Blackstone

Blackstone Reports Third Quarter 2011 Results

Economic Net Income was a loss of $342 million for the third quarter of 2011, down from net income of $339 million for the third quarter of 2010. Economic Net Income was $929 million for the nine months ended September 30, 2011, up 3% from 2010.

Distributable Earnings were $120 million for the third quarter of 2011, down from $166 million in the third quarter of 2010. Distributable Earnings were $501 million for the nine months ended September 30, 2011, up 8% from 2010.

GAAP Results Attributable to The Blackstone Group L.P. included a net loss of $275 million in the third quarter of 2011, compared to a net loss of $44 million in the third quarter of 2010, in each case including net IPO and acquisition-related accounting charges.

Fee-Earning Assets Under Management increased 27% to a record $133 billion at September 30, 2011, from $104 billion at September 30, 2010, while Total Assets Under Management increased 32% to $158 billion at September 30, 2011.

Blackstone's GSO Capital Partners Acquires Harbourmaster Capital.

Blackstone declares a quarterly distribution of $0.10 per common unit.

New York, October 20, 2011: The Blackstone Group L.P. (NYSE: BX) today reported its third quarter 2011 results.

Economic Net Income ("ENI") was a loss of $341.9 million for the third quarter of 2011, a decrease of $681.2 million compared to ENI for the third quarter of 2010. The decrease in ENI compared to the third quarter of 2010 was principally due to market-driven declines in the carrying value of assets as of September 30, 2011 across Blackstone's investment segments, partially offset by an increase of $66.4 million, or 18%, in Management and Advisory Fees to $442.6 million for the third quarter of 2011. However, since September 30, 2011, U.S. and European markets have rebounded. ENI was $929.4 million for the nine months ended September 30, 2011, an increase of $24.5 million compared to ENI for the nine months ended September 30, 2010 of $904.9 million, primarily attributable to increases in Performance Fees net of applicable compensation and Total Management and Advisory Fees.

Driven both by net inflows and investment appreciation during the last year, Blackstone's managed assets demonstrated consistently strong growth with Fee-Earning Assets Under Management rising to a record $132.9 billion and Total Assets Under Management rising to $157.7 billion at September 30, 2011. The Blackstone funds had $33.4 billion of committed but uninvested capital, or "dry powder", at the end of the third quarter of 2011, a record level.

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For the third quarter of 2011, Total Segment Revenues were $(140.3) million, down from $792.2 million in the third quarter of 2010, due to lower Performance Fees in the Private Equity, Real Estate and Credit Businesses segments and lower Investment Income. Total Management Fees increased to $442.6 million, up 18% from $376.2 million in the prior year's third quarter, principally from the increase in Fee-Earning Assets Under Management.

Total Segment Expenses were $239.9 million for the third quarter of 2011, a decrease from $424.1 million for the third quarter of 2010, primarily due to the reversal of accruals for Performance Fee Compensation of $230.2 million to $(100.9) million for the third quarter of 2011. Compensation, excluding Performance Fee Compensation, was up 16% to $243.8 million principally as a result of increased personnel. Blackstone's non-compensation expenses were up 15% from the third quarter of 2010 driven mostly by financing activities and occupancy costs related to continuing global expansion.

GAAP results for the third quarter of 2011 included Revenues of $(124.1) million, compared to $784.0 million for the third quarter of 2010, and Net Loss Attributable to The Blackstone Group L.P. of $274.6 million, compared to a net loss of $44.4 million for the third quarter of 2010.

Stephen A. Schwarzman, Chairman and Chief Executive Officer, said, "The third quarter presented extremely challenging market conditions, dominated by risk aversion and volatility. While our earnings were not immune to the sharp downward trajectory of global markets, our limited partner investors affirmed their confidence in our world-leading businesses and increased their share of funds with us. We reported net inflows in all of our businesses and grew fee-earning assets under management to a firm record $133 billion, up nearly 30% year over year. During the quarter we capitalized on the significant dislocation in the market and invested $4.8 billion in total capital, our highest level of investment activity since 2007, sowing the seeds for strong future returns."

The table below details Blackstone's ENI, Net Fee Related Earnings from Operations, Distributable Earnings and Fee-Earning Assets Under Management as of, and for, the three and nine months ended September 30, 2011 and 2010. ENI, Total Segments includes unrealized gains (losses) and the direct compensation impact related to those gains (losses), but excludes IPO and acquisition-related accounting charges.

	As of and for the Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands, Except per Unit Amounts)							
Economic Net Income (Loss), Total Segments	$ (380,183)	$ 368,091	$ (748,274)	N/M	$ 1,084,854	$ 974,664	$ 110,190	11%
Provision (Benefit) for Income Taxes (a)	(38,258)	28,812	(67,070)	N/M	155,416	69,752	85,664	123%
Economic Net Income (Loss), After Taxes	$ (341,925)	$ 339,279	$ (681,204)	N/M	$ 929,438	$ 904,912	$ 24,526	3%
Economic Net Income (Loss), After Taxes per Adjusted Unit (b)	$ (0.31)	$ 0.31	$ (0.62)	N/M	$ 0.84	$ 0.82	$ 0.02	2%
Net Fee Related Earnings from Operations	$ 102,009	$ 112,914	$ (10,905)	-10%	$ 332,406	$ 319,574	$ 12,832	4%
Distributable Earnings	$ 120,112	$ 166,316	$ (46,204)	-28%	$ 501,193	$ 462,587	$ 38,606	8%
Distributable Earnings per Common Unit (c)	$ 0.10	$ 0.15	$ (0.05)	-33%	$ 0.43	$ 0.42	$ 0.01	2%
Fee-Earning Assets Under Management:								
Private Equity	$ 37,006,024	$ 24,311,443	$ 12,694,581	52%				
Real Estate	29,981,920	24,345,161	5,636,759	23%				
Hedge Fund Solutions	37,231,013	31,760,599	5,470,414	17%				
Credit Businesses	28,715,420	23,875,979	4,839,441	20%				
Total Fee-Earning Assets Under Management	$ 132,934,377	$ 104,293,182	$ 28,641,195	27%				

(a) Represents the implied provision for income taxes calculated using a similar methodology applied in calculating the tax provision for The Blackstone Group L.P.

(b) Adjusted Units represents the weighted-average unit count for Economic Net Income purposes. A reconciliation of this item to the comparable GAAP measure is presented in Exhibit 4 to this release.

(c) See Exhibit 4 for the calculation of Distributable Earnings Units Outstanding.

SEGMENT REVIEW

Private Equity

Private Equity had revenues of $(285.1) million for the third quarter of 2011 compared to $214.9 million in 2010. Revenues were $387.9 million for the nine months ended September 30, 2011, compared with revenues of $575.6 million in the same period of 2010. The decrease from the third quarter of 2010 was principally due to decreases in Performance Fees and Investment Income of $378.3 million and $141.6 million, respectively.

The carrying value of assets in contributed Private Equity funds declined by 10.9% for the third quarter of 2011. The carrying value of the segment's publicly held investments was reduced due to a significant drop in global equities markets during the quarter and lower values of foreign currencies in relation to the U.S. dollar. The segment's privately held investments declined in carrying value to a lesser extent due to continued strong operating performance of the underlying portfolio companies. For the first two quarters of 2011, the latest available quarterly financial information, growth in revenue and EBITDA of the portfolio companies averaged approximately 12% and 10%, respectively. Private Equity's portfolio companies continue to exhibit generally positive revenue and earnings growth. As of September 30, 2011, the unrealized value and cumulative realized proceeds, before carried interest, fees and expenses, for Blackstone's contributed Private Equity funds was 1.4 times investors' original investments. On a realized/partially realized basis, this multiple was 2.3 times investors' original investments.

Economic Net Income was a loss of $319.5 million for the third quarter of 2011, down from income of $111.9 million for the third quarter of 2010, primarily a result of lower Performance Fees and Investment Income.

Fee-Earning Assets Under Management were $37.0 billion compared to $24.3 billion in the third quarter of 2010 principally due to the commencement of the investment period for BCP VI.

Dry powder for Private Equity, which is inclusive of amounts related to BCP VI, was $16.9 billion as of September 30, 2011. Limited Partner Capital Invested during the third quarter of 2011 totaled $1.4 billion, an increase from $678.9 million during the third quarter of 2010. Blackstone's Private Equity segment's funds had $689.8 million of Limited Partner Capital committed to transactions which had not yet closed as of September 30, 2011.

Real Estate

Real Estate had revenues of $(15.2) million for the third quarter of 2011, compared with revenues of $257.8 million for the third quarter of 2010. Real Estate had nine-month revenues of $1.2 billion, compared with revenues of $618.4 million in the same period of 2010. The decrease from the third quarter of 2010 was principally due to decreases in Performance Fees and Investment Income of $189.8 million and $104.9 million, respectively.

The carrying value of assets in contributed Real Estate funds, including co-investments, increased 0.1% for the third quarter of 2011. The segment's properties continued to demonstrate solid growth in revenue and net operating income. For the third quarter of 2011, RevPAR (Revenue per Available Room) of Blackstone's investments increased between 6% and 8% year over year. Occupancy levels and rental rates within the office portfolio increased 130 basis points and 11%, respectively, compared to the prior year. In addition, retail sales in mall investments were up 8% and leasing activity increased 40% at the grocery anchored strip centers, compared to the prior year. The decrease in Performance Fees and Investment Income was primarily related to the decline in the public markets, which impacted the segment's public stock holdings and certain hospitality investments along with the negative impact of foreign exchange. Offsetting these factors was an increase in the value of the retail portfolio. A material portion of the decrease in Performance Fees was due to the reversal of previously recognized profit allocations, amplified by the "catch-up" provisions of the funds. As of September 30, 2011, the unrealized value and cumulative realized proceeds, before carried interest, fees and expenses, of Blackstone's Real Estate funds represented 1.4 times investors' original investment. On a realized/partially realized basis, this multiple was 2.2 times investors' original investments.

ENI for the Real Estate segment was a loss of $65.7 million for the third quarter of 2011 compared to income of $148.0 million for the third quarter of 2010, driven principally by the decrease in Performance Fees and Investment Income.

Fee-Earning Assets Under Management were $30.0 billion compared to $24.3 billion for the third quarter of 2010. Fee-Earning Assets Under Management increased in the third quarter of 2011 principally due to Blackstone's next major real estate fund, BREP VII, which had its first closing of $4 billion of committed capital in August 2011.

Dry powder for Real Estate, which is inclusive of amounts related to BREP VII, was $10.1 billion as of September 30, 2011. Limited Partner Capital Invested during the third quarter of 2011 was $1.7 billion, up from $689.0 million during the third quarter of 2010. Blackstone's Real Estate segment's funds had $264.9 million of Limited Partner Capital committed to transactions which had not yet closed as of September 30, 2011.

Hedge Fund Solutions

Hedge Fund Solutions had revenues of $57.2 million for the third quarter of 2011, compared with revenues of $94.6 million for the third quarter of 2010. The decrease in revenues from the third quarter of 2010 was principally due to decreases in Performance Fees and Investment Income of $29.1 million and $17.9 million, respectively, partially offset by an increase in Total Management Fees of 14% to $79.8 million for the third quarter of 2011. Hedge Fund Solutions had nine-month revenues of $247.2 million, compared with revenues of $247.6 million in the same period of 2010.

The returns for the underlying assets for Blackstone's Hedge Fund Solutions' funds were negative 4.1% for the third quarter of 2011, a result of the return of turbulent markets.

ENI for the Hedge Funds Solutions segment decreased by 67% to $16.5 million for the third quarter of 2011 compared to $49.4 million for the third quarter of 2010, driven principally by the decreases in Performance Fees and Investment Income.

Fee-Earning Assets Under Management for the segment grew 17% to $37.2 billion from $31.8 billion at the end of the third quarter of 2010. The increase from the prior year period was principally due to net inflows across the segment. Net inflows for Blackstone's Hedge Fund Solutions business came primarily from its commingled and customized investment products, hedge fund manager seeding platform and long only solutions business. Hedge Fund Solutions had $2.4 billion of net inflows of Fee-Earning Assets Under Management for the third quarter of 2011, bringing year to date net fee-earning inflows to $6.1 billion.

Credit Businesses

Credit Businesses had revenues of $15.4 million for the third quarter of 2011, compared with revenues of $137.1 million for the third quarter of 2010. The decrease from the third quarter of 2010 was due to a decrease in Performance Fees to $(40.3) million for the third quarter of 2011, partially offset by an increase in Total Management Fees of 17% to $59.5 million driven by an increase in Fee-Earning Assets Under Management. Credit Businesses had nine-month revenues of $269.9 million, compared with revenues of $313.1 million in the same period of 2010. The net decrease from 2010 was driven by the same reasons noted above.

The returns of the underlying assets for Blackstone's credit-oriented businesses for the third quarter of 2011 was negative 5.0% for the hedge funds, negative 9.9% for the rescue lending funds, due in each case to broad declines in public debt markets, and positive 7.1% for the mezzanine funds due primarily to favorable realizations of certain investments.

ENI for the Credit Businesses segment was a loss of $17.0 million for the third quarter of 2011 compared to income of $54.9 million for the third quarter of 2010, driven principally by the decrease in Performance Fees.

Fee-Earning Assets Under Management for the segment increased 20%, or $4.8 billion, to $28.7 billion from $23.9 billion for the third quarter of 2010. Of the $4.8 billion increase, the long only platform had its strongest year over year growth including the acquisition of Allied Irish Bank's CLOs in the second quarter of 2011. Also driving the increase in Fee-Earning Assets Under Management was $1.3 billion of Limited Partner Capital Deployed from the mezzanine funds and rescue lending funds in the third quarter of 2011.

Dry powder of drawdown funds for the Credit Businesses segment was $4.7 billion as of September 30, 2011.

On October 6, 2011, GSO Capital Partners LP ("GSO"), the global credit platform of Blackstone, announced the acquisition of Harbourmaster Capital, a European leveraged loan manager and adviser with $10.3 billion of Assets Under Management as of September 30, 2011. The Harbourmaster Capital Dublin-based team will continue to support the Harbourmaster funds, and will form a combined platform with GSO's existing European leveraged loan business to develop new European focused funds for their global investor base. As of September 30, 2011, the combined GSO and Harbourmaster European leveraged loan platform would have been $15.2 billion in Assets Under Management supported by a combined team of 40 professionals in both Dublin and London. The transaction is expected to close in early 2012 following regulatory and certain third party approvals.

Financial Advisory

Revenues were relatively flat at $87.4 million for the third quarter of 2011 compared to $87.7 million for the third quarter of 2010. Revenues were $264.6 million for the nine months ended September 30, 2011, a decrease from $300.8 million in the same period of 2010.

ENI was $5.6 million for the third quarter of 2011 compared to $3.9 million for the third quarter of 2010.

CAPITAL AND LIQUIDITY

As of September 30, 2011, Blackstone had $1.8 billion in cash, Treasury cash management strategies and liquid Blackstone funds. Long-term debt totaled $1.0 billion in borrowings from the 2010 and 2009 bond issuances. Blackstone has no borrowings outstanding against its $1 billion revolving credit facility.

DISTRIBUTION

The Blackstone Group L.P. has declared a quarterly distribution of $0.10 per common unit to record holders of common units at the close of business on November 15, 2011. This distribution will be paid on November 30, 2011.

Blackstone's general partner maintains the right to determine the amount to be distributed from The Blackstone Group L.P.'s net after-tax share of its annual Distributable Earnings. Distributable Earnings will only be a starting point for the determination of the amount to be distributed to unitholders because in determining the amount to be distributed Blackstone will subtract from Distributable Earnings any amounts determined by its general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future distributions to its unitholders for any ensuing quarter. The aggregate amounts of Blackstone's distributions to unitholders will typically be less than its Distributable Earnings for that year.

Although for calendar 2010 Blackstone distributed substantially all of its net after-tax annual Distributable Earnings, Blackstone's current intention is to distribute to its common unitholders substantially all of The Blackstone Group L.P.'s net after-tax share of annual Distributable Earnings less the amount of its realized investment gains. This determination was made based on the continued pace of organic and inorganic growth and the potential for further strategic initiatives and the retained amount will be used for those purposes. The retained cash will be deducted from the fourth quarter distribution which is made in the first quarter of the ensuing calendar year. Distributions for the first three quarters will remain unchanged at $0.10 per unit. All distributions are subject to Blackstone's discretion to retain

additional amounts from the amount of annual Distributable Earnings to be distributed as described above.

Because Blackstone will not know what its Distributable Earnings will be for any fiscal year until the end of such year, Blackstone expects that its first three quarterly distributions in respect of any given year will be based on its anticipated annualized Net Fee Related Earnings. As such, the distributions for the first three quarters are expected to be smaller than the final quarterly distribution in respect of such year. For the fourth quarter of 2011 Blackstone expects to pay the remaining amount of the year's Distributable Earnings less realized investment gains.

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

Because the wholly-owned subsidiaries of The Blackstone Group L.P. must pay taxes and make payments under the tax receivable agreements described in Blackstone's Annual Report on Form 10-K, the amounts ultimately distributed by The Blackstone Group L.P. to its common unitholders in respect of fiscal 2011 and subsequent years are expected to be different, on a per unit basis, than the amounts distributed by the Blackstone Holdings partnerships to the Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships in respect of their Blackstone Holdings partnership units.

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Blackstone will host a conference call on October 20, 2011 at 11:00 a.m. ET to discuss third quarter 2011 results. The conference call can be accessed by dialing (877) 261-8937 (U.S. domestic) or +1 (857) 244-7415 (international) pass code 14994355. Additionally, the conference call will be broadcast live over the internet and can be accessed by all interested parties through the Investor Relations section of The Blackstone Group's website http://ir.blackstone.com. For those unable to listen to the live broadcast, a replay will be available on Blackstone's website or by dialing (888) 286-8010 (U.S. domestic) or +1 (617) 801-6888 (international) conference ID number 60737059, beginning approximately two hours after the event.

Blackstone expects to host a conference call to report its 2011 fourth quarter and full year results on February 2, 2012.

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About The Blackstone Group

Blackstone (NYSE:BX) is one of the world's leading investment and advisory firms. Blackstone seeks to create positive economic impact and long-term value for its investors, the companies they invest in, the companies they advise and the broader global economy. Blackstone does this through the commitment of their extraordinary people and flexible capital. Their alternative asset management businesses include the management of private equity funds, real estate funds, hedge fund solutions, credit-oriented funds and closed-end mutual funds. Blackstone also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Further information is available at www.blackstone.com. Follow us on Twitter @Blackstone.

Forward-Looking Statements

This release 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 Blackstone's current views with respect to, among other things, Blackstone's 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. Blackstone believes these factors include but are not limited to those described under the section entitled "Risk Factors" in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as such factors may be updated from time to time in its 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 release and in the filings. Blackstone undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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

THE BLACKSTONE GROUP L.P.
Exhibit 1a. Consolidated Statements of Operations
(Dollars in Thousands, Except Per Unit Data)

	Quarter Ended September 30,	
	2011	**2010**
Revenues		
Management and Advisory Fees	$ 425,193	$ 362,521
Performance Fees		
Realized	6,605	66,142
Unrealized	(462,902)	199,824
Total Performance Fees	(456,297)	265,966
Investment Income (Loss)		
Realized	45,596	13,542
Unrealized	(145,990)	127,428
Total Investment Income (Loss)	(100,394)	140,970
Interest and Dividend Revenue	9,085	10,075
Other	(1,666)	4,468
Total Revenues	(124,079)	784,000
Expenses		
Compensation and Benefits		
Compensation	494,478	664,004
Performance Fee Compensation		
Realized	10,542	24,962
Unrealized	(111,435)	104,324
Total Compensation and Benefits	393,585	793,290
General, Administrative and Other	124,929	114,291
Interest Expense	13,785	11,766
Fund Expenses	8,635	6,422
Total Expenses	540,934	925,769
Other Income		
Net Gains (Losses) from Fund Investment Activities	(329,399)	285,071
Income (Loss) Before Benefit for Taxes	(994,412)	143,302
Benefit for Taxes	7,637	4,225
Net Income (Loss)	(986,775)	147,527
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(44,776)	23,623
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	(265,353)	242,723
Net Loss Attributable to Non-Controlling Interests in Blackstone Holdings	(402,079)	(74,461)
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (274,567)	$ (44,358)
Net Income (Loss) per Common Unit, Basic and Diluted	$ (0.56)	$ (0.12)

THE BLACKSTONE GROUP L.P.
Exhibit 1b. Consolidated Statements of Operations
(Dollars in Thousands, Except Per Unit Data)

	Nine Months Ended September 30,	
	2011	**2010**
Revenues		
Management and Advisory Fees	$ 1,335,971	$ 1,123,403
Performance Fees		
Realized	164,571	171,941
Unrealized	659,987	312,304
Total Performance Fees	824,558	484,245
Investment Income		
Realized	77,682	29,493
Unrealized	70,116	371,691
Total Investment Income	147,798	401,184
Interest and Dividend Revenue	27,423	25,922
Other	1,721	573
Total Revenues	2,337,471	2,035,327
Expenses		
Compensation and Benefits		
Compensation	1,853,393	2,556,665
Performance Fee Compensation		
Realized	52,797	55,582
Unrealized	169,188	158,032
Total Compensation and Benefits	2,075,378	2,770,279
General, Administrative and Other	380,433	341,853
Interest Expense	41,773	26,633
Fund Expenses	19,045	15,484
Total Expenses	2,516,629	3,154,249
Other Income		
Net Gains (Losses) from Fund Investment Activities	(449,244)	397,625
Income (Loss) Before Provision for Taxes	(628,402)	(721,297)
Provision for Taxes	95,412	24,802
Net Income (Loss)	(723,814)	(746,099)
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(22,891)	47,171
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	(450,842)	320,816
Net Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(104,455)	(755,031)
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (145,626)	$ (359,055)
Net Income (Loss) per Common Unit, Basic and Diluted	$ (0.31)	$ (1.02)

THE BLACKSTONE GROUP L.P.
Exhibit 2a. Economic Net Income and Net Fee Related Earnings from Operations
(Dollars in Thousands)

The tables below detail Blackstone's Economic Net Income and Net Fee Related Earnings from Operations. Net Fee Related Earnings from Operations is a supplemental measure of after tax performance used to highlight earnings from operations excluding the income from and related profit sharing expenses of Blackstone's performance fees and investment income, except for interest income. The reconciliation of Economic Net Income to Net Fee Related Earnings from Operations is presented in Exhibit 2b to this release.

	Three Months Ended									Nine Months Ended	
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Sep 30, 2011 vs. Sep 30, 2010 $	Sep 30, 2011 vs. Sep 30, 2010 %	Sep 30, 2010	Sep 30, 2011
Economic Net Income, Total Segments											
Revenues											
Management and Advisory Fees											
Base Management Fees	$ 251,971	$ 262,914	$ 269,434	$ 285,152	$ 305,587	$ 316,474	$ 322,371	$ 52,937	20%	$ 784,319	$ 944,432
Advisory Fees	76,568	134,099	84,541	130,932	70,252	102,243	86,178	1,637	2%	295,208	258,673
Transaction and Other Fees, Net *	35,260	20,617	22,948	58,923	58,363	103,561	41,793	18,845	82%	78,825	203,717
Management Fee Offsets **	(1,178)	(179)	(674)	(282)	(8,536)	(8,675)	(7,703)	(7,029)	N/M	(2,031)	(24,914)
Total Management and Advisory Fees	362,621	417,451	376,249	474,725	425,666	513,603	442,639	66,390	18%	1,156,321	1,381,908
Performance Fees											
Realized	53,881	46,374	66,039	195,369	95,600	60,215	7,897	(58,142)	-88%	166,294	163,712
Unrealized	132,333	(20,738)	192,745	260,286	505,197	612,843	(465,176)	(657,921)	N/M	304,340	652,864
Total Performance Fees	186,214	25,636	258,784	455,655	600,797	673,058	(457,279)	(716,063)	N/M	470,634	816,576
Investment Income (Loss)											
Realized	5,307	15,721	14,276	11,611	23,499	30,732	31,647	17,371	122%	35,304	85,878
Unrealized	151,521	87,186	128,247	134,680	102,577	106,837	(165,753)	(294,000)	N/M	366,954	43,661
Total Investment Income (Loss)	156,828	102,907	142,523	146,291	126,076	137,569	(134,106)	(276,629)	N/M	402,258	129,539
Interest Income and Dividend Revenue	8,690	6,930	10,187	10,289	9,448	9,283	10,110	(77)	-1%	25,807	28,841
Other	(3,250)	(644)	4,468	(1,192)	2,259	1,128	(1,667)	(6,135)	N/M	574	1,720
Total Revenues	711,103	552,280	792,211	1,085,768	1,164,246	1,334,641	(140,303)	(932,514)	N/M	2,055,594	2,358,584
Expenses											
Compensation and Benefits											
Compensation	190,637	220,662	210,582	237,233	229,898	278,738	243,840	33,258	16%	621,881	752,476
Performance Fee Compensation											
Realized	7,741	22,879	24,962	72,734	14,543	27,711	10,543	(14,419)	-58%	55,582	52,797
Unrealized	54,600	(892)	104,323	70,615	162,525	118,097	(111,435)	(215,758)	N/M	158,031	169,187
Total Compensation and Benefits	252,978	242,649	339,867	380,582	406,966	424,546	142,948	(196,919)	-58%	835,494	974,460
Other Operating Expenses	73,023	88,160	84,253	99,080	102,975	99,363	96,932	12,679	15%	245,436	299,270
Total Expenses	326,001	330,809	424,120	479,662	509,941	523,909	239,880	(184,240)	-43%	1,080,930	1,273,730
Total Economic Net Income (Loss)	$ 385,102	$ 221,471	$ 368,091	$ 606,106	$ 654,305	$ 810,732	$ (380,183)	$ (748,274)	N/M	$ 974,664	$ 1,084,854
Total Net Fee Related Earnings from Operations	$ 98,745	$ 107,915	$ 112,914	$ 122,740	$ 93,180	$ 137,217	$ 102,009	$ (10,905)	-10%	$ 319,574	$ 332,406

* Transaction and Other Fees, Net, are net of amounts, if any, shared with limited partners including, for Private Equity, broken deal expenses.

** Primarily placement fees.

continued…

THE BLACKSTONE GROUP L.P.
Exhibit 2a. Economic Net Income and Net Fee Related Earnings from Operations - Continued
(Dollars in Thousands)

	Three Months Ended									Nine Months Ended	
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Sep 30, 2011 vs. Sep 30, 2010 $	Sep 30, 2011 vs. Sep 30, 2010 %	Sep 30, 2010	Sep 30, 2011
Private Equity											
Revenues											
Management Fees											
Base Management Fees	$ 65,432	$ 66,795	$ 66,077	$ 65,003	$ 79,935	$ 82,297	$ 85,534	$ 19,457	29%	$ 198,304	$ 247,766
Transaction and Other Fees, Net *	31,972	16,367	13,348	10,556	35,342	52,353	21,430	8,082	61%	61,687	109,125
Management Fee Offsets **	—	—	(91)	(97)	(7,889)	(7,629)	(6,498)	(6,407)	N/M	(91)	(22,016)
Total Management Fees	97,404	83,162	79,334	75,462	107,388	127,021	100,466	21,132	27%	259,900	334,875
Performance Fees											
Realized	46,175	1,106	44,814	64,774	82,389	1,362	(17,966)	(62,780)	N/M	92,095	65,785
Unrealized	45,549	(24,020)	45,499	84,466	32,537	187,190	(270,014)	(315,513)	N/M	67,028	(50,287)
Total Performance Fees	91,724	(22,914)	90,313	149,240	114,926	188,552	(287,980)	(378,293)	N/M	159,123	15,498
Investment Income (Loss)											
Realized	(495)	3,141	9,940	2,746	17,907	3,021	20,548	10,608	107%	12,586	41,476
Unrealized	84,684	17,275	30,491	20,838	29,126	76,947	(121,688)	(152,179)	N/M	132,450	(15,615)
Total Investment Income (Loss)	84,189	20,416	40,431	23,584	47,033	79,968	(101,140)	(141,571)	N/M	145,036	25,861
Interest Income and Dividend Revenue	3,428	2,728	3,802	4,086	3,505	3,197	3,396	(406)	-11%	9,958	10,098
Other	100	460	1,061	400	811	665	141	(920)	-87%	1,621	1,617
Total Revenues	276,845	83,852	214,941	252,772	273,663	399,403	(285,117)	(500,058)	N/M	575,638	387,949
Expenses											
Compensation and Benefits											
Compensation	46,910	46,612	47,552	38,271	56,254	66,694	54,220	6,668	14%	141,074	177,168
Performance Fee Compensation											
Realized	6,005	128	10,783	15,711	7,718	49	(2,443)	(13,226)	N/M	16,916	5,324
Unrealized	6,344	(10,296)	18,306	6,966	5,464	29,309	(44,955)	(63,261)	N/M	14,354	(10,182)
Total Compensation and Benefits	59,259	36,444	76,641	60,948	69,436	96,052	6,822	(69,819)	-91%	172,344	172,310
Other Operating Expenses	24,431	28,677	26,359	30,122	28,713	30,124	27,588	1,229	5%	79,467	86,425
Total Expenses	83,690	65,121	103,000	91,070	98,149	126,176	34,410	(68,590)	-67%	251,811	258,735
Economic Net Income (Loss)	$ 193,155	$ 18,731	$ 111,941	$ 161,702	$ 175,514	$ 273,227	$ (319,527)	$ (431,468)	N/M	$ 323,827	$ 129,214

* Transaction and Other Fees, Net, are net of amounts, if any, shared with limited partners including, for Private Equity, broken deal expenses.
** Primarily placement fees.

continued…

THE BLACKSTONE GROUP L.P.
Exhibit 2a. Economic Net Income and Net Fee Related Earnings from Operations - Continued
(Dollars in Thousands)

	Three Months Ended									Nine Months Ended	
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Sep 30, 2011 vs. Sep 30, 2010 $	Sep 30, 2011 vs. Sep 30, 2010 %	Sep 30, 2010	Sep 30, 2011
Real Estate											
Revenues											
Management Fees											
Base Management Fees	$ 83,060	$ 82,916	$ 83,232	$ 89,220	$ 95,439	$ 97,467	$ 97,925	$ 14,693	18%	$ 249,208	$ 290,831
Transaction and Other Fees, Net *	1,942	2,979	8,538	46,455	21,543	49,288	19,551	11,013	129%	13,459	90,382
Management Fee Offsets **	(489)	(110)	(401)	(71)	(505)	(745)	(880)	(479)	-119%	(1,000)	(2,130)
Total Management Fees	84,513	85,785	91,369	135,604	116,477	146,010	116,596	25,227	28%	261,667	379,083
Performance Fees											
Realized	5,948	16,319	5,010	13,011	2,593	20,832	5,308	298	6%	27,277	28,733
Unrealized	11,391	21,117	69,910	154,553	368,104	429,458	(120,176)	(190,086)	N/M	102,418	677,386
Total Performance Fees	17,339	37,436	74,920	167,564	370,697	450,290	(114,868)	(189,788)	N/M	129,695	706,119
Investment Income (Loss)											
Realized	2,632	3,900	2,159	2,560	2,919	11,394	7,313	5,154	N/M	8,691	21,626
Unrealized	46,892	79,543	83,968	108,576	61,406	37,332	(26,060)	(110,028)	N/M	210,403	72,678
Total Investment Income (Loss)	49,524	83,443	86,127	111,136	64,325	48,726	(18,747)	(104,874)	N/M	219,094	94,304
Interest Income and Dividend Revenue	2,718	2,178	3,026	3,251	3,288	2,989	3,195	169	6%	7,922	9,472
Other	(1,876)	(390)	2,330	(400)	860	515	(1,390)	(3,720)	N/M	64	(15)
Total Revenues	152,218	208,452	257,772	417,155	555,647	648,530	(15,214)	(272,986)	N/M	618,442	1,188,963
Expenses											
Compensation and Benefits											
Compensation	40,150	44,528	43,219	55,280	58,501	71,618	55,259	12,040	28%	127,897	185,378
Performance Fee Compensation											
Realized	1,524	8,895	1,806	3,619	1,230	9,382	2,251	445	25%	12,225	12,863
Unrealized	6,937	15,999	46,182	53,746	106,501	91,021	(30,510)	(76,692)	N/M	69,118	167,012
Total Compensation and Benefits	48,611	69,422	91,207	112,645	166,232	172,021	27,000	(64,207)	-70%	209,240	365,253
Other Operating Expenses	14,290	17,647	18,584	23,668	28,366	22,971	23,495	4,911	26%	50,521	74,832
Total Expenses	62,901	87,069	109,791	136,313	194,598	194,992	50,495	(59,296)	-54%	259,761	440,085
Economic Net Income (Loss)	$ 89,317	$ 121,383	$ 147,981	$ 280,842	$ 361,049	$ 453,538	$ (65,709)	$ (213,690)	N/M	$ 358,681	$ 748,878

* Transaction and Other Fees, Net, are net of amounts, if any, shared with limited partners.

