii) Each Partner (other than BREE (Cayman)), severally, agrees to make contributions of capital to the Partnership (" *Capital Commitment-Related Capital Contributions* ") as required to fund the Partnership's capital contribution to BREA Europe III in respect of the Capital Commitment BREP Europe III Interest and the related Capital Commitment BREP Europe III Commitment (including, without limitation, funding all or a portion of the Blackstone Commitment). No Partner shall be obligated to make Capital Commitment-Related Capital Contributions to the Partnership in an amount in excess of such Partner's agreed share of the Blackstone Commitment. The Commitment Agreements and SMD Agreements, if any, of the Partners may include provisions with respect to the foregoing matters. It is understood that a Partner will not necessarily participate in each Capital Commitment Investment (which may include additional amounts invested in an existing Capital Commitment Investment) nor will a Partner necessarily have the same Capital Commitment Profit Sharing Percentage with respect to (i) the Partnership's portion of the Blackstone Commitment or (ii) the making of each Capital Commitment Investment in which such Partner participates; provided , that this in no way limits the terms of any Commitment Agreement or SMD Agreement. In addition, nothing contained herein shall be construed to give any Partner the right to obtain financing with respect to the purchase of any Capital Commitment Interest, and nothing contained herein shall limit or dictate the terms upon which the General Partner and its Affiliates may provide such financing. The acquisition of a Capital Commitment Interest by a Limited Partner shall be evidenced by receipt by the Partnership of funds equal to such Limited Partner's Capital Commitment – Related Commitment then due with respect to such Capital Commitment Interest and such appropriate documentation as the General Partner may submit to the Limited Partners from time to time. If required by applicable law, the maximum amount of Capital Commitment-Related Capital Contributions a Limited Partner is obligated to contribute to the Partnership shall be disclosed in a Certificate filed in accordance with the Partnership Act. Any provision of this Agreement to the contrary notwithstanding, no Capital Commitment-Related Capital Contribution or other capital contribution shall become due and payable or be required to be made by any Partner, unless and until it shall be called by the General Partner for the purposes set forth herein or in the Commitment Agreement of such Partner. Notwithstanding the foregoing, the unfunded amount of any Partner's commitment to make Capital Commitment-Related Capital Contributions to the Partnership (such Partner's " *Unfunded Capital Commitment-Related Commitment* ") may be determined and redetermined by the General Partner from time to time (including, without limitation, any redetermination that results in a reduction in such Partner's Unfunded Capital Commitment-Related Commitment, which reduction may be retroactive); provided that each

Partner agrees to make Capital Commitment-Related Capital Contributions in the full amount of such Partner's Unfunded Capital Commitment-Related Commitment at any time, on condition that the General Partner does not thereafter make a redetermination that results in a reduction in such Partner's Unfunded Capital Commitment-Related Commitment and subject to all other terms and conditions set forth herein and/or in any other agreement relating thereto; and provided further , that, following an initial determination of a Partner's commitment to make Capital Commitment-Related Capital Contributions, such Partner's Unfunded Capital Commitment-Related Commitment shall not be increased without the consent of such Partner.

(b) The General Partner or one of its Affiliates (in such capacity, the " *Advancing Party* ") may in its sole discretion advance all or any portion of the Capital Commitment-Related Capital Contributions due to the Partnership from any Limited Partner with respect to any Capital Commitment Investment (" *Firm Advances* "). Each such Limited Partner shall pay to the Advancing Party interest on each Firm Advance from the date of such Firm Advance until the repayment thereof by such Limited Partner. Each Firm Advance shall be repayable in full, including accrued interest to the date of such repayment, upon prior written notice by the Advancing Party. The making and repayment of each Firm Advance shall be recorded in the books and records of the Partnership, and such recording shall be conclusive evidence of each such Firm Advance, binding on the Limited Partner and the Advancing Party absent manifest error. Except as provided below, the interest rate applicable to a Firm Advance shall equal the cost of funds of the Advancing Party at the time of the making of such Firm Advance. The Advancing Party shall inform any Limited Partner of such rate upon such Limited Partner's request; provided , that such interest rate shall not exceed the maximum interest rate allowable by applicable law; provided further , that amounts that are otherwise payable to such Limited Partner pursuant to Section 7.4(a) shall be used to repay such Firm Advance (including interest thereon). The Advancing Party may, in its sole discretion, change the terms of Firm Advances (including the terms contained herein) and/or discontinue the making of Firm Advances; provided , that (i) the Advancing Party shall notify the relevant Limited Partners of any material changes to such terms and (ii) the interest rate applicable to such Firm Advances and overdue amounts thereon shall not exceed the maximum interest rate allowable by applicable law.

(c) BREE (Cayman) shall be required to make a maximum capital contribution of (U.S.) $10. BREE (Cayman) shall have no Capital Commitment Profit Sharing Percentage in Capital Commitment Net Income (Loss) from any Capital Commitment Investment, but shall receive its pro rata share, based on its capital contribution, of earnings on short-term and temporary investments of the Partnership.

Section 7.2. Capital Commitment Capital Accounts.

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

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

Section 7.3. Allocations .

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

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

Section 7.4. Distributions .

(a) Each Limited Partner's allocable portion of Capital Commitment Net Income received from his Capital Commitment Investments, distributions to such Limited Partner that constitute returns of capital, and other Capital Commitment Net Income of the Partnership (including without limitation Capital Commitment Net Income attributable to Unallocated Capital Commitment Interests) during a fiscal year of the Partnership will be credited to payment of the Investor Notes to the extent required below as of the last day of such fiscal year (or on such earlier date as related distributions are made in the sole discretion of the General Partner) with any cash amount distributable to such Limited Partner pursuant to clauses (ii) and (vii) below to be distributed within 45 days after the end of each fiscal year of the Partnership (or in each case on such earlier date as selected by the General Partner in its sole discretion) as follows (subject to Section 7.4(c) below):

(i) First, to the payment of interest then due on all Investor Notes (relating to Capital Commitment Investments or otherwise) of such Limited Partner (to the extent Capital Commitment Net Income and distributions or payments from Other Sources do not equal or exceed all interest payments due, the selection of those of such Limited Partner's Investor Notes upon which interest is to be paid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor);

(ii) Second, to distribution to the Limited Partner of an amount equal to the U.S. Federal, state and local income taxes on income of the Partnership allocated to such Limited Partner for such year in respect of such Limited Partner's Capital Commitment Partner Interest (the aggregate amount of any such distribution shall be determined by the General Partner, subject to the limitation that the minimum aggregate amount of such distribution be the tax that would be payable if the taxable income of the Partnership related to all Partners' Capital Commitment Partner Interests were all allocated to an individual subject to the then-prevailing maximum U.S. Federal, New York State and New York City tax rates (taking into account the extent to which such taxable income allocated by the Partnership was composed of long-term capital gains and the deductibility of state and local income taxes for U.S. Federal income tax purposes)); provided, that additional amounts shall be paid to the Limited Partner pursuant to this clause (ii) to the extent that such amount reduces the amount otherwise distributable to the Limited Partner pursuant to a comparable provision in any BFREP Agreement or in any BFIP Agreement, BFMEZP Agreement or BFCOMP Agreement and there are not sufficient amounts to fully satisfy such provision from the relevant partnership; provided further, that amounts paid pursuant to the provisions in such BFREP Agreements, BFIP Agreements, BFMEZP Agreements or BFCOMP Agreements comparable to the immediately preceding proviso shall reduce those amounts otherwise distributable to the Limited Partner pursuant to provisions in such BFREP Agreements, BFIP Agreements, BFMEZP Agreements or BFCOMP 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 BFREP Investments (other than Capital Commitment Investments), BFIP Investments, BFMEZP Investments or BFCOMP Investments disposed of during or prior to such fiscal year, to the extent not repaid from Other Sources;

(iv) Fourth, to the return to such Limited Partner of (A) all Capital Commitment-Related Capital Contributions made in respect of the Capital Commitment Interest to which any Capital Commitment Investment disposed of during or prior to such fiscal year relates or (B) all capital contributions made to BFREP (other than the Partnership), BFIP, BFMEZP or BFCOMP in respect of interests therein relating to BFREP Investments (other than Capital Commitment Investments), BFIP Investments, BFMEZP Investments or BFCOMP 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 CC Carried Interest);

(v) Fifth, to the payment of principal (including any previously deferred amounts) then owing under all other Investor Notes of such Limited Partner (including those unrelated to the Partnership), the selection of those of such Limited Partner's Investor Notes to be repaid and the division of payments among such Investor Notes to be determined by the Lender or Guarantor;

(vi) Sixth, up to 50% of any Capital Commitment Net Income remaining after application pursuant to clauses (i) through (v) above shall be applied pro rata to prepayment of principal of all remaining Investor Notes of such Limited Partner (including those unrelated to the Partnership), the selection of those of such Limited Partner's Investor Notes to be repaid, the division of payments among such Investor Notes and the percentage of remaining Capital Commitment Net Income to be applied thereto to be determined by the Lender or Guarantor; and

(vii) Seventh, to such Limited Partner to the extent of any amount of Capital Commitment Net Income remaining after making the distributions in clauses (i) through (vi) above, and such amount is not otherwise required to be applied to Investor Notes pursuant to the terms thereof.

To the extent there is a partial disposition of a Capital Commitment Investment, any other BFREP Investment or any BFIP Investment, BFMEZP Investment or BFCOMP Investment, as applicable, the payments in clauses (iii) and (iv) above shall be based on that portion of the Capital Commitment Investment, other BFREP Investment, BFIP Investment, BFMEZP Investment or BFCOMP Investment, as applicable, disposed of and the principal amount and related interest payments of such Investor Note shall be adjusted to reflect such partial payment so that there are equal payments over the remaining term of the related Investor Note. For a Limited Partner who is no longer an employee or officer of Blackstone, distributions shall be made pursuant to clauses (i) through (iii) above, and then, unless the General Partner or its Affiliate has exercised its rights pursuant to Section 8.1 hereof, any remaining income or other distribution in respect of such Limited Partner's Capital Commitment Partner Interest shall be applied to the prepayment of the outstanding Investor Notes of such Limited Partner, until all such Limited Partner's Investor Notes have been repaid in full, with any such income or other distribution remaining thereafter distributed to such Limited Partner.

Distributions of Capital Commitment Net Income may be made at any other time at the discretion of the General Partner. At the General Partner's discretion, any amounts distributed to a Limited Partner in respect of such Limited Partner's Capital Commitment Partner Interest will be net of any interest and principal payable on his Investor Notes for the full period in respect of which the distribution is made.

(b) [Intentionally omitted]

(c) To the extent that the foregoing Partnership distributions and distributions and payments from Other Sources are insufficient to satisfy any principal and/or interest due on Investor Notes, and to the extent that the General Partner in its sole discretion elects to apply this paragraph (c) to any individual payments due, such unpaid interest will be added to the remaining principal amount of such Investor Notes and shall be payable on the next scheduled principal payment date (along with any deferred principal and any principal and interest due on such date); provided , that such deferral shall not apply to a Limited Partner that is no longer an employee or officer of Blackstone. All unpaid interest on such Investor Notes shall accrue interest at the interest rate then in effect for such Investor Notes.

(d) [Intentionally omitted]

(e) The Capital Commitment Capital Account of each Partner shall be reduced by the amount of any distribution to such Partner pursuant to paragraph (a) of this Section 7.4.

(f) At any time that a sale, exchange, transfer or other disposition of a portion of a Capital Commitment Investment is being considered by the Partnership or BREP Europe III (a " *Capital Commitment Disposable Investment* "), at the election of the General Partner each Partner's Capital Commitment Interest with respect to such Capital Commitment Investment shall be vertically divided into two separate Capital Commitment Interests, a Capital Commitment Interest attributable to the Capital Commitment Disposable Investment (a Partner's " *Capital Commitment Class B Interest* "), and a Capital Commitment Interest attributable to such Capital Commitment Investment excluding the Capital Commitment Disposable Investment (a Partner's " *Capital Commitment Class A Interest* "). Distributions (including those resulting from a direct or indirect sale, transfer, exchange or other disposition by the Partnership) relating to a Capital Commitment Disposable Investment shall be made only to holders of Capital Commitment Class B Interests with respect to such Capital Commitment Investment in

accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class B Interests, and distributions (including those resulting from the direct or indirect sale, transfer, exchange or other disposition by the Partnership) relating to a Capital Commitment Investment excluding such Capital Commitment Disposable Investment shall be made only to holders of Capital Commitment Class A Interests with respect to such Capital Commitment Investment in accordance with their respective Capital Commitment Profit Sharing Percentages relating to such Capital Commitment Class A Interests.

(g)(i) If BREA Europe III is obligated under the Giveback Provisions to contribute to BREP Europe III a Giveback Amount with respect to the Capital Commitment BREP Europe III Interest and the Partnership is obligated to contribute any such amount to BREA Europe III in respect of the Partnership's Capital Commitment BREA Europe III Partner Interest (the amount of such obligation being herein called a " *Capital Commitment Giveback Amount* "), the Partnership shall call for such amounts as are necessary to satisfy such obligation of the Partnership as determined by the General Partner, in which case each Partner shall contribute to the Partnership, in cash, when and as called by the Partnership, such an amount of prior distributions by the Partnership with respect to the Capital Commitment BREP Europe III Interest (the " *Capital Commitment Recontribution Amount* ") which equals such Partner's pro rata share of prior distributions in connection with (a) the Capital Commitment BREP Europe III 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 BREP Europe III Investments other than the one giving rise to such obligation and (c) all Capital Commitment Investments, if the Capital Commitment Giveback Amount is an Other Giveback Amount (as defined in the BREP Europe III Agreement). Each Partner shall promptly contribute to the Partnership upon notice thereof such Partner's Capital Commitment Recontribution Amount. Prior to such time, the Partnership may, in the General Partner's discretion (but shall be under no obligation to), provide notice that in the General Partner's judgment, the potential obligations in respect of the Giveback Provisions will probably materialize (and an estimate of the aggregate amount of such obligations).

