

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017**

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

**Blackstone**

**The Blackstone Group L.P.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

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

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 3, 2017 was 609,204,345. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of May 3, 2017 was 37,538,435.

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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,” “indicator,” “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, 2016 and in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (“SEC”), which are accessible on the SEC’s website at [www.sec.gov](http://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. The forward-looking statements speak only as of the date of this report, and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Website and Social Media Disclosure

We use our website ([www.blackstone.com](http://www.blackstone.com)), Facebook page ([www.facebook.com/blackstone](http://www.facebook.com/blackstone)), Twitter ([www.twitter.com/blackstone](http://www.twitter.com/blackstone)), LinkedIn ([www.linkedin.com/company/the-blackstone-group](http://www.linkedin.com/company/the-blackstone-group)), Instagram ([www.instagram.com/blackstone](http://www.instagram.com/blackstone)) and YouTube ([www.youtube.com/user/blackstonegroup](http://www.youtube.com/user/blackstonegroup)) accounts as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about Blackstone when you enroll your e-mail address by visiting the “Contact Us/Email Alerts” section of our website at <http://ir.blackstone.com>. The contents of our website, any alerts and social media channels are not, however, a part of this report.

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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-focused funds, collateralized loan obligation (“CLO”), real estate investment trusts and registered investment companies that are managed by Blackstone. “Our carry funds” refers to the private equity funds, real estate funds and certain of the hedge fund solutions and credit-focused funds (with multi-year drawdown, commitment-based structures that only pay carry on the realization of an investment) that are managed by Blackstone. We refer to our general corporate private equity funds as Blackstone Capital Partners (“BCP”) funds, our energy-focused private equity funds as Blackstone Energy Partners (“BEP”) funds, our core private equity fund as Blackstone Core Equity Partners (“BCEP”), our opportunistic investment platform that invests globally across asset classes, industries and geographies as Blackstone Tactical Opportunities (“Tactical Opportunities”), our secondary private equity fund of funds business as Strategic Partners Fund Solutions (“Strategic Partners”), a multi-asset investment program for eligible high net worth investors offering exposure to certain of our key illiquid investment strategies through a single commitment as Blackstone Total Alternatives Solution (“BTAS”) and our capital markets services business as Blackstone Capital Markets (“BxCM”). We refer to our real estate opportunistic funds as Blackstone Real Estate Partners (“BREP”) funds and our real estate debt investment funds as Blackstone Real Estate Debt Strategies (“BREDS”) funds. We refer to our core+ real estate funds, which target substantially stabilized assets in prime markets, as Blackstone Property Partners (“BPP”) funds. We refer to our real

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estate investment trusts as “REITs”, to Blackstone Mortgage Trust, Inc., our NYSE-listed REIT, as “BXMT”, and to Blackstone Real Estate Income Trust, Inc., our non-exchange traded REIT, as “BREIT”. “Our hedge funds” refers to our funds of hedge funds, certain of our real estate debt investment funds, including a registered investment company, and certain other credit-focused funds 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 and our side-by-side and co-investment entities managed by us, plus the capital that we are entitled to call from investors in those funds and entities pursuant to the terms of their respective capital commitments, including capital commitments to funds that have yet to commence their investment periods, plus for certain credit-oriented funds the amounts available to be borrowed under asset based credit facilities,
- (b) the net asset value of (1) our hedge funds, real estate debt carry funds and open ended core+ real estate fund (plus, in each case, the capital that we are entitled to call from investors in those funds, including commitments yet to commence their investment periods), and (2) our funds of hedge funds, our Hedge Fund Solutions registered investment companies, and our non-exchange traded REIT,
- (c) the invested capital, fair value or net asset value of assets we manage pursuant to separately managed accounts,
- (d) the amount of debt and equity outstanding for our CLOs during the reinvestment period,
- (e) the aggregate par amount of collateral assets, including principal cash, for our CLOs after the reinvestment period,
- (f) the gross or net amount of assets (including leverage where applicable) for our credit-focused registered investment companies, and
- (g) the fair value of common stock, preferred stock, convertible debt, or similar instruments issued by BXMT.

Our carry funds are commitment-based drawdown structured funds that do not permit investors to redeem their interests at their election. Our funds of hedge funds, hedge funds, funds structured like hedge funds and other open ended funds in our Hedge Fund Solutions, Credit and Real Estate segments generally have structures that afford an investor the right to withdraw or redeem their interests on a periodic basis (for example, annually or quarterly), typically with 30 to 95 days’ notice, depending on the fund and the liquidity profile of the underlying assets. Investment advisory agreements related to certain separately managed accounts in our Hedge Fund Solutions and Credit segments may generally be terminated by an investor on 30 to 90 days’ notice.

“Fee-Earning Assets Under Management” refers to the assets we manage on which we derive management and/or performance fees. Our Fee-Earning Assets Under Management equals the sum of:

- (a) for our Private Equity segment funds and Real Estate segment carry funds including certain real estate debt investment funds and certain of our Hedge Fund Solutions funds, the amount of capital commitments, remaining invested capital, fair value or par value of assets held, depending on the fee terms of the fund,
- (b) for our credit-focused carry funds, the amount of remaining invested capital (which may include leverage) or net asset value, depending on the fee terms of the fund,
- (c) the remaining invested capital or fair value of assets held in co-investment vehicles managed by us on which we receive fees,
- (d) the net asset value of our funds of hedge funds, hedge funds, open ended core+ real estate fund, co-investments managed by us on which we receive fees, certain registered investment companies, and our non-exchanged traded REIT,

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- (e) the invested capital, fair value of assets or the net asset value we manage pursuant to separately managed accounts,
- (f) the net proceeds received from equity offerings and accumulated core earnings of BXMT, subject to certain adjustments,
- (g) the aggregate par amount of collateral assets, including principal cash, of our CLOs, and
- (h) the gross amount of assets (including leverage) or the net assets (plus leverage where applicable) for certain of our credit-focused registered investment companies.

Each of our segments may include certain Fee-Earning Assets Under Management on which we earn performance fees but not management fees.

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, the remaining amount of invested capital at cost depending on whether the investment period has or has not expired or the fee terms of the fund. 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)

	March 31, 2017	December 31, 2016
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,303,680	\$ 1,837,253
Cash Held by Blackstone Funds and Other	1,416,904	1,005,161
Investments (including assets pledged of \$142,265 and \$119,139 at March 31, 2017 and December 31, 2016, respectively)	18,138,258	17,694,975
Accounts Receivable	1,274,154	772,695
Reverse Repurchase Agreements	44,635	118,495
Due from Affiliates	1,669,124	1,442,378
Intangible Assets, Net	251,640	262,604
Goodwill	1,718,519	1,718,519
Other Assets	257,102	264,788
Deferred Tax Assets	1,263,148	1,286,469
<b>Total Assets</b>	<b>\$ 28,337,164</b>	<b>\$ 26,403,337</b>
<b>Liabilities and Partners' Capital</b>		
Loans Payable	\$ 9,796,933	\$ 8,866,366
Due to Affiliates	1,236,067	1,321,772
Accrued Compensation and Benefits	2,221,161	2,327,762
Securities Sold, Not Yet Purchased	178,448	215,398
Repurchase Agreements	94,646	75,324
Accounts Payable, Accrued Expenses and Other Liabilities	1,707,050	1,081,782
<b>Total Liabilities</b>	<b>15,234,305</b>	<b>13,888,404</b>
<b>Commitments and Contingencies</b>		
<b>Redeemable Non-Controlling Interests in Consolidated Entities</b>	<b>188,658</b>	<b>185,390</b>
<b>Partners' Capital</b>		
The Blackstone Group L.P. Partners' Capital		
Partners' Capital (common units: 649,352,407 issued and outstanding as of March 31, 2017; 643,459,542 issued and outstanding as of December 31, 2016)	6,713,622	6,523,929
Accumulated Other Comprehensive Loss	(55,201)	(62,887)
<b>Total The Blackstone Group L.P. Partners' Capital</b>	<b>6,658,421</b>	<b>6,461,042</b>
Non-Controlling Interests in Consolidated Entities	2,650,789	2,428,964
Non-Controlling Interests in Blackstone Holdings	3,604,991	3,439,537
<b>Total Partners' Capital</b>	<b>12,914,201</b>	<b>12,329,543</b>
<b>Total Liabilities and Partners' Capital</b>	<b>\$ 28,337,164</b>	<b>\$ 26,403,337</b>

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, after intercompany eliminations, 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.

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Assets</b>		
Cash Held by Blackstone Funds and Other	\$ 1,088,917	\$ 740,760
Investments	7,184,513	6,459,355
Accounts Receivable	938,363	355,364
Due from Affiliates	14,770	21,300
Other Assets	3,629	2,602
<b>Total Assets</b>	<u>\$ 9,230,192</u>	<u>\$ 7,579,381</u>
<b>Liabilities</b>		
Loans Payable	\$ 6,386,217	\$ 5,466,444
Due to Affiliates	57,343	72,609
Securities Sold, Not Yet Purchased	81,417	81,309
Repurchase Agreements	73,393	66,221
Accounts Payable, Accrued Expenses and Other Liabilities	1,208,745	545,481
<b>Total Liabilities</b>	<u>\$ 7,807,115</u>	<u>\$ 6,232,064</u>

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	
	March 31,	
	2017	2016
<b>Revenues</b>		
Management and Advisory Fees, Net	\$ 642,142	\$ 608,906
Performance Fees		
Realized		
Carried Interest	1,111,256	230,909
Incentive Fees	47,160	28,419
Unrealized		
Carried Interest	(154,683)	47,586
Incentive Fees	59,409	7,579
Total Performance Fees	1,063,142	314,493
Investment Income (Loss)		
Realized	251,344	(12,001)
Unrealized	(40,188)	3,493
Total Investment Income (Loss)	211,156	(8,508)
Interest and Dividend Revenue	28,495	23,075
Other	(4,212)	(5,612)
<b>Total Revenues</b>	<b>1,940,723</b>	<b>932,354</b>
<b>Expenses</b>		
Compensation and Benefits		
Compensation	351,589	346,003
Performance Fee Compensation		
Realized		
Carried Interest	366,191	58,504
Incentive Fees	22,752	14,124
Unrealized		
Carried Interest	(4,387)	30,001
Incentive Fees	23,139	3,448
Total Compensation and Benefits	759,284	452,080
General, Administrative and Other	106,044	123,045
Interest Expense	40,246	37,356
Fund Expenses	24,076	5,229
<b>Total Expenses</b>	<b>929,650</b>	<b>617,710</b>
<b>Other Income</b>		
Net Gains from Fund Investment Activities	66,132	19,142
<b>Income Before Provision for Taxes</b>	<b>1,077,205</b>	<b>333,786</b>
<b>Provision for Taxes</b>	<b>57,437</b>	<b>9,146</b>
<b>Net Income</b>	<b>1,019,768</b>	<b>324,640</b>
<b>Net Income (Loss) Attributable to Redeemable</b>		
<b>Non-Controlling Interests in Consolidated Entities</b>	<b>2,000</b>	<b>(6,401)</b>
<b>Net Income Attributable to Non-Controlling</b>		
<b>Interests in Consolidated Entities</b>	<b>138,685</b>	<b>40,086</b>
<b>Net Income Attributable to Non-Controlling</b>		
<b>Interests in Blackstone Holdings</b>	<b>417,258</b>	<b>131,202</b>
<b>Net Income Attributable to The Blackstone Group L.P.</b>	<b>\$ 461,825</b>	<b>\$ 159,753</b>
<b>Net Income Per Common Unit</b>		
Common Units, Basic	\$ 0.70	\$ 0.25
Common Units, Diluted	\$ 0.69	\$ 0.23
<b>Weighted-Average Common Units Outstanding</b>		
Common Units, Basic	660,939,708	644,897,849
Common Units, Diluted	1,199,506,983	1,194,273,401
<b>Distributions Declared Per Common Unit</b>	<b>\$ 0.47</b>	<b>\$ 0.61</b>
<b>Revenues Earned from Affiliates</b>		
Management and Advisory Fees, Net	\$ 50,085	\$ 56,675

See notes to condensed consolidated financial statements.

**THE BLACKSTONE GROUP L.P.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)**  
**(Dollars in Thousands)**

	Three Months Ended	
	March 31,	
	2017	2016
Net Income	\$ 1,019,768	\$ 324,640
Other Comprehensive Income, Net of Tax — Currency Translation Adjustment	11,504	17,612
Comprehensive Income	1,031,272	342,252
Less:		
Comprehensive Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	2,000	(6,401)
Comprehensive Income Attributable to Non-Controlling Interests in Consolidated Entities	142,503	51,243
Comprehensive Income Attributable to Non-Controlling Interests in Blackstone Holdings	417,258	131,202
Comprehensive Income Attributable to The Blackstone Group L.P.	<u>\$ 469,511</u>	<u>\$ 166,208</u>

See notes to condensed consolidated financial statements.

**THE BLACKSTONE GROUP L.P.**  
**Condensed Consolidated Statements of Changes in Partners' Capital (Unaudited)**  
**(Dollars in Thousands, Except Unit Data)**

	<u>The Blackstone Group L.P.</u>							
	<u>Common</u>	<u>Partners'</u>	<u>Accumulated</u>	<u>Total</u>	<u>Non-</u>	<u>Non-</u>	<u>Total</u>	<u>Redeemable</u>
	<u>Units</u>	<u>Capital</u>	<u>Other</u>		<u>Controlling</u>	<u>Controlling</u>	<u>Partners'</u>	<u>Non-</u>
			<u>Compre-</u>		<u>Interests in</u>	<u>Interests in</u>	<u>Capital</u>	<u>Controlling</u>
			<u>hensive</u>		<u>Consolidated</u>	<u>Blackstone</u>		<u>Interests in</u>
			<u>Income</u>		<u>Entities</u>	<u>Holdings</u>		<u>Consolidated</u>
			<u>(Loss)</u>					<u>Entities</u>
<b>Balance at December 31, 2016</b>	643,459,542	\$6,523,929	\$ (62,887)	\$6,461,042	\$ 2,428,964	\$ 3,439,537	\$12,329,543	\$ 185,390
Net Income	—	461,825	—	461,825	138,685	417,258	1,017,768	2,000
Currency Translation Adjustment	—	—	7,686	7,686	3,818	—	11,504	—
Capital Contributions	—	—	—	—	238,203	—	238,203	11,484
Capital Distributions	—	(308,925)	—	(308,925)	(156,819)	(284,636)	(750,380)	(10,216)
Transfer of Non-Controlling Interests in Consolidated Entities	—	—	—	—	(2,062)	—	(2,062)	—
Deferred Tax Effects Resulting from Acquisition of Ownership								
Interests from Non-Controlling Interest Holders	—	2,297	—	2,297	—	—	2,297	—
Equity-Based Compensation	—	43,703	—	43,703	—	36,355	80,058	—
Net Delivery of Vested Blackstone Holdings Partnership Units and Blackstone Common Units	3,780,081	(11,940)	—	(11,940)	—	(790)	(12,730)	—
Change in The Blackstone Group L.P.'s Ownership Interest	—	(10,789)	—	(10,789)	—	10,789	—	—
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	2,112,784	13,522	—	13,522	—	(13,522)	—	—
<b>Balance at March 31, 2017</b>	<u>649,352,407</u>	<u>\$6,713,622</u>	<u>\$ (55,201)</u>	<u>\$6,658,421</u>	<u>\$ 2,650,789</u>	<u>\$ 3,604,991</u>	<u>\$12,914,201</u>	<u>\$ 188,658</u>

continued...

See notes to condensed consolidated financial statements.

**THE BLACKSTONE GROUP L.P.**  
**Condensed Consolidated Statements of Changes in Partners' Capital (Unaudited)**  
**(Dollars in Thousands, Except Unit Data)**

	<u>The Blackstone Group L.P.</u>							
	Common Units	Partners' Capital	Accumulated Other Compre- hensive (Loss)	Total	Non- Controlling Interests in Consolidated Entities	Non- Controlling Interests in Blackstone Holdings	Total Partners' Capital	Redeemable Non- Controlling Interests in Consolidated Entities
<b>Balance at December 31, 2015</b>	624,450,162	\$6,322,307	\$ (52,519)	\$6,269,788	\$ 2,408,701	\$ 3,368,509	\$12,046,998	\$ 183,459
Net Income (Loss)	—	159,753	—	159,753	40,086	131,202	331,041	(6,401)
Currency Translation Adjustment	—	—	6,455	6,455	11,157	—	17,612	—
Capital Contributions	—	—	—	—	94,418	—	94,418	—
Capital Distributions	—	(389,780)	—	(389,780)	(68,692)	(355,360)	(813,832)	(4)
Transfer of Non-Controlling Interests in Consolidated Entities	—	—	—	—	(5,312)	—	(5,312)	—
Deferred Tax Effects Resulting from Acquisition of Ownership								
Interests from Non-Controlling Interest Holders	—	(1,145)	—	(1,145)	—	—	(1,145)	—
Equity-Based Compensation	—	36,053	—	36,053	—	41,455	77,508	—
Net Delivery of Vested Blackstone Holdings Partnership Units and Blackstone Common Units	4,025,507	(13,262)	—	(13,262)	—	—	(13,262)	—
Change in The Blackstone Group L.P.'s Ownership Interest	—	3,618	—	3,618	—	(3,618)	—	—
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	3,073,286	18,931	—	18,931	—	(18,931)	—	—
<b>Balance at March 31, 2016</b>	<u>631,548,955</u>	<u>\$6,136,475</u>	<u>\$ (46,064)</u>	<u>\$6,090,411</u>	<u>\$ 2,480,358</u>	<u>\$ 3,163,257</u>	<u>\$11,734,026</u>	<u>\$ 177,054</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2017	2016
<b>Operating Activities</b>		
Net Income	\$ 1,019,768	\$ 324,640
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Blackstone Funds Related		
Net Realized Gains on Investments	(1,464,126)	(253,857)
Change in Unrealized (Gains) Losses on Investments	63,480	(18,321)
Non-Cash Performance Fees	100,524	(15,077)
Non-Cash Performance Fee Compensation	407,696	106,076
Equity-Based Compensation Expense	91,269	79,840
Amortization of Intangibles	10,964	22,828
Other Non-Cash Amounts Included in Net Income	52,123	7,652
Cash Flows Due to Changes in Operating Assets and Liabilities		
Cash Held by Blackstone Funds and Other	(400,386)	51,134
Accounts Receivable	352,788	(21,063)
Reverse Repurchase Agreements	73,860	159,592
Due from Affiliates	(146,750)	124,519
Other Assets	2,335	52,381
Accrued Compensation and Benefits	(523,779)	(289,532)
Securities Sold, Not Yet Purchased	(37,632)	(76,620)
Accounts Payable, Accrued Expenses and Other Liabilities	(656,935)	(264,198)
Repurchase Agreements	19,415	8,620
Due to Affiliates	(65,935)	(3,642)
Investments Purchased	(2,330,873)	(1,333,052)
Cash Proceeds from Sale of Investments	3,583,318	1,558,301
Net Cash Provided by Operating Activities	151,124	220,221
<b>Investing Activities</b>		
Purchase of Furniture, Equipment and Leasehold Improvements	(10,007)	(9,934)
Changes in Restricted Cash	7,990	5,843
Net Cash Used in Investing Activities	(2,017)	(4,091)

continued...

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2017	2016
<b>Financing Activities</b>		
Distributions to Non-Controlling Interest Holders in Consolidated Entities	\$ (139,059)	\$ (68,696)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	246,274	88,079
Payments Under Tax Receivable Agreement	(59,667)	(78,985)
Net Settlement of Vested Common Units and Repurchase of Common and Blackstone Holdings Partnership Units	(12,730)	(13,262)
Proceeds from Loans Payable	996,892	158,456
Repayment and Repurchase of Loans Payable	(125,425)	(21,327)
Distributions to Unitholders	(593,561)	(745,140)
Net Cash Provided by (Used in) Financing Activities	<u>312,724</u>	<u>(680,875)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,596	(27)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>466,427</u>	<u>(464,772)</u>
Cash and Cash Equivalents, Beginning of Period	1,837,253	1,837,324
Cash and Cash Equivalents, End of Period	<u>\$ 2,303,680</u>	<u>\$ 1,372,552</u>
<b>Supplemental Disclosure of Cash Flows Information</b>		
Payments for Interest	\$ 57,339	\$ 60,907
Payments for Income Taxes	<u>\$ 16,849</u>	<u>\$ 6,995</u>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Non-Cash Contributions from Non-Controlling Interest Holders	<u>\$ 1,738</u>	<u>\$ 967</u>
Non-Cash Distributions to Non-Controlling Interest Holders	<u>\$ (27,976)</u>	<u>\$ —</u>
Transfer of Interests to Non-Controlling Interest Holders	<u>\$ (2,062)</u>	<u>\$ (5,312)</u>
Change in The Blackstone Group L.P.'s Ownership Interest	<u>\$ (10,789)</u>	<u>\$ 3,618</u>
Net Settlement of Vested Common Units	<u>\$ 60,853</u>	<u>\$ 59,605</u>
Conversion of Blackstone Holdings Partnership Units to Common Units	<u>\$ 13,522</u>	<u>\$ 18,931</u>
Acquisition of Ownership Interests from Non-Controlling Interest Holders		
Deferred Tax Asset	<u>\$ (15,129)</u>	<u>\$ (14,427)</u>
Due to Affiliates	<u>\$ 12,832</u>	<u>\$ 15,572</u>
Partners' Capital	<u>\$ 2,297</u>	<u>\$ (1,145)</u>

See notes to condensed consolidated financial statements.

**THE BLACKSTONE GROUP L.P.**

**Notes to Condensed Consolidated Financial Statements**

**(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)**

**1. ORGANIZATION**

The Blackstone Group L.P., together with its subsidiaries (“Blackstone” or the “Partnership”), is a leading global manager of private capital. The alternative asset management business includes the management of private equity funds, real estate funds, real estate investment trusts (“REITs”), funds of hedge funds, hedge funds, credit-focused funds, collateralized loan obligation (“CLO”) vehicles, separately managed accounts and registered investment companies (collectively referred to as the “Blackstone Funds”). Blackstone’s business is organized into four segments: private equity, real estate, hedge fund solutions and credit.

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 AI 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”). The Partnership, through its wholly owned subsidiaries, is the sole general partner in each of these Holding Partnerships.

Generally, holders of the limited partner interests in the Holding Partnerships may, 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 from each of the 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, 2016 filed with the Securities and Exchange Commission. As disclosed in the audited consolidated financial statements, the Partnership adopted certain accounting guidance for the quarter ended June 30, 2016 and any adjustments were reflected prospectively as of January 1, 2016. As such, the condensed consolidated financial statements for the three months ended March 31, 2016 were recast from the amounts originally reported in the Partnership’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.

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.

**THE BLACKSTONE GROUP L.P.**

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

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

**Consolidation**

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner has a controlling financial interest. The Partnership has a controlling interest in Blackstone Holdings because 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 determine (a) 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 (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment.

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 continually. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly or indirectly by the Partnership. 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 hierarchical 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.

**THE BLACKSTONE GROUP L.P.**

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

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 types 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, including corporate bonds and loans held within CLO vehicles, government and agency securities, less liquid and restricted equity securities, and certain over-the-counter derivatives where the fair value is based on observable inputs. Senior and subordinated notes issued by CLO vehicles are classified within Level II of the fair value hierarchy.
- 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-focused funds, distressed debt and non-investment grade residual interests in securitizations, certain corporate bonds and loans held within CLO vehicles, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

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.

***Level II Valuation Techniques***

Financial instruments classified within Level II of the fair value hierarchy comprise debt instruments, including certain corporate loans and bonds held by Blackstone's consolidated CLO vehicles and debt securities sold, not yet purchased. Certain equity securities and derivative instruments valued using observable inputs are also classified as Level II.

The valuation techniques used to value financial instruments classified within Level II of the fair value hierarchy are as follows:

- Debt Instruments 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 and market transactions in comparable investments and various relationships between investments. The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

THE BLACKSTONE GROUP L.P.

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

- Freestanding Derivatives are valued using contractual cash flows and observable inputs comprising yield curves, foreign currency rates and credit spreads.
- Senior and subordinate notes issued by CLO vehicles are classified based on the more observable fair value of CLO assets less (a) the fair value of any beneficial interests held by Blackstone, and (b) the carrying value of any beneficial interests that represent compensation for services.

**Level III Valuation Techniques**

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

*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 based on unaudited information at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (for example, 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. Where a discounted cash flow method is used, a terminal value is derived by reference to EBITDA or price/earnings exit multiples.

*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 (for example, 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. Where a discounted cash flow method is used, a terminal value is derived by reference to an exit EBITDA multiple or capitalization rate. Additionally, where applicable, projected distributable cash flow through debt maturity will be considered in support of the investment's fair value.