** Primarily placement fees.

continued…

THE BLACKSTONE GROUP L.P.
Exhibit 2a. Economic Net Income and Net Fee Related Earnings from Operations - Continued
(Dollars in Thousands)

	Three Months Ended									Nine Months Ended	
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Sep 30, 2011 vs. Sep 30, 2010 $	Sep 30, 2011 vs. Sep 30, 2010 %	Sep 30, 2010	Sep 30, 2011
Hedge Fund Solutions											
Revenues											
Management Fees											
Base Management Fees	$ 63,866	$ 65,533	$ 69,305	$ 74,069	$ 75,612	$ 79,290	$ 79,355	$ 10,050	15%	$ 198,704	$ 234,257
Transaction and Other Fees, Net *	809	870	846	1,047	727	861	740	(106)	-13%	2,525	2,328
Management Fee Offsets **	—	(72)	(163)	(95)	(124)	(196)	(258)	(95)	-58%	(235)	(578)
Total Management Fees	64,675	66,331	69,988	75,021	76,215	79,955	79,837	9,849	14%	200,994	236,007
Performance Fees											
Realized	2,117	1,021	872	52,616	893	667	5,764	4,892	N/M	4,010	7,324
Unrealized	10,413	(2,596)	14,137	(18,972)	19,253	3,441	(19,861)	(33,998)	N/M	21,954	2,833
Total Performance Fees	12,530	(1,575)	15,009	33,644	20,146	4,108	(14,097)	(29,106)	N/M	25,964	10,157
Investment Income (Loss)											
Realized	(250)	5,438	1,050	3,580	1,341	12,855	1,023	(27)	-3%	6,238	15,219
Unrealized	11,880	(6,749)	7,831	6,399	7,120	(12,864)	(10,034)	(17,865)	N/M	12,962	(15,778)
Total Investment Income (Loss)	11,630	(1,311)	8,881	9,979	8,461	(9)	(9,011)	(17,892)	N/M	19,200	(559)
Interest Income and Dividend Revenue	475	353	498	543	516	472	500	2	0%	1,326	1,488
Other	(83)	(40)	270	(50)	104	(38)	18	(252)	-93%	147	84
Total Revenues	89,227	63,758	94,646	119,137	105,442	84,488	57,247	(37,399)	-40%	247,631	247,177
Expenses											
Compensation and Benefits											
Compensation	20,742	26,388	24,506	23,750	28,657	32,288	31,319	6,813	28%	71,636	92,264
Performance Fee Compensation											
Realized	771	356	3,313	16,193	300	253	2,257	(1,056)	-32%	4,440	2,810
Unrealized	3,783	(977)	5,075	(6,814)	5,358	2,955	(7,214)	(12,289)	N/M	7,881	1,099
Total Compensation and Benefits	25,296	25,767	32,894	33,129	34,315	35,496	26,362	(6,532)	-20%	83,957	96,173
Other Operating Expenses	11,285	12,353	12,388	15,334	13,008	16,075	14,421	2,033	16%	36,026	43,504
Total Expenses	36,581	38,120	45,282	48,463	47,323	51,571	40,783	(4,499)	-10%	119,983	139,677
Economic Net Income	$ 52,646	$ 25,638	$ 49,364	$ 70,674	$ 58,119	$ 32,917	$ 16,464	$ (32,900)	-67%	$ 127,648	$ 107,500

* Transaction and Other Fees, Net, are net of amounts, if any, shared with limited partners.

** Primarily placement fees.

continued…

THE BLACKSTONE GROUP L.P.
Exhibit 2a. Economic Net Income and Net Fee Related Earnings from Operations - Continued
(Dollars in Thousands)

	Three Months Ended									Nine Months Ended	
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Sep 30, 2011 vs. Sep 30, 2010 $	Sep 30, 2011 vs. Sep 30, 2010 %	Sep 30, 2010	Sep 30, 2011
Credit Businesses											
Revenues											
Management Fees											
Base Management Fees	$ 39,613	$ 47,670	$ 50,820	$ 56,860	$ 54,601	$ 57,420	$ 59,557	$ 8,737	17%	$ 138,103	$ 171,578
Transaction and Other Fees, Net *	536	299	216	606	745	849	(26)	(242)	N/M	1,051	1,568
Management Fee Offsets **	(689)	3	(19)	(19)	(18)	(105)	(67)	(48)	N/M	(705)	(190)
Total Management Fees	39,460	47,972	51,017	57,447	55,328	58,164	59,464	8,447	17%	138,449	172,956
Performance Fees											
Realized	(359)	27,928	15,343	64,968	9,725	37,354	14,791	(552)	-4%	42,912	61,870
Unrealized	64,980	(15,239)	63,199	40,239	85,303	(7,246)	(55,125)	(118,324)	N/M	112,940	22,932
Total Performance Fees	64,621	12,689	78,542	105,207	95,028	30,108	(40,334)	(118,876)	N/M	155,852	84,802
Investment Income (Loss)											
Realized	3,233	3,291	658	2,518	1,235	3,236	2,807	2,149	N/M	7,182	7,278
Unrealized	7,835	(3,444)	5,350	(269)	4,532	5,437	(7,800)	(13,150)	N/M	9,741	2,169
Total Investment Income (Loss)	11,068	(153)	6,008	2,249	5,767	8,673	(4,993)	(11,001)	N/M	16,923	9,447
Interest Income and Dividend Revenue	673	403	1,252	710	453	902	1,404	152	12%	2,328	2,759
Other	(459)	(332)	330	(27)	98	(47)	(132)	(462)	N/M	(461)	(81)
Total Revenues	115,363	60,579	137,149	165,586	156,674	97,800	15,409	(121,740)	-89%	313,091	269,883
Expenses											
Compensation and Benefits											
Compensation	28,343	26,982	28,774	39,158	30,325	34,170	41,512	12,738	44%	84,099	106,007
Performance Fee Compensation											
Realized	(559)	13,500	9,060	37,211	5,295	18,027	8,478	(582)	-6%	22,001	31,800
Unrealized	37,536	(5,618)	34,760	16,717	45,202	(5,188)	(28,756)	(63,516)	N/M	66,678	11,258
Total Compensation and Benefits	65,320	34,864	72,594	93,086	80,822	47,009	21,234	(51,360)	-71%	172,778	149,065
Other Operating Expenses	8,290	12,167	9,669	8,980	15,357	10,226	11,210	1,541	16%	30,126	36,793
Total Expenses	73,610	47,031	82,263	102,066	96,179	57,235	32,444	(49,819)	-61%	202,904	185,858
Economic Net Income (Loss)	$ 41,753	$ 13,548	$ 54,886	$ 63,520	$ 60,495	$ 40,565	$ (17,035)	$ (71,921)	N/M	$ 110,187	$ 84,025

* Transaction and Other Fees, Net, are net of amounts, if any, shared with limited partners.

** Primarily placement fees.

continued…

THE BLACKSTONE GROUP L.P.
Exhibit 2a. Economic Net Income and Net Fee Related Earnings from Operations - Continued
(Dollars in Thousands)

	Three Months Ended									Nine Months Ended	
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Sep 30, 2011 vs. Sep 30, 2010 $	Sep 30, 2011 vs. Sep 30, 2010 %	Sep 30, 2010	Sep 30, 2011
Financial Advisory											
Revenues											
Advisory Fees	$ 76,568	$ 134,099	$ 84,541	$ 130,932	$ 70,252	$ 102,243	$ 86,178	$ 1,637	2%	$ 295,208	$ 258,673
Transaction and Other Fees, Net	1	102	—	259	6	210	98	98	N/M	103	314
Total Advisory and Transaction Fees	76,569	134,201	84,541	131,191	70,258	102,453	86,276	1,735	2%	295,311	258,987
Investment Income (Loss)											
Realized	187	(49)	469	207	97	226	(44)	(513)	N/M	607	279
Unrealized	230	561	607	(864)	393	(15)	(171)	(778)	N/M	1,398	207
Total Investment Income (Loss)	417	512	1,076	(657)	490	211	(215)	(1,291)	N/M	2,005	486
Interest Income and Dividend Revenue	1,396	1,268	1,609	1,699	1,686	1,723	1,615	6	0%	4,273	5,024
Other	(932)	(342)	477	(1,115)	386	33	(304)	(781)	N/M	(797)	115
Total Revenues	77,450	135,639	87,703	131,118	72,820	104,420	87,372	(331)	0%	300,792	264,612
Expenses											
Compensation and Benefits											
Compensation	54,492	76,152	66,531	80,774	56,161	73,968	61,530	(5,001)	-8%	197,175	191,659
Total Compensation and Benefits	54,492	76,152	66,531	80,774	56,161	73,968	61,530	(5,001)	-8%	197,175	191,659
Other Operating Expenses	14,727	17,316	17,253	20,976	17,531	19,967	20,218	2,965	17%	49,296	57,716
Total Expenses	69,219	93,468	83,784	101,750	73,692	93,935	81,748	(2,036)	-2%	246,471	249,375
Economic Net Income (Loss)	$ 8,231	$ 42,171	$ 3,919	$ 29,368	$ (872)	$ 10,485	$ 5,624	$ 1,705	44%	$ 54,321	$ 15,237

THE BLACKSTONE GROUP L.P.

Exhibit 2b. Reconciliation of Income (Loss) Before Provision (Benefit) for Taxes to Total Segments, Economic Net Income (Loss), of Total Segments, Economic Net Income (Loss) to Net Fee Related Earnings from Operations, of Net Fee Related Earnings from Operations to Distributable Earnings and of Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations to Net Fee Related Earnings from Operations

(Dollars in Thousands)

	Three Months Ended							Nine Months Ended	
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	September 30, 2010	September 30, 2011
Income (Loss) Before Provision (Benefit) for Taxes	$ (227,671)	$ (636,928)	$ 143,302	$ 198,643	$ 117,214	$ 248,796	$ (994,412)	$ (721,297)	$ (628,402)
IPO and Acquisition-Related Charges (a)	726,722	749,930	438,568	453,975	421,861	424,483	258,435	1,915,220	1,104,779
Amortization of Intangibles (b)	39,512	40,822	40,872	44,172	44,174	44,905	45,665	121,206	134,744
(Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities (c)	(153,461)	67,647	(254,651)	(90,684)	71,056	92,548	310,129	(340,465)	473,733
Total Segments									
Total Segments, Economic Net Income (Loss)	385,102	221,471	368,091	606,106	654,305	810,732	(380,183)	974,664	1,084,854
Performance Fees Adjustment (d)	(186,214)	(25,636)	(258,784)	(455,655)	(600,797)	(673,058)	457,279	(470,634)	(816,576)
Investment Income (Loss) Adjustment (e)	(156,828)	(102,907)	(142,523)	(146,291)	(126,076)	(137,569)	134,106	(402,258)	(129,539)
Investment Income (Loss) - Blackstone's Treasury Cash Management Strategies (f)	3,665	5,062	11,226	(4,676)	1,302	4,038	(3,011)	19,953	2,329
Performance Fee Compensation and Benefits Adjustment (g)	62,341	21,987	129,285	143,349	177,068	145,808	(100,892)	213,613	221,984
Taxes Payable (h)	(9,321)	(12,062)	5,619	(20,093)	(12,622)	(12,734)	(5,290)	(15,764)	(30,646)
Net Fee Related Earnings from Operations	98,745	107,915	112,914	122,740	93,180	137,217	102,009	319,574	332,406
Realized Performance Fees (i)	46,140	23,495	41,077	122,635	81,057	32,504	(2,646)	110,712	110,915
Realized Investment Income (j)	5,307	15,721	14,276	11,611	23,499	30,732	31,647	35,304	85,878
Adjustment Related to Realized Investment Income - Blackstone's Treasury Cash Management Strategies (k)	(1,264)	512	(4,874)	(2,156)	(1,010)	(2,343)	(309)	(5,626)	(3,662)
Other Payables Including Payable Under Tax Receivable Agreement	(232)	(68)	2,923	(15,633)	(177)	(13,578)	(10,589)	2,623	(24,344)
Distributable Earnings	$ 148,696	$ 147,575	$ 166,316	$ 239,197	$ 196,549	$ 184,532	$ 120,112	$ 462,587	$ 501,193
Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations (l)	$ 120,805	$ 132,866	$ 124,195	$ 163,600	$ 126,666	$ 170,856	$ 128,201	$ 377,866	$ 425,723

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

(b) This adjustment adds back to Income (Loss) Before Provision for Taxes amounts for the Amortization of Intangibles which are associated with Blackstone's initial public offering and other corporate actions.

(c) This adjustment adds back to Income (Loss) Before Provision for Taxes the amount of (Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities and includes the amount of Management Fee Revenues associated with Consolidated CLO Entities.

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(d) This adjustment removes from ENI the total segment amount of Performance Fees.
(e) This adjustment removes from ENI the total segment amount of Investment Income (Loss).
(f) This adjustment represents the realized and unrealized gain (loss) on Blackstone's Treasury cash management strategies which are a component of Investment Income (Loss) but included in Net Fee Related Earnings.
(g) This adjustment removes from expenses the compensation and benefit amounts related to Blackstone's profit sharing plans related to Performance Fees.
(h) Represents an implied payable for income taxes calculated using a similar methodology applied in calculating the current provision for The Blackstone Group L.P.
(i) Represents the adjustment for realized Performance Fees net of corresponding actual amounts due under Blackstone's profit sharing plans related thereto.
(j) Represents the adjustment for Blackstone's Investment Income - Realized.
(k) Represents the elimination of Realized Investment Income attributable to Blackstone's Treasury cash management strategies which is a component of both Net Fee Related Earnings from Operations and Realized Investment Income (Loss).
(l) Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations represents Net Fee Related Earnings from Operations adding back the implied cash taxes payable component from the Distributable Earnings reconciliation presented above, which is included in (h), and segment interest and depreciation and amortization. The cash taxes payable component of (h) was $9.3 million, $12.1 million, $(5.6) million, $20.1 million, $12.6 million, $12.7 million, and $5.3 million for the three months ended March 31, 2010, June 30, 2010, September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011, respectively. The cash taxes payable component of (h) was $30.6 million and $15.8 million for the nine months ended September 30, 2011 and 2010, respectively. Interest was $6.3 million, $6.8 million, $10.3 million, $13.2 million, $12.7 million, $13.1 million, and $12.6 million for the three months ended March 31, 2010, June 30, 2010, September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011, respectively. Interest was $38.4 million and $23.5 million for the nine months ended September 30, 2011 and 2010, respectively. Depreciation and amortization was $6.4 million, $6.1 million, $6.6 million, $7.6 million, $8.2 million, $7.8 million, and $8.3 million for the three months ended March 31, 2010, June 30, 2010, September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011, respectively. Depreciation and amortization was $24.3 million and $19.0 million for the nine months ended September 30, 2011 and 2010, respectively.

THE BLACKSTONE GROUP L.P.
Exhibit 3. Distributable Earnings
(Dollars in Thousands)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Fee Related Earnings				
Revenues				
Total Management and Advisory Fees (a)	$ 442,639	$ 376,249	$ 1,381,908	$ 1,156,321
Interest and Dividend Revenue (a)	10,110	10,187	28,841	25,807
Other (a)	(1,667)	4,468	1,720	574
Investment Income (Loss) - Blackstone's Treasury Cash Management Strategies (b)	(3,011)	11,226	2,329	19,953
Total Revenues	448,071	402,130	1,414,798	1,202,655
Expenses				
Compensation and Benefits - Compensation (a)	243,840	210,582	752,476	621,881
Other Operating Expenses (a)	96,932	84,253	299,270	245,436
Cash Taxes (c)	5,290	(5,619)	30,646	15,764
Total Expenses	346,062	289,216	1,082,392	883,081
Net Fee Related Earnings from Operations	102,009	112,914	332,406	319,574
Performance Fees, Net of Related Compensation				
Performance Fees - Realized (a)	7,897	66,039	163,712	166,294
Compensation and Benefits - Performance Fee Compensation - Realized (a)	(10,543)	(24,962)	(52,797)	(55,582)
Total Performance Fees, Net of Related Compensation	(2,646)	41,077	110,915	110,712
Investment Income and Other				
Investment Income - Realized (a)	31,647	14,276	85,878	35,304
Adjustment Related to Realized Investment Income - Blackstone's Treasury Cash Management Strategies (d)	(309)	(4,874)	(3,662)	(5,626)
Other Payables Including Payable Under Tax Receivable Agreement	(10,589)	2,923	(24,344)	2,623
Total Investment Income and Other	20,749	12,325	57,872	32,301
Distributable Earnings	$ 120,112	$ 166,316	$ 501,193	$ 462,587

(a) Represents the total segment amounts of the respective captions.
(b) Represents the inclusion of Investment Income (Loss) from Blackstone's Treasury cash management strategies.
(c) Represents the provisions for and/or adjustments to income taxes that were calculated using a similar methodology applied in calculating the current provision for The Blackstone Group L.P.
(d) Represents the elimination of Realized Investment Income attributable to Blackstone's Treasury cash management strategies which is a component of Net Fee Related Earnings from Operations.

THE BLACKSTONE GROUP L.P.

Exhibit 4. Total GAAP Weighted-Average Common Units Outstanding—Basic and Diluted and Reconciliation of Total GAAP Weighted-Average Common Units Outstanding—Basic and Diluted to Weighted-Average Economic Net Income Adjusted Units with End of Period Economic Net Income Adjusted Units Outstanding and Reconciliation of Total GAAP Common Units Outstanding to Distributable Earnings Units Outstanding

The following table provides Blackstone's Total GAAP Weighted-Average Common Units Outstanding—Basic and Diluted.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Total GAAP Weighted-Average Common Units Outstanding - Basic and Diluted (a)	487,189,657	370,101,582	470,551,727	352,794,385

The following table provides a reconciliation of Blackstone's Total GAAP Common Units Outstanding—Basic and Diluted to Weighted-Average Economic Net Income Adjusted Units and presents the end of period Economic Net Income Adjusted Units Outstanding.

	Three Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2011	2010	2011	2010
Total GAAP Weighted-Average Common Units Outstanding - Basic and Diluted	487,189,657	370,101,582	470,551,727	352,794,385
Adjustments:				
Weighted-Average Blackstone Holdings Partnership Units	616,168,175	727,528,593	633,174,021	745,006,116
Weighted-Average Unvested Deferred Restricted Common Units	7,243,768	—	8,169,431	2,106,877
Weighted-Average Economic Net Income Adjusted Units	1,110,601,600	1,097,630,175	1,111,895,179	1,099,907,378
Economic Net Income Adjusted Units, End of Period			1,110,027,706	1,101,164,769

The following table provides a reconciliation of Blackstone's Total GAAP Common Units Outstanding to Distributable Earnings Units Outstanding.

	September 30,	
	2011	2010
Total GAAP Common Units Outstanding (b)	488,178,170	374,003,111
Adjustment:		
Blackstone Holdings Partnership Units	615,164,340	723,662,686
Distributable Earnings Units Outstanding (c)	1,103,342,510	1,097,665,797

(a) Unvested Deferred Restricted Common Units and Blackstone Holdings Partnership Units are anti-dilutive for the three and nine months periods presented due to Net Losses in each of the periods presented.

(b) Common unit holders receive tax benefits from deductions taken by Blackstone's corporate tax paying subsidiaries and bear responsibility for the deduction from Distributable Earnings of the Payable Under the Tax Receivable Agreement and certain other tax-related payables.

(c) Excludes units which are not entitled to distributions.

THE BLACKSTONE GROUP L.P.
Exhibit 5. Assets Under Management
(Dollars in Thousands)

	As of and for the Periods Ended September 30,	
	2011	**2010**
Total Assets Under Management (End of Period)		
Private Equity	$ 42,967,159	$ 29,202,952
Real Estate	40,709,500	27,129,825
Hedge Fund Solutions	40,373,092	33,166,553
Credit Businesses	33,648,697	29,615,916
	$ 157,698,448	$ 119,115,246
Fee-Earning Assets Under Management (End of Period)		
Private Equity	$ 37,006,024	$ 24,311,443
Real Estate	29,981,920	24,345,161
Hedge Fund Solutions	37,231,013	31,760,599
Credit Businesses	28,715,420	23,875,979
	$ 132,934,377	$ 104,293,182
Weighted-Average Fee-Earning Assets Under Management (For the Three Months Ended)		
Private Equity	$ 36,670,087	$ 24,610,920
Real Estate	28,701,420	24,016,964
Hedge Fund Solutions	37,658,240	30,554,606
Credit Businesses	28,429,249	23,540,949
	$ 131,458,996	$ 102,723,439
Weighted-Average Fee-Earning Assets Under Management (Year to Date Period Ended)		
Private Equity	$ 35,731,733	$ 25,028,962
Real Estate	27,425,607	23,826,723
Hedge Fund Solutions	36,857,511	29,557,897
Credit Businesses	26,889,108	22,373,831
	$ 126,903,959	$ 100,787,413

THE BLACKSTONE GROUP L.P.
Exhibit 6. Limited Partner Capital Invested Metrics
(Dollars in Thousands)

	As of and for the Periods Ended September 30,	
	2011	**2010**
Limited Partner Capital Invested (For the Three Months Ended)		
Private Equity	$ 1,414,734	$ 678,882
Real Estate (a)	1,706,157	688,951
Credit Businesses	1,314,318	692,275
	$ 4,435,209	$ 2,060,108
Limited Partner Capital Invested (Year to Date Period Ended)		
Private Equity	$ 2,735,022	$ 1,536,594
Real Estate (a)	5,145,773	1,757,636
Credit Businesses	1,621,498	1,113,419
	$ 9,502,293	$ 4,407,649
Fund Level Unrealized Value (b) (End of Period)		
Private Equity		
Cost	$ 21,367,917	$ 20,582,631
Unrealized Value	$ 22,784,672	$ 21,924,759
Real Estate (a)		
Cost	$ 20,431,870	$ 13,754,522
Unrealized Value	$ 25,632,721	$ 13,360,662
Credit Businesses		
Cost	$ 4,453,452	$ 3,465,813
Unrealized Value	$ 4,958,853	$ 3,905,776

(a) Limited Partner Capital Invested and Fund Level Unrealized Value for the Real Estate segment represents activity related to funds raised by Blackstone.

(b) Cost and unrealized value represent the limited partners' share, including co-investments arranged by Blackstone, of those fund level investments on which carried interest can be earned, before carried interest allocations to Blackstone, when a fund achieves cumulative investment returns in excess of a specified rate.

THE BLACKSTONE GROUP L.P.
Exhibit 7. Definitions of Non-GAAP Financial Information

Blackstone discloses the following financial measures that are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles in the United States of America ("non-GAAP") in the attached press release:

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

- Economic Net Income After Taxes represents ENI adjusted to reflect the implied provision (benefit) for income taxes calculated using a similar methodology as applied in calculating the tax provision (benefit) for The Blackstone Group L.P. but consistent with the ENI concepts as noted above.

- Blackstone uses Net Fee Related Earnings from Operations as a key measure to highlight earnings from operations excluding: (a) the income related to performance fees and related carry plan costs, (b) income earned from Blackstone's investments in the Blackstone Funds, and (c) realized and unrealized gains (losses) from other investments except for such gains (losses) from Blackstone's Treasury cash management strategies. Blackstone uses Net Fee Related Earnings from Operations as a measure to assess whether recurring revenue from its businesses is sufficient to adequately cover all of its operating expenses and generate profits. Net Fee Related Earnings from Operations equals contractual fee revenues, investment income from Blackstone's Treasury cash management strategies and interest income, less (a) compensation expenses (which includes amortization of non-IPO and non-acquisition-related equity-based awards, but excludes amortization of IPO and acquisition-related equity-based awards, carried interest and incentive fee compensation), (b) other operating expenses, and (c) cash taxes due on earnings from operations as calculated using a similar methodology as applied in calculating the current tax provision (benefit) for The Blackstone Group L.P.

- Blackstone uses Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations ("EBITDA-NFRE") as a measure of segment performance and an indicator of its ability to cover recurring operating expenses. EBITDA-NFRE equals Net Fee Related Earnings from Operations before segment interest expense, segment depreciation and amortization and the cash taxes included in Net Fee Related Earnings from Operations.

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

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

THE BLACKSTONE GROUP L.P.
Exhibit 7. Definitions of Non-GAAP Financial Information

Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are included within this press release. These non-GAAP financial measures should be considered in addition to and not as a substitute for, or superior to, financial measures presented in accordance with GAAP.

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, 2011**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number: 001-33551

The Blackstone Group L.P.

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	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 28, 2011 was 370,529,222. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of October 28, 2011 was 109,083,468.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2010 and in this report, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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

"Blackstone Funds," "our funds" and "our investment funds" refer to the private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligation ("CLO") vehicles, and closed-end mutual funds and management investment companies that are managed by Blackstone. "Our carry funds" refer to the private equity funds, real estate funds and certain of the credit-oriented funds (with multi-year drawdown, commitment-based structures that only pay carry on the realization of an investment) that are managed by Blackstone. "Our hedge funds" refer to our funds of hedge funds, certain of our real estate debt investment funds and certain other credit-oriented funds (including three publicly registered closed-end management investment companies), which are managed by Blackstone.

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

(a) the fair value of the investments held by our carry funds plus the capital that we are entitled to call from investors in those funds pursuant to the terms of their capital commitments to those funds (plus the fair value of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees or a carried interest allocation);

(b) the net asset value of our funds of hedge funds, hedge funds and our closed-end mutual funds and registered investment companies;

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

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

Our carry funds are commitment-based drawdown structured funds that do not permit investors to redeem their interests at their election. Our hedge funds generally have structures that afford an investor the right to withdraw or redeem their interests on a periodic basis (e.g., annually or quarterly), in most cases upon advance written notice, with the majority of our funds requiring from 60 days up to 95 days' notice, depending on the fund and the liquidity profile of the underlying assets. Investment advisory agreements related to separately managed accounts may generally be terminated by an investor on 30 to 90 days' notice.

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

(a) for our Blackstone Capital Partners ("BCP") and Blackstone Real Estate Partners ("BREP") funds where the investment period has not expired, the amount of capital commitments;

(b) for our BCP and BREP funds where the investment period has expired, the remaining amount of invested capital plus binding investment commitments;

(c) for our real estate debt investment funds ("BREDS"), the remaining amount of invested capital;

(d) for our credit-oriented carry funds, the amount of invested capital (which may be calculated to include leverage) or net asset value;

(e) the invested capital of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees;

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

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

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

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

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

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

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

PART I. 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, 2011	December 31, 2010
Assets		
Cash and Cash Equivalents	$ 592,982	$ 588,621
Cash Held by Blackstone Funds and Other	1,066,613	790,399
Investments (including assets pledged of $210,154 and $62,670 at September 30, 2011 and December 31, 2010, respectively)	14,848,396	11,974,472
Accounts Receivable	441,671	495,893
Reverse Repurchase Agreements	194,931	181,425
Due from Affiliates	743,618	795,395
Intangible Assets, Net	678,291	779,311
Goodwill	1,703,602	1,703,602
Other Assets	330,975	293,194
Deferred Tax Assets	1,467,717	1,242,293
Total Assets	$22,068,796	$18,844,605
Liabilities and Partners' Capital		
Loans Payable	$ 9,412,191	$ 7,198,898
Due to Affiliates	1,944,273	1,762,287
Accrued Compensation and Benefits	1,035,342	821,568
Securities Sold, Not Yet Purchased	195,557	116,688
Repurchase Agreements	210,591	62,672
Accounts Payable, Accrued Expenses and Other Liabilities	698,583	629,135
Total Liabilities	13,496,537	10,591,248
Commitments and Contingencies		
Redeemable Non-Controlling Interests in Consolidated Entities	723,948	600,836
Partners' Capital		
Partners' Capital (common units: 482,011,358 issued and outstanding as of September 30, 2011; 416,092,022 issued and outstanding as of December 31, 2010)	4,181,368	3,888,211
Appropriated Partners' Capital (Deficit)	(50,111)	470,583
Accumulated Other Comprehensive Income	1,845	4,302
Non-Controlling Interests in Consolidated Entities	1,337,180	870,908
Non-Controlling Interests in Blackstone Holdings	2,378,029	2,418,517
Total Partners' Capital	7,848,311	7,652,521
Total Liabilities and Partners' Capital	$22,068,796	$18,844,605

continued…

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

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

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

	September 30, 2011	December 31, 2010
Assets		
Cash Held by Blackstone Funds and Other	$ 773,736	$ 707,622
Investments	9,000,078	7,424,329
Accounts Receivable	35,333	22,380
Due from Affiliates	35,925	30,182
Other Assets	27,569	19,823
Total Assets	$9,872,641	$8,204,336
Liabilities		
Loans Payable	$8,348,099	$6,154,179
Due to Affiliates	347,299	304,969
Accounts Payable, Accrued Expenses and Other	252,666	330,675
Total Liabilities	$8,948,064	$6,789,823

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues				
Management and Advisory Fees	$ 425,193	$ 362,521	$ 1,335,971	$ 1,123,403
Performance Fees				
Realized	6,605	66,142	164,571	171,941
Unrealized	(462,902)	199,824	659,987	312,304
Total Performance Fees	(456,297)	265,966	824,558	484,245
Investment Income (Loss)				
Realized	45,596	13,542	77,682	29,493
Unrealized	(145,990)	127,428	70,116	371,691
Total Investment Income (Loss)	(100,394)	140,970	147,798	401,184
Interest and Dividend Revenue	9,085	10,075	27,423	25,922
Other	(1,666)	4,468	1,721	573
Total Revenues	(124,079)	784,000	2,337,471	2,035,327
Expenses				
Compensation and Benefits				
Compensation	494,478	664,004	1,853,393	2,556,665
Performance Fee Compensation				
Realized	10,542	24,962	52,797	55,582
Unrealized	(111,435)	104,324	169,188	158,032
Total Compensation and Benefits	393,585	793,290	2,075,378	2,770,279
General, Administrative and Other	124,929	114,291	380,433	341,853
Interest Expense	13,785	11,766	41,773	26,633
Fund Expenses	8,635	6,422	19,045	15,484
Total Expenses	540,934	925,769	2,516,629	3,154,249
Other Income (Loss)				
Net Gains (Losses) from Fund Investment Activities	(329,399)	285,071	(449,244)	397,625
Income (Loss) Before Provision (Benefit) for Taxes	(994,412)	143,302	(628,402)	(721,297)
Provision (Benefit) for Taxes	(7,637)	(4,225)	95,412	24,802
Net Income (Loss)	(986,775)	147,527	(723,814)	(746,099)
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(44,776)	23,623	(22,891)	47,171
Net Income (Loss) Attributable to Non- Controlling Interests in Consolidated Entities	(265,353)	242,723	(450,842)	320,816
Net Loss Attributable to Non-Controlling Interests in Blackstone Holdings	(402,079)	(74,461)	(104,455)	(755,031)
Net Loss Attributable to The Blackstone Group L.P.	$ (274,567)	$ (44,358)	$ (145,626)	$ (359,055)
Net Loss Per Common Unit — Basic and Diluted	$ (0.56)	$ (0.12)	$ (0.31)	$ (1.02)
Weighted-Average Common Units Outstanding — Basic and Diluted	487,189,657	370,101,582	470,551,727	352,794,385
Revenues Earned from Affiliates				
Management and Advisory Fees	$ 56,900	$ 34,242	$ 245,854	$ 110,356

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

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

	Nine Months Ended September 30,	
	2011	2010
Operating Activities		
Net Loss	$ (723,814)	$ (746,099)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities:		
Blackstone Funds Related:		
Unrealized Depreciation (Appreciation) on Investments Allocable to Non-Controlling Interests in Consolidated Entities	603,613	(533,466)
Net Realized Gains on Investments	(468,588)	(140,095)
Changes in Unrealized Gains on Investments Allocable to The Blackstone Group L.P.	(66,607)	(352,506)
Unrealized Depreciation (Appreciation) on Hedge Activities	(1,544)	(4,060)
Non-Cash Performance Fees	(492,930)	(192,208)
Non-Cash Performance Fee Compensation	221,985	213,614
Equity-Based Compensation Expense	1,075,012	1,924,358
Amortization of Intangibles	124,764	121,206
Other Non-Cash Amounts Included in Net Income (Loss)	(4,559)	19,349
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Cash Held by Blackstone Funds and Other	215,051	(48,376)
Cash Relinquished with Continuing Liquidation of Partnership	(666)	(3,136)
Accounts Receivable	87,655	(79,622)
Reverse Repurchase Agreements	(13,506)	(287,445)
Due from Affiliates	24,359	13,107
Other Assets	53,585	(47,374)
Accrued Compensation and Benefits	(15,460)	62,520
Securities Sold, Not Yet Purchased	75,907	262,395
Accounts Payable, Accrued Expenses and Other Liabilities	(233,579)	114,530
Repurchase Agreements	147,920	139,456
Due to Affiliates	(111,613)	(33,600)
Short Term Investments Purchased	(2,428,326)	(1,785,838)
Proceeds from Sale of Investments	2,256,425	1,390,991
Blackstone Funds Related:		
Investments Purchased	(4,639,948)	(2,344,140)
Proceeds from Sale of Investments	5,073,303	2,652,554
Net Cash Provided by Operating Activities	758,439	316,115
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(25,963)	(30,587)
Net Cash Paid for Acquisition of Management Contracts	(23,744)	(21,898)
Changes in Restricted Cash	331	35
Net Cash Used in Investing Activities	(49,376)	(52,450)

continued…

See notes to condensed consolidated financial statements.

