

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 SEPTEMBER 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
(State or other jurisdiction of
incorporation or organization)

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

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

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

Indicate by check mark whether the Registrant 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

Smaller reporting company

(Do not check if a 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 October 31, 2008 was 162,232,794. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of October 31, 2008 was 103,268,576.

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS	1
Unaudited Condensed Consolidated and Combined Financial Statements— September 30, 2008 and 2007:	
Condensed Consolidated Statements of Financial Condition as of September 30, 2008 and December 31, 2007	1
Condensed Consolidated and Combined Statements of Income for the Three and Nine Months Ended September 30, 2008 and 2007	2
Condensed Consolidated Statement of Changes in Partners' Capital for the Nine Months Ended September 30, 2008	3
Condensed Consolidated and Combined Statements of Cash Flows for the Nine Months Ended September 30, 2008 and 2007	4
Notes to Condensed Consolidated and Combined Financial Statements	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	35
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	62
ITEM 4T. CONTROLS AND PROCEDURES	64
PART II OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	65
ITEM 1A. RISK FACTORS	66
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	66
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	66
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	66
ITEM 5. OTHER INFORMATION	66
ITEM 6. EXHIBITS	67
SIGNATURE	68

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.

Table of Contents

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.

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)

	September 30, 2008	December 31, 2007
Assets		
Cash and Cash Equivalents	\$ 1,134,954	\$ 868,629
Cash Held by Blackstone Funds	143,681	163,696
Investments	5,468,327	7,145,156
Accounts Receivable	297,385	213,086
Due from Brokers	804,301	812,250
Investment Subscriptions Paid in Advance	—	36,698
Due from Affiliates	387,585	855,854
Intangible Assets, Net	1,117,038	604,681
Goodwill	1,695,848	1,597,474
Other Assets	160,596	99,366
Deferred Tax Assets	739,542	777,310
Total Assets	<u>\$11,949,257</u>	<u>\$13,174,200</u>
Liabilities and Partners' Capital		
Loans Payable	\$ 986,021	\$ 130,389
Amounts Due to Non-Controlling Interest Holders	118,734	269,901
Securities Sold, Not Yet Purchased	590,437	1,196,858
Due to Affiliates	1,008,896	831,609
Accrued Compensation and Benefits	424,686	188,997
Accounts Payable, Accrued Expenses and Other Liabilities	170,498	250,445
Total Liabilities	<u>3,299,272</u>	<u>2,868,199</u>
Commitments and Contingencies		
Non-Controlling Interests in Consolidated Entities	<u>4,836,128</u>	<u>6,079,156</u>
Partners' Capital		
Partners' Capital (common units: 272,702,270 issued and outstanding as of September 30, 2008; 260,471,862 issued and 259,826,700 outstanding as of December 31, 2007)	3,814,142	4,226,500
Accumulated Other Comprehensive Income	(285)	345
Total Partners' Capital	<u>3,813,857</u>	<u>4,226,845</u>
Total Liabilities and Partners' Capital	<u>\$11,949,257</u>	<u>\$13,174,200</u>

See notes to condensed consolidated and combined financial statements.

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues				
Management and Advisory Fees	\$ 447,373	\$ 329,445	\$ 1,094,941	\$ 1,118,541
Performance Fees and Allocations	(416,076)	149,934	(618,485)	1,266,181
Investment Income (Loss) and Other	(191,551)	47,307	(214,535)	320,460
Total Revenues	<u>(160,254)</u>	<u>526,686</u>	<u>261,921</u>	<u>2,705,182</u>
Expenses				
Compensation and Benefits	991,521	929,721	2,997,476	1,354,472
Interest	5,893	2,258	14,326	28,560
General, Administrative and Other	121,842	111,814	324,580	190,633
Fund Expenses	13,442	7,202	58,187	126,448
Total Expenses	<u>1,132,698</u>	<u>1,050,995</u>	<u>3,394,569</u>	<u>1,700,113</u>
Other Income (Loss)				
Net Gains (Losses) from Fund Investment Activities	(550,755)	9,884	(576,713)	5,406,709
Income (Loss) Before Non-Controlling Interests in Income (Loss) of Consolidated Entities and Provision (Benefit) for Taxes				
	(1,843,707)	(514,425)	(3,709,361)	6,411,778
Non-Controlling Interests in Income (Loss) of Consolidated Entities				
	(1,478,208)	(407,076)	(2,911,634)	4,601,139
Income (Loss) Before Provision (Benefit) for Taxes				
	(365,499)	(107,349)	(797,727)	1,810,639
Provision (Benefit) for Taxes				
	(25,168)	5,841	(49,872)	17,402
Net Income (Loss)	<u>\$ (340,331)</u>	<u>\$ (113,190)</u>	<u>\$ (747,855)</u>	<u>\$ 1,793,237</u>
				June 19, 2007 through September 30, 2007
Net Loss				<u>\$ (165,514)</u>
Net Loss Per Common Unit - Basic and Diluted				
Common Units Entitled to Priority Distributions	\$ (1.27)	\$ (0.44)	\$ (2.84)	\$ (0.64)
Common Units Not Entitled to Priority Distributions	\$ (1.57)		\$ (1.57)	
Weighted-Average Common Units Outstanding - Basic and Diluted				
Common Units Entitled to Priority Distributions	265,430,025	260,194,486	261,907,977	260,114,870
Common Units Not Entitled to Priority Distributions	3,353,468		1,125,982	
Revenues Earned from Affiliates				
Management and Advisory Fees	\$ 87,718	\$ 75,380	\$ 140,377	\$ 401,439

See notes to condensed consolidated and combined financial statements.

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 Comprehensive Income (Loss)	Total Partners' Capital	Comprehensive Loss
Balance at December 31, 2007	259,826,700	\$4,226,500	\$ 345	\$4,226,845	\$ —
Net Loss	—	(747,855)	—	(747,855)	(747,855)
Currency Translation Adjustment	—	—	(630)	(630)	(630)
Purchase of Interests from Predecessor Owners	—	(44,615)	—	(44,615)	—
Repurchase of Common Units	(10,000)	(195)	—	(195)	—
Deferred Tax Effects Resulting from Acquisition of Ownership Interests	—	(666)	—	(666)	—
Distribution to Unitholders	—	(241,074)	—	(241,074)	—
Equity-based Compensation	—	609,551	—	609,551	—
Net Delivery of Vested Common Units	4,502,100	(18,545)	—	(18,545)	—
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	8,383,470	31,041	—	31,041	—
Balance at September 30, 2008	<u>272,702,270</u>	<u>\$3,814,142</u>	<u>\$ (285)</u>	<u>\$3,813,857</u>	<u>\$ (748,485)</u>

See notes to condensed consolidated and combined financial statements.

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

	Nine Months Ended September 30,	
	2008	2007
Operating Activities		
Net Income (Loss)	\$ (747,855)	\$ 1,793,237
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	(2,433,089)	2,033,096
Net Realized (Gains) Losses on Investments	86,074	(3,825,604)
Changes in Unrealized (Gains) Losses on Investments Allocable to Blackstone Group	237,191	(43,835)
Non-Cash Performance Fees and Allocations	506,904	(322,293)
Equity-Based Compensation Expense	2,494,699	983,634
Intangible Amortization	113,725	62,404
Other Non-Cash Amounts Included in Net Income	13,417	5,488
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Cash Held by Blackstone Funds	20,016	494,240
Cash Relinquished with Deconsolidation of Partnership	—	(884,478)
Due from Brokers	7,949	(833,301)
Accounts Receivable	63,368	249,222
Due from Affiliates	292,974	(405,425)
Other Assets	42,520	(64,776)
Accrued Compensation and Benefits	143,491	49,616
Accounts Payable, Accrued Expenses and Other Liabilities	(108,787)	24,575
Due to Affiliates	(99,693)	433,581
Amounts Due to Non-Controlling Interest Holders	(41,153)	23,695
Cash Acquired from Consolidated Fund	3	—
Blackstone Funds Related:		
Investments Purchased	(25,885,727)	(12,371,959)
Cash Proceeds from Sale of Investments	25,986,456	11,504,828
Net Cash Provided by (Used in) Operating Activities	<u>692,483</u>	<u>(1,094,055)</u>
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(37,848)	(17,112)
Elimination of Cash for Non-Contributed Entities	—	(23,291)
Cash Paid for Acquisition, Net of Cash Acquired	(336,571)	—
Changes in Restricted Cash	(4,020)	—
Net Cash Used in Investing Activities	<u>(378,439)</u>	<u>(40,403)</u>
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	(779,062)	(5,825,845)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	292,575	7,181,625
Contributions from Predecessor Owners	—	282,335

continued...

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)

	Nine Months Ended September 30,	
	2008	2007
Distributions to Predecessor Owners	\$ —	\$(2,710,043)
Purchase of Interests from Predecessor Owners	(80,171)	(4,569,110)
Net Settlement of Vested Common Units and Repurchase of Common Units	(18,740)	(17,691)
Proceeds from Loans Payable	1,178,170	5,251,934
Repayment of Loans Payable	(399,417)	(5,479,876)
Distributions to Common Unitholders	(241,074)	—
Net Cash Provided by (Used in) Financing Activities	<u>(47,719)</u>	<u>1,614,569</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	639
Net Increase in Cash and Cash Equivalents	266,325	480,750
Cash and Cash Equivalents, Beginning of Period	868,629	129,443
Cash and Cash Equivalents, End of Period	<u>\$1,134,954</u>	<u>\$ 610,193</u>
Supplemental Disclosures of Cash Flow Information		
Payments for Interest	<u>\$ 10,873</u>	<u>\$ 26,513</u>
Payments for Income Taxes	<u>\$ 34,606</u>	<u>\$ 55,276</u>
Supplemental Disclosure of Non-Cash Financing Activities		
Non-Cash Distributions to Partners	<u>\$ —</u>	<u>\$ (3,399)</u>
Elimination of Capital of Non-Contributed Entities	<u>\$ —</u>	<u>\$ 118,947</u>
Elimination of Non-Controlling Interests of Non-Contributed Entities	<u>\$ —</u>	<u>\$ 823,030</u>
Transfer of Partners' Capital to Non-Controlling Interests	<u>\$ —</u>	<u>\$ 2,058,065</u>
Distribution Payable to Predecessor Owners	<u>\$ —</u>	<u>\$ 65,995</u>
Delivery of Vested Common Units	<u>\$ 170,626</u>	<u>\$ —</u>
Conversion of Blackstone Holding Units to Common Units	<u>\$ 31,041</u>	<u>\$ —</u>
Reorganization of the Partnership:		
Goodwill as a Result of Reorganization	<u>\$ 80,754</u>	<u>\$(1,606,514)</u>
Intangibles as a Result of Reorganization	<u>\$ (153,982)</u>	<u>\$ (722,288)</u>
Accounts Payable, Accrued Expenses and Other Liabilities	<u>\$ (8,800)</u>	<u>\$ 17,660</u>
Due to Affiliates	<u>\$ —</u>	<u>\$ 55,339</u>
Non-Controlling Interest in Consolidated Entities	<u>\$ 82,028</u>	<u>\$ 2,255,803</u>
Exchange of Founders and Senior Managing Directors' Interests in Blackstone Holdings:		
Deferred Tax Asset	<u>\$ 4,440</u>	<u>\$ (793,213)</u>
Due to Affiliates	<u>\$ (3,774)</u>	<u>\$ 674,231</u>
Partners' Capital	<u>\$ (666)</u>	<u>\$ 118,982</u>
Acquisition of GSO Capital Partners LP - Units to be Issued	<u>\$ 280,400</u>	<u>\$ —</u>

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, Or 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. 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.” “Carry Funds” refers to the corporate private equity funds, real estate funds and debt funds that are managed by Blackstone. 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

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, Or Where Otherwise Noted)

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.

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. Until the Blackstone Common Units issued in such exchanges are transferred to third parties, they will forego any priority distributions under Blackstone’s cash distribution policy as described in Note 7. 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

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, Or Where Otherwise Noted)

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

The Partnership contributed the proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to its wholly-owned subsidiaries, which in turn used these proceeds to (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 four 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 resulted 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, hedge funds and debt 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. The consolidated results of these funds have been reflected in the Partnership’s condensed consolidated and combined financial statements up to the effective date of these rights.

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 credit markets. 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* that reflect their investments, including majority-owned and controlled investments (the “Portfolio Companies”) as well as Securities Sold, Not Yet Purchased at fair value. 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 (“EITF 85-12”)*. Thus, such consolidated funds’ investments are reflected on the Condensed Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated 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).

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, Or Where Otherwise Noted)

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 close of business "bid" price and if sold short, at the "ask" price or at the "mid" price depending on the facts and circumstances. 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, including appropriate risk adjustments for nonperformance and liquidity risks. 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, if any, and replacement costs among other measures. The 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.

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

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

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, Or Where Otherwise Noted)**

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 (Losses) from Fund Investment Activities.

Securities transactions are recorded on a trade date basis.

Recent Accounting Developments

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 its 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. The Partnership is currently evaluating the impact that the adoption of FSP No. 142-3 may have on its consolidated financial statements.

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 its consolidated financial statements.

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, Or Where Otherwise Noted)

In September 2008, the FASB issued FSP FAS No. 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*. FSP FAS No. 133-1 and FIN 45-4 requires enhanced disclosures about credit derivatives and guarantees. The FSP is effective for financial statements issued for reporting periods ending after November 15, 2008. The Partnership is currently evaluating the impact that the adoption of FSP FAS No. 133-1 and FIN 45-4 will have on the Partnership's financial statement disclosures.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP FAS 157-3"), to help constituents measure fair value in markets that are not active. FSP FAS 157-3 is consistent with the joint press release the FASB issued with the Securities and Exchange Commission ("SEC") on September 30, 2008, which provides general clarification guidance on determining fair value under SFAS No. 157 when markets are inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The adoption of FSP 157-3 did not have a material impact on the Partnership's consolidated financial statements.

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 September 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.

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, Or Where Otherwise Noted)

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

Acquisition of GSO Capital Partners LP

In March 2008, the Partnership completed the acquisition of GSO, an alternative asset manager specializing in the credit markets. 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 \$8.2 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	\$472,100
Goodwill	179,128
Other Liabilities	<u>(11,043)</u>
Net Assets Acquired, at Fair Value	3,000
Purchase Price Allocation	<u>\$643,185</u>

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, Or Where Otherwise Noted)

The Condensed Consolidated Statement of Income for the nine months ended September 30, 2008 includes the results of GSO's operations from the date of acquisition, March 3, 2008, through September 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:

	Nine Months Ended September 30, (Unaudited)	
	2008	2007
Total Revenues	\$ 287,272	\$ 3,085,796
Net Income (Loss)	\$(753,659)	\$ 1,735,682
		For the Period
		June 19, 2007 through September 30,
		2007
Net Loss		\$ (171,619)
Net Loss per Common Unit - Basic and Diluted		
Common Units Entitled to Priority Distributions	\$ (2.86)	\$ (0.66)
Common Units Not Entitled to Priority Distributions	\$ (1.57)	

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	179,128	472,100
Purchase Price Adjustments - Reorganization	(80,754)	153,982
Amortization	—	(113,725)
Balance at September 30, 2008	\$1,695,848	\$1,117,038

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 - \$510,723, 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 September 30, 2008 is expected to be approximately \$153.2 million for the year ending December 31, 2008.

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, Or Where Otherwise Noted)

4. INVESTMENTS

Investments

A condensed summary of Investments consist of the following:

	September 30, 2008	December 31, 2007
Investments of Consolidated Blackstone Funds	\$ 2,898,668	\$ 3,992,638
Equity Method Investments	2,002,603	1,971,228
Performance Fees and Allocations Related Investments	489,469	1,150,264
Other Investments	77,587	31,026
	<u>\$ 5,468,327</u>	<u>\$ 7,145,156</u>

Blackstone's share of Investments of Consolidated Blackstone Funds totaled \$599.7 million and \$996.4 million at September 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 \$1.78 billion and \$1.88 billion at September 30, 2008 and December 31, 2007, respectively.

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, Or Where Otherwise Noted)

Investments of Consolidated Blackstone Funds

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

Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007
United States and Canada				
Investment Funds, principally related to marketable alternative asset management funds				
Credit Driven	\$ 779,268	\$ 929,902	26.9%	23.3%
Diversified Investments	789,862	693,798	27.2%	17.4%
Equity	157,834	174,534	5.4%	4.4%
Other	3,469	2,190	0.3%	0.1%
Investment Funds Total (Cost: 2008 \$1,647,566; 2007 \$1,547,295)	1,730,433	1,800,424	59.8%	45.2%
Equity Securities, principally related to marketable alternative asset management and corporate private equity funds				
Manufacturing	212,249	439,895	7.3%	10.8%
Services	181,825	410,109	6.3%	10.3%
Natural Resources	111,593	20,051	3.8%	0.5%
Real Estate Assets	1,721	2,153	0.1%	0.1%
Equity Securities Total (Cost: 2008 \$566,460; 2007 \$837,941)	507,388	872,208	17.5%	21.7%
Partnership and LLC Interests, principally related to corporate private equity and real estate funds				
Real Estate Assets	138,803	170,198	4.8%	4.3%
Services	128,809	143,209	4.4%	3.6%
Manufacturing	31,328	31,234	1.1%	0.8%
Natural Resources	130	—	0.0%	0.0%
Partnership and LLC Interests Total (Cost: 2008 \$271,453; 2007 \$260,372)	299,070	344,641	10.3%	8.7%
Debt Instruments, principally related to marketable alternative asset management funds				
Manufacturing	4,392	4,191	0.2%	0.1%
Services	4,744	2,977	0.2%	0.1%
Real Estate Assets	482	339	0.0%	0.0%
Debt Instruments Total (Cost: 2008 \$9,850; 2007 \$7,757)	9,618	7,507	0.4%	0.2%
United States and Canada Total (Cost: 2008 \$2,495,329; 2007 \$2,653,365)	2,546,509	3,024,780	88.0%	75.8%

Table of Contents

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, Or Where Otherwise Noted)

Geographic Region / Instrument Type / Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	September 30,	December 31,	September 30,	December 31,
	2008	2007	2008	2007
Europe				
Equity Securities, principally related to marketable alternative asset management and corporate private equity funds				
Manufacturing	\$ 47,760	\$ 523,244	1.6%	13.0%
Services	46,782	55,082	1.6%	1.4%
Equity Securities Total (Cost: 2008 \$106,646; 2007 \$513,237)	94,542	578,326	3.2%	14.4%
Partnership and LLC Interests, principally related to corporate private equity and real estate funds (Cost: 2008 \$45,135; 2007 \$45,859)	56,070	54,089	1.9%	1.4%
Debt Instruments, principally related to marketable alternative asset management funds (Cost: 2008 \$1,249; 2007 \$480)	1,108	452	0.0%	0.0%
Europe Total (Cost: 2008 \$153,030; 2007 \$559,576)	151,720	632,867	5.1%	15.8%
Asia				
Equity Securities, principally related to marketable alternative asset management and corporate private equity funds				
Services	86,951	129,090	3.0%	3.3%
Manufacturing	63,945	104,235	2.2%	2.6%
Natural Resources	2,403	17,525	0.1%	0.4%
Real Estate Assets	—	379	0.0%	0.0%
Equity Securities Total (Cost: 2008 \$168,019; 2007 \$223,382)	153,299	251,229	5.3%	6.3%
Partnership and LLC Interests, principally related to corporate private equity and real estate funds				
Manufacturing	352	—	0.0%	0.0%
Services	17	—	0.0%	0.0%
Partnership and LLC Interests Total (Cost: 2008 \$333; 2007 \$-)	369	—	0.0%	0.0%
Debt Instruments, principally related to marketable alternative asset management funds (Cost: 2008 \$285; 2007 \$-)	223	—	0.0%	0.0%
Asia Total (Cost: 2008 \$168,637; 2007 \$223,382)	153,891	251,229	5.3%	6.3%
Other Total (principally related to corporate private equity and marketable alternative asset management funds) (Cost: 2008 \$57,951; 2007 \$63,918)	46,548	83,762	1.6%	2.1%
Total Investments of Consolidated Blackstone Funds (Cost: 2008 \$2,874,947; 2007 \$3,500,241)	\$2,898,668	\$3,992,638	100.0%	100.0%

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, Or Where Otherwise Noted)

At September 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 September 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 September 30, 2008 and December 31, 2007, Blackport Capital Fund Ltd. had a fair value of \$699.4 million and \$903.3 million, respectively, and was the sole feeder fund investment to exceed the 5.0% threshold at each date.

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 held by certain of Blackstone's proprietary hedge funds. These investments are presented as a percentage of Securities Sold, Not Yet Purchased.

Geographic Region / Instrument Type / Industry Class	Fair Value		Percentage of Securities Sold Not Yet Purchased	
	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007
United States – Equity Instruments				
Services	\$ 297,300	\$ 597,880	50.4%	50.0%
Manufacturing	189,691	222,205	32.1%	18.6%
Natural Resources	3,310	123,498	0.6%	10.3%
Real Estate Assets	—	71,405	—	6.0%
United States Total (Proceeds: 2008 \$518,923; 2007 \$1,013,691)	<u>490,301</u>	<u>1,014,988</u>	<u>83.1%</u>	<u>84.9%</u>
Europe – Equity Instruments				
Manufacturing	30,294	39,165	5.1%	3.3%
Services	5,856	26,398	1.0%	2.2%
Europe Total (Proceeds: 2008 \$34,515; 2007 \$60,331)	<u>36,150</u>	<u>65,563</u>	<u>6.1%</u>	<u>5.5%</u>
Asia – Equity Instruments				
Natural Resources	40,177	163	6.8%	—
Services	23,163	25,383	3.9%	2.1%
Manufacturing	646	78,381	0.1%	6.5%
Asia Total (Proceeds: 2008 \$74,777; 2007 \$110,596)	<u>63,986</u>	<u>103,927</u>	<u>10.8%</u>	<u>8.6%</u>
All other regions – Equity Instruments – Manufacturing (Proceeds: 2008 \$-; 2007 \$11,571)	<u>—</u>	<u>12,380</u>	<u>—</u>	<u>1.0%</u>
Total (Proceeds: 2008 \$628,215; 2007 \$1,196,189)	<u>\$ 590,437</u>	<u>\$1,196,858</u>	<u>100.0%</u>	<u>100.0%</u>

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, Or Where Otherwise Noted)

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Realized Gains (Losses)	\$(178,172)	\$ 78,925	\$(164,530)	\$2,911,321
Net Change in Unrealized Gains (Losses)	(420,691)	(92,547)	(551,526)	2,469,794
	<u>\$(598,863)</u>	<u>\$ (13,622)</u>	<u>\$(716,056)</u>	<u>\$5,381,115</u>

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 creditors.