*Credit-Focused Investments* — The fair values of credit-focused investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. For credit-focused investments that are not publicly traded or whose market prices are not readily available, Blackstone may utilize other valuation techniques, including the discounted cash flow method or a market approach. The discounted cash flow method projects the expected cash flows of the debt instrument based on contractual terms, and discounts such cash flows back to the valuation date using a market-based yield. The market-based yield is estimated using yields of publicly traded debt instruments issued by companies operating in similar industries as the subject investment, with similar leverage statistics and time to maturity.

THE BLACKSTONE GROUP L.P.

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

The market approach is generally used to determine the enterprise value of the issuer of a credit investment, and considers valuation multiples of comparable companies or transactions. The resulting enterprise value will dictate whether or not such credit investment has adequate enterprise value coverage. In cases of distressed credit instruments, the market approach may be used to estimate a recovery value in the event of a restructuring.

**Level III Valuation Process**

Investments classified within Level III of the fair value hierarchy are valued on a quarterly basis, taking into consideration factors including any changes in Blackstone's weighted-average cost of capital assumptions, discounted cash flow projections and exit multiple assumptions, as well as any changes in economic and other relevant conditions, and valuation models are updated accordingly. The valuation process also includes a review by an independent valuation party, at least annually for all investments, and quarterly for certain investments, to corroborate the values determined by management. The valuations of Blackstone's investments are reviewed quarterly by a valuation committee chaired by Blackstone's Vice Chairman and includes senior heads of each of Blackstone's businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone's investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee. The valuations are further tested by comparison to actual sales prices obtained on disposition of the investments.

**Investments, at Fair Value**

The Blackstone Funds are accounted for as investment companies under the American Institute of Certified Public Accountants Accounting and Auditing Guide, *Investment Companies*, and reflect their investments, including majority-owned and controlled investments (the "Portfolio Companies"), at fair value. 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 (Losses) 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, at current market conditions (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 securities that otherwise would not have been carried at fair value with gains and losses recorded in net income. Accounting for these financial instruments at fair value 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 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-focused 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.

**THE BLACKSTONE GROUP L.P.**

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

In addition, the Partnership has elected the fair value option for the assets and liabilities of CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts or the acquisition of the share capital of CLO managers. Historically, the adjustment resulting from the difference between the fair value of assets and liabilities for each of these events was presented as a transition and acquisition adjustment to Appropriated Partners' Capital. Assets of the consolidated CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption and acquisition are presented within Net Gains (Losses) from Fund Investment Activities. Expenses of consolidated CLO vehicles are presented in Fund Expenses. Historically, amounts attributable to Non-Controlling Interests in Consolidated Entities had a corresponding adjustment to Appropriated Partners' Capital. On the adoption of the new CLO measurement guidance, there is no attribution of amounts to Non-Controlling Interests and no corresponding adjustments to Appropriated Partners' Capital.

The Partnership has elected the fair value option for certain proprietary investments that would otherwise have been accounted for using the equity method of accounting. The fair value of such investments is based on quoted prices in an active market or using the discounted cash flow method. Changes in fair value are recognized in Investment Income (Loss) in the Condensed Consolidated Statements of Operations.

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

The investments of consolidated Blackstone Funds in funds of hedge funds ("Investee Funds") are valued at net asset value ("NAV") per share of the Investee Fund. In limited circumstances, the Partnership may determine, based on its own due diligence and investment procedures, that NAV per share does not represent fair value. In such circumstances, the Partnership will estimate the fair value in good faith and in a manner that it reasonably chooses, in accordance with the requirements of GAAP.

Certain investments of Blackstone and of the consolidated Blackstone funds of hedge funds and credit-focused 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. Further disclosure on instruments for which fair value is measured using NAV per share is presented in Note 5. "Net Asset Value as Fair Value".

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

**THE BLACKSTONE GROUP L.P.**

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

**Equity Method Investments**

Investments in which 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 approximates fair value.

**Repurchase and Reverse Repurchase Agreements**

Securities purchased under agreements to resell ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements"), comprised primarily of 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 carrying value of repurchase and reverse repurchase agreements approximates fair value.

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

The Partnership takes possession of securities purchased under reverse repurchase agreements and is permitted to repledge, deliver or otherwise use such securities. The Partnership also pledges its financial instruments to counterparties to collateralize repurchase agreements. Financial instruments pledged that can be repledged, delivered or otherwise used by the counterparty are recorded in Investments in the Condensed Consolidated Statements of Financial Condition. Additional disclosures relating to reverse repurchase and repurchase agreements are discussed in Note 10. "Reverse Repurchase and Repurchase Agreements".

Blackstone does not offset assets and liabilities relating to reverse repurchase agreements and repurchase agreements in its Condensed Consolidated Statements of Financial Condition. Additional disclosures relating to offsetting are discussed in Note 11. "Offsetting of Assets and Liabilities".

**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

**THE BLACKSTONE GROUP L.P.**

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

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 General, Administrative and Other in the Condensed Consolidated Statements of Operations. Changes in the fair value of derivatives designated as hedging instruments caused by factors other than changes in the risk being hedged, which are excluded from the assessment of hedge effectiveness, are recognized in current period earnings. Gains or losses on a derivative instrument that is designated as, and is effective as, an economic hedge of a net investment in a foreign operation are reported in the cumulative translation adjustment section of other comprehensive income to the extent it is effective as a hedge. The ineffective portion of a net investment hedge is recognized in current period earnings.

The Partnership formally documents at inception its hedge relationships, including identification of the hedging instruments and the hedged items, its risk management objectives, strategy for undertaking the hedge transaction and the Partnership’s evaluation of effectiveness of its hedged transaction. At least monthly, the Partnership also formally assesses whether the derivative it designated in each hedging relationship is expected to be, and has been, highly effective in offsetting changes in estimated fair values or cash flows of the hedged items using either the regression analysis or the dollar offset method. For net investment hedges, the Partnership uses a method based on changes in spot rates to measure effectiveness. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued. The Partnership may also at any time remove a designation of a fair value hedge. The fair values of hedging derivative instruments are reflected within Other Assets in the Condensed Consolidated Statements of Financial Condition.

For freestanding derivative contracts, the Partnership presents changes in fair value in current period earnings. Changes in the fair value of derivative instruments held by consolidated Blackstone Funds are reflected in Net Gains (Losses) from Fund 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 of the consolidated Blackstone Funds are recorded within Investments, the fair value of freestanding derivative assets that are not part of the consolidated Blackstone Funds are recorded within Other Assets and the fair value of freestanding derivative liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

The Partnership has elected to not offset derivative assets and liabilities or financial assets in its Condensed Consolidated Statements of Financial Condition, including cash, that may be received or paid as part of collateral arrangements, even when an enforceable master netting agreement is in place that provides the Partnership, in the event of counterparty default, the right to liquidate collateral and the right to offset a counterparty’s rights and obligations.

Blackstone’s other disclosures regarding derivative financial instruments are discussed in Note 6. “Derivative Financial Instruments”.

Blackstone’s disclosures regarding offsetting are discussed in Note 11. “Offsetting of Assets and Liabilities”.

**Affiliates**

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

**THE BLACKSTONE GROUP L.P.**

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

**Distributions**

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

**Recent Accounting Developments**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued amended guidance on revenue from contracts with customers. The guidance requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The guidance introduces new qualitative and quantitative disclosure requirements about contracts with customers including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations. Information is required about significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and determining the transaction price and amounts allocated to performance obligations. Additional disclosures are required about assets recognized from the costs to obtain or fulfill a contract.

In August 2015, the FASB issued new guidance deferring the effective date of the new revenue recognition standard by one year. The new guidance should be applied for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period.

Blackstone has concluded that capital allocation-based Performance Fees (“Capital Allocation-Based Arrangements”) represent equity method investments that are not in the scope of the amended revenue recognition guidance. Therefore, effective January 1, 2018, Blackstone will amend the recognition and measurement of Capital Allocation-Based Arrangements. This accounting change will not change the timing or amount of revenue recognized related to Capital Allocation-Based Arrangements. These amounts are currently recognized within Realized and Unrealized Performance Fees — Carried Interest and Incentive Fees in the Consolidated Statements of Operations. Under the equity method of accounting Blackstone will recognize its allocations of Carried Interest or Incentive Fees within Investment Income along with the allocations proportionate to Blackstone’s ownership interests in the Blackstone Funds. Blackstone will apply a retrospective application and prior periods shall be restated. The impact of adoption is a reclassification of Carried Interest to Investment Income. This change will have no impact on Net Income Attributable to The Blackstone Group L.P. Blackstone has concluded that the majority of its Incentive Fees are not part of a Capital Allocation-Based Arrangement (“Contractual Incentive Fees”), and are within the scope of the amended revenue recognition guidance. This accounting change will delay recognition of Contractual Incentive Fees compared to our current accounting treatment, and it is not expected to have a material impact on Blackstone’s financial statements.

The Partnership is evaluating the impact of the amended revenue recognition guidance on other revenue streams including management fees and considerations for reporting revenue gross versus net.

In February 2016, the FASB issued amended guidance on the accounting for leases. The guidance requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The guidance retains a distinction between finance leases and operating leases. The classification criteria for

**THE BLACKSTONE GROUP L.P.****Notes to Condensed Consolidated Financial Statements—Continued**  
**(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)**

distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under previous GAAP. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly from previous GAAP.

For operating leases, a lessee is required to do the following: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the Statement of Financial Condition, (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, and (c) classify all cash payments within operating activities in the statement of cash flows.

The guidance is effective for fiscal periods beginning after December 15, 2018. Early application is permitted. Blackstone is evaluating the impact of the amended guidance on the Consolidated Statement of Financial Condition. It is not expected to have a material impact on the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows.

**3. INTANGIBLE ASSETS**

Intangible Assets, Net consists of the following:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Finite-Lived Intangible Assets/Contractual Rights	\$ 1,400,876	\$ 1,400,876
Accumulated Amortization	(1,149,236)	(1,138,272)
Intangible Assets, Net	<u>\$ 251,640</u>	<u>\$ 262,604</u>

Amortization expense associated with Blackstone's intangible assets was \$11.0 million for the three months ended March 31, 2017 and \$22.8 million for the three months ended March 31, 2016.

Amortization of Intangible Assets held at March 31, 2017 is expected to be \$43.9 million, \$43.8 million, \$43.8 million, \$43.8 million, and \$43.8 million for each of the years ending December 31, 2017, 2018, 2019, 2020, and 2021, respectively. Blackstone's intangible assets as of March 31, 2017 are expected to amortize over a weighted-average period of 5.9 years.

**4. INVESTMENTS**

Investments consist of the following:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Investments of Consolidated Blackstone Funds	\$ 7,202,289	\$ 6,480,674
Equity Method Investments	2,955,852	3,092,378
Corporate Treasury Investments	2,451,274	2,518,438
Performance Fees	5,213,345	5,320,994
Other Investments	315,498	282,491
	<u>\$ 18,138,258</u>	<u>\$ 17,694,975</u>

**THE BLACKSTONE GROUP L.P.****Notes to Condensed Consolidated Financial Statements—Continued**  
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Blackstone's share of Investments of Consolidated Blackstone Funds totaled \$384.2 million and \$384.4 million at March 31, 2017 and December 31, 2016, respectively.

**Investments of Consolidated Blackstone Funds**

The following table presents the Realized and Net Change in Unrealized Gains (Losses) on investments held by the consolidated Blackstone Funds and a reconciliation to Other Income — Net Gains from Fund Investment Activities in the Condensed Consolidated Statements of Operations:

	Three Months Ended	
	March 31,	
	2017	2016
Realized Gains	\$ 55,908	\$ 13,382
Net Change in Unrealized Losses	(28,522)	(25,241)
Realized and Net Change in Unrealized Gains (Losses) from Consolidated Blackstone Funds	27,386	(11,859)
Interest and Dividend Revenue Attributable to Consolidated Blackstone Funds	38,746	31,001
Other Income — Net Gains from Fund Investment Activities	<u>\$ 66,132</u>	<u>\$ 19,142</u>

**Equity Method Investments**

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

Blackstone evaluates each of its equity method investments to determine if any were significant as defined by guidance from the United States Securities and Exchange Commission. As of and for the three months ended March 31, 2017 and 2016, no individual equity method investment held by Blackstone met the significance criteria. As such, Blackstone is not required to present separate financial statements for any of its equity method investments.

The Partnership recognized net gains related to its equity method investments of \$168.5 million and \$17.6 million for the three months ended March 31, 2017 and 2016, respectively.

**Corporate Treasury Investments**

The portion of corporate treasury investments included in Investments represents the Partnership's investments into primarily fixed income securities, mutual fund interests, and other fund interests. These strategies are managed by a combination of Blackstone personnel and third party advisors. The following table presents the Realized and Net Change in Unrealized Gains (Losses) on these investments:

	Three Months Ended	
	March 31,	
	2017	2016
Realized Losses	\$ (5,681)	\$ (18,609)
Net Change in Unrealized Gains	30,480	1,783
	<u>\$24,799</u>	<u>\$ (16,826)</u>

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

**Performance Fees**

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

	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
Performance Fees, December 31, 2016	\$1,984,792	\$2,970,448	\$ 6,132	\$359,622	\$ 5,320,994
Performance Fees Allocated as a Result of Changes in Fund Fair Values	399,477	495,505	19,404	60,964	975,350
Foreign Exchange Gain	—	15,858	—	—	15,858
Fund Distributions	(635,706)	(450,940)	(3,347)	(8,864)	(1,098,857)
Performance Fees, March 31, 2017	<u>\$1,748,563</u>	<u>\$3,030,871</u>	<u>\$ 22,189</u>	<u>\$411,722</u>	<u>\$ 5,213,345</u>

**Other Investments**

Other Investments consist primarily of proprietary investment securities held by Blackstone. The following table presents Blackstone's Realized and Net Change in Unrealized Gains (Losses) in other investments:

	Three Months Ended March 31,	
	2017	2016
Realized Gains	\$ 5	\$ 4,733
Net Change in Unrealized Gains (Losses)	5,488	(6,235)
	<u>\$ 5,493</u>	<u>\$ (1,502)</u>

**5. NET ASSET VALUE AS FAIR VALUE**

A summary of fair value by strategy type alongside the remaining unfunded commitments and ability to redeem such investments as of March 31, 2017 is presented below:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Instruments	\$169,421	\$ 125	(a)	(a)
Credit Driven	206,419	268	(b)	(b)
Equity	59,748	—	(c)	(c)
Commodities	2,135	—	(d)	(d)
	<u>\$437,723</u>	<u>\$ 393</u>		

- (a) Diversified Instruments include investments in funds that invest across multiple strategies. Investments representing 4% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 96% of investments in this category are redeemable as of the reporting date.
- (b) The Credit Driven category includes investments in hedge funds that invest primarily in domestic and international bonds. Investments representing 43% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 57% of investments in this category are redeemable as of the reporting date.

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

- (c) The Equity category includes investments in hedge funds that invest primarily in domestic and international equity securities. Investments representing 100% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date.
- (d) The Commodities category includes investments in commodities-focused funds that primarily invest in futures and physical-based commodity driven strategies. Investments representing 100% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date.

**6. DERIVATIVE FINANCIAL INSTRUMENTS**

Blackstone and the consolidated Blackstone Funds enter into derivative contracts in the normal course of business to achieve certain risk management objectives and for general investment purposes. Blackstone may enter into derivative contracts in order to hedge its interest rate risk exposure against the effects of interest rate changes. Additionally, Blackstone may also enter into derivative contracts in order to hedge its foreign currency risk exposure against the effects of a portion of its non-U.S. dollar denominated currency net investments. 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.

**Net Investment Hedges**

To manage the potential exposure from adverse changes in currency exchange rates arising from Blackstone's net investment in foreign operations, during December 2014, Blackstone entered into several foreign currency forward contracts to hedge a portion of the net investment in Blackstone's non-U.S. dollar denominated foreign operations.

Blackstone uses foreign currency forward contracts to hedge portions of Blackstone's net investments in foreign operations. The gains and losses due to change in fair value attributable to changes in spot exchange rates on foreign currency derivatives designated as net investment hedges were recognized in Other Comprehensive Income, Net of Tax — Currency Translation Adjustment. For the three months ended March 31, 2017 the resulting loss was \$0.6 million.

**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 interest rate swaps, foreign exchange contracts, equity swaps, options, futures and other derivative contracts.

**THE BLACKSTONE GROUP L.P.**

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

The table below summarizes the aggregate notional amount and fair value of the derivative financial instruments. The notional amount represents the absolute value amount of all outstanding derivative contracts.

	March 31, 2017				December 31, 2016			
	Assets		Liabilities		Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
<b>Net Investment Hedges</b>								
Foreign Currency Contracts	\$ 55,678	\$ 771	\$ —	\$ —	\$ —	\$ —	\$ 51,267	\$ 587
<b>Freestanding Derivatives</b>								
Blackstone								
Interest Rate Contracts	1,883,697	1,658	512,719	2,239	2,651,583	2,356	546,211	2,355
Foreign Currency Contracts	213,764	2,411	209,298	1,751	164,247	1,037	127,444	966
Credit Default Swaps	—	—	3,000	351	—	—	3,819	215
Investments of Consolidated								
Blackstone Funds								
Foreign Currency Contracts	279,646	23,930	149,656	1,861	254,162	25,050	136,025	3,903
Credit Default Swaps	—	—	119,625	1,788	—	—	113,057	3,350
	<u>2,377,107</u>	<u>27,999</u>	<u>994,298</u>	<u>7,990</u>	<u>3,069,992</u>	<u>28,443</u>	<u>926,556</u>	<u>10,789</u>
<b>Total</b>	<u>\$2,432,785</u>	<u>\$28,770</u>	<u>\$994,298</u>	<u>\$7,990</u>	<u>\$3,069,992</u>	<u>\$28,443</u>	<u>\$977,823</u>	<u>\$11,376</u>

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

	Three Months Ended	
	March 31,	
	2017	2016
<b>Net Investment Hedges — Foreign Currency Contracts</b>		
Hedge Ineffectiveness	\$ (22)	\$ 129
<b>Freestanding Derivatives</b>		
Realized Gains (Losses)		
Interest Rate Contracts	\$ (940)	\$ (7,358)
Foreign Currency Contracts	1,420	(4,310)
Credit Default Swaps	5	(3,811)
Total	<u>\$ 485</u>	<u>\$(15,479)</u>
Net Change in Unrealized Gains (Losses)		
Interest Rate Contracts	\$ (217)	\$ (2,666)
Foreign Currency Contracts	(1,960)	15,322
Credit Default Swaps	1,947	(4,276)
Total	<u>\$ (230)</u>	<u>\$ 8,380</u>

As of March 31, 2017 and December 31, 2016, the Partnership had not designated any derivatives as cash flow hedges.

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

**7. FAIR VALUE OPTION**

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

	March 31, 2017	December 31, 2016
<b>Assets</b>		
Loans and Receivables	\$ 112,056	\$ 211,359
Equity and Preferred Securities	466,219	444,713
Assets of Consolidated CLO Vehicles		
Corporate Loans	5,587,151	4,762,071
Corporate Bonds	623,944	710,947
	<u>\$ 6,789,370</u>	<u>\$ 6,129,090</u>
<b>Liabilities</b>		
Liabilities of Consolidated CLO Vehicles		
Senior Secured Notes	\$ 6,027,719	\$ 5,125,804
Subordinated Notes		
Loans Payable	355,694	337,846
Due to Affiliates	7,065	7,748
	<u>\$ 6,390,478</u>	<u>\$ 5,471,398</u>

The following table presents the Realized and Net Change in Unrealized Gains (Losses) on financial instruments on which the fair value option was elected:

	Three Months Ended March 31,			
	2017		2016	
	Realized Gains	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
<b>Assets</b>				
Loans and Receivables	\$ —	\$ 7,418	\$ —	\$ (3,778)
Equity and Preferred Securities	—	13,109	3	(3,832)
Debt Securities	—	—	—	(689)
Assets of Consolidated CLO Vehicles				
Corporate Loans	1,872	(11,389)	(13,707)	957
Corporate Bonds	5,634	(5,874)	190	271
Other	—	—	178	—
	<u>\$ 7,506</u>	<u>\$ 3,264</u>	<u>\$ (13,336)</u>	<u>\$ (7,071)</u>
<b>Liabilities</b>				
Liabilities of Consolidated CLO Vehicles				
Subordinated Notes	\$ —	\$ 7,912	\$ —	\$ 12,413

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

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

	March 31, 2017			December 31, 2016		
	Excess (Deficiency) of Fair Value Over Principal	For Financial Assets Past Due (a)		Excess (Deficiency) of Fair Value Over Principal	For Financial Assets Past Due (a)	
		Fair Value	Excess of Fair Value Over Principal		Fair Value	Excess of Fair Value Over Principal
Loans and Receivables	\$ 897	\$—	\$ —	\$ (6,476)	\$—	\$ —
Assets of Consolidated CLO Vehicles						
Corporate Loans	(6,631)	—	—	2,616	—	—
Corporate Bonds	4,162	—	—	7,259	—	—
	<u>\$ (1,572)</u>	<u>\$—</u>	<u>\$ —</u>	<u>\$ 3,399</u>	<u>\$—</u>	<u>\$ —</u>

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

As of March 31, 2017 and December 31, 2016, no Loans and Receivables for which the fair value option was elected were past due or in non-accrual status. As of March 31, 2017 and December 31, 2016, no Corporate Bonds included within the Assets of Consolidated CLO Vehicles for which the fair value option was elected were past due or in non-accrual status.