THE BLACKSTONE GROUP L.P.

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

	Nine Months Ended September 30,	
	2011	2010
Financing Activities		
Distributions to Non-Controlling Interest Holders in Consolidated Entities	$(294,755)	$ (77,039)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	742,940	117,896
Purchase of Interests from Certain Non-Controlling Interest Holders	(2,099)	(153)
Net Settlement of Vested Common Units and Repurchase of Common and Holdings Units	(33,814)	(21,955)
Proceeds from Loans Payable	16,977	408,574
Repayment of Loans Payable	(27,981)	(34,207)
Distributions to Unitholders	(592,536)	(489,271)
Blackstone Funds Related:		
Proceeds from Loans Payable	342,183	14,014
Repayment of Loans Payable	(855,601)	(93,099)
Net Cash Used in Financing Activities	(704,686)	(175,240)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(16)	(24,292)
Net Increase in Cash and Cash Equivalents	4,361	64,133
Cash and Cash Equivalents, Beginning of Period	588,621	952,096
Cash and Cash Equivalents, End of Period	$ 592,982	$1,016,229
Supplemental Disclosure of Cash Flows Information		
Payments for Interest	$ 2,399	$ 2,966
Payments for Income Taxes	$ 40,147	$ 51,319
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	$ (2,817)	$ 4,037
Net Assets Related to the Consolidation of CLO Vehicles	$ 73,984	$ 406,914
Reclassification of Capital Due to Non-Controlling Interest Holders	$ —	$ (60,197)
In-kind Redemption of Capital	$ (2,433)	$ —
In-kind Contribution of Capital	$ 2,433	$ 75,516
Notes Issuance Costs	$ —	$ 2,000
Transfer of Interests to Non-Controlling Interest Holders	$ 1,924	$ (15,927)
Change in The Blackstone Group L.P.'s Ownership Interest	$ (6,245)	$ (8,460)
Net Settlement of Vested Common Units	$ 107,365	$ 133,907
Conversion of Blackstone Holdings Units to Common Units	$ 217,275	$ 120,880
Exchange of Founders' and Non-Controlling Interest Holders' Interests in Blackstone Holdings:		
Deferred Tax Asset	$(288,229)	$ (184,831)
Due to Affiliates	$ 234,365	$ 150,416
Partners' Capital	$ 53,864	$ 34,415

See notes to condensed consolidated financial statements.

1. ORGANIZATION

The Blackstone Group L.P., together with its subsidiaries, ("Blackstone" or the "Partnership") is a leading global manager of private capital and provider of financial advisory services. The alternative asset management business includes the management of private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligation ("CLO") vehicles, separately managed accounts, publicly traded closed-end mutual funds and registered investment companies (collectively referred to as the "Blackstone Funds"). Blackstone also provides various financial advisory services, including financial advisory, restructuring and reorganization advisory and fund placement services. Blackstone's business is organized into five segments: private equity, real estate, hedge fund solutions, credit businesses, and financial advisory.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

statements, including these notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission.

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

All intercompany balances and transactions have been eliminated in consolidation.

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

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

- In January 2011, Blackstone separated its Credit and Marketable Alternatives segment into two new segments: Hedge Fund Solutions and Credit Businesses. The Hedge Fund Solutions segment is comprised primarily of Blackstone Alternative Asset Management, an institutional solutions provider utilizing hedge funds across a variety of strategies, and the Indian-focused and Asian-focused closed-end mutual funds. The Credit Businesses segment, which is comprised principally of GSO Capital Partners LP ("GSO"), manages credit-oriented funds, CLOs, credit-focused separately managed accounts and publicly registered debt-focused investment companies. This change in Blackstone's segment reporting aligns it to its management reporting and organization structure and is consistent with the manner in which resource deployment and compensation decisions are made. Blackstone's segment results have been retrospectively presented for all periods reported.
- As of March 31, 2011, Blackstone elected to aggregate changes in assets and liabilities relating to hedging activities within Unrealized Depreciation (Appreciation) on Hedge Activities in the Condensed Consolidated Statements of Cash Flows. Previously, amounts relating to changes in hedging instruments had been presented in Cash Flows Due to Changes in Operating Assets and Liabilities — Other Assets. The reclassification of amounts in 2010 had no impact on Net Cash Provided by Operating Activities.
- As of June 30, 2011, Blackstone elected to separately present Repurchase Agreements in the Condensed Consolidated Statements of Financial Condition. Previously, these amounts were included in Accounts Payable, Accrued Expenses and Other Liabilities. The reclassification had no impact on Total Liabilities.
- As of June 30, 2011, Blackstone elected to separately present changes in operating assets and liabilities relating to repurchase agreements in the Condensed Consolidated Statements of Cash Flows. Previously, amounts relating to changes in repurchase agreements had been presented in Cash Flows Due to Changes in Operating Assets and Liabilities — Accounts Payable, Accrued Expenses and Other Liabilities. The reclassification had no impact on Net Cash Provided by Operating Activities.

Consolidation

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

In addition, the Partnership consolidates all variable interest entities ("VIE") in which it is the primary beneficiary. An enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The consolidation guidance requires an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a variable interest entity and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Variable interest entities qualify for the deferral of this consolidation guidance if all of the following conditions have been met:

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

(b) The reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and

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

Where the VIEs have qualified for the deferral of the current consolidation guidance, the analysis is based on previous consolidation guidance. This guidance requires an analysis to determine (a) whether an entity in which the Partnership holds a variable interest is a variable interest entity and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would be expected to absorb a majority of the variability of the entity. Under both guidelines, the Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a variable interest entity and reconsiders that conclusion continuously. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly by the Partnership and its affiliates or indirectly through employees. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Funds could affect an entity's status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

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

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

Fair Value of Financial Instruments

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

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value

measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

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

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

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

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

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

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

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

Investments, at Fair Value

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

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

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

In addition, the Partnership has elected the fair value option for the assets and liabilities of certain CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts. The adjustment resulting from the difference between the fair value of assets and liabilities for each of these events is presented as a transition and acquisition adjustment to Appropriated Partners' Capital. Assets of the consolidated CLOs are presented within Investments within the Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. The methodology for measuring the fair value of such assets and liabilities is consistent with the methodology applied to private equity, real estate, and credit-oriented investments. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption and acquisition are presented within Net Gains from Fund Investment Activities. Amounts attributable to Non-Controlling Interests in Consolidated Entities have a corresponding adjustment to Appropriated Partners' Capital.

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

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

Equity Method Investments

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

Repurchase and Reverse Repurchase Agreements

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

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

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

Securities Sold, Not Yet Purchased

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

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

Derivative Instruments

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

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

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

Affiliates

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

Distributions

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

Recent Accounting Developments

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

in the roll forward of activity in Level III fair value measurements, which was effective for fiscal years beginning after December 15, 2010. Adoption of the guidance, including the gross presentation of activity in Level III, did not have a material impact on the Partnership's financial statements.

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

In December 2010, the FASB issued guidance on disclosures around business combinations for public entities that present comparative financial statements. The guidance specified that an entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The guidance was effective prospectively for business combinations for which the acquisition date was on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. As the Partnership has not had any business combinations since January 2011, adoption did not have a material impact on the Partnership's financial statements.

In April 2011, the FASB amended existing guidance for agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments remove from the assessment of effective control (a) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee and (b) the collateral maintenance implementation guidance related to that criterion. The guidance is effective for the first interim or annual period beginning on or after December 15, 2011. Blackstone enters into repurchase agreements that are currently accounted for as collateralized financing transactions. Adoption is not expected to have a material impact on the Partnership's financial statements.

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

The guidance also requires enhanced disclosures about fair value measurements, including, among other things, (a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used

by the reporting entity, and (3) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial position but for which fair value is disclosed). The guidance also amends disclosure requirements for significant transfers between Level I and Level II and now requires disclosure of all transfers between Levels I and II in the fair value hierarchy.

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

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income. The amendments provide an entity with an option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The guidance is effective for fiscal years, and interim periods within those years beginning after December 15, 2011 and should be applied on a retrospective basis. As the amendments are limited to presentation only, adoption is not expected to have a material impact on the Partnership's financial statements.

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

3. ACQUISITION, GOODWILL AND INTANGIBLE ASSETS

Acquisition

On May 16, 2011, the Partnership, through GSO, completed the acquisition of management agreements relating to four collateralized loan obligation vehicles previously managed by Allied Irish Bank for net consideration of $23.4 million. The assets acquired are finite-lived contractual rights.

Goodwill and Intangible Assets

In January 2011, Blackstone separated its Credit and Marketable Alternatives segment into two new segments. Goodwill previously allocated to the Credit and Marketable Alternatives segment has been reallocated to the Hedge Fund Solutions and Credit Businesses segments. Goodwill has been allocated to each of the Partnership's five segments as follows: Private Equity ($694.5 million), Real Estate ($421.7 million), Hedge Fund Solutions ($172.1 million), Credit Businesses ($346.4 million) and Financial Advisory ($68.9 million).

The carrying value of goodwill was $1.7 billion as of September 30, 2011 and December 31, 2010. As of September 30, 2011 and December 31, 2010, the fair value of the Partnership's operating segments substantially exceeded their respective carrying values.

Intangible Assets, Net consists of the following:

	September 30, 2011	December 31, 2010
Finite-Lived Intangible Assets / Contractual Rights	$1,394,026	$1,370,255
Accumulated Amortization	(715,735)	(590,944)
Intangible Assets, Net	$ 678,291	$ 779,311

Amortization expense associated with Blackstone's intangible assets was $42.4 million and $124.8 million for the three and nine month periods ended September 30, 2011, respectively, and $40.9 million and $121.2 million for the three and nine month periods ended September 30, 2010, respectively.

Amortization of Intangible Assets held at September 30, 2011 is expected to be $167.1 million, $114.6 million, $63.1 million, $58.2 million, and $52.0 million for each of the years ending December 31, 2011, 2012, 2013, 2014, and 2015, respectively. Blackstone's intangible assets as of September 30, 2011 are expected to amortize over a weighted-average period of 9.6 years.

4. INVESTMENTS

Investment

Investments consist of the following:

	September 30, 2011	December 31, 2010
Investments of Consolidated Blackstone Funds	$10,161,033	$ 8,192,327
Equity Method Investments	2,042,710	1,921,665
Blackstone's Treasury Cash Management Strategies	1,080,232	896,367
Performance Fees	1,535,637	937,227
Other Investments	28,784	26,886
	$14,848,396	$11,974,472

Blackstone's share of Investments of Consolidated Blackstone Funds totaled $449.5 million and $500.2 million at September 30, 2011 and December 31, 2010, respectively.

At September 30, 2011 and December 31, 2010, consideration was given as to whether any individual investment, including derivative instruments, had a fair value which exceeded 5% of Blackstone's net assets. At September 30, 2011 and December 31, 2010, no investment exceeded the 5% threshold.

Investments of Consolidated Blackstone Funds

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Realized Gains (Losses)	$ 121,297	$ (40,063)	$ 228,052	$ (60,500)
Net Change in Unrealized Gains (Losses)	(496,696)	296,049	(774,527)	387,571
	$(375,399)	$255,986	$(546,475)	$327,071

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Realized and Net Change in Unrealized Gains (Losses) from Blackstone Funds	$(375,399)	$255,986	$(546,475)	$327,071
Interest, Dividend and Other Revenue Attributable to Consolidated Blackstone Funds	46,000	29,085	97,231	70,554
Other Income — Net Gains (Losses) from Fund Investment Activities	$(329,399)	$285,071	$(449,244)	$397,625

Equity Method Investments

The Partnership recognized net gains related to its equity method investments of $97.2 million and $343.6 million for the nine months ended September 30, 2011 and 2010, respectively.

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

Blackstone evaluates each of its equity method investments to determine if any were significant. As of September 30, 2011, one investment met this criteria. The summarized financial information for this investment is shown below:

	Nine Months Ended September 30,	
	2011	2010
Statements of Income		
Interest Income	$ 251	$ 212
Other Income	34,401	—
Interest Expense	(315)	(387)
Other Expenses	(1,410)	(1,646)
Net Realized and Unrealized Gain from Investments	537,432	1,014,488
Net Income	$570,359	$1,012,667

Blackstone's Treasury Cash Management Strategies

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Realized Gains	$6,002	$1,080	$7,022	$ 2,652
Net Change in Unrealized Gains (Losses)	(746)	8,205	1,475	15,096
	$5,256	$9,285	$8,497	$17,748

Performance Fees

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

	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Total
Performance Fees, December 31, 2010	$573,042	$ 65,477	$ 9,534	$289,174	$ 937,227
Change in Fair Value of Funds	25,152	676,413	1,890	97,491	800,946
Fund Cash Distributions	(85,353)	(33,446)	(10,506)	(73,231)	(202,536)
Performance Fees, September 30, 2011	$512,841	$708,444	$ 918	$313,434	$1,535,637

Other Investments

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Realized Gains (Losses)	$ 421	$ 36	$ 820	$ 978
Net Change in Unrealized Gains (Losses)	(22,292)	(335)	(21,000)	592
	$(21,871)	$(299)	$(20,180)	$1,570

5. NET ASSET VALUE AS FAIR VALUE

Certain of the consolidated Blackstone funds of hedge funds and credit-oriented funds measure their investments in underlying funds at fair value using NAV per share without adjustment. The terms of the investee's investment generally provide for minimum holding periods or lock-ups, the institution of gates on redemptions or the suspension of redemptions or an ability to side-pocket investments, at the discretion of the investee's fund manager, and as a result, investments may not be redeemable at, or within three months of, the reporting date. A side-pocket is used by hedge funds and funds of hedge funds to separate investments that may lack a readily ascertainable value, are illiquid or are subject to liquidity restriction. Redemptions are generally not permitted until the investments within a side pocket are liquidated or it is deemed that the conditions existing at the time that required the investment to be included in the side-pocket no longer exist. As the timing of either of these events is uncertain, the timing at which the Partnership may redeem an investment held in a side-pocket cannot be estimated. A summary of fair value by strategy type alongside the consolidated funds of hedge funds' remaining unfunded commitments and ability to redeem such investments as of September 30, 2011 is presented below:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Instruments	$205,680	$7,697	(a)	(a)
Credit Driven	194,979	1,980	(b)	(b)
Event Driven	119,239	—	(c)	(c)
Equity	251,179	—	(d)	(d)
Commodities	51,071	—	(e)	(e)
	$822,148	$9,677		

(a) Diversified Instruments include investments in hedge funds that invest across multiple strategies. Investments representing 98% of the value of the investments in this category are subject to redemption restrictions at the discretion of the investee fund manager who may choose (but may not have exercised such ability) to side-pocket such investments. As of the reporting date, the investee fund manager had elected to side-pocket 18% of Blackstone's investments. The time at which this redemption restriction may lapse cannot be estimated. The remaining 2% of investments within this category represent investments in hedge funds that are in the process of liquidating. Distributions from these funds will be received as underlying investments are liquidated.

(b) The Credit Driven category includes investments in hedge funds that invest primarily in domestic and international bonds. Investments representing 59% of the value of the investments in this category may not be redeemed at, or within three months of, the reporting date. Investments representing 20% of the value in the credit driven category are subject to redemption restrictions at the discretion of the investee fund manager who may choose (but may not have exercised such ability) to side-pocket such investments. Investments representing 3% of the value in the credit driven category represents an investment in a fund of hedge funds that is in the process of liquidation. Distributions from this fund will be received as underlying investments are liquidated. The remaining 18% of investments within this category are redeemable as of the reporting date.

(c) The Event Driven category includes investments in hedge funds whose primary investing strategy is to identify certain event-driven investments. Withdrawals are not permitted in this category. Distributions will be received as the underlying investments are liquidated.

(d) The Equity category includes investments in hedge funds that invest primarily in domestic and international equity securities. Investments representing 83% of the total value of investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 17% are subject to redemption restrictions at the discretion of the investee fund manager who may choose (but may not have elected such ability) to side-pocket such investments. As of the reporting date, the investee fund manager had not elected to side-pocket Blackstone's investments.

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

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

Fair Value Hedges

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

Freestanding Derivatives

Freestanding derivatives are instruments that Blackstone and certain of the consolidated Blackstone Funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include foreign exchange

contracts, equity swaps, options, futures and other derivative contracts. Changes in the fair value of derivative instruments held by consolidated Blackstone Funds are reflected in Net Gains from Funds Investment Activities or, where derivative instruments are held by the Partnership, within Investment Income (Loss), in the Condensed Consolidated Statements of Operations. The fair value of freestanding derivative assets are recorded within Investments and freestanding derivative liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

The table below summarizes the aggregate notional amount and fair value of the derivative financial instruments. The notional amount represents the absolute value amount of all outstanding derivative contracts based on each contract's fair value at the reporting date.

	September 30, 2011				December 31, 2010			
	Assets		Liabilities		Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Fair Value Hedges								
Interest Rate Swaps	$ 450,000	$ 57,820	$ —	$ —	$450,000	$26,192	$ —	$—
Freestanding Derivatives								
Blackstone — Other								
Interest Rate Contracts	485,885	735	551,650	858	57,200	56	366,857	922
Foreign Currency Contracts	34,681	1,451	12,169	371	10,088	283	13,221	74
Credit Default Swaps	10,000	1,336	—	—	—	—	—	—
Investments of Consolidated Blackstone Funds								
Foreign Currency Contracts	287,434	35,738	103,995	3,492	—	—	—	—
Interest Rate Contracts	81,109	6,113	162,500	12,425	—	—	—	—
Other	266	1	217	137	409	2	212	2
Freestanding Derivatives	899,375	45,374	830,531	17,283	67,697	341	380,290	998
Total	$1,349,375	$103,194	$830,531	$17,283	$517,697	$26,533	$380,290	$998

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Fair Value Hedges — Interest Rate Swaps				
Hedge Ineffectiveness	$ 4,191	$ 2,065	$ 4,788	$ 6,704
Excluded from Assessment of Effectiveness	(10,490)	(7,639)	(10,864)	(9,743)
Freestanding Derivatives				
Realized Gains (Losses)				
Interest Rate Contracts	$ (2,558)	$(1,119)	$ (3,578)	$(1,920)
Foreign Currency Contracts	944	(867)	137	363
Other	(43)	(35)	(65)	(160)
Total	$ (1,657)	$(2,021)	$ (3,506)	$(1,717)
Net Change in Unrealized Gain (Loss)				
Interest Rate Contracts	$ 3,822	$ 1,849	$ 6,007	$ 489
Foreign Currency Contracts	(19,075)	383	(15,087)	(76)
Credit Default Swaps	42	—	42	—
Other	(83)	87	(101)	64
Total	$(15,294)	$ 2,319	$ (9,139)	$ 477

As of September 30, 2011 and December 31, 2010, the Partnership had not designated any derivatives as cash flow hedges or hedges of net investments in foreign operations.

7. FAIR VALUE OPTION

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

	September 30, 2011	December 31, 2010
Assets		
Loans and Receivables	$ 65,186	$ 131,290
Assets of Consolidated CLO Vehicles		
Corporate Loans	7,999,853	6,351,966
Corporate Bonds	140,436	157,997
Other	40,830	12,076
	$8,246,305	$6,653,329
Liabilities		
Liabilities of Consolidated CLO Vehicles		
Senior Secured Notes	$7,869,252	$5,877,957
Subordinated Notes	790,962	555,632
	$8,660,214	$6,433,589

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

	Three Months Ended September 30,			
	2011		2010	
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	$ —	$ 50	$ 5,310	$ (1,837)
Equity Securities	—	—	(349)	(501)
Assets of Consolidated CLO Vehicles				
Corporate Loans	16,928	(453,095)	(8,133)	62,484
Corporate Bonds	65	(11,129)	(1,005)	9,695
Other	10,996	(16,205)	—	(2,171)
	$ 27,989	$(480,379)	$ (4,177)	$ 67,670
Liabilities				
Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes	$ 1,915	$ 222,379	$ (1,139)	$106,708
Subordinated Notes	(4,694)	(32,581)	—	(267)
	$ (2,779)	$ 189,798	$ (1,139)	$106,441

	Nine Months Ended September 30,			
	2011		2010	
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	$ —	$ (237)	$ 5,695	$ (101)
Debt Securities	—	—	(16)	—
Equity Securities	—	—	(350)	—
Assets of Consolidated CLO Vehicles				
Corporate Loans	82,040	(486,816)	(14,935)	123,770
Corporate Bonds	2,214	(12,452)	(1,005)	3,255
Other	11,476	(12,077)	702	(2,469)
	$ 95,730	$(511,582)	$ (9,909)	$124,455
Liabilities				
Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes	$ (5,798)	$(110,097)	$ (2,513)	$105,194
Subordinated Notes	(4,694)	(100,285)	—	(87,423)
	$(10,492)	$(210,382)	$ (2,513)	$ 17,771

The following table presents for those financial instruments on which the fair value option was elected, the uncollected principal balance on the financial instruments that exceeded the fair value and the fair value and principal balance on the financial instruments that were past due:

	As of September 30, 2011			As of December 31, 2010		
		For Financial Assets Past Due (a)			For Financial Assets Past Due (a)	
	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal
Loans and Receivables	$ 1,214	$ —	$ —	$ 1,391	$ —	$ —
Assets of Consolidated CLO Vehicles						
Corporate Loans	(762,368)	11,059	(24,138)	(244,233)	5,393	(2,164)
Corporate Bonds	(14,438)	8,057	(3,409)	(1,545)	5,630	(2,082)
	$(775,592)	$19,116	$(27,547)	$(244,387)	$11,023	$(4,246)

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

As of September 30, 2011 and December 31, 2010, no Loans and Receivables on which the fair value option was elected were past due or in non-accrual status.

8. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following tables summarize the valuation of the Partnership's financial assets and liabilities by the fair value hierarchy as of September 30, 2011 and December 31, 2010, respectively:

	September 30, 2011			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)				
Investment Funds	$ —	$ 5,549	$ 816,599	$ 822,148
Equity Securities	72,414	22,053	135,947	230,414
Partnership and LLC Interests	37,296	—	532,444	569,740
Debt Instruments	100	348,075	9,437	357,612
Assets of Consolidated CLO Vehicles				
Corporate Loans	—	7,638,311	319,691	7,958,002
Corporate Bonds	—	140,436	—	140,436
Freestanding Derivatives — Foreign Currency Contracts	—	35,738	—	35,738
Freestanding Derivatives — Interest Rate Contracts	—	6,113	—	6,113
Other	—	36,543	4,287	40,830
Total Investments of Consolidated Blackstone Funds	109,810	8,232,818	1,818,405	10,161,033
Blackstone's Treasury Cash Management Strategies	303,887	776,145	200	1,080,232
Money Market Funds	163,417	—	—	163,417
Freestanding Derivatives				
Interest Rate Contracts	628	107	—	735
Foreign Currency Contracts	—	1,451	—	1,451
Credit Default Swaps	—	1,336	—	1,336
Derivative Instruments Used as Fair Value Hedges	—	57,820	—	57,820
Loans and Receivables	—	—	65,186	65,186
Other Investments	9,020	649	19,115	28,784
	$586,762	$9,070,326	$1,902,906	$11,559,994
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes	$ —	$ —	$7,869,252	$ 7,869,252
Subordinated Notes	—	—	790,962	790,962
Freestanding Derivatives — Foreign Currency Contracts	—	3,492	—	3,492
Freestanding Derivatives — Interest Rate Contracts	—	12,425	—	12,425
Freestanding Derivatives				
Interest Rate Contracts	553	305	—	858
Foreign Currency Contracts	—	371	—	371
Securities Sold, Not Yet Purchased	761	194,796	—	195,557
	$ 1,314	$ 211,389	$8,660,214	$ 8,872,917

	December 31, 2010			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)				
Investment Funds	$ —	$ 2,333	$ 723,583	$ 725,916
Equity Securities	133,483	24,007	136,614	294,104
Partnership and LLC Interests	—	—	500,162	500,162
Debt Instruments	107	138,518	11,481	150,106
Assets of Consolidated CLO Vehicles				
Corporate Loans	—	6,131,106	220,860	6,351,966
Corporate Bonds	—	157,997	—	157,997
Other	—	2,405	9,671	12,076
Total Investments of Consolidated Blackstone Funds	133,590	6,456,366	1,602,371	8,192,327
Blackstone's Treasury Cash Management Strategies	442,700	453,667	—	896,367
Money Market Funds	165,957	—	—	165,957
Freestanding Derivatives				
Interest Rate Contracts	13	43	—	56
Foreign Currency Contracts	—	283	—	283
Derivative Instruments Used as Fair Value Hedges	—	26,192	—	26,192
Loans and Receivables	—	—	131,290	131,290
Other Investments	6,852	362	19,672	26,886
	$749,112	$6,936,913	$1,753,333	$9,439,358
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes	$ —	$ —	$5,877,957	$5,877,957
Subordinated Notes	—	—	555,632	555,632
Freestanding Derivatives				
Interest Rate Contracts	19	903	—	922
Foreign Currency Contracts	—	74	—	74
Securities Sold, Not Yet Purchased	531	116,157	—	116,688
	$ 550	$ 117,134	$6,433,589	$6,551,273

(a) Pursuant to GAAP consolidation guidance, the Partnership is required to consolidate all VIEs in which it has been identified as the primary beneficiary, including its investments in CLO vehicles and other funds in which a consolidated entity of the Partnership, as the general partner of the fund, is presumed to have control. While the Partnership is required to consolidate certain funds, including CLO vehicles, for GAAP purposes, the Partnership has no ability to utilize the assets of these funds and there is no recourse to the Partnership for their liabilities since these are client assets and liabilities.

There were no significant transfers between Level I and Level II during the three months ended September 30, 2011.

The following table summarizes the valuation methodology used in the determination of the fair value of financial instruments for which Level III inputs were used as of September 30, 2011:

Valuation Methodology	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Total
Third-Party Fund Managers	—	—	41%	—	41%
Specific Valuation Metrics	14%	24%	1%	20%	59%
	14%	24%	42%	20%	100%

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

	Level III Financial Assets at Fair Value Three Months Ended September 30,							
	2011				2010			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total
Balance, Beginning of Period	$1,837,853	$ 127,108	$ 138,713	$2,103,674	$1,414,606	$ 26,844	$18,875	$1,460,325
Transfer In Due to Consolidation and Acquisition (a)	13,506	—	—	13,506	200	—	—	200
Transfer In to Level III (b)	120,184	—	—	120,184	11,526	—	—	11,526
Transfer Out of Level III (b)	(13,153)	—	—	(13,153)	(7,782)	—	—	(7,782)
Purchases	135,916	58,153	—	194,069	N/A	N/A	N/A	N/A
Sales	(178,082)	(120,315)	(118,175)	(416,572)	N/A	N/A	N/A	N/A
Settlements	—	(92)	—	(92)	N/A	N/A	N/A	N/A
Purchases (Sales), Net	N/A	N/A	N/A	N/A	(60,156)	(29,126)	(233)	(89,515)
Realized Gains (Losses), Net	39,601	—	947	40,548	(11,938)	5,310	(851)	(7,479)
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	(137,420)	332	(2,170)	(139,258)	126,132	(3,028)	(291)	122,813
Balance, End of Period	$1,818,405	$ 65,186	$ 19,315	$1,902,906	$1,472,588	$ —	$17,500	$1,490,088

	Level III Financial Assets at Fair Value Nine Months Ended September 30,							
	2011				2010			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments	Total
Balance, Beginning of Period	$1,602,371	$ 131,290	$ 19,672	$1,753,333	$1,192,464	$ 68,549	$ 46,578	$1,307,591
Transfer In Due to Consolidation and Acquisition (a)	23,076	—	—	23,076	227,794	—	—	227,794
Transfer In to Level III (b)	126,398	—	—	126,398	11,706	—	—	11,706
Transfer Out of Level III (b)	(129,330)	—	—	(129,330)	(28,329)	—	—	(28,329)
Purchases	526,796	184,243	117,200	828,239	N/A	N/A	N/A	N/A
Sales	(350,261)	(250,214)	(118,706)	(719,181)	N/A	N/A	N/A	N/A
Settlements	—	(1,391)	—	(1,391)	N/A	N/A	N/A	N/A
Purchases (Sales), Net	N/A	N/A	N/A	N/A	(145,720)	(74,244)	(29,701)	(249,665)
Realized Gains (Losses), Net	43,598	—	1,706	45,304	(29,331)	5,695	104	(23,532)
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	(24,243)	1,258	(557)	(23,542)	244,004	—	519	244,523
Balance, End of Period	$1,818,405	$ 65,186	$ 19,315	$1,902,906	$1,472,588	$ —	$ 17,500	$1,490,088

	Level III Financial Liabilities at Fair Value Three Months Ended September 30,					
	2011			2010		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	$7,859,527	$706,649	$8,566,176	$5,483,483	$443,847	$5,927,330
Transfer In Due to Consolidation and Acquisition (a)	625,480	57,170	682,650	102,631	—	102,631
Issuances	360,007	42,026	402,033	N/A	N/A	N/A
Settlements	(640,049)	(31,033)	(671,082)	N/A	N/A	N/A
Purchases (Sales), Net	N/A	N/A	N/A	(55,875)	—	(55,875)
Realized Gains (Losses), Net	(1,915)	4,694	2,779	—	—	—
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	(333,798)	11,456	(322,342)	(75,482)	2,297	(73,185)
Balance, End of Period	$7,869,252	$790,962	$8,660,214	$5,454,757	$446,144	$5,900,901

	Level III Financial Liabilities at Fair Value Nine Months Ended September 30,					
	2011			2010		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	$5,877,957	$555,632	$6,433,589	$ —	$ —	$ —
Transfer In Due to Consolidation and Acquisition (a)	2,455,379	152,736	2,608,115	5,751,806	364,829	6,116,635
Issuances	360,411	42,026	402,437	N/A	N/A	N/A
Settlements	(875,322)	(43,513)	(918,835)	N/A	N/A	N/A
Purchases (Sales), Net	N/A	N/A	N/A	(79,085)	—	(79,085)
Realized Gains (Losses), Net	5,798	4,694	10,492	—	—	—
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	45,029	79,387	124,416	(217,964)	81,315	(136,649)
Balance, End of Period	$7,869,252	$790,962	$8,660,214	$5,454,757	$446,144	$5,900,901

N/A Not applicable.