At September 30, 2008, Blackstone was the primary beneficiary of VIEs whose gross assets were \$1.49 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 September 30, 2008, gross assets of this entity was approximately \$697.3 million. Blackstone's aggregate maximum exposure to loss was approximately \$220.1 million as of September 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:

	September 30,		December 31,	
	2008	2007	2007	2008
Equity Method Investments	<u>\$ 2,002,603</u>		<u>\$ 1,971,228</u>	

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Equity in Net Income	<u>\$(167,256)</u>	<u>\$17,437</u>	<u>\$(196,305)</u>	<u>\$36,412</u>

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, Or Where Otherwise Noted)

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Realized Gains	\$ (232)	\$ (3,911)	\$ 104	\$ 9,648
Net Change in Unrealized Gains (Losses)	(7,549)	1,287	(9,115)	22,818
	<u>\$ (7,781)</u>	<u>\$ (2,624)</u>	<u>\$ (9,011)</u>	<u>\$ 32,466</u>

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, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market 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

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, Or Where Otherwise Noted)

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 September 30, 2008:

	Total	Level I	Level II	Level III
Investments of Consolidated Blackstone Funds	\$2,898,668	\$665,787	\$7,284	\$2,225,597
Other Investments	77,587	34,784	—	42,803
Securities Sold, Not Yet Purchased	590,437	590,437	—	—

Blackstone's share of Investments of Consolidated Blackstone Funds totaled \$599.7 million and \$996.4 million at September 30, 2008 and December 31, 2007, respectively.

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

Fair Value Based on	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Total Investment Company Holdings
Third-Party Fund Managers	—	—	76.3%	76.3%
Specific Valuation Metrics	12.9%	8.4%	2.4%	23.7%
Total	12.9%	8.4%	78.7%	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 September 30, 2008	Nine Months Ended September 30, 2008
Balance, Beginning of Period	\$ 2,463,215	\$ 2,362,542
Transfers In	—	160,040
Purchases (Sales), Net	(4,670)	25,289
Realized and Unrealized Gains (Losses), Net	(190,145)	(279,471)
Balance, September 30, 2008	\$ 2,268,400	\$ 2,268,400
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at Reporting Date	\$ (219,383)	\$ (344,632)

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, Or Where Otherwise Noted)

5. LOANS PAYABLE

As of September 30, 2008, the Partnership's assumed credit facilities from the GSO acquisition constituted a capital asset facility with \$16.8 million of available credit of which \$16.4 million was 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 11, 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. As of September 30, 2008, \$845.0 million was outstanding under this facility.

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 6.89% and a provision of 5.44% for the three months ended September 30, 2008 and 2007, respectively, and a benefit of 6.25% and a provision of 0.96% for the nine months ended September 30, 2008 and 2007, respectively. Blackstone's income tax benefit or provision were a benefit of \$25.2 million and a provision of \$5.8 million for the three months ended September 30, 2008 and 2007, respectively, and a benefit of \$49.9 million and a provision of \$17.4 million for the nine months ended September 30, 2008 and 2007, respectively.

Blackstone's effective tax rate for the three months and nine months ended September 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 nine months ended September 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

Beginning in the three month period ended September 30, 2008, certain unitholders exchanged Blackstone Holdings Partnership Units for Blackstone Common Units. Until the Blackstone Common Units issued in such exchanges are transferred to third parties, the unitholders will forego any priority distributions referred to below.

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, Or Where Otherwise Noted)

As a result, net loss available to the common unitholders was allocated between common units entitled to priority distributions and common units not entitled to priority distributions. The Partnership has calculated net loss per unit in accordance with EITF Issue No. 03-06, *Participating Securities and the Two-Class Method Under FASB Statement 128* (“EITF 03-06”).

Basic and diluted net loss per common unit for the three and nine months ended September 30, 2008 are calculated as follows:

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2008	
	Basic	Diluted	Basic	Diluted
Total Undistributed Loss				
Net Loss Allocable to Common Unit Holders	\$ (340,331)	\$ (340,331)	\$ (747,855)	\$ (747,855)
Less: Distributions to Common Unitholders	80,714	80,714	237,960	237,960
Total Undistributed Loss	<u>\$ (421,045)</u>	<u>\$ (421,045)</u>	<u>\$ (985,815)</u>	<u>\$ (985,815)</u>
Allocation of Total Undistributed Loss				
Undistributed Loss — Common Unitholders Entitled to Priority Distributions	\$ (415,792)	\$ (415,792)	\$ (980,562)	\$ (980,562)
Undistributed Loss — Common Unitholders Not Entitled to Priority Distributions	(5,253)	(5,253)	(5,253)	(5,253)
Total Undistributed Loss	<u>\$ (421,045)</u>	<u>\$ (421,045)</u>	<u>\$ (985,815)</u>	<u>\$ (985,815)</u>
Net Loss Per Common Unit — Common Units Entitled to Priority Distributions Undistributed Loss per Common Unit	\$ (1.57)	\$ (1.57)	\$ (3.74)	\$ (3.74)
Priority Distributions	<u>0.30</u>	<u>0.30</u>	<u>0.90</u>	<u>0.90</u>
Net Loss Per Common Unit — Common Units Entitled to Priority Distributions	<u>\$ (1.27)</u>	<u>\$ (1.27)</u>	<u>\$ (2.84)</u>	<u>\$ (2.84)</u>
Net Loss Per Common Unit — Common Units Not Entitled to Priority Distributions	<u>\$ (1.57)</u>	<u>\$ (1.57)</u>	<u>\$ (1.57)</u>	<u>\$ (1.57)</u>
Weighted-Average Common Units Outstanding — Common Units Entitled to Priority Distributions	265,430,025	265,430,025	261,907,977	261,907,977
Weighted-Average Common Units Outstanding — Common Units Not Entitled to Priority Distributions	<u>3,353,468</u>	<u>3,353,468</u>	<u>1,125,982</u>	<u>1,125,982</u>
Total Weighted-Average Common Units Outstanding	<u>268,783,493</u>	<u>268,783,493</u>	<u>263,033,959</u>	<u>263,033,959</u>

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, Or Where Otherwise Noted)

For the three months ended September 30, 2008, a total of 29,543,142 unvested deferred restricted common units and 831,014,915 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit. For the nine months ended September 30, 2008, a total of 33,178,865 unvested deferred restricted common units and 832,994,660 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit.

Basic and diluted net loss per common unit for the three and nine months ended September 30, 2007 are calculated as follows:

	Three Months Ended September 30, 2007		June 19, 2007 through September 30, 2007	
	Basic	Diluted	Basic	Diluted
Net Loss Allocable to Common Unit Holders	\$ (113,190)	\$ (113,190)	\$ (165,514)	\$ (165,514)
Weighted-Average Common Units Outstanding	260,194,486	260,194,486	260,114,870	260,114,870
Net Loss per Common Unit	\$ (0.44)	\$ (0.44)	\$ (0.64)	\$ (0.64)

For the three months ended September 30, 2007, a total of 33,457,425 unvested deferred restricted common units and 827,365,412 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 September 30, 2007, a total of 33,546,583 unvested deferred restricted common units and 827,382,860 Blackstone Holdings Partnership Units were anti-dilutive and as such have been excluded from the calculation of diluted earnings per unit.

Cash Distribution Policy

Blackstone's current intention is to distribute to its common unitholders on a quarterly basis substantially all of its net after-tax share of its annual Adjusted Cash Flow from Operations in excess of amounts determined by its general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future distributions to common unitholders for any ensuing quarter. The declaration and payment of any distributions will be at the sole discretion of its general partner, which may change its distribution policy at any time. Until December 31, 2009, the holders of Blackstone Holdings partnership units will not receive any distributions (other than tax distributions in the circumstances specified in Blackstone's 2007 Annual Report on Form 10-K) for a year unless and until common unitholders receive aggregate distributions of \$1.20 per common unit for such year. Blackstone does not intend to maintain this priority allocation after December 31, 2009.

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.

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, Or Where Otherwise Noted)

During the nine months ended September 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 nine months ended September 30, 2008, the Partnership recorded compensation expense of \$775.4 million and \$2.50 billion, respectively, in relation to its equity-based awards with a corresponding tax benefit of \$3.2 million and \$11.2 million, respectively. The Partnership recorded compensation expense of \$747.4 million and \$983.6 million for the three months ended September 30, 2007 and for the period June 19, 2007 through September 30, 2007, respectively. As of September 30, 2008, there was \$10.02 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 4.9 years.

Total vested and unvested outstanding units, including Blackstone Common Units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,113,883,826 as of September 30, 2008. Total outstanding unvested phantom units were 554,994 as of September 30, 2008.

A summary of the status of the Partnership's unvested equity-based awards as of September 30, 2008 and a summary of changes for the nine months ended September 30, 2008, are presented below:

	Blackstone Holdings		The Blackstone Group L.P.			
	Partnership Units	Weighted- Average Grant Date Fair Value	Equity Settled Awards		Cash Settled Awards	
Deferred Restricted Common Units			Weighted- Average Grant Date Fair Value	Phantom Units	Weighted- Average Grant Date Fair Value	
Unvested Units						
Balance, December 31, 2007	439,153,982	\$ 31.00	34,734,870	\$ 26.65	967,923	\$ 27.23
Granted	1,630,325	17.59	857,471	17.29	24,630	16.52
Repurchased	(7,510,488)	31.00	—	—	—	—
Vested	(77,986,677)	31.00	(5,960,181)	28.63	(370,116)	28.12
Exchanged	(128,200)	31.00	167,271	19.62	3,333	15.11
Forfeited	(736,295)	31.00	(975,060)	26.68	(70,776)	26.90
Balance, September 30, 2008	<u>354,422,647</u>	\$ 30.94	<u>28,824,371</u>	\$ 25.88	<u>554,994</u>	\$ 26.12

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 \$2.50 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.

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, Or Where Otherwise Noted)

Units Expected to Vest

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

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	327,820,786	4.6
Deferred Restricted Blackstone Common Units	23,138,449	5.4
Total Equity Settled Awards	<u>350,959,235</u>	<u>4.6</u>
Phantom Units	<u>457,994</u>	<u>1.6</u>

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.

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, Or Where Otherwise Noted)

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 September 30, 2008 and December 31, 2007, Due from Affiliates and Due to Affiliates were comprised of the following:

	September 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	\$ 151,181	\$ 143,849
Payments Made on Behalf of Non-Consolidated Entities	94,417	204,701
Management and Performance Fees Due from Non-Consolidated Funds of Funds	68,938	90,696
Amounts Due from Portfolio Companies	60,970	43,683
Advances Made to Predecessor Owners and Blackstone Employees	7,740	9,749
Investments Redeemed in Non-Consolidated Funds of Funds	4,339	363,176
	<u>\$ 387,585</u>	<u>\$ 855,854</u>
Due to Affiliates		
Due to Predecessor Owners in Connection with the Tax Receivable Agreement	\$ 688,547	\$ 689,119
Due to Predecessor Owners and Blackstone Employees	280,400	65,995
Distributions Received on Behalf of Predecessor Owners and Blackstone Employees	28,283	71,065
Distributions Received on Behalf of Non-Consolidated Entities	7,444	3,315
Payments Made by Non-Consolidated Entities	4,222	2,115
	<u>\$ 1,008,896</u>	<u>\$ 831,609</u>

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 September 30, 2008 and December 31, 2007, the Founders', other senior managing directors' and employees' investments aggregated \$1.24 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 \$(150.8) million and \$(40.5) million for the three months ended September 30, 2008 and 2007, respectively, and \$(164.7) million and \$272.2 million for the nine months ended September 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 \$1.0 million and \$1.3 million for the three months ended September 30, 2008 and 2007, respectively, and \$4.1 million and \$5.1 million for the nine months ended September 30, 2008 and 2007, respectively.

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, Or Where Otherwise Noted)**

Contingent Repayment Guarantee

Blackstone and its personnel who have received carried interest distributions have guaranteed payment on a several basis (subject to a cap) to the carry funds of any 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 either Blackstone or its personnel fail to fulfill their respective cash 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 \$688.5 million over the next 15 years. The present value of these estimated payments totals \$139.6 million assuming a 15% discount rate and using Blackstone's most recent projections relating to the estimated timing of the benefit to be received. Future payments under the tax receivable agreements in respect of subsequent exchanges would be in addition to these amounts.

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 September 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 September 30, 2008, such guarantees amounted to \$23.7 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 September 30, 2008.

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, Or Where Otherwise Noted)

Investment Commitments — The Blackstone Funds had signed investment commitments with respect to investments representing commitments of \$59.8 million as of September 30, 2008. Included in this is \$9.1 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 \$1.18 billion as of September 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 \$3.04 billion as of September 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 (Cash Clawback) — Carried interest is subject to cash clawback to the extent that the carried interest distributed to date exceeds the amount contractually 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 September 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 \$1.33 billion, on an after tax basis, at an assumed tax rate of 35.0%. As of September 30, 2008, none of the general partners of the corporate private equity, real estate or debt funds had an actual cash clawback obligation to any limited partners of the funds. In addition, Blackstone may be contingently obligated to fund obligations to certain Blackstone funds to the extent Blackstone personnel fail to meet their capital obligations to such funds.

Contingent Performance Fees and Allocations — Performance fees and allocations related to marketable alternative asset management funds for the nine months ended September 30, 2008 included \$22.9 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 September 30, 2008, if any, will not materially affect Blackstone's results of operations, financial position or cash flows.

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 and 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.

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, Or Where Otherwise Noted)

- 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. 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.

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, Or Where Otherwise Noted)

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

	Three Months Ended September 30, 2008				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues					
Management Fees					
Base Management Fees	\$ 67,009	\$ 80,361	\$ 131,279	\$ —	\$ 278,649
Advisory Fees	—	—	—	157,026	157,026
Transaction and Other Fees	26,090	7,050	4,270	—	37,410
Management Fee Offsets	(9,330)	(1,435)	—	—	(10,765)
Total Management and Advisory Fees	83,769	85,976	135,549	157,026	462,320
Performance Fees and Allocations	(104,653)	(302,448)	(12,488)	—	(419,589)
Investment Income (Loss) and Other	(47,454)	(57,180)	(171,033)	3,716	(271,951)
Total Revenues	(68,338)	(273,652)	(47,972)	160,742	(229,220)
Expenses					
Compensation and Benefits	34,192	21,102	60,268	82,295	197,857
Other Operating Expenses	23,957	14,807	26,073	17,352	82,189
Total Expenses	58,149	35,909	86,341	99,647	280,046
Economic Net Income (Loss)	\$ (126,487)	\$ (309,561)	\$ (134,313)	\$ 61,095	\$ (509,266)

	September 30, 2008 and the Nine Months then Ended				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues					
Management Fees					
Base Management Fees	\$ 201,312	\$ 215,089	\$ 361,915	\$ —	\$ 778,316
Advisory Fees	—	—	—	296,669	296,669
Transaction and Other Fees	56,088	25,699	8,282	—	90,069
Management Fee Offsets	(32,972)	(2,165)	—	—	(35,137)
Total Management and Advisory Fees	224,428	238,623	370,197	296,669	1,129,917
Performance Fees and Allocations	(246,123)	(409,643)	37,597	—	(618,169)
Investment Income (Loss) and Other	(70,912)	(69,144)	(200,531)	8,139	(332,448)
Total Revenues	(92,607)	(240,164)	207,263	304,808	179,300
Expenses					
Compensation and Benefits	(6,277)*	88,873	200,703	177,836	461,135
Other Operating Expenses	67,037	43,548	69,538	40,950	221,073
Total Expenses	60,760	132,421	270,241	218,786	682,208
Economic Net Income (Loss)	\$ (153,367)	\$ (372,585)	\$ (62,978)	\$ 86,022	\$ (502,908)
Segment Assets	\$ 3,048,388	\$2,433,332	\$2,944,780	\$579,352	\$9,005,852

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, Or Where Otherwise Noted)

* The credit balance in Compensation and Benefits for the Corporate Private Equity segment is primarily the result of a \$107.1 million reversal of prior period carried interest allocations made to certain personnel that are participating in the Partnership's profit sharing arrangements due to decreases in the fair values of portfolio investments.

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

	Three Months Ended September 30, 2008			
	Total Reportable Segments	Adjustments		Blackstone Consolidated
Revenues	\$ (229,220)	\$ 68,966	(a)	\$ (160,254)
Expenses	\$ 280,046	\$ 852,652	(b)	\$ 1,132,698
Other Loss	\$ —	\$ (550,755)	(c)	\$ (550,755)
Economic Net Income (Loss)	\$ (509,266)	\$ 143,767	(d)	\$ (365,499)

	September 30, 2008 and the Nine Months then Ended			
	Total Reportable Segments	Adjustments		Blackstone Consolidated
Revenues	\$ 179,300	\$ 82,621	(a)	\$ 261,921
Expenses	\$ 682,208	\$ 2,712,361	(b)	\$ 3,394,569
Other Loss	\$ —	\$ (576,713)	(c)	\$ (576,713)
Economic Net Income (Loss)	\$ (502,908)	\$ (294,819)	(d)	\$ (797,727)
Total Assets	\$9,005,852	\$ 2,943,405	(e)	\$11,949,257

- (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	Nine Months Ended
	September 30, 2008	September 30, 2008
Fund Management Fees and Performance Fees and Allocations		
Eliminated in Consolidation	\$ (75,843)	\$ (93,581)
Fund Expenses Added in Consolidation	14,065	60,966
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(488,977)	(544,098)
Total Consolidation Adjustments	\$ (550,755)	\$ (576,713)

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, Or Where Otherwise Noted)

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

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Economic Net Income (Loss)	\$ (509,266)	\$ (502,908)
Adjustments		
Amortization of Intangibles	(39,512)	(113,725)
Transaction Related Charges	(804,055)	(2,541,052)
Other Adjustments	(12,286)	(12,286)
Decrease in Loss Associated with Non-Controlling Interests in Income of Consolidated Entities Primarily Relating to the Blackstone Holdings Partnership Units Held by Blackstone Holdings Limited Partners	999,620	2,372,244
Total Adjustments	143,767	(294,819)
Income (Loss) Before Benefit for Taxes	\$ (365,499)	\$ (797,727)

- (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 nine months ended September 30, 2007:

	Three Months Ended September 30, 2007				Total Reportable Segments
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	
Segment Revenues					
Management Fees					
Base Management Fees	\$ 66,389	\$ 70,618	\$ 87,999	\$ —	\$225,006
Advisory Fees	—	—	—	81,911	81,911
Transaction and Other Fees	48,711	14,886	1,694	—	65,291
Management Fee Offsets	(20,892)	(9,281)	—	—	(30,173)
Total Management and Advisory Fees	94,208	76,223	89,693	81,911	342,035
Performance Fees and Allocations	108,398	28,479	2,522	—	139,399
Investment Income and Other	24,685	4,398	32,658	2,354	64,095
Total Revenues	227,291	109,100	124,873	84,265	545,529
Expenses					
Compensation and Benefits	56,319	39,325	34,006	50,020	179,670
Other Operating Expenses	22,798	12,639	17,779	13,485	66,701
Total Expenses	79,117	51,964	51,785	63,505	246,371
Economic Net Income	\$ 148,174	\$ 57,136	\$ 73,088	\$20,760	\$299,158

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, Or Where Otherwise Noted)

	Nine Months Ended September 30, 2007				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues					
Management Fees					
Base Management Fees	\$ 188,108	\$ 168,251	\$ 223,509	\$ —	\$ 579,868
Advisory Fees	—	—	—	271,954	271,954
Transaction and Other Fees	113,883	243,778	4,754	—	362,415
Management Fee Offsets	(41,757)	(9,972)	—	—	(51,729)
Total Management and Advisory Fees	260,234	402,057	228,263	271,954	1,162,508
Performance Fees and Allocations	503,286	662,263	132,490	—	1,298,039
Investment Income and Other	117,194	151,722	89,055	5,073	363,044
Total Revenues	880,714	1,216,042	449,808	277,027	2,823,591
Expenses					
Compensation and Benefits	98,200	79,729	104,637	88,273	370,839
Other Operating Expenses	54,869	27,252	52,527	27,327	161,975
Total Expenses	153,069	106,981	157,164	115,600	532,814
Economic Net Income	\$ 727,645	\$1,109,061	\$ 292,644	\$161,427	\$2,290,777

The following table reconciles the Total Reportable Segments to Blackstone's Income Before Provision for Taxes for the three and nine months ended September 30, 2007:

	Three Months Ended September 30, 2007		
	Total Reportable Segments	Adjustments	Blackstone Consolidated
Revenues	\$ 545,529	\$ (18,843) (a)	\$ 526,686
Expenses	\$ 246,371	\$ 804,624 (b)	\$1,050,995
Other Income	\$ —	\$ 9,884 (c)	\$ 9,884
Economic Net Income (Loss)	\$ 299,158	\$ (406,507) (d)	\$ (107,349)

	Nine Months Ended September 30, 2007		
	Total Reportable Segments	Adjustments	Blackstone Consolidated
Revenues	\$2,823,591	\$ (118,409) (a)	\$2,705,182
Expenses	\$ 532,814	\$1,167,299 (b)	\$1,700,113
Other Income	\$ —	\$5,406,709 (c)	\$5,406,709
Economic Net Income	\$2,290,777	\$ (480,138) (d)	\$1,810,639

(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.

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, Or Where Otherwise Noted)

- (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	Nine Months Ended
	<u>September 30, 2007</u>	<u>September 30, 2007</u>
Fund Management Fees and Performance Fees and Allocations		
Eliminated in Consolidation	\$ 18,843	\$ 118,409
Intersegment Elimination	(5,187)	(5,187)
Fund Expenses Added in Consolidation	7,202	126,448
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(10,974)	5,167,039
Total Consolidation Adjustments	<u>\$ 9,884</u>	<u>\$ 5,406,709</u>

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

	Three Months Ended	Nine Months Ended
	<u>September 30, 2007</u>	<u>September 30, 2007</u>
Economic Net Income	\$ 299,158	\$ 2,290,777
Adjustments		
Amortization of Intangibles	(55,204)	(62,404)
Transaction Related Charges	(747,406)	(983,634)
Decrease in Loss Associated with Non-Controlling Interests in Income of Consolidated Entities Primarily Relating to the Blackstone Holdings Partnership Units Held by Blackstone Holdings Limited Partners	396,103	565,900
Total Adjustments	<u>(406,507)</u>	<u>(480,138)</u>
Income (Loss) Before Provision for Taxes	<u>\$ (107,349)</u>	<u>\$ 1,810,639</u>

Table of Contents

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.

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 and we are launching new separate vehicles to make infrastructure and clean technology investments. 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, our real estate special situations fund targets 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 collateralized loan obligation (“CLO”) vehicles, 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.