(ii)(A) In the event any Partner (a " *Capital Commitment Defaulting Party* ") fails to recontribute all or any portion of such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount for any reason, the Partnership shall require all other Partners and Withdrawn Partners to contribute, on a pro rata basis (based on each of their respective Capital Commitment Profit Sharing Percentages), such amounts as are necessary to fulfill the Capital Commitment Defaulting Party's obligation to pay such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount (a " *Capital Commitment Deficiency Contribution* ") if the General Partner determines in its good faith judgment that the Partnership will be unable to collect such amount in cash from such Capital Commitment Defaulting Party for payment of the Capital Commitment Giveback Amount at least 20 Business Days prior to the latest date that the Partnership is permitted to pay the Capital Commitment Giveback Amount; provided , that no Partner shall as a result of such Capital Commitment Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Capital Commitment Recontribution Amount initially requested from such Partner in respect of such default. Thereafter, the General Partner shall determine in its good faith judgment that the Partnership should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the General Partner or (2) pursue any and all remedies (at law or equity) available to the Partnership against the Capital Commitment Defaulting Party, the cost of which shall be a Partnership expense to the extent not ultimately reimbursed by the Capital Commitment Defaulting Party. It is agreed that the Partnership shall have the right (effective upon such Capital Commitment Defaulting Party becoming a Capital Commitment Defaulting Party) to set-

off as appropriate and apply against such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount any amounts otherwise payable to the Capital Commitment Defaulting Party by the Partnership or any Affiliate thereof. Each Partner hereby grants to the Partnership a security interest, effective upon such Partner becoming a Capital Commitment Defaulting Party, in all accounts receivable and other rights to receive payment from the Partnership or any Affiliate of the Partnership and agrees that, upon the effectiveness of such security interest, the Partnership may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Partner hereby appoints the Partnership as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Partner or in the name of the Partnership, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Partnership shall be entitled to collect interest on the Capital Commitment Recontribution Amount of a Capital Commitment Defaulting Party from the date such Capital Commitment Recontribution Amount was required to be contributed to the Partnership at a rate equal to the Default Rate.

(B) Any Partner's failure to make a Capital Commitment Deficiency Contribution shall cause such Partner to be a Capital Commitment Defaulting Party with respect to such amount.

(iii) A Partner's obligation to make contributions to the Partnership under this Section 7.4(h) shall survive the termination of the Partnership.

Section 7.5. Valuations . Capital Commitment Investments shall be valued annually as of the end of each year (and at such other times as deemed appropriate by the General Partner) in accordance with the principles utilized by BREA Europe III (or any other Affiliate that is a general partner of BREP Europe III) in valuing investments of BREP Europe III or, in the case of investments not held by BREP Europe III, in the good faith judgment of the General Partner, subject in each case to the second proviso of the immediately succeeding sentence. The value of any Capital Commitment Interest as of any date (the " *Capital Commitment Value* ") shall be based on the value of the underlying Capital Commitment Investment as set forth above; provided , that the Capital Commitment Value may be determined as of an earlier date if determined appropriate by the General Partner in good faith; provided further , that such value may be adjusted by the General Partner to take into account factors relating solely to the value of a Capital Commitment Interest (as compared to the value of the underlying Capital Commitment Investment), such as restrictions on transferability, the lack of a market for such Capital Commitment Interest and lack of control of the underlying Capital Commitment Investment. To the full extent permitted by applicable law such valuations shall be final and binding on all Partners; provided further , that the immediately preceding proviso shall not apply to any Capital Commitment Interests held by a person who is or was at any time a member of the General Partner.

Section 7.6. Disposition Election .

(a) At any time prior to the date of the Partnership's execution of a definitive agreement to dispose of a Capital Commitment Investment, the General Partner may in its sole discretion permit a Partner to retain all or any portion of its pro rata share of such Capital Commitment Investment (as measured by such Partner's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment). If the General Partner so permits, such Partner shall instruct the General Partner in writing prior to such date (i) not to dispose of all or any portion of such Partner's pro rata share of such Capital Commitment Investment (the " *Retained Portion* ") and (ii) either to (A) distribute such Retained Portion to such Partner on the closing date of such disposition or (B) retain such Retained Portion in the Partnership on behalf of such Partner until such time as such Partner shall instruct the General Partner upon 5 days notice to distribute such Retained Portion to such Partner. Such Partner's

Capital Commitment Capital Account shall not be adjusted in any way to reflect the retention in the Partnership of such Retained Portion or the Partnership's disposition of other Partners' pro rata shares of such Capital Commitment Investment; provided , that such Partner's Capital Commitment Capital Account shall be adjusted upon distribution of such Retained Portion to such Partner or upon distribution of proceeds with respect to a subsequent disposition thereof by the Partnership.

(b) No distribution of such Retained Portion shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such distribution.

Section 7.7. Capital Commitment Special Distribution Election .

(a) From time to time during the term of this Agreement, the General Partner may in its sole discretion, upon receipt of a written request from a Partner, distribute to such Partner any portion of its pro rata share of a Capital Commitment Investment (as measured by such Partner's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment) (a " *Capital Commitment Special Distribution* "). Such Partner's Capital Commitment Capital Account shall be adjusted upon distribution of such Capital Commitment Special Distribution.

(b) No Capital Commitment Special Distributions shall occur unless any Investor Notes relating thereto shall have been paid in full prior to or simultaneously with such Capital Commitment Special Distribution.

ARTICLE VIII
WITHDRAWAL; DISSOLUTION; ADMISSION OF NEW PARTNERS

Section 8.1. Limited Partner Withdrawal; Repurchase of Capital Commitment Interests . (a) Capital Commitment Interests (or a portion thereof) that were financed by Investor Notes will be treated as not subject to repurchase for purposes hereof based upon the proportion of (a) the sum of Capital Commitment-Related Capital Contributions not financed by an Investor Note with respect to each Capital Commitment Interest and principal payments on the related Investor Note to (b) the sum of the Capital Commitment-Related Capital Contributions not financed by an Investor Note with respect to such Capital Commitment Interest, the original principal amount of such Investor Note and all deferred amounts of interest which from time to time comprise part of the principal amount of the Investor Note. A Limited Partner may prepay a portion of any outstanding principal on the Investor Notes; provided , that in the event that a Limited Partner prepays all or any portion of the principal amount of the Investor Notes within nine months prior to the date on which such Limited Partner is no longer an employee or officer of Blackstone, the Partnership (or its designee) shall have the right, in its sole discretion, to purchase the Capital Commitment Interest that became Non-Contingent as a result of such prepayment; provided further , that the purchase price for such Capital Commitment Interest shall be determined in accordance with the determination of the purchase price of a Limited Partner's Contingent Capital Commitment Interests as set forth in paragraph (b) below. Prepayments made by a Limited Partner shall apply pro rata against all of such Limited Partner's Investor Notes; provided , that such Limited Partner may request that such prepayments be applied only (w) to Investor Notes relating to BFREP Investments or (x) to Investor Notes relating to BFIP Investments or (y) to Investor Notes relating to BFMEZP Investments or (z) to Investor Notes relating to BFCOMP Investments. Except as expressly provided herein, Capital Commitment Interests that were not financed in any respect with Investor Notes shall be treated as Non-Contingent Capital Commitment Interests.

(b) Upon a Limited Partner ceasing to be an officer or employee of the General Partner or any of its Affiliates, other than as a result of such Limited Partner dying or suffering a Total Disability, such Limited Partner (the " *Withdrawn Partner* ") and the Partnership or any other person

designated by the General Partner shall each have the right (exercisable by the Withdrawn Partner within 30 days and by the Partnership or its designee(s) within 45 days of such Limited Partner's ceasing to be such an officer or employee) or any time thereafter, upon 30 days notice, but not the obligation, to require the Partnership, subject to the Partnership Act, to buy (in the case of exercise of such right by such Withdrawn Partner) or the Withdrawn Partner to sell (in the case of exercise of such right by the Partnership or its designee(s)) all (but not less than all) such Withdrawn Partner's Contingent Capital Commitment Interests. The purchase price for each such Contingent Capital Commitment Interest will be an amount equal to (i) the outstanding principal amount of the related Investor Note plus accrued interest thereon to the date of purchase (such portion of the purchase price to be made in cash) and (ii) an additional amount (the " *Adjustment Amount* ") equal to (x) all interest paid by the Limited Partner on the portion of the principal amount of the Investor Note relating to the portion of the related Capital Commitment Interest remaining Contingent plus (y) all Capital Commitment Net Losses allocated to the Withdrawn Partner on the Contingent portion of such Capital Commitment Interest minus (z) all Capital Commitment Net Income allocated to the Withdrawn Partner on the Contingent portion of such Capital Commitment Interest; provided , that, if the Withdrawn Partner was terminated from employment or membership for Cause, the amounts referred to in clause (x) or (y) of the Adjustment Amount, in the General Partner's sole discretion, may be deemed to equal zero. The Adjustment Amount shall, if positive, be payable by the holders of the purchased Capital Commitment Interests to the Withdrawn Partner from the next Capital Commitment Net Income received by such holders on the Contingent portion of such Withdrawn Partner's Capital Commitment Interests at the time such Capital Commitment Net Income is received. If the Adjustment Amount resulting from an exchange is negative, it shall be payable to the holders of the purchased Capital Commitment Interest by the Withdrawn Partner at the time such Capital Commitment Net Income is received by the Withdrawn Partner from the next Capital Commitment Net Income on the Non-Contingent portion of the Withdrawn Partner's Capital Commitment Interests or, if the Partnership or its designee(s) elect to purchase such Withdrawn Partner's Non-Contingent Capital Commitment Interests, in cash by the Withdrawn Partner at the time of such purchase; provided , that the General Partner and its Affiliates may offset any amounts otherwise owing to a Withdrawn Partner against any Adjustment Amount owed by such Withdrawn Partner. Until so paid, such remaining Adjustment Amount will not itself bear interest. At the time of such purchase of the Withdrawn Partner's Contingent Capital Commitment Interest, his related Investor Note shall be payable in full. If neither the Withdrawn Partner nor the Partnership nor its designee(s) exercise the right to require repurchase of such Contingent Capital Commitment Interests, then the Withdrawn Partner shall retain the Contingent portion of his Capital Commitment Interests and the Investor Notes shall remain outstanding, shall become fully recourse to the Withdrawn Partner in his individual capacity, shall be payable in accordance with their remaining original maturity schedules and shall be prepayable at any time by the Withdrawn Partner at his option, and the General Partner shall apply such prepayments against outstanding Investor Notes on a pro rata basis. To the extent that another Partner purchases a portion of a Capital Commitment Interest of a Withdrawn Partner, the purchasing Partner's Capital Commitment Capital Account and Capital Commitment Profit Sharing Percentage for such Capital Commitment Investment shall be correspondingly increased.

(c) Upon the occurrence of a Final Event with respect to any Limited Partner, such Limited Partner shall thereupon cease to be a Partner with respect to such Limited Partner's Capital Commitment Partner Interest. If such a Final Event shall occur, no Successor in Interest to any such Limited Partner shall for any purpose hereof become or be deemed to become a Partner. The sole right, as against the Partnership and the remaining Partners, acquired hereunder by, or resulting hereunder to, a Successor in Interest to any Partner shall be to receive any distributions and allocations with respect to such Limited Partner's Capital Commitment Partner Interest pursuant to Article VII and this Article VIII, subject to the right of the Partnership to purchase the Capital Commitment Interests of such former Partner pursuant to Section 8.1(b) or Section 8.1(d)) to the extent, at the time, in the manner and in the amount otherwise payable to such Limited Partner had such a Final Event not occurred, and no other right

shall be acquired hereunder by, or shall result hereunder to, a Successor in Interest to such Partner, whether by operation of law or otherwise. Until distribution of any such Partner's interest in the Partnership upon the dissolution of the Partnership as provided in Section 9.2, neither his Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption without the consent of the General Partner. The Partnership shall be entitled to treat any Successor in Interest to such Partner as the only person entitled to receive distributions and allocations hereunder with respect to such Partner's Capital Commitment Partner Interest.

(d) If a Limited Partner dies or suffers a Total Disability, all Contingent Capital Commitment Interests of such Partner shall be purchased by the Partnership or its designee (within 30 days of the first date on which the Partnership knows or has reason to know of such Limited Partner's death or disability) as provided in Section 8.1(b) (except that any Adjustment Amount shall be payable by or to the estate or personal representative in cash), and any Investor Notes financing such Contingent Capital Commitment Interests shall thereupon be prepaid as provided in Section 8.1(b). In addition, in the case of the death or Total Disability of a Limited Partner, if the estate or personal representative of such Limited Partner so requests in writing within 180 days of the Limited Partner's death or ceasing to be an employee or member (directly or indirectly) of the General Partner or any of its Affiliates by reason of Total Disability (such requests shall not exceed one per calendar year), the Partnership or its designee may but is not obligated to purchase for cash all (but not less than all) Non-Contingent Capital Commitment Interests of such Limited Partner as of the last day of the Partnership's then current fiscal year at a price equal to the Capital Commitment Value thereof. Each Limited Partner shall be required to include appropriate provisions in his will to reflect such provisions of the Partnership Agreement. In addition, the Partnership may, in the sole discretion of the General Partner, upon notice to the estate or personal representative of such Limited Partner within 30 days of the first date on which the Partnership knows or has reason to know of such Limited Partner's death or Total Disability, determine either (i) to distribute Securities or other property to the estate or personal representative in exchange for such Non-Contingent Capital Commitment Interests as provided in Section 8.1(e) or (ii) to require sale of such Non-Contingent Capital Commitment Interests to the Partnership or its designee as of the last day of any fiscal year of the Partnership (or earlier period, as determined by the General Partner in its sole discretion) for an amount in cash equal to the Capital Commitment Value thereof.