(a) Represents the transfer into Level III of financial assets and liabilities held by CLO vehicles as a result of the application of consolidation guidance effective January 1, 2010 and as a result of the acquisition of management contracts on April 1, 2010, July 20, 2010 and May 16, 2011.

(b) Transfers in and out of Level III financial assets and liabilities were due to changes in the observability of inputs used in the valuation of such assets and liabilities.

9. VARIABLE INTEREST ENTITIES

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

The assets and liabilities of the consolidated VIEs included in the Condensed Consolidated Statements of Financial Condition were as follows:

	September 30, 2011			December 31, 2010		
	Consolidated CLO Vehicles	All Other Consolidated Blackstone Funds	Total	Consolidated CLO Vehicles	All Other Consolidated Blackstone Funds	Total
Assets						
Cash Held by Blackstone Funds and Other	$ 647,597	$126,139	$ 773,736	$ 662,776	$ 44,846	$ 707,622
Investments	8,181,120	818,958	9,000,078	6,522,038	902,291	7,424,329
Accounts Receivable	35,127	206	35,333	21,669	711	22,380
Due from Affiliates	—	35,925	35,925	—	30,182	30,182
Other Assets	26,395	1,174	27,569	17,651	2,172	19,823
Total Assets	$8,890,239	$982,402	$9,872,641	$7,224,134	$980,202	$8,204,336
Liabilities						
Loans Payable	$8,330,711	$ 17,388	$8,348,099	$6,144,490	$ 9,689	$6,154,179
Due to Affiliates	329,503	17,796	347,299	289,099	15,870	304,969
Accounts Payable, Accrued Expenses and Other	246,702	5,964	252,666	311,965	18,710	330,675
Total Liabilities	$8,906,916	$ 41,148	$8,948,064	$6,745,554	$ 44,269	$6,789,823

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

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

	September 30, 2011	December 31, 2010
Investments	$193,567	$ 89,743
Receivables	72,554	178,719
Total VIE Assets	266,121	268,462
VIE Liabilities	—	168
Potential Clawback Obligation	8,545	4,717
Maximum Exposure to Loss	$274,666	$273,347

10. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

At September 30, 2011, the Partnership received securities, primarily U.S. and non-U.S. government and agency securities, asset-backed securities and corporate debt, with a fair value of $194.8 million and cash as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of $194.8 million were repledged, delivered or used to settle Securities Sold, Not Yet Purchased. The Partnership also pledged securities with a carrying value of $210.2 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

11. BORROWINGS

On April 8, 2011, indirect subsidiaries of Blackstone entered into an amendment to the $1.02 billion revolving credit facility (the "Credit Facility") with Citibank, N.A., as Administrative Agent. The amendment extended the maturity date of the Credit Facility from March 23, 2013 to April 8, 2016. As of September 30, 2011, Blackstone had no outstanding borrowings under the Credit Facility.

The carrying value and fair value of the Blackstone issued notes as of September 30, 2011 and December 31, 2010 were:

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Blackstone Issued 5.875%, $400 Million Par, Notes Due 3/15/2021	$398,201	$401,680	$398,097	$398,097
Blackstone Issued 6.625%, $600 Million Par, Notes Due 8/15/2019	$650,786	$638,040	$612,814	$612,814

Included within Loans Payable and Due to Affiliates are amounts due to holders of debt securities issued by Blackstone's consolidated CLO vehicles. At September 30, 2011 and December 31, 2010, the Partnership's borrowings through consolidated CLO vehicles consisted of the following:

	September 30, 2011			December 31, 2010		
	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes	$8,513,974	1.68%	4.2	$6,466,794	1.33%	5.2
Subordinated Notes	1,170,076	(a)	6.4	895,300	(a)	7.7
	$9,684,050			$7,362,094		

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

Included within Senior Secured Notes and Subordinated Notes as of September 30, 2011 are amounts due to non-consolidated affiliates of $112.8 million and $300.0 million, respectively. The fair value of Senior Secured and Subordinated Notes as of September 30, 2011 was $7.9 billion and $791.0 million, respectively, of which $109.4 million and $220.1 million represents the amounts due to affiliates.

Included within Senior Secured Notes and Subordinated Notes as of December 31, 2010 are amounts due to non-consolidated affiliates of $99.3 million and $293.4 million, respectively. The fair value of Senior Secured and Subordinated Notes as of December 31, 2010 was $5.9 billion and $555.6 million, respectively, of which $78.0 million and $211.1 million represents the amounts due to affiliates.

The Loans Payable of the consolidated CLO vehicles are collateralized by assets held by each respective CLO vehicle and assets of one vehicle may not be used to satisfy the liabilities of another. As of September 30, 2011 and December 31, 2010, the fair value of the consolidated CLO assets was $8.9 billion and $7.2 billion, respectively. This collateral consisted of Cash, Corporate Loans, Corporate Bonds and other securities.

Scheduled principal payments for borrowings as of September 30, 2011 were as follows:

	Operating Borrowings	Blackstone Fund Facilities / CLO Vehicles	Total Borrowings
2011	$ 297	$ —	$ 297
2012	7,849	13,489	21,338
2013	1,920	83,558	85,478
2014	5,041	350,607	355,648
2015	—	680,746	680,746
Thereafter	1,000,000	8,573,038	9,573,038
Total	$1,015,107	$9,701,438	$10,716,545

12. INCOME TAXES

Blackstone's effective tax rate was 0.77% and (2.95)% for the three months ended September 30, 2011 and 2010, respectively, and (15.18)% and (3.44)% for the nine months ended September 30, 2011 and 2010, respectively. Blackstone's income tax provision was a benefit of $7.6 million and a benefit of $4.2 million for the three months ended September 30, 2011 and 2010, respectively, and an expense of $95.4 million and an expense of $24.8 million for the nine months ended September 30, 2011 and 2010, respectively.

Blackstone's effective tax rate for the three and nine months ended September 30, 2011 and 2010 was substantially due to the following: (a) certain corporate subsidiaries are subject to federal, state, local and foreign income taxes as applicable and other subsidiaries are subject to New York City unincorporated business taxes, and (b) a portion of compensation charges are not deductible for tax purposes.

13. NET INCOME (LOSS) PER COMMON UNIT

Basic and diluted net income (loss) per common unit for the three and nine months ended September 30, 2011 and September 30, 2010 was calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (274,567)	$ (44,358)	$ (145,626)	$ (359,055)
Net (Loss) Per Common Unit	$ (0.56)	$ (0.12)	$ (0.31)	$ (1.02)
Total Weighted-Average Common Units Outstanding	487,189,657	370,101,582	470,551,727	352,794,385

The following table summarizes the anti-dilutive securities for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Weighted-Average Unvested Deferred Restricted Common Units	20,767,022	23,636,653	23,121,018	26,542,362
Weighted-Average Blackstone Holdings Partnership Units	616,168,175	727,528,593	633,174,021	745,006,116

Unit Repurchase Program

In January 2008, Blackstone announced that the Board of Directors of its general partner, Blackstone Group Management L.L.C., had authorized the repurchase by Blackstone of up to $500 million of Blackstone Common Units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of Blackstone Common Units and Blackstone Holdings Partnership Units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

During the nine months ended September 30, 2011, Blackstone repurchased 116,270 vested Blackstone Holdings Partnership Units as part of the unit repurchase program for a total cost of $2.1 million. The repurchase resulted in a decrease in Blackstone's ownership interest in Blackstone Holdings equity of $1.7 million. As of September 30, 2011, the amount remaining available for repurchases under this program was $335.8 million.

During the nine months ended September 30, 2010, Blackstone repurchased 84,888 vested Blackstone Common Units as part of the unit repurchase program for a total cost of $1.2 million.

14. EQUITY-BASED COMPENSATION

The Partnership has granted equity-based compensation awards to Blackstone's senior managing directors, non-partner professionals, non-professionals and selected external advisors under the Partnership's 2007 Equity Incentive Plan (the "Equity Plan"), the majority of which to date were granted in connection with the IPO. The Equity Plan allows for the granting of options, unit appreciation rights or other unit-based awards (units, restricted units, restricted common units, deferred restricted common units, phantom restricted common units or other unit-based awards based in whole or in part on the fair value of the Blackstone Common Units or Blackstone Holdings Partnership Units) which may contain certain service or performance requirements. As of January 1, 2011, the Partnership had the ability to grant 162,380,981 units under the Equity Plan.

For the three and nine months ended September 30, 2011, the Partnership recorded compensation expense of $240.1 million and $1.1 billion, respectively, in relation to its equity-based awards with corresponding tax benefits of $5.1 million and $13.8 million, respectively. For the three and nine months ended September 30, 2010, the Partnership recorded compensation expense of $457.4 million and $1.9 billion, respectively, in relation to its equity-based awards with corresponding tax benefits of $2.8 million and $7.4 million, respectively. As of September 30, 2011, there was $2.8 billion of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 3.5 years.

Total vested and unvested outstanding units, including Blackstone Common Units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,123,891,420 as of September 30, 2011. Total outstanding unvested phantom units were 218,583 as of September 30, 2011.

A summary of the status of the Partnership's unvested equity-based awards as of September 30, 2011 and a summary of changes during the period January 1, 2011 through September 30, 2011 is presented below:

	Blackstone Holdings		The Blackstone Group L.P.			
			Equity Settled Awards		Cash Settled Awards	
Unvested Units	Partnership Units	Weighted-Average Grant Date Fair Value	Deferred Restricted Common Units and Options	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, December 31, 2010	149,225,318	$30.58	19,118,949	$21.00	225,841	$13.98
Granted	3,077,026	14.49	3,793,917	15.10	532	14.84
Vested	(49,803,927)	30.63	(4,298,032)	24.98	(2,842)	13.98
Forfeited	(9,339,015)	30.41	(1,163,904)	21.50	(4,948)	15.81
Balance, September 30, 2011	93,159,402	$30.04	17,450,930	$18.69	218,583	$12.62

Units Expected to Vest

The following unvested units, after expected forfeitures, as of September 30, 2011, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	86,866,268	3.6
Deferred Restricted Blackstone Common Units and Options	14,508,043	2.9
Total Equity-Based Awards	101,374,311	3.5
Phantom Units	200,164	3.7

15. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

As of September 30, 2011 and December 31, 2010, Due from Affiliates and Due to Affiliates comprised the following:

	September 30, 2011	December 31, 2010
Due from Affiliates		
Accrual for Potential Clawback of Previously Distributed Carried Interest	$ 162,731	$ 180,672
Primarily Interest Bearing Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees for Investments in Blackstone Funds	230,283	169,413
Amounts Due from Portfolio Companies and Funds	169,268	175,872
Investments Redeemed in Non-Consolidated Funds of Funds	4,384	43,790
Management and Performance Fees Due from Non-Consolidated Funds of Funds	71,631	107,547
Payments Made on Behalf of Non-Consolidated Entities	95,675	81,689
Advances Made to Certain Non-Controlling Interest Holders and Blackstone Employees	9,646	36,412
	$ 743,618	$ 795,395

	September 30, 2011	December 31, 2010
Due to Affiliates		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreements	$1,301,227	$1,114,609
Accrual for Potential Repayment of Previously Received Performance Fees	261,956	273,829
Due to Note-Holders of Consolidated CLO Vehicles	329,502	274,020
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	22,136	77,362
Distributions Received on Behalf of Non-Consolidated Entities	18,704	15,970
Payments Made by Non-Consolidated Entities	10,748	6,497
	$1,944,273	$1,762,287

Interests of the Founder, Senior Managing Directors and Employees

The founder, senior managing directors and employees invest on a discretionary basis in the Blackstone Funds both directly and through consolidated entities. Their investments may be subject to preferential management fee and performance fee arrangements. As of September 30, 2011 and December 31, 2010, the founder's, other senior managing directors' and employees' investments aggregated $883.5 million and $832.8 million, respectively, and the founder's, other senior managing directors' and employees' share of the Net Income Attributable to Redeemable Non-Controlling and Non-Controlling Interests in Consolidated Entities aggregated $(36.2) million and $60.4 million for the three months ended September 30, 2011 and 2010, respectively, and $95.6 million and $142.1 million for the nine months ended September 30, 2011 and 2010, respectively.

Revenues Earned from Affiliates

Management and Advisory Fees earned from affiliates totaled $56.9 million and $34.2 million for the three months ended September 30, 2011 and 2010, respectively. Management and Advisory Fees earned from affiliates totaled $245.9 million and $110.4 million for the nine months ended September 30, 2011 and 2010, respectively. Fees relate primarily to transaction and monitoring fees which are made in the ordinary course of business and under terms that would have been obtained from unaffiliated third parties.

Loans to Affiliates

Loans to affiliates consist of interest-bearing advances to certain Blackstone individuals to finance their investments in certain Blackstone Funds. These loans earn interest at Blackstone's cost of borrowing and such interest totaled $0.6 million and $0.4 million for the three months ended September 30, 2011 and 2010, respectively, and $1.9 million and $1.5 million for the nine months ended September 30, 2011 and 2010, respectively. No such loans to any director or executive officer of Blackstone have been made or were outstanding since March 22, 2007, the date of Blackstone's initial filing with the Securities and Exchange Commission of a registration statement relating to its initial public offering.

Contingent Repayment Guarantee

Blackstone and its personnel who have received Carried Interest distributions have guaranteed payment on a several basis (subject to a cap) to the Carry Funds of any clawback obligation with respect to the excess Carried Interest allocated to the general partners of such funds and indirectly received thereby to the extent that either Blackstone or its personnel fails to fulfill its clawback obligation, if any. The Accrual for Possible Repayment of Previously Received Performance Fees represents amounts previously paid to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Carry Funds were to be liquidated based on the fair value of their underlying investments as of September 30, 2011. See Note 16. "Commitments and Contingencies — Contingencies — Contingent Obligations (Clawback)".

Aircraft and Other Services

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

Tax Receivable Agreements

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

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

Assuming no material changes in the relevant tax law and that the corporate taxpayers earn sufficient taxable income to realize the full tax benefit of the increased amortization of the assets, the expected future payments under the tax receivable agreements (which are taxable to the recipients) will aggregate $1,301.2 million over the next 15 years. The after-tax net present value of these estimated payments totals $350.3 million assuming a 15% discount rate and using Blackstone's most recent projections relating to the estimated timing of the benefit to be received. Future payments under the tax receivable agreements in respect of subsequent exchanges would be in addition to these amounts. The payments under the tax receivable agreements are not conditioned upon continued ownership of Blackstone equity interests by the pre-IPO owners and the others mentioned above.

Other

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

16. COMMITMENTS AND CONTINGENCIES

Commitments

Investment Commitments

Blackstone had $1.4 billion of investment commitments as of September 30, 2011 representing general partner capital funding commitments to the Blackstone Funds, limited partner capital funding to other funds and Blackstone principal investment commitments. The consolidated Blackstone Funds had signed investment commitments of $29.9 million as of September 30, 2011 which includes $9.8 million of signed investment commitments for portfolio company acquisitions in the process of closing.

Contingencies

Guarantees

Certain of Blackstone's consolidated real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. There is no direct recourse to the Partnership to fulfill such obligations. To the extent that underlying funds are required to fulfill guarantee obligations, the Partnership's invested capital in such funds is at risk. Total investments at risk in respect of guarantees extended by consolidated real estate funds was $5.2 million as of September 30, 2011.

Contingent Performance Fees

There were $103.5 million of segment level Performance Fees related to the hedge funds in the Hedge Fund Solutions, Credit Businesses and Real Estate segments through the period ended September 30, 2011 attributable to arrangements where the measurement period had not ended. Measurement periods may be greater than the current reporting period. On a consolidated basis, after eliminations, such Performance Fees were $103.5 million for the nine months ended September 30, 2011.

Litigation

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

Contingent Obligations (Clawback)

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

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

The following table presents the clawback obligations by segment:

	September 30, 2011			December 31, 2010		
Segment	Blackstone Holdings	Current and Former Personnel	Total	Blackstone Holdings	Current and Former Personnel	Total
Private Equity	$68,601	$122,430	$191,031	$62,534	$118,845	$181,379
Real Estate	30,624	40,301	70,925	30,623	61,827	92,450
Total	$99,225	$162,731	$261,956	$93,157	$180,672	$273,829

A portion of the Carried Interest paid to current and former Blackstone personnel is held in segregated accounts in the event of a cash clawback obligation. These segregated accounts are not included in the Condensed Consolidated Financial Statements of the Partnership, except to the extent a portion of the assets held in the segregated accounts may be allocated to a consolidated Blackstone fund of hedge funds. At September 30, 2011, $492.8 million was held in segregated accounts for the purpose of meeting any clawback obligations of current and former personnel if such payments are required.

17. SEGMENT REPORTING

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

As described in Note 2. "Summary of Significant Accounting Policies — Basis of Presentation", in January 2011, Blackstone separated its Credit and Marketable Alternatives segment into two new segments: Hedge Fund Solutions and Credit Businesses.

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

- Private Equity — Blackstone's Private Equity segment comprises its management of private equity funds.
- Real Estate — Blackstone's Real Estate segment primarily comprises its management of general opportunistic real estate funds and internationally focused opportunistic real estate funds. In addition, the segment has debt investment funds targeting non-controlling real estate debt-related investment opportunities in the public and private markets, primarily in the United States and Europe.
- Hedge Fund Solutions — Blackstone's Hedge Fund Solutions segment is comprised of Blackstone Alternative Asset Management ("BAAM"), an institutional solutions provider utilizing hedge funds across a variety of strategies and the Indian-focused and Asian-focused closed-end mutual funds.
- Credit Businesses — Blackstone's Credit Businesses segment is comprised principally of GSO and manages credit-oriented funds, CLOs, credit-focused separately managed accounts and publicly registered debt-focused investment companies.
- Financial Advisory — Blackstone's Financial Advisory segment comprises its financial advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds.

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

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

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

The following table presents the financial data for Blackstone's five segments for the three months ended September 30, 2011 and 2010:

	Three Months Ended September 30, 2011					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees						
Base Management Fees	$ 85,534	$ 97,925	$ 79,355	$ 59,557	$ —	$ 322,371
Advisory Fees	—	—	—	—	86,178	86,178
Transaction and Other Fees, Net	21,430	19,551	740	(26)	98	41,793
Management Fee Offsets	(6,498)	(880)	(258)	(67)	—	(7,703)
Total Management and Advisory Fees	100,466	116,596	79,837	59,464	86,276	442,639
Performance Fees						
Realized	(17,966)	5,308	5,764	14,791	—	7,897
Unrealized	(270,014)	(120,176)	(19,861)	(55,125)	—	(465,176)
Total Performance Fees	(287,980)	(114,868)	(14,097)	(40,334)	—	(457,279)
Investment Income (Loss)						
Realized	20,548	7,313	1,023	2,807	(44)	31,647
Unrealized	(121,688)	(26,060)	(10,034)	(7,800)	(171)	(165,753)
Total Investment Income (Loss)	(101,140)	(18,747)	(9,011)	(4,993)	(215)	(134,106)
Interest and Dividend Revenue	3,396	3,195	500	1,404	1,615	10,110
Other	141	(1,390)	18	(132)	(304)	(1,667)
Total Revenues	(285,117)	(15,214)	57,247	15,409	87,372	(140,303)
Expenses						
Compensation and Benefits						
Compensation	54,220	55,259	31,319	41,512	61,530	243,840
Performance Fee Compensation						
Realized	(2,443)	2,251	2,257	8,478	—	10,543
Unrealized	(44,955)	(30,510)	(7,214)	(28,756)	—	(111,435)
Total Compensation and Benefits	6,822	27,000	26,362	21,234	61,530	142,948
Other Operating Expenses	27,588	23,495	14,421	11,210	20,218	96,932
Total Expenses	34,410	50,495	40,783	32,444	81,748	239,880
Economic Net Income	$(319,527)	$ (65,709)	$ 16,464	$(17,035)	$ 5,624	$(380,183)

	Three Months Ended September 30, 2010					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees						
Base Management Fees	$ 66,077	$ 83,232	$69,305	$ 50,820	$ —	$269,434
Advisory Fees	—	—	—	—	84,541	84,541
Transaction and Other Fees, Net	13,348	8,538	846	216	—	22,948
Management Fee Offsets	(91)	(401)	(163)	(19)	—	(674)
Total Management and Advisory Fees	79,334	91,369	69,988	51,017	84,541	376,249
Performance Fees						
Realized	44,814	5,010	872	15,343	—	66,039
Unrealized	45,499	69,910	14,137	63,199	—	192,745
Total Performance Fees	90,313	74,920	15,009	78,542	—	258,784
Investment Income (Loss)						
Realized	9,940	2,159	1,050	658	469	14,276
Unrealized	30,491	83,968	7,831	5,350	607	128,247
Total Investment Income (Loss)	40,431	86,127	8,881	6,008	1,076	142,523
Interest and Dividend Revenue	3,802	3,026	498	1,252	1,609	10,187
Other	1,061	2,330	270	330	477	4,468
Total Revenues	214,941	257,772	94,646	137,149	87,703	792,211
Expenses						
Compensation and Benefits						
Compensation	47,552	43,219	24,506	28,774	66,531	210,582
Performance Fee Compensation						
Realized	10,783	1,806	3,313	9,060	—	24,962
Unrealized	18,306	46,182	5,075	34,760	—	104,323
Total Compensation and Benefits	76,641	91,207	32,894	72,594	66,531	339,867
Other Operating Expenses	26,359	18,584	12,388	9,669	17,253	84,253
Total Expenses	103,000	109,791	45,282	82,263	83,784	424,120
Economic Net Income	$111,941	$147,981	$49,364	$ 54,886	$ 3,919	$368,091

The following table reconciles the Total Segments to Blackstone's Income (Loss) Before Provision for Taxes for the three months ended September 30, 2011 and 2010:

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$(140,303)	$ 16,224(a)	$(124,079)	$792,211	$ (8,211)(a)	$784,000
Expenses	$ 239,880	$ 301,054(b)	$ 540,934	$424,120	$ 501,649(b)	$925,769
Other Income	$ —	$(329,399)(c)	$(329,399)	$ —	$ 285,071(c)	$285,071
Economic Net Income (Loss)	$(380,183)	$(614,229)(d)	$(994,412)	$368,091	$(224,789)(d)	$143,302

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

(b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone unconsolidated expenses, amortization of intangibles and expenses related to transaction-related equity-based compensation to arrive at Blackstone consolidated expenses.

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

	Three Months Ended September 30,	
	2011	2010
Fund Management Fees and Performance Fees Eliminated in Consolidation	$ (18,164)	$ (4,764)
Fund Expenses Added in Consolidation	9,843	7,851
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(310,129)	266,347
Transaction-Related Other Income	(10,949)	15,637
Total Consolidation Adjustments and Reconciling Items	$(329,399)	$285,071

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

	Three Months Ended September 30,	
	2011	2010
Economic Net Income	$(380,183)	$ 368,091
Adjustments		
Amortization of Intangibles	(45,665)	(40,872)
IPO and Acquisition-Related Charges	(258,435)	(438,568)
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(310,129)	254,651
Total Consolidation Adjustments and Reconciling Items	(614,229)	(224,789)
Income (Loss) Before Provision (Benefit) for Taxes	$(994,412)	$ 143,302

The following table presents financial data for Blackstone's five segments for the nine months ended September 30, 2011 and 2010:

	September 30, 2011 and the Nine Months Then Ended					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees						
Base Management Fees	$ 247,766	$ 290,831	$234,257	$ 171,578	$ —	$ 944,432
Advisory Fees	—	—	—	—	258,673	258,673
Transaction and Other Fees, Net	109,125	90,382	2,328	1,568	314	203,717
Management Fee Offsets	(22,016)	(2,130)	(578)	(190)	—	(24,914)
Total Management and Advisory Fees	334,875	379,083	236,007	172,956	258,987	1,381,908
Performance Fees						
Realized	65,785	28,733	7,324	61,870	—	163,712
Unrealized	(50,287)	677,386	2,833	22,932	—	652,864
Total Performance Fees	15,498	706,119	10,157	84,802	—	816,576
Investment Income (Loss)						
Realized	41,476	21,626	15,219	7,278	279	85,878
Unrealized	(15,615)	72,678	(15,778)	2,169	207	43,661
Total Investment Income (Loss)	25,861	94,304	(559)	9,447	486	129,539
Interest and Dividend Revenue	10,098	9,472	1,488	2,759	5,024	28,841
Other	1,617	(15)	84	(81)	115	1,720
Total Revenues	387,949	1,188,963	247,177	269,883	264,612	2,358,584
Expenses						
Compensation and Benefits						
Compensation	177,168	185,378	92,264	106,007	191,659	752,476
Performance Fee Compensation						
Realized	5,324	12,863	2,810	31,800	—	52,797
Unrealized	(10,182)	167,012	1,099	11,258	—	169,187
Total Compensation and Benefits	172,310	365,253	96,173	149,065	191,659	974,460
Other Operating Expenses	86,425	74,832	43,504	36,793	57,716	299,270
Total Expenses	258,735	440,085	139,677	185,858	249,375	1,273,730
Economic Net Income	$ 129,214	$ 748,878	$107,500	$ 84,025	$ 15,237	$ 1,084,854
Segment Assets	$4,199,920	$4,057,776	$834,493	$1,622,194	$684,178	$11,398,561

	Nine Months Ended September 30, 2010					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit Businesses	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees						
Base Management Fees	$198,304	$249,208	$198,704	$138,103	$ —	$ 784,319
Advisory Fees	—	—	—	—	295,208	295,208
Transaction and Other Fees, Net	61,687	13,459	2,525	1,051	103	78,825
Management Fee Offsets	(91)	(1,000)	(235)	(705)	—	(2,031)
Total Management and Advisory Fees	259,900	261,667	200,994	138,449	295,311	1,156,321
Performance Fees						
Realized	92,095	27,277	4,010	42,912	—	166,294
Unrealized	67,028	102,418	21,954	112,940	—	304,340
Total Performance Fees	159,123	129,695	25,964	155,852	—	470,634
Investment Income						
Realized	12,586	8,691	6,238	7,182	607	35,304
Unrealized	132,450	210,403	12,962	9,741	1,398	366,954
Total Investment Income	145,036	219,094	19,200	16,923	2,005	402,258
Interest and Dividend Revenue	9,958	7,922	1,326	2,328	4,273	25,807
Other	1,621	64	147	(461)	(797)	574
Total Revenues	575,638	618,442	247,631	313,091	300,792	2,055,594
Expenses						
Compensation and Benefits						
Compensation	141,074	127,897	71,636	84,099	197,175	621,881
Performance Fee Compensation						
Realized	16,916	12,225	4,440	22,001	—	55,582
Unrealized	14,354	69,118	7,881	66,678	—	158,031
Total Compensation and Benefits	172,344	209,240	83,957	172,778	197,175	835,494
Other Operating Expenses	79,467	50,521	36,026	30,126	49,296	245,436
Total Expenses	251,811	259,761	119,983	202,904	246,471	1,080,930
Economic Net Income	$323,827	$358,681	$127,648	$110,187	$ 54,321	$ 974,664

The following table reconciles the Total Segments to Blackstone's Income (Loss) Before Provision for Taxes and Total Assets as of and for the nine months ended September 30, 2011 and 2010:

	September 30, 2011 and the Nine Months Then Ended			Nine Months Ended September 30, 2010		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ 2,358,584	$ (21,113)(a)	$ 2,337,471	$2,055,594	$ (20,267)(a)	$2,035,327
Expenses	$ 1,273,730	$ 1,242,899(b)	$ 2,516,629	$1,080,930	$ 2,073,319(b)	$3,154,249
Other Income	$ —	$ (449,244)(c)	$ (449,244)	$ —	$ 397,625(c)	$ 397,625
Economic Net Income (Loss)	$ 1,084,854	$ (1,713,256)(d)	$ (628,402)	$ 974,664	$(1,695,961)(d)	$ (721,297)
Total Assets	$11,398,561	$10,670,235(e)	$22,068,796			

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

(b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone unconsolidated expenses, amortization of intangibles and expenses related to transaction-related equity-based compensation to arrive at Blackstone consolidated expenses.

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

	Nine Months Ended September 30,	
	2011	2010
Fund Management Fees and Performance Fees Eliminated in Consolidation	$ 15,355	$ (10,430)
Fund Expenses Added in Consolidation	22,459	18,631
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(473,733)	367,988
Transactional Other Income	(13,325)	21,436
Total Consolidation Adjustments and Reconciling Items	$(449,244)	$397,625

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

	Nine Months Ended September 30,	
	2011	2010
Economic Net Income	$ 1,084,854	$ 974,664
Adjustments		
Amortization of Intangibles	(134,744)	(121,206)
IPO and Acquisition-Related Charges	(1,104,779)	(1,915,220)
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(473,733)	340,465
Total Consolidation Adjustments and Reconciling Items	(1,713,256)	(1,695,961)
Income (Loss) Before Provision for Taxes	$ (628,402)	$ (721,297)

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

18. SUBSEQUENT EVENTS

On October 6, 2011, Blackstone, through GSO, entered into an acquisition agreement for Harbourmaster Capital, a European secured bank loan manager based in Dublin, Ireland. The transaction is expected to close in early 2012 following regulatory and certain third party approvals. Harbourmaster Capital manages various credit products including CLO vehicles and certain of these CLOs may have to be consolidated which would have an impact on Blackstone's Condensed Consolidated Statement of Financial Condition, Condensed Consolidated Statement of Operations and the Condensed Consolidated Statement of Cash Flows.

On November 4, 2011, the agreement of limited partnership of The Blackstone Group L.P. was amended to provide that the common units purchased by China Investment Corporation and its affiliates ("CIC") subsequent to Blackstone's IPO will no longer be non-voting. As a result, the 7.7 million non-voting units held by CIC that they purchased subsequent to the IPO will be identical to the units held by all other public unitholders. This amendment does not affect the 101,334,234 non-voting common units purchased by CIC at the time of Blackstone's IPO, which common units remain non-voting.

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

THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition
(Dollars in Thousands)

	September 30, 2011			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 592,982	$ —	$ —	$ 592,982
Cash Held by Blackstone Funds and Other	145,795	920,818	—	1,066,613
Investments†	5,183,629	10,135,925	(471,158)	14,848,396
Accounts Receivable	395,129	46,542	—	441,671
Reverse Repurchase Agreements	194,931	—	—	194,931
Due from Affiliates	729,922	41,930	(28,234)	743,618
Intangible Assets, Net	678,291	—	—	678,291
Goodwill	1,703,602	—	—	1,703,602
Other Assets	306,565	27,691	(3,281)	330,975
Deferred Tax Assets	1,467,717	—	—	1,467,717
Total Assets	$11,398,563	$11,172,906	$(502,673)	$22,068,796
Liabilities and Partners' Capital				
Loans Payable	$ 1,064,093	$ 8,348,098	$ —	$ 9,412,191
Due to Affiliates	1,601,759	397,360	(54,846)	1,944,273
Accrued Compensation and Benefits	1,035,342	—	—	1,035,342
Securities Sold, Not Yet Purchased	194,769	788	—	195,557
Repurchase Agreements	210,591	—	—	210,591
Accounts Payable, Accrued Expenses and Other Liabilities	306,735	398,171	(6,323)	698,583
Total Liabilities	4,413,289	9,144,417	(61,169)	13,496,537
Redeemable Non-Controlling Interests in Consolidated Entities	—	723,948	—	723,948
Partners' Capital				
Partners' Capital	4,181,368	441,550	(441,550)	4,181,368
Appropriated Partners' Capital	—	(50,111)	—	(50,111)
Accumulated Other Comprehensive Income	1,499	346	—	1,845
Non-Controlling Interests in Consolidated Entities	424,378	912,756	46	1,337,180
Non-Controlling Interests in Blackstone Holdings	2,378,029	—	—	2,378,029
Total Partners' Capital	6,985,274	1,304,541	(441,504)	7,848,311
Total Liabilities and Partners' Capital	$11,398,563	$11,172,906	$(502,673)	$22,068,796

† Included within Investments of the Consolidated Operating Partnerships is $1.5 billion representing Performance Fees due from the Blackstone Funds.

THE BLACKSTONE GROUP L.P.