“Blackstone Funds,” “our funds” and “our investment funds” refer to the corporate private equity funds, real estate funds, funds of hedge funds, debt funds, CLOs, 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.

Business Environment

The world financial markets experienced unprecedented volatility and declines across asset classes in the third quarter of 2008. Credit fears served to substantially stall the vital lending markets, including the inter-bank lending market. The lack of lending between financial institutions and to corporations left many companies, both healthy and unhealthy, unable to borrow. Global economic growth has slowed in both developed and emerging nations and in many regions is now entering a recession. Commodity pricing has declined.

Table of Contents

Substantial value has been lost across investment asset classes. During the third quarter, the S&P 500 declined 8.9%, the European equity index declined 21.0% and the Asian Index declined 20.7%. These declines accelerated in October, with the S&P 500 for example declining by an additional 16.9% that month. Credit spreads widened by 140 basis points during the quarter. High yield and high grade bond indices declined during the quarter, yielding 13.1% and 6.8% (for bonds rated BBB), respectively. Slowing global economic growth has led to the decline of commodities pricing. During the third quarter, oil declined to \$101 per barrel from \$140 and dropped further to \$68 by the end of October. The U.S. dollar rose against each of the Euro and Pound Sterling by 11.8% and 11.9%, respectively.

Investors reacted to weakening markets by significantly reducing equity and fixed income holdings. As a consequence, many equity and fixed income mutual funds and hedge funds experienced substantial redemptions and a reduction in value. Declining market prices also forced many leveraged investors to sell assets to meet margin requirements and reduce leverage ratios regardless of market prices.

As a result of economic weakness and limited liquidity, real estate markets in the U.S. and Europe generally experienced increases in capitalization rates and declines in value. Vacancy levels in numerous office markets increased and revenue per average room in the hotel markets declined in several regions.

Government intervention in the U.S., Europe and Asia has been swift and significant. Several U.S. and European financial institutions have required government support in the form of guarantees or capital injections. Coordinated interest rate cuts, capital injections, equity participation and a framework for securities purchases, are intended to return confidence and stability to the global financial system. Whether and when this will occur is not yet known.

The external shocks to financial services industry have, and likely will continue, to reshape the competitive landscape. Some of the largest financial institutions are no longer in existence or have been acquired. Two of the largest brokerage firms have become bank holding companies.

Lenders continue to severely restrict commitments to new debt, limiting industry-wide leveraged acquisition activity levels in both corporate and real estate markets. General acquisition activity has continued to decline, which has had an impact on several of our investment businesses.

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. The duration of current economic and market conditions is unknown.

Key Financial Measures and Indicators

Our key financial measures and indicators are discussed below. See also "— Critical Accounting Policies" below and Note 2. "Summary of Significant Accounting Policies" in the "Notes to Consolidated and Combined Financial Statements" in Item 8. "Financial Statements and Supplemental Data" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

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:

(a) *Base Management Fees.* Base management fees are fees charged directly to the fund or fund investors.

Table of Contents

- (b) *Transaction and Other Fees* . Transaction and other fees (including monitoring fees) are comprised of fees charged directly to funds and fund portfolio companies. Our investment advisory agreements generally require that the investment advisor share a portion of certain fees with the limited partners of the fund. Transaction and Other Fees are net of amounts, if any, shared with limited partners.
 - (c) *Management Fee Offsets* . Our investment advisory agreements generally require that the investment advisor share a portion of certain expenses with the limited partners of the fund. These shared items (“management fee reductions”) reduce the management fees received from the limited partners. Management fee offsets are comprised principally of broken deal and placement fee expenses.
- (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.

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 carry fund in the event investors in the fund achieve cumulative investment returns in excess of a specified rate. 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 all cases, each fund is considered separately in that regard and for a given fund, performance fees and allocations can never be negative over the life of the fund.

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.

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 with all payments for services rendered by our senior managing directors and selected other individuals engaged in our businesses accounted for as partnership distributions rather than as employee compensation and benefits expense. 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.

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

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

Non-Controlling Interests in 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

Table of Contents

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 (typically between one and three years) when capital may not be withdrawn or may only be withdrawn subject to a redemption fee. When redeemed amounts become legally payable to investors in our funds of hedge funds and 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 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.

Table of Contents

Economic Net Income

Economic Net Income (“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. ENI is used by management primarily in making resource deployment and compensation decisions across Blackstone’s four segments. (See Note 11. “Segment Reporting” in the “Notes to the Condensed Consolidated and Combined Financial Statements” in Part I. Financial Information, Item 1. Financial Statements of this filing.)

Operating Metrics

The alternative asset management business is a complex business that is primarily based on managing third party capital and does not require substantial capital investment to support rapid growth. However, there also can be volatility associated with its earnings and cash 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 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 personnel 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.

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 investments of our carry funds as to which we receive fees or a carried interest allocation. Over the 20-year period ending December 31, 2007, we earned average gross multiples of invested capital for realized and partially realized investments of 2.6x and 2.5x 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.

Table of Contents

Condensed Consolidated and Combined Results of Operations

Following is a discussion of our condensed consolidated and combined results of operations for the three and nine months ended September 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 nine months ended September 30, 2008 and 2007.

	Three Months Ended September 30,		2008 vs. 2007		Nine Months Ended September 30,		2008 vs. 2007	
	2008	2007	\$	%	2008	2007	\$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Revenues								
Management and Advisory Fees	\$ 447,373	\$ 329,445	\$ 117,928	36%	\$ 1,094,941	\$ 1,118,541	\$ (23,600)	(2)%
Performance Fees and Allocations	(416,076)	149,934	(566,010)	N/M	(618,485)	1,266,181	(1,884,666)	N/M
Investment Income (Loss) and Other	(191,551)	47,307	(238,858)	N/M	(214,535)	320,460	(534,995)	N/M
Total Revenues	(160,254)	526,686	(686,940)	N/M	261,921	2,705,182	(2,443,261)	(90)%
Expenses								
Compensation and Benefits	991,521	929,721	61,800	7%	2,997,476	1,354,472	1,643,004	121%
Interest	5,893	2,258	3,635	161%	14,326	28,560	(14,234)	(50)%
General, Administrative and Other	121,842	111,814	10,028	9%	324,580	190,633	133,947	70%
Fund Expenses	13,442	7,202	6,240	87%	58,187	126,448	(68,261)	(54)%
Total Expenses	1,132,698	1,050,995	81,703	8%	3,394,569	1,700,113	1,694,456	100%
Other Income (Loss)								
Net Gains (Losses) from Fund Investment Activities	(550,755)	9,884	(560,639)	N/M	(576,713)	5,406,709	(5,983,422)	N/M
Income (Loss) Before Non-Controlling Interests in								
Income (Loss) of Consolidated Entities and Provision								
(Benefit) for Taxes								
	(1,843,707)	(514,425)	(1,329,282)	258%	(3,709,361)	6,411,778	(10,121,139)	N/M
Non-Controlling Interests in Income (Loss) of								
Consolidated Entities								
	(1,478,208)	(407,076)	(1,071,132)	263%	(2,911,634)	4,601,139	(7,512,773)	N/M
Income (Loss) Before Provision (Benefit) for Taxes								
	(365,499)	(107,349)	(258,150)	240%	(797,727)	1,810,639	(2,608,366)	N/M
Provision (Benefit) for Taxes								
	(25,168)	5,841	(31,009)	N/M	(49,872)	17,402	(67,274)	N/M
Net Income (Loss)	\$ (340,331)	\$ (113,190)	\$ (227,141)	201%	\$ (747,855)	\$ 1,793,237	\$ (2,541,092)	N/M
Assets Under Management (at Period End)	<u>\$ 116,279,226</u>	<u>\$ 98,200,511</u>	<u>\$ 18,078,715</u>	<u>18%</u>	<u>\$ 116,279,226</u>	<u>\$ 98,200,511</u>	<u>\$ 18,078,715</u>	<u>18%</u>
Capital Deployed:								
Limited Partner Capital Invested	<u>\$ 2,299,804</u>	<u>\$ 2,704,481</u>	<u>\$ (404,677)</u>	<u>(15)%</u>	<u>\$ 4,823,112</u>	<u>\$ 8,312,757</u>	<u>\$ (3,489,645)</u>	<u>(42)%</u>

Table of Contents

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Revenues

Management and Advisory Fees were \$447.4 million for the third quarter of 2008, an increase of \$117.9 million, or 36%, from the third quarter of 2007. The change was principally driven by an \$18.08 billion, or 18%, increase in Assets Under Management and by increased revenues in all three businesses in our financial advisory services segment.

Performance Fees and Allocations were \$(416.1) million for the third quarter of 2008, a decrease of \$566.0 million from the third quarter of 2007. The change was due to a net decrease in the fair value of the underlying portfolio assets of our funds compared to a net appreciation during the third quarter of 2007. The net reduction in the fair value of the underlying portfolio assets was caused by a decrease in the unrealized value of certain assets in our real estate and corporate private equity funds and certain debt funds. An increase in capitalization rates, lower operating projections for some portfolio companies to reflect a softening economy, adverse fluctuations in foreign exchange rates and a reduction in share prices of various publicly held investments consistent with the general declines in the global equity markets were the catalysts for the reduction in the unrealized value of the assets.

Investment Income (Loss) and Other was \$(191.6) million for the third quarter of 2008, a decrease of \$238.9 million from the third quarter of 2007. The change was primarily attributable to a decrease in the fair value of Blackstone's investments in our funds of hedge funds and proprietary hedge funds, consistent with overall declines in the global equity and debt markets. In addition, our investments in our real estate, corporate private equity and certain debt funds decreased in value due to net depreciation in the underlying portfolio assets.

Management and Advisory Fees were \$1.09 billion for the nine months ended September 30, 2008, a decrease of \$23.6 million, or 2%, as compared to the nine months ended September 30, 2007. A decrease in transaction fees which reflects a decrease in the size and volume of consummated transactions was offset by an increase in base management fees as a result of an \$18.08 billion increase in Assets Under Management and an increase in fees generated by our restructuring and reorganization advisory services business.

Performance Fees and Allocations were \$(618.5) million for the nine months ended September 30, 2008, a decrease of \$1.88 billion as compared to the nine months ended September 30, 2007. The change was due to a net reduction in the fair value of the underlying portfolio assets of our funds compared to a net appreciation during the nine months ended September 30, 2007. The net reduction in the fair value of the underlying portfolio assets was caused by a reduction in the unrealized value of certain assets in our real estate and corporate private equity funds. The reduction in the unrealized value of these assets was due primarily to an increase in capitalization rates, lower operating projections for some portfolio companies, and a reduction in share prices of various publicly held investments consistent with the general declines in the global equity markets.

Investment Income (Loss) and Other was \$(214.5) million for the nine months ended September 30, 2008, a decrease of \$535.0 million as compared to the nine months ended September 30, 2007. The change was primarily attributable to a decrease in the fair value of our investments in our funds of hedge funds and proprietary hedge funds, consistent with overall declines in the global equity and debt markets. In addition, our investments in our real estate, corporate private equity and certain debt funds decreased due to net depreciation in the fair value of underlying portfolio assets.

Expenses

Expenses were \$1.13 billion for the third quarter of 2008, an increase of \$81.7 million, or 8%, from the third quarter of 2007. The change reflected higher Compensation and Benefits of \$61.8 million, principally resulting from incremental amortization of equity-based compensation of \$28.0 million. Additionally, our acquisition of GSO accounted for \$24.9 million of the overall increase.

Expenses were \$3.40 billion for the nine months ended September 30, 2008, an increase of \$1.69 billion as compared to the nine months ended September 30, 2007. The change reflected higher Compensation and Benefits

Table of Contents

of \$1.64 billion, principally resulting from the incremental amortization of equity-based compensation of \$1.51 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. The 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 reduction in compensation costs of \$129.5 million resulting from the reversal of prior period carried interest allocations to certain personnel due to a net reduction in the fair value of underlying funds' investments.

General, Administrative and Other increased \$133.9 million compared to the nine months ended September 30, 2007, primarily due to \$51.3 million of incremental amortization expense associated with our intangible assets related to our IPO, acquisition of GSO 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 \$(550.8) million for the third quarter of 2008, a decrease of \$560.6 million from the third quarter of 2007. The change was due to declines in the investment performance of certain of our proprietary hedge funds, corporate debt funds and funds of hedge funds. These losses arose at the Blackstone Funds level, of which \$(489.0) million and \$(11.0) million were allocated to non-controlling interest holders for the third quarter ended September 30, 2008 and September 30, 2007, respectively.

Other Income (Loss) was \$(576.7) million for the nine months ended September 30, 2008, a decrease of \$5.98 billion as compared to the nine months ended September 30, 2007. 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 at the IPO date. These losses arose at the Blackstone Funds level, of which \$(544.1) million of losses and \$5.17 billion of gains were allocated to non-controlling interest holders for the nine months ended September 30, 2008 and September 30, 2007, respectively.

Assets Under Management

Assets Under Management were \$116.28 billion at September 30, 2008, an increase of \$18.08 billion or 18% since September 30, 2007. The increase was principally due to the addition of \$15.04 billion from our acquisition of GSO, \$4.85 billion from our funds of hedge funds and \$6.45 billion of capital raised primarily in our European focused real estate fund and our sixth global real estate fund. These increases were partially offset by a decrease in our corporate private equity funds due to \$3.95 billion of realizations and changes in unrealized values.

Capital Deployed

Limited Partner Capital Invested was \$2.30 billion for the third quarter of 2008, a decrease of \$404.7 million, or 15%, from the third quarter of 2007. The change reflects a decrease in size and volume of investment activity in the third quarter of 2008 as a result of the current market conditions discussed above in "— Business Environment."

Limited Partner Capital Invested was \$4.82 billion for the nine months ended September 30, 2008, a decrease of \$3.49 billion, or 42%, as compared to the nine months ended September 30, 2007. The change reflects a decrease in the size and volume of consummated transactions, compared to the prior year period that most notably reflected our funds' investment of \$3.27 billion to acquire Equity Office Properties Trust in February 2007.

Table of Contents

Segment Analysis

Discussed below is our ENI 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. References to “our” sectors or investments may also refer to portfolio companies and investments of the underlying funds that we manage.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates the investment funds we manage. As a result, segment revenues are greater than those presented on a consolidated 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 September 30,				Nine Months Ended September 30,			
	2008	2007	2008 vs. 2007		2008	2007	2008 vs. 2007	
	(Dollars in Thousands)				(Dollars in Thousands)			
			\$	%			\$	%
Segment Revenues								
Management Fees								
Base Management Fees	\$ 67,009	\$ 66,389	\$ 620	1%	\$ 201,312	\$188,108	\$ 13,204	7%
Transaction and Other Fees	26,090	48,711	(22,621)	(46)%	56,088	113,883	(57,795)	(51)%
Management Fee Offsets	(9,330)	(20,892)	11,562	(55)%	(32,972)	(41,757)	8,785	(21)%
Total Management Fees	83,769	94,208	(10,439)	(11)%	224,428	260,234	(35,806)	(14)%
Performance Fees and Allocations	(104,653)	108,398	(213,051)	N/M	(246,123)	503,286	(749,409)	N/M
Investment Income (Loss) and Other	(47,454)	24,685	(72,139)	N/M	(70,912)	117,194	(188,106)	N/M
Total Revenues	(68,338)	227,291	(295,629)	N/M	(92,607)	880,714	(973,321)	N/M
Expenses								
Compensation and Benefits	34,192	56,319	(22,127)	(39)%	(6,277)	98,200	(104,477)	N/M
Other Operating Expenses	23,957	22,798	1,159	5%	67,037	54,869	12,168	22%
Total Expenses	58,149	79,117	(20,968)	(27)%	60,760	153,069	(92,309)	(60)%
Economic Net Income (Loss)	<u>\$(126,487)</u>	<u>\$148,174</u>	<u>\$(274,661)</u>	<u>N/M</u>	<u>\$(153,367)</u>	<u>\$727,645</u>	<u>\$(881,012)</u>	<u>N/M</u>

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2008	2007	2008 vs. 2007		2008	2007	2008 vs. 2007	
	(Dollars in Thousands)				(Dollars in Thousands)			
			\$	%			\$	%
Assets Under Management (at Period End)	<u>\$28,390,384</u>	<u>\$32,658,873</u>	<u>\$(4,268,489)</u>	<u>(13)%</u>	<u>\$28,390,384</u>	<u>\$32,658,873</u>	<u>\$(4,268,489)</u>	<u>(13)%</u>
Capital Deployed:								
Limited Partner Capital Invested	<u>\$ 1,511,065</u>	<u>\$ 2,337,466</u>	<u>\$ (826,401)</u>	<u>(35)%</u>	<u>\$ 2,627,128</u>	<u>\$ 3,997,670</u>	<u>\$(1,370,542)</u>	<u>(34)%</u>

Table of Contents

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Revenues

Revenues were \$(68.3) million for the third quarter of 2008, a decrease of \$295.6 million from the third quarter of 2007. The principal cause of the change year over year was a reduction in Performance Fees and Allocations driven by a decrease in the net unrealized value of the portfolio holdings of the corporate private equity funds which resulted from lower operating projections for some portfolio companies, the reduction in share prices of publicly held investments consistent with overall declines in global equity markets and the rising dollar against other currencies. The decrease in Performance Fees and Allocations and Investment Income (Loss) and Other was due to a net depreciation in the fair value of underlying portfolio assets compared with a net appreciation in the third quarter of 2007. The net value of the segment's underlying portfolio decreased by approximately 8% in the third quarter of 2008 compared with an increase of approximately 5% in the third quarter of 2007. The decrease in Transaction and Other Fees of \$22.6 million was driven by a reduction in the number and size of closed transactions.

Revenues were \$(92.6) million for the nine months ended September 30, 2008, a decrease of \$973.3 million as compared to the nine months ended September 30, 2007. Most of this segment's negative Performance Fees and Allocations and Investment Income (Loss) and Other was driven by a reduction in the fair value of certain portfolio investments resulting from lower operating projections for some portfolio companies, reduced share prices of publicly held investments consistent with overall declines in global equity markets and the rising dollar against other currencies. Overall, the net value of the segment's underlying portfolio decreased by approximately 13% in the first nine months of 2008, compared to an increase in net value of approximately 20% in the first nine months of 2007. The \$57.8 million decrease in Transaction Fees and Other was the result of a reduction in the number and size of closed transactions. Base Management Fees increased \$13.2 million due to the impact of a full nine months of \$4.68 billion of additional capital raised for our fifth general corporate private equity fund from January 1, 2007 through September 30, 2007.

Expenses

Expenses were \$58.1 million for the third quarter of 2008, a decrease of \$21.0 million, or 27%, from the third quarter of 2007. The decrease in Compensation and Benefits of \$22.1 million was principally due to the reversal of prior period carried interest allocations to certain personnel of approximately \$5.5 million as compared with a positive accrual of \$10.4 million of such costs in the prior year.

Expenses were \$60.8 million for the nine months ended September 30, 2008, a decrease of \$92.3 million, or 60%, as compared to the nine months ended September 30, 2007. The decrease in Compensation and Benefits of \$104.5 million resulted principally from the reversal of prior period carried interest allocations to certain personnel of \$107.1 million primarily due to the decrease in carrying value of certain fund investments. This was partially offset by the impact of 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 \$12.2 million principally due to a \$8.3 million increase in professional fees primarily related to the costs of being a public company.

Assets Under Management

Assets Under Management were \$28.39 billion at September 30, 2008, a decrease of \$4.27 billion, or 13%, compared with Assets Under Management at September 30, 2007. The decrease was primarily due to realizations and changes in unrealized value of \$3.95 billion.

Table of Contents

Capital Deployed

Limited Partner Capital Invested in private equity transactions was \$1.51 billion for the third quarter of 2008, a decrease of \$826.4 million, or 35%, from the third quarter of 2007. This decrease reflects a reduction in the number and size of investments closed during the third quarter of 2008 as a result of the current market conditions discussed in “— Business Environment.”

Limited Partner Capital Invested was \$2.63 billion for the nine months ended September 30, 2008, a decrease of \$1.37 billion, or 34%, as compared to the nine months ended September 30, 2007. This decrease reflects a reduction in the 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 September 30,		2008 vs. 2007		Nine Months Ended September 30,		2008 vs. 2007	
	2008	2007	\$	%	2008	2007	\$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Segment Revenues								
Management Fees								
Base Management Fees	\$ 80,361	\$ 70,618	\$ 9,743	14%	\$ 215,089	\$ 168,251	\$ 46,838	28%
Transaction and Other Fees	7,050	14,886	(7,836)	(53)%	25,699	243,778	(218,079)	(89)%
Management Fee Offsets	(1,435)	(9,281)	7,846	(85)%	(2,165)	(9,972)	7,807	(78)%
Total Management Fees	85,976	76,223	9,753	13%	238,623	402,057	(163,434)	(41)%
Performance Fees and Allocations	(302,448)	28,479	(330,927)	N/M	(409,643)	662,263	(1,071,906)	N/M
Investment Income (Loss) and Other	(57,180)	4,398	(61,578)	N/M	(69,144)	151,722	(220,866)	N/M
Total Revenues	(273,652)	109,100	(382,752)	N/M	(240,164)	1,216,042	(1,456,206)	N/M
Expenses								
Compensation and Benefits	21,102	39,325	(18,223)	(46)%	88,873	79,729	9,144	11%
Other Operating Expenses	14,807	12,639	2,168	17%	43,548	27,252	16,296	60%
Total Expenses	35,909	51,964	(16,055)	(31)%	132,421	106,981	25,440	24%
Economic Net Income (Loss)	\$(309,561)	\$ 57,136	\$(366,697)	N/M	\$(372,585)	\$1,109,061	\$(1,481,646)	N/M

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

	Three Months Ended September 30,		2008 vs. 2007		Nine Months Ended September 30,		2008 vs. 2007	
	2008	2007	\$	%	2008	2007	\$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Assets Under Management (at Period End)	\$28,738,307	\$25,025,741	\$3,712,566	15%	\$28,738,307	\$25,025,741	\$3,712,566	15%
Capital Deployed:								
Limited Partner Capital Invested	\$ 131,129	\$ 269,846	\$ (138,717)	(51)%	\$ 710,110	\$ 4,129,077	\$(3,418,967)	(83)%

Table of Contents

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Revenues

Revenues were \$(273.7) million for the third quarter of 2008, a decrease of \$382.8 million from the third quarter of 2007. The decreases in Performance Fees and Allocations and Investment Income (Loss) and Other were due to a net depreciation in the fair value of underlying portfolio assets of approximately 10% compared with net appreciation of approximately 3% in the third quarter of 2007. The net decline in the fair value of the portfolio assets in the third quarter of 2008 was primarily the result of a decrease in the unrealized value of certain assets in our office and hospitality portfolios due to an increase in capitalization rates and lower operating projections. The net increase in carrying values in the third quarter of 2007 was primarily due to improved performance of certain assets in our European and office portfolios. Base Management Fees increased by \$9.7 million primarily as a result of \$6.45 billion of additional capital raised since September 30, 2007 primarily for our European focused real estate fund and our sixth global real estate fund. The increase in Base Management Fees was offset by a decrease in Transaction Fees and Other of \$7.8 million due to the reduction in the size and number of closed transactions that generated fees during the quarter.