(e) In lieu of retaining a Withdrawn Partner as a Limited Partner with respect to any Non-Contingent Capital Commitment Interests, the General Partner may, in its sole discretion, by notice to such Withdrawn Partner within 45 days of his ceasing to be an employee or officer of the General Partner or any of its Affiliates, or at any time thereafter, upon 30 days written notice, determine (1) to distribute to such Withdrawn Partner the pro rata portion of the Securities or other property underlying such Withdrawn Partner's Non-Contingent Capital Commitment Interests, subject to any restrictions on distributions associated with the Securities or other property, in satisfaction of his Non-Contingent Capital Commitment Interests in the Partnership or (2) to cause, as of the last day of any fiscal year of the Partnership (or earlier period, as determined by the General Partner in its sole discretion), the Partnership or another person designated by the General Partner (who may be itself another Limited Partner or another Affiliate of the General Partner) to purchase all (but not less than all) of such Withdrawn Partner's Non-Contingent Capital Commitment Interests for a price equal to the Capital Commitment Value thereof. The General Partner shall condition any distribution or purchase of voting Securities pursuant to paragraph (d) above or this paragraph (e) upon the Withdrawn Partner's execution and delivery to the Partnership of an appropriate irrevocable proxy, in favor of the Partnership or its nominee, relating to such Securities.

(f) The Partnership may subsequently transfer any Unallocated Capital Commitment Interest or portion thereof which is purchased by it as described above to any other person approved by the General Partner. In connection with such purchase or transfer or the purchase of a Capital

Commitment Interest or portion thereof by the Partnership's designee(s), Blackstone may loan all or a portion of the purchase price of the transferred or purchased Capital Commitment Interest to the Partnership, the transferee or the designee-purchaser(s), as applicable. To the extent that a Withdrawn Partner's Capital Commitment Interests (or portions thereof) are repurchased by the Partnership and not transferred to or purchased by another person, all or any portion of such repurchased Capital Commitment Interests may, in the sole discretion of the General Partner, (i) be allocated to each Partner already participating in the Capital Commitment Investment to which the repurchased Capital Commitment Interest relates, (ii) be allocated to each Partner in the Partnership, whether or not already participating in such Capital Commitment Investment, and/or (iii) continue to be held by Partnership itself as an unallocated Capital Commitment Investment (such Capital Commitment Interests being herein called " *Unallocated Capital Commitment Interests* "). To the extent that a Capital Commitment Interest is allocated to Partners as provided in clause (i) and/or (ii) above, any indebtedness incurred by the Partnership to finance such repurchase shall also be allocated to such Partners. All such Capital Commitment Interests allocated to Limited Partners shall be deemed to be Contingent and shall become Non-Contingent as and to the extent that the principal amount of such related indebtedness is repaid. The Limited Partners receiving such allocations shall be responsible for such related indebtedness only on a nonrecourse basis to the extent appropriate as provided in this Agreement, except as such Limited Partners and the General Partner shall otherwise agree. If the indebtedness financing such repurchased interests is not so limited, the Partnership may require an assumption by the Limited Partners of such indebtedness on the terms thereof as a precondition to allocation of the related Capital Commitment Interests to such Limited Partners; provided , that a Limited Partner shall not, except as set forth in his Investor Note, be obligated to accept any personally recourse obligation unless his prior consent is obtained. So long as the Partnership itself retains the Unallocated Capital Commitment Interests pursuant to clause (iii) above, such Unallocated Capital Commitment Interests shall belong to the Partnership and any indebtedness financing the Unallocated Capital Commitment Interests shall be an obligation of the Partnership to which all income of the Partnership is subject except as otherwise agreed by the lender of such indebtedness. Any Capital Commitment Net Income (Loss) on an Unallocated Capital Commitment Interest shall be allocated to each Partner in the proportion his aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Partners; debt service on such related financing will be an expense of the Partnership allocable to all Partners in such proportions.

(g) If a Partner is required to Withdraw from the Partnership with respect to such Partner's Capital Commitment Partner Interest for Cause, then his Capital Commitment Interest shall be settled in accordance with paragraphs (a)-(f) and (j) of this Section 8.1; provided , that if such Partner was not at any time a direct partner of the Partnership, the General Partner may elect (but shall not be required) to apply any or all the following terms and conditions to such settlement:

(i) purchase for cash all of such Withdrawn Partner's Non-Contingent Capital Commitment Interests. The purchase price for each such Non-Contingent Capital Commitment Interest shall be the lower of (A) the original cost of such Non-Contingent Capital Commitment Interest or (B) an amount equal to the Capital Commitment Value thereof;

(ii) allow the Withdrawn Partner to retain such Non-Contingent Capital Commitment Interests; provided , that the maximum amount of Capital Commitment Net Income allocable to such Withdrawn Partner with respect to any Capital Commitment Investment shall equal the amount of Capital Commitment Net Income that would have been allocated to such Withdrawn Partner if such Capital Commitment Investment had been sold as of the Settlement Date at the then prevailing Capital Commitment Value thereof; or

(iii) in lieu of cash, purchase such Non-Contingent Capital Commitment Interests by providing the Withdrawn Partner with a promissory note in the amount determined in (i) above. Such promissory note shall have a maximum term of ten (10) years with interest at the Federal Funds Rate.

(h) The Partnership will assist a Withdrawn Partner or his estate or guardian, as the case may be, in the settlement of the Withdrawn Partner's Capital Commitment Partner Interest in the Partnership. Third party costs incurred by the Partnership in providing this assistance will be borne by the Withdrawn Partner or his estate.

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

(j) Each Limited Partner hereby irrevocably appoints each General Partner as such Limited Partner's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Limited Partner's name, place and stead, to make, execute, sign and file, on behalf of such Limited Partner, any and all agreements, instruments, documents and certificates which such General Partner deems necessary or advisable in connection with any transaction or matter contemplated by or provided for in this Section 8.1, including, without limitation, the performance of any obligation of such Limited Partner or the Partnership or the exercise of any right of such Limited Partner or the Partnership. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the Withdrawal from the Partnership of any Limited Partner for any reason and shall not be affected by the death, disability or incapacity of such Limited Partner.

Section 8.2. Transfer of Limited Partner's Capital Commitment Interest . Except as otherwise agreed by the General Partner, no Limited Partner or former Limited Partner shall have the right to sell, assign, mortgage, pledge or otherwise dispose of or transfer (" *Transfer* ") all or part of any such Partner's Capital Commitment Partner Interest in the Partnership; provided , that this Section 8.2 shall in no way impair Transfers (i) as permitted in Section 8.1 above, in the case of the purchase of a Withdrawn Partner's or deceased or Totally Disabled Limited Partner's Capital Commitment Interests, (ii) Transfers by a Limited Partner to another Limited Partner of Non-Contingent Capital Commitment Interests, (iii) Transfers of up to 25% of a Limited Partner's Capital Commitment Partner Interest to an Estate Planning Vehicle and (iv) with the prior written consent of the General Partner, which consent may be withheld without giving any reason therefor. No person acquiring an interest in the Partnership pursuant to this Section 8.2 shall become a Limited Partner of the Partnership, or acquire such Partner's right to participate in the affairs of the Partnership, unless such person shall be admitted as a Limited Partner pursuant to Section 6.1. A Limited Partner shall not cease to be a limited partner of the Partnership upon the collateral assignment of, or the pledging or granting of a security interest in, its entire limited partner interest in the Partnership in accordance with the provisions of this Agreement.

Section 8.3. Compliance with Law . Notwithstanding any provision hereof to the contrary, no sale or Transfer of a Capital Commitment Interest in the Partnership may be made except in compliance with all U.S. Federal, state and other applicable laws, including U.S. Federal and state securities laws.

ARTICLE IX
DISSOLUTION

Section 9.1. Dissolution .

(a) The Partnership shall be dissolved and subsequently terminated:

(i) pursuant to Section 6.6;

(ii) upon the expiration of the Term; or

(iii) upon the occurrence of a Disabling Event with respect to a General Partner or any other event causing a dissolution of the Partnership under the Partnership Act, provided that the Partnership will not be dissolved or required to be wound up in connection with a Disabling Event with respect to a General Partner, if: (i) at the time of the occurrence of such event there is at least one other general partner of the Partnership who is hereby authorized to, and elects to, carry on the business of the Partnership; or (ii) all remaining Partners consent to the continuation of the business of the Partnership within 90 days following the occurrence of any such event, which consent will not be withheld by any Limited Partner if a Majority of the Remaining Partners agree in writing to so continue the business of the Partnership. A " *Majority of Remaining Partners* " means remaining Partners who, as of the date of such consent, have aggregate capital account balances representing at least a majority in amount of the total GP-Related Capital Account balances of all the remaining Partners.

Section 9.2. Final Distribution .

(a) Within 120 calendar days after the effective date of dissolution of the Partnership, the assets of the Partnership shall be distributed in the following manner and order:

(i) to the payment of the expenses of the winding-up, liquidation and dissolution of the Partnership;

(ii) to pay all creditors of the Partnership, other than Partners, either by the payment thereof or the making of reasonable provision therefor;

(iii) to establish reserves, in amounts established by the General Partner or the liquidator, to meet other liabilities of the Partnership; and

(iv) to pay, in accordance with the terms agreed among them and otherwise on a *pro rata* basis, all creditors of the Partnership that are Partners, either by the payment thereof or the making of reasonable provision therefor.

(b) The remaining assets of the Partnership shall be applied and distributed among the Partners as follows:

(i) With respect to each Partner's GP-Related Partner Interest, the remaining assets of the Partnership shall be applied and distributed to such Partner in accordance with the procedures set forth in Section 6.5 which provide for allocations to the capital accounts of the Partners and distributions in accordance with the capital account balances of the Partners; and for purposes of the application of this Section 9.2(b)(i), determining GP-Related Capital Accounts on liquidation, all unrealized gains, losses and accrued income and deductions of the Partnership shall be treated as realized and recognized immediately before the date of distribution; and

(ii) With respect to each Partner's Capital Commitment Partner Interest, an amount shall be paid to such Partner in cash or Securities in an amount equal to such Partner's respective Capital Commitment Liquidating Share for each Capital Commitment Investment; provided , that if the remaining assets relating to any Capital Commitment Investment shall not be equal to or exceed the aggregate Capital Commitment Liquidating Shares for such Capital Commitment Investment, to each Partner in proportion to its Capital Commitment Liquidating Share for such Capital Commitment Investment; and the remaining assets of the Partnership related to the Partners' Capital Commitment Partner Interests shall be paid to the Partners in cash or Securities in proportion to their respective Capital Commitment Profit Sharing Percentages for each Capital Commitment Investment from which such cash or Securities are derived.

Section 9.3. Amounts Reserved Related to Capital Commitment Partner Interests .

(a) If there are any Securities or other property or other investments or securities related to the Partners' Capital Commitment Partner Interests which, in the judgment of the liquidator, cannot be sold, or properly distributed in kind in the case of dissolution, without sacrificing a significant portion of the value thereof, the value of a Partner's interest in each such Security or other investment or security may be excluded from the amount distributed to the Partners participating in the related Capital Commitment Investment pursuant to clause (ii) of Section 9.2(b). Any interest of a Partner, including his pro rata interest in any gains, losses or distributions, in Securities or other property or other investments or securities so excluded shall not be paid or distributed until such time as the liquidator shall determine.

(b) If there is any pending transaction, contingent liability or claim by or against the Partnership related to the Partners' Capital Commitment Partner Interests as to which the interest or obligation of any Partner therein cannot, in the judgment of the liquidator, be then ascertained, the value thereof or probable loss therefrom may be deducted from the amount distributable to such Partner pursuant to clause (ii) of Section 9.2(b). No amount shall be paid or charged to any such Partner on account of any such transaction or claim until its final settlement or such earlier time as the liquidator shall determine. The Partnership may meanwhile retain from other sums due such Partner in respect of such Partner's Capital Commitment Partner Interest an amount which the liquidator estimates to be sufficient to cover the share of such Partner in any probable loss or liability on account of such transaction or claim.

(c) Upon determination by the liquidator that circumstances no longer require the exclusion of any Securities or other property or retention of sums as provided in paragraphs (a) and (b) of this Section 9.3, the liquidator shall, at the earliest practicable time, distribute as provided in clause (ii) of Section 9.2(b) such sums or such Securities or other property or the proceeds realized from the sale of such Securities or other property to each Partner from whom such sums or Securities or other property were withheld.

ARTICLE X
MISCELLANEOUS

Section 10.1. Submission to Jurisdiction; Waiver of Jury Trial . (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York U.S.A. in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of paragraph (a), the General Partner may bring, or may cause the Partnership to bring, on behalf of the General Partner or the Partnership or on behalf of one or more Partners, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Partner (i) expressly consents to the application of paragraph (c) of this Section 10.1 to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the General Partner as such Partner's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Partner of any such service of process, shall be deemed in every respect effective service of process upon the Partner in any such action or proceeding.

(c) (1) EACH PARTNER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPH (B) OF THIS SECTION 10.1, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm an arbitration award. The parties acknowledge that the forma designated by this paragraph (c) have a reasonable relation to this Agreement, and to the parties' relationship with one another.

(i) 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.