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Notes to Condensed Consolidated Financial Statements—Continued  
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8. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following tables summarize the valuation of the Partnership's financial assets and liabilities by the fair value hierarchy:

	March 31, 2017				Total
	Level I	Level II	Level III	NAV	
<b>Assets</b>					
Cash and Cash Equivalents — Money Market Funds	\$ 988,676	\$ —	\$ —	\$ —	\$ 988,676
<b>Investments</b>					
Investments of Consolidated Blackstone Funds (a)					
Investment Funds	—	—	—	148,665	148,665
Equity Securities	63,158	58,922	113,797	—	235,877
Partnership and LLC Interests	—	20,870	333,616	—	354,486
Debt Instruments	—	219,752	8,484	—	228,236
Freestanding Derivatives — Foreign Currency Contracts	—	2,337	—	—	2,337
Assets of Consolidated CLO Vehicles					
Corporate Loans	—	5,357,082	230,069	—	5,587,151
Corporate Bonds	—	623,944	—	—	623,944
Freestanding Derivatives — Foreign Currency Contracts	—	21,593	—	—	21,593
Total Investments of Consolidated Blackstone Funds	63,158	6,304,500	685,966	148,665	7,202,289
Corporate Treasury Investments					
Equity Securities	290,946	—	—	—	290,946
Debt Instruments	—	1,861,996	28,803	55,874	1,946,673
Other	—	—	—	213,655	213,655
Total Corporate Treasury Investments	290,946	1,861,996	28,803	269,529	2,451,274
Other Investments	175,660	10,679	109,630	19,529	315,498
Total Investments	529,764	8,177,175	824,399	437,723	9,969,061
Accounts Receivable — Loans and Receivables	—	—	112,056	—	112,056
<b>Other Assets</b>					
Freestanding Derivatives					
Interest Rate Contracts	871	787	—	—	1,658
Foreign Currency Contracts	—	2,411	—	—	2,411
Total Freestanding Derivatives	871	3,198	—	—	4,069
Net Investment Hedges — Foreign Currency Contracts	—	771	—	—	771
Total Other Assets	871	3,969	—	—	4,840
	<u>\$ 1,519,311</u>	<u>\$ 8,181,144</u>	<u>\$ 936,455</u>	<u>\$ 437,723</u>	<u>\$ 11,074,633</u>

## THE BLACKSTONE GROUP L.P.

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

	March 31, 2017			Total
	Level I	Level II	Level III	
<b>Liabilities</b>				
Loans Payable — Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes (b)	\$ —	\$6,027,719	\$ —	\$6,027,719
Subordinated Notes (b)	—	355,694	—	355,694
Total Loans Payable	—	6,383,413	—	6,383,413
Due to Affiliates — Liabilities of Consolidated CLO Vehicles (a)				
Subordinated Notes (b)	—	7,065	—	7,065
Total Due to Affiliates	—	7,065	—	7,065
Securities Sold, Not Yet Purchased	—	178,448	—	178,448
Accounts Payable, Accrued Expenses and Other Liabilities				
Liabilities of Consolidated Blackstone Funds — Freestanding Derivatives (a)				
Foreign Currency Contracts	—	1,861	—	1,861
Credit Default Swaps	—	1,788	—	1,788
Total Liabilities of Consolidated Blackstone Funds	—	3,649	—	3,649
Freestanding Derivatives				
Interest Rate Contracts	988	1,251	—	2,239
Foreign Currency Contracts	—	1,751	—	1,751
Credit Default Swaps	—	351	—	351
Total Freestanding Derivatives	988	3,353	—	4,341
Total Accounts Payable, Accrued Expenses and Other Liabilities	988	7,002	—	7,990
	<u>\$ 988</u>	<u>\$6,575,928</u>	<u>\$ —</u>	<u>\$6,576,916</u>

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

	December 31, 2016				
	Level I	Level II	Level III	NAV	Total
<b>Assets</b>					
Cash and Cash Equivalents — Money Market Funds	\$ 443,442	\$ —	\$ —	\$ —	\$ 443,442
<b>Investments</b>					
Investments of Consolidated Blackstone Funds (a)					
Investment Funds	—	—	—	148,993	148,993
Equity Securities	76,381	70,544	93,657	—	240,582
Partnership and LLC Interests	—	29,430	337,230	—	366,660
Debt Instruments	—	219,049	7,322	—	226,371
Freestanding Derivatives — Foreign Currency Contracts	—	2,327	—	—	2,327
Assets of Consolidated CLO Vehicles					
Corporate Loans	—	4,514,407	247,664	—	4,762,071
Corporate Bonds	—	710,947	—	—	710,947
Freestanding Derivatives — Foreign Currency Contracts	—	22,723	—	—	22,723
Total Investments of Consolidated Blackstone Funds	<u>76,381</u>	<u>5,569,427</u>	<u>685,873</u>	<u>148,993</u>	<u>6,480,674</u>
Corporate Treasury Investments					
Equity Securities	281,505	—	—	—	281,505
Debt Instruments	—	1,944,171	30,424	54,907	2,029,502
Other	—	—	—	207,431	207,431
Total Corporate Treasury Investments	<u>281,505</u>	<u>1,944,171</u>	<u>30,424</u>	<u>262,338</u>	<u>2,518,438</u>
Other Investments	<u>163,548</u>	<u>—</u>	<u>100,164</u>	<u>18,779</u>	<u>282,491</u>
Total Investments	<u>521,434</u>	<u>7,513,598</u>	<u>816,461</u>	<u>430,110</u>	<u>9,281,603</u>
Accounts Receivable — Loans and Receivables	—	—	211,359	—	211,359
<b>Other Assets</b>					
Freestanding Derivatives					
Interest Rate Contracts	1,883	473	—	—	2,356
Foreign Currency Contracts	—	1,037	—	—	1,037
Total Freestanding Derivatives	<u>1,883</u>	<u>1,510</u>	<u>—</u>	<u>—</u>	<u>3,393</u>
Total Other Assets	<u>1,883</u>	<u>1,510</u>	<u>—</u>	<u>—</u>	<u>3,393</u>
	<u>\$ 966,759</u>	<u>\$ 7,515,108</u>	<u>\$ 1,027,820</u>	<u>\$ 430,110</u>	<u>\$ 9,939,797</u>

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

	December 31, 2016			
	Level I	Level II	Level III	Total
<b>Liabilities</b>				
Loans Payable — Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes (b)	\$ —	\$5,125,804	\$ —	\$5,125,804
Subordinated Notes (b)	—	337,846	—	337,846
Total Loans Payable	—	5,463,650	—	5,463,650
Due to Affiliates — Liabilities of Consolidated CLO Vehicles (a)				
Subordinated Notes (b)	—	7,748	—	7,748
Total Due to Affiliates	—	7,748	—	7,748
Securities Sold, Not Yet Purchased	—	215,398	—	215,398
Accounts Payable, Accrued Expenses and Other Liabilities				
Liabilities of Consolidated Blackstone Funds — Freestanding Derivatives (a)				
Foreign Currency Contracts	—	3,903	—	3,903
Credit Default Swaps	—	3,350	—	3,350
Total Liabilities of Consolidated Blackstone Funds	—	7,253	—	7,253
Freestanding Derivatives				
Interest Rate Contracts	750	1,605	—	2,355
Foreign Currency Contracts	—	966	—	966
Credit Default Swaps	—	215	—	215
Total Freestanding Derivatives	750	2,786	—	3,536
Net Investment Hedges — Foreign Currency Contracts	—	587	—	587
Total Accounts Payable, Accrued Expenses and Other Liabilities	750	10,626	—	11,376
	<u>\$ 750</u>	<u>\$5,697,422</u>	<u>\$ —</u>	<u>\$5,698,172</u>

- (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 certain CLO vehicles, and other funds in which a consolidated entity of the Partnership, as the general partner of the fund, has a controlling financial interest. 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.
- (b) Senior and subordinate notes issued by CLO vehicles are classified based on the more observable fair value of CLO assets less (a) the fair value of any beneficial interests held by Blackstone, and (b) the carrying value of any beneficial interests that represent compensation for services.

The following table summarizes the fair value transfers between Level I and Level II for positions that existed as of March 31, 2017 and 2016, respectively:

	Three Months Ended	
	2017	2016
Transfers from Level I into Level II (a)	\$ —	\$ 2,114
Transfers from Level II into Level I (b)	\$ —	\$ 28,346

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

**THE BLACKSTONE GROUP L.P.**  
**Notes to Condensed Consolidated Financial Statements—Continued**  
**(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)**

The following table summarizes the quantitative inputs and assumptions used for items categorized in Level III of the fair value hierarchy as of March 31, 2017:

Financial Assets	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average (a)
Investments of Consolidated Blackstone Funds					
Equity Securities	\$ 61,375	Discounted Cash Flows	Discount Rate	7.3% - 29.1%	12.8%
			Revenue CAGR	-0.6% - 39.7%	7.0%
			Exit Capitalization Rate	5.3% - 11.4%	8.6%
			Exit Multiple - EBITDA	1.9x - 19.0x	9.7x
			Exit Multiple - P/E	9.5x - 17.0x	10.1x
	2,497	Market Comparable Companies	Book Value Multiple	0.9x	N/A
			EBITDA Multiple	8.0x	N/A
	18,088	Other	N/A	N/A	N/A
	1,705	Third Party Pricing	N/A	N/A	N/A
	30,132	Transaction Price	N/A	N/A	N/A
Partnership and LLC Interests	301,370	Discounted Cash Flows	Discount Rate	4.5% - 27.6%	9.2%
			Revenue CAGR	-7.3% - 28.9%	6.9%
			Exit Capitalization Rate	3.0% - 11.0%	5.8%
			Exit Multiple - EBITDA	0.2x - 18.7x	10.8x
			Exit Multiple - P/E	9.3x	N/A
	530	Market Comparable Companies	Book Value Multiple	1.0x	N/A
	14,018	Other	N/A	N/A	N/A
	2,254	Third Party Pricing	N/A	N/A	N/A
	15,444	Transaction Price	N/A	N/A	N/A
Debt Instruments	4,942	Discounted Cash Flows	Discount Rate	8.9% - 20.0%	10.6%
			Revenue CAGR	5.1%	N/A
			Exit Capitalization Rate	4.7% - 8.3%	7.4%
			Exit Multiple - EBITDA	12.0x	N/A
	2,089	Third Party Pricing	N/A	N/A	N/A
	1,453	Transaction Price	N/A	N/A	N/A
Assets of Consolidated CLO Vehicles	14,183	Market Comparable Companies	EBITDA Multiple	9.6x	N/A
	215,886	Third Party Pricing	N/A	N/A	N/A
Total Investments of Consolidated Blackstone Funds	685,966				

continued ...

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**Notes to Condensed Consolidated Financial Statements—Continued**  
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	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Ranges</u>	<u>Weighted Average (a)</u>
Corporate Treasury Investments	\$ 9,969	Discounted Cash Flows	Discount Rate	5.1% - 10.2%	6.5%
			Default Rate	1.3% - 2.0%	1.9%
			Pre-payment Rate	20.0%	N/A
			Recovery Lag	12 Months	N/A
			Recovery Rate	6.3% - 79.0%	66.4%
			Reinvestment Rate	LIBOR + 350 bps - LIBOR + 400 bps	LIBOR + 391 bps
	18,834	Third Party Pricing	N/A	N/A	N/A
Loans and Receivables	112,056	Discounted Cash Flows	Discount Rate	8.4% - 14.3%	12.3%
Other Investments	79,977	Discounted Cash Flows	Discount Rate	0.6% - 15.0%	2.7%
			Default Rate	2.0%	N/A
			Pre-payment Rate	20.0%	N/A
			Recovery Lag	12 Months	N/A
			Recovery Rate	70.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	29,653	Transaction Price	N/A	N/A	N/A
<b>Total</b>	<u>\$ 936,455</u>				

**THE BLACKSTONE GROUP L.P.**  
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The following table summarizes the quantitative inputs and assumptions used for items categorized in Level III of the fair value hierarchy as of December 31, 2016:

Financial Assets	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average (a)
Investments of Consolidated Blackstone Funds					
Equity Securities	\$ 58,826	Discounted Cash Flows	Discount Rate	7.3% - 28.7%	12.7%
			Revenue CAGR	-0.2% - 20.1%	6.3%
			Exit Capitalization Rate	5.0% - 11.4%	8.5%
			Exit Multiple - EBITDA	4.0x - 20.0x	10.0x
			Exit Multiple - P/E	10.5x - 17.0x	11.0x
	2,032	Market Comparable Companies	Book Value Multiple	0.9x	N/A
	22,843	Other	N/A	N/A	N/A
	9,956	Transaction Price	N/A	N/A	N/A
Partnership and LLC Interests	303,281	Discounted Cash Flows	Discount Rate	3.4% - 27.6%	9.4%
			Revenue CAGR	-27.1% - 47.3%	7.2%
			Exit Capitalization Rate	3.0% - 11.0%	6.0%
			Exit Multiple - EBITDA	3.9x - 18.3x	10.5x
			Exit Multiple - P/E	9.3x	N/A
	13,945	Market Comparable Companies	Capitalization Rate	5.0% - 5.6%	5.2%
	12,916	Other	N/A	N/A	N/A
	1,238	Third Party Pricing	N/A	N/A	N/A
	5,850	Transaction Price	N/A	N/A	N/A
Debt Instruments	5,002	Discounted Cash Flows	Discount Rate	8.3% - 20.0%	12.9%
			Revenue CAGR	4.8% - 70.8%	33.8%
			Exit Capitalization Rate	4.7% - 8.3%	7.5%
			Exit Multiple - EBITDA	9.6x - 12.0x	11.0x
	2,227	Third Party Pricing	N/A	N/A	N/A
	93	Transaction Price	N/A	N/A	N/A
Assets of Consolidated CLO Vehicles	13,723	Market Comparable Companies	EBITDA Multiple	9.6x	N/A
	<u>233,941</u>	Third Party Pricing	N/A	N/A	N/A
Total Investments of Consolidated Blackstone Funds	685,873				

continued ...

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

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Ranges</u>	<u>Weighted Average (a)</u>
Corporate Treasury Investments	\$ 9,783	Discounted Cash Flows	Discount Rate	6.1% - 10.0%	7.1%
			Default Rate	1.0% - 2.0%	1.8%
			Pre-payment Rate	20.0%	N/A
			Recovery Lag	12 Months	N/A
			Recovery Rate	18.5% - 76.5%	66.4%
			Reinvestment Rate	LIBOR + 350 bps - LIBOR + 400 bps	LIBOR + 390 bps
	20,641	Third Party Pricing	N/A	N/A	N/A
Loans and Receivables	211,359	Discounted Cash Flows	Discount Rate	12.0% - 16.4%	13.3%
Other Investments	78,619	Discounted Cash Flows	Discount Rate	1.2% - 15.0%	3.1%
			Default Rate	2.0%	N/A
			Pre-payment Rate	20.0%	N/A
			Recovery Lag	12 Months	N/A
			Recovery Rate	70.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	21,545	Transaction Price	N/A	N/A	N/A
<b>Total</b>	<b>\$ 1,027,820</b>				

N/A	Not applicable.
CAGR	Compound annual growth rate.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
Exit Multiple	Ranges include the last twelve months EBITDA, forward EBITDA and price/earnings exit multiples.
Third Party Pricing	Third Party Pricing is generally determined on the basis of unadjusted prices between market participants provided by reputable dealers or pricing services.
Transaction Price	Includes recent acquisitions or transactions.
(a)	Unobservable inputs were weighted based on the fair value of the investments included in the range.

The significant unobservable inputs used in the fair value measurement of corporate treasury investments, debt instruments and other investments are discount rates, default rates, recovery rates, recovery lag, pre-payment rates and reinvestment rates. Increases (decreases) in any of the discount rates, default rates, recovery lag and pre-payment rates in isolation would result in a lower (higher) fair value measurement. Increases (decreases) in any of the recovery rates and reinvestment rates in isolation would result in a higher (lower) fair value measurement. Generally, a change in the assumption used for default rates may be accompanied by a directionally similar change in the assumption used for recovery lag and a directionally opposite change in the assumption used for recovery rates and pre-payment rates.

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

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Notes to Condensed Consolidated Financial Statements—Continued  
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Since December 31, 2016, there have been no changes in valuation techniques within Level II and Level III that have had a material impact on the valuation of financial instruments.

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 respective reporting period. Total realized and unrealized gains and losses recorded for Level III investments are reported in either Investment Income (Loss) or Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations.

	Level III Financial Assets at Fair Value Three Months Ended March 31,							
	2017				2016			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments (a)	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments (a)	Total
Balance, Beginning of Period	\$ 685,873	\$ 211,359	\$ 130,588	\$ 1,027,820	\$ 774,392	\$ 261,994	\$ 155,841	\$ 1,192,227
Transfer In to Level III (b)	47,866	—	9,923	57,789	54,626	—	290	54,916
Transfer Out of Level III (b)	(121,193)	—	(6,080)	(127,273)	(61,879)	—	(4,005)	(65,884)
Purchases	157,904	69,483	12,447	239,834	63,932	298,381	—	362,313
Sales	(112,814)	(176,160)	(10,032)	(299,006)	(92,578)	(267,556)	(20,007)	(380,141)
Settlements	—	(2,491)	(100)	(2,591)	—	(4,294)	(140)	(4,434)
Changes in Gains (Losses) Included in Earnings and Other Comprehensive Income (Loss)	28,330	9,865	1,687	39,882	(1,795)	(667)	(1,715)	(4,177)
Balance, End of Period	<u>\$ 685,966</u>	<u>\$ 112,056</u>	<u>\$ 138,433</u>	<u>\$ 936,455</u>	<u>\$ 736,698</u>	<u>\$ 287,858</u>	<u>\$ 130,264</u>	<u>\$ 1,154,820</u>
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	<u>\$ 3,197</u>	<u>\$ 9,864</u>	<u>\$ 339</u>	<u>\$ 13,400</u>	<u>\$ (18,484)</u>	<u>\$ (667)</u>	<u>\$ (1,300)</u>	<u>\$ (20,451)</u>

(a) Represents corporate treasury investments and Other Investments.

(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.

There were no Level III financial liabilities as of and for the three months ended March 31, 2017 and 2016.

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-focused 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, collateral manager or investment adviser, it generally

**THE BLACKSTONE GROUP L.P.****Notes to Condensed Consolidated Financial Statements—Continued**  
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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 of consolidated variable interest entities may only be used to settle obligations of these consolidated Blackstone Funds. In addition, there is no recourse to the Partnership for the consolidated VIEs' liabilities including the liabilities of the consolidated CLO vehicles.

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:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Investments	\$669,970	\$ 644,546
Accounts Receivable	14,161	12,308
Due from Affiliates	46,520	35,099
Total VIE Assets	730,651	691,953
Due to Affiliates	689	577
Accounts Payable, Accrued Expenses and Other Liabilities	64	38
Potential Clawback Obligation	83,547	81,936
Maximum Exposure to Loss	<u>\$814,951</u>	<u>\$ 774,504</u>

**10. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS**

At March 31, 2017, 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 \$43.4 million as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of \$43.4 million and cash were used to cover Securities Sold, Not Yet Purchased. The Partnership also pledged securities with a carrying value of \$142.3 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

At December 31, 2016, the Partnership pledged securities with a carrying value of \$119.1 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

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

The following tables provide information regarding the Partnership’s Repurchase Agreements obligation by type of collateral pledged:

	March 31, 2017				Total
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater than 90 days	
<b>Repurchase Agreements</b>					
U.S. Treasury and Agency Securities	\$ 21,253	\$ —	\$ —	\$ —	\$21,253
Asset-Backed Securities	—	17,050	52,423	3,920	73,393
Total	\$ 21,253	\$17,050	\$52,423	\$ 3,920	\$94,646
Gross Amount of Recognized Liabilities for Repurchase Agreements in Note 11. “Offsetting of Assets and Liabilities”					\$94,646
Amounts Related to Agreements Not Included in Offsetting Disclosure in Note 11. “Offsetting of Assets and Liabilities”					\$ —

	December 31, 2016				Total
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater than 90 days	
<b>Repurchase Agreements</b>					
U.S. Treasury and Agency Securities	\$ 7,034	\$ —	\$ —	\$ —	\$ 7,034
Asset-Backed Securities	—	12,805	30,796	24,689	68,290
Total	\$ 7,034	\$12,805	\$30,796	\$ 24,689	\$75,324
Gross Amount of Recognized Liabilities for Repurchase Agreements in Note 11. “Offsetting of Assets and Liabilities”					\$75,324
Amounts Related to Agreements Not Included in Offsetting Disclosure in Note 11. “Offsetting of Assets and Liabilities”					\$ —

11. OFFSETTING OF ASSETS AND LIABILITIES

The following tables present the offsetting of assets and liabilities as of March 31, 2017:

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
		Financial Instruments	Cash Collateral Received	
<b>Assets</b>				
Net Investment Hedges	\$ 771	\$ —	\$ —	\$ 771
Freestanding Derivatives	6,406	1,571	3,867	968
Reverse Repurchase Agreements	44,635	43,419	—	1,216
Total	\$ 51,812	\$ 44,990	\$ 3,867	\$ 2,955

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Notes to Condensed Consolidated Financial Statements—Continued  
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	Gross and Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
		Financial Instruments	Cash Collateral Pledged	
<b>Liabilities</b>				
Freestanding Derivatives	\$ 6,129	\$ 1,571	\$ 3,673	\$ 885
Repurchase Agreements	94,646	91,453	3,119	74
Total	<u>\$ 100,775</u>	<u>\$ 93,024</u>	<u>\$ 6,792</u>	<u>\$ 959</u>

The following tables present the offsetting of assets and liabilities as of December 31, 2016:

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
		Financial Instruments	Cash Collateral Received	
<b>Assets</b>				
Freestanding Derivatives	\$ 5,720	\$ 1,064	\$ 2,892	\$ 1,764
Reverse Repurchase Agreements	118,495	117,775	—	720
Total	<u>\$ 124,215</u>	<u>\$ 118,839</u>	<u>\$ 2,892</u>	<u>\$ 2,484</u>

	Gross and Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
		Financial Instruments	Cash Collateral Pledged	
<b>Liabilities</b>				
Net Investment Hedges	\$ 587	\$ —	\$ —	\$ 587
Freestanding Derivatives	6,886	1,064	5,638	184
Repurchase Agreements	75,324	72,195	3,129	—
Total	<u>\$ 82,797</u>	<u>\$ 73,259</u>	<u>\$ 8,767</u>	<u>\$ 771</u>

Reverse Repurchase Agreements and Repurchase Agreements are presented separately on the Condensed Consolidated Statements of Financial Condition. Freestanding Derivative assets are included in Other Assets in the Condensed Consolidated Statements of Financial Condition. The following table presents the components of Other Assets:

	March 31, 2017	December 31, 2016
Furniture, Equipment and Leasehold Improvements, Net	\$ 130,693	\$ 126,784
Prepaid Expenses	83,125	96,888
Other Assets	38,444	37,723
Freestanding Derivatives	4,069	3,393
Net Investment Hedges	771	—
Total	<u>\$ 257,102</u>	<u>\$ 264,788</u>

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

Freestanding Derivative liabilities are included in Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition and are not a significant component thereof.

**Notional Pooling Arrangement**

Blackstone has a notional cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals based upon aggregate cash balances on deposit at the same financial institution. Cash withdrawals cannot exceed aggregate cash balances on deposit. The net balance of cash on deposit and overdrafts is used as a basis for calculating net interest expense or income. As of March 31, 2017, the aggregate cash balance on deposit relating to the cash pooling arrangement was \$1.5 billion, which was offset with an accompanying overdraft of \$1.5 billion.

**12. BORROWINGS**

The following table presents the general characteristics of each of our Notes, as well as their carrying value and fair value. The Notes are included in Loans Payable within the Condensed Consolidated Statements of Financial Condition. All of the Notes were issued at a discount. All of the Notes accrue interest from the Issue Date and all pay interest in arrears on a semi-annual basis or annual basis.

	March 31, 2017		December 31, 2016	
	Carrying Value	Fair Value (a)	Carrying Value	Fair Value (a)
<b>Senior Notes</b>				
6.625%, Due 8/15/2019 (b)	\$ 605,093	\$ 643,851	\$ 607,121	\$ 648,765
5.875%, Due 3/15/2021	398,205	445,600	398,105	447,600
4.750%, Due 2/15/2023	393,398	434,880	393,158	426,520
6.250%, Due 8/15/2042	237,876	295,850	237,830	285,450
5.000%, Due 6/15/2044	488,386	516,650	488,337	497,200
4.450%, Due 7/15/2045	343,843	332,710	343,816	322,525
2.000%, Due 5/19/2025	315,291	333,908	310,805	331,096
1.000%, Due 10/5/2026	628,624	602,435	620,750	598,270
<b>Total</b>	<b>\$ 3,410,716</b>	<b>\$ 3,605,884</b>	<b>\$ 3,399,922</b>	<b>\$ 3,557,426</b>

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

(b) The carrying and fair values are determined using the original \$600 million par amount less \$15 million attributable to these notes which were acquired but not retired by Blackstone during 2012.

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

Included within Loans Payable and Due to Affiliates within the Condensed Consolidated Statements of Financial Condition are amounts due to holders of debt securities issued by Blackstone’s consolidated CLO vehicles. Borrowings through the consolidated CLO vehicles consisted of the following:

	March 31, 2017			December 31, 2016		
	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	\$6,041,613	1.98%	4.7	\$5,124,241	2.17%	5.4
Subordinated Notes	410,590	(a)	N/A	382,735	(a)	N/A
	<u>\$6,452,203</u>			<u>\$5,506,976</u>		

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

Senior Secured Notes and Subordinated Notes comprise the following amounts:

	March 31, 2017			December 31, 2016		
	Amounts Due to Non-Consolidated Affiliates			Amounts Due to Non-Consolidated Affiliates		
	Fair Value	Borrowing Outstanding	Fair Value	Fair Value	Borrowing Outstanding	Fair Value
Senior Secured Notes	\$6,027,719	\$ —	\$ —	\$5,125,804	\$ —	\$ —
Subordinated Notes	362,759	10,000	7,065	345,594	10,000	7,748
	<u>\$6,390,478</u>	<u>\$ 10,000</u>	<u>\$ 7,065</u>	<u>\$5,471,398</u>	<u>\$10,000</u>	<u>\$7,748</u>

The Loans Payable of the consolidated CLO vehicles are collateralized by assets held by each respective CLO vehicle and assets of one vehicle may not be used to satisfy the liabilities of another. As of March 31, 2017 and December 31, 2016, the fair value of the consolidated CLO assets was \$8.1 billion and \$6.4 billion, respectively. This collateral consisted of Cash, Corporate Loans, Corporate Bonds and other securities.

Scheduled principal payments for borrowings as of March 31, 2017 were as follows:

	Operating Borrowings	Blackstone Fund Facilities/CLO Vehicles	Total Borrowings
2017	\$ —	\$ 322,365	\$ 322,365
2018	—	—	—
2019	585,000	—	585,000
2020	—	—	—
2021	400,000	—	400,000
Thereafter	2,458,680	6,132,643	8,591,323
Total	<u>\$ 3,443,680</u>	<u>\$ 6,455,008</u>	<u>\$ 9,898,688</u>

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

13. INCOME TAXES

Blackstone's effective tax rate was 5.3% and 2.7% for the three months ended March 31, 2017 and 2016, respectively. Blackstone's income tax provision was \$57.4 million and \$9.1 million for the three months ended March 31, 2017 and 2016, respectively.

The Blackstone Group L.P. and certain of its subsidiaries operate in the U.S. as partnerships for income tax purposes (partnerships generally are not subject to federal income taxes) and generally as corporate entities in non-U.S. jurisdictions. Blackstone's effective tax rate for the three months ended March 31, 2017 and 2016 was substantially due to the fact that 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.