Revenues were \$(240.2) million for the nine months ended September 30, 2008, a decrease of \$1.46 billion as compared to the nine months ended September 30, 2007. Performance Fees and Allocations and Investment Income (Loss) and Other decreased from high levels in the comparable 2007 period due principally to a net depreciation in the fair value of underlying portfolio assets of 12% for the nine months ended September 30, 2008, as compared with net appreciation in the underlying portfolio assets of 41% for the nine months ended September 30, 2007. For the nine months ended September 30, 2008, this decline was primarily the result of a decrease in the unrealized value of certain assets in our office and hospitality portfolios as a result of both increases in capitalization rates and revised operating projections. For the nine months ended September 30, 2007, the net appreciation was driven by accretive sales within our office and limited service hospitality portfolio. Transaction Fees and Other decreased \$218.1 million as the first nine months of 2007 included a substantial transaction fee earned from our funds' acquisition of Equity Office Properties Trust in February 2007. The decrease in Transaction Fees and Other was partially offset by an increase in Base Management Fees of \$46.8 million primarily due to \$6.45 billion of additional capital raised since September 30, 2007 primarily for our European focused real estate fund and our sixth global real estate fund, as well as a full nine months of management fees from our sixth global real estate fund which commenced in February 2007.

Expenses

Expenses were \$35.9 million for the third quarter of 2008, a decrease of \$16.1 million, or 31%, from the third quarter of 2007. The decrease in Compensation and Benefits of \$18.2 million was principally related to the reversal of prior period carried interest allocations to certain personnel of \$18.7 million due principally to the net decline in the fair value of our underlying portfolio assets.

Expenses were \$132.4 million for the nine months ended September 30, 2008, an increase of \$25.4 million, or 24%, as compared to the nine months ended September 30, 2007. Compensation and Benefits increased \$9.1 million, principally due to the impact of 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, partially offset by the reversal of prior period carried interest allocations to certain personnel of \$25.1 million. Other Operating Expenses increased \$16.3 million, primarily driven by an increase in professional fees of \$13.8 million due to the costs of being a public company.

Assets Under Management

Assets Under Management were \$28.74 billion at September 30, 2008, an increase of \$3.71 billion, or 15%, compared with Assets Under Management at September 30, 2007. The change was primarily due to \$6.45 billion of additional capital raised, primarily in our European focused real estate fund and our sixth global real estate fund, since September 30, 2007 partially offset by net depreciation in the underlying portfolio assets.

Table of Contents

Capital Deployed

Limited Partner Capital Invested was \$131.1 million for the third quarter of 2008, a decrease of \$138.7 million, or 51%, from the third quarter of 2007. This decrease reflects a lower volume of closed transactions as a result of the current market conditions discussed in “— Business Environment.”

Limited Partner Capital Invested was \$710.1 million for the nine months ended September 30, 2008, a decrease of \$3.42 billion, or 83%, as compared to the nine months ended September 30, 2007. The change primarily reflects a decrease in the volume of consummated transactions, compared to the prior year period that most notably reflected \$3.27 billion in limited partner capital deployed for our funds’ acquisition of Equity Office Properties Trust 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 September 30,				Nine Months Ended September 30,			
	2008	2007	2008 vs. 2007		2008	2007	2008 vs. 2007	
	(Dollars in Thousands)				(Dollars in Thousands)			
			\$	%			\$	%
Segment Revenues								
Management Fees								
Base Management Fees	\$ 131,279	\$ 87,999	\$ 43,280	49%	\$ 361,915	\$223,509	\$ 138,406	62%
Transaction and Other Fees	4,270	1,694	2,576	152%	8,282	4,754	3,528	74%
Total Management Fees	135,549	89,693	45,856	51%	370,197	228,263	141,934	62%
Performance Fees and Allocations	(12,488)	2,522	(15,010)	N/M	37,597	132,490	(94,893)	(72)%
Investment Income (Loss) and Other	(171,033)	32,658	(203,691)	N/M	(200,531)	89,055	(289,586)	N/M
Total Revenues	(47,972)	124,873	(172,845)	N/M	207,263	449,808	(242,545)	(54)%
Expenses								
Compensation and Benefits	60,268	34,006	26,262	77%	200,703	104,637	96,066	92%
Other Operating Expenses	26,073	17,779	8,294	47%	69,538	52,527	17,011	32%
Total Expenses	86,341	51,785	34,556	67%	270,241	157,164	113,077	72%
Economic Net Income	<u>\$(134,313)</u>	<u>\$ 73,088</u>	<u>\$(207,401)</u>	<u>N/M</u>	<u>\$ (62,978)</u>	<u>\$292,644</u>	<u>\$(355,622)</u>	<u>N/M</u>

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2008	2007	2008 vs. 2007		2008	2007	2008 vs. 2007	
	(Dollars in Thousands)				(Dollars in Thousands)			
			\$	%			\$	%
Assets Under Management	<u>\$59,150,535</u>	<u>\$40,515,897</u>	<u>\$18,634,638</u>	<u>46%</u>	<u>\$59,150,535</u>	<u>\$40,515,897</u>	<u>\$18,634,638</u>	<u>46%</u>
Capital Deployed:								
Limited Partner Capital Invested	<u>\$ 657,610</u>	<u>\$ 97,169</u>	<u>\$ 560,441</u>	<u>577%</u>	<u>\$ 1,485,874</u>	<u>\$ 186,010</u>	<u>\$ 1,299,864</u>	<u>699%</u>

Table of Contents

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Revenues

Revenues were \$(48.0) million for the third quarter of 2008, a decrease of \$172.8 million from the third quarter of 2007. Base Management Fees increased \$43.3 million, or 49%, (including \$35.1 million related to GSO) primarily due to an increase of \$18.63 billion, or 46%, in Assets Under Management including the impact of the GSO acquisition. The decrease in Performance Fees and Allocations and Investment Income (Loss) and Other was due to a net depreciation in the fair value of underlying portfolio assets compared with a net appreciation in the third quarter of 2007. The net value of the segment's underlying portfolio decreased by approximately 9% in the third quarter of 2008 compared with an increase of approximately 3% in the third quarter of 2007. The decrease in Investment Income (Loss) and Other was due to declines in Blackstone's investments in certain Blackstone funds of hedge funds, proprietary hedge funds and debt funds.

Revenues were \$207.3 million for the nine months ended September 30, 2008, a decrease of \$242.5 million as compared to the nine months ended September 30, 2007. Base Management Fees increased \$138.4 million, or 62%, (including \$73.0 million related to GSO) primarily due to an increase of \$18.63 billion, or 46%, in Assets Under Management. The decrease in Investment Income (Loss) and Other was due to declines in Blackstone's investments in certain Blackstone funds of hedge funds, proprietary hedge funds and debt funds. The decrease in Performance Fees and Allocations was attributable to lower net appreciation of the investment portfolios principally in certain of our funds of hedge funds, proprietary hedge funds and debt funds as compared to the nine months ended September 30, 2007, partially offset by the impact of the acquisition of GSO.

Expenses

Expenses were \$86.3 million for the third quarter of 2008, an increase of \$34.6 million from the third quarter of 2007, or 67%. The acquisition of GSO was the primary driver for the increase in both Compensation and Benefits of \$26.3 million and Other Operating Expenses of \$8.3 million.

Expenses were \$270.2 million for the nine months ended September 30, 2008, an increase of \$113.1 million, or 72%, as compared to the nine months ended September 30, 2007. The increase in Compensation and Benefits of \$96.1 million was principally related to the acquisition of GSO which contributed \$58.8 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 \$17.0 million, primarily due to the acquisition of GSO, partially offset by a decrease in interest expense as a result of decreased investment activity.

Assets Under Management

Assets Under Management were \$59.15 billion at September 30, 2008, a net increase of \$18.63 billion, or 46%. The increase was primarily due to the acquisition of GSO which contributed \$15.04 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 \$4.85 billion increase from September 30, 2007. Additionally, the commencement of additional debt funds in January 2008 contributed \$1.22 billion to our Assets Under Management. As of October 31, 2008, we had received redemption notices from third party investors effective December 31, 2008 for \$4.15 billion.

Capital Deployed

Limited Partner Capital Invested was \$657.6 million for the third quarter of 2008, an increase of \$560.4 million. This increase principally reflects investments made by our recently launched debt funds.

Limited Partner Capital Invested was \$1.49 billion for the nine months ended September 30, 2008, an increase of \$1.30 billion. This increase principally reflects investments made by our recently launched debt funds.

Table of Contents

Financial Advisory

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

	Three Months Ended				Nine Months Ended			
	September 30,		2008 vs. 2007		September 30,		2008 vs. 2007	
	2008	2007	\$	%	2008	2007	\$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Segment Revenues								
Advisory Fees	\$157,026	\$81,911	\$75,115	92%	\$296,669	\$271,954	\$ 24,715	9%
Investment Income and Other	3,716	2,354	1,362	58%	8,139	5,073	3,066	60%
Total Revenues	<u>160,742</u>	<u>84,265</u>	<u>76,477</u>	<u>91%</u>	<u>304,808</u>	<u>277,027</u>	<u>27,781</u>	<u>10%</u>
Expenses								
Compensation and Benefits	82,295	50,020	32,275	65%	177,836	88,273	89,563	101%
Other Operating Expenses	17,352	13,485	3,867	29%	40,950	27,327	13,623	50%
Total Expenses	<u>99,647</u>	<u>63,505</u>	<u>36,142</u>	<u>57%</u>	<u>218,786</u>	<u>115,600</u>	<u>103,186</u>	<u>89%</u>
Economic Net Income	<u>\$ 61,095</u>	<u>\$20,760</u>	<u>\$40,335</u>	<u>194%</u>	<u>\$ 86,022</u>	<u>\$161,427</u>	<u>\$(75,405)</u>	<u>(47)%</u>

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Revenues

Revenues were up sharply to \$160.7 million for the third quarter of 2008, an increase of \$76.5 million, or 91%, from the third quarter of 2007. The increase was driven by increases across all business units including an increase of \$33.4 million, or 119%, in our corporate and mergers and acquisitions advisory services. Fees earned by our restructuring and reorganization advisory services business also increased sharply by \$27.5 million, or 147%, benefiting from the continued credit market turmoil and low levels of available liquidity. Additionally, fees from our fund placement business increased \$15.5 million, or 41%, due to services provided to private equity and hedge fund clients.

Revenues were \$304.8 million for the nine months ended September 30, 2008, an increase of \$27.8 million, or 10%, as compared to the nine months ended September 30, 2007. The increase was driven by a \$50.1 million increase in fees generated by our restructuring and reorganization advisory services business as continued credit market turmoil and low levels of available liquidity led to increased bankruptcies, debt defaults and debt restructurings. This increase was partially offset by decreases of \$18.2 million in fees generated from our fund placement business and \$4.1 million in fees from our corporate and mergers and acquisitions advisory services business.

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

Expenses

Expenses were \$99.6 million for the third quarter of 2008, an increase of \$36.1 million, or 57%, from the third quarter of 2007. Compensation and Benefits expenses increased \$32.3 million, principally due to the 92% increase in Advisory Fees. A portion of compensation is directly related to the profitability of each of the Financial Advisory businesses.

Expenses were \$218.8 million for the nine months ended September 30, 2008, an increase of \$103.2 million, or 89%, as compared to the nine months ended September 30, 2007. Compensation and Benefits increased

Table of Contents

\$89.6 million principally related to compensation associated with our senior managing directors which was accounted for as partnership distributions prior to our IPO. Additionally, the increase in Compensation and Benefits was due to an increase in Advisory Fees revenues as a portion of compensation is directly related to the profitability of each of the service businesses. Other Operating Expenses increased \$13.6 million, principally due to costs related to the expansion of our London-based corporate and mergers and acquisitions advisory and debt restructuring services business, increased professional fees of \$3.8 million due to the cost of being a public company and an increase in bad debt expense.

Liquidity and Capital Resources

Liquidity and Capital Resources

Blackstone's business model derives revenue primarily from third party assets under management and from advisory businesses. Blackstone is not a capital or balance sheet intensive business and targets operating levels such that total management and advisory fees exceed total operating expenses. As a result, Blackstone requires limited capital resources to support the working capital or operating needs of our businesses as well as to fund growth and investments in new business initiatives. Blackstone draws primarily on the long term committed capital of our limited partner investors to fund the investment requirements of the Blackstone Funds and uses its own realizations and cash flows to invest in growth initiatives or make commitments to its own funds which are typically less than 5% of the assets under management.

Fluctuations in our balance sheet result primarily from activities of the Blackstone Funds which are consolidated. The majority economic ownership interests of these Blackstone 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. Additionally, fluctuations in our balance sheet also include appreciation or depreciation in Blackstone investments in the Blackstone Funds, additional investments and redemptions of such interests in the Blackstone Funds and the collection of receivables related to management and advisory fees.

In the third quarter, we had total management and advisory fees and interest income of \$469.2 million and total associated expenses of \$317.4 million, a difference of \$154.9 million for the quarter. Blackstone has multiple sources of liquidity to meet its capital needs, including annual cash flow, accumulated earnings in the businesses, investments in its own liquid funds and access to the committed credit facility described below. At September 30, 2008, we had \$1.13 billion in cash, \$1.29 billion invested in liquid Blackstone funds and \$845.0 million in unsecured debt as described further below.

The Condensed Consolidated and Combined Statements of Cash Flows reflect the cash flows of the Blackstone operating businesses as well as those of the consolidated Blackstone Funds. 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, rising 18% in the third quarter to \$116.28 billion from \$98.20 billion in the prior year. The growth in assets under management is a result of funds raising capital and generating gains from investments, as well as the GSO acquisition.

We use Adjusted Cash Flow from Operations as a supplemental non-GAAP measure to assess liquidity and amounts available for distribution to owners. 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 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 illiquid investments, differences in the timing of realized gains between Blackstone and Blackstone Funds, non-controlling interest related to

Table of Contents

departed partners and non-controlling interests in income of consolidated entities and other non-cash adjustments. Management assesses Adjusted Cash Flow from Operations by monitoring its key components, defined by management to be (1) net fee related earnings from operations, (2) Performance Fees and Allocations net of related Compensation and (3) Blackstone Investment Income related to its investments in liquid funds and its net realized investment income on its illiquid investments.

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 11, 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.

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net Cash Provided by (Used in) Operating Activities	\$ 475,186	\$(266,947)	\$ 692,483	\$(1,094,055)
Changes in Operating Assets and Liabilities	46,198	859,278	(320,685)	913,051
Blackstone Funds Related Investment Activities	(351,860)	(459,539)	(100,729)	867,131
Net Realized Gains on Investments	(204,373)	350,629	(86,074)	3,825,604
Non-Controlling Interests in Income of Consolidated Entities	1,088,351	336,870	2,433,089	(2,033,096)
Realized Gains — Blackstone Funds	(31,473)	(20,822)	(11,241)	77,033
	<u>1,022,029</u>	<u>799,469</u>	<u>2,606,843</u>	<u>2,555,668</u>
				Pro Forma
Cash Flow from Operations — Adjustments (a)				
Elimination of Non-Contributed Entities (b)	—	—	—	(46,523)
Increase in Compensation Expense (c)	—	—	—	(255,426)
Interests Held by Blackstone Holdings Limited Partners (d)	(999,620)	(396,068)	(2,372,246)	(565,901)
Eliminate Interest Expense (e)	—	—	—	26,302
Realized Gains — Blackstone Funds	—	(44,581)	—	(242,341)
Incremental Cash Tax Effect (f)	(31,410)	(47,625)	(86,475)	(199,706)
Adjusted Cash Flow from Operations	<u>\$ (9,001)</u>	<u>\$ 311,195</u>	<u>\$ 148,122</u>	<u>\$ 1,272,073</u>

Table of Contents

The following table provides the details of the components of Adjusted Cash Flow from Operations. Adjusted Cash Flow from Operations is the principal factor in determining the amount of distributions to unitholders.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007 Pro Forma
Fee Related Earnings				
Total Management and Advisory Fees (g)	\$ 469,199	\$346,749	\$1,149,157	\$1,175,853
Total Expenses (h)	317,390	307,552	839,343	928,968
Net Fee Related Earnings from Operations	151,809	39,197	309,814	246,885
Performance Fees and Allocations Net of Related Compensation (i)	5,237	209,355	28,571	793,552
Blackstone Investment Income (j)				
Liquid	(167,436)	30,056	(204,325)	79,801
Illiquid	1,389	32,587	14,062	151,835
	(166,047)	62,643	(190,263)	231,636
Adjusted Cash Flow from Operations	\$ (9,001)	\$311,195	\$ 148,122	\$1,272,073

- (a) Adjusted Cash Flow from Operations is based upon historical results of operations and gives effect to the pre-initial public offering reorganization and the initial public offering as if they were completed as of January 1, 2007. These pro forma adjustments are consistent with Rule 11-01 of Regulation S-X.
- (b) Represent adjustments to eliminate from Adjusted Cash Flow from Operations the cash flows of the businesses that were not contributed as part of the reorganization.
- (c) Represent adjustments to reflect in Adjusted Cash Flow from Operations the cash portion of expenses related to employee compensation that were not effective prior to the reorganization as well as vested carried interest for departed partners.
- (d) Represents an adjustment to add back net income (loss) allocable to interest holders of Blackstone Holdings Limited Partners after the Reorganization recorded as Non-Controlling Interests.
- (e) Represent adjustments to eliminate interest expense in Adjusted Cash Flow from Operations on the assumption that the revolving credit facility was repaid in full from the proceeds of the offering.
- (f) Represent the provisions for and/or adjustments to income taxes that were calculated using the same methodology applied in calculating such amounts for the period after the reorganization.
- (g) Comprised of total reportable segment Management and Advisory Fees plus Interest Income.
- (h) Comprised of total reportable segment compensation expense (excluding compensation expense related to Performance Fees and Allocations pursuant to Blackstone's profit sharing plans related to carried interest and incentive fees which are included in (i) below), other operating expenses and Blackstone's estimate of cash taxes currently due.
- (i) Represents realized Performance Fees and Allocations net of corresponding actual amounts due under Blackstone's profit sharing plans related thereto.
- (j) Comprised of Blackstone's investment income (realized and unrealized) on its liquid investments from its Marketable Alternative Asset Management segment as well as its net realized investment income on its illiquid investments, principally from its Corporate Private Equity and Real Estate Segments.

Our 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 which principally includes funding our general partner and co-investment commitments to our funds, (2) provide capital to facilitate our expansion into new businesses that are complementary, (3) pay

Table of Contents

operating expenses, including cash compensation to our employees, (4) fund modest 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 September 30, 2008, consisted of the following:

<u>Fund</u>	<u>Original Commitment</u>	<u>Remaining Commitment</u>
	(Dollars in Thousands)	
Corporate Private Equity and Related Funds		
BCP VI	\$ 250,000	\$ 250,000
BCP V	629,356	228,076
BCP IV	150,000	21,611
BCOM	50,000	6,578
Real Estate Funds		
BREP VI	750,000	450,755
BREP V	52,545	9,206
BREP International II	28,889	5,344
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	38,152
Marketable Alternative Asset Management		
BMEZZ II	17,692	4,080
BMEZZ	41,000	1,377
Strategic Alliance	50,000	34,474
Value Recovery	25,000	12,748
Blackstone Credit Liquidity Partners	32,244	14,821
GSO Capital Opportunities	1,000	709
GSO Liquidity Partners	601	115
Total	<u>\$ 2,298,327</u>	<u>\$ 1,184,974</u>

Taking into account prevailing market conditions and both the liquidity and cash or liquid investment balances, we believe that the sources of liquidity described below will be more than sufficient to fund our working capital requirements. We expect our commitments to be drawn down over time and to be funded by available cash and cash generated from operations and realizations. The general partners of these funds generally offer to our senior managing directors (including our executive officers) and employees a portion of the general partner commitments to our investment funds.

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 carry fund investments that we make. Blackstone's investment income on our liquid investments (whether or not realized) from our Marketable Alternative Asset Management segment is also included in our Adjusted Cash Flow from Operations. The amounts received from the latter three sources in particular may vary substantially from year to year and quarter to quarter depending on the frequency and size of realization events or net returns experienced by our investment funds. Our available capital could be adversely affected if there are prolonged periods of few substantial realizations from our investment funds accompanied by substantial capital calls from those investment funds. Therefore, Blackstone's commitments to our funds are taken into consideration when managing our overall liquidity and cash position.

We expect to use our Adjusted Cash Flow from Operations to make cash distributions to our common unitholders on a quarterly basis in accordance with our distribution policy. As we have previously reported, our

Table of Contents

current intention is to distribute to our common unitholders on a quarterly basis substantially all of our net after-tax share of our annual Adjusted Cash Flow from Operations in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements, or to provide for future distributions to common unitholders for any ensuing quarter. The declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. As we have previously reported, until December 31, 2009, Blackstone personnel and others who hold Blackstone Holdings partnership units (and who own approximately 75% of all outstanding units, with common unitholders holding the remaining 25%) will not receive any distributions (other than tax distributions in the circumstances specified in our 2007 Annual Report on Form 10-K) for a year unless and until our common unitholders receive aggregate distributions of \$1.20 per common unit for such year. We do not intend to maintain this priority allocation after December 31, 2009.

As we have previously indicated, 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. A significant component of our Cash Flow from Operations available for distributions is the investment income that we receive from our Marketable Alternative Asset Management segment and our realized investment income received by our carry funds in respect of our investments in those segments' investment funds. As noted above under "— Segment Analysis", that component decreased in all three segments in the third quarter of 2008 due to a slowing global economy and overall declines in the global equity and debt markets.

The specific amount of this priority allocation of distributions to common unitholders prior to December 31, 2009 is governed by the amount of Blackstone's Adjusted Cash Flow from Operations available for distributions, as determined in the manner specified in the preceding two paragraphs. The distribution payable on December 12, 2008 will bring the total amount of distributions to common unitholders paid to date in respect of 2008 to approximately \$240 million (\$0.90 per common unit), considerably in excess of Blackstone's Adjusted Cash Flow from Operations of \$148 million for the nine month period ended September 30, 2008.