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

	December 31, 2010			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 588,621	$ —	$ —	$ 588,621
Cash Held by Blackstone Funds and Other	57,945	732,454	—	790,399
Investments	4,301,905	8,141,965	(469,398)	11,974,472
Accounts Receivable	454,752	41,149	(8)	495,893
Reverse Repurchase Agreements	181,425	—	—	181,425
Due from Affiliates	753,056	66,627	(24,288)	795,395
Intangible Assets, Net	779,311	—	—	779,311
Goodwill	1,703,602	—	—	1,703,602
Other Assets	275,021	18,173	—	293,194
Deferred Tax Assets	1,242,293	—	—	1,242,293
Total Assets	$10,337,931	$9,000,368	$(493,694)	$18,844,605
Liabilities and Partners' Capital				
Loans Payable	$ 1,044,719	$6,154,179	$ —	$ 7,198,898
Due to Affiliates	1,470,881	330,773	(39,367)	1,762,287
Accrued Compensation and Benefits	819,925	1,643	—	821,568
Securities Sold, Not Yet Purchased	116,153	535	—	116,688
Repurchase Agreements	62,672	—	—	62,672
Accounts Payable, Accrued Expenses and Other Liabilities	251,351	377,792	(8)	629,135
Total Liabilities	3,765,701	6,864,922	(39,375)	10,591,248
Redeemable Non-Controlling Interests in Consolidated Entities	—	600,836	—	600,836
Partners' Capital				
Partners' Capital	3,888,211	458,012	(458,012)	3,888,211
Appropriated Partners' Capital	—	470,583	—	470,583
Accumulated Other Comprehensive Income	4,302	—	—	4,302
Non-Controlling Interests in Consolidated Entities	261,200	606,015	3,693	870,908
Non-Controlling Interests in Blackstone Holdings	2,418,517	—	—	2,418,517
Total Partners' Capital	6,572,230	1,534,610	(454,319)	7,652,521
Total Liabilities and Partners' Capital	$10,337,931	$9,000,368	$(493,694)	$18,844,605

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

Blackstone Distressed Securities Fund L.P.
Blackstone Market Opportunities Fund L.P.
Blackstone Strategic Alliance Fund L.P.
Blackstone Strategic Alliance Fund II L.P.*
Blackstone Strategic Equity Fund L.P.
Blackstone Value Recovery Fund L.P.
Blackstone/GSO Market Neutral Credit Fund L.P.*
Blackstone/GSO Secured Trust Ltd

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

* Consolidated as of September 30, 2011 only.

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

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

Our Business

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

In January 2011, Blackstone separated its Credit and Marketable Alternatives segment into two new segments: Hedge Fund Solutions and Credit Businesses. Please see "Part I. Item 1. Financial Statements — Note 2. Summary of Significant Accounting Policies — Basis of Presentation" for additional information.

Our business is organized into five business segments:

- **Private Equity.** We are a world leader in private equity investing, having managed five general private equity funds, as well as two sector focused funds and a regionally focused fund, since we established this business in 1987. In January 2011, we commenced the investment period on our sixth general private equity fund. Through our private equity funds we pursue transactions throughout the world, including leveraged buyout acquisitions of seasoned companies, transactions involving growth equity or start-up businesses in established industries, minority investments, corporate partnerships, distressed debt, structured securities and industry consolidations, in all cases in strictly friendly transactions.
- **Real Estate.** We are a world leader in real estate investing with an assortment of real estate funds that are diversified geographically and across a variety of sectors. We launched our first real estate fund in 1994 and have managed six opportunistic real estate funds, three European focused real estate funds, and a number of real estate debt investment funds. In addition, in November 2010, we commenced our management of the Bank of America Merrill Lynch Asia real estate platform and in August 2011, we held our initial closing of our next opportunistic real estate fund, BREP VII. Our real estate funds have made significant investments in lodging, major urban office buildings and a variety of real estate operating companies. In addition, our debt investment funds target high yield real estate debt related investment opportunities in the public and private markets, primarily in the United States and Europe.
- **Hedge Fund Solutions.** Blackstone's Hedge Fund Solutions segment is comprised of Blackstone Alternative Asset Management ("BAAM") and the Indian-focused and Asian-focused closed-end mutual funds. BAAM was organized in 1990 and has developed into a leading institutional solutions provider utilizing hedge funds across a wide variety of strategies. BAAM is the world's largest discretionary allocator to hedge funds.
- **Credit Businesses.** Our Credit Businesses segment is comprised principally of GSO Capital Partners LP ("GSO"). GSO manages a variety of credit-oriented funds including senior credit-oriented funds, distressed debt funds, mezzanine funds and general credit-oriented funds. GSO is a world-wide leader in credit oriented products.
- **Financial Advisory**. Our Financial Advisory segment serves a diverse and global group of clients with financial advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds.

We generate our revenues from fees earned pursuant to contractual arrangements with funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees), and from financial advisory services, restructuring and reorganization advisory services and fund placement services for alternative

investment funds. We invest in the funds we manage and, in most cases, receive a preferred allocation of income (i.e., a "Carried Interest") or an incentive fee from an investment fund in the event that specified cumulative investment returns are achieved. The composition of our revenues will vary based on market conditions and the cyclicality of the different businesses in which we operate. Net investment gains and investment income generated by the Blackstone Funds, principally private equity and real estate funds, are driven by value created by our operating and strategic initiatives as well as overall market conditions. Our funds initially record fund investments at cost and then such investments are subsequently recorded at fair value. Fair values are affected by changes in the fundamentals of the portfolio company, the portfolio company's industry, the overall economy and other market conditions.

Business Environment

Global equity markets declined sharply in the third quarter of 2011. The MSCI World Index fell 17% and volatility increased markedly. Equity fund outflows increased to levels not seen since late 2008, adding to technical pressures in global markets. In credit, high yield spreads meaningfully widened to levels well above their long-term average. Investor caution regarding Europe's sovereign debt crisis and its impact on the regions' banks increased, while a deterioration in global economic data increased concerns of slowing growth or another recession. While corporate earnings and liquidity have remained resilient, companies have been hesitant to hire, resulting in sustained high unemployment.

The operating and investment environment remained favorable during the third quarter of 2011. Despite the slowing economy, real estate fundamentals were stable across virtually every major sector, underpinned by a pronounced lack of new supply. In the investment markets, recent volatility in the public debt and equity markets resulted in a decline in disposition activity, as publicly traded REITs suspended acquisition programs due to the deterioration of their share prices in conjunction with the retreat of the major equity indices. While our disposition activity slowed, we continue to see attractive investment opportunities for our funds, with a growing number of distressed sellers with broken capital structures seeking to recapitalize or exit the market entirely, while potential investors with significant levels of readily available capital remain limited.

In the office sector, steady leasing activity coupled with virtually no new supply has allowed many of the major U.S. office markets to stabilize, and in some markets, such as midtown Manhattan, rents have grown significantly over the past 12 months. In the hospitality sector, although publicly traded lodging stocks declined by 20-30% during the third quarter, operating fundamentals remained steady, with U.S. RevPAR up 8% during the third quarter. The retail sector was also stable, supported by growth in U.S. retail sales and leasing demand from national tenants.

Blackstone's businesses are materially affected by the global macroeconomic environment and conditions in the financial markets.

Key Financial Measures and Indicators

Our key financial measures and indicators are discussed below.

Revenues

Revenues primarily consist of management and advisory fees, performance fees, investment income, interest and dividend revenue and other. Please refer to "Part I. Item 1. Business — Incentive Arrangements / Fee Structure" and "Part I. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Revenue Recognition" in our 2010 Annual Report on Form 10-K for additional information regarding the manner in which Base Management Fees and Performance Fees are generated.

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

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

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

Management fee offsets are reductions to management fees payable by our limited partners, which are granted based on the amount they reimburse Blackstone for placement fees.

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

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

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

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

negative Carried Interest allocations once previously recognized Carried Interest allocations for such fund have been fully reversed. The Partnership is not obligated to pay guaranteed returns or hurdles, and therefore, cannot have negative Carried Interest over the life of a fund. Accrued but unpaid Carried Interest as of the reporting date is reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

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

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

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

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

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

Expenses

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

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

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

Other Operating Expenses — Other operating expenses represent general and administrative expenses including interest expense, occupancy and equipment expenses and other expenses, which consist principally of

professional fees, public company costs, travel and related expenses, communications and information services and depreciation and amortization.

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

Non-Controlling Interests in Consolidated Entities

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

Income Taxes

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

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

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

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

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

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

In December 2009, the U.S. House of Representatives passed substantially similar legislation. Such legislation would have taxed Carried Interest as ordinary income starting in 2010. However, under a transition rule, the portion of such legislation treating Carried Interest as non-qualifying income under the tax rules applicable to publicly traded partnerships would not have applied until our first taxable year beginning ten years after the date of the enactment of the legislation.

In May 2010, the U.S. House of Representatives passed similar legislation that would have generally taxed, after 2010, income and gains, including gain on sale, attributable to an investment services partnership interest, or "ISPI", as income subject to a new blended tax rate that is higher than the capital gains rate applicable to such income under current law, except to the extent an ISPI would have been considered to be a qualified capital interest under the legislation. The interests we hold in entities that are entitled to receive Carried Interest would have likely been classified as ISPIs for purposes of this legislation. The legislation provided that, for taxable years beginning ten years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is treated as ordinary income under this legislation would not be qualifying income under the tax rules applicable to publicly traded partnerships. Therefore, if similar legislation were to be enacted, we generally would be required to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations following such ten-year period. In June 2010, the U.S. Senate considered but did not pass legislation that is generally similar to the legislation passed by the U.S. House of Representatives in May 2010. In September 2010, this previously considered legislation was reintroduced in the U.S. Senate. It is unclear whether or when the U.S. Congress will reconsider similar legislation or if enacted, what provision will be included in any final legislation.

On September 12, 2011, the Obama administration submitted similar legislation to Congress in the American Jobs Act that would tax income and gain, including gain on sale, attributable to an ISPI at ordinary rates, with an exception for certain qualified capital interests. The proposed legislation would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the tax rules applicable to publicly traded partnerships after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. This proposed legislation follows several prior statements by the Obama administration in support of changing the taxation of Carried Interest. The Obama administration supported the adoption of the May 2010 legislation or legislation that would similarly change the treatment of Carried Interest for U.S. federal income tax purposes. In its published revenue proposal for 2012, the Obama administration proposed that the current law regarding the treatment of Carried Interest be changed to subject such income to ordinary income tax (which would be taxed at a higher rate than the proposed blended rate under the House legislation). President Obama reiterated his support for such a change during the course of the deficit reduction deliberations among the President and Congressional leaders from April through July 2011. The Obama administration proposed similar changes in its published revenue proposals for 2010 and 2011.

If we were taxed as a corporation or were forced to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations, our effective tax rate could increase significantly. The federal statutory rate for corporations is currently 35%, and the state and local tax rates, net of the federal benefit, aggregate approximately 10%. If a variation of the above described legislation or any other change in the tax

laws, rules, regulations or interpretations preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules or force us to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations, this could materially increase our tax liability, and could well result in a reduction in the market price of our common units.

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

Economic Net Income

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

Distributable Earnings

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

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

Net Fee Related Earnings from Operations

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

Operating Metrics

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

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

(a) the fair value of the investments held by our carry funds plus the capital that we are entitled to call from investors in those funds pursuant to the terms of their capital commitments to those funds (plus the fair value of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees or a Carried Interest allocation);

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

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

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

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

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

(a) for our Blackstone Capital Partners ("BCP") and Blackstone Real Estate Partners ("BREP") funds where the investment period has not expired, the amount of capital commitments;

(b) for our BCP and BREP funds where the investment period has expired, the remaining amount of invested capital plus binding investment commitments;

(c) for our real estate debt investment funds ("BREDS"), the remaining amount of invested capital;

(d) for our credit-oriented carry funds, the amount of invested capital (which may be calculated to include leverage) or net asset value;

(e) the invested capital of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees;

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

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

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

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

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

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

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

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

Consolidated Results of Operations

Following is a discussion of our consolidated results of operations for the three and nine months ended September 30, 2011 and 2010. For a more detailed discussion of the factors that affected the results of our five business segments (which are presented on a basis that deconsolidates the investment funds we manage) in these periods, see "— Segment Analysis" below.

The following table sets forth information regarding our consolidated results of operations and certain key operating metrics for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)							
Revenues								
Management and Advisory Fees	$ 425,193	$362,521	$ 62,672	17%	$1,335,971	$1,123,403	$ 212,568	19%
Performance Fees								
Realized	6,605	66,142	(59,537)	-90%	164,571	171,941	(7,370)	-4%
Unrealized	(462,902)	199,824	(662,726)	N/M	659,987	312,304	347,683	111%
Total Performance Fees	(456,297)	265,966	(722,263)	N/M	824,558	484,245	340,313	70%
Investment Income (Loss)								
Realized	45,596	13,542	32,054	N/M	77,682	29,493	48,189	163%
Unrealized	(145,990)	127,428	(273,418)	N/M	70,116	371,691	(301,575)	-81%
Total Investment Income (Loss)	(100,394)	140,970	(241,364)	N/M	147,798	401,184	(253,386)	-63%
Interest and Dividend Revenue	9,085	10,075	(990)	-10%	27,423	25,922	1,501	6%
Other	(1,666)	4,468	(6,134)	N/M	1,721	573	1,148	N/M
Total Revenues	(124,079)	784,000	(908,079)	N/M	2,337,471	2,035,327	302,144	15%
Expenses								
Compensation and Benefits								
Compensation	494,478	664,004	(169,526)	-26%	1,853,393	2,556,665	(703,272)	-28%
Performance Fee Compensation								
Realized	10,542	24,962	(14,420)	-58%	52,797	55,582	(2,785)	-5%
Unrealized	(111,435)	104,324	(215,759)	N/M	169,188	158,032	11,156	7%
Total Compensation and Benefits	393,585	793,290	(399,705)	-50%	2,075,378	2,770,279	(694,901)	-25%
General, Administrative and Other	124,929	114,291	10,638	9%	380,433	341,853	38,580	11%
Interest Expense	13,785	11,766	2,019	17%	41,773	26,633	15,140	57%
Fund Expenses	8,635	6,422	2,213	34%	19,045	15,484	3,561	23%
Total Expenses	540,934	925,769	(384,835)	-42%	2,516,629	3,154,249	(637,620)	-20%
Other Income (Loss)								
Net Gains (Losses) from Fund Investment Activities	(329,399)	285,071	(614,470)	N/M	(449,244)	397,625	(846,869)	N/M
Income (Loss) Before Provision (Benefit) for Taxes	(994,412)	143,302	(1,137,714)	N/M	(628,402)	(721,297)	92,895	13%
Provision (Benefit) for Taxes	(7,637)	(4,225)	(3,412)	-81%	95,412	24,802	70,610	N/M
Net Income (Loss)	(986,775)	147,527	(1,134,302)	N/M	(723,814)	(746,099)	22,285	3%
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(44,776)	23,623	(68,399)	N/M	(22,891)	47,171	(70,062)	N/M
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	(265,353)	242,723	(508,076)	N/M	(450,842)	320,816	(771,658)	N/M
Net Loss Attributable to Non-Controlling Interests in Blackstone Holdings	(402,079)	(74,461)	(327,618)	N/M	(104,455)	(755,031)	650,576	86%
Net Loss Attributable to The Blackstone Group L.P.	$(274,567)	$ (44,358)	$ (230,209)	N/M	$ (145,626)	$ (359,055)	$ 213,429	59%

N/M = not meaningful.

Revenues

Total Revenues were $(124.1) million for the three months ended September 30, 2011, a decrease of $908.1 million compared to Total Revenues for the three months ended September 30, 2010 of $784.0 million. The decrease in revenues was primarily driven by a decrease of $722.3 million in Performance Fees and a decrease of $241.4 million in Investment Income (Loss), partially offset by an increase of $62.7 million in Management and Advisory Fees. The decrease in Performance Fees across our investment segments was largely driven by the volatility in the public markets as a result of global economic uncertainty. In our Real Estate segment, a material portion of the decrease in Performance Fees was due to the reversal of previously recognized profit allocations, amplified by the "catch-up" provisions of the funds. The increase in Management and Advisory Fees was primarily attributable to (a) increases in transaction fees due to the continued increase in investment activity and base management fees earned from our management of the Bank of America Merrill Lynch Asia real estate platform within our Real Estate segment, (b) increases in management fees in our Private Equity segment, driven by fees generated from BCP VI and Blackstone Energy Partners ("BEP") funds, which had their investment periods commence during the first and third quarters of 2011, respectively, and (c) increases in management fees in our Credit Businesses and Hedge Fund Solutions segments due to higher Fee-Earning Assets Under Management.

Total Revenues were $2.3 billion for the nine months ended September 30, 2011, an increase of $302.1 million compared to Total Revenues for the nine months ended September 30, 2010 of $2.0 billion. The increase in revenues was primarily attributable to an increase of $340.3 million in Performance Fees and an increase of $212.6 million in Management and Advisory Fees. The increase in Performance Fees was due to improved operating performance and projected cash flows resulting in the appreciation in fair value of the investments across our Real Estate carry funds and the impact of the "catch-up" provisions of the Real Estate funds' profit allocations. The increase in Management and Advisory Fees across all segments was attributed to (a) increases in transaction fees in our Real Estate segment, driven by the continued increase in investment activity in our BREP funds, primarily as a result of BREP VI's acquisition of the U.S. assets of Centro in the second quarter of 2011, and management fees earned from the management of the Bank of America Merrill Lynch Asia real estate platform, (b) increases in management fees in our Private Equity segment driven by fees generated from BCP VI, which commenced its investment period during the first quarter of 2011, and one time fees earned from the termination of management advisory service agreements related to portfolio companies that completed initial public offerings, and (c) increases in management fees in our Credit Businesses and Hedge Fund Solutions segments due to higher Fee-Earning Assets Under Management.

Expenses

Expenses were $540.9 million for the three months ended September 30, 2011, a decrease of $384.8 million, or 42%, compared to $925.8 million for the three months ended September 30, 2010. The decrease was primarily attributable to a decrease of $399.7 million across the components of Compensation and Benefits. Performance Fee Compensation decreased $230.2 million due to the reversals of Performance Fee accruals related to the decline in Performance Fees. Compensation decreased $169.5 million from the prior year period to $494.5 million primarily attributable to a decrease in equity-based compensation as a result of the absence of expense related to certain of our equity-based compensation awards that vested at the end of the second quarter of 2010. General, Administrative and Other expenses were $124.9 million for the current quarter, an increase of $10.6 million, driven primarily by the levels of business activity, revenue growth and headcount. Interest Expense increased $2.0 million in the current year quarter due to Blackstone's issuance of its $400 million of senior notes in September 2010.

Expenses were $2.5 billion for the nine months ended September 30, 2011, a decrease of $637.6 million, or 20%, compared to $3.2 billion for the nine months ended September 30, 2010. The decrease was primarily attributable to a decrease of $694.9 million in Compensation and Benefits driven by a decrease in Compensation. Compensation decreased $703.3 million from the prior year period to $1.9 billion principally due to the absence

of equity-based compensation expense discussed above. General, Administrative and Other expenses were $380.4 million for the current year period, an increase of $38.6 million driven by the same factors as for the quarterly period noted above. Interest Expense was $41.8 million for the current year, an increase of $15.1 million from the same period of 2010, due to the senior notes issuance noted above.

Other Income

Other Income (Loss) was $(329.4) million for the three months ended September 30, 2011, a decrease of $614.5 million compared to $285.1 million for the three months ended September 30, 2010. Other Income (Loss) is attributable to the non-controlling interest holders of the consolidated Blackstone Funds. The change was principally attributable to a decrease in the value of our consolidated CLO vehicles resulting from the general decline in the CLO market.

Other Income (Loss) was $(449.2) million for the nine months ended September 30, 2011, a decrease of $846.9 million compared to $397.6 million for the nine months ended September 30, 2010. Other Income (Loss) is attributable to the non-controlling interest holders of the consolidated Blackstone Funds. The change was principally driven by the same factors discussed above for the three month period.

Operating Metrics

The following table presents certain operating metrics for the three and nine months ended September 30, 2011 and 2010. For a description of how Assets Under Management and Fee-Earning Assets Under Management are determined, please see "— Key Financial Measures and Indicators — Operating Metrics — Assets Under Management and Fee-Earning Assets Under Management."

	Fee-Earning Assets Under Management		Assets Under Management	
	September 30,		September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Private Equity	$ 37,006,024	$ 24,311,443	$ 42,967,159	$ 29,202,952
Real Estate	29,981,920	24,345,161	40,709,500	27,129,825
Hedge Fund Solutions	37,231,013	31,760,599	40,373,092	33,166,553
Credit Businesses	28,715,420	23,875,979	33,648,697	29,615,916
Balance, End of Period (a)	$132,934,377	$104,293,182	$157,698,448	$119,115,246

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Fee-Earning Assets Under Management				
Balance, Beginning of Period	$129,001,206	$101,419,981	$109,500,222	$ 96,096,997
Inflows, including Commitments (b)	10,841,668	3,359,978	36,052,964	12,143,128
Outflows, including Distributions (c)	(3,639,243)	(2,285,516)	(10,676,959)	(5,216,751)
Market Appreciation (Depreciation) (d)	(3,269,254)	1,798,739	(1,941,850)	1,269,808
Balance, End of Period (a)	$132,934,377	$104,293,182	$132,934,377	$104,293,182
Increase	$ 3,933,171	$ 2,873,201	$ 23,434,155	$ 8,196,185
Increase	3%	3%	21%	9%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Assets Under Management				
Balance, Beginning of Period	$158,703,173	$111,148,410	$128,123,920	$ 98,183,128
Inflows, including Commitments (b)	9,995,192	3,860,381	38,571,852	14,275,638
Outflows, including Distributions (c)	(4,727,376)	(2,170,385)	(12,001,012)	(6,187,812)
Market Appreciation (Depreciation) (d)	(6,272,541)	6,276,840	3,003,688	12,844,292
Balance, End of Period (a)	$157,698,448	$119,115,246	$157,698,448	$119,115,246
Increase (Decrease)	$ (1,004,725)	$ 7,966,836	$ 29,574,528	$ 20,932,118
Increase (Decrease)	-1%	7%	23%	21%

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Capital Deployed								
Limited Partner Capital Invested	$4,435,209	$2,060,108	$2,375,101	115%	$9,502,293	$4,407,649	$5,094,644	116%

(a) Fee-Earning Assets Under Management and Assets Under Management as of September 30, 2011 include $502.2 million from a joint venture in which we are the minority interest holder.

(b) Inflows represent contributions in our hedge funds and closed-end mutual funds, increases in available capital for our carry funds (capital raises, recallable capital and increased side-by-side commitments) and CLOs and increases in the capital we manage pursuant to separately managed account programs.

(c) Outflows represent redemptions in our hedge funds and closed-end mutual funds, client withdrawals from our separately managed account programs, decreases in available capital for our carry funds (expired capital, expense drawdowns and decreased side-by-side commitments) and realizations from the disposition of assets by our carry funds. Also included is the distribution of funds associated with the discontinuation of our proprietary single manager hedge funds.

(d) Market appreciation (depreciation) includes realized and unrealized gains (losses) on portfolio investments and the impact of foreign exchange rate fluctuations.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $132.9 billion at September 30, 2011, an increase of $3.9 billion, or 3%, compared to $129.0 billion at June 30, 2011. Inflows of $10.8 billion were primarily related to (a) inflows of $4.3 billion in our Real Estate segment primarily related to the commencement of BREP VII in August 2011, (b) inflows of $2.8 billion in our Hedge Fund Solutions segment primarily due to growth in its commingled and customized investment products and long only solutions business, (c) inflows of $2.3 billion in our Credit Businesses segment principally due to capital raised across its long only platform and capital deployed from its drawdown funds, and (d) inflows of $1.4 billion in our Private Equity segment primarily related to the first close in our BEP fund and from additional capital raised for our BCP VI fund. Outflows of $3.6 billion were primarily attributable to (a) outflows of $2.0 billion in our Real Estate segment primarily due to the end of BREP VI's investment period, (b) outflows of $1.1 billion in our Credit Businesses segment, due primarily to deleveraging of certain CLO vehicles post their reinvestment periods, and (c) outflows of $375.2 million in our Hedge Fund Solutions segment as a result of, in general, the liquidity needs of limited partners. Net market depreciation of $3.3 billion was principally due to declines and increased volatility in the global markets.

Fee-Earning Assets Under Management were $132.9 billion at September 30, 2011, an increase of $23.4 billion, or 21%, compared to $109.5 billion at December 31, 2010. Inflows of $36.1 billion were primarily

related to (a) inflows of $15.7 billion in our Private Equity segment primarily due to the commencement of the investment periods for the BCP VI, China and BEP funds, (b) inflows of $7.4 billion in our Hedge Fund Solutions segment primarily due to growth in its commingled and customized investment products and long only solutions business, (c) inflows of $6.8 billion in our Credit Businesses segment primarily due to capital raised across its long only platform, including the acquisition of $2.2 billion of CLO vehicles in the second quarter of 2011, and capital deployed from its drawdown funds, (d) and inflows of $6.0 billion in our Real Estate segment primarily due to the deployment of $1.1 billion of fee-earning co-investment capital related to the acquisition of the U.S. assets of Centro and the commencement of BREP VII. Outflows of $10.7 billion were primarily attributable to (a) outflows of $3.3 billion in our Credit Businesses segment substantially due to deleveraging of certain CLO vehicles post their reinvestment periods and realizations in the drawdown funds, (b) outflows of $3.1 billion in our Real Estate segment primarily due to realizations from the Bank of America Merrill Lynch Asia real estate platform and the end of BREP VI's investment period, and (c) reductions of $2.9 billion in our Private Equity segment's Fee-Earning Assets Under Management due for the most part to the end of BCP V's investment period during the first quarter of 2011 and dispositions in funds which earn fees based on remaining invested capital. Net market depreciation of $1.9 billion was principally due to declines in global markets in the third quarter of 2011.

Assets Under Management

Assets Under Management were $157.7 billion at September 30, 2011, a decrease of $1.0 billion, or 1%, compared to $158.7 billion at June 30, 2011. Inflows of $10.0 billion were primarily related to (a) inflows of $4.2 billion in our Real Estate segment primarily related to the commencement of BREP VII, (b) inflows of $2.7 billion in our Hedge Fund Solutions segment due to growth in its commingled and customized investment products, and (c) inflows of $1.8 billion in our Credit Businesses segment driven by capital raised across its long only platform. Net market depreciation of $6.3 billion was principally due to the Private Equity and Hedge Fund Solutions segments, both of which were affected by the equity market declines. Outflows of $4.7 billion principally from our Private Equity and Credit Businesses segments were due to the same reasons noted in Fee-Earning Assets Under Management above.

Assets Under Management were $157.7 billion at September 30, 2011, an increase of $29.6 billion, or 23%, compared to $128.1 billion at December 31, 2010. Inflows of $38.6 billion were primarily related to (a) inflows of $16.4 billion in our Private Equity segment driven by the commencement of BCP VI's investment period, (b) inflows of $9.4 billion in our Hedge Fund Solutions segment due to growth in the hedge fund manager seeding platform, long only commodities and equity replacement business and its commingled and customized investment products, (c) inflows of $6.5 billion in our Real Estate segment primarily due to the deployment of additional co-investment capital and the commencement of BREP VII, and (d) inflows of $6.3 billion in our Credit Businesses segment principally due to the acquisition of $2.3 billion of CLO vehicles and capital raised across its long only platform. Net market appreciation of $3.0 billion was due to appreciation in the Real Estate and Private Equity segments of $3.6 billion and $1.3 billion, respectively, and there was depreciation in the Hedge Fund Solutions segment of $2.1 billion. Private Equity and Real Estate benefited from improvements in the carrying values of their investments while Hedge Fund Solutions was affected by equity market declines. Outflows of $12.0 billion, principally from our Private Equity, Credit Businesses and Hedge Fund Solutions segments, were for the same reasons noted in Fee-Earning Assets Under Management above.

Limited Partner Capital Invested

Limited Partner Capital Invested was $4.4 billion for the three months ended September 30, 2011, an increase of $2.4 billion, or 115%, from $2.1 billion for the three months ended September 30, 2010. Limited Partner Capital Invested was $9.5 billion for the nine months ended September 30, 2011, an increase of $5.1 billion, or 116%, compared to $4.4 billion for the nine months ended September 30, 2010. The change for the nine month period primarily reflected an increase of $3.4 billion in our Real Estate segment, which was primarily related to increased investment activity by our investment funds and the acquisition of the U.S. assets of Centro.

Segment Analysis

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

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

Private Equity

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

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees								
Base Management Fees	$ 85,534	$ 66,077	$ 19,457	29%	$247,766	$198,304	$ 49,462	25%
Transaction and Other Fees, Net	21,430	13,348	8,082	61%	109,125	61,687	47,438	77%
Management Fee Offsets	(6,498)	(91)	(6,407)	N/M	(22,016)	(91)	(21,925)	N/M
Total Management Fees	100,466	79,334	21,132	27%	334,875	259,900	74,975	29%
Performance Fees								
Realized	(17,966)	44,814	(62,780)	N/M	65,785	92,095	(26,310)	-29%
Unrealized	(270,014)	45,499	(315,513)	N/M	(50,287)	67,028	(117,315)	N/M
Total Performance Fees	(287,980)	90,313	(378,293)	N/M	15,498	159,123	(143,625)	-90%
Investment Income (Loss)								
Realized	20,548	9,940	10,608	107%	41,476	12,586	28,890	N/M
Unrealized	(121,688)	30,491	(152,179)	N/M	(15,615)	132,450	(148,065)	N/M
Total Investment Income (Loss)	(101,140)	40,431	(141,571)	N/M	25,861	145,036	(119,175)	-82%
Interest and Dividend Revenue	3,396	3,802	(406)	-11%	10,098	9,958	140	1%
Other	141	1,061	(920)	-87%	1,617	1,621	(4)	-0%
Total Revenues	(285,117)	214,941	(500,058)	N/M	387,949	575,638	(187,689)	-33%
Expenses								
Compensation and Benefits								
Compensation	54,220	47,552	6,668	14%	177,168	141,074	36,094	26%
Performance Fee Compensation								
Realized	(2,443)	10,783	(13,226)	N/M	5,324	16,916	(11,592)	-69%
Unrealized	(44,955)	18,306	(63,261)	N/M	(10,182)	14,354	(24,536)	N/M
Total Compensation and Benefits	6,822	76,641	(69,819)	-91%	172,310	172,344	(34)	-0%
Other Operating Expenses	27,588	26,359	1,229	5%	86,425	79,467	6,958	9%
Total Expenses	34,410	103,000	(68,590)	-67%	258,735	251,811	6,924	3%
Economic Net Income (Loss)	$(319,527)	$111,941	$(431,468)	N/M	$129,214	$323,827	$(194,613)	-60%

Revenues

Revenues were $(285.1) million for the three months ended September 30, 2011 compared to $214.9 million for the three months ended September 30, 2010, a decrease of $500.1 million. The decrease in revenues was attributable to decreases in Performance Fees and Investment Income of $378.3 million and $141.6 million, respectively, partially offset by an increase in Total Management Fees of $21.1 million.

Performance Fees, which are determined on a fund by fund basis, were $(288.0) million for the three months ended September 30, 2011, a decrease of $378.3 million, compared to $90.3 million for the three months ended September 30, 2010. The decrease was mostly driven by negative volatility in the public markets as a result of global economic uncertainty. The carrying value of the publicly held investments was reduced due to a significant drop in global equities markets during the quarter and lower values of foreign currencies in relation to the U.S. dollar. The public markets decline was not limited to any specific industry. The segment's privately held investments declined in carrying value to a lesser extent due to continued strong operating performance of the underlying portfolio companies. For the first two quarters of 2011, the latest available quarterly financial information, growth in revenue and EBITDA of the portfolio companies averaged approximately 12% and 10%, respectively. Our Private Equity segment's portfolio companies continue to exhibit generally positive revenue and earnings growth. Investment Income (Loss) was $(101.1) million compared to $40.4 million for the three months ended September 30, 2010, also due to public markets driving lower performance across all contributed funds, which depreciated 10.9% during the period. The lower performance results from the unrealized fair value of our investments and not from the dispositions of our holdings. At September 30, 2011, the unrealized value and cumulative realized proceeds, before Carried Interest, fees and expenses, of our contributed private equity funds represented 1.4 times investors' original investments. On a realized/partially realized basis, this multiple was 2.3 times investors' original investments for contributed funds.