14. NET INCOME PER COMMON UNIT

Basic and diluted net income per common unit for the three months ended March 31, 2017 and March 31, 2016 was calculated as follows:

	Three Months Ended March 31,	
	2017	2016
<b>Net Income for Per Common Unit Calculations</b>		
Net Income Attributable to The Blackstone Group L.P., Basic	\$ 461,825	\$ 159,753
Incremental Net Income from Assumed Exchange of Blackstone Holdings Partnership Units	371,284	117,684
Net Income Attributable to The Blackstone Group L.P., Diluted	<u>\$ 833,109</u>	<u>\$ 277,437</u>
<b>Units Outstanding</b>		
Weighted-Average Common Units Outstanding, Basic	660,939,708	644,897,849
Weighted-Average Unvested Deferred Restricted Common Units	809,184	1,332,772
Weighted-Average Blackstone Holdings Partnership Units	537,758,091	548,042,780
Weighted-Average Common Units Outstanding, Diluted	<u>1,199,506,983</u>	<u>1,194,273,401</u>
<b>Net Income Per Common Unit, Basic</b>	<u>\$ 0.70</u>	<u>\$ 0.25</u>
<b>Net Income Per Common Unit, Diluted</b>	<u>\$ 0.69</u>	<u>\$ 0.23</u>
<b>Distributions Declared Per Common Unit (a)</b>	<u>\$ 0.47</u>	<u>\$ 0.61</u>

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

**Unit Repurchase Program**

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

**THE BLACKSTONE GROUP L.P.**

**Notes to Condensed Consolidated Financial Statements—Continued**  
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During the three month periods ended March 31, 2017 and 2016, no units were repurchased. As of March 31, 2017, the amount remaining available for repurchases under this program was \$335.8 million.

**15. EQUITY-BASED COMPENSATION**

The Partnership has granted equity-based compensation awards to Blackstone’s senior managing directors, non-partner professionals, non-professionals and selected external advisers under the Partnership’s 2007 Equity Incentive Plan (the “Equity Plan”), the majority of which to date were granted in connection with Blackstone’s initial public offering (“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, 2017, the Partnership had the ability to grant 170,379,944 units under the Equity Plan.

For the three months ended March 31, 2017 and March 31, 2016, the Partnership recorded compensation expense of \$91.3 million and \$79.8 million, respectively, in relation to its equity-based awards with corresponding tax benefits of \$14.1 million and \$8.3 million, respectively.

As of March 31, 2017, there was \$899.9 million of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 4.4 years.

Total vested and unvested outstanding units, including Blackstone common units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,198,182,811 as of March 31, 2017. Total outstanding unvested phantom units were 42,793 as of March 31, 2017.

A summary of the status of the Partnership’s unvested equity-based awards as of March 31, 2017 and of changes during the period January 1, 2017 through March 31, 2017 is presented below:

	<u>Blackstone Holdings</u>		<u>The Blackstone Group L.P.</u>			
	<u>Partnership Units</u>	<u>Weighted-Average Grant Date Fair Value</u>	<u>Equity Settled Awards</u>		<u>Cash Settled Awards</u>	
<u>Deferred Restricted Common Units and Options</u>			<u>Weighted-Average Grant Date Fair Value</u>	<u>Phantom Units</u>	<u>Weighted-Average Grant Date Fair Value</u>	
<u>Unvested Units</u>						
Balance, December 31, 2016	34,568,726	\$ 33.58	12,206,016	\$ 24.65	40,460	\$ 28.14
Granted	179,596	27.03	2,213,133	27.64	3,057	27.03
Vested	(2,326,984)	35.48	(2,352,245)	25.87	(1,338)	28.61
Forfeited	(255,433)	24.52	(86,559)	28.69	—	—
Balance, March 31, 2017	<u>32,165,905</u>	<u>\$ 34.01</u>	<u>11,980,345</u>	<u>\$ 25.29</u>	<u>42,179</u>	<u>\$ 28.81</u>

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**Notes to Condensed Consolidated Financial Statements—Continued**  
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**Units Expected to Vest**

The following unvested units, after expected forfeitures, as of March 31, 2017, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	27,095,652	4.0
Deferred Restricted Blackstone Common Units	10,620,157	1.8
Total Equity-Based Awards	<u>37,715,809</u>	<u>3.4</u>
Phantom Units	<u>32,589</u>	<u>3.1</u>

**16. RELATED PARTY TRANSACTIONS**

**Affiliate Receivables and Payables**

Due from Affiliates and Due to Affiliates consisted of the following:

	March 31, 2017	December 31, 2016
<b>Due from Affiliates</b>		
Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees Principally for Investments in Blackstone Funds	\$ 409,423	\$ 342,943
Amounts Due from Portfolio Companies and Funds	441,849	456,469
Management and Performance Fees Due from Non-Consolidated Funds	558,995	445,280
Payments Made on Behalf of Non-Consolidated Entities	256,341	196,134
Investments Redeemed in Non-Consolidated Funds of Hedge Funds	1,412	1,552
Accrual for Potential Clawback of Previously Distributed Carried Interest	1,104	—
	<u>\$ 1,669,124</u>	<u>\$ 1,442,378</u>
<b>Due to Affiliates</b>		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreements	\$ 1,141,411	\$ 1,186,145
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	35,735	28,012
Distributions Received on Behalf of Blackstone Entities	41,011	80,034
Payments Made by Non-Consolidated Entities	8,674	19,833
Due to Note Holders of Consolidated CLO Vehicles	7,065	7,748
Accrual for Potential Repayment of Previously Received Performance Fees	2,171	—
	<u>\$ 1,236,067</u>	<u>\$ 1,321,772</u>

**Interests of the Founder, Senior Managing Directors, Employees and Other Related Parties**

The Founder, senior managing directors, employees and certain other related parties invest on a discretionary basis in the consolidated Blackstone Funds both directly and through consolidated entities. These investments

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**Notes to Condensed Consolidated Financial Statements—Continued**  
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generally are subject to preferential management fee and performance fee arrangements. As of March 31, 2017 and December 31, 2016, such investments aggregated \$795.3 million and \$740.3 million, respectively. Their share of the Net Income Attributable to Redeemable Non-Controlling and Non-Controlling Interests in Consolidated Entities aggregated \$30.6 million and \$3.0 million for the three months ended March 31, 2017 and 2016, respectively.

**Revenues Earned from Affiliates**

Management and Advisory Fees, Net earned from affiliates totaled \$50.1 million and \$56.7 million for the three months ended March 31, 2017 and 2016, respectively. Fees relate primarily to transaction and monitoring fees which are negotiated in the ordinary course of fundraising and investment activities.

**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 \$0.2 million and \$0.2 million for the three months ended March 31, 2017 and 2016, respectively.

**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 Potential Repayment of Previously Received Performance Fees represents amounts previously paid to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the carry funds were to be liquidated based on the fair value of their underlying investments as of March 31, 2017. See Note 17. "Commitments and Contingencies — Contingencies — Contingent Obligations (Clawback)".

**Aircraft and Other Services**

In the normal course of business, Blackstone personnel make use of aircraft owned as personal assets by Stephen A. Schwarzman; an aircraft owned jointly as a personal asset by Hamilton E. James, Blackstone's President and Chief Operating Officer, and a Director of Blackstone, and Jonathan D. Gray, Blackstone's Global Head of Real Estate and a Director of Blackstone; and an aircraft owned jointly as a personal asset by Bennett J. Goodman, Co-Founder of GSO Capital and a Director of Blackstone, and another senior managing director (each such aircraft, "Personal Aircraft"). Mr. Schwarzman paid for his purchases of his Personal Aircraft himself. Each of Mr. James and Mr. Gray paid for his respective interest in their jointly owned Personal Aircraft. Mr. Goodman paid for his interest in his jointly owned Personal Aircraft. Mr. Schwarzman, Mr. James, Mr. Gray and Mr. Goodman respectively bear operating, personnel and maintenance costs associated with the operation of such Personal Aircraft. Payment by Blackstone for the use of the Personal Aircraft by Blackstone employees is made based on market rates.

In addition, on occasion, certain of Blackstone's executive officers and employee directors and their families may make personal use of aircraft owned by Blackstone or in which Blackstone owns a fractional interest, as well as other assets of Blackstone. Any such personal use of Blackstone assets is charged to the executive officer or employee director based on market rates and usage. Personal use of Blackstone resources is also reimbursed to Blackstone based on market rates.

The transactions described herein are not material to the Condensed Consolidated Financial Statements.

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**Notes to Condensed Consolidated Financial Statements—Continued**  
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**Tax Receivable Agreements**

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

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

Assuming no future 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 \$1.2 billion over the next 15 years. The after tax net present value of these estimated payments totals \$364.7 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.

Amounts related to the deferred tax asset resulting from the increase in tax basis from the exchange of Blackstone Holdings Partnership Units to Blackstone common units, the resulting remeasurement of net deferred tax assets at the Blackstone ownership percentage at the balance sheet date, the due to affiliates for the future payments resulting from the tax receivable agreements and resulting adjustment to partners' capital are included as Acquisition of Ownership Interests from Non-Controlling Interest Holders in the Supplemental Disclosure of Non-Cash Investing and Financing Activities in the Condensed Consolidated Statements of Cash Flows.

**Other**

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

Additionally, please see Note 17. "Commitments and Contingencies — Contingencies — Guarantees" for information regarding guarantees provided to a lending institution for certain loans held by employees.

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Notes to Condensed Consolidated Financial Statements—Continued  
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17. COMMITMENTS AND CONTINGENCIES

**Commitments**

*Investment Commitments*

Blackstone had \$2.4 billion of investment commitments as of March 31, 2017 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 \$359.0 million as of March 31, 2017 which includes \$65.3 million of signed investment commitments for portfolio company acquisitions in the process of closing.

**Contingencies**

*Guarantees*

Certain of Blackstone's consolidated real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. There is no direct recourse to the Partnership to fulfill such obligations. To the extent that underlying funds are required to fulfill guarantee obligations, the Partnership's invested capital in such funds is at risk. Total investments at risk in respect of guarantees extended by consolidated real estate funds was \$5.3 million as of March 31, 2017.

The Blackstone Holdings Partnerships provided guarantees to a lending institution for certain loans held by employees either for investment in Blackstone Funds or for members' capital contributions to Blackstone International Partners LLP. The amount guaranteed as of March 31, 2017 was \$144.8 million.

*Litigation*

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

*Contingent Obligations (Clawback)*

Carried Interest is subject to clawback to the extent that the Carried Interest received to date with respect to a fund exceeds the amount due to Blackstone based on cumulative results of that fund. The actual clawback liability, however, generally does not become realized until the end of a fund's life except for certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability. The lives of the carry funds, including available contemplated extensions, for which a liability for potential clawback obligations has been recorded for financial reporting purposes, are currently anticipated to expire at various points through 2028. Further extensions of such terms may be implemented under given circumstances.

For financial reporting purposes, when applicable, the general partners record 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.

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**Notes to Condensed Consolidated Financial Statements—Continued**  
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The following table presents the clawback obligations by segment:

<u>Segment</u>	<u>March 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Blackstone Holdings</u>	<u>Current and Former Personnel</u>	<u>Total</u>	<u>Blackstone Holdings</u>	<u>Current and Former Personnel</u>	<u>Total</u>
Credit	\$ 1,067	\$ 1,104	\$2,171	\$ —	\$ —	\$—

For Private Equity, Real Estate, and certain Credit Funds, a portion of the carried interest paid to current and former Blackstone personnel is held in segregated accounts in the event of a cash clawback obligation. These segregated accounts are not included in the Condensed Consolidated Financial Statements of the Partnership, except to the extent a portion of the assets held in the segregated accounts may be allocated to a consolidated Blackstone fund of hedge funds. At March 31, 2017, \$658.2 million was held in segregated accounts for the purpose of meeting any clawback obligations of current and former personnel if such payments are required.

In the Credit segment, payment of carried interest to the Partnership by the majority of the rescue lending, mezzanine and hedge fund strategies funds is substantially deferred under the terms of the partnership agreements. This deferral mitigates the need to hold funds in segregated accounts in the event of a cash clawback obligation.

If, at March 31, 2017, all of the investments held by our carry funds were deemed worthless, a possibility that management views as remote, the amount of Carried Interest subject to potential clawback would be \$5.4 billion, on an after tax basis where applicable, of which Blackstone Holdings is potentially liable for \$4.9 billion if current and former Blackstone personnel default on their share of the liability, a possibility that management also views as remote.

## 18. SEGMENT REPORTING

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

Blackstone conducts its alternative asset management businesses through four segments:

- Private Equity — Blackstone’s Private Equity segment primarily comprises its management of flagship corporate private equity funds, sector-focused corporate private equity funds, including energy-focused funds, a core private equity fund, an opportunistic investment platform, a secondary private equity fund of funds business, a multi-asset investment program for eligible high net worth investors and a capital markets services business.
- Real Estate — Blackstone’s Real Estate segment primarily comprises its management of global, European focused and Asian focused opportunistic real estate funds, high yield real estate debt funds, liquid real estate debt funds, core+ real estate funds, a NYSE-listed REIT and a non-exchange traded REIT.
- Hedge Fund Solutions — Blackstone’s Hedge Fund Solutions segment is comprised principally of Blackstone Alternative Asset Management (“BAAM”), which manages a broad range of commingled and customized hedge fund of fund solutions and also includes investment platforms that seed new hedge fund businesses, purchase minority ownership interests in more established hedge funds, invest in special situation opportunities, create alternative solutions in regulated structures and trade directly.
- Credit — Blackstone’s Credit segment consists principally of GSO Capital Partners LP (“GSO”), which is organized into performing credit strategies (which include mezzanine lending funds, business development companies and other performing credit strategies), distressed strategies (which include hedge fund strategies, rescue lending funds and distressed energy strategies) and long only strategies (which consist of CLOs, closed end funds, commingled funds and separately managed accounts).

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**Notes to Condensed Consolidated Financial Statements—Continued**  
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These business segments are differentiated by their various sources of income. The Private Equity, Real Estate, Hedge Fund Solutions and Credit segments primarily earn their income from management fees and investment returns on assets under management.

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

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

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**Notes to Condensed Consolidated Financial Statements—Continued**  
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The following table presents the financial data for Blackstone's four segments as of and for the three months ended March 31, 2017 and 2016.

	March 31, 2017 and the Three Months Then Ended				Total Segments
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	
<b>Segment Revenues</b>					
Management and Advisory Fees, Net					
Base Management Fees	\$ 177,464	\$ 197,879	\$ 128,468	\$ 139,147	\$ 642,958
Transaction, Advisory and Other Fees, Net	17,200	21,279	259	1,484	40,222
Management Fee Offsets	(12,190)	(3,550)	—	(17,859)	(33,599)
Total Management and Advisory Fees, Net	<u>182,474</u>	<u>215,608</u>	<u>128,727</u>	<u>122,772</u>	<u>649,581</u>
Performance Fees					
Realized					
Carried Interest	582,681	519,841	—	8,800	1,111,322
Incentive Fees	—	2,914	14,684	29,539	47,137
Unrealized					
Carried Interest	(184,833)	(22,268)	3,797	48,557	(154,747)
Incentive Fees	—	18,713	40,311	992	60,016
Total Performance Fees	<u>397,848</u>	<u>519,200</u>	<u>58,792</u>	<u>87,888</u>	<u>1,063,728</u>
Investment Income (Loss)					
Realized					
	80,889	119,579	(632)	3,058	202,894
Unrealized					
	(40,824)	(83,853)	18,293	7,449	(98,935)
Total Investment Income	<u>40,065</u>	<u>35,726</u>	<u>17,661</u>	<u>10,507</u>	<u>103,959</u>
Interest and Dividend Revenue					
	10,922	18,167	7,554	9,233	45,876
Other					
	(1,800)	(3,150)	(1,610)	(1,727)	(8,287)
Total Revenues	<u>629,509</u>	<u>785,551</u>	<u>211,124</u>	<u>228,673</u>	<u>1,854,857</u>
<b>Expenses</b>					
Compensation and Benefits Compensation					
	83,742	102,702	47,604	54,979	289,027
Performance Fee Compensation					
Realized					
Carried Interest	181,633	179,925	—	4,633	366,191
Incentive Fees	—	1,364	7,317	14,071	22,752
Unrealized					
Carried Interest	(39,356)	11,798	1,209	21,962	(4,387)
Incentive Fees	—	8,509	14,004	626	23,139
Total Compensation and Benefits	<u>226,019</u>	<u>304,298</u>	<u>70,134</u>	<u>96,271</u>	<u>696,722</u>
Other Operating Expenses					
	42,822	51,969	25,800	32,701	153,292
Total Expenses	<u>268,841</u>	<u>356,267</u>	<u>95,934</u>	<u>128,972</u>	<u>850,014</u>
Economic Income	<u>\$ 360,668</u>	<u>\$ 429,284</u>	<u>\$ 115,190</u>	<u>\$ 99,701</u>	<u>\$ 1,004,843</u>
Segment Assets	<u>\$5,983,046</u>	<u>\$ 7,916,805</u>	<u>\$ 2,297,471</u>	<u>\$ 3,302,146</u>	<u>\$ 19,499,468</u>

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

	Three Months Ended March 31, 2016				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total Segments
<b>Segment Revenues</b>					
Management and Advisory Fees, Net					
Base Management Fees	\$ 130,648	\$ 199,907	\$ 130,158	\$ 125,990	\$ 586,703
Transaction, Advisory and Other Fees, Net	8,920	35,794	543	1,342	46,599
Management Fee Offsets	(6,848)	(3,595)	—	(9,658)	(20,101)
Total Management and Advisory Fees, Net	<u>132,720</u>	<u>232,106</u>	<u>130,701</u>	<u>117,674</u>	<u>613,201</u>
Performance Fees					
Realized					
Carried Interest	30,282	200,627	—	—	230,909
Incentive Fees	—	4,069	2,684	21,697	28,450
Unrealized					
Carried Interest	73,875	(11,522)	32	(14,779)	47,606
Incentive Fees	—	9,765	(2,935)	270	7,100
Total Performance Fees	<u>104,157</u>	<u>202,939</u>	<u>(219)</u>	<u>7,188</u>	<u>314,065</u>
Investment Income (Loss)					
Realized	(15,357)	12,975	(4,745)	(2,974)	(10,101)
Unrealized	15,440	(2,137)	(12,291)	(17,561)	(16,549)
Total Investment Income (Loss)	<u>83</u>	<u>10,838</u>	<u>(17,036)</u>	<u>(20,535)</u>	<u>(26,650)</u>
Interest and Dividend Revenue	9,849	13,188	5,296	6,748	35,081
Other	(1,587)	(1,909)	(1,388)	(1,364)	(6,248)
Total Revenues	<u>245,222</u>	<u>457,162</u>	<u>117,354</u>	<u>109,711</u>	<u>929,449</u>
<b>Expenses</b>					
Compensation and Benefits Compensation	80,274	100,578	54,169	52,382	287,403
Performance Fee Compensation					
Realized					
Carried Interest	15,427	43,076	—	—	58,503
Incentive Fees	—	2,133	1,863	10,127	14,123
Unrealized					
Carried Interest	9,296	27,703	—	(6,998)	30,001
Incentive Fees	—	4,158	(1,195)	485	3,448
Total Compensation and Benefits	<u>104,997</u>	<u>177,648</u>	<u>54,837</u>	<u>55,996</u>	<u>393,478</u>
Other Operating Expenses	48,063	48,097	26,146	26,220	148,526
Total Expenses	<u>153,060</u>	<u>225,745</u>	<u>80,983</u>	<u>82,216</u>	<u>542,004</u>
Economic Income	<u>\$ 92,162</u>	<u>\$ 231,417</u>	<u>\$ 36,371</u>	<u>\$ 27,495</u>	<u>\$ 387,445</u>

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The following table reconciles the Total Segments to Blackstone’s Income Before Provision for Taxes and Total Assets as of and for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31, 2017			Three Months Ended March 31, 2016		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	\$ 1,854,857	\$ 85,866(a)	\$ 1,940,723	\$ 929,449	\$ 2,905(a)	\$ 932,354
Expenses	\$ 850,014	\$ 79,636(b)	\$ 929,650	\$ 542,004	\$ 75,706(b)	\$ 617,710
Other Income	\$ —	\$ 66,132(c)	\$ 66,132	\$ —	\$ 19,142(c)	\$ 19,142
Economic Income	\$ 1,004,843	\$ 72,362(d)	\$ 1,077,205	\$ 387,445	\$ (53,659)(d)	\$ 333,786
Total Assets	\$ 19,499,468	\$ 8,837,696(e)	\$ 28,337,164			

- (a) The Revenues adjustment represents management and performance fees earned from Blackstone Funds that were eliminated in consolidation to arrive at Blackstone consolidated revenues, non-segment related Investment Income (Loss), which is included in Blackstone consolidated revenues and the elimination of inter-segment interest income.
- (b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone unconsolidated expenses, amortization of intangibles, expenses related to transaction-related equity-based compensation and the elimination of inter-segment interest expense to arrive at Blackstone consolidated expenses.
- (c) The Other Income adjustment results from the following:

	Three Months Ended March 31,	
	2017	2016
Fund Management Fees and Performance Fees Eliminated in Consolidation and Transactional Investment Loss	\$ (85,321)	\$ (2,757)
Fund Expenses Added in Consolidation	7,491	(5,847)
Income Associated with Non-Controlling Interests of Consolidated Entities	140,685	33,685
Transaction-Related Other Income (Loss)	3,277	(5,939)
Total Consolidation Adjustments and Reconciling Items	\$ 66,132	\$ 19,142

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

	Three Months Ended March 31,	
	2017	2016
Economic Income	\$ 1,004,843	\$ 387,445
Adjustments		
Amortization of Intangibles	(11,344)	(23,208)
Transaction-Related Charges	(56,979)	(64,136)
Income Associated with Non-Controlling Interests of Consolidated Entities	140,685	33,685
Total Consolidation Adjustments and Reconciling Items	72,362	(53,659)
Income Before Provision for Taxes	\$ 1,077,205	\$ 333,786

**THE BLACKSTONE GROUP L.P.**

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

- (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.

**19. SUBSEQUENT EVENTS**

There have been no events since March 31, 2017 that require recognition or disclosure in the Condensed Consolidated Financial Statements.

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

## THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition  
(Dollars in Thousands)

	March 31, 2017			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,303,680	\$ —	\$ —	\$ 2,303,680
Cash Held by Blackstone Funds and Other	327,687	1,089,217	—	1,416,904
Investments	11,334,290	7,209,216	(405,248)	18,138,258
Accounts Receivable	327,390	946,764	—	1,274,154
Reverse Repurchase Agreements	44,635	—	—	44,635
Due from Affiliates	1,677,312	16,157	(24,345)	1,669,124
Intangible Assets, Net	251,640	—	—	251,640
Goodwill	1,718,519	—	—	1,718,519
Other Assets	251,167	5,935	—	257,102
Deferred Tax Assets	1,263,148	—	—	1,263,148
<b>Total Assets</b>	<u>\$19,499,468</u>	<u>\$9,267,289</u>	<u>\$ (429,593)</u>	<u>\$28,337,164</u>
<b>Liabilities and Partners' Capital</b>				
Loans Payable	\$ 3,410,716	\$6,386,217	\$ —	\$ 9,796,933
Due to Affiliates	1,187,566	104,446	(55,945)	1,236,067
Accrued Compensation and Benefits	2,221,161	—	—	2,221,161
Securities Sold, Not Yet Purchased	92,763	85,685	—	178,448
Repurchase Agreements	21,253	73,393	—	94,646
Accounts Payable, Accrued Expenses and Other Liabilities	492,014	1,215,036	—	1,707,050
<b>Total Liabilities</b>	<u>7,425,473</u>	<u>7,864,777</u>	<u>(55,945)</u>	<u>15,234,305</u>
<b>Redeemable Non-Controlling Interests in Consolidated Entities</b>				
	—	188,658	—	188,658
<b>Partners' Capital</b>				
Partners' Capital	6,714,320	357,957	(358,655)	6,713,622
Accumulated Other Comprehensive Income (Loss)	(55,988)	—	787	(55,201)
Non-Controlling Interests in Consolidated Entities	1,810,672	855,897	(15,780)	2,650,789
Non-Controlling Interests in Blackstone Holdings	3,604,991	—	—	3,604,991
<b>Total Partners' Capital</b>	<u>12,073,995</u>	<u>1,213,854</u>	<u>(373,648)</u>	<u>12,914,201</u>
<b>Total Liabilities and Partners' Capital</b>	<u>\$19,499,468</u>	<u>\$9,267,289</u>	<u>\$ (429,593)</u>	<u>\$28,337,164</u>

continued...