The amount of the distribution to common unitholders payable in respect of the fourth quarter of 2008 will depend on the amount of Blackstone's Adjusted Cash Flow from Operations for the full 2008 year and other factors. Unless general market conditions improve significantly, the amount of cash flow in the fourth quarter might necessitate a fourth quarter distribution that is significantly lower than the \$0.30 per common unit and possibly no distribution at all.

Public common unitholders will continue to receive a priority distribution ahead of Blackstone personnel and others through 2009, but the amount of those distributions in respect of 2009 will be based on the amount of Adjusted Cash Flow from Operations in 2009 available for distributions and could again fall below \$1.20.

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. 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.

Table of Contents

We intend under certain circumstances to use leverage opportunistically and over time to create the most efficient capital structure for Blackstone and our public common unitholders. Currently, we have partners' equity of \$3.81 billion, including \$1.13 billion in cash and \$1.29 billion in investments in liquid funds, supporting debt drawn under our revolving credit facility of \$845.0 million excluding consolidated non-operating entities. We do not anticipate approaching significant leverage levels over the foreseeable future since the positive cash flows and the net proceeds from the IPO and sale of non-voting common units to the Beijing Wonderful Investments are expected to be our principal source of financing for our businesses. However, our debt-to-equity ratio may increase in the future.

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.

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. We do however, use leverage to enhance returns in some of our debt funds. The forms of leverage primarily employed by these funds include purchasing securities on margin, utilizing collateralized financing and using derivative instruments.

Critical Accounting Policies

We prepare our condensed consolidated 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 Note 2. "Summary of Significant Accounting Policies" in the "Notes to the Condensed Consolidated and Combined Financial Statements" in Part I. Financial Information, Item 1. Financial Statements of this filing. Also see Note 2. "Summary of Significant Accounting Policies" in the "Notes to Consolidated and Combined Financial Statements" in Item 8. "Financial Statements and Supplemental Data" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.)

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*

Table of Contents

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

Management and Advisory Fees. Management fees consist of (1) Fund Management Fees and (2) Advisory Fees. Our revenue recognition policies are as follows:

- (1) *Fund Management Fees.* Fund management fees are comprised of:
 - (a) *Base Management Fees .* Base management fees are fees charged directly to the fund or fund investors. Such fees are based upon the contractual terms of investment advisory and related agreements and are recognized as earned over the specified contract period.
 - (b) *Transaction and Other Fees .* Transaction and other fees (including monitoring fees) are comprised of fees charged directly to funds and fund portfolio companies. Our investment advisory agreements generally require that the investment advisor share a portion of certain fees with the limited partners of the fund. Transaction and Other Fees are net of amounts, if any, shared with limited partners.
 - (c) *Management Fee Offsets .* Our investment advisory agreements generally require that the investment advisor share a portion of certain expenses with the limited partners of the fund. These shared items (“management fee reductions”) reduce the management fees received from the limited partners. Management fee offsets are comprised primarily of broken deal and placement fee expenses.
- (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 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

Table of Contents

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

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

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.

Table of Contents

Investments, at Fair Value

The Blackstone Funds are, for GAAP purposes, investment companies under the AICPA Audit and Accounting Guide *Investment Companies* that reflect their investments, including majority-owned and controlled investments (the “Portfolio Companies”) as well as Securities Sold, Not Yet Purchased at fair value. We have retained the specialized accounting for the Blackstone Funds pursuant to EITF Issue No. 85-12, *Retention of Specialized Accounting for Investments in Consolidation*. Thus, such consolidated funds investments are reflected on the Condensed Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated 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).

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, including the appropriate risk adjustments for non-performance and liquidity risks. Internal factors that are considered are described below. The additional 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 include private investments in the equity of operating companies or real estate properties. 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, if any, and replacement costs among other measures. The methods used by us 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.

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.

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

Table of Contents

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

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.

Goodwill and Identifiable Intangible Assets

As a result of our June 2007 reorganization and March 2008 acquisition of GSO, we have obtained goodwill and identifiable intangible assets. Goodwill is the cost of acquired business interests in excess of the fair value of the net assets, including identifiable intangible assets, at the acquisition date. Our intangible assets consist of the contractual right to future fee income from management, advisory and incentive fee contracts and the contractual right to earn future carried interest from certain Blackstone Funds.

Goodwill. We test the goodwill in each of our operating segments, which in some cases are components one level below our business segments, for impairment at least annually in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, by comparing the estimated fair value of each operating segment with its estimated net book value. We derive the fair value of each of our operating segments primarily utilizing a discounted cash flow methodology that incorporates operating segment cash earnings projections adjusted for nonperformance, liquidity and other risks. We derive the net book value of our operating segments by estimating the amount of shareholders' equity required to support the activities of each operating segment.

Identifiable Intangible Assets. We amortize our identifiable intangible assets over their estimated lives in accordance with SFAS No. 142. Identifiable intangible assets are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the sum of the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

Table of Contents

No impairments have been identified. However, a prolonged period of weakness in the Blackstone Funds' performance or in our ability to earn fee income from management, advisory and incentive fee contracts could adversely impact our businesses and impair the value of our goodwill and/or identifiable intangible assets.

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 September 30, 2008 on a consolidated basis and on a basis deconsolidating the Blackstone Funds:

<u>Contractual Obligations</u>	October 1, 2008 to				Total
	<u>December 31, 2008</u>	<u>2009–2010</u>	<u>2011–2012</u>	<u>Thereafter</u>	
	(Dollars in Thousands)				
Operating Lease Obligations (1)	\$ 8,425	\$ 98,549	\$ 93,541	\$ 381,483	\$ 581,998
Purchase Obligations	6,001	12,835	70	28	18,934
Blackstone Revolving Credit Facility (2)	845,000	—	—	—	845,000
Interest on Blackstone Revolving Credit Facility (3)	3,121	—	—	—	3,121
Blackstone Operating Entities Loan and Credit Facilities Payable (4)	25,198	58,580	35,213	11,404	130,395
Interest on Blackstone Operating Entities Loan and Credit Facilities Payable (5)	710	5,208	2,071	1,194	9,183
Blackstone Funds Debt Obligations Payable (6)	10,626	—	—	—	10,626
Interest on Blackstone Funds Debt Obligations Payable (7)	107	—	—	—	107
Blackstone Fund Capital Commitments to Investee Funds (8)	59,812	—	—	—	59,812
Due to Predecessor Owners in Connection with Tax Receivable Agreement (9)	—	17,784	—	736,585	754,369
Blackstone Operating Entities Capital Commitments to Blackstone Funds (10)	1,184,974	—	—	—	1,184,974
Consolidated Contractual Obligations	2,143,974	192,956	130,895	1,130,694	3,598,519
Blackstone Funds Debt Obligations Payable (6)	(10,626)	—	—	—	(10,626)
Interest on Blackstone Funds Debt Obligations Payable (7)	(107)	—	—	—	(107)
Blackstone Fund Capital Commitments to Investee Funds (8)	(59,812)	—	—	—	(59,812)
Blackstone Operating Entities Contractual Obligations	<u>\$ 2,073,429</u>	<u>\$192,956</u>	<u>\$130,895</u>	<u>\$1,130,694</u>	<u>\$3,527,974</u>

Table of Contents

- (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 September 30, 2008.
- (2) Represents borrowings under our revolving credit facility.
- (3) Represents interest to be paid over the maturity of the revolving credit facility 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 rates in effect as of September 30, 2008, at spreads to market rates pursuant to the revolver agreement, and range from 3.99% to 4.69%.
- (4) Represents borrowings for employee term facilities program and for a corporate debt investment program.
- (5) 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 September 30, 2008, at spreads to market rates pursuant to the financing agreements, and range from 3.25% to 4.82%.
- (6) These obligations are those of the Blackstone Funds.
- (7) 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 September 30, 2008, at spreads to market rates pursuant to the financing agreements, and range from 2.90% to 6.83%.
- (8) 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.
- (9) 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.
- (10) 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 September 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 September 30, 2008, such guarantees amounted to \$23.7 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 September 30, 2008.

Cash Clawback Obligations

At September 30, 2008, none of the general partners of our corporate private equity, real estate or debt funds had an actual cash 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 cash clawback payment.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

- The investment process of our carry funds involves a detailed analysis of potential investments, and asset management teams are assigned to oversee the operations, strategic development, financing and capital deployment decisions of each portfolio investment. Key investment decisions are subject to approval by the applicable investment committee, which is comprised of Blackstone senior managing directors and senior management.
- In our capacity as advisor to certain of our 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 September 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 September 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 \$41.3 million on an annual basis, (2) performance fees and allocations would decrease by \$251.0 million, and (3) investment income would decrease by \$206.8 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 \$20.35 billion (92% Level III), Real Estate \$15.60 billion (100% Level III), and Marketable Alternative Asset Management \$42.44 billion (80% Level III), respectively. The fair value of our investments and securities can vary significantly based on a number of factors that take into consideration the diversity of the Blackstone Funds' investment portfolio and on a number of factors and inputs such as similar transactions, financial metrics, and industry comparatives, among others. (See "Part 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 intent and strategy is to hold investments and securities until prevailing market conditions are beneficial for investment sales.

Table of Contents

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

Exchange Rate Risk

The Blackstone Funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Additionally, a portion of our management fees are denominated in non-US dollar currencies. We estimate that as of September 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 \$59.3 million and (3) investment income would decrease by \$22.7 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 September 30, 2008, we estimate that interest expense relating to variable rate debt obligations payable would increase by \$9.9 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.

Because our carry funds have preferred return thresholds to investors that need to be met prior to Blackstone receiving any carried interest, substantial declines in the carrying value of the investment portfolios of a carry fund can significantly delay or eliminate any carried interest distributions paid to us in respect of that fund since the value of the assets in the fund would need to recover to their aggregate cost basis plus the preferred return over time before we would be entitled to receive any carried interest from that fund. For this reason, due to declines in the carrying values of their underlying portfolio assets, our most recent corporate private equity fund and real estate fund are not expected to generate any carried interest in the near future.

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 amended complaint also includes five purported sub-classes of plaintiffs seeking damages and/or restitution and comprised of shareholders of five companies.

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. In its most recent complaint, 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 and some of its executive officers. These suits, which purport to be class actions on behalf of purchasers of common units in Blackstone’s June 21, 2007 initial public offering, were subsequently consolidated into one suit in the Southern District of New York. In October 2008, a consolidated and amended complaint was filed naming as defendants Blackstone, Stephen A. Schwarzman (Blackstone’s Chairman and Chief Executive Officer), Peter G. Peterson (Blackstone’s Senior Chairman), Hamilton E. James (Blackstone’s President and Chief Operating Officer) and Michael A. Puglisi (Blackstone’s Chief Financial Officer at the time of the IPO). The amended complaint alleges that (1) the IPO prospectus was false and misleading for failing to disclose that (a) certain investments made by Blackstone’s private equity funds were performing poorly at the time of the IPO and were materially impaired and (b) prior to the IPO the U.S. real estate market had started to deteriorate, adversely affecting the value of

Table of Contents

Blackstone's real estate investments; and (2) the financial statements in the IPO prospectus were materially inaccurate principally because they overstated the value of the investments referred to in clause (1).

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

No purchases of our common units were made by us or on our behalf during the three months ended September 30, 2008. (See "Part I. Financial Information — Item 1. Financial Statements — Notes to Condensed Consolidated and Combined Financial Statements — Note 7. Net Loss Per Common Unit".)

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

As discussed in our June 2007 prospectus relating to our initial public offering, Peter G. Peterson will be retiring from Blackstone as of December 31, 2008 and effective as of that date, he will be resigning as a director and as Senior Chairman of Blackstone Group Management L.L.C., the general partner of The Blackstone Group L.P. (the "General Partner"). Upon his retirement on December 31, 2008, Mr. Peterson (who is 82) will also withdraw as a member (and accordingly as a founding member) of our general partner, whereupon all of the powers and authorities of our founding members will be vested exclusively in Stephen A. Schwarzman. The Limited Liability Company Agreement of our general partner now provides that at such time as Mr. Schwarzman should cease to be a founding member, Hamilton E. James will thereupon succeed Mr. Schwarzman as the sole founding member of our general partner.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Index:

- 10.30 BMA VI L.L.C. Amended and Restated Limited Liability Company Agreement Dated As of July 31, 2008
- 10.37 Form of Deferred Restricted Holding Unit Award Agreement for Executive Officers
- 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).

[Table of Contents](#)

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: November 7, 2008

The Blackstone Group L.P.

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

Name: /s/ LAURENCE A. TOSI
 Laurence A. Tosi
Title: Chief Financial Officer

BMA VI L.L.C.

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

DATED AS OF JULY 31, 2008

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	
1.1. Definitions	1
1.2. Terms Generally	16
ARTICLE II GENERAL PROVISIONS	
2.1. Managing, Regular and Special Members	16
2.2. Formation; Name; Foreign Jurisdictions	17
2.3. Term	17
2.4. Purposes; Powers	17
2.5. Place of Business	19
ARTICLE III MANAGEMENT	
3.1. Managing Member	19
3.2. Member Voting, etc.	20
3.3. Management	20
3.4. Responsibilities of Members	22
3.5. Exculpation and Indemnification	22
3.6. Representations of Members	23
3.7. Tax Information	24
ARTICLE IV CAPITAL OF THE COMPANY	
4.1. Capital Contributions by Members	24
4.2. Interest	31
4.3. Withdrawals of Capital	31
ARTICLE V PARTICIPATION IN PROFITS AND LOSSES	
5.1. General Accounting Matters	31
5.2. GP-Related Capital Accounts	33
5.3. GP-Related Profit Sharing Percentages	33
5.4. Allocations of GP-Related Net Income (Loss)	34
5.5. Liability of Members	35
5.6. [Intentionally omitted.]	35
5.7. Repurchase Rights, etc.	35
5.8. Distributions	35
5.9. Business Expenses	41
5.10. Tax Capital Accounts; Tax Allocations	41

TABLE OF CONTENTS
(continued)

	<u>Page</u>
ARTICLE VI ADDITIONAL MEMBERS; WITHDRAWAL OF MEMBERS; SATISFACTION AND DISCHARGE OF COMPANY INTERESTS; TERMINATION	
6.1. Additional Members	41
6.2. Withdrawal of Members	42
6.3. GP-Related Member Interests Not Transferable	43
6.4. Consequences upon Withdrawal of a Member	43
6.5. Satisfaction and Discharge of a Withdrawn Member's GP-Related Interest	44
6.6. Dissolution of the Company	48
6.7. Certain Tax Matters	48
6.8. Special Basis Adjustments	49
ARTICLE VII CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS; ALLOCATIONS; DISTRIBUTIONS	
7.1. Capital Commitment Interests, etc.	50
7.2. Capital Commitment Capital Accounts	51
7.3. Allocations	51
7.4. Distributions	51
7.5. Valuations	55
7.6. Disposition Election	55
7.7. Capital Commitment Special Distribution Election	56
ARTICLE VIII WITHDRAWAL, ADMISSION OF NEW MEMBERS	
8.1. Member Withdrawal; Repurchase of Capital Commitment Interests	56
8.2. Transfer of Member's Capital Commitment Interest	60
8.3. Compliance with Law	61
ARTICLE IX DISSOLUTION	
9.1. Dissolution	61
9.2. Final Distribution	61
9.3. Amounts Reserved Related to Capital Commitment Member Interests	61
ARTICLE X MISCELLANEOUS	
10.1. Submission to Jurisdiction; Waiver of Jury Trial	62
10.2. Ownership and Use of the Blackstone Name	63
10.3. Written Consent	63
10.4. Letter Agreements; Schedules	63
10.5. Governing Law; Separability of Provisions	64
10.6. Successors and Assigns	64
10.7. Confidentiality	64

TABLE OF CONTENTS
(continued)

	<u>Page</u>
10.8. Notices	65
10.9. Counterparts	65
10.10. Power of Attorney	65
10.11. Member's Will	65
10.12. Cumulative Remedies	65
10.13. Legal Fees	65
10.14. Entire Agreement	66

BMA VI L.L.C.

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of BMA VI L.L.C. (the “Company”), dated as of July 31, 2008, by and among Blackstone Holdings III L.P., a société en commandite organized in Québec (the “Managing Member” or “Holdings”), the other members of the Company as set forth in the books and records of the Company, and such other persons that are admitted to the Company as members after the date hereof in accordance herewith.

WITNESSETH

WHEREAS, the Company was formed under the LLC Act (defined below) pursuant to a certificate of formation filed in the office of the Secretary of State of the State of Delaware on December 18, 2007;

WHEREAS, the original limited liability company agreement of the Company was executed as of December 18, 2007 (the “Original Operating Agreement”); and

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

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

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

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

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

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

“Alternative Investment Vehicle” means any investment vehicle or structure formed pursuant to paragraph 2.7 of the BCP VI Partnership Agreement or any other “Alternative Investment Vehicle” (as defined in any other BCP VI Agreements).

“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 Company with respect thereto.

“Bankruptcy” means, with respect to any person, the occurrence of any of the following events: (i) the filing of an application by such person for, or a consent to, the appointment of a trustee or custodian of his assets; (ii) the filing by such person of a voluntary petition in Bankruptcy or the seeking of relief under Title 11 of the United States Code, as now constituted or hereafter amended, or the filing of a pleading in any court of record admitting in writing his

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

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

“BCP” means Blackstone Capital Partners L.P., a Delaware limited partnership, and any 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 Blackstone Capital Partners II Merchant Banking Fund L.P., a Delaware limited partnership, any investment vehicle established pursuant to paragraph 2.7 of such partnership’s partnership agreement, Blackstone Offshore Capital Partners II L.P., a Cayman Islands exempted limited partnership, and any investment vehicle established pursuant to paragraph 2.7 of such partnership’s partnership agreement.

“BCP III” means 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 investment vehicle established pursuant to paragraph 2.7 of the respective partnership agreement of either of such partnerships.

“BCP IV” is the collective reference to (i) Blackstone Capital Partners IV L.P., a Delaware limited partnership, and (ii) any Alternative Investment Vehicle relating thereto and any Parallel Fund (each as defined in the partnership agreement for the partnership referred to in clause (i) above).

“BCP V” is the collective reference to (i) Blackstone Capital Partners V L.P., a Delaware limited partnership, and 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) Blackstone Capital Partners V-AC L.P., a Delaware limited partnership, and any Alternative Investment Vehicle relating thereto (the term “Alternative Investment Vehicle” as used in this definition having the meaning set forth in the partnership agreements for the partnerships named in clauses (i), (ii) and (iii)).

“BCP VI” is the collective reference to (i) Blackstone Capital Partners VI L.P., a Delaware limited partnership, (ii) Blackstone Capital Partners VI-Executive Fund L.P., a Delaware limited partnership, and (iii) any Alternative Investment Vehicle relating thereto and any Parallel Fund.

“BCP VI Agreements” is the collective reference to (i) the BCP VI Partnership Agreement and (ii) the similar agreements of any Alternative Investment Vehicles.

“BCP VI Partnership Agreement” is the collective reference to (i) the Amended and Restated Agreement of Limited Partnership, dated as of July 31, 2008, of Blackstone Capital Partners VI L.P., as may be amended, supplemented or otherwise modified from time to time and (ii) the Amended and Restated Agreement of Limited Partnership, dated as of July 31, 2008, of Blackstone Capital Partners VI-Executive Fund L.P., as may be amended, supplemented or otherwise modified from time to time.

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

“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., Blackstone Family Investment Partnership VI L.P., Blackstone Family Investment Partnership VI-SMD L.P., and any other entity that is an Affiliate thereof and has terms similar to those of the foregoing partnerships and is formed in connection with the participation by one or more of the partners thereof in investments in securities also purchased by BCP, BCP II, BCP III, BCP IV, BCP V, BCP VI or any other fund with substantially similar investment objectives to BCP, BCP II, BCP III, BCP IV. BCP V and BCP VI 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.

“BFIP VI” means, collectively, Blackstone Family Investment Partnership VI L.P. and Blackstone Family Investment Partnership VI-SMD L.P., each a Delaware limited partnership.

“BFIP VI Partnership Agreement” means, collectively, the Amended and Restated Agreements of Limited Partnership dated as of July 31, 2008 of Blackstone Family Investment Partnership VI L.P. and Blackstone Family Investment Partnership VI-SMD L.P., as each of such agreements may be amended, supplemented or otherwise modified from time to time.

“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 LP, GSO Liquidity Partners LP or any other funds with substantially similar investment objectives to BMEZP I, BMEZP II, GSO Capital Opportunities Fund LP or GSO Liquidity Partners LP 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 BREP VI and any other funds with substantially similar investment objectives to BREP VI 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 Capital Commitment” has the meaning set forth in the BCP VI Agreements.

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

“BMA VI” means Blackstone Management Associates VI L.L.C., a Delaware limited liability company and the general partner of BCP VI.

“BMA VI LLC Agreement” means the Amended and Restated Limited Liability Company Agreement of BMA VI, dated as of July 31, 2008, as it may be amended, supplemented or otherwise modified from time to time.

“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.

“BPP VI” means Blackstone Participation Partnership VI L.P., a Delaware limited partnership.

“BPP VI Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of BPP VI, dated as of July 31, 2008, as it may be amended, supplemented or otherwise modified from time to time.

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

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

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

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

“Capital Commitment Capital Account” means, with respect to each Capital Commitment Investment for each Member, the account maintained for such Member to which are credited such Member’s contributions to the Company with respect to such Capital Commitment Investment and any net income allocated to such Member pursuant to Section 7.3 with respect to such Capital Commitment Investment and from which are debited any distributions with respect

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

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

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

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

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

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

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

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

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

“Capital Commitment Investment” means any Capital Commitment BCP VI Investment, but shall exclude any GP-Related Investment. The Managing Member 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 Company, the related Capital Commitment Capital Account of a Member (less amounts reserved in accordance with Section 9.3) as of the close of business on the effective date of dissolution.

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

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

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

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

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

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

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

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

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

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

“Carried Interest Give Back Percentage” shall mean, for any Member or Withdrawn Member, subject to Section 5.8(e), the percentage determined by dividing (A) the aggregate amount of distributions received by such Member or Withdrawn Member from the Company or any Other Fund GPs in respect of Carried Interest by (B) the aggregate amount of distributions made to all Members, Withdrawn Members or any other person by the Company or any Other Fund GP in respect of Carried Interest. For purposes of determining “Carried Interest Give Back

Percentage” hereunder, all Trust Amounts contributed to the Trust by the Company or any Other Fund GPs on behalf of a Member or Withdrawn Member (but not the Trust Income thereon) shall be deemed to have been initially distributed or paid to the Members and Withdrawn Members as members, partners or other equity owners of the Company or any of the Other Fund GPs.