Total Management Fees were $100.5 million for the three months ended September 30, 2011, an increase of $21.1 million compared to $79.3 million for the three months ended September 30, 2010, driven by higher Base Management Fees and Transaction and Other Fees but slightly reduced by Management Fee Offsets. Base Management Fees were $85.5 million for the three months ended September 30, 2011, an increase of $19.5 million compared to $66.1 million for the three months ended September 30, 2010, principally as a result of fees generated from BCP VI and BEP, which commenced their investment periods during the first and third quarters of 2011, respectively. Transaction and Other Fees were $21.4 million for the three months ended September 30, 2011, an increase of $8.1 million compared to $13.3 million for the three months ended September 30, 2010, principally as a result of fees earned from new investments made from our BCP VI and BEP funds. Management Fee Offsets relate to a reduction of management fees payable by our limited partners in BCP VI based on the amount they reimbursed Blackstone for placement fees.

Revenues were $387.9 million for the nine months ended September 30, 2011, a decrease of $187.7 million compared to $575.6 million for the nine months ended September 30, 2010. The decrease in revenues was attributed to decreases in Performance Fees and Investment Income of $143.6 million and $119.2 million, respectively, partially offset by an increase in Total Management Fees of $75.0 million.

Performance Fees, which are determined on a fund by fund basis, were $15.5 million for the nine months ended September 30, 2011, a decrease of $143.6 million, compared to $159.1 million for the nine months ended September 30, 2010, principally due to lower performance in the BCP IV portfolio driven by public holdings and depreciation of investments in the technology industry. Investment Income was $25.9 million, a decrease of $119.2 million, compared to $145.0 million for the nine months ended September 30, 2010, principally driven by BCP IV and BCP V which, despite having positive current period performance, had lower fund returns than for the comparative nine month period of 2010.

Total Management Fees were $334.9 million for the nine months ended September 30, 2011, an increase of $75.0 million compared to $259.9 million for the nine months ended September 30, 2010, driven by increased Base Management Fees and Transaction and Other Fees, partially offset by Management Fee Offsets. Base Management Fees were $247.8 million for the nine months ended September 30, 2011, an increase of $49.5 million compared to $198.3 million for the nine months ended September 30, 2010, principally as a result of fees generated from BCP VI, which commenced its investment period during the first quarter of 2011. Transaction and Other Fees were $109.1 million for the nine months ended September 30, 2011, an increase of $47.4 million compared to $61.7 million for the nine months ended September 30, 2010, principally as a result of one time fees earned from the termination of management advisory service agreements related to portfolio companies that completed initial public offerings as well as fees generated from the increase in new investment activity. Management Fee Offsets relate to a reduction of management fees payable by our limited partners in BCP VI based on the amount they reimbursed Blackstone for placement fees.

Expenses

Expenses were $34.4 million for the three months ended September 30, 2011, a decrease of $68.6 million, compared to $103.0 million for the three months ended September 30, 2010. The $68.6 million decrease was primarily attributed to a $76.5 million decrease in Performance Fee Compensation, partially offset by a $6.7 million increase in Compensation. Performance Fee Compensation decreased as a result of the decreases in Performance Fees revenue described above. Compensation rose as a portion of it is related to the segment's results, exclusive of Performance Fees and Investment Income. Other Operating Expenses were relatively flat compared to the prior year.

Expenses were $258.7 million for the nine months ended September 30, 2011, an increase of $6.9 million, compared to $251.8 million for the nine months ended September 30, 2010. The $6.9 million increase was primarily attributed to a $36.1 million increase in Compensation and a $7.0 million increase in Other Operating Expenses, partially offset by a $36.1 million decrease in Performance Fee Compensation. Performance Fee Compensation decreased as a result of the decreases in Performance Fees revenue. Compensation rose as a portion of it is related to the segment's results, exclusive of Performance Fees and Investment Income. Other Operating Expenses increased $7.0 million to $86.4 million, principally due to interest expense.

Operating Metrics

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Fee-Earning Assets Under Management				
Balance, Beginning of Period	$35,778,240	$25,190,195	$24,188,555	$24,521,394
Inflows, including Commitments	1,449,593	95,252	15,738,904	961,602
Outflows, including Distributions	(176,900)	(996,430)	(2,905,654)	(1,176,888)
Market Appreciation (Depreciation)	(44,909)	22,426	(15,781)	5,335
Balance, End of Period (a)	$37,006,024	$24,311,443	$37,006,024	$24,311,443
Increase (Decrease)	$ 1,227,784	$ (878,752)	$12,817,469	$ (209,951)
Increase (Decrease)	3%	-3%	53%	-1%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Assets Under Management				
Balance, Beginning of Period	$46,728,301	$28,360,282	$29,319,136	$24,758,992
Inflows, including Commitments	1,316,046	171,161	16,417,715	737,708
Outflows, including Distributions	(2,223,281)	(604,571)	(4,112,026)	(1,319,269)
Market Appreciation (Depreciation)	(2,853,907)	1,276,080	1,342,334	5,025,521
Balance, End of Period (a)	$42,967,159	$29,202,952	$42,967,159	$29,202,952
Increase (Decrease)	$ (3,761,142)	$ 842,670	$13,648,023	$ 4,443,960
Increase (Decrease)	-8%	3%	47%	18%

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Capital Deployed								
Limited Partner Capital Invested	$1,414,734	$678,882	$735,852	108%	$2,735,022	$1,536,594	$1,198,428	78%

(a) Fee-Earning Assets Under Management and Assets Under Management as of September 30, 2011 include $502.2 million from a joint venture in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $37.0 billion at September 30, 2011, an increase of $1.2 billion, or 3%, compared with $35.8 billion at June 30, 2011. Inflows of $1.4 billion were from the first close in our BEP fund and from additional capital raised for our BCP VI fund. Inflows were also up as a result of investments and commitments made in funds that generate fees on invested capital. Outflows of $176.9 million were primarily a result of dispositions in BCP V. Market depreciation of $44.9 million in the third quarter of 2011 was primarily due to the impact of foreign exchange rates. Fee-Earning Assets Under Management increased $12.7 billion from $24.3 billion at September 30, 2010 to $37.0 billion at September 30, 2011 due to capital raised for our new funds, partially offset by the termination of BCP V's investment period and the disposition of investments in funds that are in their post investment periods.

Fee-Earning Assets Under Management were $37.0 billion at September 30, 2011, an increase of $12.8 billion, or 53%, compared with $24.2 billion at December 31, 2010. Inflows of $15.7 billion were primarily due to the commencement of the investment periods for BCP VI, BEP and China funds, which have raised $14.3 billion, $0.7 billion, and $0.2 billion, respectively, of third party capital through September 30, 2011. Outflows of $2.9 billion were primarily a result of the end of BCP V's investment period during the first quarter of 2011 and dispositions in funds which earn fees based on remaining invested capital. After the close of a fund's investment period, management fees are based on invested capital and binding commitments to new investments. Market depreciation of $15.8 million was due primarily to the impact of foreign exchange rates.

Assets Under Management

Assets Under Management were $43.0 billion at September 30, 2011, a decrease of $3.8 billion, or 8%, compared with $46.7 billion at June 30, 2011. The decrease was primarily due to market depreciation in our existing portfolio of $2.9 billion and outflows of $2.2 billion resulting from dispositions of investments, partially offset by inflows of $1.3 billion driven by capital raised for our BCP VI and BEP funds.

Assets Under Management were $43.0 billion at September 30, 2011, an increase of $13.6 billion, or 47%, compared with $29.3 billion at December 31, 2010. The increase was primarily due to inflows of $16.4 billion driven mainly by the commencement of BCP VI's investment period and market appreciation of $1.3 billion in our existing portfolio, partially offset by outflows of $4.1 billion resulting from the dispositions of investments and the termination of BCP V's investment period during the first quarter of 2011.

Limited Partner Capital Invested

Limited Partner Capital Invested was $1.4 billion for the three months ended September 30, 2011, an increase of $735.9 million, compared to $678.9 million for the three months ended September 30, 2010. Limited Partner Capital Invested was $2.7 billion for the nine months ended September 30, 2011, an increase of $1.2 billion, compared to $1.5 billion for the nine months ended September 30, 2010. The increases were primarily attributable to an increase in new transaction and follow-on activity across various industries and all regions.

Fund Returns

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

The following table presents the internal rates of return of our significant private equity funds:

	Three Months Ended September 30,				Nine Months Ended September 30,				September 30, 2011 Inception to Date			
	2011		2010		2011		2010		Total		Realized (b)	
Fund (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BCP IV	-21%	-20%	8%	8%	3%	2%	17%	16%	52%	38%	66%	51%
BCP V	-7%	-7%	5%	4%	2%	2%	31%	30%	1%	—	12%	8%
BCP VI (c)	N/M	N/M	N/A	N/A	N/M	N/M	N/A	N/A	N/M	N/M	N/A	N/A
BEP (c)	N/M	N/M	N/A	N/A	N/M	N/M	N/A	N/A	N/M	N/M	N/A	N/A

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

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

The net internal rate of return for BCP IV for the quarter ended September 30, 2011 was lower compared to the returns in the same quarter last year, driven by our publicly held investments. The net internal rate of return for BCP V for the quarter ended September 30, 2011 was lower compared to the positive returns in the same quarter last year driven by our public investments and private holdings in the healthcare sector.

The following table presents the investment record of the significant private equity funds from inception through September 30, 2011 for funds with closed investment periods:

	Fully Invested Funds									
	Total Investments					Realized / Partially Realized Investments (a)				
	Total					Total				
Fund (Investment Period)	Invested Capital (b)	Carrying Value (c)	Gross IRR	Net IRR (d)	MOIC (e)	Invested Capital (b)	Carrying Value (c) (f)	Gross IRR	Net IRR (d)	MOIC (e)
	(Dollars in Millions)					(Dollars in Millions)				
BCP I (Oct 1987 / Oct 1993)	$ 679	$ 1,742	28%	19%	2.6	$ 679	$ 1,742	28%	19%	2.6
BCP II (Oct 1993 / Aug 1997)	1,292	3,256	50%	32%	2.5	1,292	3,256	50%	32%	2.5
BCP III (Aug 1997 / Nov 2002)	4,026	9,195	18%	14%	2.3	4,026	9,195	18%	14%	2.3
BCOM (June 2000 / Jun 2006)	2,145	2,895	14%	7%	1.3	1,215	2,149	27%	19%	1.8
BCP IV (Nov 2002 / Dec 2005)	7,393	18,900	52%	38%	2.6	5,212	15,074	66%	51%	2.9
BCP V (Dec 2005 / Jan 2011)	19,448	20,186	1%	—	1.0	2,693	3,498	12%	8%	1.3

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

(a) Investments are considered partially realized when realized proceeds, excluding current income (dividends, interest, etc.), are a material portion of invested capital.
(b) Invested Capital includes recalled capital and side-by-side investments made by our employees.
(c) Carrying value includes realized proceeds and unrealized fair value.
(d) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value after management fees, expenses and Carried Interest.
(e) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.
(f) The Realized / Partially Realized Carrying Value includes remaining unrealized value of $3.1 billion.

The following table presents the investment record of the significant private equity funds from inception through September 30, 2011 for funds with open investment periods:

	Funds in the Investment Period										
		Total Investments					Realized /Partially Realized Investments (a)				
		Total					Total				
Fund (Investment Period)	Available Capital (b)	Invested Capital (c)	Carrying Value (d)	Gross IRR	Net IRR (e)	MOIC (f)	Invested Capital (c)	Carrying Value (d)	Gross IRR	Net IRR (e)	MOIC (f)
	(Dollars in Millions)						(Dollars in Millions)				
BCP VI (Jan 2011 / Jan 2017)	$14,087	$620	$573	N/M	N/M	—	$—	$—	N/A	N/A	N/A
BEP (Aug 2011 / Aug 2017)	$ 602	$ 56	$ 50	N/M	N/M	—	$—	$—	N/A	N/A	N/A

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

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

(a) Investments are considered partially realized when realized proceeds, excluding current income (dividends, interest, etc.), are a material portion of invested capital.
(b) Available Capital represents total capital commitments, including side-by-side, adjusted for certain expenses and expired or recallable capital, less invested capital.
(c) Invested Capital includes recalled capital and side-by-side investments made by our employees.
(d) Carrying value includes realized proceeds and unrealized fair value.
(e) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value after management fees, expenses and Carried Interest.
(f) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.

The Private Equity segment has three contributed funds with closed investment periods: BCP IV, BCP V and BCOM. As of September 30, 2011, BCP IV was above its Carried Interest threshold (i.e., the preferred return payable to its limited partners before the general partner is eligible to receive Carried Interest) and would still be above its Carried Interest threshold even if all remaining investments were deemed worthless. BCP V is currently below its Carried Interest threshold. BCOM is currently below its Carried Interest threshold but has generated inception-to-date positive returns. We are entitled to retain previously realized Carried Interest up to 20% of BCOM's net gains. As a result, Performance Fees are recognized from BCOM on current period gains and losses.

The following table presents the Carried Interest status of our private equity funds out of their investment period which are currently not generating performance fees as of September 30, 2011:

		Gain to Cross Carried Interest Threshold (a)	
Funds out of the Investment Period	**Available Capital (b)**	**Amount**	**% Change in Total Enterprise Value (c)**
	(Dollars in Millions)		
BCP V (Dec 2005 / Dec 2011)	$1,667	$5,815	12%

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

Real Estate

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

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees								
Base Management Fees	$ 97,925	$ 83,232	$ 14,693	18%	$ 290,831	$249,208	$ 41,623	17%
Transaction and Other Fees, Net	19,551	8,538	11,013	129%	90,382	13,459	76,923	N/M
Management Fee Offsets	(880)	(401)	(479)	-119%	(2,130)	(1,000)	(1,130)	-113%
Total Management Fees	116,596	91,369	25,227	28%	379,083	261,667	117,416	45%
Performance Fees								
Realized	5,308	5,010	298	6%	28,733	27,277	1,456	5%
Unrealized	(120,176)	69,910	(190,086)	N/M	677,386	102,418	574,968	N/M
Total Performance Fees	(114,868)	74,920	(189,788)	N/M	706,119	129,695	576,424	N/M
Investment Income (Loss)								
Realized	7,313	2,159	5,154	N/M	21,626	8,691	12,935	149%
Unrealized	(26,060)	83,968	(110,028)	N/M	72,678	210,403	(137,725)	-65%
Total Investment Income (Loss)	(18,747)	86,127	(104,874)	N/M	94,304	219,094	(124,790)	-57%
Interest and Dividend Revenue	3,195	3,026	169	6%	9,472	7,922	1,550	20%
Other	(1,390)	2,330	(3,720)	N/M	(15)	64	(79)	N/M
Total Revenues	(15,214)	257,772	(272,986)	N/M	1,188,963	618,442	570,521	92%
Expenses								
Compensation and Benefits								
Compensation	55,259	43,219	12,040	28%	185,378	127,897	57,481	45%
Performance Fee Compensation								
Realized	2,251	1,806	445	25%	12,863	12,225	638	5%
Unrealized	(30,510)	46,182	(76,692)	N/M	167,012	69,118	97,894	142%
Total Compensation and Benefits	27,000	91,207	(64,207)	-70%	365,253	209,240	156,013	75%
Other Operating Expenses	23,495	18,584	4,911	26%	74,832	50,521	24,311	48%
Total Expenses	50,495	109,791	(59,296)	-54%	440,085	259,761	180,324	69%
Economic Net Income (Loss)	$ (65,709)	$147,981	$(213,690)	N/M	$ 748,878	$358,681	$ 390,197	109%

Revenues

Revenues were $(15.2) million for the three months ended September 30, 2011, a decrease of $273.0 million compared to $257.8 million for the three months ended September 30, 2010. The decrease in revenues was primarily attributed to a decrease of $189.8 million in Performance Fees and a decrease of $104.9 million in Investment Income, partially offset by a $25.2 million increase in Total Management Fees.

Performance Fees, which are determined on a fund by fund basis, were $(114.9) million for the three months ended September 30, 2011, a decrease of $189.8 million compared to $74.9 million for the three months ended September 30, 2010. Investment Income (Loss) was $(18.7) million for the three months ended

September 30, 2011, a decrease of $104.9 million compared to $86.1 million for the three months ended September 30, 2010. The decrease in Performance Fees and Investment Income (Loss) was primarily related to the decline in the public markets, which impacted the segment's public stock holdings and certain hospitality investments along with the negative impact of foreign exchange. Offsetting these factors was an increase in the value of the retail portfolio. A material portion of the decrease in Performance Fees was due to the reversal of previously recognized profit allocations in accordance with the "catch-up" provisions of the funds. The carrying value of the underlying assets in contributed Real Estate funds, including co-investments, increased 0.1% for the third quarter of 2011. The segment's properties continued to demonstrate solid growth in revenue and net operating income. For the third quarter of 2011, RevPAR (Revenue per Available Room) of Blackstone's investments increased between 6% and 8% year over year. Occupancy levels and rental rates within the office portfolio increased 130 basis points and 11%, respectively, compared to the prior year. In addition, retail sales in mall investments were up 8% and leasing activity increased 40% at the grocery anchored strip centers, compared to the prior year. As of September 30, 2011, the unrealized value and cumulative proceeds, before carried interest, fees and expenses, of our contributed Real Estate carry funds represented 1.4 times investors' original investments. On a realized/partially realized basis, this multiple was 2.2 times investors' original investments.

Total Management Fees were $116.6 million for the three months ended September 30, 2011, an increase of $25.2 million compared to $91.4 million for the three months ended September 30, 2010. Transaction and Other Fees were $19.6 million for the three months ended September 30, 2011, an increase of $11.0 million compared to $8.5 million for the three months ended September 30, 2010, reflecting the continued increase in investment activity in our BREP funds. Base Management Fees were $97.9 million for the three months ended September 30, 2011, an increase of $14.7 million compared to $83.2 million for the three months ended September 30, 2010, primarily due to fees earned from our management of the Bank of America Merrill Lynch Asia real estate platform.

Revenues were $1.2 billion for the nine months ended September 30, 2011, an improvement of $570.5 million compared to $618.4 million for the nine months ended September 30, 2010. The increase in revenues was primarily attributed to an increase of $576.4 million in Total Performance Fees and an increase of $117.4 million in Total Management Fees, partially offset by a decrease of $124.8 million in Total Investment Income.

Performance Fees, which are determined on a fund by fund basis, were $706.1 million for the nine months ended September 30, 2011, an improvement of $576.4 million compared to $129.7 million for the nine months ended September 30, 2010. Investment Income was $94.3 million for the nine months ended September 30, 2011, a decrease of $124.8 million compared to $219.1 million for the nine months ended September 30, 2010. The net appreciation in fair value of the investments in our BREP V and BREP VI carry funds primarily contributed to the increase in Performance Fees for the nine months ended September 30, 2011. Performance Fees benefited from the strong performance of our carry funds with a portion of the increase due to the impact of the "catch-up" provisions of the Real Estate funds' profit allocations. The decrease in Investment Income was primarily driven by a decrease in the appreciation of investments related to the BREP VI fund in which Blackstone owns a greater share of such investments. The net appreciation in fair value of the underlying assets for Blackstone's contributed Real Estate carry funds, including co-investments, was 13.9% for the nine months ended September 30, 2011. The performance during the nine months ended September 30, 2011 was primarily driven by improved operating performance and projected cash flows across our Real Estate carry funds' investments, including co-investments, which resulted in the appreciation of our holdings, principally within our office, hotel and retail portfolios.

Total Management Fees were $379.1 million for the nine months ended September 30, 2011, an increase of $117.4 million compared to $261.7 million for the nine months ended September 30, 2010. Transaction and Other Fees were $90.4 million for the nine months ended September 30, 2011, an increase of $76.9 million compared to $13.5 million for the nine months ended September 30, 2010, reflecting the continued increase in investment activity in our BREP funds, primarily as a result of BREP VI's acquisition of the U.S. assets of Centro. Base Management Fees were $290.8 million for the nine months ended September 30, 2011, an increase

of $41.6 million compared to $249.2 million for the nine months ended September 30, 2010, primarily due to fees earned from the management of the Bank of America Merrill Lynch Asia real estate platform and management fees earned from our co-investments.

Expenses

Expenses were $50.5 million for the three months ended September 30, 2011, a decrease of $59.3 million, compared to $109.8 million for the three months ended September 30, 2010. The decrease was primarily attributed to a $76.2 million decrease in Performance Fee Compensation, resulting from a decrease in Performance Fees revenue, partially offset by an increase in Compensation of $12.0 million to $55.3 million, primarily due to headcount increases related to the management of the Bank of America Merrill Lynch Asia real estate platform, which also added significant increases in Management Fees revenue. Additionally, a portion of Compensation is related to the segment's results, exclusive of Performance Fee and Investment Income. Other Operating Expenses increased $4.9 million to $23.5 million for the three months ended September 30, 2011, principally due to expenses related to the management of the Bank of America Merrill Lynch Asia real estate platform and interest expense allocated to the segment.

Expenses were $440.1 million for the nine months ended September 30, 2011, an increase of $180.3 million, compared to $259.8 million for the nine months ended September 30, 2010. The increase was primarily attributed to a $98.5 million increase in Performance Fee Compensation, resulting from improved Performance Fees revenue and an increase in Compensation of $57.5 million to $185.4 million. Compensation rose primarily due to headcount increases related to the management of the Bank of America Merrill Lynch Asia real estate platform and the improved results of the segment, exclusive of Performance Fees and Investment Income. Other Operating Expenses increased $24.3 million to $74.8 million for the nine months ended September 30, 2011, principally due to placement fees related to our debt investment funds, interest expense allocated to the segment, and expenses related to the management of the Bank of America Merrill Lynch Asia real estate platform.

Operating Metrics

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Fee-Earning Assets Under Management				
Balance, Beginning of Period	$27,919,000	$23,841,360	$26,814,714	$23,708,057
Inflows, including Commitments	4,262,469	358,252	6,027,950	967,162
Outflows, including Distributions	(2,006,795)	(192,614)	(3,084,948)	(252,543)
Market Appreciation (Depreciation)	(192,754)	338,163	224,204	(77,515)
Balance, End of Period	$29,981,920	$24,345,161	$29,981,920	$24,345,161
Increase	$ 2,062,920	$ 503,801	$ 3,167,206	$ 637,104
Increase	7%	2%	12%	3%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Assets Under Management				
Balance, Beginning of Period	$37,605,560	$23,922,589	$33,165,124	$20,391,334
Inflows, including Commitments	4,163,960	523,856	6,496,853	1,492,569
Outflows, including Distributions	(938,568)	(49,171)	(2,569,544)	(191,249)
Market Appreciation (Depreciation)	(121,452)	2,732,551	3,617,067	5,437,171
Balance, End of Period	$40,709,500	$27,129,825	$40,709,500	$27,129,825
Increase	$ 3,103,940	$ 3,207,236	$ 7,544,376	$ 6,738,491
Increase	8%	13%	23%	33%

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Capital Deployed								
Limited Partner Capital Invested	$1,706,157	$688,951	$1,017,206	148%	$5,145,773	$1,757,636	$3,388,137	193%

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $30.0 billion at September 30, 2011, an increase of $2.1 billion, or 7%, compared with $27.9 billion at June 30, 2011. Inflows of $4.3 billion were primarily related to the commencement of BREP VII in August 2011. Outflows were $2.0 billion, primarily due to the end of BREP VI's investment period. Market depreciation of $192.8 million was primarily due to the unfavorable foreign exchange impact on commitments from our European focused real estate funds. Fee-Earning Assets Under Management increased $5.6 billion, or 23%, from September 30, 2010 to $30.0 billion at September 30, 2011. The increase was primarily related to the commencement of BREP VII, which had its first closing in August 2011, the commencement of our management of the Bank of America Merrill Lynch Asia real estate platform, and co-investment capital related to the acquisition of the U.S. assets of Centro.

Fee-Earning Assets Under Management were $30.0 billion at September 30, 2011, an increase of $3.2 billion, or 12%, compared with $26.8 billion at December 31, 2010. Inflows of $6.0 billion were primarily related to the commencement of BREP VII and co-investment capital related to the acquisition of the U.S. assets of Centro. Outflows were $3.1 billion, primarily due to realizations from the Bank of America Merrill Lynch Asia real estate platform and the end of BREP VI's investment period. Market appreciation of $224.2 million was primarily due to the favorable foreign exchange impact on commitments from our European focused real estate funds and on the Bank of America Merrill Lynch Asia real estate platform that we manage.

Assets Under Management

At September 30, 2011, Assets Under Management were $40.7 billion, an increase of $3.1 billion, or 8%, compared with $37.6 billion at June 30, 2011. The change was due to inflows of $4.2 billion primarily related to the commencement of BREP VII. The increase was partially offset by outflows of $938.6 million primarily related to realizations generated by our real estate carry funds and the negative impact of foreign exchange. Assets Under Management increased $13.6 billion, or 50%, from $27.1 billion at September 30, 2010 to $40.7 billion at September 30, 2011 and was primarily related to market appreciation of $7.1 billion, the

commencement of our management of the Bank of America Merrill Lynch Asia real estate platform, the deployment of additional co-investment capital, capital raised by our debt investment funds and the commencement of BREP VII.

At September 30, 2011, Assets Under Management were $40.7 billion, an increase of $7.5 billion, or 23%, compared with $33.2 billion at December 31, 2010. The change was primarily due to inflows of $6.5 billion attributable to the deployment of co-investment capital and the commencement of BREP VII along with market appreciation of $3.6 billion primarily from our real estate carry funds as a result of increases in the carrying values within the office, hospitality and retail sectors of our real estate portfolio. These increases were offset by outflows of $2.6 billion primarily related to realizations generated by our real estate carry funds and the Bank of America Merrill Lynch Asia real estate platform.

Limited Partner Capital Invested

For the three months ended September 30, 2011, Limited Partner Capital Invested was $1.7 billion, an increase of $1.0 billion from $689.0 million for the three months ended September 30, 2010, which was primarily related to increased investment activity by our BREP VI and debt investment funds. For the nine months ended September 30, 2011, Limited Partner Capital Invested was $5.1 billion, an increase of $3.4 billion from $1.8 billion for the nine months ended September 30, 2010. This increase was primarily related to increased investment activity by our BREP VI and debt investment funds and the acquisition of the U.S. assets of Centro.

Fund Returns

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

The following table presents the internal rates of return of our significant real estate funds:

	Three Months Ended September 30,				Nine Months Ended September 30,				September 30, 2011 Inception to Date			
	2011		2010		2011		2010		Total		Realized (b)	
Fund (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BREP International (c)	-1%	—	—	-1%	28%	21%	12%	8%	33%	23%	33%	24%
BREP IV	-5%	-4%	20%	13%	10%	6%	32%	20%	26%	15%	94%	65%
BREP V	-2%	-2%	17%	15%	19%	12%	38%	33%	12%	9%	86%	64%
BREP International II (c)	-1%	-1%	16%	16%	2%	1%	54%	50%	-1%	-3%	8%	4%
BREP VI	—	1%	20%	19%	16%	11%	98%	92%	13%	8%	107%	89%
BREP Europe III (c)	8%	5%	5%	—	18%	7%	225%	154%	95%	18%	N/A	N/A
BSSF I	-4%	-4%	5%	4%	1%	-1%	19%	14%	11%	8%	N/A	N/A
CMBS	-6%	-6%	4%	3%	-2%	-3%	20%	15%	18%	12%	N/A	N/A
BSSF II	—	—	7%	6%	5%	4%	22%	17%	18%	14%	53%	39%

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

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

(b) Includes partially realized investments. Investments are considered partially realized when distributed proceeds, excluding current income (dividends, interest, etc.), are a material portion of invested capital.

(c) Euro-based net internal rates of return.

Although there was steady improvement in the operating fundamentals across the Real Estate carry funds' investments, the appreciation in fair values was less for the three and nine months ended September 30, 2011 compared to the prior year periods, resulting in lower, but still positive, net internal rates of return for most of the funds.

The following table presents the investment record of the significant real estate carry funds from inception through September 30, 2011 for funds with closed investment periods:

	Fully Invested Funds									
	Total Investments					Realized / Partially Realized Investments (a)				
	Total					Total				
Fund (Investment Period)	Invested Capital (b)	Carrying Value (c)	Gross IRR	Net IRR (d)	MOIC (e)	Invested Capital (b)	Carrying Value (c) (f)	Gross IRR	Net IRR (d)	MOIC (e)
	(Amounts in Millions)					(Amounts in Millions)				
Pre-BREP	$ 141	$ 345	43%	33%	2.5	$ 141	$ 345	43%	33%	2.5
BREP I (Sep 1994 / Oct 1996)	$ 467	$ 1,328	51%	40%	2.8	$ 467	$1,328	51%	40%	2.8
BREP II (Oct 1996 / Mar 1999)	$ 1,219	$ 2,525	26%	19%	2.1	$1,219	$2,525	26%	19%	2.1
BREP III (Apr 1999 /Apr 2003)	$ 1,415	$ 3,325	27%	21%	2.3	$1,399	$3,323	28%	22%	2.4
BREP Int'l (Jan 2001 /Sep 2005)	€ 658	€ 1,309	33%	23%	2.0	€ 623	€1,245	33%	24%	2.0
BREP IV (Apr 2003 /Dec 2005)	$ 2,737	$ 4,103	26%	15%	1.5	$1,130	$2,694	94%	65%	2.4
BREP Int'l II (Sep 2005 / Jun 2008)	€ 1,336	€ 1,297	-1%	-3%	1.0	€ 162	€ 209	8%	4%	1.3
BREP V (Dec 2005 / Feb 2007)	$ 5,742	$ 8,244	12%	9%	1.4	$1,041	$2,350	86%	64%	2.3
BREP VI (Feb 2007 /Aug 2011)	$10,099	$13,426	13%	8%	1.3	$ 141	$ 382	107%	89%	2.7

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

(a) Investments are considered partially realized when distributed proceeds, excluding current income (rent, dividends, interest, etc.), are a material portion of invested capital.
(b) Invested Capital includes recalled capital and side-by-side investments made by our employees.
(c) Carrying value includes realized proceeds and unrealized fair value.
(d) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value after management fees, expenses and Carried Interest.
(e) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.
(f) The Total Realized / Partially Realized Carrying Value includes remaining unrealized value of $905.9 million and €160.8 million.

The following table presents the investment record of the significant real estate carry funds, excluding separately managed accounts, from inception through September 30, 2011 for funds with open investment periods:

	Funds in the Investment Period					
		Total Investments				
		Total				
Fund (Investment Period)	Available Capital (a)	Invested Capital (b)	Carrying Value (c)	Gross IRR	Net IRR (d)	MOIC (e)
	(Amounts in Millions)					
BREP Europe III (Jun 2008 / Dec 2013)	€2,571	€ 633	€ 910	95%	18%	1.4
BSSF II (Jul 2009 / Aug 2017)	$ 795	$1,126	$1,310	18%	14%	1.2

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

(a) Available Capital represents total capital commitments, including side-by-side, adjusted for certain expenses and expired or recallable capital, less invested capital, and includes $264.9 million committed to deals but not yet invested. Additionally, the segment has $1.9 billion of Available Capital that has been reserved for add-on investments in funds that are fully invested.
(b) Invested Capital includes recalled capital and side-by-side investments made by our employees.
(c) Carrying value includes realized proceeds and unrealized fair value.
(d) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized fair value after management fees, expenses and Carried Interest.
(e) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.

The following table presents the Carried Interest status of our real estate carry funds with expired investment periods which are currently not generating performance fees as of September 30, 2011:

	Gain to Cross Carried Interest Threshold (a)	
Fully Invested Funds	Amount	% Change in Total Enterprise Value (b)
	(Amounts in Millions)	
BREP Int'l II (Sep 2005 / Jun 2008)	€731	16%

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

The Real Estate segment has two funds in their investment period, which were above their respective Carried Interest thresholds as of September 30, 2011: BREP Europe III, and BSSF II.