**THE BLACKSTONE GROUP L.P.**  
**Unaudited Consolidating Statements of Financial Condition**  
**(Dollars in Thousands)**

	December 31, 2016			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,837,253	\$ —	\$ —	\$ 1,837,253
Cash Held by Blackstone Funds and Other	261,909	743,252	—	1,005,161
Investments	11,618,729	6,474,168	(397,922)	17,694,975
Accounts Receivable	404,843	367,852	—	772,695
Reverse Repurchase Agreements	118,495	—	—	118,495
Due from Affiliates	1,433,612	27,473	(18,707)	1,442,378
Intangible Assets, Net	262,604	—	—	262,604
Goodwill	1,718,519	—	—	1,718,519
Other Assets	259,695	5,093	—	264,788
Deferred Tax Assets	1,286,469	—	—	1,286,469
<b>Total Assets</b>	<u>\$19,202,128</u>	<u>\$7,617,838</u>	<u>\$ (416,629)</u>	<u>\$26,403,337</u>
<b>Liabilities and Partners' Capital</b>				
Loans Payable	\$ 3,399,922	\$5,466,444	\$ —	\$ 8,866,366
Due to Affiliates	1,253,791	86,688	(18,707)	1,321,772
Accrued Compensation and Benefits	2,327,762	—	—	2,327,762
Securities Sold, Not Yet Purchased	127,710	87,688	—	215,398
Repurchase Agreements	7,034	68,290	—	75,324
Accounts Payable, Accrued Expenses and Other Liabilities	533,101	548,681	—	1,081,782
<b>Total Liabilities</b>	<u>7,649,320</u>	<u>6,257,791</u>	<u>(18,707)</u>	<u>13,888,404</u>
<b>Redeemable Non-Controlling Interests in Consolidated Entities</b>	<u>—</u>	<u>185,390</u>	<u>—</u>	<u>185,390</u>
<b>Partners' Capital</b>				
Partners' Capital	6,524,607	398,001	(398,679)	6,523,929
Accumulated Other Comprehensive Income (Loss)	(63,644)	—	757	(62,887)
Non-Controlling Interests in Consolidated Entities	1,652,308	776,656	—	2,428,964
Non-Controlling Interests in Blackstone Holdings	3,439,537	—	—	3,439,537
<b>Total Partners' Capital</b>	<u>11,552,808</u>	<u>1,174,657</u>	<u>(397,922)</u>	<u>12,329,543</u>
<b>Total Liabilities and Partners' Capital</b>	<u>\$19,202,128</u>	<u>\$7,617,838</u>	<u>\$ (416,629)</u>	<u>\$26,403,337</u>

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

- Blackstone Real Estate Partners VI.C — ESH L.P.
- Blackstone Real Estate Special Situations Fund L.P.
- Blackstone Real Estate Special Situations Offshore Fund Ltd.
- Blackstone Strategic Alliance Fund L.P.
- Blackstone/GSO Loan Financing Limited
- BSSF I AIV L.P.
- BTD CP Holdings, LP
- GSO Legacy Associates II LLC
- GSO Legacy Associates LLC

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Private equity side-by-side investment vehicles  
Real estate side-by-side investment vehicles  
Mezzanine side-by-side investment vehicles  
Collateralized loan obligation vehicles

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

*The following discussion and analysis should be read in conjunction with The Blackstone Group L.P.’s condensed consolidated financial statements and the related notes included within this Quarterly Report on Form 10-Q.*

**Our Business**

Blackstone is one of the largest independent managers of private capital in the world. Our business is organized into four segments:

- **Private Equity.** We are a world leader in private equity investing, having managed seven general private equity funds, as well as three sector-focused funds, since we established this business in 1987. Our Private Equity segment includes our corporate private equity business, which consists of our flagship corporate private equity funds, Blackstone Capital Partners (“BCP”) funds, our sector-focused corporate private equity funds, including our energy-focused funds, Blackstone Energy Partners (“BEP”) funds and our core private equity fund, Blackstone Core Equity Partners (“BCEP”). In addition, our Private Equity segment includes our opportunistic investment platform that invests globally across asset classes, industries and geographies, Blackstone Tactical Opportunities (“Tactical Opportunities”), our secondary private equity fund of funds business, Strategic Partners Fund Solutions (“Strategic Partners”), a multi-asset investment program for eligible high net worth investors offering exposure to certain of Blackstone’s key illiquid investment strategies through a single commitment, Blackstone Total Alternatives Solutions (“BTAS”) and our capital markets services business, Blackstone Capital Markets (“BXCM”).

Our corporate private equity business pursues transactions throughout the world across a variety of transaction types, including large buyouts, mid-cap buyouts, buy and build platforms (which involve multiple acquisitions behind a single management team and platform) and growth equity/development projects (which involve significant minority investments in mature companies and greenfield development projects in energy and power). Tactical Opportunities seeks to capitalize on complex and dislocated market situations across asset classes, industries and geographies in a broad range of investments, including private and public securities, and instruments, where the underlying exposure may be to equity, debt, and/or real assets. Strategic Partners focuses on delivering access to a range of opportunities, leveraging its proprietary database to acquire single fund interests or complex portfolios in an efficient and timely manner.

- **Real Estate.** Our Real Estate group is one of the largest real estate investment managers in the world. We operate as one globally integrated business, with investments in North America, Europe, Asia and Latin America.

Our Blackstone Real Estate Partners (“BREP”) funds are geographically diversified and target a broad range of “opportunistic” real estate and real estate related investments. The BREP funds include global funds as well as funds focused specifically on Europe or Asia investments. We seek to acquire high quality, well-located yet undermanaged assets at an attractive basis, address any property or business issues through active asset management and sell the assets once our business plan is accomplished. BREP has made significant investments in hotels, office buildings, shopping centers, residential and industrial assets, as well as a variety of real estate operating companies.

Our Blackstone Real Estate Debt Strategies (“BREDS”) vehicles target debt investment opportunities collateralized by commercial real estate in both public and private markets, primarily in the U.S. and

Europe. BREDS' scale and investment mandates enable it to provide a variety of lending and investment options including mezzanine loans, senior loans and liquid securities. The BREDS platform includes a number of high yield real estate debt funds, liquid real estate debt funds and BXMT, a NYSE-listed real estate investment trust ("REIT").

Our core+ real estate business, Blackstone Property Partners ("BPP") has assembled a global portfolio of high quality core+ investments across the U.S., Europe and Asia. Our BPP vehicles target substantially stabilized assets in prime markets with a focus on office, multifamily, industrial and retail assets. We manage several core+ real estate funds and BREIT, a non-exchange traded REIT, which targets primarily stabilized income-oriented commercial real estate in the U.S.

- **Hedge Fund Solutions.** Blackstone's Hedge Fund Solutions segment is comprised principally of Blackstone Alternative Asset Management ("BAAM"). BAAM is the world's largest discretionary allocator to hedge funds, managing a broad range of commingled and customized hedge fund of fund solutions since its inception in 1990. The Hedge Fund Solutions segment also includes investment platforms that seed new hedge fund businesses, purchase minority ownership interests in more established hedge funds, invest in special situation opportunities, create alternative solutions in regulated structures and trade directly.
- **Credit.** Our credit business consists principally of GSO Capital Partners LP ("GSO") which was founded in 2005 and subsequently acquired by Blackstone in 2008. GSO is one of the largest leveraged finance-focused alternative asset managers in the world and is the largest manager of collateralized loan obligations ("CLOs") globally. The investment portfolios of the funds we manage or sub-advise predominantly consist of loans and securities of non-investment grade companies spread across the capital structure including senior debt, subordinated debt, preferred stock and common equity.

The GSO business is organized into three overarching strategies: performing credit, distressed and long only. Our performing credit strategies include mezzanine lending funds, business development companies that we sub-advise ("BDCs") and other performing credit strategy funds. Our distressed strategies include hedge fund strategies, rescue lending funds and distressed energy strategies. GSO's long only strategies consist of CLOs, closed-end funds, commingled funds and separately managed accounts.

We generate revenue from fees earned pursuant to contractual arrangements with funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees), and from capital markets services. 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 (generally collectively referred to as "Performance Fees"). The composition of our revenues will vary based on market conditions and the cyclicity 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. 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**

Blackstone's businesses are materially affected by conditions in the financial markets and economic conditions in the U.S., Europe, Asia and, to a lesser extent, elsewhere in the world.

The first quarter of 2017 was largely characterized by strengthening investor confidence and a continuation of the significant equity market appreciation seen in late 2016 following the U.S. presidential election, reflecting expectations with respect to potential tax and regulatory reform. The S&P 500 ended the quarter up 6%, near its all-time high reached earlier in March 2017. In addition, most other global indices rose as well, including the FTSE 100 (up 3%), the Euro Stoxx (up 6%) and the Hang Seng (up 10%), although the Nikkei declined slightly (down 1%). This equity market performance was in stark contrast to the first quarter of 2016, which marked one of the

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worst starts to a year for equities in U.S. history. Stock market volatility remained subdued, with the CBOE Volatility Index reaching its lowest level in 10 years, ending the quarter down 12%.

Though trailing equity markets, most bond sectors posted modest gains for the quarter, with the Bloomberg Barclays U.S. Aggregate Index up 0.8%, investment grade corporates up 1.6% and high yield corporates up 2.7%. In March, the U.S. Federal Reserve raised the targeted range for its benchmark interest rate by 25 basis points to 0.75% to 1.0%, as was widely expected, and 10-year U.S. treasury yields ended the quarter flat at 2.4%. High yield spreads tightened 22 basis points and issuance rose significantly, up 175% year over year. Global equity capital markets activity for both initial public offerings (“IPO”) and follow-ons reached a two-year high, up 61% year over year, driven by strong market conditions and investor optimism.

In currency markets, the U.S. dollar slipped, with the USD index down 3% during the quarter. The euro rose 1% versus the U.S. dollar, while the pound and Japanese yen rose 2% and 5%, respectively.

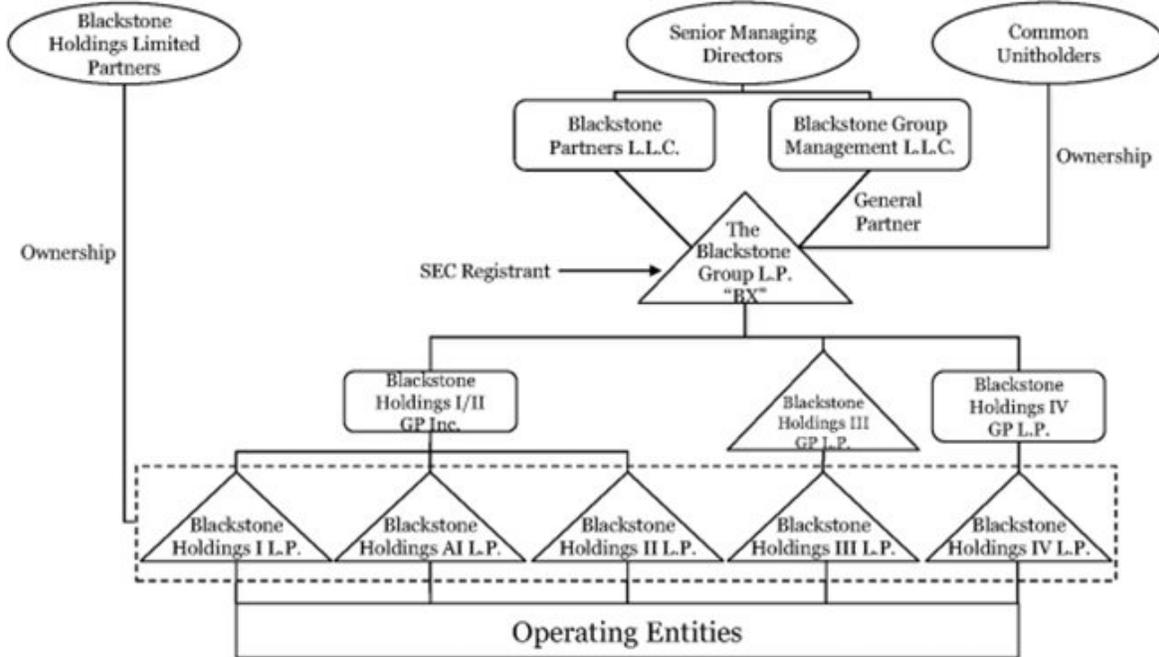
After rebounding significantly in the second half of 2016, oil markets demonstrated some weakness in the first quarter of 2017, with West Texas Intermediate Crude down 6% compared to the end of 2016, ending the quarter below \$51 a barrel. Despite OPEC production cuts, price declines were led by still abundant existing supply and slowing demand from key economies such as Japan, Germany, Korea and India. Prices for other commodities also fell, with the Bloomberg Commodity Index declining 2.5% in the first quarter.

While commodity prices were somewhat weaker during the first quarter, overall global expansion continued, buoyed by stronger industrial activity, capital investment and improving worldwide demand. Fears over a sharp economic slowdown in China have moderated, and GDP growth accelerated to 6.9% during the first quarter of 2017 from 6.8% in the fourth quarter of 2016.

Most economists expect global growth to pick up modestly, driven by post-election confidence in the U.S., better prospects for larger emerging markets and increased global trade. However, significant uncertainty remains regarding the impact of European populism, geopolitical instability and the timing and magnitude of U.S. tax and regulatory reform, which may impact U.S. and global markets for the remainder of 2017.

## Organizational Structure

The simplified diagram below depicts our current organizational structure. The diagram does not depict all of our subsidiaries, including intermediate holding companies through which certain of the subsidiaries depicted are held.



## Key Financial Measures and Indicators

We manage our business using traditional financial measures and key operating metrics since we believe these metrics measure the productivity of our investment activities. 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" in our Annual Report on Form 10-K for the year ended December 31, 2016 and "Critical Accounting Policies — Revenue Recognition" for additional information regarding the manner in which Base Management Fees and Performance Fees are generated.

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

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

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

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

Advisory fees consist of transaction-based fee arrangements. 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.

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. Management fees paid by limited partners to the Blackstone Funds and passed on to Blackstone are not considered affiliate revenues.

*Performance Fees* — Performance Fees earned on the performance of Blackstone’s hedge fund structures (“Incentive Fees”) 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 Incentive 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. Accrued but unpaid Incentive Fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition. Incentive Fees are realized at the end of a measurement period, typically annually. Once realized, such fees are not subject to clawback or reversal.

In certain fund structures, specifically in private equity, real estate and certain hedge fund solutions and credit-focused 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 or, in limited instances, after certain thresholds for return of capital are met. Carried Interest is subject to clawback to the extent that the Carried Interest received to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received Carried Interest, which is a component of Due to Affiliates, represents all amounts previously distributed to

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Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone carry 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. The actual clawback liability, however, generally does not become realized until the end of a fund's life except for certain funds, including certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability.

*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. Unrealized Investment Income (Loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

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

*Other Revenue* — Other Revenue consists of miscellaneous income and 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 and senior managing directors and (b) equity-based compensation associated with the grants of equity-based awards to employees and senior managing directors. Compensation cost relating to the issuance of equity-based awards to senior managing directors and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight-line basis, except in the case of (a) equity-based awards that do not require future service, which are expensed immediately and (b) certain awards to recipients that meet specified criteria making them eligible for retirement treatment (allowing such recipient to keep a percentage of those awards upon departure from Blackstone after becoming eligible for retirement), for which the expense for the portion of the award that would be retained in the event of retirement is either expensed immediately or amortized to the retirement date. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

*Compensation and Benefits — Performance Fee* — Performance Fee Compensation consists of Carried Interest (which may be distributed in cash or in-kind) and Incentive Fee allocations, and may in future periods also include allocations of investment income from Blackstone's firm investments, to employees and senior managing directors participating in certain profit sharing initiatives. Such compensation expense is subject to both positive and negative adjustments. Unlike Carried Interest and Incentive 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 represents general and administrative expenses including interest expense, occupancy and equipment expenses and other expenses, which consist principally of professional fees, public company costs, travel and related expenses, communications and information services and depreciation and amortization.

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

### **Non-Controlling Interests in Consolidated Entities**

Non-Controlling Interests in Consolidated Entities represent the component of Partners' Capital in consolidated Blackstone Funds held by third party investors and employees. The percentage interests held by third parties and

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employees is adjusted for general partner allocations and by subscriptions and redemptions in funds of hedge funds and certain credit-focused funds which occur during the reporting period. In addition, all non-controlling interests in consolidated Blackstone Funds are attributed a share of income (loss) arising from the respective funds and a share of other comprehensive income, if applicable. Income (Loss) is allocated to non-controlling interests in consolidated entities based on the relative ownership interests of third party investors and employees after considering any contractual arrangements that govern the allocation of income (loss) such as fees allocable to The Blackstone Group L.P.

***Redeemable Non-Controlling Interests in Consolidated Entities***

Non-controlling interests related to funds of hedge funds are subject to annual, semi-annual or quarterly redemption by investors in these funds following the expiration of a specified period of time, or may be withdrawn subject to a redemption fee during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third party interests in such consolidated funds are presented as Redeemable Non-Controlling Interests in Consolidated Entities within the Condensed Consolidated Statements of Financial Condition. When redeemable amounts become legally payable to investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition. For all consolidated funds in which redemption rights have not been granted, non-controlling interests are presented within Partners' Capital in the Condensed Consolidated Statements of Financial Condition as Non-Controlling Interests in Consolidated Entities.

***Non-Controlling Interests in Blackstone Holdings***

Non-Controlling Interests in Blackstone Holdings represent the component of Partners' Capital in the consolidated Blackstone Holdings Partnerships held by Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships.

Certain costs and expenses are borne directly by the Holdings Partnerships. Income (Loss), excluding those costs directly borne by and attributable to the Holdings Partnerships, is attributable to Non-Controlling Interests in Blackstone Holdings. This residual attribution is based on the year to date average percentage of Blackstone Holdings Partnership Units held by Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships.

***Income Taxes***

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

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

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Blackstone uses the flow-through method to account for investment tax credits. Under this method, the investment tax credits are recognized as a reduction to income tax expense.

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. Blackstone records uncertain tax positions on the basis of a two-step process: (a) a determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. Blackstone recognizes accrued interest and penalties related to uncertain tax positions in General, Administrative, and Other expenses within the Condensed Consolidated Statements of Operations.

There remains some uncertainty regarding Blackstone's future taxation levels. Over the past several years, members of Congress and the administration of former President Obama have made a number of legislative proposals to change the taxation of carried interest that would have, in general, treated income and gains, including gain on sale, attributable to an investment services partnership interest, or "ISPI," as income subject to a new blended tax rate that is higher than the capital gains rate applicable to such income under current law, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. Our common units and the interests that we hold in entities that are entitled to receive carried interest would likely have been classified as ISPIs for purposes of this legislation. During his presidential campaign, President Trump expressed his support for legislation ending treatment of carried interest as capital gain. Whether or when the U.S. Congress will pass such legislation or what provisions will be included in any final legislation if enacted is unclear.

Some of the above legislative proposals have provided that, for taxable years beginning ten years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is subject to the foregoing rules would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation were to be enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. federal income tax purposes or be required to hold all such ISPIs through corporations.

Both President Trump and the Republican members of the U.S. House of Representatives have publicly stated that one of their top legislative priorities is significant reform of the Internal Revenue Code, including significant changes to taxation of business entities. Proposals by members of Congress have included, among other things: (a) reducing corporate tax rates (the highest dropping from 35% to 20%) and reducing individual tax rates (the highest dropping from 39.6% to 33%), (b) changing to a destination-based tax system, which would tax goods where they are consumed rather than produced, by providing for certain border adjustments which would effectively exempt exports from, and subject imports to, U.S. tax, (c) changing to a territorial tax system by exempting dividends from foreign subsidiaries from U.S. tax, but subjecting unrepatriated earnings of foreign subsidiaries to U.S. tax, paid over the course of eight years (8.75% on cash and cash equivalent and 3.5% otherwise), (d) allowing deductions for interest expense only against interest income, with any nondeductible net interest expense being carried forward indefinitely, (e) permitting current deductions for investment in tangible and intangible property (excluding land), (f) eliminating certain "special interest" deductions and credits, (g) taxing the active business income of pass-through entities at a maximum rate, such as 25%, (h) repealing the 3.8% net investment income tax and corporate and individual alternative minimum taxes and (i) extending the carryforward of net operating losses. While President Trump has expressed support for a number of these proposals, he has also set forth ideas for tax reform that differ in key ways. In particular, on April 26, 2017, the Trump administration released a brief summary of certain core principles for a tax reform proposal that would (1) lower the top tax rate on business income, including business income earned through partnerships and other pass-through entities, such as Blackstone, to 15%, (2) lower the top tax rate on income of individuals to 35%, (3) repeal the 3.8% net investment income tax and the alternative minimum tax, (4) change to a territorial tax system as described above, including a one-time tax on existing unrepatriated earnings, and (5) eliminate certain unspecified tax breaks for the wealthiest individuals and special interests, but does not specifically refer to the changes described in clauses (b), (d), (e) and (i) above. Both the timing and the details of any such tax reform are unclear. The impact of any potential tax reform on us, our

portfolio companies and our investors is uncertain and could be adverse. Prospective investors should consult their own tax advisors regarding potential changes in tax laws.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has considered legislation, which could have caused a non-resident of New York who holds our common units to be subject to New York state income tax on carried interest earned by entities in which we hold an indirect interest, thereby requiring the non-resident to file a New York state income tax return reporting such carried interest income. Whether or when similar legislation will be enacted is unclear. Finally, several state and local jurisdictions have evaluated ways to subject partnerships to entity level taxation through the imposition of state or local income, franchise or other forms of taxation or to increase the amount of such taxation.

If we were taxed as a corporation or were forced to hold interests in entities earning income from carried interest through taxable subsidiary corporations, our effective tax rate could increase significantly. The federal statutory rate for corporations is currently 35% (although Congress is considering, and the Trump administration has set forth, proposals to lower that rate), and the state and local tax rates, net of the federal benefit, aggregate approximately 5%. 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.

Meaningfully quantifying the potential impact on Blackstone of this potential future legislation or any similar legislation is not possible at this time. 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 significantly and could be material. In addition, even if these legislative proposals would not themselves impose a tax on a publicly traded partnership such as Blackstone, they could force Blackstone and other publicly traded partnerships to restructure their operations so as to prevent disqualifying income from reaching the publicly traded partnership in amounts that would disqualify the partnership from treatment as a partnership for U.S. federal income tax purposes. Such a restructuring could result in more income being earned in corporate subsidiaries, thereby increasing corporate income tax liability indirectly borne by the publicly traded partnership. In addition, we, and our common unitholders, could be taxed on any such restructuring. The nature of any such restructuring would depend on the precise provisions of the legislation that was ultimately enacted, as well as the particular facts and circumstances of Blackstone's operations at the time any such legislation were to take effect, making the task of predicting the amount of additional tax highly speculative.

Congress, the Organization for Economic Co-operation and Development ("OECD") and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational companies. The OECD, which represents a coalition of member countries, is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting project, which is focused on a number of issues, including the shifting of profits between affiliated entities in different tax jurisdictions, interest deductibility and eligibility for the benefits of double tax treaties. A number of European jurisdictions have enacted taxes on financial transactions, and the European Commission has proposed legislation to harmonize these taxes under the so-called "enhanced cooperation procedure," which provides for adoption of EU-level legislation applicable to some but not all EU Member States. These contemplated changes, if adopted by individual countries, could increase tax uncertainty and/or costs faced by us, our portfolio companies and our investors, change our business model and cause other adverse consequences. The timing or impact of these proposals is unclear at this point. In addition, tax laws, regulations and interpretations are subject to continual changes, which could adversely affect our structures or returns to our investors. For instance, various countries have adopted or proposed tax legislation that may adversely affect portfolio companies and investment structures in countries in which our funds have invested and may limit the benefits of additional investments in those countries.

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In addition, legislation enacted in 2015 significantly changed the rules for U.S. federal income tax audits of partnerships. Such audits will continue to be conducted at the partnership level, but with respect to tax returns for taxable years beginning after December 31, 2017, and unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the partnership. Under the elective alternative procedure, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and the partnership would not be liable for the adjustments. If a partnership elects the alternative procedure for a given adjustment, the amount of taxes for which its partners would be liable would be increased by any applicable penalties and a special interest charge. There can be no assurance that we will be eligible to make such an election or that we will, in fact, make such an election for any given adjustment. If we do not or are not able to make such an election, then (a) our then-current common unitholders, in the aggregate, could indirectly bear income tax liabilities in excess of the aggregate amount of taxes that would have been due had we elected the alternative procedure, and (b) a given common unitholder may indirectly bear taxes attributable to income allocable to other common unitholders or former common unitholders, including taxes (as well as interest and penalties) with respect to periods prior to such holder's ownership of common units. Amounts available for distribution to our common unitholders may be reduced as a result of our obligation to pay any taxes associated with an adjustment. Many issues with respect to, and the overall effect of, this legislation on us are uncertain, and common unitholders should consult their own tax advisors regarding all aspects of this legislation as it affects their particular circumstances.