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

“Cause” means the occurrence or existence of any of the following with respect to any Member, as determined fairly, reasonably, on an informed basis and in good faith by the Managing Member: (i) (w) any breach by any Member of any provision of any non-competition agreement, (x) any material breach of this Agreement or any rules or regulations applicable to such Member that are established by the Managing Member, (y) such Member’s deliberate failure to perform his or her duties to the Company, or (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 or conduct or behavior within fifteen days after receipt of such Notice of Breach from the Managing Member (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure, provided that such Member is diligently pursuing such cure); (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Company; or (iii) conviction (on the basis of a trial or by an accepted plea of guilty or *nolo contendere*) of a felony or crime (including any misdemeanor charge involving moral turpitude, false statements or misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery), or a determination by a court of competent jurisdiction, by a regulatory body or by a self-regulatory body having authority with respect to securities laws, rules or regulations of the applicable securities industry, that such Member individually has violated any applicable securities laws or any rules or regulations thereunder, or any rules of any such self-regulatory body (including, without limitation, any licensing requirement), if such conviction or determination has a material adverse effect on (A) such Member’s ability to function as a Member of the Company, taking into account the services required of such Member and the nature of the Company’s business or (B) the business of the Company.

“Charitable Organization” means an organization described in Section 170(c) of the Code (without regard to Section 170(c)(2)(A) thereof).

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

“Clawback Amount” shall mean the “Clawback Amount” as set forth in Article One of the BCP VI Partnership Agreement and any other clawback amount payable to the limited partners of BCP VI pursuant to any BCP VI Agreement, as applicable.

“Clawback Provisions” shall mean paragraph 9.2.8 of the BCP VI Partnership Agreement and any other similar provisions in any other BCP VI Agreement existing heretofore or hereafter entered into.

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

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

“Company” has the meaning set forth in the preamble hereto.

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

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

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

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

“Default Interest Rate” 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.

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

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

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

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

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

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

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

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

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

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

“Fund GP” means the Company (only with respect to the Company’s GP-Related BMA VI Member Interest) and the Other Fund GPs.

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

“Giveback Amount” shall mean the aggregate of the “Investment - Related Giveback Amount” and “Other Giveback Amount”, as such terms are defined in the BCP VI Partnership Agreement.

“Giveback Provisions” shall mean paragraph 3.4.3 of the BCP VI Partnership Agreement and any other similar provisions in any other BCP VI Agreement existing heretofore or hereafter entered into.

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

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

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

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

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

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

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

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

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

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

“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 Company in respect of the Company’s GP-Related BMA VI Member Interest (including, without limitation, any GP-Related BCP VI Investment but excluding any Capital Commitment Investment).

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

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

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

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

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

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

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

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

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

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

“Holdings” has the meaning set forth in the preamble hereto.

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

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

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

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

“Investor Note” means a promissory note of a Member evidencing indebtedness incurred by such Member to purchase a Capital Commitment Interest, the terms of which were or are approved by the Managing Member and which is secured by such Capital Commitment Interest, all other Capital Commitment Interests of such Member and all other interests in BFIP and interests in BFREP, BFMEZP and BFCOMP; provided, that such promissory note may also evidence indebtedness relating to other interests in BFIP and interests in BFREP, BFMEZP and BFCOMP, and such indebtedness shall be prepayable with Capital Commitment Net Income (whether or not such indebtedness relates to Capital Commitment Investments) as set forth in this Agreement, the Investor Note, the other BFIP Agreements and the BFREP Agreements, BFMEZP Agreements and BFCOMP Agreements and any documentation relating to Other Sources; provided further, that references to “Investor Notes” herein refer to multiple loans made pursuant to such note, whether made with respect to Capital Commitment Investments, other BFIP Investments, BFREP 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 Capital Commitment Interests, other interests in BFIP or interests in BFREP, 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Other Fund GPs” means any entity (other than the Company) through which any Member or Withdrawn Member directly receives any amounts of Carried Interest and any successor thereto; provided, that this includes any other entity which has in its organizational documents a provision which indicates that it is a “Fund GP” or an “Other Fund GP”; provided further, that notwithstanding any of the foregoing, none of Holdings, any estate planning vehicle established for the benefit of family members of any Member shall be considered a “Fund GP” for purposes hereof.

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

“Parallel Fund” means any additional collective investment vehicles (or other similar arrangements) formed pursuant to paragraph 2.8 of the BCP VI Partnership Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Subject Member” has the meaning set forth in Section 4.1(d)(iv).

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

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

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

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

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

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

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

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

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

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

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

“Withdrawn Member” means a Member whose interest in the Company has been terminated for any reason, including the occurrence of an event specified in Section 6.2, and shall include, unless the context requires otherwise, the estate or legal representatives of any such Member.

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

ARTICLE II

GENERAL PROVISIONS

2.1. Managing, Regular and Special Members. The Members may be Managing Members, Regular Members or Special Members (including Investor Special Members). The Managing Member as of the date hereof is Holdings, the Regular Members as of the date hereof are those persons shown as Regular Members on the signature pages hereof, and the Special Members as of the date hereof are persons shown as Special Members on the signature pages hereof. The books and records of the Company contain the GP-Related Profit Sharing Percentage and GP-Related Commitment of each such Member with respect to the GP-Related Investments of the Company as of the date hereof. The books and records of the Company contain the Capital Commitment Profit Sharing Percentage and Capital Commitment-Related Commitment of each such Member with respect to the Capital Commitment Investments of the Company as of the date hereof. The books and records of the Company shall be

amended by the Managing Member from time to time to reflect additional GP-Related Investments, additional Capital Commitment Investments, dispositions by the Company of GP-Related Investments, dispositions by the Company of Capital Commitment Investments, the GP-Related Profit Sharing Percentages of the Members, as modified from time to time, the Capital Commitment Profit Sharing Percentages of the Members, as modified from time to time, the admission and withdrawal of Members and the transfer or assignment of interests in the Company pursuant to the terms of this Agreement. At the time of admission of each additional Member, the Managing Member shall determine in its sole discretion the GP-Related Investments and Capital Commitment Investments in which such Member shall participate and such Member's GP-Related Commitment, Capital Commitment-Related Commitment, GP-Related Profit Sharing Percentage with respect to each such GP-Related Investment and Capital Commitment Profit Sharing Percentage with respect to each such Capital Commitment Investment. Each Member may have a GP-Related Member Interest and/or a Capital Commitment Member Interest.

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

2.3. Term. The term of the Company shall continue until December 31, 2058, unless earlier dissolved and its affairs wound up in accordance with this Agreement.

2.4. Purposes; Powers. (a) The purposes of the Company shall be, directly or indirectly through subsidiaries or affiliates, (i) to serve as the sole member of BMA VI and perform the functions of a member of BMA VI specified in the BMA VI LLC Agreement and to invest in GP-Related Investments and acquire and invest in Securities, (ii) to serve as a capital partner of BCP VI (including any Alternative Investment Vehicle and any Parallel Fund) and perform the functions of a limited partner of BCP VI (including any Alternative Investment Vehicle and any Parallel Fund) specified in the BCP VI Agreements, (iii) to make the Blackstone Capital Commitment or a portion thereof, either directly or indirectly through BMA VI, and to invest in Capital Commitment Investments and acquire and invest in Securities or other property (directly or indirectly through BMA VI and/or BCP VI (including any Alternative Investment Vehicle and any Parallel Fund), (iv) to serve as a general partner or limited partner of other partnerships and perform the functions of a general partner or limited partner specified in the respective partnership agreements, as amended, supplemented or otherwise modified from time to time, of any such partnership, (v) to serve as a member of limited liability companies and perform the functions of a member specified in the respective limited liability company agreements, as amended, supplemented or otherwise modified from time to time, of any such limited liability company, (vi) to carry on such other businesses, perform such other services and make such other investments as are deemed desirable by the Managing Member and as are permitted under the LLC Act, the BMA VI LLC Agreement, the BCP VI Agreements, the respective partnership agreements, as amended, supplemented or otherwise modified from time to time, of any partnership referred to in clause (v) above and the respective limited liability company agreements, as amended, supplemented or otherwise modified from time to time, of any limited liability company referred to in clause (v) above, (vii) any other lawful purpose, and (viii) to do all things necessary, desirable, convenient or incidental thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III MANAGEMENT

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

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

3.2. Member Voting, etc.

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

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

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

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

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

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

(i) to execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member of BMA VI on BMA VI's own behalf or in BMA VI's capacity as general partner of BCP VI, BFIP VI or BPP VI or as general or limited partner, member or other equity owner of any Blackstone Entity), any of the following:

- (A) any agreement, certificate, instrument or other document of the Company, BMA VI, BCP VI, BFIP VI, BPP VI or any Blackstone Entity (and any amendments, restatements and/or supplements thereof), including, without limitation, the following: (I) the BMA VI LLC Agreement, the BCP VI Agreements, the BFIP VI Partnership Agreement, the BPP VI Partnership Agreement and each Blackstone Entity Governing Agreement, (II) Subscription Agreements on behalf of BCP VI, (III) side letters issued in connection with investments in BCP VI, and (IV) such other agreements, instruments, certificates and other documents as may be necessary or desirable in furtherance of the Company's, BMA VI's, BCP VI's, BFIP VI's, BPP VI's or any Blackstone Entity's purposes (and any amendments, restatements and/or supplements of any of the foregoing referred to in (I) through (IV) hereof);
- (B) the certificates of formation, certificates of limited partnership and/or other organizational documents of the Company, BMA VI, BCP VI, BFIP VI, BPP VI and any Blackstone Entity (and any amendments, restatements and/or supplements thereof); and
- (C) any other certificates, notices, applications and other documents (and any amendments, restatements and/or supplements thereof) to be filed with any government or governmental or regulatory body, including, without limitation, any such document that may be necessary for the Company, BMA VI, BCP VI, BFIP VI, BPP VI or any Blackstone Entity to qualify to do business in a jurisdiction in which the Company, BMA VI, BCP VI, BFIP VI, BPP VI or any Blackstone Entity desires to do business;

(ii) to prepare or cause to be prepared, and to sign, execute and deliver and/or file (including any such action, directly or indirectly through one or more other entities, in the name and on behalf of the Company, on its own behalf or in its capacity as sole member of BMA VI on BMA VI's own behalf or in BMA VI's capacity as general partner of BCP VI, BFIP VI or BPP VI or as general or limited partner, member or other equity owner of any Blackstone Entity) (A) any certificates, forms, notices, applications and other documents to be filed with any government or governmental or regulatory body on behalf of the Company, BMA VI, BCP VI, BFIP VI, BPP VI and/or any Blackstone Entity, (B) any certificates, forms, notices, applications and other documents that may be necessary or advisable in connection with any bank account of the Company, BMA VI, BCP VI, BFIP VI, BPP VI or any Blackstone Entity or any banking facilities or services that may be utilized by the Company, BMA VI, BCP VI, BFIP VI, BPP VI or any Blackstone Entity, and all checks, notes, drafts and other documents of the Company, BMA VI, BCP VI, BFIP VI, BPP VI or any Blackstone Entity that may be required in connection with any such bank account, banking facilities or services, (C) resolutions with respect to any of the foregoing matters (which resolutions, when executed by any person authorized as provided in this Section 3.3(c), each acting individually, shall be deemed to have been adopted by the Managing Member, the Company, BMA VI, BCP VI, BFIP VI, BPP VI or any Blackstone Entity, as applicable, for all purposes).

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

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

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

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

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

(b) Indemnification. To the fullest extent permitted by law, the Company shall indemnify and hold harmless (but only to the extent of the Company's assets (including, without limitation, the remaining capital commitments of the Members) each Covered Person from and against any and all claims, damages, losses, costs, expenses and liabilities (including, without limitation, amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim), joint and several, of any nature whatsoever, known or unknown, liquidated or unliquidated (collectively, "Losses"), arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of such Covered Person's management of the affairs of the Company or which relate to or arise out of or in connection with the Company, its property, its business or affairs (other than claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising out of any act or omission of such Covered Person constituting Cause); provided, that a Covered Person shall not be entitled to indemnification under this Section with

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

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

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

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

ARTICLE IV

CAPITAL OF THE COMPANY

4.1. Capital Contributions by Members. (a) Except as agreed by the Managing Member and a Regular Member, such Regular Member shall not be required to make capital contributions to the Company ("GP-Related Capital Contributions") at such times and in such amounts (the "GP-Related Required Amounts") as are required to satisfy the Company's obligation to make capital contributions to BMA VI in respect of the GP-Related BMA VI Member Interest to fund BMA VI's capital contribution in respect of any GP-Related BCP VI Investment and as are otherwise determined by the Managing Member from time to time or as may be set forth in such Regular Member's Commitment Agreement or SMD Agreement, if any; provided, that additional GP-Related Capital Contributions in excess of the GP-Related Required Amounts may be made pro rata among the Regular Members based upon each Regular Member's Carried Interest Sharing Percentage. GP-Related Capital Contributions in excess of the GP-Related Required Amounts which are to be used for ongoing business operations (as distinct from financing, legal or other specific liabilities of the Company (including those specifically set forth in Sections 4.1(d) and 5.8(d)) shall be determined by the Managing Member. Special Members shall not be required to make additional GP-Related Capital Contributions to the Company in excess of the GP-Related Required Amounts, except (i) as a condition of an increase in such Special Member's GP-Related Profit Sharing Percentage or (ii) as specifically set forth in this Agreement; provided, that the Managing Member and any Special Member may agree from time to time that such Special Member shall make an additional GP-Related Capital Contribution to the Company; provided further, that each Investor Special Member shall maintain its GP-Related Capital Accounts at an aggregate level equal to the product of (i) its GP-Related Profit Sharing Percentage from time to time and (ii) the total capital of the Company.

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

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

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

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

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

(iv) (A) Notwithstanding anything contained herein to the contrary, the Company may increase or decrease the Holdback Percentage for any Member in any Member Category (in such capacity, the “Subject Member”) pursuant to a majority vote of the Regular Members (a “Holdback Vote”); provided, that, notwithstanding anything to the contrary contained herein, the Holdback Percentage applicable to the Managing Member shall not be increased or decreased without its prior written consent; provided further, that a Subject Member’s Holdback Percentage shall not be (I) increased prior to such time as such Subject Member (x) is notified by the Company of the decision to increase such Subject Member’s Holdback Percentage and (y) has, if requested by such Subject Member, been given 30 days to gather and provide information to the Company for consideration before a second Holdback Vote (requested by the Subject Member) or (II) decreased unless such decrease occurs subsequent to an increase in a Subject Member’s Holdback Percentage pursuant to a Holdback Vote under this clause (iv); provided further, that such decrease shall not exceed an amount such that such Subject Member’s Holdback Percentage is less than the prevailing Holdback Percentage for the Member Category of such Subject Member; provided further, that a Member shall not vote to increase a Subject Member’s Holdback Percentage unless such voting Member determines, in his good faith judgment, that the facts and circumstances indicate that it is reasonably likely that such Subject Member, or any of his successors or assigns (including his estate or heirs) who at the time of such vote holds the GP-Related Member Interest or otherwise has the right to receive distributions relating thereto, will not be capable of satisfying any GP-Related Recontribution Amounts that may become due.

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

“victorious” party shall be the Company if the Holdback Percentage ultimately determined by the arbitrator is closer to the percentage determined in the second Holdback Vote than it is to the prevailing Holdback Percentage for the Subject Member’s Member Category; otherwise, the Subject Member shall be the “victorious” party. The party that is not the “victorious” party shall be the “losing” party.

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

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

- (B) If upon a sale or other realization of all or any portion of any Firm Collateral (a “Firm Collateral Realization”), the remaining Firm Collateral is insufficient to cover any Member’s or Withdrawn Member’s Excess Holdback requirement, then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Firm Collateral Realization (including distributions subject to the repayment of financing sources as in the case of Pledgable Blackstone Interests) shall be paid into the Trust Account to fully satisfy such Excess Holdback requirement (allocated to such Member or Withdrawn Member) and shall be deemed to be Trust Amounts for purposes hereunder. Any net proceeds from such Firm Collateral Realization in excess of the amount necessary to satisfy such Excess Holdback requirement shall be distributed to such Member or Withdrawn Member.
- (C) Upon any valuation or revaluation of Firm Collateral that results in a decreased valuation of such Firm Collateral so that such Firm Collateral is insufficient to cover any Member’s or Withdrawn Member’s Excess Holdback requirement (including upon a Firm Collateral Realization, if net proceeds therefrom and the remaining Firm Collateral are insufficient to cover any Member’s or Withdrawn Member’s Excess Holdback requirement), the Company shall provide notice of the foregoing to such Member or Withdrawn Member and such Member or Withdrawn Member shall, within 30 days of receiving such notice, contribute cash (or additional Firm Collateral) to the Trust Account in an amount necessary to satisfy his Excess Holdback requirement. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided, that clause (A) of the first sentence of Section 5.8(d)(ii) shall be deemed inapplicable to a default under this clause (C); provided further, that for purposes of applying Section 5.8(d)(ii) to a default under this clause (C): (I) the term “GP-Related Defaulting Party” where such term appears in such Section 5.8(d)(ii) shall be construed as “defaulting party” for purposes hereof and (II) the terms “Net GP-Related Recontribution Amount” and “GP-Related Recontribution Amount” where such terms appear in such Section 5.8(d)(ii) shall be construed as the amount due pursuant to this clause (C).

(vi) Any Member or Withdrawn Member may (A) obtain the release of any Trust Amounts (but not the Trust Income thereon which shall remain in the Trust Account and allocated to such Member or Withdrawn Member) or Firm Collateral, in each case, held in the Trust Account for the benefit of such Member or Withdrawn Member or (B) require the Company to distribute all or any portion of amounts otherwise required to be placed in the Trust Account (whether cash or Firm Collateral), by obtaining a letter of credit (an “L/C”) for the benefit of the Trustee(s) in such amounts. Any Member or Withdrawn Member choosing to furnish an L/C to the Trustee(s) (in such capacity, an “L/C Member”) shall deliver to the Trustee(s) an unconditional and irrevocable L/C from a commercial bank whose (x) short-term deposits are rated at least A-1 by S&P and P-1 by Moody’s (if the L/C is for a term of 1 year or less), or (y) long-term deposits are rated at least A+ by S&P or A1 by Moody’s (if the L/C is for a term of 1 year or more) (each a “Required Rating”). If the relevant rating of the commercial bank issuing such L/C drops below the relevant Required Rating, the L/C Member shall supply to the Trustee(s), within 30 days of such occurrence, a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating, in lieu of the insufficient L/C. In addition, if the L/C has a term expiring on a date earlier than the latest possible termination date of BCP VI, the Trustee(s) shall be permitted to drawdown on such L/C if the L/C Member fails to provide a new L/C from a commercial bank whose relevant rating is at least equal to the relevant

Required Rating, at least 30 days prior to the stated expiration date of such existing L/C. The Trustee(s) shall notify an L/C Member 10 days prior to drawing on any L/C. The Trustee(s) may (as directed by the Company in the case of clause (I) below) draw down on an L/C only if (I) such a drawdown is necessary to satisfy an L/C Member's obligation relating to the Company's obligations under the Clawback Provisions or (II) an L/C Member has not provided a new L/C from a commercial bank whose relevant rating is at least equal to the relevant Required Rating (or the requisite amount of cash and/or Firm Collateral (to the extent permitted hereunder)), at least 30 days prior to the stated expiration of an existing L/C in accordance with this clause (vi). The Trustee(s), as directed by the Company, shall return to any L/C Member his L/C upon (1) the termination of the Trust Account and satisfaction of the Company's obligations, if any, in respect of the Clawback Provisions, (2) an L/C Member satisfying his entire Holdback obligation in cash and Firm Collateral (to the extent permitted hereunder), or (3) the release, by the Trustee(s), as directed by the Company, of all amounts in the Trust Account to the Members or Withdrawn Members. If an L/C Member satisfies a portion of his Holdback obligation in cash and/or Firm Collateral (to the extent permitted hereunder) or if the Trustee(s), as directed by the Company, release a portion of the amounts in the Trust Account to the Members or Withdrawn Members in the Member Category of such L/C Member, the L/C of an L/C Member may be reduced by an amount corresponding to such portion satisfied in cash and/or Firm Collateral (to the extent permitted hereunder) or such portion released by the Trustee(s), as directed by the Company; provided, that in no way shall the general release of any Trust Income cause an L/C Member to be permitted to reduce the amount of an L/C by any amount.

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

(B) In lieu of the foregoing, any Existing Member may pledge with respect to any in-kind distribution the Special Firm Collateral referred to in asset category 5 on the Company's books and records; provided, that the initial contribution of such Special Firm Collateral shall initially equal 130% of the required Holdback Amount for a period of 90 days, and thereafter shall equal at least 115% of the required Holdback Amount. Paragraphs 4.1(d)(viii)(C) and (D) shall apply to such Special Firm Collateral. To the extent such Special Firm Collateral exceeds the applicable minimum percentage of the required Holdback Amount specified in the first sentence of this clause (vii)(B), the related Member may obtain a release of such excess amount from the Trust Account.

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

- (B) If upon a distribution, withdrawal, sale, liquidation or other realization of all or any portion of any Special Firm Collateral (a “Special Firm Collateral Realization”), the remaining Special Firm Collateral (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund and is being used in connection with an Excess Holdback) is insufficient to cover any Member’s or Withdrawn Member’s Holdback (when taken together with other means of satisfying the Holdback as provided herein (i.e., cash contributed to the Trust Account or an L/C in the Trust Account)), then up to 100% of the net proceeds otherwise distributable to such Member or Withdrawn Member from such Special Firm Collateral Realization (which shall not include the amount of Firm Collateral that consists of a Qualifying Fund or other asset and is being used in connection with an Excess Holdback) shall be paid into the Trust (and allocated to such Member or Withdrawn Member) to fully satisfy such Holdback and shall be deemed thereafter to be Trust Amounts for purposes hereunder. Any net proceeds from such Special Firm Collateral Realization in excess of the amount necessary to satisfy such Holdback (excluding any Excess Holdback) shall be distributed to such Member or Withdrawn Member. To the extent a Qualifying Fund distributes Securities to a Member or Withdrawn Member in connection with a Special Firm Collateral Realization, such Member or Withdrawn Member shall be required to promptly fund such Member’s or Withdrawn Member’s deficiency with respect to his Holdback in cash or an L/C.
- (C) Upon any valuation or revaluation of the Special Firm Collateral and/or any adjustment in the Applicable Collateral Percentage applicable to a Qualifying Fund (as provided in the Company’s books and records), if such Member’s or Withdrawn Member’s Special Firm Collateral is valued at less than such Member’s Holdback (excluding any Excess Holdback) as provided in the Company’s books and records, taking into account other permitted means of satisfying the Holdback hereunder, the Company shall provide notice of the foregoing to such Member or Withdrawn Member and, within 10 business days of receiving such notice, such Member or Withdrawn Member shall contribute cash or additional Special Firm Collateral to the Trust Account in an amount necessary to make up such deficiency. If any such Member or Withdrawn Member defaults upon his obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided, that the first sentence of Section 5.8(d)(ii) shall be deemed inapplicable to such default; provided further, that for purposes of applying Section 5.8(d)(ii) to a default under this clause (C): (I) the term “GP-Related Defaulting Party” where such term appears in such Section 5.8(d)(ii) shall be construed as “defaulting party” for purposes hereof and (II) the terms “Net GP-Related Recontribution Amount” and “GP-Related Recontribution Amount” where such terms appear in such Section 5.8(d)(ii) shall be construed as the amount due pursuant to this clause (C).
- (D) Upon a Member becoming a Withdrawn Member, at any time thereafter the Managing Member may revoke the ability of such Withdrawn Member to use Special Firm Collateral as set forth in this Section 4.1(d)(viii), notwithstanding anything else in this Section 4.1(d)(viii). In that case the provisions of clause (C) above shall apply to the Withdrawn Member’s obligation to satisfy the Holdback (except that 30 days’ notice of such revocation shall be given), given that the Special Firm Collateral is no longer available to satisfy any portion of the Holdback (excluding any Excess Holdback).