Hedge Fund Solutions

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

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees								
Base Management Fees	$ 79,355	$69,305	$ 10,050	15%	$234,257	$198,704	$ 35,553	18%
Transaction and Other Fees, Net	740	846	(106)	-13%	2,328	2,525	(197)	-8%
Management Fee Offsets	(258)	(163)	(95)	-58%	(578)	(235)	(343)	-146%
Total Management Fees	79,837	69,988	9,849	14%	236,007	200,994	35,013	17%
Performance Fees								
Realized	5,764	872	4,892	N/M	7,324	4,010	3,314	83%
Unrealized	(19,861)	14,137	(33,998)	N/M	2,833	21,954	(19,121)	-87%
Total Performance Fees	(14,097)	15,009	(29,106)	N/M	10,157	25,964	(15,807)	-61%
Investment Income (Loss)								
Realized	1,023	1,050	(27)	-3%	15,219	6,238	8,981	144%
Unrealized	(10,034)	7,831	(17,865)	N/M	(15,778)	12,962	(28,740)	N/M
Total Investment Income (Loss)	(9,011)	8,881	(17,892)	N/M	(559)	19,200	(19,759)	N/M
Interest and Dividend Revenue	500	498	2	0%	1,488	1,326	162	12%
Other	18	270	(252)	-93%	84	147	(63)	-43%
Total Revenues	57,247	94,646	(37,399)	-40%	247,177	247,631	(454)	-0%
Expenses								
Compensation and Benefits								
Compensation	31,319	24,506	6,813	28%	92,264	71,636	20,628	29%
Performance Fee Compensation								
Realized	2,257	3,313	(1,056)	-32%	2,810	4,440	(1,630)	-37%
Unrealized	(7,214)	5,075	(12,289)	N/M	1,099	7,881	(6,782)	-86%
Total Compensation and Benefits	26,362	32,894	(6,532)	-20%	96,173	83,957	12,216	15%
Other Operating Expenses	14,421	12,388	2,033	16%	43,504	36,026	7,478	21%
Total Expenses	40,783	45,282	(4,499)	-10%	139,677	119,983	19,694	16%
Economic Net Income	$ 16,464	$49,364	$(32,900)	-67%	$107,500	$127,648	$(20,148)	-16%

Revenues

Revenues were $57.2 million for the three months ended September 30, 2011, a decrease of $37.4 million compared to the three months ended September 30, 2010. The decrease in revenues was primarily attributed to decreases in Performance Fees and Investment Income (Loss) of $29.1 million and $17.9 million, respectively, partially offset by an increase of $9.8 million in Total Management Fees.

Total Management Fees were $79.8 million for the three months ended September 30, 2011, an increase of $9.8 million compared to $70.0 million for the three months ended September 30, 2010. Base Management Fees were $79.4 million for the three months ended September 30, 2011, an increase of $10.1 million compared to the prior year period, driven by an increase in Fee-Earning Assets Under Management of 17% from the prior year period, which was primarily from net inflows of $6.2 billion.

Performance Fees were $(14.1) million for the three months ended September 30, 2011, a decrease of $29.1 million compared to $15.0 million for the three months ended September 30, 2010. The returns of the underlying assets for Blackstone's Hedge Fund Solutions' funds were (4.1)% for the third quarter of 2011, a result of the return of turbulent markets. Fee-Earning Assets Under Management related to funds of funds above their respective high-water marks and/or hurdle, and therefore eligible for Performance Fees, decreased during the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

Revenues were $247.2 million for the nine months ended September 30, 2011, relatively flat compared to the nine months ended September 30, 2010. The decrease in revenues was primarily attributed to decreases of $15.8 million in Performance Fees to $10.2 million and $19.8 million in Investment Income to $(0.6) million, partially offset by an increase of $35.0 million in Total Management Fees to $236.0 million.

Total Management Fees were $236.0 million for the nine months ended September 30, 2011, an increase of $35.0 million compared to $201.0 million for the nine months ended September 30, 2010. Base Management Fees were $234.3 million for the nine months ended September 30, 2011, an increase of $35.6 million compared to the prior year period, driven by an increase in Fee-Earning Assets Under Management of 17% from the prior year period, which was primarily from net inflows.

Performance Fees were $10.2 million for the nine months ended September 30, 2011, a decrease of $15.8 million compared to $26.0 million for the nine months ended September 30, 2010. Investment Income was $(0.6) million for the nine months ended September 30, 2011, a decrease of $19.8 million from the prior year period. The returns of the underlying assets for Blackstone's Hedge Fund Solutions' funds were (2)% during the nine months ended September 30, 2011. Fee-Earning Assets Under Management related to funds of funds above their respective high-water marks and/or hurdle, and therefore eligible for Performance Fees, decreased during the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Expenses

Expenses were $40.8 million for the three months ended September 30, 2011, a decrease of $4.5 million compared to the three months ended September 30, 2010. The $4.5 million decrease was primarily attributed to a $6.5 million decrease in Total Compensation and Benefits, partially offset by a $2.0 million increase in Other Operating Expenses. Compensation was $31.3 million for the three months ended September 30, 2011, an increase of $6.8 million, compared to $24.5 million for the prior year period, primarily due to an increase in headcount to support the growth of the business. Other Operating Expenses increased $2.0 million to $14.4 million for the three months ended September 30, 2011, compared to $12.4 million for the three months ended September 30, 2010 primarily due to an increase in all other expenses, partially offset by a decrease in depreciation expense.

Expenses were $139.7 million for the nine months ended September 30, 2011, an increase of $19.7 million compared to the nine months ended September 30, 2010. The $19.7 million increase was primarily attributed to a $12.2 million increase in Total Compensation and Benefits and a $7.5 million increase in Other Operating Expenses. Compensation was $92.3 million for the nine months ended September 30, 2011, an increase of $20.6 million, compared to $71.6 million for the prior year period, primarily due to an increase in headcount to support the growth of the business. Other Operating Expenses increased $7.5 million to $43.5 million for the nine months ended September 30, 2011, compared to $36.0 million for the nine months ended September 30, 2010, primarily due to an increase in professional fees related to the growth of the business and other expenses.

Blackstone Asia Advisors

The India Fund, Inc. and The Asia Tigers Fund, Inc. (the "Funds") have announced that their Boards of Directors have approved a new management agreement with Aberdeen Asset Management Asia Limited, subject to approval by the Funds' stockholders. The transfer of management from Blackstone Asia Advisors, a

component of the Hedge Funds Solutions segment, is in connection with Blackstone's exit from the business of managing publicly listed closed-end investment companies focused on Asian equity markets. If the Funds' stockholders approve the new management agreements, Blackstone Asia's Fee-Earning Assets Under Management and Assets Under Management would each decrease by $1.1 billion, based on September 30, 2011 values. The approval by the Funds' stockholders and the transfer of the Funds' management contracts is expected to take place by December 31, 2011.

Operating Metrics

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Fee-Earning Assets Under Management				
Balance, Beginning of Period	$37,244,509	$28,832,317	$33,159,795	$27,451,309
Inflows, including Commitments	2,787,777	2,036,965	7,441,780	4,635,845
Outflows, including Distributions	(375,235)	(504,340)	(1,348,664)	(1,892,331)
Market Appreciation (Depreciation)	(2,426,038)	1,395,657	(2,021,898)	1,565,776
Balance, End of Period	$37,231,013	$31,760,599	$37,231,013	$31,760,599
Increase (Decrease)	$ (13,496)	$ 2,928,282	$ 4,071,218	$ 4,309,290
Increase (Decrease)	0%	10%	12%	16%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Assets Under Management				
Balance, Beginning of Period	$40,578,219	$30,176,931	$34,587,292	$28,799,326
Inflows, including Commitments	2,711,747	2,057,262	9,352,779	4,714,286
Outflows, including Distributions	(410,253)	(515,132)	(1,513,466)	(1,992,180)
Market Appreciation (Depreciation)	(2,506,621)	1,447,492	(2,053,513)	1,645,121
Balance, End of Period	$40,373,092	$33,166,553	$40,373,092	$33,166,553
Increase (Decrease)	$ (205,127)	$ 2,989,622	$ 5,785,800	$ 4,367,227
Increase (Decrease)	-1%	10%	17%	15%

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

	Fee-Earning Assets Under Management Eligible for Incentive Fees		Estimated % Above High Water Mark and/or Hurdle (a)	
	As of September 30,		As of September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
BAAM Managed Funds (b)	$19,486,179	$15,047,904	2%	66%

(a) Estimated % Above High Water Mark and / or Hurdle represents the percentage of Fee-Earning Assets Under Management Eligible for Incentive Fees that as of the dates presented would earn incentive fees when the applicable BAAM managed fund has positive investment performance (relative to a hurdle, where applicable). Incremental positive performance in the applicable Blackstone Funds may cause additional assets to reach their respective High Water Mark and / or Hurdle, thereby resulting in an increase in Estimated % Above High Water Mark and/or Hurdle.

(b) For the BAAM managed funds, at September 30, 2011 the incremental appreciation needed for the 98% of Fee-Earning Assets Under Management below their respective High Water Marks and / or Hurdle to reach their respective High Water Marks and / or Hurdle was $999.3 million, an increase of $512.4 million, or 105.2%, compared to $486.9 million at September 30, 2010. Of the Fee-Earning Assets Under Management below their respective High Water Marks and / or Hurdle as of September 30, 2011, 71% were within 5% of reaching their respective High Water Mark and / or Hurdle.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $37.2 billion at September 30, 2011, virtually unchanged from $37.2 billion at June 30, 2011. During the quarter there were inflows of $2.8 billion primarily from BAAM's commingled and customized investment products and long only solutions business, offset by market depreciation of $2.4 billion and outflows of $375.2 million. Outflows within the Hedge Funds Solutions segment are generally the result of the liquidity needs of our limited partners. BAAM had net inflows of $1.4 billion from October 1 through November 1, 2011.

Fee-Earning Assets Under Management were $37.2 billion at September 30, 2011, an increase of $4.1 billion, or 12%, compared to $33.2 billion at December 31, 2010. The change was primarily due to inflows of $7.4 billion primarily from BAAM's commingled and customized investment products and long only solutions business.

Assets Under Management

Assets Under Management were $40.4 billion at September 30, 2011, a decrease of $205.1 million, or 1%, compared to $40.6 billion at June 30, 2011. The change was primarily due to inflows of $2.7 billion which was primarily from BAAM's commingled and customized investment products, offset by market depreciation of $2.5 billion and outflows of $410.3 million.

Assets Under Management were $40.4 billion at September 30, 2011, an increase of $5.8 billion, or 17%, compared to $34.6 billion at December 31, 2010. The change was primarily due to inflows of $9.4 billion which was primarily from BAAM's hedge fund manager seeding platform, commingled and customized investment products and long only commodities and equity replacement business which was partially offset by market depreciation of $2.1 billion and outflows of $1.5 billion.

Composite Returns

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

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

	Three Months Ended September 30,				Nine Months Ended September 30,				Average Annual Net Returns (a) Periods Ended September 30, 2011							
	2011		2010		2011		2010		One Year		Three Year		Five Year		Historical	
Composite	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
BAAM Managed Funds, Core Funds Composite (b)	-4%	-4%	3%	3%	-2%	-3%	5%	5%	2%	1%	4%	3%	4%	3%	7%	6%

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

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

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

Credit Businesses

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

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees								
Base Management Fees	$ 59,557	$ 50,820	$ 8,737	17%	$171,578	$138,103	$ 33,475	24%
Transaction and Other Fees, Net	(26)	216	(242)	N/M	1,568	1,051	517	49%
Management Fee Offsets	(67)	(19)	(48)	N/M	(190)	(705)	515	73%
Total Management Fees	59,464	51,017	8,447	17%	172,956	138,449	34,507	25%
Performance Fees								
Realized	14,791	15,343	(552)	-4%	61,870	42,912	18,958	44%
Unrealized	(55,125)	63,199	(118,324)	N/M	22,932	112,940	(90,008)	-80%
Total Performance Fees	(40,334)	78,542	(118,876)	N/M	84,802	155,852	(71,050)	-46%
Investment Income (Loss)								
Realized	2,807	658	2,149	N/M	7,278	7,182	96	1%
Unrealized	(7,800)	5,350	(13,150)	N/M	2,169	9,741	(7,572)	-78%
Total Investment Income (Loss)	(4,993)	6,008	(11,001)	N/M	9,447	16,923	(7,476)	-44%
Interest and Dividend Revenue	1,404	1,252	152	12%	2,759	2,328	431	19%
Other	(132)	330	(462)	N/M	(81)	(461)	380	82%
Total Revenues	15,409	137,149	(121,740)	-89%	269,883	313,091	(43,208)	-14%
Expenses								
Compensation and Benefits								
Compensation	41,512	28,774	12,738	44%	106,007	84,099	21,908	26%
Performance Fee Compensation								
Realized	8,478	9,060	(582)	-6%	31,800	22,001	9,799	45%
Unrealized	(28,756)	34,760	(63,516)	N/M	11,258	66,678	(55,420)	-83%
Total Compensation and Benefits	21,234	72,594	(51,360)	-71%	149,065	172,778	(23,713)	-14%
Other Operating Expenses	11,210	9,669	1,541	16%	36,793	30,126	6,667	22%
Total Expenses	32,444	82,263	(49,819)	-61%	185,858	202,904	(17,046)	-8%
Economic Net Income (Loss)	$(17,035)	$ 54,886	$ (71,921)	N/M	$ 84,025	$110,187	$(26,162)	-24%

Revenues

Revenues were $15.4 million for the three months ended September 30, 2011, a decrease of $121.7 million compared to the three months ended September 30, 2010. The decrease in revenues was primarily attributed to decreases of $118.9 million in Performance Fees and $11.0 million in Investment Income (Loss), partially offset by an increase of $8.4 million in Total Management Fees.

Total Management Fees were $59.5 million for the three months ended September 30, 2011, an increase of $8.4 million from the prior year period. Base Management Fees were $59.6 million for the three months ended September 30, 2011, an increase of $8.7 million compared to the prior year period, primarily resulting from

higher Fee-Earning Assets Under Management due to greater invested capital in certain drawdown funds where management fees are only earned on invested capital as well as new capital raised for new and existing strategies.

Performance Fees were $(40.3) million for the three months ended September 30, 2011, a decrease of $118.9 million from the prior year period. The decrease in Performance Fees was primarily driven by a sell-off in the credit markets, thereby reversing prior period performance fee accruals. The returns of the underlying assets for Blackstone's credit-oriented business for the third quarter of 2011 was (5.0)% for the flagship hedge funds, (9.9)% for the rescue lending funds, due in each case to broad declines in the public debt markets, and 7.1% for the mezzanine funds, due primarily to favorable realizations of certain investments. Investment Income (Loss) also decreased for the three months ended September 30, 2011 to $(5.0) million, down $11.0 million from the prior year period.

The Realized Performance Fees for the three months ended September 30, 2011 of $14.8 million were driven primarily by realizations in the Credit Businesses' flagship hedge funds.

Revenues were $269.9 million for the nine months ended September 30, 2011, a decrease of $43.2 million compared to the nine months ended September 30, 2010. The decrease in revenues was primarily attributed to lower Performance Fees of $71.1 million and lower Investment Income of $7.5 million, partially offset by an increase of $34.5 million in Total Management Fees.

Performance Fees were $84.8 million for the nine months ended September 30, 2011, which is $71.1 million lower than the prior year period. The lower Performance Fees were primarily attributable to broad declines in the credit markets in the third quarter of 2011. The returns of the underlying assets for Blackstone's credit-oriented business was 4.5% for the flagship hedge funds, 22.7% for the mezzanine funds and 1.5% for the rescue lending funds for the nine months ended September 30, 2011.

The Realized Performance Fees for the nine months ended September 30, 2011 of $61.9 million were driven primarily by realizations in the Credit Businesses' mezzanine funds.

Total Management Fees were $173.0 million for the nine months ended September 30, 2011, an increase of $34.5 million from the prior year period. Base Management Fees were $171.6 million for the nine months ended September 30, 2011, an increase of $33.5 million compared to the prior year period, primarily due to higher Fee-Earning Assets Under Management.

Expenses

Expenses were $32.4 million for the three months ended September 30, 2011, a decrease of $49.8 million, or 61%, compared to the three months ended September 30, 2010. The $49.8 million decrease in expenses was primarily attributed to a decrease of $64.1 million in Performance Fee Compensation, partially offset by an increase of $12.7 million in Compensation. Performance Fee Compensation decreased consistent with the decrease in Performance Fee revenue. Compensation increased $12.7 million to $41.5 million for the three months ended September 30, 2011, compared to $28.8 million for the prior year period. Other Operating Expenses increased $1.5 million to $11.2 million for the three months ended September 30, 2011, compared to $9.7 million for the prior year period primarily due to an increase in professional fees.

Expenses were $185.9 million for the nine months ended September 30, 2011, a decrease of $17.0 million, or 8%, compared to the nine months ended September 30, 2010. The $17.0 million decrease in expenses was primarily attributed to a decrease of $45.6 million in Performance Fee Compensation, partially offset by increases of $21.9 million in Compensation and $6.7 million in Other Operating Expenses. Performance Fee Compensation was $43.1 million for the nine months ended September 30, 2011, compared to $88.7 million for the prior year period. The decrease was primarily due to lower Performance Fee accruals in the current year compared to the prior year period. Compensation increased $21.9 million to $106.0 million for the nine months

ended September 30, 2011, compared to $84.1 million for the prior year period, primarily due to higher compensation accruals resulting from an increase in base management fees. Other Operating Expenses increased $6.7 million to $36.8 million for the nine months ended September 30, 2011, compared to $30.1 million for the prior year period.

Operating Metrics

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Fee-Earning Assets Under Management				
Balance, Beginning of Period	$28,059,457	$23,556,109	$25,337,158	$20,416,237
Inflows, including Commitments	2,341,829	869,509	6,844,330	5,578,519
Outflows, including Distributions	(1,080,313)	(592,132)	(3,337,693)	(1,894,989)
Market Appreciation (Depreciation)	(605,553)	42,493	(128,375)	(223,788)
Balance, End of Period	$28,715,420	$23,875,979	$28,715,420	$23,875,979
Increase	$ 655,963	$ 319,870	$ 3,378,262	$ 3,459,742
Increase	2%	1%	13%	17%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Assets Under Management				
Balance, Beginning of Period	$33,791,093	$28,688,608	$31,052,368	$24,233,476
Inflows, including Commitments	1,803,439	1,108,102	6,304,505	7,331,075
Outflows, including Distributions	(1,155,274)	(1,001,511)	(3,805,976)	(2,685,115)
Market Appreciation (Depreciation)	(790,561)	820,717	97,800	736,480
Balance, End of Period	$33,648,697	$29,615,916	$33,648,697	$29,615,916
Increase (Decrease)	$ (142,396)	$ 927,308	$ 2,596,329	$ 5,382,440
Increase (Decrease)	0%	3%	8%	22%

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)				(Dollars in Thousands)			
Capital Deployed								
Limited Partner Capital Invested	$1,314,318	$692,275	$622,043	90%	$1,621,498	$1,113,419	$508,079	46%

As of September 30, 2011, 85% of the Fee-Earning Assets Under Management of $2.4 billion in the credit-oriented flagship hedge funds were above their respective high water marks compared to 91% of the Fee-Earning Assets Under Management of $2.7 billion as of September 30, 2010.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $28.7 billion at September 30, 2011, an increase of $656.0 million, or 2%, compared to $28.1 billion at June 30, 2011. The increase was primarily due to inflows of $2.3 billion due principally to capital raised across the long only platform and capital deployed from the

drawdown funds. Outflows of $1.1 billion during the quarter were principally due to deleveraging of certain CLO vehicles post their reinvestment periods.

Fee-Earning Assets Under Management were $28.7 billion at September 30, 2011, an increase of $3.4 billion, or 13%, compared to $25.3 billion at December 31, 2010. The increase was primarily due to inflows of $6.8 billion principally due to capital raised across its long only platform, including the acquisition of $2.2 billion of CLO vehicles in the second quarter of 2011, and capital deployed from its drawdown funds, partially offset by outflows of $3.3 billion since December 31, 2010 principally due to deleveraging of certain CLO vehicles post their reinvestment periods and realizations in the drawdown funds.

Assets Under Management

Assets Under Management were $33.6 billion at September 30, 2011, relatively flat compared to $33.8 billion at June 30, 2011. The decrease was primarily due to outflows of $1.2 billion and market depreciation of $790.6 million, mostly offset by inflows of $1.8 billion principally due to capital raised across its long only platform. Outflows of $1.2 billion during the quarter were principally due to deleveraging of certain CLO vehicles post their reinvestment periods.

Assets Under Management were $33.6 billion at September 30, 2011, an increase of $2.6 billion, or 8%, compared to $31.1 billion at December 31, 2010. The increase was primarily due to inflows of $6.3 billion principally due to the acquisition of $2.3 billion of CLO vehicles and capital raised across its long only platform, partially offset by outflows of $3.8 billion due to deleveraging of certain CLO vehicles post their reinvestment periods and realizations in the drawdown funds.

Limited Partner Capital Invested

For the three months ended September 30, 2011, Limited Partner Capital Invested was $1.3 billion, an increase of $622.0 million from $692.3 million for the three months ended September 30, 2010. For the nine months ended September 30, 2011, Limited Partner Capital Invested was $1.6 billion, an increase of $508.1 million from $1.1 billion for the nine months ended September 30, 2010.

Fund Returns

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

The following table presents the return information of the segment's Flagship Hedge Funds:

	Three Months Ended September 30,				Nine Months Ended September 30,				Average Annual Returns (a) — Periods Ended September 30, 2011							
	2011		2010		2011		2010		One Year		Three Year		Five Year		Historical	
Fund	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Flagship Hedge Funds (b)	-5%	-4%	7%	6%	4%	3%	13%	9%	12%	9%	10%	7%	10%	7%	11%	7%

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

(a) Average annual returns present a summarized asset weighted return measure to evaluate the overall performance of the applicable class of Blackstone Funds.
(b) The Flagship Hedge Funds' returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The historical return is from August 1, 2005, which is before Blackstone's acquisition of GSO in March 2008.

The following table presents the Internal Rates of Return of our significant Credit Businesses drawdown funds:

	Three Months Ended September 30,				Nine Months Ended September 30,					
	2011		2010		2011		2010		Inception to Date	
Fund (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Mezzanine Funds (b)	7%	6%	4%	3%	23%	18%	16%	11%	23%	17%
Rescue Lending Funds (c)	-10%	-6%	25%	7%	2%	-1%	62%	30%	26%	13%

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

(a) Net returns are based on the change in carrying value (realized and unrealized) after management fees, expenses and performance fee allocations.
(b) The Mezzanine Funds' returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The inception to date return is from July 16, 2007, which is before Blackstone's acquisition of GSO in March 2008.
(c) The Rescue Lending Funds' returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The inception to date returns are from September 29, 2009, which is when the funds commenced investing.

The following table presents the investment record of the significant Credit Businesses drawdown funds from inception through September 30, 2011 for funds with open investment periods:

	Funds in the Investment Period								
		Total Investments					Realized/Partially Realized Investments (a)		
		Total					Total		
Fund (Investment Period)	Available Capital (b)	Invested Capital (c)	Carrying Value (d)	Gross IRR	Net IRR (e)	MOIC (f)	Invested Capital (c)	Carrying Value (d) (g)	MOIC (f)
	(Dollars in Millions)						(Dollars in Millions)		
Mezzanine Funds (Jul 2007 / Jul 2012)	$ 228	$2,608	$3,433	23%	16%	1.3	$1,074	$1,639	1.5
Rescue Lending Funds (May 2009 / May 2013)	1,643	1,911	2,182	26%	13%	1.1	305	356	1.2

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

(a) Investments are considered partially realized when realized proceeds, excluding current income (dividends, interest, etc.) are a material portion of invested capital.
(b) Available Capital represents total capital commitments adjusted for certain expenses and expired or recallable capital, less invested capital.
(c) Invested Capital includes recalled capital.
(d) Carrying value includes realized proceeds and unrealized fair value.

(e) Net Internal Rate of Return ("IRR") represents the annualized inception to date IRR on total invested capital based on realized proceeds and unrealized value after management fees, expenses and Carried Interest.
(f) Multiple of Invested Capital ("MOIC") represents carrying value, before management fees, expenses and Carried Interest, divided by total invested capital.
(g) The Realized / Partially Realized Carrying Value includes remaining unrealized value of $545.2 million.

As of September 30, 2011, the significant Credit Businesses drawdown funds that are in their investment period were above their respective Carried Interest thresholds (i.e., the preferred return payable to its limited partners before the general partner is eligible to receive Carried Interest).

Financial Advisory

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

	Three Months Ended September 30,		2011 vs. 2010		Nine Months Ended September 30,		2011 vs. 2010	
	2011	2010	$	%	2011	2010	$	%
	(Dollars in Thousands)							
Segment Revenues								
Advisory Fees	$86,178	$84,541	$ 1,637	2%	$258,673	$295,208	$(36,535)	-12%
Transaction and Other Fees, Net	98	—	98	N/M	314	103	211	N/M
Total Advisory and Transaction Fees	86,276	84,541	1,735	2%	258,987	295,311	(36,324)	-12%
Investment Income								
Realized	(44)	469	(513)	N/M	279	607	(328)	-54%
Unrealized	(171)	607	(778)	N/M	207	1,398	(1,191)	-85%
Total Investment Income	(215)	1,076	(1,291)	N/M	486	2,005	(1,519)	-76%
Interest and Dividend Revenue	1,615	1,609	6	0%	5,024	4,273	751	18%
Other	(304)	477	(781)	N/M	115	(797)	912	N/M
Total Revenues	87,372	87,703	(331)	-0%	264,612	300,792	(36,180)	-12%
Expenses								
Compensation and Benefits								
Compensation	61,530	66,531	(5,001)	-8%	191,659	197,175	(5,516)	-3%
Other Operating Expenses	20,218	17,253	2,965	17%	57,716	49,296	8,420	17%
Total Expenses	81,748	83,784	(2,036)	-2%	249,375	246,471	2,904	1%
Economic Net Income	$ 5,624	$ 3,919	$ 1,705	44%	$ 15,237	$ 54,321	$(39,084)	-72%

Revenues

Revenues were $87.4 million for the three months ended September 30, 2011, relatively flat compared to $87.7 million for the three months ended September 30, 2010. The decrease in revenues was driven primarily by a decrease in Blackstone's restructuring and reorganization business, offset by an increase in Blackstone's fund placement business and Blackstone Advisory Partners' business. The decrease in Blackstone's restructuring and reorganization business was due to several significant transactions completed in the prior year period, as well as a

decrease in the number of transactions completed, compared to the prior year period. The increase in fees earned by Blackstone's fund placement business was primarily due to the timing of closings. The increase in Blackstone Advisory Partners' business was due to an increase in the number and size of transactions completed compared to the prior year period.

Revenues were $264.6 million for the nine months ended September 30, 2011, a decrease of $36.2 million, or 12%, compared to $300.8 million for the nine months ended September 30, 2010. The decrease in revenues was driven primarily by a decrease in Blackstone's restructuring and reorganization business, partially offset by an increase in Blackstone's fund placement business. The decrease in Blackstone's restructuring and reorganization business was due to the same reasons described above. The increase in fees earned by Blackstone's fund placement business was due to improvements in the fund-raising of capital from institutional investors for alternative investment products improved compared to the prior year period. Blackstone Advisory Partners' business has experienced a similar level of transaction activity compared to the prior year period.

Expenses

Expenses were $81.7 million for the three months ended September 30, 2011, compared to $83.8 million for the three months ended September 30, 2010. Compensation and Benefits decreased $5.0 million over the three months ended September 30, 2010, principally due to a decrease in compensation expense in our restructuring and reorganization business and Blackstone Advisory Partners' business, partially offset by an increase in such costs in our fund placement business. Compensation expense for these businesses is related to their financial performance. Other Operating Expenses increased $3.0 million over the three months ended September 30, 2010, principally due to increases in all other expenses.

Expenses were $249.4 million for the nine months ended September 30, 2011, an increase of $2.9 million, or 1%, compared to $246.5 million for the nine months ended September 30, 2010. Compensation and Benefits decreased $5.5 million compared to the nine months ended September 30, 2010, principally due to a decrease in compensation expense in our restructuring and reorganization business and Blackstone Advisory Partners' business, partially offset by an increase in such costs in our fund placement business. Compensation expense for these businesses is related to their financial performance. Other Operating Expenses increased $8.4 million over the nine months ended September 30, 2010, principally due to increases in all other expenses.

Liquidity and Capital Resources

Liquidity and Capital Resources

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

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

Total assets were $22.1 billion as of September 30, 2011, an increase of $3.2 billion from December 31, 2010. The increase in total assets was primarily attributable to a $2.9 billion increase in Investments. Total liabilities were $13.5 billion as of September 30, 2011, an increase of $2.9 billion from December 31, 2010. The increase in total liabilities was primarily due to an increase in Loans Payable of $2.2 billion.

For the three months ended September 30, 2011, we had Total Fee Related Revenues of $448.1 million and related expenses of $346.1 million, generating Net Fee Related Earnings from Operations of $102.0 million and Distributable Earnings of $120.1 million. For the nine months ended September 30, 2011, we had Total Fee Related Revenues of $1.4 billion and related expenses of $1.1 billion, generating Net Fee Related Earnings from Operations of $332.4 million and Distributable Earnings of $501.2 million.

We have multiple sources of liquidity to meet our capital needs, including annual cash flows, accumulated earnings in the businesses, investments in our own Treasury and liquid funds and access to our debt capacity, including our $1.02 billion committed revolving credit facility and the proceeds from our 2009 and 2010 issuances of senior notes. As of September 30, 2011, Blackstone had $593.0 million in cash, $1.1 billion invested in Blackstone's Treasury cash management strategies, $183.1 million invested in liquid Blackstone Funds, $1.8 billion invested in illiquid Blackstone Funds and $141.7 million in other investments, against $1.0 billion in borrowings from our 2009 and 2010 bond issuances.

We use Distributable Earnings, which is derived from our segment reported results, as a supplemental non-GAAP measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships. Distributable Earnings is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. Distributable Earnings, which is a component of Economic Net Income, is the sum across all segments of: (a) Total Management and Advisory Fees, (b) Interest and Dividend Revenue, (c) Other Revenue, (d) Realized Performance Fees, and (e) Realized Investment Income (Loss); less (a) Compensation, (b) Realized Performance Fee Compensation, (c) Other Operating Expenses and (d) Cash Taxes and Payables Under the Tax Receivable Agreement. Distributable Earnings is reconciled to Blackstone's Consolidated Statement of Operations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Fee Related Earnings				
Revenues				
Total Management and Advisory Fees (a)	$442,639	$376,249	$1,381,908	$1,156,321
Interest and Dividend Revenue (a)	10,110	10,187	28,841	25,807
Other (a)	(1,667)	4,468	1,720	574
Investment Income (Loss) — Blackstone's Treasury Cash Management Strategies (b)	(3,011)	11,226	2,329	19,953
Total Revenues	448,071	402,130	1,414,798	1,202,655
Expenses				
Compensation and Benefits — Compensation (a)	243,840	210,582	752,476	621,881
Other Operating Expenses (a)	96,932	84,253	299,270	245,436
Cash Taxes (c)	5,290	(5,619)	30,646	15,764
Total Expenses	346,062	289,216	1,082,392	883,081
Net Fee Related Earnings from Operations	102,009	112,914	332,406	319,574
Performance Fees, Net of Related Compensation				
Performance Fees — Realized (a)	7,897	66,039	163,712	166,294
Compensation and Benefits — Performance Fee Compensation — Realized (a)	(10,543)	(24,962)	(52,797)	(55,582)
Total Performance Fees, Net of Compensation	(2,646)	41,077	110,915	110,712
Investment Income and Other				
Investment Income — Realized (a)	31,647	14,276	85,878	35,304
Adjustment Related to Realized Investment Income — Blackstone's Treasury Cash Management Strategies (d)	(309)	(4,874)	(3,662)	(5,626)
Other Payables Including Payable Under Tax Receivable Agreement	(10,589)	2,923	(24,344)	2,623
Total Investment Income and Other	20,749	12,325	57,872	32,301
Distributable Earnings	$120,112	$166,316	$ 501,193	$ 462,587

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

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars in Thousands)			
Income (Loss) Before Provision for Taxes	$(994,412)	$ 143,302	$ (628,402)	$ (721,297)
IPO and Acquisition-Related Charges (a)	258,435	438,568	1,104,779	1,915,220
Amortization of Intangibles (b)	45,665	40,872	134,744	121,206
(Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities (c)	310,129	(254,651)	473,733	(340,465)
Total Segments, Economic Net Income	(380,183)	368,091	1,084,854	974,664
Performance Fees Adjustment (d)	457,279	(258,784)	(816,576)	(470,634)
Investment Income (Loss) Adjustment (e)	134,106	(142,523)	(129,539)	(402,258)
Investment Income (Loss) — Blackstone's Treasury Cash Management Strategies (f)	(3,011)	11,226	2,329	19,953
Performance Fee Compensation and Benefits Adjustment (g)	(100,892)	129,285	221,984	213,613
Taxes Payable (h)	(5,290)	5,619	(30,646)	(15,764)
Net Fee Related Earnings from Operations	102,009	112,914	332,406	319,574
Realized Performance Fees (i)	(2,646)	41,077	110,915	110,712
Realized Investment Income (j)	31,647	14,276	85,878	35,304
Adjustment Related to Realized Investment Income — Blackstone's Treasury Cash Management Strategies (k)	(309)	(4,874)	(3,662)	(5,626)
Other Payables Including Payable Under Tax Receivable Agreement	(10,589)	2,923	(24,344)	2,623
Distributable Earnings	$ 120,112	$ 166,316	$ 501,193	$ 462,587
Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations (l)	$ 128,201	$ 124,195	$ 425,723	$ 377,866

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

(b) This adjustment adds back to Income (Loss) Before Provision for Taxes amounts for the Amortization of Intangibles which are associated with Blackstone's initial public offering and other corporate actions.