### ***Economic Income***

Blackstone uses Economic Income as a key measure of value creation, a benchmark of its performance and in making resource deployment and compensation decisions across its four segments. Economic Income represents segment net income before taxes excluding transaction-related charges. Transaction-related charges arise from Blackstone's IPO and certain long-term retention programs outside of annual deferred compensation and other corporate actions, including acquisitions. Transaction-related charges include certain equity-based compensation charges, the amortization of intangible assets and contingent consideration associated with acquisitions. Economic Income presents revenues and expenses on a basis that deconsolidates the investment funds Blackstone manages. Economic Net Income ("ENI") represents Economic Income adjusted to include current period taxes. Taxes represent the total tax provision calculated under accounting principles generally accepted in the United States of America ("GAAP") adjusted to include only the current tax provision (benefit) calculated on Income (Loss) Before Provision for Taxes. Economic Income, our principal segment measure, is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. (See Note 18. "Segment Reporting" in the "Notes to Condensed Consolidated Financial Statements" in Part I. Item 1. Financial Statements.)

### ***Fee Related Earnings***

Blackstone uses Fee Related Earnings, which is derived from Economic Income, as a measure to highlight earnings from operations excluding: (a) the income related to performance fees and related performance fee compensation, (b) income earned from Blackstone's investments in the Blackstone Funds, (c) net interest income (loss), equity-based compensation, and (d) Other Revenue. Management uses Fee Related Earnings as a measure to assess whether recurring revenue from our businesses is sufficient to adequately cover all of our operating expenses and generate profits. Fee Related Earnings equals contractual fee revenues, less (a) compensation expenses (which excludes amortization of equity-based awards, Carried Interest and Incentive Fee compensation), and (b) non-interest operating expenses. See "— Liquidity and Capital Resources — Sources and Uses of Liquidity" below for our discussion of Fee Related Earnings.

### ***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

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others who are limited partners of the Blackstone Holdings partnerships. Distributable Earnings, which is a measure not prepared under GAAP (a “non-GAAP” measure), is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. See “— Liquidity and Capital Resources — Sources and Uses of Liquidity” below for our discussion of Distributable Earnings.

Distributable Earnings, which is a component of Economic Net Income, is the sum across all segments of: (a) Total Management, Advisory and Other Fees, Net (b) Interest and Dividend Revenue, (c) Realized Performance Fees, and (d) Realized Investment Income (Loss); less (a) Compensation, excluding the expense of equity-based awards, (b) Realized Performance Fee Compensation, (c) Other Operating Expenses, and (d) Taxes and Related Payables Under the Tax Receivable Agreement.

***Adjusted Earnings Before Interest, Taxes and Depreciation and Amortization***

Adjusted Earnings Before Interest, Taxes and Depreciation and Amortization (“Adjusted EBITDA”), is a supplemental non-GAAP measure derived from our segment reported results and may be used to assess our ability to service our borrowings. Adjusted EBITDA represents Distributable Earnings plus the addition of (a) Interest Expense (including inter-segment interest related expenses), (b) Taxes and Related Payables Including Payable Under Tax Receivable Agreement, and (c) Depreciation and Amortization. See “— Liquidity and Capital Resources — Sources and Uses of Liquidity” below for our calculation of Adjusted EBITDA.

**Summary Walkdown of GAAP to Non-GAAP Financial Metrics**

The relationship of our GAAP to non-GAAP financial measures is presented in the summary walkdown below. The summary walkdown shows how each non-GAAP financial measure is related to the other non-GAAP financial measures. This presentation is not meant to be a detailed calculation of each measure, but to show the relationship between the measures. For the calculation of each of these non-GAAP financial measures and a full reconciliation of Income Before Provision for Taxes to Distributable Earnings, please see “— Liquidity and Capital Resources — Sources and Uses of Liquidity.”

(Dollars in Millions)		Three Months Ended March 31,	
		2017	2016
GAAP	Income Before Provision for Taxes	\$1,077	\$334
	<ul style="list-style-type: none"> <li>+ Transaction-Related Charges</li> <li>+ Amortization of Intangibles</li> <li>- (Income) Associated with Non-Controlling Interests of Consolidated Entities</li> </ul>		
Economic Income	= Economic Income	\$1,005	\$387
	<ul style="list-style-type: none"> <li>- Performance Fee Adjustment</li> <li>- Investment (Income) Loss Adjustment</li> <li>- Other Revenue</li> <li>+ Net Interest Loss</li> <li>+ Performance Fee Compensation and Benefits Adjustment</li> <li>+ Equity-Based Compensation – Non-Incentive Fee Related</li> </ul>		
Fee Related Earnings	= Fee Related Earnings	\$291	\$247
	<ul style="list-style-type: none"> <li>+ Net Realized Performance Fees</li> <li>+ Realized Investment Income (Loss)</li> <li>- Net Interest (Loss)</li> <li>- Taxes and Related Payables Including Payable Under Tax Receivable Agreement</li> </ul>		
Distributable Earnings	= Distributable Earnings	\$1,230	\$394

## **Operating Metrics**

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

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

- (a) the fair value of the investments held by our carry funds and our side-by-side and co-investment entities managed by us, plus the capital that we are entitled to call from investors in those funds and entities pursuant to the terms of their respective capital commitments, including capital commitments to funds that have yet to commence their investment periods, plus for certain credit-oriented funds the amounts available to be borrowed under asset based credit facilities,
- (b) the net asset value of (1) our hedge funds, real estate debt carry funds and open ended core+ real estate fund (plus, in each case, the capital that we are entitled to call from investors in those funds, including commitments yet to commence their investment periods), and (2) our funds of hedge funds, our Hedge Fund Solutions registered investment companies, and our non-exchange traded REIT,
- (c) the invested capital, fair value or net asset value of assets we manage pursuant to separately managed accounts,
- (d) the amount of debt and equity outstanding for our CLOs during the reinvestment period,
- (e) the aggregate par amount of collateral assets, including principal cash, for our CLOs after the reinvestment period,
- (f) the gross or net amount of assets (including leverage where applicable) for our credit-focused registered investment companies, and
- (g) the fair value of common stock, preferred stock, convertible debt, or similar instruments issued by BXMT.

Our carry funds are commitment-based drawdown structured funds that do not permit investors to redeem their interests at their election. Our funds of hedge funds, hedge funds, funds structured like hedge funds and other open ended funds in our Hedge Fund Solutions, Credit and Real Estate segments generally have structures that afford an investor the right to withdraw or redeem their interests on a periodic basis (for example, annually or quarterly), typically with 30 to 95 days' notice, depending on the fund and the liquidity profile of the underlying assets. Investment advisory agreements related to certain separately managed accounts in our Hedge Fund Solutions and Credit segments may generally be terminated by an investor on 30 to 90 days' notice.

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

- (a) for our Private Equity segment funds and Real Estate segment carry funds including certain real estate debt investment funds and certain of our Hedge Fund Solutions funds, the amount of capital commitments, remaining invested capital, fair value or par value of assets held, depending on the fee terms of the fund,
- (b) for our credit-focused carry funds, the amount of remaining invested capital (which may include leverage) or net asset value, depending on the fee terms of the fund,
- (c) the remaining invested capital or fair value of assets held in co-investment vehicles managed by us on which we receive fees,

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- (d) the net asset value of our funds of hedge funds, hedge funds, open ended core+ real estate fund, co-investments managed by us on which we receive fees, certain registered investment companies, and our non-exchange traded REIT,
- (e) the invested capital, fair value of assets or the net asset value we manage pursuant to separately managed accounts,
- (f) the net proceeds received from equity offerings and accumulated core earnings of BXMT, subject to certain adjustments,
- (g) the aggregate par amount of collateral assets, including principal cash, of our CLOs, and
- (h) the gross amount of assets (including leverage) or the net assets (plus leverage where applicable) for certain of our credit-focused registered investment companies.

Each of our segments may include certain Fee-Earning Assets Under Management on which we earn performance fees but not management fees.

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 and fee-earning assets under management are not based on any definition of assets under management and 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, the remaining amount of invested capital at cost depending on whether the investment period has or has not expired or the fee terms of the fund. 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 and drawdown 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 or Incentive Fee.

The amount of committed undrawn capital available for investment, including general partner and employee commitments, is known as dry powder and is an indicator of the capital we have available for future investments.

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**Consolidated Results of Operations**

Following is a discussion of our consolidated results of operations for the three months ended March 31, 2017 and 2016. For a more detailed discussion of the factors that affected the results of our four business segments (which are presented on a basis that deconsolidates the investment funds we manage) in these periods, see “— Segment Analysis” below.

The following table sets forth information regarding our consolidated results of operations and certain key operating metrics for the three months ended March 31, 2017 and 2016:

	<b>Three Months Ended March 31,</b>		<b>2017 vs. 2016</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
<b>Revenues</b>				
Management and Advisory Fees, Net	\$ 642,142	\$ 608,906	\$ 33,236	5%
Performance Fees				
Realized				
Carried Interest	1,111,256	230,909	880,347	381%
Incentive Fees	47,160	28,419	18,741	66%
Unrealized				
Carried Interest	(154,683)	47,586	(202,269)	N/M
Incentive Fees	59,409	7,579	51,830	684%
Total Performance Fees	<u>1,063,142</u>	<u>314,493</u>	<u>748,649</u>	<u>238%</u>
Investment Income (Loss)				
Realized	251,344	(12,001)	263,345	N/M
Unrealized	(40,188)	3,493	(43,681)	N/M
Total Investment Income (Loss)	<u>211,156</u>	<u>(8,508)</u>	<u>219,664</u>	<u>N/M</u>
Interest and Dividend Revenue	28,495	23,075	5,420	23%
Other	(4,212)	(5,612)	1,400	-25%
<b>Total Revenues</b>	<u>1,940,723</u>	<u>932,354</u>	<u>1,008,369</u>	<u>108%</u>
<b>Expenses</b>				
Compensation and Benefits				
Compensation	351,589	346,003	5,586	2%
Performance Fee Compensation				
Realized				
Carried Interest	366,191	58,504	307,687	526%
Incentive Fees	22,752	14,124	8,628	61%
Unrealized				
Carried Interest	(4,387)	30,001	(34,388)	N/M
Incentive Fees	23,139	3,448	19,691	571%
Total Compensation and Benefits	<u>759,284</u>	<u>452,080</u>	<u>307,204</u>	<u>68%</u>
General, Administrative and Other	106,044	123,045	(17,001)	-14%
Interest Expense	40,246	37,356	2,890	8%
Fund Expenses	24,076	5,229	18,847	360%
<b>Total Expenses</b>	<u>929,650</u>	<u>617,710</u>	<u>311,940</u>	<u>50%</u>
<b>Other Income</b>				
Net Gains from Fund Investment Activities	66,132	19,142	46,990	245%
<b>Income Before Provision for Taxes</b>	<u>1,077,205</u>	<u>333,786</u>	<u>743,419</u>	<u>223%</u>
<b>Provision for Taxes</b>	<u>57,437</u>	<u>9,146</u>	<u>48,291</u>	<u>528%</u>
<b>Net Income</b>	<u>1,019,768</u>	<u>324,640</u>	<u>695,128</u>	<u>214%</u>
<b>Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities</b>	<u>2,000</u>	<u>(6,401)</u>	<u>8,401</u>	<u>N/M</u>
<b>Net Income Attributable to Non-Controlling Interests in Consolidated Entities</b>	<u>138,685</u>	<u>40,086</u>	<u>98,599</u>	<u>246%</u>
<b>Net Income Attributable to Non-Controlling Interests in Blackstone Holdings</b>	<u>417,258</u>	<u>131,202</u>	<u>286,056</u>	<u>218%</u>
<b>Net Income Attributable to The Blackstone Group L.P.</b>	<u>\$ 461,825</u>	<u>\$ 159,753</u>	<u>\$ 302,072</u>	<u>189%</u>

N/M Not meaningful.

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*Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016*

*Revenues*

Total Revenues were \$1.9 billion for the three months ended March 31, 2017, an increase of \$1.0 billion compared to Total Revenues for the three months ended March 31, 2016 of \$932.4 million. The increase in revenues was primarily attributable to increases in Performance Fees, Investment Income (Loss), and Management and Advisory Fees, Net of \$748.6 million, \$219.7 million and \$33.2 million, respectively.

The increase in Performance Fees was attributable to increases in our Real Estate, Private Equity, Credit and Hedge Fund Solutions segments of \$316.3 million, \$293.7 million, \$80.7 million and \$59.0 million, respectively. The increase in our Real Estate segment was due to the net appreciation of investment holdings in our BREP opportunistic funds, which appreciated 5.7% versus 1.8% in the comparable 2016 quarter. Performance Fees in our Private Equity segment increased due to appreciation in the BCP VI private portfolio. The increase in our Credit segment was due to higher returns in our Performing Credit Strategies and Distressed Strategies. The increase in our Hedge Fund Solutions segment was primarily driven by higher returns for a number of funds.

The increase in Investment Income (Loss) was due to increases in our Private Equity, Credit, Hedge Fund Solutions and Real Estate segments of \$40.0 million, \$31.0 million, \$34.7 million and \$24.9 million, respectively. The increase in our Private Equity segment was due to an increase in the appreciation of our investment holdings. The increase in our Credit segment was due to the prior year period's unrealized investment losses in our distressed strategies and long only funds. The increase in our Hedge Fund Solutions segment was due to the year over year net appreciation of investments of which Blackstone owns a share. The increase in our Real Estate segment was primarily due to the net increase in appreciation of the Partnership's principal investments.

The increase in Management and Advisory Fees, Net was primarily due to an increase in our Private Equity segment, partially offset by a decrease in our Real Estate segment. The increase of \$49.8 million in our Private Equity segment was primarily due to the increase in fee-earning assets across the segment. The decrease of \$16.5 million in our Real Estate segment was primarily due to the timing of investment closings.

*Expenses*

Expenses were \$929.7 million for the three months ended March 31, 2017, an increase of \$311.9 million compared to \$617.7 million for the three months ended March 31, 2016. The increase in expenses was primarily attributable to an increase in Performance Fee Compensation of \$301.6 million. The increase in Performance Fee Compensation was primarily attributable to an increase in Performance Fee Revenue, on which a portion of compensation is based.

*Other Income*

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

Other Income — Net Gains from Fund Investment Activities was \$66.1 million for the three months ended March 31, 2017, an increase of \$47.0 million compared to \$19.1 million for the three months ended March 31, 2016. The increase was due to increases in our Real Estate, Credit, Private Equity, and Hedge Fund Solutions segments of \$23.4 million, \$9.6 million, \$7.8 million, and \$6.1 million, respectively. The increase in our Real Estate segment was primarily the result of a year over year net increase in the appreciation of investments across our funds. The increase in our Credit segment was primarily the result of newly launched CLOs. The increase in our Private Equity segment was primarily due to the higher unrealized gains compared to the same period in 2016. The increase in our Hedge Fund Solutions segment was primarily the result of an increase in investment performance.

[Table of Contents](#)*Provision for Taxes*

The following table summarizes Blackstone's tax position:

	Three Months Ended	
	March 31,	
	2017	2016
Income Before Provision for Taxes	\$1,077,205	\$333,786
Provision for Taxes	\$ 57,437	\$ 9,146
Effective Income Tax Rate	5.3%	2.7%

The following table reconciles the effective income tax rate to the U.S. federal statutory tax rate:

	Three Months Ended		2017 vs. 2016
	March 31,		
	2017	2016	
Statutory U.S. Federal Income Tax Rate	35.0%	35.0%	—
Income Passed Through to Common Unitholders and Non-Controlling Interest Holders (a)	-30.4%	-33.3%	2.9%
State and Local Income Taxes	1.2%	2.0%	-
Other	-0.5%	-1.0%	0.8%
Effective Income Tax Rate	5.3%	2.7%	2.6%

- (a) Includes income that is not taxable to the Partnership and its subsidiaries. Such income is directly taxable to the Partnership's unitholders and the non-controlling interest holders.

Blackstone's Provision for Taxes for the three months ended March 31, 2017 and 2016 was \$57.4 million and \$9.1 million, respectively, resulting in effective tax rates of 5.3% and 2.7%, respectively.

The increase in Blackstone's effective tax rate for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 resulted primarily from a relative decrease in the amount of income not taxable to the Partnership and its subsidiaries, which was therefore passed through to common unitholders and non-controlling interest holders. For the three months ended March 31, 2017, \$934.0 million of Blackstone's Income Before Provision for Taxes of \$1.1 billion was not taxable to the Partnership, compared to \$317.8 million of Blackstone's Income Before Provision for Taxes of \$333.8 million for the prior year period.

*Non-Controlling Interests in Consolidated Entities*

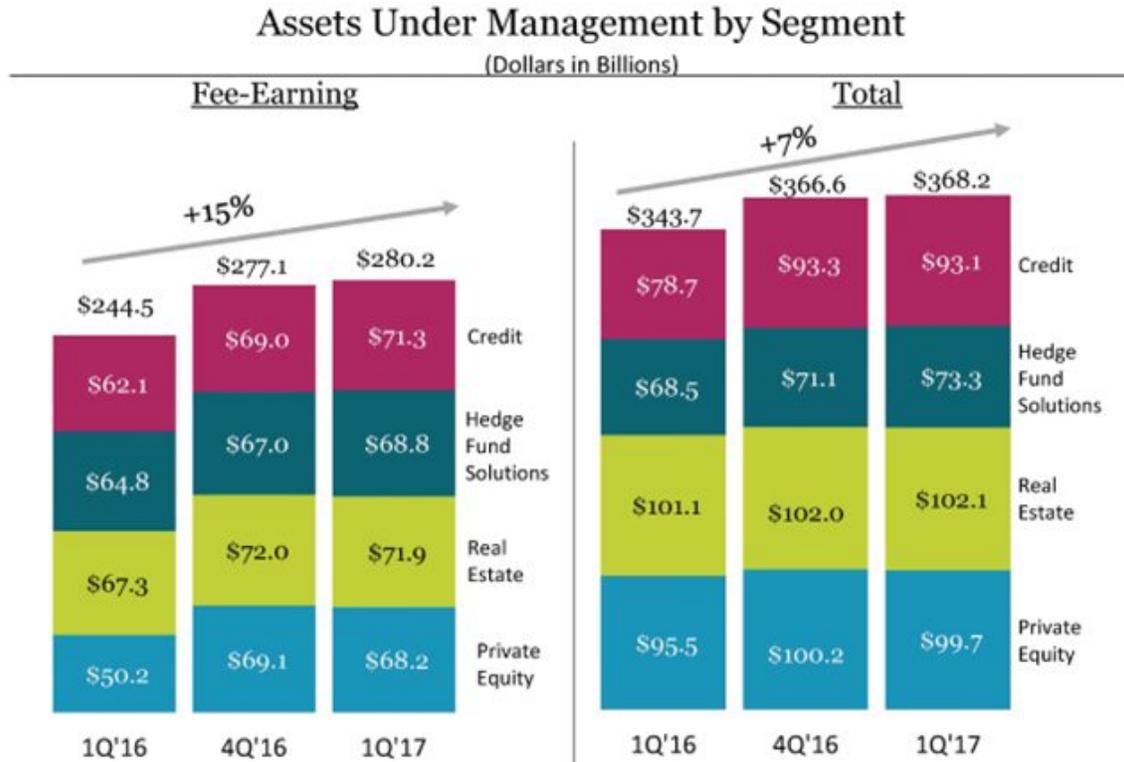
The Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities and Net Income Attributable to Non-Controlling Interests in Consolidated Entities is attributable to the consolidated Blackstone Funds. The amounts of these items vary directly with the performance of the consolidated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

Net Income Attributable to Non-Controlling Interests in Blackstone Holdings is derived from the Income Before Provision for Taxes, excluding the Net Gains from Fund Investment Activities and the percentage allocation of the income between Blackstone Holdings and The Blackstone Group L.P. after considering any contractual arrangements that govern the allocation of income (loss) such as fees allocable to The Blackstone Group L.P.

For the three months ended March 31, 2017 and 2016, the Net Income Before Taxes allocated to Blackstone Holdings was 45.3% and 46.4%, respectively. The decrease of 1.1% was primarily due to conversions of Blackstone Holdings Partnership Units to Blackstone common units and the vesting of common units.

*Operating Metrics*

The following graphs and tables summarize the Fee-Earning Assets Under Management by Segment and Total Assets Under Management by Segment, followed by a rollforward of activity for the three months ended March 31, 2017 and 2016. 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”:



Note: Totals may not add due to rounding.

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	Three Months Ended									
	March 31, 2017					March 31, 2016				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
	(Dollars in Thousands)									
<b>Fee-Earning Assets Under Management</b>										
Balance, Beginning of Period	\$ 69,113,409	\$ 72,030,054	\$ 66,987,553	\$ 68,961,656	\$ 277,092,672	\$ 51,451,196	\$ 67,345,357	\$ 65,665,439	\$ 61,684,380	\$ 246,146,372
Inflows, including Commitments (a)	1,134,984	2,125,293	3,183,304	5,420,690	11,864,271	558,343	1,591,900	2,851,509	2,331,315	7,333,067
Outflows, including										
Distributions (b)	(28,766)	(96,512)	(2,269,260)	(787,121)	(3,181,659)	(370,510)	(36,900)	(1,602,796)	(1,107,045)	(3,117,251)
Realizations (c)	(2,163,020)	(2,779,662)	(447,124)	(2,796,816)	(8,186,622)	(1,287,860)	(2,119,708)	(145,912)	(723,449)	(4,276,929)
Net Inflows (Outflows)	(1,056,802)	(750,881)	466,920	1,836,753	495,990	(1,100,027)	(564,708)	1,102,801	500,821	(61,113)
Market Appreciation (Depreciation) (d)(g)	175,013	625,568	1,358,055	468,253	2,626,889	(122,857)	517,790	(1,936,987)	(90,441)	(1,632,495)
Balance, End of Period (e)	\$ 68,231,620	\$ 71,904,741	\$ 68,812,528	\$ 71,266,662	\$ 280,215,551	\$ 50,228,312	\$ 67,298,439	\$ 64,831,253	\$ 62,094,760	\$ 244,452,764
Increase (Decrease)	\$ (881,789)	\$ (125,313)	\$ 1,824,975	\$ 2,305,006	\$ 3,122,879	\$ (1,222,884)	\$ (46,918)	\$ (834,186)	\$ 410,380	\$ (1,693,608)
Increase (Decrease)	-1%	-0%	3%	3%	1%	-2%	-0%	-1%	1%	-1%
Annualized Base Management Fee Rate (f)	1.04%	1.10%	0.75%	0.78%	0.92%	1.04%	1.19%	0.80%	0.81%	0.96%

	Three Months Ended									
	March 31, 2017					March 31, 2016				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
	(Dollars in Thousands)									
<b>Total Assets Under Management</b>										
Balance, Beginning of Period	\$100,192,950	\$101,963,652	\$ 71,119,718	\$93,277,145	\$366,553,465	\$94,280,074	\$ 93,917,824	\$ 69,105,425	\$79,081,252	\$336,384,575
Inflows, including Commitments (a)	2,649,218	3,329,484	3,640,680	4,337,668	13,957,050	2,988,650	9,057,220	3,180,618	1,863,603	17,090,091
Outflows, including										
Distributions (b)	(247,029)	(210,125)	(2,501,738)	(2,063,039)	(5,021,931)	(260,841)	(267,679)	(1,631,519)	(1,385,139)	(3,545,178)
Realizations (c)	(6,167,300)	(6,684,804)	(503,191)	(3,262,535)	(16,617,830)	(2,119,372)	(3,450,706)	(150,768)	(884,896)	(6,605,742)
Net Inflows (Outflows)	(3,765,111)	(3,565,445)	635,751	(987,906)	(7,682,711)	608,437	5,338,835	1,398,331	(406,432)	6,939,171
Market Appreciation (Depreciation) (d)(h)	3,283,567	3,672,723	1,547,912	821,961	9,326,163	577,716	1,850,869	(2,028,340)	(18,529)	381,716
Balance, End of Period (e)	\$ 99,711,406	\$102,070,930	\$ 73,303,381	\$93,111,200	\$368,196,917	\$95,466,227	\$101,107,528	\$ 68,475,416	\$78,656,291	\$343,705,462
Increase (Decrease)	\$ (481,544)	\$ 107,278	\$ 2,183,663	\$ (165,945)	\$ 1,643,452	\$ 1,186,153	\$ 7,189,704	\$ (630,009)	\$ (424,961)	\$ 7,320,887
Increase (Decrease)	-0%	0%	3%	-0%	0%	1%	8%	-1%	-1%	2%

- (a) Inflows represent contributions in our hedge funds and closed-end mutual funds, increases in available capital for our carry funds (capital raises, callable capital and increased side-by-side commitments) and CLOs and increases in the capital we manage pursuant to separately managed account programs.
- (b) Outflows represent redemptions in our hedge funds and closed-end mutual funds, client withdrawals from our separately managed account programs and decreases in available capital for our carry funds (expired capital, expense drawdowns and decreased side-by-side commitments).
- (c) Realizations represent realizations from the disposition of assets, capital returned to investors from CLOs.
- (d) Market appreciation (depreciation) includes realized and unrealized gains (losses) on portfolio investments and the impact of foreign exchange rate fluctuations.