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

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

4.3. Withdrawals of Capital. No Member may withdraw capital related to such Member's GP-Related Member Interest from the Company except (i) for distributions of cash or other property pursuant to Section 5.8, (ii) as otherwise expressly provided in this Agreement or (iii) as determined by the Managing Member.

ARTICLE V

PARTICIPATION IN PROFITS AND LOSSES

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

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

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

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

GP-Related Net Income (Loss) shall be determined in accordance with the accounting method used by the Company for U.S. federal income tax purposes with the following adjustments: (i) any income of the Company that is exempt from U.S. federal income taxation and not otherwise taken into account in computing GP-Related Net Income (Loss) shall be added to such taxable income or loss; (ii) if any asset has a value on the books of the Company that differs from its adjusted tax basis for U.S. federal income tax purposes, any depreciation, amortization or gain resulting from a disposition of such asset shall be calculated with reference to such value; (iii) upon an adjustment to the value of any asset on the books of the Company pursuant to Regulation Section 1.704-1(b)(2), the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; (iv) any expenditures of the Company not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing GP-Related Net Income (Loss) pursuant to this definition shall be treated as deductible items; (v) any income from a GP-Related Investment that is payable to Company employees in respect of “phantom interests” in such GP-Related Investment awarded by the Managing Member to employees shall be included as an expense in the calculation of GP-Related Net Income (Loss) from such GP-Related Investment, and (vi) items of income and expense (including interest income and overhead and other indirect expenses) of the Company, Holdings and other affiliates of the Company shall be allocated among the Company, Holdings and such affiliates, among various Company activities and GP-Related Investments and between accounting periods, in each case as determined by the Managing Member. Any adjustments to GP-Related Net Income (Loss) by the Managing Member, including adjustments for items of income accrued but not yet received, unrealized gains, items of expense accrued but not yet paid, unrealized losses, reserves (including reserves for taxes, bad debts, actual or threatened litigation, or any other expenses, contingencies or obligations) and other appropriate items shall be made in accordance with U.S. generally accepted accounting principles (“GAAP”); provided, that the Managing Member shall not be required to make any such adjustment.

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

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

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

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

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

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

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

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

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

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

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

(d) To the extent the Company has any GP-Related Net Income (Loss) for any accounting period unrelated to BCP VI, 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 Managing Member may authorize from time to time advances to Members against their allocable shares of GP-Related Net Income (Loss).

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

5.6. [Intentionally omitted.]

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

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

(b) Subject to the Company's having sufficient available cash in the reasonable judgment of the Managing Member, the Company shall make cash distributions to each Member with respect to each Fiscal Year of the Company in an aggregate amount at least equal to the total Federal,

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

(c) The Managing Member may provide that the GP-Related Member Interest of any Member or employee (including such Member's or employee's right to distributions and investments of the Company related thereto) may be subject to repurchase by the Company during such period as the Managing Member shall determine (a "Repurchase Period"). Any Contingent distributions from GP-Related Investments subject to repurchase rights will be withheld by the Company and will be distributed to the recipient thereof (together with interest thereon at rates determined by the Managing Member from time to time) as the recipient's rights to such distributions become Non-Contingent (by virtue of the expiration of the applicable Repurchase Period or otherwise). The Managing Member may elect in an individual case to have the Company distribute any Contingent distribution to the applicable recipient thereof irrespective of whether the applicable Repurchase Period has lapsed. If a Member Withdraws from the Company for any reason other than his death, Total Disability or Incompetence, the undistributed share of any GP-Related Investment that remains Contingent as of the applicable Withdrawal Date shall be repurchased by the Company at a purchase price determined at such time by the Managing Member. Unless determined otherwise by the Managing Member, the repurchased portion thereof will be allocated among the remaining Members with interests in such GP-Related Investment in proportion to their respective percentage interests in such GP-Related Investment, or if no other Member has a percentage interest in such specific GP-Related Investment, to the Managing Member; provided, that the Managing Member may allocate the Withdrawn Member's share of unrealized investment income from a repurchased GP-Related Investment attributable to the period after the Withdrawn Member's Withdrawal Date on any basis it may determine, including to existing or new Members who did not previously have interests in such GP-Related Investment, except that, in any event, each Investor Special Member shall be allocated a share of such unrealized investment income equal to its respective GP-Related Profit Sharing Percentage of such unrealized investment income.

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

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

(ii) (A) In the event any Member or Withdrawn Member (a "GP-Related Defaulting Party") fails to recontribute all or any portion of such GP-Related Defaulting Party's Net GP-Related Recontribution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Carried Interest Give Back Percentages in the case of Clawback Amounts, and GP-Related Profit Sharing Percentages in the case of

GP-Related Giveback Amounts (as more fully described in clause (II) of Section 5.8(d)(i)(A) above)), such amounts as are necessary to fulfill the GP-Related Defaulting Party's obligation to pay such GP-Related Defaulting Party's Net GP-Related Recontribution Amount (a "GP-Related Deficiency Contribution") if the Managing Member determines in its good faith judgment that the Company (or an Other Fund GP) will be unable to collect such amount in cash from such GP-Related Defaulting Party for payment of the Clawback Amount or GP-Related Giveback Amount, as the case may be, at least 20 Business Days prior to the latest date that the Company, and the Other Fund GPs, if applicable, are permitted to pay the Clawback Amount or GP-Related Giveback Amount, as the case may be; provided, that, subject to Section 5.8(e), no Member or Withdrawn Member shall as a result of such GP-Related Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Net GP-Related Recontribution Amount initially requested from such Member or Withdrawn Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the Managing Member or (2) pursue any and all remedies (at law or equity) available to the Company against the GP-Related Defaulting Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the GP-Related Defaulting Party. It is agreed that the Company shall have the right (effective upon such GP-Related Defaulting Party becoming a GP-Related Defaulting Party) to set-off as appropriate and apply against such GP-Related Defaulting Party's Net GP-Related Recontribution Amount any amounts otherwise payable to the GP-Related Defaulting Party by the Company or any affiliate thereof (including amounts unrelated to Carried Interest, such as returns of capital and profit thereon). Each Member and Withdrawn Member hereby grants to the Company a security interest, effective upon such Member or Withdrawn Member becoming a GP-Related Defaulting Party, in all accounts receivable and other rights to receive payment from any affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member and Withdrawn Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or Withdrawn Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Net GP-Related Recontribution Amount of a GP-Related Defaulting Party from the date such GP-Related Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

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

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

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

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

- (A) determine each Member’s share of each such Loss Investment based on his Carried Interest Sharing Percentage in each such Loss Investment (which may be zero) to the extent such Loss Investment has reduced the Carried Interest distributions otherwise available for distribution to all Members (indirectly through the Company from BCP VI) from the Subject Investment (such reduction, the “Loss Amount”);
- (B) determine the amount of Carried Interest distributions otherwise distributable to such Member with respect to the Subject Investment (indirectly through the Company from BCP VI) before any reduction in respect of the amount determined in clause (A) above (the “Unadjusted Carried Interest Distributions”); and
- (C) subtract (I) the Loss Amounts relating to all Loss Investments from (II) the Unadjusted Carried Interest Distributions for such Member, to determine the amount of Carried Interest distributions to actually be paid to such Member (“Net Carried Interest Distribution”).

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

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

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

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

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

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

- (A) determine each Member's share of any Losses in any GP-Related BCP VI Investments which gave rise to the Clawback Amount (i.e., the Losses that followed the last GP-Related BCP VI Investment with respect to which Carried Interest distributions were made), based on such Member's Carried Interest Sharing Percentage in such GP-Related BCP VI Investments;
- (B) determine each Member's obligation with respect to the Clawback Amount based on such Member's Carried Interest Give Back Percentage as otherwise provided herein; and
- (C) subtract the amount determined in clause (B) above from the amount determined in clause (A) above with respect to each Member to determine the amount of adjustment to each Member's share of the Clawback Amount (a Member's "Clawback Adjustment Amount").

A Member's share of the Clawback Amount shall for all purposes hereof be decreased by such Member's Clawback Adjustment Amount, to the extent it is a negative number (except to the extent expressly provided below). A Member's share of the Clawback Amount shall for all purposes hereof be increased by such Member's Clawback Adjustment Amount (to the extent it is a positive number);

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

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

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

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

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

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

ARTICLE VI

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

6.1. Additional Members. (a) Effective on the first day of any month (or on such other date as shall be determined by the Managing Member in its sole discretion), the Managing Member shall have the right to admit one or more additional persons into the Company as Regular Members or Special Members. Each such person shall make the representations with respect to itself set forth in Section 3.6. The Managing Member shall determine and negotiate with the additional Member all terms of such additional Member's participation in the Company, including the additional Member's initial GP-Related Capital Contribution, Capital Commitment-Related Capital Contribution, GP-Related Profit Sharing Percentage and Capital Commitment Profit Sharing Percentage. Each additional Member shall have such voting rights as may be determined by the Managing Member from time to time unless, upon

the admission to the Company of any Special Member, the Managing Member shall designate that such Special Member shall not have such voting rights (any such Special Member being called a “Nonvoting Special Member”). Any additional Member shall, as a condition to becoming a Member, agree to become a party to, and be bound by the terms and conditions of, the Trust Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) (i) Upon the Withdrawal from the Company of a Member with respect to such Member's GP-Related Member Interest, such Withdrawn Member thereafter shall not, except as expressly provided in this Section 6.5, have any rights of a Member (including voting rights) with respect to such Member's GP-Related Member Interest, and, except as expressly provided in this Section 6.5, such Withdrawn Member shall not have any interest in the Company's GP-Related Net Income (Loss), or in distributions, GP-Related Investments or other assets related to such Member's GP-Related Member Interest. If a Member Withdraws from the Company with respect to such

Member's GP-Related Member Interest for any reason other than for Cause pursuant to Section 6.2, then the Withdrawn Member shall be entitled to receive, at the time or times specified in Section 6.5(i) below, in satisfaction and discharge in full of the Withdrawn Member's GP-Related Member Interest, (x) payment equal to the aggregate credit balance, if any, as of the Settlement Date of the Withdrawn Member's GP-Related Capital Accounts, (excluding any GP-Related Capital Account or portion thereof attributable to any GP-Related Investment) and (y) the Withdrawn Member's percentage interest attributable to each GP-Related Investment in which the Withdrawn Member has an interest as of the Settlement Date as provided in paragraph (f) below (which shall be settled in accordance with paragraph (f) below), subject to all the terms and conditions of paragraphs (a)-(r) of this Section 6.5. If the amount determined pursuant to clause (x) above is an aggregate negative balance, the Withdrawn Member shall pay the amount thereof to the Company upon demand by the Managing Member on or after the date of the statement referred to in paragraph (i) below; provided, that if the Withdrawn Member was solely a Special Member on his Withdrawal Date, such payment shall be required only to the extent of any amounts payable to such Withdrawn Member pursuant to this Section 6.5. Any aggregate negative balance in the GP-Related Capital Accounts of a Withdrawn Member who was solely a Special Member, upon the settlement of such Withdrawn Member's GP-Related Member Interest pursuant to this Section 6.5, shall be allocated among the other Members' GP-Related Capital Accounts in accordance with their respective GP-Related Profit Sharing Percentages in the categories of GP-Related Net Income (Loss) giving rise to such negative balance as determined by the Managing Member as of such Withdrawn Member's Settlement Date. In the settlement of any Withdrawn Member's GP-Related Member Interest in the Company, no value shall be ascribed to goodwill, the Company name or the anticipation of any value the Company or any successor thereto might have in the event the Company or any interest therein were to be sold in whole or in part.

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

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

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

(h) [Intentionally omitted.]

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

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

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

after realization with respect to such GP-Related Investment. The “due date” of any other amounts payable by a Withdrawn Member shall be 60 days after the date such amounts are determined to be payable.

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

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

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

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

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

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

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

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

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

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

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

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

Regulations Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f). In addition, this Agreement shall be considered to contain a “qualified income offset” as provided in Regulations Section 1.704-1(b)(2)(ii)(d).

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

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

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

ARTICLE VII

CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS; ALLOCATIONS; DISTRIBUTIONS

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

(b) Each Member, severally, agrees to make contributions of capital to the Company (“Capital Commitment-Related Capital Contributions”) as required to fund the Company’s capital contributions to BCP VI or BMA VI in respect of the Capital Commitment BCP VI Interest, if any, and the related Capital Commitment BCP VI Commitment, if any (including, without limitation, funding all or a portion of the Blackstone Capital Commitment). No Member shall be obligated to make Capital Commitment-Related Capital Contributions to the Company in an amount in excess of such Member’s Capital Commitment-Related Commitment. The Commitment Agreements and SMD Agreements of the Members may include provisions with respect to the foregoing matters. It is understood that a Member will not necessarily participate in each Capital Commitment Investment (which may include additional amounts invested in an existing Capital Commitment Investment) nor will a Member necessarily have the same Capital Commitment Profit Sharing Percentage with respect to (i) the Company’s portion of the Blackstone Capital Commitment or (ii) the making of each Capital Commitment Investment in which such Member participates; provided, that this in no way limits the terms of any Commitment Agreement or SMD Agreement. In addition, nothing contained herein shall be construed to give any Member the right to obtain financing with respect to the purchase of any Capital Commitment Interest, and nothing contained herein shall limit or dictate the terms upon which the Company and its Affiliates may provide such financing. The acquisition of a Capital Commitment Interest by a Member shall be evidenced by receipt by the Company of funds equal to such Member’s Capital Commitment- Related Commitment then due with respect to such Capital Commitment Interest and such appropriate documentation as the Managing Member may submit to the Members from time to time.

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

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

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

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

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

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

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

(ii) Second, to distribution to the Member of an amount equal to the Federal, state and local income taxes on income of the Company allocated to such Member for such year in respect of such Member's Capital Commitment Member Interest (the aggregate amount of any such distribution shall be determined by the Managing Member, subject to the limitation that the minimum aggregate amount of such distribution be the tax that would be payable if the taxable income of the Company related to all Members' Capital Commitment Member Interests were all allocated to an individual subject to the then-prevailing maximum Federal, New York State and New York City tax rates (taking into account the extent to which such taxable income allocated by the Company was composed of long-term capital gains and the deductibility of state and local income taxes for Federal income tax purposes)); provided, that additional amounts shall be paid to the Member pursuant to this clause (ii) to the extent that such amount reduces the amount otherwise distributable to the Member pursuant to a comparable provision in any BFIP Agreement or in any BFREP 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 BFIP Agreements, BFREP Agreements, BFMEZP Agreements or BFCOMP Agreements comparable to the immediately preceding proviso shall reduce those amounts otherwise distributable to the Member pursuant to provisions in such BFIP Agreements, BFREP 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 BFIP Investments (other than Capital Commitment Investments), BFREP 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 Member of (A) all Capital Commitment Capital Contributions made in respect of the Capital Commitment Interest to which any Capital Commitment Investment disposed of during or prior to such fiscal year relates or (B) all capital contributions made to BFIP (other than the Company), BFREP, BFMEZP or BFCOMP in respect of interests therein relating to BFIP Investments (other than Capital Commitment Investments), BFREP 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 Capital Commitment Member Carried Interest);

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

(vi) Sixth, up to 50% of any Capital Commitment Net Income remaining after application pursuant to clauses (i) through (v) above shall be applied pro rata to prepayment of principal of all remaining Investor Notes of such Member (including those unrelated to the

Company), the selection of those of such Member's Investor Notes to be repaid, the division of payments among such Investor Notes and the percentage of remaining Capital Commitment Net Income to be applied thereto to be determined by the Lender or Guarantor; and

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

To the extent there is a partial disposition of a Capital Commitment Investment, any other BFIP Investment or any BFREP 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 BFIP Investment, BFREP 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 Member who is no longer an employee or officer of Holdings or its Affiliates, distributions shall be made pursuant to clauses (i) through (iii) above, and then, unless the Company or its Affiliate has exercised its rights pursuant to Section 8.1 hereof, any remaining income or other distribution in respect of such Member's Capital Commitment Member Interest shall be applied to the prepayment of the outstanding Investor Notes of such Member, until all such Member's Investor Notes have been repaid in full, with any such income or other distribution remaining thereafter distributed to such Member.

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

(b) [Intentionally omitted.]

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

(d) [Intentionally omitted.]

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

(f) At any time that a sale, exchange, transfer or other disposition of a portion of a Capital Commitment Investment is being considered by the Company or BCP VI (a "Capital Commitment Disposable Investment"), at the election of the Managing Member each Member's Capital Commitment Interest with respect to such Capital Commitment Investment shall be vertically divided into two separate Capital Commitment Interests, a Capital Commitment Interest attributable to the Capital Commitment Disposable Investment (a Member's "Capital Commitment Class B Interest"), and

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

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

(ii) (A) In the event any Member (a "Capital Commitment Defaulting Party") fails to recontribute all or any portion of such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount for any reason, the Company shall require all other Members and Withdrawn Members to contribute, on a pro rata basis (based on each of their respective Capital Commitment Profit Sharing Percentages), such amounts as are necessary to fulfill the Capital Commitment Defaulting Party's obligation to pay such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount (a "Capital Commitment Deficiency Contribution") if the Managing Member determines in its good faith judgment that the Company will be unable to collect such amount in cash from such Capital Commitment Defaulting Party for payment of the Capital Commitment Giveback Amount at least 20 Business Days prior to the latest date that the Company is permitted to pay the Capital Commitment Giveback Amount; provided, that no Member shall as a result of such Capital Commitment Deficiency Contribution be required to contribute an amount in excess of 150% of the amount of the Capital Commitment Recontribution Amount initially requested from such Member in respect of such default. Thereafter, the Managing Member shall determine in its good faith judgment

that the Company should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the Managing Member or (2) pursue any and all remedies (at law or equity) available to the Company against the Capital Commitment Defaulting Party, the cost of which shall be a Company expense to the extent not ultimately reimbursed by the Capital Commitment Defaulting Party. It is agreed that the Company shall have the right (effective upon such Capital Commitment Defaulting Party becoming a Capital Commitment Defaulting Party) to set-off as appropriate and apply against such Capital Commitment Defaulting Party's Capital Commitment Recontribution Amount any amounts otherwise payable to the Capital Commitment Defaulting Party by the Company or any Affiliate thereof. Each Member hereby grants to the Company a security interest, effective upon such Member becoming a Capital Commitment Defaulting Party, in all accounts receivable and other rights to receive payment from the Company or any Affiliate of the Company and agrees that, upon the effectiveness of such security interest, the Company may sell, collect or otherwise realize upon such collateral. In furtherance of the foregoing, each Member hereby appoints the Company as its true and lawful attorney-in-fact with full irrevocable power and authority, in the name of such Member or in the name of the Company, to take any actions which may be necessary to accomplish the intent of the immediately preceding sentence. The Company shall be entitled to collect interest on the Capital Commitment Recontribution Amount of a Capital Commitment Defaulting Party from the date such Capital Commitment Recontribution Amount was required to be contributed to the Company at a rate equal to the Default Interest Rate.

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

(iii) A Member's obligation to make contributions to the Company under this Section 7.4(g) shall survive the termination of the Company.

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

7.6. Disposition Election. (a) At any time prior to the date of the Company's execution of a definitive agreement to dispose of a Capital Commitment Investment, the Managing Member may in its sole discretion permit a Member to retain all or any portion of its pro rata share of such Capital Commitment Investment (as measured by such Member's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment). If the Managing Member so permits, such

Member shall instruct the Managing Member in writing prior to such date (i) not to dispose of all or any portion of such Member's pro rata share of such Capital Commitment Investment (the "Retained Portion") and (ii) either to (A) distribute such Retained Portion to such Member on the closing date of such disposition or (B) retain such Retained Portion in the Company on behalf of such Member until such time as such Member shall instruct the Managing Member upon 5 days notice to distribute such Retained Portion to such Member. Such Member's Capital Commitment Capital Account shall not be adjusted in any way to reflect the retention in the Company of such Retained Portion or the Company's disposition of other Members' pro rata shares of such Capital Commitment Investment; provided, that such Member's Capital Commitment Capital Account shall be adjusted upon distribution of such Retained Portion to such Member or upon distribution of proceeds with respect to a subsequent disposition thereof by the Company.