(c) This adjustment adds back to Income (Loss) Before Provision for Taxes the amount of (Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities and includes the amount of Management Fee Revenues associated with Consolidated CLO Vehicles.

(d) This adjustment removes from ENI the total segment amount of Performance Fees.

(e) This adjustment removes from ENI the total segment amount of Investment Income (Loss).

(f) This adjustment represents the realized and unrealized gain (loss) on Blackstone's Treasury cash management strategies which are a component of Investment Income (Loss) but included in Net Fee Related Earnings.

(g) This adjustment removes from expenses the compensation and benefit amounts related to Blackstone's profit sharing plans related to Performance Fees.

(h) Represents an implied payable for income taxes calculated using a similar methodology applied in calculating the current provision for The Blackstone Group L.P.

(i) Represents the adjustment for realized Performance Fees net of corresponding actual amounts due under Blackstone's profit sharing plans related thereto.

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

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

(l) Earnings Before Interest, Taxes and Depreciation and Amortization from Net Fee Related Earnings from Operations represents Net Fee Related Earnings from Operations adding back the implied cash taxes payable component from the Distributable Earnings reconciliation presented above, which is included in (h), and segment interest and segment depreciation and amortization. The cash taxes payable component of (h) was $5.3 million and $(5.6) million for the three months ended September 30, 2011 and 2010, respectively. The cash taxes payable component of (h) was $30.6 million and $15.8 million for the nine months ended September 30, 2011 and 2010, respectively. Interest was $12.6 million and $10.3 million for the three months ended September 30, 2011 and 2010, respectively. Interest was $38.4 million and $23.5 million for the nine months ended September 30, 2011 and 2010, respectively. Depreciation and amortization was $8.3 million and $6.6 million for the three months ended September 30, 2011 and 2010, respectively. Depreciation and amortization was $24.3 million and $19.0 million for the nine months ended September 30, 2011 and 2010, respectively.

Our Sources of Cash and Liquidity Needs

We expect that our primary liquidity needs will be cash to (a) provide capital to facilitate the growth of our existing businesses which principally includes funding our general partner and co-investment commitments to our funds, (b) provide capital to facilitate our expansion into new businesses that are complementary, (c) pay operating expenses, including cash compensation to our employees and other obligations as they arise, (d) fund modest capital expenditures, (e) repay borrowings and related interest costs, (f) pay income taxes and (g) make distributions to our unitholders and the holders of Blackstone Holdings Partnership Units. Our own capital commitments to our funds, the funds we invest in and our investment strategies as of September 30, 2011 consisted of the following:

Fund	Original Commitment	Remaining Commitment
	(Dollars in Thousands)	
Private Equity		
BCP VI	$ 713,852	$ 691,845
BCP V	629,356	83,543
BCP IV	150,000	9,167
BCOM	50,000	5,074
Blackstone Clean Technology Partners	4,575	515
Blackstone Energy Partners ("BEP")	18,399	17,302
China Fund ("RMB")	6,945	5,927
Woori Blackstone Korea I	5,173	3,029
Real Estate Funds		
BREP VII	300,000	300,000
BREP VI	750,000	96,902
BREP V	52,545	2,458
BREP International II	27,404	2,297
BREP Europe III	100,000	79,605
Blackstone Real Estate Special Situations Fund II	43,016	9,671
Blackstone Real Estate Special Situations Fund G	2,500	551
Blackstone Commerical Real Estate Debt Fund	10,000	5,433
Hedge Fund Solutions		
Strategic Alliance II	50,000	33,945
Strategic Alliance	50,000	2,291
Credit Businesses		
BMezz II	17,692	3,162
BMezz	41,000	2,590
Blackstone Credit Liquidity Partners	32,244	3,192
Blackstone / GSO Capital Solutions	50,000	25,366
Other (a)	27,785	9,520
Total	$3,132,486	$1,393,385

(a) Represents capital commitments to a number of other Credit Businesses funds.

For some of the general partner commitments shown in the table above we require our senior managing directors and certain other professionals to fund a portion of the commitment even though the ultimate obligation to fund the aggregate commitment is ours pursuant to the governing agreements of the respective funds. For BCP VI, BREP VI, BREP Europe III and BREP VII, it is intended that our senior managing directors and certain other professionals will fund $250 million, $150 million, $35 million and $100 million, respectively, of the aggregate applicable general partner commitment shown above. In addition, certain senior managing directors and other professionals are required to fund a de minimis amount of the commitment in the other private equity, real estate and credit-oriented carry funds. We expect our commitments to be drawn down over time and to be

funded by available cash and cash generated from operations and realizations. Taking into account prevailing market conditions and both the liquidity and cash or liquid investment balances, we believe that the sources of liquidity described below will be more than sufficient to fund our working capital requirements.

On March 23, 2010, indirect subsidiaries of Blackstone entered into an unsecured revolving credit facility (the "Credit Facility") with Citibank, N.A., as Administrative Agent. On November 23, 2010, the Credit Facility was amended to set the facility aggregate borrowing limit at $1.02 billion. On April 8, 2011, the Credit Facility was further amended to extend the maturity date from March 23, 2013 to April 8, 2016. Borrowings may also be made in U.K. Sterling or Euros, in each case subject to certain sub-limits. The Credit Facility contains customary representations, covenants and events of default. Financial covenants consist of a maximum net leverage ratio and a requirement to keep a minimum amount of fee generating assets under management, each tested quarterly.

In August 2009, Blackstone Holdings Finance Co. L.L.C. issued $600 million in aggregate principal amount of 6.625% Senior Notes which will mature on August 15, 2019, unless earlier redeemed or repurchased. In September 2010, Blackstone Holdings Finance Co. L.L.C. issued $400 million in aggregate principal amount of 5.875% Senior Notes which will mature on March 15, 2021, unless earlier redeemed or repurchased. (Both issuances of Senior Notes are collectively referred to as the "Notes".) The notes are unsecured and unsubordinated obligations of Blackstone Holdings Finance Co. L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Blackstone Group L.P. and each of the Blackstone Holdings partnerships. The Notes contain customary covenants and financial restrictions that among other things limit Blackstone Holdings Finance Co. L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The Notes also contain customary events of default. All or a portion of the Notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the Notes. If a change of control repurchase event occurs, the Notes are subject to repurchase at the repurchase price as set forth in the Notes.

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

Blackstone's general partner maintains the right to determine the amount to be distributed from The Blackstone Group L.P.'s net after-tax share of its annual Distributable Earnings. Distributable Earnings will only be a starting point for the determination of the amount to be distributed to unitholders because in determining the amount to be distributed Blackstone will subtract from Distributable Earnings any amounts determined by its general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future distributions to its unitholders for any ensuing quarter. The aggregate amounts of Blackstone's distributions to unitholders will typically be less than its Distributable Earnings for that year.

Although for calendar 2010 Blackstone distributed substantially all of its net after-tax annual Distributable Earnings, Blackstone's current intention is to distribute to its common unitholders substantially all of The Blackstone Group L.P.'s net after-tax share of annual Distributable Earnings less the amount of its realized investment gains. This determination was made based on the continued pace of organic and inorganic growth and the potential for further strategic initiatives and the retained amount will be used for those purposes. The retained cash will be deducted from the fourth quarter distribution which is made in the first quarter of the ensuing

calendar year. Distributions for the first three quarters will remain unchanged at $0.10 per unit. All distributions are subject to Blackstone's discretion to retain additional amounts from the amount of annual Distributable Earnings to be distributed as described above.

Because Blackstone will not know what its Distributable Earnings will be for any fiscal year until the end of such year, Blackstone expects that its first three quarterly distributions in respect of any given year will be based on its anticipated annualized Net Fee Related Earnings. As such, the distributions for the first three quarters are expected to be smaller than the final quarterly distribution in respect of such year. For the fourth quarter of 2011 Blackstone expects to pay the remaining amount of the year's Distributable Earnings less realized investment gains.

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

Because the wholly-owned subsidiaries of The Blackstone Group L.P. must pay taxes and make payments under the tax receivable agreements described in Blackstone's 2010 Annual Report on Form 10-K, the amounts ultimately distributed by The Blackstone Group L.P. to its common unitholders in respect of fiscal 2011 and subsequent years are expected to be different, on a per unit basis, than the amounts distributed by the Blackstone Holdings partnerships to the Blackstone personnel and others who are limited partners of the Blackstone Holdings partnerships in respect of their Blackstone Holdings partnership units.

In January 2008, the Board of Directors of our general partner, Blackstone Group Management L.L.C., authorized the repurchase of up to $500 million of our common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of Blackstone common units and Blackstone Holdings Partnership Units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the nine months ended September 30, 2011, we repurchased 116,270 vested Blackstone Holdings Partnership Units as part of the unit repurchase program for a total cost of $2.1 million. As of September 30, 2011, the amount remaining available for repurchases was $335.8 million under this program.

We may under certain circumstances use leverage opportunistically and over time to create the most efficient capital structure for Blackstone and our public common unitholders, including through the issuance of debt securities. As of September 30, 2011, we had total partners' capital of $7.8 billion, including $593.0 million in cash, $1.1 billion invested in Blackstone's Treasury cash management strategies, $183.1 million invested in liquid Blackstone Funds, $1.8 billion invested in illiquid Blackstone Funds and $141.7 million in other investments, against $1.0 billion in borrowings from our 2009 and 2010 bond issuances.

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

	Reverse Repurchase Agreements	Repurchase Agreements	Securities Sold, Not Yet Purchased
	(Dollars in Millions)		
Balance, September 30, 2011	$ 194.9	$ 210.6	$ 194.8
Balance, December 31, 2010	181.4	62.7	116.7
Nine Months Ended September 30, 2011			
Average Daily Balance	173.7	104.9	143.7
Maximum Daily Balance	369.4	250.7	346.2

Our private equity funds, real estate funds and funds of hedge funds have not historically utilized substantial leverage at the fund level other than (a) for short-term borrowings between the date of an investment and the receipt of capital from the investing fund's investors, and (b) long-term borrowings for certain investments in aggregate amounts which are generally 2% to 6% of the capital commitments of the respective fund. Our carry funds make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

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

Critical Accounting Policies

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

Principles of Consolidation

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

In addition, the Partnership consolidates all variable interest entities ("VIE") in which it is the primary beneficiary. An enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The consolidation guidance requires an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a VIE and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Where the VIEs have qualified for the deferral of the consolidation guidance, the analysis is based on previous consolidation guidance. VIEs qualify for the deferral of the consolidation guidance if all of the following conditions have been met:

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

(b) The reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and

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

This guidance requires an analysis to determine (a) whether an entity in which the Partnership holds a variable interest is a variable interest entity and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would be expected to absorb a majority of the variability of the entity. Under both guidelines, the Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a variable interest entity and reconsiders that conclusion continuously. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly by the Partnership and its affiliates or indirectly through employees. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Funds could affect an entity's status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

Revenue Recognition

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

Please refer to "Part I. Item 1. Business — Incentive Arrangements / Fee Structure" in our 2010 Annual Report on Form 10-K for additional information regarding the manner in which Base Management Fees and Performance Fees are generated.

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

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

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

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

On credit-oriented funds structured like hedge funds:

- 0.75% to 2.00% of net asset value.

On credit-oriented funds separately managed accounts:

- 0.35% to 1.00% of net asset value.

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

- 0.65% to 1.50% of assets under management.

On CLO vehicles:

- 0.40% to 1.25% of total assets.

On closed-end mutual funds and registered investment companies:

- 0.50% to 1.50% of fund assets.

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

Management fee offsets are reductions to management fees payable by our limited partners, which are granted based on the amount they reimburse Blackstone for placement fees.

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

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

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

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

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

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

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

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

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

Expenses

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

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

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

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

Fair Value of Financial Instruments

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

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

- Level I — Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I include listed equities, listed derivatives and mutual funds with quoted prices. The Partnership does not adjust the quoted price for these investments, even in situations where Blackstone holds a large position and a sale could reasonably impact the quoted price.
- Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans, government and agency securities, less liquid and restricted equity securities, certain over-the-counter derivatives where the fair value is based on observable inputs, and certain fund of hedge funds investments in which Blackstone has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.
- Level III — Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include general and limited partnership interests in private equity

and real estate funds, credit-oriented funds, distressed debt and non-investment grade residual interests in securitizations, collateralized loan obligations, certain over the counter derivatives where the fair value is based on unobservable inputs and certain funds of hedge funds which use net asset value per share to determine fair value in which Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date. Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date if an investee fund manager has the ability to limit the amount of redemptions, and/or the ability to side-pocket investments, irrespective of whether such ability has been exercised.

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

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

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

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

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

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

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

Investments, at Fair Value

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

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

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

In addition, the Partnership has elected the fair value option for the assets and liabilities of certain CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts. The adjustment resulting from the difference between the fair value of assets and liabilities for each of these events is presented within the Condensed Consolidated Statement of Financial Condition as a transition and acquisition adjustment to Appropriated Partners' Capital. Assets of the consolidated CLOs are presented within Investments within the Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. The methodology for measuring the fair value of such assets and liabilities is consistent with the methodology applied to private equity, real estate, and credit-oriented investments. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption and acquisition are presented within Net Gains from Fund Investment Activities. Amounts

attributable to Non-Controlling Interests in Consolidated Entities in the Condensed Consolidated Statements of Operations have a corresponding adjustment to Appropriated Partners' Capital.

Further disclosure on instruments for which the fair value option has been elected is presented in Note 7. "Fair Value Option" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

Intangibles and Goodwill

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

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

The carrying value of goodwill was $1.7 billion as of September 30, 2011 and December 31, 2010. Intangibles and goodwill are reviewed for impairment at least annually, or more frequently if circumstances indicate impairment may have occurred. As of September 30, 2011 and December 31, 2010, the fair value of the Partnership's operating segments substantially exceeded their respective carrying values.

We test goodwill for impairment at the operating segment level (the same as our segments). Management has organized the firm into five operating segments. All of the components in each segment have similar economic characteristics and management makes key operating decisions based on the performance of each segment. Therefore, we believe that operating segment is the appropriate reporting level for testing the impairment of goodwill. In determining fair value for each of our segments, we utilize a discounted cash flow methodology based on the adjusted cash flows from operations for each segment. We believe this method provides the best approximation of fair value. In calculating the discounted cash flows, we begin with the adjusted cash flows from operations of each segment. We then determine the most likely growth rate by operating segment for each of the next nine years and assume a terminal value by segment. We do not apply a control premium. The discounted cash flow analysis includes the Blackstone issued notes and borrowings under the revolving credit facility, if any, and includes an allocation of interest expense to each segment for the unused commitment fee on Blackstone's revolving credit facility. We use a discount rate that reflects the weighted average cost of capital adjusted for the risks inherent in the future cash flows.

Off-Balance Sheet Arrangements

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

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

- Note 6. "Derivative Financial Instruments",
- Note 9. "Variable Interest Entities", and

- Note 16. "Commitments and Contingencies — Commitments — Investment Commitments" and "— Contingencies — Guarantees".

Recent Accounting Developments

Information regarding recent accounting developments and their impact on Blackstone can be found in Note 2. "Summary of Significant Accounting Policies" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements."

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations as of September 30, 2011 on a consolidated basis and on a basis deconsolidating the Blackstone funds:

Contractual Obligations	October 1, 2011 to December 31, 2011	2012–2013	2014–2015	Thereafter	Total
	(Dollars in Thousands)				
Operating Lease Obligations (a)	$ 15,311	$ 112,082	$ 93,523	$ 252,807	$ 473,723
Purchase Obligations	7,989	13,749	3,494	118	25,350
Blackstone Issued Notes and Revolving Credit Facility (b)	—	—	—	1,000,000	1,000,000
Interest on Blackstone Issued Notes and Revolving Credit Facility (c)	15,813	126,500	126,500	266,490	535,303
Blackstone Operating Entities Loan and Credit Facilities Payable (d)	297	9,770	5,040	—	15,107
Interest on Blackstone Operating Entities Loan and Credit Facilities Payable (e)	107	170	11	—	288
Blackstone Funds and CLO Vehicles Debt Obligations Payable (f)	—	97,047	1,031,353	8,573,038	9,701,438
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (g)	40,821	325,826	279,827	680,802	1,327,276
Blackstone Funds Capital Commitments to Investee Funds (h)	29,937	—	—	—	29,937
Due to Certain Non-Controlling Interest Holders in Connection with Tax Receivable Agreements (i)	—	46,849	160,417	1,146,866	1,354,132
Blackstone Operating Entities Capital Commitments to Blackstone Funds and Other (j)	1,393,385	—	—	—	1,393,385
Consolidated Contractual Obligations	1,503,660	731,993	1,700,165	11,920,121	15,855,939
Blackstone Funds and CLO Vehicles Debt Obligations Payable (f)	—	(97,047)	(1,031,353)	(8,573,038)	(9,701,438)
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (g)	(40,821)	(325,826)	(279,827)	(680,802)	(1,327,276)
Blackstone Funds Capital Commitments to Investee Funds (h)	(29,937)	—	—	—	(29,937)
Blackstone Operating Entities Contractual Obligations	$ 1,432,902	$ 309,120	$ 388,985	$ 2,666,281	$ 4,797,288

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

(b) Represents the principal amount due on the 6.625% and 5.875% senior notes we issued. As of September 30, 2011, we had no outstanding borrowings under our revolver.

(c) Represents interest to be paid over the maturity of our 6.625% and 5.875% senior notes and borrowings under our revolving credit facility which has been calculated assuming no prepayments are made and debt is held until its final maturity date. These amounts exclude commitment fees for unutilized borrowings under our revolver.

(d) Represents borrowings for employee term facilities program and a capital asset facility.

(e) Represents interest to be paid over the maturity of the related debt obligation which has been calculated assuming no prepayments are made and debt is held until its final maturity date. The future interest payments are calculated using variable rates in effect as of September 30, 2011, at spreads to market rates pursuant to the financing agreements, and range from 1.05% to 1.50%.

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

(g) Represents interest to be paid over the maturity of the related Blackstone Funds' and CLO vehicles' debt obligations which has been calculated assuming no prepayments will be made and debt will be held until its final maturity date. The future interest payments are calculated using variable rates in effect as of September 30, 2011, at spreads to market rates pursuant to the financing agreements, and range from 0.47% to 17.00%. The majority of the borrowings are due on demand and for purposes of this schedule are assumed to mature within one year. Interest on the majority of these borrowings rolls over into the principal balance at each reset date.

(h) These obligations represent commitments of the consolidated Blackstone Funds to make capital contributions to investee funds and portfolio companies. These amounts are generally due on demand and are therefore presented in the less than one year category.

(i) Represents obligations by the Partnership's corporate subsidiary to make payments under the Tax Receivable Agreements to certain non-controlling interest holders for the tax savings realized from the taxable purchases of their interests in connection with the reorganization at the time of Blackstone's initial public offering in 2007 and subsequent purchases. The obligation represents the amount of the payments currently expected to be made, which are dependent on the tax savings actually realized as determined annually without discounting for the timing of the payments. As required by GAAP, the amount of the obligation included in the Condensed Consolidated Financial Statements and shown in Note 15. "Related Party Transactions" (see "Part I. Item 1. Financial Statements") differs to reflect the net present value of the payments due to certain non-controlling interest holders.

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

Guarantees

Certain of Blackstone's consolidated real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. There is no direct recourse to the Partnership to fulfill such obligations. To the extent that underlying funds are required to fulfill guarantee obligations, the Partnership's invested capital in such funds is at risk. Total investments at risk in respect of guarantees extended by real estate funds were $5.2 million as of September 30, 2011.

Indemnifications

In many of its service contracts, Blackstone agrees to indemnify the third party service provider under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our Condensed Consolidated Financial Statements as of September 30, 2011.

Clawback Obligations

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

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

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 investment income.

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

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

Effect on Fund Management Fees

Our management fees are based on (a) third parties' capital commitments to a Blackstone Fund, (b) third parties' capital invested in a Blackstone Fund or (c) the net asset value, or NAV, of a Blackstone Fund, as described in our Condensed Consolidated Financial Statements. Management fees will only be directly affected by short-term changes in market conditions to the extent they are based on NAV or represent permanent impairments of value. These management fees will be increased (or reduced) in direct proportion to the effect of

changes in the market value of our investments in the related funds. The proportion of our management fees that are based on NAV is dependent on the number and types of Blackstone Funds in existence and the current stage of each fund's life cycle. For the nine months ended September 30, 2011 and September 30, 2010, the percentage of our fund management fees based on the NAV of the applicable funds or separately managed accounts, were as follows:

	As of September 30,	
	2011	2010
Fund Management Fees Based on the NAV of the Applicable Funds or Separately Managed Accounts	32%	32%

Market Risk

The Blackstone Funds hold investments which are reported at fair value. Based on the fair value as of September 30, 2011 and September 30, 2010, we estimate that a 10% decline in fair value of the investments would have the following effects:

	September 30,					
	2011			2010		
	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income
	(Dollars in Thousands)					
10% Decline in Fair Value of the Investments	$43,006	$713,898	$217,272	$44,297	$219,163	$183,695

Total assets under management, excluding undrawn capital commitments and the amount of capital raised for our CLOs, by segment, and the percentage amount classified as Level III investments as defined within the fair value standards of GAAP, are as follows:

	Total Assets Under Management, Excluding Undrawn Capital Commitments and the Amount of Capital Raised for CLOs	Percentage Amount Classified as Level III Investments
	(Dollars in Thousands)	
Private Equity	$24,239,336	75%
Real Estate	30,267,342	96%
Hedge Fund Solutions	38,575,410	74%
Credit Businesses	12,912,491	48%

The fair value of our investments and securities can vary significantly based on a number of factors that take into consideration the diversity of the Blackstone Funds' investment portfolio and on a number of factors and inputs such as similar transactions, financial metrics, and industry comparatives, among others. (See "Part I, Item 1A. Risk Factors" in our 2010 Annual Report on Form 10-K. Also see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Investments, at Fair Value.") We believe these fair value amounts should be utilized with caution as our intent and strategy is to hold investments and securities until prevailing market conditions are beneficial for investment sales.

Investors in all of our carry funds (and certain of our credit-oriented funds and funds of hedge funds) make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those

funds to consummate investments and otherwise pay their related obligations when due, including management fees. We have not had investors fail to honor capital calls to any meaningful extent and any investor that did not fund a capital call would be subject to having a significant amount of its existing investment forfeited in that fund. But if investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, those funds could be materially and adversely affected.

Exchange Rate Risk

The Blackstone Funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. We estimate that as of September 30, 2011 and September 30, 2010, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would have the following effects:

	September 30,					
	2011			2010		
	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income	Management Fees	Performance Fees, Net of the Related Compensation Expense	Investment Income
	(Dollars in Thousands)					
10% Decline in the Rate of Exchange of All Foreign Currencies Against the U.S. Dollar	$9,851	$ 128,225	$ 31,869	$ 9,113	$ 37,355	$ 30,589

Interest Rate Risk

Blackstone has debt obligations payable that accrue interest at variable rates. Additionally, we have swapped a portion of our 6.625% senior notes into a variable rate instrument. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. Based on our debt obligations payable as of September 30, 2011 and September 30, 2010, and our outstanding interest rate swaps, we estimate that interest expense relating to variable rates would increase on an annual basis, in the event interest rates were to increase by one percentage point, as follows:

	September 30,	
	2011	2010
	(Dollars in Thousands)	
Increase in Interest Expense Due to a One Percentage Point Increase in Interest Rates	$ 4,825	$ 4,953

Blackstone's Treasury cash management strategies consists of a diversified portfolio of highly liquid assets to meet the liquidity needs of various businesses (the "Treasury Liquidity Portfolio"). This portfolio includes cash, open-ended money market mutual funds, open-ended bond mutual funds, marketable investment securities, freestanding derivative contracts, repurchase and reverse repurchase agreements. We estimate that our annualized investment income would decrease by $8.9 million, or 0.5% of the Treasury Liquidity Portfolio, if interest rates were to increase by one percentage point. This would be offset by an estimated increase in interest income of $6.1 million on an annual basis from interest on floating rate assets.

Credit Risk

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

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

We estimate that our investment income would decrease by $12.6 million, or 0.8% of the Treasury Liquidity Portfolio, if credit spreads were to increase by one percentage point.

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. See "Part I. Item 1A. Risk Factors" in our 2010 Annual Report on Form 10-K. We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our consolidated financial statements.

In December 2007, a purported class of shareholders in public companies acquired by one or more private equity firms filed a lawsuit against sixteen private equity firms and investment banks, including The Blackstone Group L.P., in the United States District Court in Massachusetts (*Kirk Dahl, et al. v. Bain Capital Partners, LLC, et al.*). The suit alleges that from mid-2003 defendants have violated antitrust laws by allegedly conspiring to rig bids, restrict the supply of private equity financing, fix the prices for target companies at artificially low levels, and divide up an alleged market for private equity services for leveraged buyouts. The complaint seeks injunctive relief on behalf of all persons who sold securities to any of the defendants in leveraged buyout transactions. The amended complaint also includes seven purported sub-classes of plaintiffs seeking damages and/or restitution and comprised of shareholders of seven companies. Following the completion of fact discovery, plaintiffs may be permitted to amend their complaint further to add a number of leveraged buyout transactions.

In the spring of 2008, six substantially identical complaints were brought against Blackstone and some of its executive officers purporting to be class actions on behalf of purchasers of common units in Blackstone's June 2007 initial public offering. These suits were subsequently consolidated into one complaint (*Landmen Partners Inc. v. The Blackstone Group L.P., et al.*) filed in the United States District Court for the Southern District of New York in October 2008 against Blackstone, Stephen A. Schwarzman (Blackstone's Chairman and Chief Executive Officer), Peter G. Peterson (Blackstone's former Senior Chairman), Hamilton E. James (Blackstone's President and Chief Operating Officer) and Michael A. Puglisi (Blackstone's Chief Financial Officer at the time of the IPO). The amended complaint alleged that (1) the IPO prospectus was false and misleading for failing to disclose (a) one private equity investment would be adversely affected by trends in mortgage default rates, particularly for sub-prime mortgage loans, (b) another private equity investment was adversely affected by the loss of an exclusive manufacturing agreement, and (c) prior to the IPO the U.S. real estate market had started to deteriorate, adversely affecting the value of Blackstone's real estate investments; and (2) the financial statements in the IPO prospectus were materially inaccurate principally because they overstated the value of the investments referred to in clause (1).

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

In February 2011, a three-judge panel of the Second Circuit reversed the District Court's decision, ruling that the District Court incorrectly found that plaintiffs' allegations were, if true, immaterial as a matter of law. The Second Circuit disagreed with the District Court, concluding that the complaint "plausibly" alleged that the initial public offering documents omitted material information concerning two of Blackstone funds' individual investments and inadequately disclosed information relating to market risks to their real estate investments. Because this was a motion to dismiss, in reaching this decision the Second Circuit accepted all of the complaint's factual allegations as true and drew every reasonable inference in plaintiffs' favor. The Second Circuit did not consider facts other than those in the plaintiffs' complaint.

In June 2011, three related suits (*Walker, Truesdell, Roth & Assocs. v. The Blackstone Group L.P., et al.*) were filed against Blackstone, various Blackstone entities including some of its private equity and real estate

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

Blackstone believes that 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, 2010 and in our subsequently filed Quarterly Reports on Form 10-Q, all of which are accessible on the Securities and Exchange Commission's website at www.sec.gov.

See "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Environment" in this report for a discussion of the conditions in the financial markets and economic conditions affecting our businesses. This discussion updates, and should be read together with, the risk factor entitled "Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital and reducing the volume of the transactions involving our financial advisory business, each of which could materially reduce our revenue and cash flows and adversely affect our financial condition" in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

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

In January 2008, the Board of Directors authorized the repurchase of up to $500 million of Blackstone common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased in open market transactions, in privately negotiated transactions or otherwise. The unit repurchase program may be suspended or discontinued at any time and does not have a final specified date. No purchases of our common units were made by us or on our behalf during the three months ended September 30, 2011. See "Part I. Item 1. Financial Statements — Notes to Condensed Consolidated Financial Statements — Note 13. Net Income (Loss) Per Common Unit" and "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Our Sources of Cash and Liquidity Needs" for further information regarding this unit repurchase program.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

On November 4, 2011, the agreement of limited partnership of The Blackstone Group L.P. was amended to provide that common units purchased by CIC and its affiliates subsequent to our initial public offering will no longer be non-voting. As a result, the 7.7 million non-voting common units held by CIC and its affiliates that they purchased subsequent to the initial public offering (representing less than 1% of Blackstone's fully diluted common units outstanding) will be identical to the units held by all other public unitholders. This amendment does not affect the 101,334,234 non-voting common units purchased by CIC at the time of our initial public offering, which common units remain non-voting.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.2.2†	Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of The Blackstone Group L.P. Dated as of November 4, 2011.
10.1†	Blackstone EMA L.L.C. Amended and Restated Limited Liability Company Agreement Dated as of August 1, 2011.
10.2†	GSO NMERB Associates LLC Amended and Restated Limited Liability Company Agreement Dated as of August 25, 2011.
10.3†	Blackstone Real Estate Associates VII L.P. Amended and Restated Agreement of Limited Partnership Dated as of September 1, 2011.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS*†	XBRL Instance Document.
101.SCH*†	XBRL Taxonomy Extension Schema Document.
101.CAL*†	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*†	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*†	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*†	XBRL Taxonomy Extension Presentation Linkbase Document.

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

† This exhibit was filed with the SEC as part of Blackstone's September 30, 2011 Quarterly Report on Form 10-Q and is accessible on the SEC's website at www.sec.gov.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

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 9, 2011

The Blackstone Group L.P.

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

/s/ LAURENCE A. TOSI

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

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Stephen A. Schwarzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 of The Blackstone Group L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 9, 2011

/s/ Stephen A. Schwarzman

Stephen A. Schwarzman
Chief Executive Officer
of Blackstone Group Management L.L.C.

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Laurence A. Tosi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 of The Blackstone Group L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 9, 2011

/s/ Laurence A. Tosi

Laurence A. Tosi
Chief Financial Officer
of Blackstone Group Management L.L.C.

Exhibit 32.1

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

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen A. Schwarzman, Chief Executive Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 9, 2011

/s/ Stephen A. Schwarzman

Stephen A. Schwarzman
Chief Executive Officer of
Blackstone Group Management L.L.C.

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

Exhibit 32.2

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

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laurence A. Tosi, Chief Financial Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 9, 2011

/s/ Laurence A. Tosi

Laurence A. Tosi
Chief Financial Officer
of Blackstone Group Management L.L.C.

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