Section 10.2. Ownership and Use of the Firm Name . The Partnership acknowledges that Blackstone TM L.L.C. (" *TM* "), a Delaware limited liability company with a principal place of business at 345 Park Avenue, New York, New York 10154, (or its successors or assigns) is the sole and exclusive owner of the mark and name BLACKSTONE and that the ownership of, and the right to use, sell or otherwise dispose of, the firm name or any abbreviation or modification thereof which consists of or includes BLACKSTONE, shall belong exclusively to TM, which company (or its predecessors, successors or assigns) has licensed the Partnership to use BLACKSTONE in its name. The Partnership acknowledges that TM owns the service mark BLACKSTONE for various services and that the Partnership is using the BLACKSTONE mark and name on a non-exclusive, non-sublicensable and

non-assignable basis in connection with its business and authorized activities with the permission of TM. All services rendered by the Partnership under the BLACKSTONE mark and name will be rendered in a manner and with quality levels that are consistent with the high reputation heretofore developed for the BLACKSTONE mark by TM and its Affiliates and licensees. The Partnership understands that TM may terminate its right to use BLACKSTONE at any time in TM's sole discretion by giving the Partnership written notice of termination. Promptly following any such termination, the Partnership will take all steps necessary to change its partnership name to one which does not include BLACKSTONE or any confusingly similar term and cease all use of BLACKSTONE or any term confusingly similar thereto as a service mark or otherwise.

Section 10.3. Written Consent . Any action required or permitted to be taken by a vote of Partners at a meeting may be taken without a meeting if a Majority in Interest of the Partners consent thereto in writing.

Section 10.4. Letter Agreements; Schedules . The General Partner may, or may cause the Partnership to, enter or has previously entered, into separate letter agreements with individual Partners with respect to GP-Related Profit Sharing Percentages, Capital Commitment Profit Sharing Percentages or any other matter, in each case on terms and conditions not inconsistent with this Agreement; provided , that, notwithstanding the foregoing, any terms of this Agreement may be made subject to any such letter agreements to the extent provided elsewhere herein. If required by applicable law, such separate letter agreements, or any provision thereof or information contained therein, shall be filed, or disclosed in a Certificate filed, in accordance with the Partnership Act. The General Partner may from time to time execute and deliver to the Partners Schedules which set forth the then current capital balances, GP-Related Profit Sharing Percentages and Capital Commitment Profit Sharing Percentages of the Partners and any other matters deemed appropriate by the General Partner. Such Schedules shall be for information purposes only and shall not be deemed to be part of this Agreement for any purpose whatsoever.

Section 10.5. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta, Canada, without regard to conflicts of law principles. In particular, the Partnership is formed pursuant to the Partnership Act, and the mutual rights, duties and liabilities of the General Partners and Limited Partners (including the Special Limited Partners) shall be as provided therein, except as herein otherwise expressly provided. If any provision of this Agreement shall be held to be invalid, such provision shall be given its meaning to the maximum extent permitted by law and the remainder of this Agreement shall not be affected thereby.

Section 10.6. Successors and Assigns; Third Party Beneficiaries . This Agreement shall be binding upon and shall, subject to the penultimate sentence of Section 6.3(a), inure to the benefit of the parties hereto, their respective heirs and personal representatives, and any successor to a trustee of a trust which is or becomes a party hereto; provided that no person claiming by, through or under a Partner (whether such Partner's heir, personal representative or otherwise), as distinct from such Partner itself, shall have any rights as, or in respect to, a Partner (including the right to approve or vote on any matter or to notice thereof) except the right to receive only those distributions expressly payable to such person pursuant to Articles VI and VIII. Any Partner or Withdrawn Partner shall remain liable for the obligations under this Agreement (including any Net GP-Related Recontribution Amounts and any Capital Commitment Recontribution Amounts) of any transferee of all or any portion of such Partner's or Withdrawn Partner's interest in the Partnership, unless waived by the General Partner. The Partnership shall, if the General Partner determines, in its good faith judgment, based on the standards set forth in Sections 5.8(d)(ii)(A) and 7.4(g)(ii)(A), to pursue such transferee, pursue payment (including any Net GP-Related Recontribution Amounts and/or any Capital Commitment Recontribution Amounts) from the transferee with respect to any such obligations. Nothing in this Agreement is intended, nor shall anything

herein be construed, to confer any rights, legal or equitable, on any person other than the Partners and their respective legal representatives, heirs, successors and permitted assigns. Notwithstanding the foregoing, the provisions of Sections 5.8(d)(i) and (iii) shall inure to the benefit of the limited partners or other investors in BREP Europe III, and such limited partners or investors shall have the right to enforce the provisions thereof to the extent the Partnership does not otherwise do so.

Section 10.7. Partner's Will . Each Special Limited Partner shall include in his or her will a provision that addresses certain matters in respect of his or her obligation relating to the Partnership that is satisfactory to the General Partner, and each such Partner and Withdrawn Partner shall confirm annually to the Partnership, in writing, that such provision remains in his or her current will. Where applicable, any estate planning trust of such Partner or Withdrawn Partner to which a portion of such Partner's or Withdrawn Partner's Interest is transferred shall include a provision substantially similar to such provision and the trustee of such trust shall confirm annually to the Partnership, in writing, that such provision or its substantial equivalent remains in such trust. In the event any Limited Partner or Withdrawn Partner fails to comply with the provisions of this Section 10.7 after the Partnership has notified such Partner or Withdrawn Partner of his or her failure to so comply and such failure to so comply is not cured within 30 days of such notice, the Partnership may withhold any and all distributions to such Partner or Withdrawn Partner until the time at which such party complies with the requirements of this Section 10.7.

Section 10.8. Confidentiality . By executing this Agreement, each Partner expressly agrees, at all times during the term of the Partnership and thereafter and whether or not at the time a Partner of the Partnership, to maintain the confidentiality of, and not to disclose to any person other than the Partnership, another Partner or a person designated by the Partnership, any information relating to the business, financial structure, financial position or financial results, clients or affairs of the Partnership that shall not be generally known to the public or the securities industry, except as otherwise required by law or by any regulatory or self-regulatory organization having jurisdiction; provided, however, that any corporate Partner may disclose any such information it is required by law, rule, regulation or custom to disclose. Notwithstanding anything in this Agreement to the contrary, to comply with Treasury Regulation Section 1.6011-4(b)(3)(i), each Partner (and any employee, representative or other agent of such Partner) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Partnership, it being understood and agreed, for this purpose, (1) the name of, or any other identifying information regarding (a) the Partners or any existing or future investor (or any Affiliate thereof) in any of the Partners, or (b) any investment or transaction entered into by the Partners; (2) any performance information relating to any of the Partners or their investments; and (3) any performance or other information relating to previous funds or investments sponsored by any of the Partners, does not constitute such tax treatment or tax structure information.

Section 10.9. Notices . Whenever notice is required or permitted by this Agreement to be given, such notice shall be in writing (including telecopy or similar writing) and shall be given by hand delivery (including any courier service) or telecopy to any Partner at its address or telecopy number shown in the Partnership's books and records or, if given to the General Partner or the Partnership, at the address or telecopy number of the Partnership in New York City. Each such notice shall be effective (i) if given by telecopy, upon dispatch, and (ii) if given by hand delivery, when delivered to the address of such Partner or the General Partner or the Partnership specified as aforesaid.

Section 10.10. Counterparts . This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument.

Section 10.11. Power of Attorney . Each Partner hereby irrevocably appoints the General Partner as such Partner's true and lawful representative and attorney-in-fact, acting alone, in such Partner'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 Canada, the Province of Alberta or any other jurisdiction in which the Partnership shall determine to do business, or any political subdivision or agency thereof, to execute, implement and continue the valid and subsisting existence of the Partnership. 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 Partnership of any Partner for any reason and shall not be affected by the disability or incapacity of such Partner.

Section 10.12. Cumulative Remedies . Rights and remedies under this Agreement are cumulative and do not preclude use of other rights and remedies available under applicable law.

Section 10.13. Legal Fees . Except as more specifically provided herein, in the event of a legal dispute (including litigation, arbitration or mediation) between any Partner or Withdrawn Partner and the Partnership, arising in connection with any party seeking to enforce Section 4.1(d) or any other provision of this Agreement relating to the Holdback, the Clawback Amount, the GP-Related Giveback Amount , the Capital Commitment Giveback Amount, the Net GP-Related Recontribution Amount or the Capital Commitment Recontribution Amount, the "losing" party to such dispute shall promptly reimburse the "victorious party" for all reasonable legal fees and expenses incurred in connection with such dispute (such determination to be made by the relevant adjudicator). Any amounts due under this Section 10.13 shall be paid within 30 days of the date upon which such amounts are due to be paid and such amounts remaining unpaid after such date shall accrue interest at the Default Rate.

Section 10.14. Entire Agreement . This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. Subject to Section 10.4, this Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written. In the event that it is impracticable to obtain the signature of any of the Partners to this Agreement, this Agreement shall be binding among the other Partners executing the same.

GENERAL PARTNERS:

BLACKSTONE REAL ESTATE EUROPE (CAYMAN) III LTD.

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Director

BREP EUROPE III GP L.P.

By: BREP Europe III GP L.L.C., its general partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Chief Legal Officer

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted pursuant to powers of attorney now and hereafter granted to the General Partner

By: BREP EUROPE III GP L.P.

By: BREP Europe III GP L.L.C., its general partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Chief Legal Officer

Exhibit 10.29

BLACKSTONE REAL ESTATE SPECIAL SITUATIONS ASSOCIATES L.L.C.

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

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BLACKSTONE REAL ESTATE SPECIAL SITUATIONS ASSOCIATES L.L.C.

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of BLACKSTONE REAL ESTATE SPECIAL SITUATIONS ASSOCIATES L.L.C., a Delaware limited liability company (the " Company "), dated as of June 30, 2008 by and among Blackstone Holdings II L.P., a Delaware limited partnership (the " Managing Member " or " Holdings "), the other members of the Company (if any) 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 Amended and Restated Operating Agreement of Blackstone Real Estate Special Situations Associates L.L.C, dated as of May 15, 2008, which amended and restated the Original Operating Agreement of the Company, dated as of December 13, 2007 (the " Original Operating Agreement "), constitutes the existing limited liability company agreement of the Company (the " Existing Agreement ");

WHEREAS, in order to amend the Company's Existing Agreement to reflect certain changes thereto, the parties hereto wish to amend and restate the Existing Agreement in its entirety as hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

DEFINITIONS

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

" Admission Letter " has the meaning set forth in Section 7.4.

" Affiliate " means, with respect to any Person, any other Person that either, directly or indirectly, controls, is controlled by, or is under common control with, such Person.

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

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

" BCP " means the collective reference to Blackstone Capital Partners L.P., a Delaware limited partnership, and any other investment vehicle established in accordance with the terms of Blackstone Capital Partners L.P.'s partnership agreement to invest in lieu of Blackstone Capital Partners L.P. on behalf of one or more of the partners thereof.

" BCP II " means the collective reference to Blackstone Capital Partners II Merchant Banking Fund L.P., a Delaware limited partnership formerly known as Blackstone Domestic Capital Partners II L.P., Blackstone Offshore Capital Partners II L.P., a Cayman Islands exempted limited

partnership, and any other investment vehicle established pursuant to paragraph 2.7 of the respective partnership agreements of either of such partnerships.

" BCP III " means the collective reference to Blackstone Capital Partners III Merchant Banking Fund L.P., a Delaware limited partnership, Blackstone Offshore Capital Partners III L.P., a Cayman Islands exempted limited partnership, and any other investment vehicle established pursuant to paragraph 2.7 of the respective partnership agreements of either of such partnerships.

" BCP IV " is the collective reference to Blackstone Capital Partners IV L.P., a Delaware limited partnership, and any other investment vehicle or structure formed to invest in lieu thereof (in whole or in part).

" BCP V " is the collective reference to (i) Blackstone Capital Partners V L.P., a Delaware limited partnership, and any alternative investment vehicles relating thereto, (ii) BCP V-S L.P., a Delaware limited partnership, and any alternative investment vehicles relating thereto, (iii) Blackstone Capital Partners V-AC L.P., a Delaware limited partnership, and any alternative investment vehicles relating thereto, and (iv) any other parallel funds formed in connection with the foregoing.

" 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).

" BFCOMP Agreement " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFCOMP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFCOMP limited partnership agreement or other governing document.

" BFCOMP Investment " means any direct or indirect investment by BFCOMP.

" 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. 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, BCP II, BCP III, BCP IV, BCP V or any other fund with substantially similar investment objectives to BCP, BCP II, BCP III, BCP IV and BCP V and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

" BFIP Agreement " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFIP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFIP limited partnership agreement or other governing

document.

" BFIP Investment " means any direct or indirect investment by BFIP.

" 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 GSO Capital Opportunities Fund L.P. 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, GSO Capital Opportunities Fund L.P. or any other funds with substantially similar investment objectives to BMEZP I, BMEZP II or GSO Capital Opportunities Fund L.P. and that are sponsored or managed by an Affiliate of the Company (which includes serving as general partner of such funds).

" BFMEZP Agreement " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFMEZP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFMEZP limited partnership agreement or other governing document.

" BFMEZP Investment " means any direct or indirect investment by BFMEZP.

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

" BFREP Agreement " means the limited partnership agreement or other governing document of each limited partnership or other entity named or referred to in the definition of "BFREP", as amended, supplemented, restated or otherwise modified to date, and as such limited partnership agreement or other governing document may be further amended, supplemented, restated or otherwise modified from time to time, and any other BFREP limited partnership agreement or other governing document.

" BFREP Investment " means any direct or indirect investment by BFREP.

" Blackstone " means, collectively, The Blackstone Group L.P., a Delaware limited partnership and any Affiliate thereof (excluding any portfolio companies of any Blackstone sponsored investment funds).

" 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.

" BRESS Holdings " means Blackstone Real Estate Special Situations Holdings L.P., a Cayman Islands exempted limited partnership.

" BRESS Holdings Partnership Agreement " means the Amended and Restated Agreement of Limited Partnership of BRESS Holdings, dated May 15, 2008, as amended, supplemented or otherwise modified from time to time.