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- (e) Fee-Earning Assets Under Management and Total Assets Under Management as of March 31, 2017 included \$23.0 million and \$38.8 million, respectively, from a joint venture in which we are the minority interest holder.
- (f) Represents the annualized current quarter's Base Management Fee divided by period end Fee-Earning Assets Under Management.
- (g) For the three months ended March 31, 2017, the impact to Fee-Earning Assets Under Management due to foreign exchange rate fluctuations was \$1.7 million, \$275.5 million, \$160.8 million and \$438.0 million for the Private Equity, Real Estate, Credit and Total segments, respectively. For the three months ended March 31, 2016, such impact was \$1.8 million, \$208.7 million, \$375.0 million and \$585.4 million for the Private Equity, Real Estate, Credit and Total segments, respectively.
- (h) For the three months ended March 31, 2017, the impact to Total Assets Under Management due to foreign exchange rate fluctuations was \$242.1 million, \$546.2 million, \$203.8 million and \$992.1 million for the Private Equity, Real Estate, Credit and Total segments, respectively. For the three months ended March 31, 2016, such impact was \$155.7 million, \$529.5 million, \$558.2 million and \$1.2 billion for the Private Equity, Real Estate, Credit and Total segments, respectively.

### *Fee-Earning Assets Under Management*

Fee-Earning Assets Under Management were \$280.2 billion at March 31, 2017, an increase of \$3.1 billion, compared to \$277.1 billion at December 31, 2016. The net increase was due to:

- Inflows of \$11.9 billion related to:
  - \$5.4 billion in our Credit segment driven by \$1.5 billion of inflows across our long only strategies, \$1.3 billion raised for our distressed strategies, \$1.1 billion raised for our mezzanine strategies and \$871.0 million of capital raised for our BDCs,
  - \$3.2 billion in our Hedge Fund Solutions segment mainly related to growth in customized solutions of \$1.9 billion, individual investor and specialized solutions of \$705.0 million and commingled products of \$549.2 million,
  - \$2.1 billion in our Real Estate segment primarily related to \$945.8 million from BREDS, \$579.9 million from BREP and \$477.5 million from BREIT, and
  - \$1.1 billion in our Private Equity segment primarily due to \$584.9 million from core private equity, and \$218.6 from Tactical Opportunities.
- Market appreciation of \$2.6 billion due to:
  - \$1.4 billion appreciation in our Hedge Fund Solutions segment due to returns from BAAM's Principal Solutions Composite of 2.7% gross (2.5% net),
  - \$625.6 million in our Real Estate segment primarily due to appreciation of \$262.1 million and \$57.5 million from BPP and BXMT, respectively, as well as \$275.5 million of foreign exchange appreciation, and
  - \$468.3 million appreciation in our Credit segment due to appreciation of \$298.9 million in our BDCs and \$166.4 million from certain long only strategies, which collectively includes \$160.8 million due to foreign exchange appreciation.

Offsetting these increases were:

- Realizations of \$8.2 billion primarily driven by:
  - \$2.8 billion in our Credit segment primarily due to \$1.2 billion of realizations from distressed strategies, \$943.8 million of capital returned to investors for CLOs outside investment periods, \$372.1 million of realizations from mezzanine strategies and \$244.8 million of dividends paid to investors in our BDCs,

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- \$2.8 billion in our Real Estate segment primarily due to \$1.4 billion of realizations across BREP global and European opportunistic funds, \$747.7 million of realizations from BREDS and \$346.9 million of realizations from BREP co-investment, and
- \$2.2 billion in our Private Equity segment primarily due to \$828.5 million from BCP VI, \$731.7 million from BCP V and \$491.7 million from Strategic Partners.
- Outflows of \$3.2 billion primarily attributable to:
  - \$2.3 billion in our Hedge Fund Solutions segment, reflecting investors' liquidity needs and certain strategic shifts in their programs, with outflows of \$1.6 billion from individual investor and specialized solutions and \$1.1 billion from customized solutions, and
  - \$787.1 million in our Credit segment primarily driven by investor liquidity needs and a shift in investor sentiment on credit. The primary outflows were \$417.2 million from distressed strategies and \$315.1 million from certain long only strategies.

BAAM had net outflows of \$229.2 million from April 1 through May 1, 2017.

Fee-Earning Assets Under Management were \$244.5 billion at March 31, 2016, a decrease of \$1.7 billion, compared to \$246.1 billion at December 31, 2015. The net decrease was due to:

- Realizations of \$4.3 billion driven by:
  - \$2.1 billion in our Real Estate segment primarily due to realizations of \$1.4 billion across BREP, including co-investment, and \$658.5 million in BREDS,
  - \$1.3 billion in our Private Equity segment primarily due to realizations of \$982.3 million in BCP V and \$214.1 million in Strategic Partners, and
  - \$723.4 million in our Credit segment primarily due to \$285.3 million of capital returned to CLO investors from CLOs that are post their re-investment periods, \$225.8 million in dividends paid to investors in our BDCs and \$131.4 million returned in Carry Funds.
- Outflows of \$3.1 billion primarily attributable to:
  - \$1.6 billion in our Hedge Fund Solutions segment primarily due to the liquidity needs of limited partners and strategic shifts in their programs, with \$1.1 billion from individual investor and specialized solutions and \$493.6 million from customized solutions, and
  - \$1.1 billion in our Credit segment primarily driven by investor liquidity needs, shift in investor sentiment on credit and de-leveraging of the BDC funds. The primary outflows were \$477.3 million from our BDCs, \$458.5 million from our long only separately managed accounts and \$137.4 million from hedge fund strategies.
- Market depreciation of \$1.6 billion principally due to:
  - \$1.9 billion depreciation in our Hedge Fund Solutions segment due to BAAM's Principal Solutions Composite down 2.9% gross (down 3.1% net), offset by \$517.8 million of market appreciation in our Real Estate segment from appreciation of 4.4% within our core+ real estate funds and the impact of foreign exchange translation on our European opportunistic funds.

Offsetting these decreases were:

- Inflows of \$7.3 billion related to:
  - \$2.9 billion in our Hedge Fund Solutions segment mainly related to growth in its customized, commingled and individual investor solutions products,
  - \$2.3 billion in our Credit segment principally due to inflows of \$519.9 million from our carry funds, \$507.4 million from our BDCs, \$500.0 million from one new U.S. CLO and \$311.1 million from hedge fund strategies,

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- \$1.6 billion in our Real Estate segment primarily due to \$709.6 million capital raised and invested for BREP co-investment and \$559.8 million from BREDS, and
- \$558.3 million in our Private Equity segment primarily due to inflows of \$584.1 million in Strategic Partners, \$288.1 million in Tactical Opportunities and net commitments to BTAS.

### *Total Assets Under Management*

Total Assets Under Management were \$368.2 billion at March 31, 2017, an increase of \$1.6 billion, compared to \$366.6 billion at December 31, 2016. The net increase was due to:

- Inflows of \$14.0 billion primarily related to:
  - \$4.3 billion in our Credit segment primarily due to \$1.6 billion raised in certain long only strategies, \$882.1 million raised from mezzanine strategies (the majority of which will become Fee-Earning Assets Under Management when invested), \$871.0 million raised for BDCs and \$611.4 million raised from the launch of a new CLO,
  - \$3.6 billion in our Hedge Fund Solutions segment primarily driven by continued platform diversification and growth in customized solutions and individual investor solutions,
  - \$3.3 billion in our Real Estate segment primarily related to \$1.2 billion from core+ real estate funds, \$973.6 million from BREP opportunistic funds, \$673.4 million from BREDS and \$477.5 million from BREIT, and
  - \$2.6 billion in our Private Equity segment primarily related to \$1.7 billion from BCP co-investment, \$732.6 million from Strategic Partners and \$336.4 million from Tactical Opportunities (capital raised is included in Fee-Earning Assets Under Management at the investment period commencement of each fund or at such time indicated in each fund's limited partnership agreement).
- Market appreciation of \$9.3 billion due to:

*Total Assets Under Management market appreciation (depreciation) in our Private Equity and Real Estate segments generally represents the change in fair value of the investments held and typically exceeds the Fee-Earning Assets Under Management market appreciation (depreciation) which generally represents only the invested capital.*

- \$3.7 billion appreciation in our Real Estate segment due to a carrying value increase in our opportunistic and core+ real estate funds of 5.7% and 3.1%, respectively, as well as \$546.2 million of foreign exchange appreciation,
- \$3.3 billion appreciation in our Private Equity segment primarily due to strong fund performance, including 6.9% for our corporate private equity funds and 3.6% in Tactical Opportunities,
- \$1.5 billion appreciation in our Hedge Fund Solutions segment primarily due to reasons noted above in Fee-Earning Assets Under Management, and
- \$822.0 million appreciation in our Credit segment due to \$298.9 million in BDCs and \$257.6 million in distressed strategies, as well as \$203.8 million of foreign exchange appreciation.

Offsetting these increases were:

- Realizations of \$16.6 billion driven by:

*Total Assets Under Management realizations in our Private Equity and Real Estate segments generally represents the total proceeds and typically exceeds the Fee-Earning Assets Under Management realizations which generally represents only the invested capital.*

- \$6.7 billion in our Real Estate segment due to realizations of \$5.0 billion from BREP opportunistic funds, \$1.0 billion from BREP co-investment and \$348.5 million from BREDS,

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- \$6.2 billion in our Private Equity segment primarily due to continued disposition activity across the segment, mainly \$2.2 billion from BCP V, \$2.2 billion from BCP VI, \$777.9 million from BCP co-investment, \$548.0 million from Strategic Partners funds and \$315.7 million from Tactical Opportunities, and
- \$3.3 billion in our Credit segment due to realizations of \$1.5 billion from our distressed strategies, \$943.8 million from returns to CLO investors and \$569.2 million from our mezzanine strategies.
- Outflows of \$5.0 billion primarily attributable to:
  - \$2.5 billion in our Hedge Fund Solutions segment primarily due to the same reasons in Fee-Earning Assets Under Management above, and
  - \$2.1 billion in our Credit segment primarily due to \$1.6 billion from distressed strategies and \$306.2 million from our long only strategies.

Total Assets Under Management were \$343.7 billion at March 31, 2016, an increase of \$7.3 billion, compared to \$336.4 billion at December 31, 2015. The net increase was due to:

- Inflows of \$17.1 billion primarily related to:
  - \$9.1 billion in our Real Estate segment primarily due to \$5.2 billion capital raised for our fifth European opportunistic fund, \$1.7 billion for our third mezzanine debt fund, \$842.4 million from BREP co-investment and \$555.0 million from U.S. core+ real estate,
  - \$3.2 billion in our Hedge Fund Solutions segment primarily related to the reasons noted above in Fee-Earning Assets Under Management,
  - \$3.0 billion in our Private Equity segment primarily related to \$1.8 billion from Strategic Partners, 898.6 million from BCP VII and \$669.5 million from the initial closing for our core private equity fund, and
  - \$1.9 billion in our Credit segment primarily due to \$527.5 million raised due to the closing of one new CLO, \$507.4 million of capital raised for our BDCs, \$462.0 million for our long only strategies and \$267.6 million raised in hedge fund strategies.
- Market appreciation of \$381.7 million primarily due to:
  - \$1.9 billion appreciation in our Real Estate segment primarily due to carrying value increases of 1.8% and 4.4% within the opportunistic and core+ platforms, respectively. This also includes the positive impact of \$529.5 million from foreign exchange translation of our non-U.S. dollar denominated investments and European opportunistic funds,
  - \$577.7 million appreciation in our Private Equity segment due to appreciation of \$519.4 million in BCP V and \$155.7 million of currency gains, partially offset by depreciation of \$255.2 million in BCP VI, and
  - \$2.0 billion depreciation in our Hedge Fund Solutions segment due to BAAM's Principal Solutions Composite down 2.9% gross (down 3.1% net).

Offsetting these increases were:

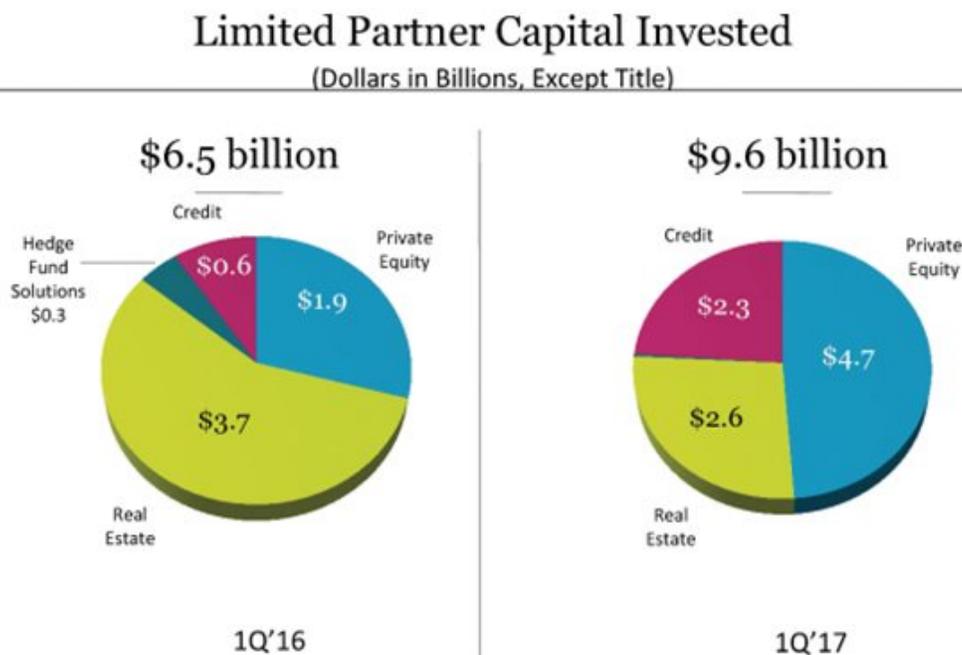
- Realizations of \$6.6 billion driven by:
  - \$3.5 billion in our Real Estate segment primarily due to realizations of \$1.9 billion across the BREP global and European opportunistic platform, \$1.1 billion in BREP co-investment and \$328.1 million in BREDS,
  - \$2.1 billion in our Private Equity segment primarily due to realizations of \$1.4 billion in BCP V and \$352.2 million in Strategic Partners, and

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- \$884.9 million in our Credit segment primarily due to \$313.4 million of capital returned to CLO investors from CLOs that are post their re-investment periods, \$265.6 million returned in our credit-focused carry funds and \$225.8 million in dividends paid to investors in our BDCs.
- Outflows of \$3.5 billion primarily attributable to:
  - \$1.6 billion in our Hedge Fund Solutions segment primarily due to reasons noted above in Fee-Earning Assets Under Management, and
  - \$1.4 billion in our Credit segment primarily due to the same reasons in Fee-Earning Assets Under Management above.

*Limited Partner Capital Invested*

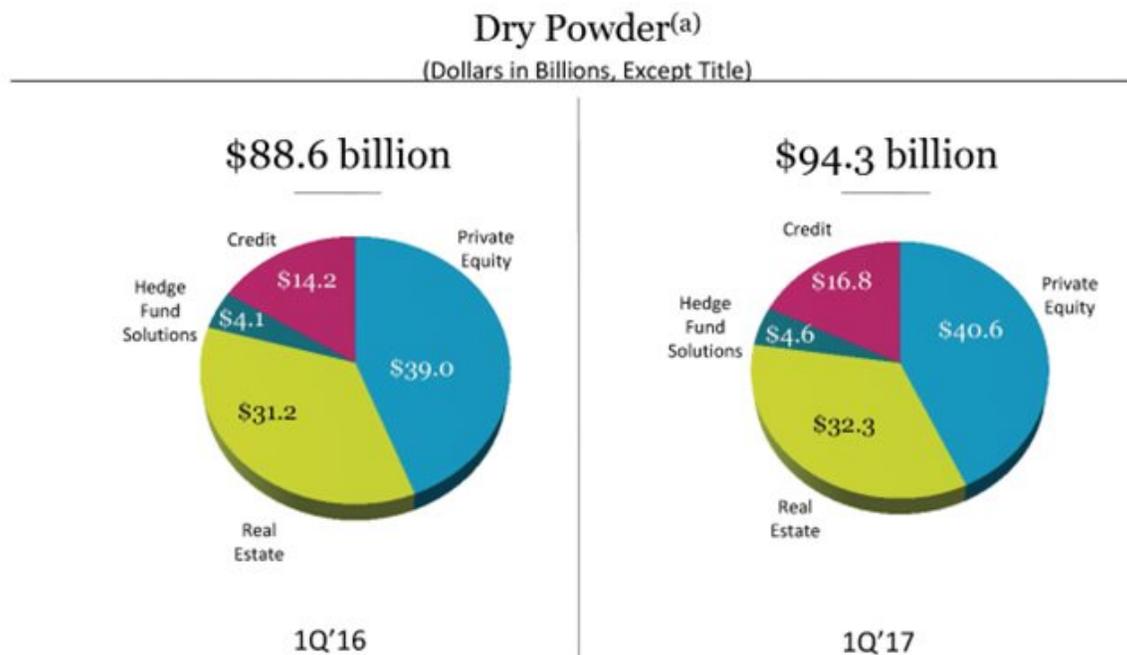
The following presents the limited partner capital invested during the respective periods:



Note: Totals in graph may not add due to rounding.

	Three Months Ended	
	March 31,	
	2016	2017
	(Dollars in Thousands)	
Limited Partner Capital Invested		
Private Equity	\$ 1,865,698	\$ 4,736,388
Real Estate	3,747,181	2,590,419
Hedge Fund Solutions	315,757	28,592
Credit	586,935	2,261,266
Total	<u>\$ 6,515,571</u>	<u>\$ 9,616,665</u>

The following presents the committed undrawn capital available for investment (“dry powder”) for the respective periods:



Note: Totals may not add due to rounding. Amounts are as of March 31 of each year.

(a) Represents illiquid drawdown funds only; excludes marketable vehicles; includes both Fee-Earning (third party) capital and general partner and employee commitments that do not earn fees. Amounts are reduced by outstanding commitments to invest, but for which capital has not been called.

	March 31,	
	2016	2017
(Dollars in Thousands)		
Dry Powder Available for Investment		
Private Equity	\$ 38,984,123	\$ 40,568,278
Real Estate	31,245,484	32,303,375
Hedge Fund Solutions	4,137,171	4,630,434
Credit	14,235,097	16,819,031
Total	<u>\$ 88,601,875</u>	<u>\$ 94,321,118</u>

*Net Accrued Performance Fees*

The following table presents the accrued performance fees, net of performance fee compensation, of the Blackstone Funds as of March 31, 2017 and 2016. Net accrued performance fees presented do not include clawback amounts, if any, which are disclosed in Note 17. “Commitments and Contingencies — Contingencies — Contingent Obligations (Clawback)” in the “Notes to Condensed Consolidated Financial Statements” in “Part I. Item 1.

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Financial Statements” of this filing. The net accrued performance fees as of each reporting date are principally unrealized carried interest and incentive fees which, if realized, can be a significant component of Distributable Earnings.

	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Dollars in Millions)</b>	
<b>Private Equity</b>		
BCP IV Carried Interest	\$ 109	\$ 155
BCP V Carried Interest	128	358
BCP VI Carried Interest	560	340
BEP I Carried Interest	99	46
BEP II Carried Interest	11	—
Tactical Opportunities Carried Interest	104	56
BTAS Carried Interest	21	5
Strategic Partners Carried Interest	38	38
Other Carried Interest	3	2
Total Private Equity (a)	<u>1,073</u>	<u>1,000</u>
<b>Real Estate</b>		
BREP IV Carried Interest	7	11
BREP V Carried Interest	265	417
BREP VI Carried Interest	316	636
BREP VII Carried Interest	552	570
BREP VIII Carried Interest	179	34
BREP Europe III Carried Interest	161	181
BREP Europe IV Carried Interest	289	126
BREP Asia Carried Interest	96	68
BPP Carried Interest	64	41
BPP Incentive Fees	41	18
BREDS Carried Interest	16	16
BREDS Incentive Fees	5	2
Asia Platform Incentive Fees	7	7
Total Real Estate (a)	<u>1,998</u>	<u>2,127</u>
<b>Hedge Fund Solutions</b>		
Incentive Fees	38	5
Total Hedge Fund Solutions	<u>38</u>	<u>5</u>
<b>Credit</b>		
Carried Interest	195	66
Incentive Fees	26	14
Total Credit	<u>221</u>	<u>80</u>
<b>Total Blackstone</b>		
Carried Interest	3,213	3,166
Incentive Fees	117	46
Net Accrued Performance Fees	<u>\$3,330</u>	<u>\$3,212</u>

(a) Private Equity and Real Estate include Co-Investments, as applicable.

*Performance Fee Eligible Assets Under Management*

The following represents invested and to be invested capital, including closed commitments for funds whose investment period has not yet commenced, on which performance fees could be earned if certain hurdles are met:



Note: Totals may not add due to rounding. Amounts are as of March 31, 2017.

- (a) Represents invested and to be invested capital at fair value, including closed commitments for funds whose investment period has not yet commenced, on which performance fees could be earned if certain hurdles are met.
- (b) Represents dry powder exclusive of non-fee earning general partner and employee commitments.

*Investment Record*

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.

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The following table presents the investment record of our significant drawdown funds from inception through March 31, 2017:

Fund (Investment Period)	Committed Capital	Available Capital (a)	Unrealized Investments			Realized Investments		Total Investments		Net IRRs (c)	
			Value	MOIC (b)	% Public	Value	MOIC (b)	Value	MOIC (b)	Realized	Total
<b>Private Equity</b>											
BCP I (Oct 1987 / Oct 1993)	\$ 859,081	\$ —	\$ —	N/A	—	\$ 1,741,738	2.6x	\$ 1,741,738	2.6x	19%	19%
BCP II (Oct 1993 / Aug 1997)	1,361,100	—	—	N/A	—	3,256,819	2.5x	3,256,819	2.5x	32%	32%
BCP III (Aug 1997 / Nov 2002)	3,967,422	—	—	N/A	—	9,184,688	2.3x	9,184,688	2.3x	14%	14%
BCOM (Jun 2000 / Jun 2006)	2,137,330	24,575	23,299	1.8x	—	2,951,018	1.4x	2,974,317	1.4x	6%	6%
BCP IV (Nov 2002 / Dec 2005)	6,773,182	215,546	1,339,848	1.2x	41%	20,049,478	3.1x	21,389,326	2.8x	41%	36%
BCP V (Dec 2005 / Jan 2011)	21,019,849	1,241,060	3,871,309	1.4x	57%	34,076,797	1.9x	37,948,106	1.9x	9%	8%
BCP VI (Jan 2011 / May 2016)	15,190,007	1,794,580	15,219,024	1.4x	23%	6,084,689	2.0x	21,303,713	1.5x	28%	12%
BEP I (Aug 2011 / Feb 2015)	2,437,584	166,111	2,889,394	1.5x	32%	859,498	1.9x	3,748,892	1.6x	42%	15%
BEP II (Feb 2015 / Feb 2021)	4,816,358	2,933,755	1,881,655	1.2x	—	—	N/A	1,881,655	1.2x	N/A	47%
BCP VII (May 2016 / May 2022)	18,549,374	16,134,686	2,450,097	1.0x	—	—	N/A	2,450,097	1.0x	N/A	N/M
Total Corporate Private Equity	\$77,111,287	\$22,510,313	\$27,674,626	1.4x	26%	\$78,204,725	2.2x	\$105,879,351	1.9x	17%	15%
Tactical Opportunities	\$13,946,336	\$ 6,394,172	\$ 8,206,191	1.2x	7%	\$ 2,501,655	1.5x	\$ 10,707,846	1.3x	27%	11%
Tactical Opportunities Co-Investment and Other	3,262,702	1,141,991	2,028,075	1.1x	—	321,638	1.5x	2,349,713	1.2x	N/A	12%
Strategic Partners I-V and Co-Investment (d)	12,833,284	2,487,200	2,965,240	N/M	—	14,288,889	N/M	17,254,129	1.5x	N/A	13%
Strategic Partners VI LBO, RE and SMA (d)	7,402,171	2,495,828	3,498,260	N/M	—	1,277,356	N/M	4,775,616	1.4x	N/A	23%
Strategic Partners VII (d)	7,489,970	6,197,007	583,820	N/M	—	26,626	N/M	610,446	1.2x	N/A	N/M
BCEP (e)	4,129,194	3,524,972	604,222	1.0x	—	—	N/A	604,222	1.0x	N/A	N/M
Other Funds and Co-Investment (f)	1,469,956	415,513	29,182	0.8x	67%	634,538	1.0x	663,720	1.0x	N/M	N/M
<b>Real Estate</b>											
<b>Dollar</b>											
Pre-BREP	\$ 140,714	\$ —	\$ —	N/A	—	\$ 345,190	2.5x	\$ 345,190	2.5x	33%	33%
BREP I (Sep 1994 / Oct 1996)	380,708	—	—	N/A	—	1,327,708	2.8x	1,327,708	2.8x	40%	40%
BREP II (Oct 1996 / Mar 1999)	1,198,339	—	—	N/A	—	2,531,614	2.1x	2,531,614	2.1x	19%	19%
BREP III (Apr 1999 / Apr 2003)	1,522,708	—	—	N/A	—	3,330,406	2.4x	3,330,406	2.4x	21%	21%
BREP IV (Apr 2003 / Dec 2005)	2,198,694	—	369,644	0.5x	27%	4,160,248	2.2x	4,529,892	1.7x	31%	12%
BREP V (Dec 2005 / Feb 2007)	5,539,418	—	2,496,440	2.1x	15%	10,609,427	2.3x	13,105,867	2.3x	12%	11%
BREP VI (Feb 2007 / Aug 2011)	11,060,444	557,816	3,736,543	2.2x	47%	23,036,112	2.5x	26,772,655	2.4x	14%	13%
BREP VII (Aug 2011 / Apr 2015)	13,493,581	2,209,815	14,636,784	1.6x	20%	11,269,048	1.9x	25,905,832	1.7x	28%	18%
BREP VIII (Apr 2015 / Oct 2020)	16,416,375	10,443,865	7,887,455	1.3x	1%	2,017,820	1.2x	9,905,275	1.3x	18%	18%
Total Global BREP	\$51,950,981	\$13,211,496	\$29,126,866	1.6x	18%	\$58,627,573	2.2x	\$ 87,754,439	1.9x	19%	16%
<b>Euro</b>											
BREP Int'l I (Jan 2001 / Sep 2005)	€ 824,172	€ —	€ —	N/A	—	€ 1,369,016	2.1x	€ 1,369,016	2.1x	23%	23%
BREP Int'l II (Sep 2005 / Jun 2008)	1,629,748	—	286,518	0.8x	55%	2,058,381	2.0x	2,344,899	1.7x	9%	6%
BREP Europe III (Jun 2008 / Sep 2013)	3,205,140	472,766	2,934,256	1.9x	—	3,041,895	2.2x	5,976,151	2.0x	22%	16%
BREP Europe IV (Sep 2013 / Dec 2016)	6,707,714	1,520,962	8,185,788	1.5x	3%	1,164,684	1.5x	9,350,472	1.5x	22%	18%
BREP Europe V (Dec 2016 / Jun 2021)	6,703,649	6,319,485	501,107	1.0x	—	—	N/A	501,107	1.0x	N/A	N/A
Total Euro BREP	€19,070,423	€ 8,313,213	€11,907,669	1.5x	3%	€ 7,633,976	2.0x	€ 19,541,645	1.7x	16%	14%
BREP Co-Investment (g)	\$ 6,819,065	\$ 146,573	\$ 3,053,753	1.6x	66%	\$10,203,022	2.1x	\$ 13,256,775	2.0x	16%	16%
BREP Asia (Jun 2013 / Dec 2017)	5,085,933	3,028,120	2,761,252	1.4x	1%	2,030,989	1.7x	4,792,241	1.5x	21%	17%
Total BREP	\$87,344,028	\$25,350,327	\$49,532,093	1.5x	16%	\$81,016,633	2.2x	\$130,548,726	1.9x	18%	16%
BPP (h)	\$14,115,916	\$ 3,403,887	\$13,277,011	1.2x	—	\$ 107,286	1.9x	\$ 13,384,297	1.2x	36%	13%
BREDS (i)	12,252,291	6,968,549	2,451,243	1.2x	—	6,892,140	1.3x	9,343,383	1.3x	13%	11%