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

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

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

ARTICLE VIII

WITHDRAWAL, ADMISSION OF NEW MEMBERS

8.1. Member Withdrawal; Repurchase of Capital Commitment Interests. (a) Capital Commitment Interests (or a portion thereof) that were financed by Investor Notes will be treated as not subject to repurchase for purposes hereof based upon the proportion of (a) the sum of Capital Commitment Capital Contributions not financed by an Investor Note with respect to each Capital Commitment Interest and principal payments on the related Investor Note to (b) the sum of the Capital Commitment Capital Contributions not financed by an Investor Note with respect to such Capital Commitment Interest, the original principal amount of such Investor Note and all deferred amounts of interest which from time to time comprise part of the principal amount of the Investor Note. A Member may prepay a portion of any outstanding principal on the Investor Notes; provided, that in the event that a Member prepays all or any portion of the principal amount of the Investor Notes within nine months prior to the date on which such Member is no longer an employee or officer of Holdings or an Affiliate thereof, the Company (or its designee) shall have the right, in its sole discretion, to purchase the Capital Commitment Interest that became Non-Contingent as a result of such prepayment; provided further, that the purchase price for such Capital Commitment Interest shall be determined in accordance with the determination of the purchase price of a Member's Contingent Capital Commitment Interests as set forth in paragraph (b) below. Prepayments made by a Member shall apply pro rata against all of such Member's Investor Notes; provided, that such Member may request that such prepayments be applied only (w) to Investor Notes relating to BFIP Investments or (x) to Investor Notes relating to BFREP 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 Member ceasing to be an officer or employee of the Company or any of its Affiliates, other than as a result of such Member dying or suffering a Total Disability, such Member (the “Withdrawn Member”) and the Company or any other person designated by the Managing Member shall each have the right (exercisable by the Withdrawn Member within 30 days and by the Company or its designee(s) within 45 days of such Member’s ceasing to be such an officer or employee) or any time thereafter, upon 30 days notice, but not the obligation, to require the Company, subject to the LLC Act, to buy (in the case of exercise of such right by such Withdrawn Member) or the Withdrawn Member to sell (in the case of exercise of such right by the Company or its designee(s)) all (but not less than all) such Withdrawn Member’s Contingent Capital Commitment Interests. The purchase price for each such Contingent Capital Commitment Interest will be an amount equal to (i) the outstanding principal amount of the related Investor Note plus accrued interest thereon to the date of purchase (such portion of the purchase price to be made in cash) and (ii) an additional amount (the “Adjustment Amount”) equal to (x) all interest paid by the Member on the portion of the principal amount of the Investor Note relating to the portion of the related Capital Commitment Interest remaining Contingent plus (y) all Capital Commitment Net Losses allocated to the Withdrawn Member on the Contingent portion of such Capital Commitment Interest minus (z) all Capital Commitment Net Income allocated to the Withdrawn Member on the Contingent portion of such Capital Commitment Interest; provided, that, if the Withdrawn Member was terminated from employment or his position as an officer for Cause, the amounts referred to in clause (x) or (y) of the Adjustment Amount, in the Managing Member’s sole discretion, may be deemed to equal zero. The Adjustment Amount shall, if positive, be payable by the holders of the purchased Capital Commitment Interests to the Withdrawn Member from the next Capital Commitment Net Income received by such holders on the Contingent portion of such Withdrawn Member’s Capital Commitment Interests at the time such Capital Commitment Net Income is received. If the Adjustment Amount resulting from an exchange is negative, it shall be payable to the holders of the purchased Capital Commitment Interest by the Withdrawn Member at the time such Capital Commitment Net Income is received by the Withdrawn Member from the next Capital Commitment Net Income on the Non-Contingent portion of the Withdrawn Member’s Capital Commitment Interests or, if the Company or its designee(s) elect to purchase such Withdrawn Member’s Non-Contingent Capital Commitment Interests, in cash by the Withdrawn Member at the time of such purchase; provided, that the Company and its Affiliates may offset any amounts otherwise owing to a Withdrawn Member against any Adjustment Amount owed by such Withdrawn Member. Until so paid, such remaining Adjustment Amount will not itself bear interest. At the time of such purchase of the Withdrawn Member’s Contingent Capital Commitment Interests, his related Investor Note shall be payable in full. If neither the Withdrawn Member nor the Company nor its designee(s) exercise the right to require repurchase of such Contingent Capital Commitment Interests, then the Withdrawn Member shall retain the Contingent portion of his Capital Commitment Interests and the Investor Notes shall remain outstanding, shall become fully recourse to the Withdrawn Member in his individual capacity, shall be payable in accordance with their remaining original maturity schedules and shall be prepayable at any time by the Withdrawn Member at his option, and the Company shall apply such prepayments against outstanding Investor Notes on a pro rata basis. To the extent that another Member purchases a portion of a Capital Commitment Interest of a Withdrawn Member, the purchasing Member’s Capital Commitment Capital Account and Capital Commitment Profit Sharing Percentage for such Capital Commitment Investment shall be correspondingly increased.

(c) Upon the occurrence of a Final Event with respect to any Member, such Member shall thereupon cease to be a Member with respect to such Member’s Capital Commitment Member Interest. If such a Final Event shall occur, no Successor in Interest to any such Member shall for any purpose hereof become or be deemed to become a Member. The sole right, as against the Company and

the remaining Members, acquired hereunder by, or resulting hereunder to, a Successor in Interest to any Member shall be to receive any distributions and allocations with respect to such Member's Capital Commitment Member Interest pursuant to Article VII and this Article VIII, subject to the right of the Company to purchase the Capital Commitment Interests of such former Member pursuant to Section 8.1 (b) or Section 8.1(d) to the extent, at the time, in the manner and in the amount otherwise payable to such Member had such a Final Event not occurred, and no other right shall be acquired hereunder by, or shall result hereunder to, a Successor in Interest to such Member, whether by operation of law or otherwise. Until distribution of any such Member's interest in the Company upon the dissolution of the Company as provided in Section 9.2, neither his Capital Commitment Capital Accounts nor any part thereof shall be subject to withdrawal or redemption without the consent of the Managing Member. The Company shall be entitled to treat any Successor in Interest to such Member as the only person entitled to receive distributions and allocations hereunder with respect to such Member's Capital Commitment Member Interest.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX
DISSOLUTION

9.1. Dissolution. The Company shall be dissolved and subsequently terminated:

- (a) pursuant to Section 6.6; or
- (b) upon the expiration of the Term.

9.2. Final Distribution. Upon the dissolution of the Company, and following the payment of creditors of the Company and the making of provisions for the payment of any contingent, conditional or unmatured claims known to the Company as required under the LLC Act:

(a) The Members' respective interests in the Company shall be valued and settled in accordance with the procedures set forth in Section 6.5 which provide for allocations to the GP-Related Capital Accounts of the Members and distributions in accordance with the GP-Related Capital Account balances of the Members; and

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

The Managing Member shall be the liquidator. In the event that the Managing Member is unable to serve as liquidator, a liquidating trustee shall be chosen by the affirmative vote of a Majority in Interest of the Members voting at a meeting of Members (excluding Nonvoting Special Members).

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

(b) If there is any pending transaction, contingent liability or claim by or against the Company related to the Members' Capital Commitment Member Interests as to which the interest or obligation of any Member therein cannot, in the judgment of the liquidator, be then ascertained, the

value thereof or probable loss therefrom may be deducted from the amount distributable to such Member pursuant to clause (ii) of Section 9.2(b). No amount shall be paid or charged to any such Member on account of any such transaction or claim until its final settlement or such earlier time as the liquidator shall determine. The Company may meanwhile retain from other sums due such Member in respect of such Member's Capital Commitment Member Interest an amount which the liquidator estimates to be sufficient to cover the share of such Member in any probable loss or liability on account of such transaction or claim.

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

ARTICLE X

MISCELLANEOUS

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

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

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

(ii) The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding brought in any court referred to in the preceding paragraph of this Section 10.1 and such parties agree not to plead or claim the same.

(d) Notwithstanding any provision of this Agreement to the contrary, this Section 10.1 shall be construed to the maximum extent possible to comply with the laws of the State of Delaware, including the Delaware Uniform Arbitration Act (10 Del. C. § 5701 *et seq.*) (the “Delaware Arbitration Act”). If, nevertheless, it shall be determined by a court of competent jurisdiction that any provision or wording of this Section 10.1, including any rules of the International Chamber of Commerce, shall be invalid or unenforceable under the Delaware Arbitration Act, or other applicable law, such invalidity shall not invalidate all of this Section 10.1. In that case, this Section 10.1 shall be construed so as to limit any term or provision so as to make it valid or enforceable within the requirements of the Delaware Arbitration Act or other applicable law, and, in the event such term or provision cannot be so limited, this Section 10.1 shall be construed to omit such invalid or unenforceable provision.

10.2. Ownership and Use of the Blackstone Name . The Company acknowledges that Blackstone TM L.L.C. (“TM”), a Delaware limited liability company with a principal place of business at 345 Park Avenue, New York, New York 10154, (or its successors or assigns) is the sole and exclusive owner of the mark and name BLACKSTONE and that the ownership of, and the right to use, sell or otherwise dispose of, the firm name or any abbreviation or modification thereof which consists of or includes BLACKSTONE, shall belong exclusively to TM. The Company shall not be permitted to use the BLACKSTONE name and service mark without the prior written consent of TM. To the extent the Company is permitted to use the BLACKSTONE name and service mark, all services rendered by the Company under the BLACKSTONE mark and name will be rendered in a manner and with quality levels that are consistent with the high reputation heretofore developed for the BLACKSTONE mark by TM and its Affiliates and licensees. The Company understands that, to the extent TM hereinafter permits the Company to use the BLACKSTONE name and service mark, TM may thereafter terminate the Company’s right to use BLACKSTONE at any time in TM’s sole discretion by giving the Company written notice of termination. Promptly following any such termination, the Company will take all steps necessary to change its company name to one which does not include BLACKSTONE or any confusingly similar term and cease all use of BLACKSTONE or any term confusingly similar thereto as a service mark or otherwise.

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

10.4 Letter Agreements; Schedules . The Managing Member may, or may cause the Company to, enter into separate letter agreements with individual Members, officers or employees with respect to GP-Related Profit Sharing Percentages, Capital Commitment Profit Sharing Percentages, benefits or any other matter, in each case on terms and conditions not inconsistent with this Agreement. The Managing Member may from time to time execute and deliver to the Members schedules which set forth the then current capital balances, GP-Related Profit Sharing Percentages and Capital Commitment Profit Sharing Percentages of the Members and any other matters deemed appropriate by the Managing Member. Such schedules shall be for information purposes only and shall not be deemed to be part of this Agreement for any purpose whatsoever; provided, that this in no way limits the effectiveness of any Commitment Agreement.

10.5. Governing Law; Separability of Provisions. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflict of laws. In particular, the Company has been formed pursuant to the LLC Act, and the rights and liabilities of the Members shall be as provided therein, except as herein otherwise expressly provided. If any provision of this Agreement shall be held to be invalid, such provision shall be given its meaning to the maximum extent permitted by law and the remainder of this Agreement shall not be affected thereby.

10.6. Successors and Assigns. This Agreement shall be binding upon and shall, subject to the penultimate sentence of Section 6.3(a), inure to the benefit of the parties hereto, their respective heirs and personal representatives, and any successor to a trustee of a trust which is or becomes a party hereto; provided, that no person claiming by, through or under a Member (whether such Member's heir, personal representative or otherwise), as distinct from such Member itself, shall have any rights as, or in respect to, a Member (including the right to approve or vote on any matter or to notice thereof) except the right to receive only those distributions expressly payable to such person pursuant to Articles VI and VIII. Any Member or Withdrawn Member shall remain liable for the obligations under this Agreement (including any Net GP-Related Recontribution Amounts and any Capital Commitment Recontribution Amount) of any transferee of all or any portion of such Member's or Withdrawn Member's interest in the Company, unless waived by the Managing Member. The Company shall, if the Managing Member determine, in its good faith judgment, based on the standards set forth in Sections 5.8(d)(ii)(A) and 7.4(g)(ii)(A), to pursue such transferee, pursue payment (including any Net GP-Related Recontribution Amounts and/or Capital Commitment Recontribution Amounts) from the transferee with respect to any such obligations. Nothing in this Agreement is intended, nor shall anything herein be construed, to confer any rights, legal or equitable, on any person other than the Members and their respective legal representatives, heirs, successors and permitted assigns. Notwithstanding the foregoing, the provisions of Section 5.8(d) (and the definitions relating thereto) shall inure to the benefit of the limited partners in BCP VI, such limited partners are intended third party beneficiaries of Section 5.8(d) (and the definitions relating thereto) and such limited partners shall have the right to enforce the provisions thereof to the extent Other Fund GPs do not satisfy the Clawback Provisions and/or the Giveback Provisions. The amendment of the provisions of Section 5.8(d) (and the definitions relating thereto) shall be effective against such limited partners only with the consent of the limited partners of BCP VI as set forth in the BCP VI Agreements.

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

10.8. Notices. Whenever notice is required or permitted by this Agreement to be given, such notice shall be in writing (including telecopy or similar writing) and shall be given to any Member at its address or telecopy number shown in the Company's books and records or, if given to the Managing Member, at the address of the Company provided herein. Each such notice shall be effective (i) if given by telecopy, upon dispatch, and (ii) if given by hand delivery, when delivered to the address of such Member or Managing Member specified as aforesaid.

10.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute a single instrument.

10.10. Power of Attorney. Each Member hereby irrevocably appoints the Managing Member as such Member's true and lawful representative and attorney-in-fact, each acting alone, in such Member's name, place and stead, to make, execute, sign and file all instruments, documents and certificates which, from time to time, may be required to set forth any amendment to this Agreement or may be required by this Agreement or by the laws of the United States of America, the State of Delaware or any other state in which the Company shall determine to do business, or any political subdivision or agency thereof, to execute, implement and continue the valid and subsisting existence of the Company. Such power of attorney is coupled with an interest and shall survive and continue in full force and effect notwithstanding the subsequent Withdrawal from the Company of any Member for any reason and shall not be affected by the subsequent disability or incapacity of such Member.

10.11. Member's Will. Each Member and Withdrawn Member shall include in his or her will a provision that addresses certain matters in respect of his or her obligations relating to the Company that is satisfactory to the Managing Member and each such Member and Withdrawn Member shall confirm annually to the Company, in writing, that such provision remains in his current will. Where applicable, any estate planning trust of such Member or Withdrawn Member to which a portion of such Member's or Withdrawn Member's Interest is transferred shall include a provision substantially similar to such provision and the trustee of such trust shall confirm annually to the Company, in writing, that such provision or its substantial equivalent remains in such trust. In the event any Member or Withdrawn Member fails to comply with the provisions of this Section 10.11 after the Company has notified such Member or Withdrawn Member of his failure to so comply and such failure to so comply is not cured within 30 days of such notice, the Company may withhold any and all distributions to such Member until the time at which such party complies with the requirements of this Section 10.11.

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

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

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

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

MANAGING MEMBER:

BLACKSTONE HOLDINGS III L.P.

By: Blackstone Holdings III GP L.P.,
its General Partner

By: Blackstone Holdings III GP Management L.L.C.,
its General Partner

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

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

B L A C K S T O N E H O L D I N G S D E F E R R E D U N I T A G R E E M E N T

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 [date], 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 Blackstone Holdings Partnership Unit on the delivery date(s) specified in Section 4 hereof.

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) (w) any breach by the Participant of any provision of the Non-Competition, Non-Solicitation and Confidentiality Agreements to which the Participant is a party, (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 (w), (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) "Non-Competition, Non Solicitation and Confidentiality Agreement" shall mean any agreement, and any attachments or schedules thereto, entered into by and between the Participant and the Partnership or its Affiliates, pursuant to which the Participant has agreed, among other things, to certain restrictions relating to non-competition, non solicitation and/or confidentiality, in order to protect the business of the Partnership and its Affiliates.

(c) "Qualifying Event" shall mean, during the Participant's Employment with the Partnership and its Affiliates, the Participant's death, Disability or Retirement.

(d) "Restrictive Covenant Expiration Period" shall be the [_____] period following the date of the Participant's termination of Employment with the Partnership and its Affiliates.

(e) "Retention Percentage" shall mean (i) [___]%, during the period from the [date] until the [_____] Anniversary Date; (ii) [___]%, during the period from the First Anniversary Date until the [_____] Anniversary Date; (iii) [___]%, during the period from the [_____] Anniversary Date until the [_____] Anniversary Date; and (iv) [___]%, during the period from the [_____] Anniversary Date until the date on which the Restrictive Covenant Expiration Period expires, at which time it shall be 0%.

(f) "Retention Units" shall mean, on any given date, the Deferred Units that have become Vested Deferred Units and which are retained by the Partnership (along with the underlying Blackstone Holdings Partnership Units) in accordance with Section 4 hereof.

(g) "Retirement" shall mean the retirement of a Participant from his or her Employment with the Partnership and its Affiliates after (i) the Participant has reached age 65 and has at least five full years of service with the Partnership and its Affiliates, or (ii) (x) the Participant's age plus years of service with the Partnership and its Affiliates totals at least 65, (y) the Participant has reached age 50, and (z) the Participant has had a minimum of five years of service; provided, however, that no Participant will be eligible for Retirement prior to June 30, 2010.

(h) “ Vested Deferred Units ” shall mean those Deferred Units which have become vested pursuant to Section 3 or otherwise pursuant to the Plan.

(i) “ Vesting Dates ” shall mean each of the [_____], [_____], [_____], [_____] and [_____] anniversaries of [date], as described in Section 3(a) hereof.

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) [___]% of the Deferred Units granted hereunder shall vest on each of the following dates: (I) the [_____] anniversary of [date] (the “[_____] Anniversary Date ”); (II) the [_____] anniversary of [date] (the “[_____] Anniversary Date ”); (III) the [_____] anniversary of the [date] (the “[_____] Anniversary Date ”); (IV) the [_____] anniversary of the [date] (the “[_____] Anniversary Date ”); and (V) the [_____] anniversary of the [date] (the “[_____] Anniversary Date ”) (each an “ Anniversary Vesting Date ”).

(b) *Vesting – Qualifying Events*.

(i) *Death or Disability*. Upon the occurrence of a Qualifying Event on account of the death or Disability of the Participant, 100% of the Deferred Units granted hereunder shall vest (to the extent not previously vested) upon the date of such event.

(ii) *Retirement*. Upon the occurrence of a Qualifying Event on account of the Retirement of the Participant, (I) 50% of the then unvested Deferred Units shall vest upon the date of such event, and (II) all other unvested Deferred Units shall be cancelled immediately and the Participant shall automatically forfeit all rights with respect to such unvested Deferred Units 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 Anniversary Vesting Date set forth below, deliver to the Participant the Blackstone Holdings Partnership Units underlying the Deferred Units which vest and become Vested

Deferred Units on such date; provided that on each such Anniversary Vesting Date, the Partnership shall retain, as Retention Units (and withhold the corresponding underlying Blackstone Holdings Partnership Units with respect thereto) a number of Vested Deferred Units so that the aggregate number of Retention Units at such time (expressed as a percentage of the aggregate number of Deferred Units awarded to the Participant which have vested as of such date) is equal to the applicable Retention Percentage. The Blackstone Holdings Partnership Units underlying Retention Units will be delivered to the Participant as and when, and to the extent that, the number of Retention Units at any time exceeds the applicable Retention Percentage, as illustrated in the table below.

	<u>Annual</u> <u>Vesting</u>	<u>Cumulative</u> <u>Vesting</u>	<u>Retention</u> <u>Percentage</u>	<u>Annual</u> <u>Delivery</u> <u>Percentage</u>	<u>Cumulative</u> <u>Delivery</u> <u>Percentage</u>
[] Anniversary Date					
[] Anniversary Date					
[] Anniversary Date					
[] Anniversary Date					
[] Anniversary Date					

(b) *Delivery – Qualifying Events* .

(i) *Death or Disability*. Upon the occurrence of a Qualifying Event on account of the Participant’s death or Disability, the Partnership shall, within 10 days following the date of such event, deliver Blackstone Holdings Partnership Units to the Participant in respect of 100% of the Deferred Units which vest and become Vested Deferred Units on such Date and any then outstanding Retention Units (to the extent not previously delivered).

(ii) *Retirement*. Upon the occurrence of a Qualifying Event on account of the Participant’s Retirement, the Partnership shall, within 10 days following the date of such event, deliver Blackstone Holdings Partnership Units to the Participant in respect of those Deferred Units which vest and become Vested Deferred Units as of such date by application of Section 3(b)(ii) (*i.e.*, 50% of the then unvested Deferred Units) and any then outstanding Retention Awards Deferred Units (to the extent not previously delivered).

(c) *Delivery – Terminations*. Except as otherwise set forth in Section 4(b) or 4(d), in the event the Participant’s Employment with the Partnership and its Affiliates is terminated for any reason, the Partnership shall (i) within 10 days following the date of such termination, deliver Blackstone Holdings Partnership Units to the Participant in respect of the Vested Deferred Units as of such date that are not Retention Units (if any), and (ii) deliver Blackstone Holdings Partnership Units to the Participant in respect of the Retention Units in accordance with the delivery schedule set forth in Section 4(a), until the date on which the Restrictive Covenant Expiration Period expires, at which point all remaining Retention Units shall be delivered to the Participant.

(d) *Forfeiture – Cause Termination or Breach of Restrictive Covenants* . Notwithstanding anything to the contrary herein, upon the termination of the Participant’s Employment by the Partnership or any of its Affiliates for Cause or upon the Participant’s breach of any of the restrictive covenants contained within an applicable Non-Competition, Nonsolicitation and Confidentiality Agreement, all outstanding Deferred Units (whether or not vested) and Retention Units shall immediately terminate and be forfeited without consideration and no further Blackstone Holdings Partnership Units with respect of the Award shall be delivered to the Participant or to the Participant’s legal representative, beneficiaries or heirs .

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 Blackstone Holdings Partnership 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 Blackstone Holdings Partnership Units to the Participant in respect of 100% of the then outstanding Deferred Units and Retention Units (to the extent not previously delivered) on or within 10 days following such Change in Control.

6. Dividends . If on any date while Deferred Units are outstanding hereunder any cash distributions shall be paid on the Blackstone Holdings Partnership Units (whether vested or unvested), the Participant shall be entitled to receive, as of such distribution date, a cash payment equal to the product of (a) the number of Deferred Units, if any, held by the Participant as of the related distribution date, multiplied by (b) the per Blackstone Holdings Partnership Unit amount of such cash distribution.

7. Adjustments Upon Certain Events . The Administrator shall, in its sole discretion, make certain substitutions or adjustments to any Retention Units or 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 Blackstone Holdings Partnership Units . Except as otherwise provided herein, the Participant shall not have any rights as a holder of Blackstone Holdings Partnership Units until such Blackstone Holdings Partnership Units have been issued or transferred to the Participant.

10. Restrictions. Any Blackstone Holdings Partnership 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 Blackstone Holdings Partnership 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, no Deferred Units or Retention Units may 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 Blackstone Holdings Partnership 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, Retention Units and Blackstone Holdings Partnership 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 hereof 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 Blackstone Holdings Partnership 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 and Retention Units until the issuance or transfer of Blackstone Holdings Partnership 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.

T H E B L A C K S T O N E G R O U P L . P .

By: _____

Name: _____

T H E P A R T I C I P A N T

By: _____

Name: _____

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 September 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: November 7, 2008

/s/ Stephen A. Schwarzman

Stephen A. Schwarzman

Chief Executive Officer

of Blackstone Group Management L.L.C.

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Laurence A. Tosi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 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: November 7, 2008

/s/ Laurence A. Tosi

Laurence A. Tosi

Chief Financial Officer

of Blackstone Group Management L.L.C.

**Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the period ended September 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: November 7, 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.

**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 September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laurence A. Tosi, Chief Financial Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 7, 2008

/s/ Laurence A. Tosi

Laurence A. Tosi

Chief Financial Officer

of Blackstone Group Management L.L.C.

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.