" Capital Account " means a capital account established for each Member on the books and records of the Company and maintained and adjusted as provided in Articles V and VI. A separate Capital Account shall be established for each Member with respect to each category of Net Income (Loss) (including, without limitation, Fund Net Income (Loss), Other Net Income (Loss) and the Incentive Allocation) as may be determined by the Managing Member in its sole discretion.

" Cause " means the occurrence or existence of any of the following with respect to a 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 (z) such Member's committing to or engaging in any conduct or behavior that is or may be harmful to the Company 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, 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; (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, taking into account the services required of such Member and the nature of the Company's business, or (B) the business of the Company; or (iv) any action or conduct that is opposed to the best interest of the Company and its Affiliates.

" Class A Interest " has the meaning set forth in Section 5.7(a).

" Class B Interest " has the meaning set forth in Section 5.7(a).

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

" Commitment " with respect to any Member means any commitment made by such Member to contribute capital to the Company.

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

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

" Covered Person " has the meaning set forth in Section 3.5(a).

" Delaware Arbitration Act " has the meaning set forth in Section 7.1(d).

" Delaware Fund " means Blackstone Real Estate Special Situations Fund L.P., a Delaware limited partnership, and, where the context requires, any parallel funds thereof or alternative investment vehicles related thereto.

" Delaware Fund Partnership Agreement " means the Amended and Restated Agreement of Limited Partnership of the Delaware Fund, dated as of May 15, 2008, as amended, supplemented or otherwise modified from time to time.

" Disposable Special Investment " has the meaning set forth in Section 5.7(a).

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

" Exchange Act " means the U.S. Securities Exchange Act of 1934, as amended.

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

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

" Fund Agreements " means the collective reference to (i) Delaware Fund Partnership Agreement, (ii) BRESS Holdings Partnership Agreement and (iii) any other limited partnership agreements, operating agreements and other governing documentation of the Funds, in each case, as amended, supplemented or otherwise modified from time to time.

" Funds " means the collective reference to (i) the Delaware Fund, (ii) BRESS Holdings and (iii) any other private investment partnerships for which the Company serves as general partner and, where the context requires, any parallel funds or alternative investment vehicles related to the foregoing.

" Fund Net Income (Loss) " means any net income (loss) of the Company relating to the Company's investment of capital in the Funds, but not including (i) Other Net Income (Loss) or (ii) any net income (loss) relating to the Incentive Allocation allocable to the Company from the Funds in accordance with the applicable Fund Agreements, and any appreciation or depreciation relating thereto. The Managing Member may designate separate categories of Fund Net Income (Loss) as it may

determine in its sole discretion.

" GAAP " has the meaning set forth in Section 5.1(b).

" Holdings " has the meanings set forth in the preamble hereto.

" Incentive Allocation " means the incentive allocations or other performance-based allocations of net capital appreciation or net profits from the Funds to the Company pursuant to the applicable Fund Agreements, excluding any allocations of net capital appreciation or net profits made to the Company by virtue of its capital invested in such Funds (which capital, for the avoidance of doubt, shall not include any Incentive Allocation that remains in the Funds and any related capital appreciation).

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

" Instrument " means (i) capital stock, shares of beneficial interest, warrants, debt securities, high-yield debt, mezzanine debt, preferred stock, bridge equity, loans (including participations in loans), bonds, notes (including senior notes and B-notes), debentures, whether subordinated, convertible or otherwise, mutual funds, partnership interests and similar financial instruments, money market funds, commercial paper, certificates of deposit, bank debt, trade claims, obligations of the United States, any State thereof, any non-U.S. government or international agency and instrumentalities of any of them, bankers' acceptances, trust receipts and other obligations, and instruments or evidences of indebtedness commonly referred to as securities of whatever kind or nature, in each case, of any person, corporation, partnership, trust, government or entity whatsoever, whether or not publicly traded or readily marketable, (ii) in rights, options and derivative instruments relating thereto, whether or not publicly traded or readily marketable and (iii) in forward contracts, derivative instruments, futures, "spot" transactions, hedging transactions and swap arrangements involving one or more stocks, bonds, loans, physical commodities, stock or other indexes, financial instruments, interest rates and currencies.

" Interest " means a limited liability company interest (as defined in § 18-101(8) of the LLC Act) in the Company, including those which are held by a Retaining Withdrawn Member.

" Investment Manager " means Blackstone Real Estate Special Situations Advisors L.L.C., a Delaware limited liability company.

" Investor Note " means a promissory note of a Member evidencing indebtedness incurred by such Member to the Lender or Guarantor for the purpose of financing the purchase of an Interest in the Company and/or the amount of one or more capital contributions to the Company, which is secured by such Interest, all other Interests of such Member in the Company (if any), in each case on terms which were or are approved by the Managing Member; provided , that such promissory note may also evidence indebtedness relating to interests in BFREP, BFIP, BFMEZP and BFCOMP, in which case, such indebtedness shall also be secured by interests of such Member in BFREP, BFIP, BFMEZP and BFCOMP, in each case on terms which were or are approved by the Managing Member. Such indebtedness shall be prepayable as provided in the Investor Note, any security agreement related thereto and, if applicable, the BFREP Agreements, BFIP Agreements, BFMEZP Agreements and BFCOMP Agreements and any documentation related thereto. References to "Investor Notes" herein may refer to multiple loans made pursuant to such promissory note, whether made with respect to such Member's Interest(s) in the Company or BFREP Investments, BFIP Investments, BFMEZP Investments or BFCOMP 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 Interests in the Company, and, if

applicable, interests in BFREP, BFIP, BFMEZP or BFCOMP be considered part of the Investor Notes for purposes hereof if the Lender or Guarantor is not the lender or guarantor with respect thereto.

" Lender or Guarantor " means Blackstone, in its capacity as lender or guarantor under the Investor Notes, including any Affiliate of the Company that makes or guarantees loans to enable a Member to acquire an Interest in the Company or interests in BFREP, interests in BFIP, interests in BFMEZP or interests in BFCOMP.

" 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 statute.

" Losses " has the meaning set forth in Section 3.5(b).

" 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), have aggregate Profit Sharing Percentages representing at least a majority of the Profit Sharing Percentages 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 set forth 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, the Regular Members, the Special Members or the Retaining Withdrawn Members, each referred to as a group for purposes hereof.

" Net Income (Loss) " has the meaning set forth in Section 5.1(a).

" 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 Operating Agreement " has the meaning set forth in the preamble hereto.

" Other Net Income (Loss) " for any accounting period means the net income or net loss of the Company for such accounting period as determined on an accrual basis after deduction for expenses of the Company, in accordance with GAAP, excluding (i) Fund Net Income (Loss) and (ii) any net income (loss) relating to the Incentive Allocation allocable to the Company from the Funds in accordance with the applicable Fund Agreements. The Managing Member may designate separate categories of Other Net Income (Loss) as it may determine in its sole discretion.

" Pass-Thru Member " has the meaning set forth in Section 6.7(c).

" Person " means any individual, partnership, joint venture, corporation, limited liability company, unincorporated organization or association, trust (including the trustees thereof in their capacity as such), government (or agency or subdivision thereof), governmental entity or other entity.

" Profit Sharing Percentage " means, with respect to any Member, such Member's percentage interest in Net Income (Loss) or any category thereof (including, without limitation, Fund Net Income (Loss), Other Net Income (Loss) and the Incentive Allocation), as determined by the Managing Member and set forth on the books and records of the Company, as such Profit Sharing Percentage may be modified from time to time in accordance herewith. Separate Profit Sharing Percentages may be established for each Member with respect to each separate category of Net Income (Loss).

" Positive Basis " has the meaning set forth in Section 6.7(b).

" Positive Basis Member " has the meaning set forth in Section 6.7(b).

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

" Regulations " means the U.S. Treasury regulations promulgated under the Code.

" Repurchase Period " has the meaning set forth in Section 5.7(c).

" Retaining Withdrawn Member " means a Withdrawn Member who has retained an Interest in the Company following such Withdrawn Member's Withdrawal Date. A Retaining Withdrawn Member shall be considered a Nonvoting Special Member for all purposes hereof.

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

" Special Investments " has the meaning set forth in Section 4.04(a) of the Delaware Fund Partnership Agreement.

" Special Investment Account " has the meaning set forth in Section 4.02(a) of the Delaware Fund Partnership Agreement.

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

" Tax Matters Member " has the meaning set forth in Section 6.7(c).

" TM " has the meaning set forth in Section 7.2.

" 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.

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

" Valuation Agent " has the meaning set forth in Section 4.06(c) of the Delaware Fund Partnership Agreement.

" 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,

Total Disability, Incompetence, 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 (except as a Retaining Withdrawn Member).

" Withdrawal Date " means, with respect to any Withdrawn Member, the date on which such Withdrawn Member ceases to be a Member of the Company.

" Withdrawn Member " means a Member whose Interest in the Company has been terminated for any reason.

Section 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

Section 2.1 Managing, Regular and Special Members . The Members may be Managing Members, Regular Members or Special Members. The Managing Member as of the date hereof is Holdings and 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 on the signature pages hereof.

Section 2.2 Continuation; Name; Foreign Jurisdictions . The Company was heretofore formed as a limited liability company pursuant to the LLC Act to conduct its activities under the name of Blackstone Real Estate Special Situations Associates 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 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.

Section 2.3 Term . The term of the Company began on the date the Certificate of Formation of the Company was filed and shall continue unless and until terminated as provided herein.

Section 2.4 Purpose; Powers . (a) The purpose of the Company shall be, directly or indirectly through subsidiaries or Affiliates, (i) to serve as general partner of the Funds and perform the functions of a general partner specified in the applicable Fund Agreements, (ii) to serve as a general partner and/or limited partner of other partnerships and/or as a member of one or more limited liability companies, (iii) to invest in, and acquire limited partnership interests, limited liability company interests and/or other equity interests in, and/or securities of, any one or more limited partnerships, limited liability companies and/or other entities, and/or receive allocations, fees, distributions and other payments from any one more

of such limited partnerships, limited liability companies and/or other entities, in each case as the Managing Member shall determine, (iv) 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 and the applicable Fund Agreements, (v) any other lawful purpose, and (vi) to do all things necessary, desirable, convenient and/or incidental thereto.

(b) In furtherance of its purpose, 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 Instruments 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) do any and all acts on behalf of the Funds and exercise all rights and remedies of the Funds with respect to its interest in any Person, firm, corporation or other entity, including, without limitation, the voting or lending of Instruments, participation in arrangements with creditors, the institution and settlement or compromise of suits and administrative proceedings and other similar matters;

(iii) acquire a long position or a short position with respect to any Instrument and make purchases or sales increasing, decreasing or liquidating such position or changing from a long position to a short position or from a short position to a long position, without limitation as to the frequency of the fluctuation in such positions or as to the frequency of the changes in the nature of such positions;

(iv) purchase Instruments and hold them for investment;

(v) enter into contracts for or in connection with investments in Instruments (including with respect to foreign exchange transactions, hedging transactions and/or transactions relating to derivative Instruments);

(vi) determine the valuation of investments and, when deemed appropriate, consult with the Valuation Agent with respect thereto;

(vii) enter into joint venture arrangements, co-invest with third parties or invest in other pooled investment vehicles, which arrangements or investments shall be subject in each case to the terms and conditions of the respective governing document for such transaction, including without limitation, payment of fees or provision for performance allocations (or similar arrangements) with respect thereto;

(viii) offer co-investment opportunities to its Affiliates, one or more limited partners of the Funds, strategic investors or other third parties;

(ix) establish one or more Special Investment Accounts in connection with the Special Investments of the Funds, each of which shall be so denominated on the books of the Funds;

(x) combine purchase or sale orders on behalf of the Funds, with orders for other accounts to which the Company or any of its Affiliates may provide investment services and allocate the Instruments or other assets so purchased or sold, on an average price basis or by any other method of equitable allocation, among such accounts;

(xi) borrow monies, on a secured or unsecured basis, from brokers, banks, and any other parties, which may include the Company its Affiliates, for any purpose including, without limitation, to increase investment capacity, make capital commitments, cover expenses, fund withdrawals or distributions, facilitate investments or cash management, raise monies or utilize any other form of leverage, make guaranties and loans to any Person, pledge the obligations of the partners of the Funds, to make capital contributions, issue, accept, endorse and execute promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness and grant or issue guaranties; provided , that any borrowing from the Company or its Affiliates shall be on arm's length and commercially reasonable terms;

(xii) appoint and enter into a contract with any Person, including the Investment Manager, to do any and all acts and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to Instruments and other property and funds held or owned by the Funds;

(xiii) open, maintain and close accounts with brokers, dealers and custodians, which power shall include the authority to issue all instructions and authorizations to brokers, dealers and custodians regarding Instruments and money therein and to pay, or authorize the payment and reimbursement of, brokerage commissions (that may be in excess of the lowest rates available), which are paid to brokers who execute transactions for the account of the Funds, who supply or pay the cost of research and brokerage services; provided , that the Company determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by such broker, viewed in terms of either that particular transaction or its overall responsibilities with respect to the accounts as to which the Company exercises investment discretion, and that such services would benefit the Funds;

(xiv) use "soft dollars" generated by the Funds, to the extent permitted by applicable law to pay for certain research and non-research-related services and products used by the Company and the Investment Manager within the safe harbor afforded by Section 28(e) of the Exchange Act;

(xv) open maintain and close bank accounts and draw and authorize checks, wire transfers or other orders for the payment of monies;

(xvi) enter into custodial arrangements regarding the Instruments and other assets owned beneficially by the Funds with banks, brokers and other financial institutions, wherever located;

(xvii) enter into arrangements with placement agents or similar persons to solicit investors in the Funds which arrangements may provide for the compensation of such placement agents in return for services rendered;

(xviii) transfer or otherwise deal in, and to exercise all rights, powers, privileges and other incidents of ownership or possession of the Funds with respect to Instruments and other property and funds held or owned by the Funds and to secure the payment of such or other

obligations of the Funds by possession of, mortgage upon, hypothecation or pledge of, or otherwise deal in, all or part of the property of the Funds whether at the time owned or thereafter acquired;

(xix) organize one or more partnerships or corporations or other entities formed to hold record title, as nominee for the Funds, otherwise (whether alone or together with other investment vehicles), to Instruments or funds of the Funds;

(xx) authorize any partner, director, officer, employee or other agent of the Company, the Investment Manager or agent or employee of the Funds to act for and on behalf of the Funds in all matters incidental to the foregoing;

(xxi) make, in its sole discretion, any and all elections for U.S. federal, state, local and non-U.S. tax purposes, including any election to adjust the basis of the Funds' property pursuant to Section 754 of the Code;

(xxii) make, execute, deliver, record and file all certificates, instruments, documents, reports or statements, or any amendment thereto, of any kind necessary or desirable to accomplish the business, purpose and objectives of the Funds, in each case as required by any applicable law, agreement or its business judgment;

(xxiii) do any other act that the Company deems necessary or advisable in connection with the management and administration of the Funds;

(xxiv) 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;

(xxv) 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

(xxvi) 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.

Section 2.5 Registered Office; Place of Business; Registered Agent . The Company shall maintain an office and principal place of business at 345 Park Avenue, New York, New York 10154 or such other place or places as the Managing Member may designate from time to time. The Company shall maintain a registered office at The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County Delaware 19801. 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

Section 3.1 Managing Member . (a) Holdings is the Managing Member as of the date hereof. The Managing Member shall cease to be the Managing Member only if it (i) Withdraws from the Company for any

reason or (ii) consents in its sole discretion to resign as the Managing Member. 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 Regular Members.

Section 3.2 Member Voting, etc . (a) Except as otherwise expressly provided herein and except as may be expressly required by the LLC Act, Regular Members and 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 them 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.

Section 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 discretion, subject only to the express terms and conditions of this Agreement (including Section 7.4).

(b) Notwithstanding any provision of this Agreement to the contrary, the Company is hereby authorized, without the need for any further act, vote or consent of any Member, (i) to execute and deliver, and to perform the Company's obligations under, each agreement of the Company (including, without limitation, the applicable Fund Agreements), including, without limitation, serving as a general partner of the Funds, (ii) to execute and deliver, as a general partner of the Funds, the applicable Fund Agreements, as amended, restated and/or supplemented, and to perform the Company's obligations, and to cause the Funds to perform its obligations, under the applicable Fund Agreements, and (iii) to take any action, in the applicable capacity, contemplated by or arising out of any applicable Fund Agreements.

(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 (the Managing Member hereby authorizing and ratifying any of the following actions):

(i) to execute and deliver and/or file (in the name and on behalf of the Company, and/or in the name and on behalf of the Company as the general partner of the Funds) any agreement of the Company (including, without limitation, the applicable Fund Agreements) or of the Funds (including, without limitation, the applicable Fund Agreements) and any amendments, restatements

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

(ii) to prepare or cause to be prepared, and to sign, execute and deliver and/or file (in the name and on behalf of the Company and/or in the name and on behalf of the Company as the general partner of the Funds), (A) such documents, instruments, certificates and agreements as may be necessary or desirable in furtherance of the Company's or the Funds' purposes, (B) any certificates, forms, notices, applications and other documents to be filed with any government or governmental or regulatory body on behalf of the Company or the Funds, (C) any certificates, forms, notices, applications and other documents that may be necessary or advisable in connection with any bank account of the Company or the Funds, and all checks, notes, drafts and other documents of the Funds that may be required in connection with any such bank account or any banking facilities or services that may be utilized by the Company or the Funds, (D) 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 Members, the Company or the Funds, as applicable, for all purposes), and (E) any amendments, restatements and/or supplements of any of the foregoing.

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.

Section 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 as the Managing Member deems appropriate, including rules governing the authority of Members to bind the Company to financial commitments or other obligations.

Section 3.5 Exculpation and Indemnification . (a) Liability to Members . Notwithstanding any other provision of this Agreement, whether express or implied, to the fullest extent permitted by law, no Member nor any of such Member's representatives, agents or advisors nor any partner, member, officer, employee, representative, agent or advisor of the Company or any of its Affiliates (individually, a " Covered Person " and, collectively, the " Covered Persons ") shall be liable to the Company or any other Member for any act or omission (in relation to the Company, this Agreement, any related document or any transaction or investment contemplated hereby or thereby) taken or omitted by a Covered Person (other than any act or omission constituting Cause) unless there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not

act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interests of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful. Each Covered Person shall be entitled to rely in good faith on the advice of legal counsel to the Company, accountants and other experts or professional advisors, and no action taken by any Covered Person in reliance on such advice shall in any event subject such person to any liability to any Member or the Company. To the extent that, at law or in equity, a Member has duties (including fiduciary duties) and liabilities relating thereto to the Company or to another Member, to the fullest extent permitted by law, such Member acting under this Agreement shall not be liable to the Company or to any such other Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of a Member otherwise existing at law or in equity, are agreed by the Members, to the fullest extent permitted by law, to modify to that extent such other duties and liabilities of such Member.

(b) Indemnification . To the fullest extent permitted by law, the Company shall indemnify and hold harmless (but only to the extent of the Company's assets (including, without limitation, the remaining Commitments of the Members) each Covered Person from and against any and all claims, damages, losses, costs, expenses and liabilities (including, without limitation, amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim), joint and several, of any nature whatsoever, known or unknown, liquidated or unliquidated (collectively, " Losses "), arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of such Covered Person's management of the affairs of the Company or which relate to or arise out of or in connection with the Company, its property, its business or affairs (other than claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising out of any act or omission of such Covered Person constituting Cause); provided , that a Covered Person shall not be entitled to indemnification under this Section with respect to any claim, issue or matter if there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interest of the Company and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful; provided further , that if such Covered Person is a Member or a Withdrawn Member, such Covered Person shall bear its share of such Losses in accordance with such Covered Person's 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 Commitment, for such Member's pro rata share of the Company's expenses related to such indemnity obligation, as determined by the Managing Member. The Company may purchase insurance, to the extent available at reasonable cost, to cover losses, claims, damages or liabilities covered by the foregoing indemnification provisions. Members will not be personally obligated with respect to indemnification pursuant to this Section 3.5(b).

Section 3.6 Representations of Members . (a) Each Regular and 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 he is acquiring each of his Interests for his own account for investment and not with a view to resell or distribute the same or any part thereof, 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 and Special Member represents and warrants that he understands that the Interests have not been registered under the Securities Act of 1933, as amended from time to time, 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 and Special Member represents that he has such knowledge and experience in financial and business matters, that he is capable of evaluating the merits and risks of an investment in the Company, and that he is able to bear the economic risk of such investment. Each Regular and Special Member represents that his 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 and Special Member represents that to the full satisfaction of the Member, the Member has been furnished any materials that he has requested relating to the Company 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 thereto and to obtain any other additional information relating thereto. Each Regular and Special Member represents that the Member has consulted to the extent deemed appropriate by the Member with the Member's own advisors 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 and 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 makes a capital contribution to the Company, and such Member hereby agrees that such capital contribution shall serve as confirmation thereof.

(c) Each Regular or Special Member certifies that (A) if such Member is a United States person (as defined in Section 7701 of the Code) (x) such Member's name, social security number (or, if applicable, employer identification number) and residence address (if an individual) or principal place of business address (if an entity) provided to the Company and its Affiliates pursuant to an IRS Form W-9, Request for Taxpayer Identification Number and Certification (" W-9 ") or otherwise are correct, (y) such Member will complete and return a W-9, and (z) such Member will notify the Company within 60 days of a change to foreign (non-United States) status or (B) if such Member is not a United States person (as defined in Section 7701 of the Code) (x) 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 Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding (" W-8IMY "), or otherwise is correct, (y) the Member will complete and return the applicable IRS form, including but not limited to a W-8BEN or W-8IMY and (z) such Member will notify the Company within 60 days of any change of such status. Each Regular or Special Member agrees to properly execute and provide to the Company in a timely manner any tax documentation that may be reasonably required by the Managing Member.

ARTICLE IV

CAPITAL OF THE COMPANY

Section 4.1 Capital Contributions by Members . (a) Each Regular Member may be required to make capital contributions to the Company at such times and in such amounts as may be determined by the Managing Member from time to time or as may be set forth in such Regular Member's Admission Letter. Special Members shall not be required to make capital contributions to the Company except as specifically set forth in this Agreement or as they otherwise agree; provided , that the Managing Member and any Special Member may agree from time to time that such Special Member shall make an additional capital contribution to the Company.

(b) Each capital contribution by a Member shall be credited to the appropriate Capital Account(s) of such Member in accordance with Section 5.2 and maintained in the books and records of the Company.

(c) The Managing Member may elect on a case-by-case basis with respect to any Member (including any additional Member admitted to the Company pursuant to Section 6.1 but excluding any Member that is also an executive officer of Blackstone) to (i) cause the Company to loan to any such Member the amount of any capital contribution to the Company by such Member on terms determined by the Managing Member, (ii) permit any such Member to make a required capital contribution to the Company in installments on terms determined by the Managing Member or (iii) permit any such Member to incur indebtedness to the Lender or Guarantor for the purpose of financing the purchase of an Interest in the Company and/or the amount of one or more capital contributions to the Company, which indebtedness shall be evidenced by an Investor Note and secured by such Interest, all other Interests of such Member in the Company (if any) and, if applicable, interests of such Member in BFREP, BFIP, BFMEZP and BFCOMP, in each case on terms which were or are approved by the Managing Member.

Section 4.2 Interest . There shall be no interest on the balances of the Members' Capital Accounts.

Section 4.3 Partial Withdrawals of Capital . Each Member may make partial withdrawals in respect of such Member's Capital Account(s) 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

Section 5.1 General Accounting Matters . (a) 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. " Net Income (Loss) " means, with respect to any accounting period, the sum of: (i) Fund Net Income (Loss) for such period, (ii) Other Net Income (Loss) for such period, and (iii) the Incentive Allocation for such period. The

Managing Member may from time to time (i) establish additional separate categories of Net Income (Loss) with respect to the Company as it may determine (including, without limitation, Net Income (Loss) relating to Special Investments by the Funds) and (ii) calculate and allocate Net Income (Loss) for each such category on a separate basis.

(b) Net Income (Loss) with respect to any accounting period 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 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 Net Income (Loss) pursuant to this definition shall be treated as deductible items; (v) any income that is payable to Company employees in respect of "phantom interests" awarded by the Managing Member to employees shall be included as an expense in the calculation of Net Income (Loss), 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 as determined by the Managing Member. Any adjustments to 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 adjustments; provided further , that the Managing Member may elect from time to time to calculate and allocate Net Income (Loss) attributable to any item of income or expense or any investment of the Company on a basis separate from the Company's other business.

(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 Withdrawal Date of a Withdrawn Member, if any such date is not the first day of a Fiscal Year, or on any other date determined by the Managing Member in its sole discretion. 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 its deems appropriate to the Members' Profit Sharing Percentages for the accounting period in which such event occurs (prior to any allocations of Unallocated Percentages or adjustments to Profit Sharing Percentages pursuant to Section 5.3) to reflect the Members' average Profit Sharing Percentages during such accounting period.

(d) In establishing Profit Sharing Percentages and allocating Unallocated Percentages (if any) 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.

Section 5.2 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 and Net Income (Loss) of the Company. A separate Capital Account shall be established for each Member with respect to Fund Net Income (Loss), Other Net Income (Loss) and the Incentive Allocation. In addition, the Managing Member may also establish separate Capital Accounts for each Member with respect to any other categories of Net Income (Loss) (if any) (including, without limitation, Net Income (Loss) relating to Special Investments by the Funds) as it may determine in its sole discretion.

(b) As of the end of each accounting period or, in the case of a capital contribution to the Company by one or more of the Members or a distribution by the Company to one or more of the Members, at the time of such contribution or distribution, (i) the appropriate 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 during such accounting period and (B) the Net Income allocated to such Member for such accounting period; and (ii) the appropriate 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 and (y) the Net Loss allocated to such Member for such accounting period.

Section 5.3 Profit Sharing Percentages

(a) Prior to the beginning of each annual accounting period, the Managing Member shall establish the profit sharing percentage (the " Profit Sharing Percentage ") of each Member in each category of 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, including those referred to in Section 5.1. The Managing Member may establish different Profit Sharing Percentages for any Member on a Fund-by-Fund basis with respect to each different category of Net Income (Loss) for each such Fund (including, without limitation, Fund Net Income (Loss), Other Net Income (Loss) and the Incentive Allocation) as it may determine in its sole discretion; provided , that each Member's Profit Sharing Percentage with respect to Fund Net Income (Loss) shall be based on such Member's Capital Account balance in such Member's Fund Net Income (Loss) Capital Account as it relates to the aggregate Fund Net Income (Loss) Capital Account balances of all Members. In the case of the Withdrawal of a Member, such Withdrawn Member's Profit Sharing Percentage shall be allocated by the Managing Member to one or more of the Members in its sole discretion. Except as may be otherwise determined by the Managing Member, in the case of the admission of any Member to the Company as an additional Member, the Profit Sharing Percentages of the other Members shall be reduced on a pro rata basis (based on such Members' respective Profit Sharing Percentages in effect immediately prior to such admission) by an amount equal to the Profit Sharing Percentage allocated to such new Member pursuant to Section 6.1(b). Notwithstanding the foregoing, the Managing Member may also adjust the 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 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 Profit Sharing Percentages (any remainder of such

Profit Sharing Percentages being called an " Unallocated Percentage "). Any Unallocated Percentage for any annual accounting period may be allocated by the Managing Member at such later times and to such Members as the Managing Member shall determine; provided , that any Unallocated Percentage in any category of 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) with previously allocated Profit Sharing Percentages in such category of Net Income (Loss) proportionately in accordance with such previously allocated Profit Sharing Percentages.

Section 5.4 Allocations of Net Income (Loss) . Except as otherwise provided in this Agreement, Net Income (Loss) and, to the extent necessary, individual categories thereof or components of income, gain, loss or deduction, of the Company shall be allocated among the Members in a manner that as closely as possible gives economic effect to the provisions of this Article V and the other relevant provisions of this Agreement, as determined in the reasonable discretion of the Managing Member.

Section 5.5 Liability of Members . Except as otherwise provided in the LLC Act, 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 addition, in no way does any of the foregoing limit any Member's obligations to make capital contributions as provided hereunder.

Section 5.6 Repurchase Rights, etc . The Managing Member may from time to time establish such repurchase rights and/or other requirements with respect to the Members' Interests in the Company 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.

Section 5.7 Distributions . (a) The Company shall make distributions of available cash (subject to reserves and other adjustments as provided herein) or other property to the Members 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 Net Income (Loss) established pursuant to Section 5.1(a). Subject to Section 5.1(d), distributions of cash or other property with respect to Incentive Allocation shall be made among Members in accordance with their respective Profit Sharing Percentages with respect thereto. At any time that a sale, exchange, transfer or other disposition by the Funds of a portion of a Special Investment is being considered by the Company (a " Disposable Special Investment "), at the election of the Managing Member each Member's Interest with respect to such Special Investment shall be vertically divided into two separate Member Interests, an Interest attributable to the Disposable Special Investment (a Member's " Class B Interest "), and an Interest attributable to such Special Investment excluding the Disposable Special Investment (a Member's " Class A Interest "). Distributions (including those resulting from a sale, transfer, exchange or other disposition by the Funds) relating to a Disposable Special Investment shall be made only to holders of Class B Interests with respect to such Special Investment in accordance with their Profit Sharing Percentages relating to such Class B Interests, and distributions (including those resulting from the sale, transfer, exchange or other disposition by the Funds) relating to a Special Investment excluding such Disposable Special Investment shall be made only to holders of Class A Interests with respect to such Special Investment in accordance with their respective Profit Sharing Percentages relating

to Class A Interests. Except as provided above, distributions of cash or other property with respect to each category of Net Income (Loss) shall be allocated among the Members in the same proportions as the allocations of 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 taxes that would be payable by such Member with respect to all categories of 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 and (iv) taking into account any other distribution made to such Member under this Agreement during such Fiscal Year. Notwithstanding the foregoing, the Managing Member may refrain from making any such distribution if, in the reasonable judgment of the Managing Member, such distribution would be prohibited by § 18-607 of the LLC Act.

(c) The Managing Member may provide that a Member's right to distributions and investments of the Company may be subject to repurchase by the Company during such period as the Managing Member shall determine (a " Repurchase Period "). Any Contingent distributions from 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 such Member's Interest 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 in proportion to their respective Profit Sharing Percentages with respect thereto.

Section 5.8 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.

ARTICLE VI

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

Section 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. The Managing Member shall determine and negotiate with each additional Member all terms of such additional Member's participation in the Company, including such additional Member's initial capital contribution, Profit Sharing Percentage and base salary. Each additional Member

shall have such voting rights as may be determined by the Managing Member 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 ").

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

(c) Each additional Member may be required to contribute to the Company his pro rata share of the Company's total capital, at such times and in such amounts as shall be determined by the Managing Member in accordance with Section 4.1.

(d) The admission of an additional Member will be evidenced by (i) the execution of a counterpart copy of this Agreement by such additional Member or (ii) the execution of an amendment to this Agreement by all the Members (including the additional Member), as determined by the Managing Member.

Section 6.2 Withdrawal of Members . (a) Any Member (other than the Managing Member) (i) may voluntarily Withdraw from the Company, in whole or in part, at any time upon at least sixty (60) days' prior written notice to the Company, (ii) may be removed from the Company at any time by the Managing Member for any reason or no reason, (iii) shall be deemed to have withdrawn from the Company upon such Member's death, Total Disability or Incompetence, or (iv) shall automatically be removed from the Company to the extent Cause exists with respect thereto; 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 to the extent a Withdrawal relates to a Capital Account relating to an investment of capital in the Funds, such Withdrawal may only be made to the extent permitted by the applicable Fund Agreements.

(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.

(c) As of the effective date of a Member's Withdrawal, such Member shall execute a release in favor of the Company and its Members, releasing the Company and its Members from all liabilities to the withdrawing Member in such form as determined by the Managing Member.

(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 Member's Interest, such Member, upon written notice by the Managing Member to such Member, shall be required to Withdraw with respect to such Member's Interest, as determined by the Managing Member, 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 Member's Interest, such notice shall state that it has been given for Cause and shall describe the particulars thereof in reasonable detail.

(e) Upon the Total Disability of a Regular Member, such Member shall thereupon cease to be a Regular Member with respect to such Member's 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 Member's Interest, with such 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.

(f) 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.

Section 6.3 Company Interests Not Transferable . No Member may sell, assign, pledge or otherwise transfer or encumber all or any portion of such Member's 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 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, 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 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 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.

Section 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.

Section 6.5 Satisfaction and Discharge of a Withdrawn Member's Interest . (a) The terms of this Section 6.5 shall apply to the Interest of a Withdrawn Member. The term " Settlement Date " shall mean the date as of which a Withdrawn Member's Interest in the Company is settled as determined under paragraph (b) below.

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

(c) In the event of the Withdrawal of a Member, the Managing Member shall promptly after such Withdrawn Member's Settlement Date (i) determine and allocate to the Withdrawn Member's Capital Account such Withdrawn Member's allocable share of the 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 Capital Account 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, taxes, bad debts, unrealized losses, actual or threatened litigation or any other expenses, contingencies or obligations) as it deems appropriate. Except as provided in Section 6.5(c) and unless otherwise determined by the Managing Member in a particular case, a Withdrawn Member shall not be entitled to receive any amounts or 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 amounts or 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 a Withdrawn Member, such Member's Profit Sharing Percentage in respect of the various categories of Net Income (Loss) of the Company (other than the category of Net Income (Loss) relating to Special Investments as provided in Section 6.5(f)) shall be reduced to zero (or in the case of a partial Withdrawal, shall be reduced pro rata based on the Profit Sharing Percentage represented by the withdrawn Interest as related to the aggregate Profit Sharing Percentage of the relevant Member), and (i) the Profit Sharing Percentage of all of the remaining Members shall be adjusted pro rata to their respective Profit Sharing Percentages at such time or (ii) such Profit Sharing Percentages shall become Unallocated Percentages, in each case, as determined by the Managing Member in its sole discretion.

(e) (i) Upon the Withdrawal from the Company of a Member, such Withdrawn Member thereafter shall not, except as expressly provided in this Section 6.5, have any rights of a Member (including voting rights), and, except as expressly provided in this Section 6.5, such Withdrawn Member shall not have any interest in any category of the Company's Net Income (Loss) (including, without limitation, Fund Net Income (Loss), Other Net Income (Loss) or the Incentive Allocation) or in distributions, investments or other assets related to such Member's Interest. If a Member Withdraws from the Company for any reason other than for Cause, then the Withdrawn Member shall be entitled to receive, at the time or times specified in Section 6.5(h) below, in satisfaction and discharge in full of the Withdrawn Member's Interest in the Company, (x) payment equal to the aggregate positive balance, if any, as of the Settlement Date of the Withdrawn Member's Capital Account (or portion thereof, as applicable), (excluding any Capital Account or portion thereof attributable to any Special Investments) and (y) the Withdrawn Member's Profit Sharing Percentage in respect of the category of Net Income (Loss) of the Company established by the Managing Member relating to Special Investments 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)-(p) 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(h) 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 Capital Accounts of a Withdrawn Member who was solely a Special Member, upon the settlement of such Withdrawn Member's Interest in the Company pursuant to this Section 6.5, shall be allocated among the other Members' Capital Accounts in accordance with their respective Profit Sharing Percentages in the categories of 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 Interest in the Company, no value shall be ascribed to goodwill, the Company name or in 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 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 Interest and retain such Member's Profit Sharing Percentage in the category of Net Income (Loss) established by the Managing Member relating to Special Investments of the Company in lieu of a cash payment (or promissory note) in settlement of that portion of the Withdrawn Member's 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 Interest in the Company pursuant to this Section 6.5.

(f) With respect to any Withdrawn Member's Profit Sharing Percentage relating to the category of Net Income (Loss) established by the Managing Member for Special Investments, at the discretion of the Managing Member, such Withdrawn Member may retain such Profit Sharing Percentage and its Capital Account or portion thereof attributable to such Special Investments, in which case such Withdrawn Member (a " Retaining Withdrawn Member ") shall become a Nonvoting Special Member. The Member Interest of a Retaining Withdrawn Member pursuant to this paragraph (f) shall be subject to the terms and conditions applicable to 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 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 have the Company issue the Withdrawn Member a subordinated promissory note and/or to 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 Interest. If any such distributions in-kind are made to a Withdrawn Member in respect of its Interest 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) Within 120 days after the Settlement Date, the Managing Member shall submit to the Withdrawn Member a statement of the settlement of such Withdrawn Member's 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 Interest in the Company (e.g. , payments in respect of Special Investments pursuant to paragraph (f) above or adjustments to reserves pursuant to paragraph (i) 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.

(i) 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.

(j) 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 Special 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 Special 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.

(k) At the time of the settlement of any Withdrawn Member’s 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 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.

(l) If a Member is required to Withdraw from the Company with respect to such Member’s Interest for Cause, then his Member Interest shall be settled in accordance with paragraphs (a)-(p) of this Section 6.5; provided , however, 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 the Company as of the applicable Settlement Date, the Managing Member may elect to (A) determine the unrealized Net Income (Loss) attributable to each Special Investment in which such Member has an interest as of the Settlement Date and allocate to the appropriate Capital Account of the Withdrawn Member its allocable share of such unrealized Net Income (Loss) for purposes of calculating the aggregate balance of such Withdrawn Member's 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 Capital Account or portion thereof attributable to each such Special Investment as of his Settlement Date without giving effect to the unrealized Net Income (Loss) from such Special Investment as of its 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 Net Income (Loss) allocable to such Withdrawn Member with respect to any Special Investment shall equal such Member's percentage interest of the unrealized Net Income, if any, attributable to such Special Investment as of the Settlement Date (the balance of such 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 Special 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.

(m) 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 (m) 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; provided that if the principal amount of such final installment would exceed $10 million, such Withdrawn Member shall be required to forfeit only $10 million thereof and shall still be entitled to receive any remaining balance of such final installment as and when due.

(n) In addition to the foregoing, the Managing Member shall have the right to pay a Withdrawn Member a discretionary additional payment in an amount and based upon such circumstances and conditions as it determines to be relevant. The provisions of this Section 6.5 shall apply to any Member relating to a Member and to any transferee of any interest of such Member pursuant to Section 6.3 if such Member Withdraws from the Company.

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

(p) 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, 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.

Section 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. 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, the Members' respective interests in the Company shall be valued and settled in accordance with the procedures set forth in Sections 5.7 and 6.5 which provide for allocations to the Capital Accounts of the Members and distributions in accordance with the Capital Account balances of the Members. 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 affirmative vote of a Majority in Interest of the Members voting at a meeting of Members (excluding Nonvoting Special Members).

Section 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 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 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 Regulation 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) Notwithstanding Section 6.7(a), if the Company realizes capital gains (including short-term capital gains) for federal income tax purposes ("gains") for any fiscal year during or as of the end of which one or more Positive Basis Members (as hereinafter defined) Withdraw from the Company pursuant to this Article VI, the Managing Member may elect to allocate such gains as follows: (i) to allocate such gains among such Positive Basis Members, pro rata in proportion to the respective Positive Basis (as hereinafter defined) of each such Positive Basis Member, until either the full amount of such gains shall have been so allocated or the Positive Basis of each such Positive Basis Member shall

have been eliminated and (ii) to allocate any gains not so allocated to Positive Basis Members to the other Members in such manner as shall equitably reflect the amounts allocated to such Members' Capital Accounts pursuant to this Agreement.

As used herein, (i) the term " Positive Basis " shall mean, with respect to any Member and as of any time of calculation, the amount by which its aggregate Capital Account balance (determined in accordance with Section 5.2) as of such time exceeds its "adjusted tax basis," for Federal income tax purposes, in its interest in the Company as of such time (determined without regard to any adjustments made to such "adjusted tax basis" by reason of any transfer or assignment of such interest, including by reason of death, and without regard to such Member's share of the liabilities of the Company under Section 752 of the Code), and (ii) the term " Positive Basis Member " shall mean any Member who Withdraws from the Company and who has Positive Basis as of the effective date of its Withdrawal, but such Member shall cease to be a Positive Basis Member at such time as it shall have received allocations pursuant to clause (i) of the first paragraph of this Section 6.7(b) equal to its Positive Basis as of the effective date of its Withdrawal.

(c) 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-l 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. Each person (for purposes of this Section 6.7(c), called a " Pass-Thru Member ") that holds or controls an interest as a Member on behalf of, or for the benefit of, another person or persons, or which Pass-Thru Member is beneficially owned (directly or indirectly) by another person or persons, shall, within 30 days following receipt from the Tax Matters Member of any notice, demand, request for information or similar document, convey such notice or other document in writing to all holders of beneficial interests in the Company holding such interests through such Pass-Thru Member.

(d) 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.

Section 6.8 Special Basis Adjustments . In connection with a distribution of Company property to a Member or 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 Section 754 and Regulation 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

MISCELLANEOUS

Section 7.1 Submission to Jurisdiction; Waiver of Jury Trial . (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of paragraph (a), the Managing Member may bring, or may cause the Company to bring, on behalf of the Managing Member or the Company or on behalf of one or more Members, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Member (i) expressly consents to the application of paragraph (c) of this Section 7.1 to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Managing Member as such Member's agent for service of process in connection with any such action or proceeding and agrees that service of process upon any such agent, who shall promptly advise such Member of any such service of process, shall be deemed in every respect effective service of process upon the Member in any such action or proceeding.

(c)(i) EACH MEMBER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF

ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 7.1, 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 the preceding paragraph of this Section 7.1 and such parties agree not to plead or claim the same.

(d) Notwithstanding any provision of this Agreement to the contrary, this Section 7.1 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 7.1, 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 7.1. In that case, this Section 7.1 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 7.1 shall be construed to omit such invalid or unenforceable provision.

Section 7.2 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 partnership name to one which does not include BLACKSTONE or any confusingly similar term and cease all use of BLACKSTONE or any term confusingly similar thereto as a service mark or otherwise.

Section 7.3 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.

Section 7.4 Admission Letters; Schedules . The Managing Member may, or may cause the Company to, enter into separate letter agreements (" Admission Letters ") with certain Members with respect to capital contributions, Profit Sharing Percentages, benefits or any other matter, in each case, on terms and conditions not inconsistent with this Agreement. The Managing Member may from time to time execute and deliver to the Members schedules which set forth the then current Capital

Account balances and 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.

Section 7.5 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.

Section 7.6 Successors and Assigns . This Agreement shall be binding upon and shall, subject to the penultimate sentence of Section 6.3, inure to the benefit of the parties hereto, their respective heirs and personal representatives, and 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 Article VI. Any Member or Withdrawn Member shall remain liable for the obligations under this Agreement 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. Nothing in this Agreement is intended, nor shall anything herein be construed, to confer any rights, legal or equitable, in any person other than the Members and their respective legal representatives, heirs, successors and permitted assigns.

Section 7.7 Confidentiality; Restrictive Covenants . 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. In addition, each Member shall be subject to the restrictive covenants and other obligations set forth in such Member's Admission Letter.

Section 7.8 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 by hand delivery (including any courier service) or telecopy to any Member at its address or telecopy number shown in the Company's books and records or, if given to the Managing Member or the Company, 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, the Managing Member or the Company specified as aforesaid.

Section 7.9 Counterparts . This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument.

Section 7.10 Power of Attorney . Each Member (other than the Managing Member) hereby irrevocably appoints the Managing Member as such Member's true and lawful agent, representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file, on behalf of such Member, any and all agreements, instruments, documents and certificates which the Managing Member deems necessary or advisable in connection with any

transaction or matter contemplated by or provided for in this Agreement, 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 or an amendment to this Agreement. 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, Total Disability or Incompetence of such Member.

Section 7.11 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 7.11 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 7.11.

Section 7.12 Cumulative Remedies . Rights and remedies under this Agreement are cumulative and do not preclude use of other rights and remedies available under applicable law.

Section 7.13 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 provision of this Agreement, 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 7.13 shall be paid within 30 days of the date upon which such amounts are due to be paid.

Section 7.14 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 7.4, this Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

*****

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written. In the event that it is impracticable to obtain the signature of any of the Members to this Agreement, this Agreement shall be binding among the other Members executing the same.

MANAGING MEMBER:

BLACKSTONE HOLDINGS II L.P.

By: Blackstone Holdings I/II GP Inc., its General Partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Chief Legal Officer and Secretary

Exhibit 10.36

THE BLACKSTONE GROUP L.P.
2007 EQUITY INCENTIVE PLAN

DEFERRED UNIT AGREEMENT

Participant: _____ *Date of Grant:* _____

Number of Deferred Units: _____

1. Grant of Deferred Units . The Partnership hereby grants the number of deferred units (the " Deferred Units ") listed above to the Participant (the " Award "), effective as of the Date of Grant specified above, on the terms and conditions hereinafter set forth in this agreement (the " Award Agreement "). This grant is made pursuant to the terms of The Blackstone Group L.P. 2007 Equity Incentive Plan (as amended, modified or supplemented from time to time, the " Plan "), which is incorporated herein by reference and made a part of this Award Agreement. Each Deferred Unit represents the unfunded, unsecured right of the Participant to receive a Common Unit on the delivery date(s) specified in Section 4 hereof and each Common Unit shall be issued under the Plan.

2. Definitions . Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(a) " Cause " shall mean the occurrence or existence of any of the following as determined fairly, reasonably, on an informed basis and in good faith by the Administrator:

(i) (x) any material breach of any rules or regulations of the Partnership or its Affiliates applicable to the Participant, (y) the Participant's deliberate failure to perform his or her duties to the Partnership or its Affiliates, or (z) the Participant's committing to, or engaging in any conduct or behavior that is or may be harmful to the Partnership or its Affiliates in a material way; provided , that, in the case of any of the foregoing clauses (x), (y) and (z), the Administrator has given the Participant written notice (a " Notice of Breach ") within fifteen days after the Administrator becomes aware of such action and the Participant fails to cure such breach, failure to perform, conduct or behavior within fifteen days after receipt by the Participant of such Notice of Breach from the Administrator (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure, provided , that the Participant is diligently pursuing such cure);

(ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Partnership or 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 applicable securities laws, rules or regulations of the securities industry, that the Participant 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) the Participant's ability to function in his or her position with the Partnership or its Affiliates, taking into account the services required of such position and the nature of the Partnership's and its Affiliate's business or (B) the business of the Partnership or its Affiliates.

(b) " Qualifying Event " shall mean, during the Participant's Employment with the Partnership and its Affiliates, the Participant's death or Disability.

(c) " Vested Deferred Units " shall mean those Deferred Units which have become vested pursuant to Section 3 or otherwise pursuant to the Plan.

(d) " Vesting Dates " shall mean each of the first, second and third anniversaries of the Date of Grant.

3. Vesting .

(a) *Vesting—General.* Subject to the Participant's continued Employment with the Partnership and its Affiliates, the Award shall vest on the applicable Vesting Dates as follows:

(i) 33.3% of the Deferred Units granted hereunder shall vest on each of the following dates: (I) the first anniversary of the Date of Grant (the " First Anniversary Date "); (II) the second anniversary of the Date of Grant (the " Second Anniversary Date "); and (III) the third anniversary of the Date of Grant (the " Third Anniversary Date ") (each a " Anniversary Vesting Date ").

(b) *Vesting—Qualifying Events.* Upon the occurrence of a Qualifying Event, 100% of the Deferred Units granted hereunder shall vest (to the extent not previously vested) upon the date of such event.

(c) *Vesting—Terminations.* Except as otherwise set forth in Section 3(b), in the event the Participant's Employment with the Partnership and its Affiliates is terminated for any reason, the portion of the Award that has not yet vested pursuant to Section 3(a) or 3(b) hereof (or otherwise pursuant to the Plan) shall be cancelled immediately and the Participant shall automatically forfeit all rights with respect to such portion of the Award as of the date of such termination.

4. Delivery .

(a) *Delivery—General.* The Partnership shall, on each applicable Vesting Date set forth in Section 3(a) of this Award Agreement, deliver to the Participant the Common Units underlying the Deferred Units which vest and become Vested Deferred Units on such date.

(b) *Delivery—Qualifying Events* . Upon the occurrence of a Qualifying Event, the Partnership shall, within 10 days following the date of such event, deliver Common Units to the Participant in respect of 100% of the Deferred Units which vest and become Vested Deferred Units on such date.

(c) *Delivery—Terminations.* Except as otherwise set forth in Section 4(b) or 4(d), in the event any of the Deferred Units become Vested Deferred Units in connection with the termination of the Participant's Employment with the Partnership and its Affiliates, the Partnership shall, within 10 days following the date of such termination, deliver Common Units in respect of such Vested Deferred Units.

(d) *Forfeiture—Cause Termination* . Notwithstanding anything to the contrary herein, upon the termination of the Participant's Employment by the Partnership or any of its Affiliates for Cause, all outstanding Deferred Units (whether or not vested) shall immediately terminate and be forfeited without consideration and no further Common Units with respect of the Award shall be delivered to the Participant or to the Participant's legal representative, beneficiaries or heirs . Without limiting the foregoing, any Common Units that have previously been delivered to the Participant or the Participant's

legal representative, beneficiaries or heirs pursuant to the Award and which are still held by the Participant or the Participant's legal representative, or beneficiaries or heirs as of the date of such termination for Cause, shall also immediately terminate and be forfeited without consideration.

5. Change in Control . Notwithstanding anything to the contrary herein, in the event of a Change in Control, (i) 100% of the Deferred Units granted hereunder which then remain outstanding shall vest (to the extent not previously vested) upon the date of such Change in Control, and (ii) the Partnership shall deliver Common Units to the Participant at the same times as would otherwise be delivered pursuant to Section 4(a); provided , however , if such Change in Control (or any subsequent Change in Control) would constitute "a change in the ownership or effective control" or a "change in the ownership of a substantial portion of the assets" of the Partnership (in each case within the meaning of Section 409A of the Code), the Partnership shall instead deliver Common Units to the Participant in respect of 100% of the then outstanding Deferred Units (to the extent not previously delivered) on or within 10 days following such Change in Control.

6. Dividends . No dividends or other distributions shall accrue or become payable with respect to any Deferred Units prior to the date upon which they become Vested Deferred Units (to the extent not previously delivered as Common Units or forfeited).

7. Adjustments Upon Certain Events . The Administrator shall, in its sole discretion, make certain substitutions or adjustments to the Deferred Units subject to this Award Agreement pursuant to Section 9 of the Plan.

8. No Right to Continued Employment . The granting of the Deferred Units evidenced by this Award Agreement shall impose no obligation on the Partnership or any Affiliate to continue the Employment of the Participant and shall not lessen or affect the Partnership's or its Affiliate's right to terminate the Employment of such Participant.

9. No Rights of a Holder of Common Units . Except as otherwise provided herein, the Participant shall not have any rights as a holder of Common Units, until such Common Units have been issued or transferred to the Participant.

10. Restrictions . Any Common Units issued or transferred to the Participant pursuant to Section 4 of this Award Agreement shall be subject to such stop transfer orders and other restrictions as the Administrator may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Common Units are listed and any applicable U.S. or non-U.S. federal, state or local laws, and the Administrator may cause a notation or notations to be put entered into the books and records of the Partnership to make appropriate reference to such restrictions.

11. Transferability . Unless otherwise determined or approved by the Administrator, the Deferred Units may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 11 shall be void and unenforceable against the Partnership or any Affiliate.

12. Notices . All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 12):

(a) If to the Partnership, to:

The Blackstone Group L.P.
345 Park Avenue
New York, New York, 10154
Attention: Chief Legal Officer
Fax: (212) 583-5258

(b) If to the Participant, to the address appearing in the personnel records of the Partnership or any Affiliate.

13. Withholding . The Participant may be required to pay to the Partnership or any Affiliate and the Partnership or any Affiliate shall have the right and is hereby authorized to withhold from any issuance or transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any issuance or transfer under this Award Agreement or under the Plan and to take such action as may be necessary in the opinion of the Partnership to satisfy all obligations for the payment of such withholding taxes, including, without limitation, by reducing the number of Common Units that would otherwise be transferred or issued pursuant to this Award Agreement. Without limiting the foregoing, the Administrator may, from time to time, permit the Participant to make arrangements prior to any vesting date or delivery date described herein to pay the applicable withholding taxes by remitting a check prior to the applicable vesting or delivery date.

14. Choice of Law . The interpretation, performance and enforcement of this Award Agreement shall be governed by the law of the State of New York.

15. Subject to Plan . By entering into this Award Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All Deferred Units and Common Units issued or transferred with respect thereof are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

16. Entire Agreement . This Award Agreement contains the entire understanding between the parties with respect to the Deferred Units granted hereunder (including, without limitation, the vesting and delivery schedules described herein), and hereby replaces and supersedes any prior communication and arrangements between the Participant and the Partnership or any of its Affiliates with respect to the matters set forth herein and any other pre-existing economic or other arrangements between the Participant and the Partnership or any of its Affiliates, unless otherwise explicitly provided for in any other agreement that the Participant has entered into with the Partnership or any of its Affiliates and that is set forth on Schedule A hereto. Unless set forth on Schedule A hereto, no such other agreement entered into prior to the Date of Grant shall have any effect on the terms of this Award Agreement.

17. Modifications . Notwithstanding any provision of this Award Agreement to the contrary, the Partnership reserves the right to modify the terms and conditions of this Award Agreement, including, without limitation, the timing or circumstances of the issuance or transfer of Common Units to the Participant hereunder, to the extent such modification is determined by the Partnership to be necessary to comply with applicable law or preserve the intended deferral of income recognition with respect to the Deferred Units until the issuance or transfer of Common Units hereunder.

18. Signature in Counterparts . This Award Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[*Signatures on next page.*]

IN WITNESS WHEREOF, the parties hereto have executed this Award Agreement.

THE BLACKSTONE GROUP L.P.

By: _____
Name: Stephen A. Schwarzman, Administrator

THE PARTICIPANT

By: _____
Name: _____

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 period ended June 30, 2008 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)) 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) 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

   c) 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 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 controls over financial reporting.

Date: August 8, 2008

/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, Michael A. Puglisi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2008 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)) 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) 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

   c) 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 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 controls over financial reporting.

Date: August 8, 2008

/s/ MICHAEL A. PUGLISI
Michael A. Puglisi
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 period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen A. Schwarzman, Chief Executive Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: August 8, 2008

/s/ STEPHEN A. SCHWARZMAN
Stephen A. Schwarzman
Chief Executive Officer
of Blackstone Group Management L.L.C.

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael A. Puglisi, Chief Financial Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: August 8, 2008

/s/ MICHAEL A. PUGLISI
Michael A. Puglisi
Chief Financial Officer
of Blackstone Group Management L.L.C.

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.