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Fund (Investment Period)	Committed Capital	Available Capital (a)	Unrealized Investments			Realized Investments		Total Investments		Net IRRs (c)	
			Value	MOIC (b)	% Public	Value	MOIC (b)	Value	MOIC (b)	Realized	Total
(Dollars in Thousands, Except Where Noted)											
<b>Hedge Fund Solutions</b>											
BSCH (Dec 2013 / Jun 2020) (j)	\$ 3,300,600	\$ 2,651,996	\$ 689,443	1.1x	—	\$ 135,582	N/A	\$ 825,025	1.3x	N/A	6%
BSCH Co-Investment	75,500	31,237	44,495	1.0x	—	4,298	N/A	48,793	1.1x	N/A	6%
Total Hedge Fund Solutions	<u>\$ 3,376,100</u>	<u>\$ 2,683,233</u>	<u>\$ 733,938</u>	<u>1.0x</u>	<u>—</u>	<u>\$ 139,880</u>	<u>N/A</u>	<u>\$ 873,818</u>	<u>1.2x</u>	<u>N/A</u>	<u>6%</u>
<b>Credit (k)</b>											
<b>Dollar</b>											
Mezzanine I (Jul 2007 / Oct 2011)	\$ 2,000,000	\$ 99,280	\$ 161,361	1.3x	—	\$ 4,663,932	1.6x	\$ 4,825,293	1.6x	N/A	17%
Mezzanine II (Nov 2011 / Nov 2016)	4,120,000	1,393,677	3,256,146	1.1x	—	2,622,256	1.5x	5,878,402	1.3x	N/A	13%
Mezzanine III (Sep 2016 / Sep 2021)	6,639,133	5,467,784	1,212,728	1.0x	—	—	N/A	1,212,728	1.0x	N/A	N/M
Rescue Lending I (Sep 2009 / May 2013)	3,253,143	275,335	847,510	1.1x	—	5,120,819	1.5x	5,968,329	1.4x	N/A	11%
Rescue Lending II (Jun 2013 / Jun 2018)	5,125,000	1,446,697	3,597,915	1.2x	—	1,199,162	1.3x	4,797,077	1.2x	N/A	19%
Energy Select Opportunities (Nov 2015 / Nov 2018)	2,856,866	2,085,415	888,696	1.1x	—	172,592	1.5x	1,061,288	1.2x	N/A	26%
<b>Euro</b>											
European Senior Debt Fund (Feb 2015 / Feb 2018)	€ 1,964,689	€ 2,925,122	€ 886,329	1.0x	—	€ 156,195	1.2x	€ 1,042,524	1.0x	N/A	-5%
Total Credit	<u>\$26,260,552</u>	<u>\$13,896,899</u>	<u>\$10,914,405</u>	<u>1.1x</u>	<u>—</u>	<u>\$13,951,100</u>	<u>1.5x</u>	<u>\$24,865,505</u>	<u>1.3x</u>	<u>N/A</u>	<u>14%</u>

N/M Not meaningful.

N/A Not applicable.

- (a) Available Capital represents total investable capital commitments, including side-by-side, adjusted for certain expenses and expired or callable capital and may include leverage, less invested capital. This amount is not reduced by outstanding commitments to investments.
- (b) Multiple of Invested Capital (“MOIC”) represents carrying value, before management fees, expenses and Carried Interest, divided by invested capital.
- (c) Net Internal Rate of Return (“IRR”) represents the annualized inception to March 31, 2017 IRR on total invested capital based on realized proceeds and unrealized value, as applicable, after management fees, expenses and Carried Interest.
- (d) Realizations are treated as return of capital until fully recovered and therefore unrealized and realized MOICs are not meaningful.
- (e) BCEP, or Blackstone Core Equity Partners, is a core private equity fund which invests with a more modest risk profile and longer hold period.
- (f) Returns for Other Funds and Co-Investment are not meaningful as these funds have limited transaction activity.
- (g) BREP Co-Investment represents co-investment capital raised for various BREP investments. The Net IRR reflected is calculated by aggregating each co-investment’s realized proceeds and unrealized value, as applicable, after management fees, expenses and Carried Interest.
- (h) BPP represents the core+ real estate funds which invest with a more modest risk profile and lower leverage.
- (i) Excludes Capital Trust drawdown funds.
- (j) BSCH, or Blackstone Strategic Capital Holdings, is a permanent capital vehicle focused on acquiring strategic minority positions in alternative asset managers.
- (k) Funds presented represent the flagship credit drawdown funds only. The Total Credit Net IRR is the combined IRR of the seven credit drawdown funds presented.

## **Segment Analysis**

Discussed below is our Economic Income 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.

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**Private Equity**

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

	Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	\$	%
(Dollars in Thousands)				
<b>Segment Revenues</b>				
Management and Advisory Fees, Net				
Base Management Fees	\$ 177,464	\$ 130,648	\$ 46,816	36%
Transaction, Advisory Fees and Other, Net	17,200	8,920	8,280	93%
Management Fee Offsets	(12,190)	(6,848)	(5,342)	78%
Total Management and Advisory Fees, Net	<u>182,474</u>	<u>132,720</u>	<u>49,754</u>	<u>37%</u>
Performance Fees				
Realized				
Carried Interest	582,681	30,282	552,399	N/M
Unrealized				
Carried Interest	(184,833)	73,875	(258,708)	N/M
Total Performance Fees	<u>397,848</u>	<u>104,157</u>	<u>293,691</u>	<u>282%</u>
Investment Income (Loss)				
Realized				
Carried Interest	80,889	(15,357)	96,246	N/M
Unrealized				
Carried Interest	(40,824)	15,440	(56,264)	N/M
Total Investment Income	40,065	83	39,982	N/M
Interest and Dividend Revenue	10,922	9,849	1,073	11%
Other	(1,800)	(1,587)	(213)	13%
Total Revenues	<u>629,509</u>	<u>245,222</u>	<u>384,287</u>	<u>157%</u>
<b>Expenses</b>				
Compensation and Benefits				
Compensation	83,742	80,274	3,468	4%
Performance Fee Compensation				
Realized				
Carried Interest	181,633	15,427	166,206	N/M
Unrealized				
Carried Interest	(39,356)	9,296	(48,652)	N/M
Total Compensation and Benefits	226,019	104,997	121,022	115%
Other Operating Expenses	42,822	48,063	(5,241)	-11%
Total Expenses	<u>268,841</u>	<u>153,060</u>	<u>115,781</u>	<u>76%</u>
Economic Income	<u>\$ 360,668</u>	<u>\$ 92,162</u>	<u>\$ 268,506</u>	<u>291%</u>

N/M Not meaningful.

*Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016*

*Revenues*

Revenues were \$629.5 million for the three months ended March 31, 2017, an increase of \$384.3 million compared to \$245.2 million for the three months ended March 31, 2016. The increase in revenues was primarily attributable to increases in Performance Fees, Total Management and Advisory Fees, Net and Investment Income of \$293.7 million, \$49.8 million and \$40.0 million, respectively.

Revenues in our Private Equity segment in the first quarter of 2017 were significantly higher compared to the first quarter of 2016, driven primarily by appreciation in public and private investments in the U.S. portfolio.

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The market environment in early 2017 continues to be generally characterized by high prices and as a result, the market for new investments remains challenging. Nonetheless, in the first quarter of 2017, our Private Equity funds were able to deploy significant capital, particularly in the healthcare and energy sectors. In addition, our Private Equity funds had record realization activity in the first quarter of 2017. Our portfolio companies continue to operate in a stable, slow growth economic environment characterized by uncertainty surrounding governmental and tax policy. Revenues in the Private Equity segment would likely be negatively impacted if the capital markets experienced a prolonged period of volatility, including as a result of uncertainty regarding governmental and tax policy, or market and/or macroeconomic conditions were to deteriorate.

Performance Fees, which are determined on a fund by fund basis, were \$397.8 million for the three months ended March 31, 2017, an increase of \$293.7 million, compared to \$104.2 million for the three months ended March 31, 2016, driven mainly by the private portfolio in BCP VI.

Total Management and Advisory Fees, Net were \$182.5 million for the three months ended March 31, 2017, an increase of \$49.8 million compared to \$132.7 million for the three months ended March 31, 2016, driven primarily by increases in Base Management Fees and Transaction, Advisory and Other Fees, Net. Base Management Fees were \$177.5 million for the three months ended March 31, 2017, an increase of \$46.8 million compared to \$130.6 million for the three months ended March 31, 2016, primarily due to the increase in fee-earning assets across the segment. Transaction, Advisory and Other Fees, Net were \$17.2 million for the three months ended March 31, 2017, an increase of \$8.3 million compared to \$8.9 million for the three months ended March 31, 2016, principally due to increased capital market deal activity.

Investment Income was \$40.1 million for the three months ended March 31, 2017, an increase of \$40.0 million compared to \$0.1 million for the three months ended March 31, 2016, driven primarily by an increase in the appreciation of our investment holdings.

*Expenses*

Expenses were \$268.8 million for the three months ended March 31, 2017, an increase of \$115.8 million, compared to \$153.1 million for the three months ended March 31, 2016. The increase was attributable to a \$117.6 million increase in Performance Fee Compensation, partially offset by a \$5.2 million decrease in Other Operating Expenses. The increase in Performance Fee Compensation was driven by the increase in Performance Fees Revenue. The decrease in Other Operating Expenses was primarily due to a decrease in interest and other expense allocations to the segment.

*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.

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

Fund (a)	Three Months Ended March 31,				March 31, 2017 Inception to Date			
	2017		2016		Realized		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BCP IV	-2%	-2%	4%	3%	55%	41%	50%	36%
BCP V	3%	2%	6%	4%	11%	9%	10%	8%
BCOM	3%	3%	3%	3%	13%	6%	13%	6%
BCP VI	9%	7%	-1%	-1%	35%	28%	18%	12%
BEP I	10%	9%	—	—	44%	42%	19%	15%
BEP II (b)	13%	13%	N/M	N/M	N/A	N/A	77%	47%
Tactical Opportunities	4%	3%	1%	1%	35%	27%	15%	11%
Strategic Partners	5%	5%	—	-1%	N/A	N/A	17%	14%

**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) BEP II's 2016 investment returns are presented as N/M due to the early stage nature and limited operations of the fund's investments which are held at cost. Accordingly, the 2016 returns would only be reflective of the impact of fees and expenses incurred to date.

The corporate private equity funds within the Private Equity segment have five funds with closed investment periods: BCP IV, BCP V, BCP VI, BCOM and BEP I. As of March 31, 2017, BCP IV was above its carried interest threshold (i.e., the preferred return payable to its limited partners before the general partner is eligible to receive carried interest) and would still be above its carried interest threshold even if all remaining investments were valued at zero. BCP V is comprised of two fund classes based on the timings of fund closings, the BCP V "main fund" and BCP V-AC fund. Within these fund classes, the general partner is subject to equalization such that (a) the general partner accrues carried interest when the total carried interest for the combined fund classes is positive and (b) the general partner realizes carried interest so long as clawback obligations, if any, for the combined fund classes are fully satisfied. During the quarter, both fund classes were above their respective carried interest thresholds. BCP VI is currently above its carried interest threshold. BCOM is currently above its carried interest threshold and 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. BEP I is currently above its carried interest threshold.

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**Real Estate**

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

	Three Months Ended		2017 vs. 2016	
	March 31,		\$	%
	2017	2016		
(Dollars in Thousands)				
<b>Segment Revenues</b>				
Management Fees, Net				
Base Management Fees	\$ 197,879	\$ 199,907	\$ (2,028)	-1%
Transaction and Other Fees, Net	21,279	35,794	(14,515)	-41%
Management Fee Offsets	(3,550)	(3,595)	45	-1%
Total Management Fees, Net	<u>215,608</u>	<u>232,106</u>	<u>(16,498)</u>	<u>-7%</u>
Performance Fees				
Realized				
Carried Interest	519,841	200,627	319,214	159%
Incentive Fees	2,914	4,069	(1,155)	-28%
Unrealized				
Carried Interest	(22,268)	(11,522)	(10,746)	93%
Incentive Fees	18,713	9,765	8,948	92%
Total Performance Fees	<u>519,200</u>	<u>202,939</u>	<u>316,261</u>	<u>156%</u>
Investment Income (Loss)				
Realized				
Unrealized	119,579	12,975	106,604	822%
	<u>(83,853)</u>	<u>(2,137)</u>	<u>(81,716)</u>	<u>N/M</u>
Total Investment Income	<u>35,726</u>	<u>10,838</u>	<u>24,888</u>	<u>230%</u>
Interest and Dividend Revenue	18,167	13,188	4,979	38%
Other	(3,150)	(1,909)	(1,241)	65%
Total Revenues	<u>785,551</u>	<u>457,162</u>	<u>328,389</u>	<u>72%</u>
<b>Expenses</b>				
Compensation and Benefits				
Compensation				
Performance Fee Compensation	102,702	100,578	2,124	2%
Realized				
Carried Interest	179,925	43,076	136,849	318%
Incentive Fees	1,364	2,133	(769)	-36%
Unrealized				
Carried Interest	11,798	27,703	(15,905)	-57%
Incentive Fees	8,509	4,158	4,351	105%
Total Compensation and Benefits	<u>304,298</u>	<u>177,648</u>	<u>126,650</u>	<u>71%</u>
Other Operating Expenses	51,969	48,097	3,872	8%
Total Expenses	<u>356,267</u>	<u>225,745</u>	<u>130,522</u>	<u>58%</u>
Economic Income	<u>\$429,284</u>	<u>\$231,417</u>	<u>\$197,867</u>	<u>86%</u>

N/M Not meaningful.

*Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016*

*Revenues*

Revenues were \$785.6 million for the three months ended March 31, 2017, an increase of \$328.4 million compared to \$457.2 million for the three months ended March 31, 2016. The increase in revenues was primarily attributable to increases of \$316.3 million in Performance Fees and \$24.9 million in Investment Income, partially offset by a decrease of \$16.5 million in Total Management Fees, Net.

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In the first quarter of 2017, revenues in our Real Estate segment increased primarily due to appreciation in private investments in our BREP opportunistic funds compared to the first quarter of 2016. Overall, operating trends in our Real Estate portfolio remain stable and supply-demand fundamentals remain solid in most markets, although we see decelerating growth in certain geographies and sectors, notably retail. As a result of less distress and rising asset values, the U.S. continues to experience a more challenging opportunistic investment environment than in the early part of 2016, although in the first quarter of 2017, our Real Estate funds remained active in both deployment and realizations. In Europe, our Real Estate funds were active where lingering distress continued to provide investment opportunities. In our real estate debt funds, liquid fund performance was strong in the first quarter of 2017 compared to the broad market sell-off in the first quarter of 2016. Revenues in our Real Estate segment would likely be negatively impacted if the capital markets experienced a period of prolonged volatility, including as a result of uncertainty regarding governmental and tax policy, or market and/or macroeconomic conditions were to deteriorate.

Performance Fees, which are determined on a fund by fund basis, were \$519.2 million for the three months ended March 31, 2017, an increase of \$316.3 million compared to \$202.9 million for the three months ended March 31, 2016. Performance Fees increased due to the net appreciation of investments holdings in our BREP opportunistic funds, which appreciated 5.7% versus 1.8% in the comparable 2016 quarter.

Investment Income was \$35.7 million for the three months ended March 31, 2017, an increase of \$24.9 million compared to \$10.8 million for the three months ended March 31, 2016. The increase in Investment Income was primarily due to the net increase in appreciation of the Partnership's principal investments.

Total Management Fees, Net were \$215.6 million for the three months ended March 31, 2017, a decrease of \$16.5 million compared to \$232.1 million for the three months ended March 31, 2016, driven primarily by decreases in Transaction and Other Fees, Net. Transaction and Other Fees, Net were \$21.3 million for the three months ended March 31, 2017, a decrease of \$14.5 million compared to \$35.8 million for the three months ended March 31, 2016, primarily due to the timing of investment closings.

The annualized Base Management Fee Rate decreased from 1.19% at March 31, 2016 to 1.10% at March 31, 2017. The decrease was principally due to commencement of the investment period of BREP Europe V in the fourth quarter of 2016, which added Fee-Earning Assets Under Management, the majority of which are under Base Management Fee holiday until the second quarter 2017.

#### *Expenses*

Expenses were \$356.3 million for the three months ended March 31, 2017, an increase of \$130.5 million, compared to \$225.7 million for the three months ended March 31, 2016. The increase was primarily due to increases of \$124.5 million in Performance Fee Compensation and \$3.9 million in Other Operating Expenses. The increase in Performance Fee Compensation was a result of an increase in Performance Fee Revenue. The increase in Other Operating Expenses was primarily due to an increase in interest and other expense allocations to the segment.

#### *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 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.

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

Fund (a)	Three Months Ended March 31,				March 31, 2017 Inception to Date			
	2017		2016		Realized		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BREP IV	-2%	-1%	-8%	-6%	52%	31%	22%	12%
BREP V	1%	1%	—	—	16%	12%	14%	11%
BREP VI	3%	3%	4%	3%	18%	14%	17%	13%
BREP VII	4%	4%	1%	—	39%	28%	26%	18%
BREP VIII	6%	4%	6%	4%	29%	18%	31%	18%
BREP International II (b)	-1%	-1%	2%	2%	10%	9%	7%	6%
BREP Europe III (b)	8%	7%	-1%	-1%	33%	22%	25%	16%
BREP Europe IV (b)	13%	10%	2%	1%	34%	22%	25%	18%
BREP Co-Investment (c)	2%	2%	2%	-1%	18%	16%	17%	16%
BREP Asia	7%	5%	6%	4%	29%	21%	26%	17%
BPP	3%	3%	4%	4%	37%	36%	15%	13%
BREDS Drawdown	4%	3%	5%	2%	17%	13%	16%	11%
BREDS Liquid	4%	3%	-5%	-5%	N/A	N/A	12%	8%

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

N/A Not applicable.

- (a) Net returns are based on the change in carrying value (realized and unrealized) after management fees, expenses and performance fee allocations.
- (b) Euro-based internal rates of return.
- (c) Excludes fully realized co-investments prior to Blackstone's IPO.

The following table presents the carried interest status of our real estate carry funds with expired investment periods which are currently not generating performance fees as of March 31, 2017:

Fully Invested Funds	Gain to Cross Carried Interest Threshold (a)		
	Amount	% Change in Total Enterprise Value (b)	% Change in Equity Value
	(Amounts in Millions)		
BREP International II (Sep 2005 / Jun 2008)	€ 831	43%	321%

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

The Real Estate segment has three funds in their investment period, which were above their respective carried interest thresholds as of March 31, 2017: BREP VIII, BREP Asia and BREDS III.

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**Hedge Fund Solutions**

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

	Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	\$	%
(Dollars in Thousands)				
<b>Segment Revenues</b>				
Management Fees, Net				
Base Management Fees	\$ 128,468	\$ 130,158	\$ (1,690)	-1%
Transaction and Other Fees, Net	259	543	(284)	-52%
Total Management Fees, Net	<u>128,727</u>	<u>130,701</u>	<u>(1,974)</u>	<u>-2%</u>
Performance Fees				
Realized				
Incentive Fees	14,684	2,684	12,000	447%
Unrealized				
Carried Interest	3,797	32	3,765	N/M
Incentive Fees	<u>40,311</u>	<u>(2,935)</u>	<u>43,246</u>	<u>N/M</u>
Total Performance Fees	<u>58,792</u>	<u>(219)</u>	<u>59,011</u>	<u>N/M</u>
Investment Income (Loss)				
Realized				
Unrealized	(632)	(4,745)	4,113	-87%
Unrealized	<u>18,293</u>	<u>(12,291)</u>	<u>30,584</u>	<u>N/M</u>
Total Investment Income (Loss)	<u>17,661</u>	<u>(17,036)</u>	<u>34,697</u>	<u>N/M</u>
Interest and Dividend Revenue	7,554	5,296	2,258	43%
Other	<u>(1,610)</u>	<u>(1,388)</u>	<u>(222)</u>	<u>16%</u>
Total Revenues	<u>211,124</u>	<u>117,354</u>	<u>93,770</u>	<u>80%</u>
<b>Expenses</b>				
Compensation and Benefits				
Compensation	47,604	54,169	(6,565)	-12%
Performance Fee Compensation				
Realized				
Incentive Fees	7,317	1,863	5,454	293%
Unrealized				
Carried Interest	1,209	—	1,209	N/M
Incentive Fees	<u>14,004</u>	<u>(1,195)</u>	<u>15,199</u>	<u>N/M</u>
Total Compensation and Benefits	<u>70,134</u>	<u>54,837</u>	<u>15,297</u>	<u>28%</u>
Other Operating Expenses	<u>25,800</u>	<u>26,146</u>	<u>(346)</u>	<u>-1%</u>
Total Expenses	<u>95,934</u>	<u>80,983</u>	<u>14,951</u>	<u>18%</u>
Economic Income	<u>\$ 115,190</u>	<u>\$ 36,371</u>	<u>\$ 78,819</u>	<u>217%</u>

N/M Not meaningful.

*Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016*

*Revenues*

Revenues were \$211.1 million for the three months ended March 31, 2017, an increase of \$93.8 million compared to \$117.4 million for the three months ended March 31, 2016. The increase in revenues was primarily attributable to increases of \$59.0 million in Total Performance Fees and \$34.7 million in Investment Income (Loss).

Revenues in our Hedge Fund Solutions segment in the first quarter of 2017 increased compared to the first quarter of 2016, a challenging quarter for equity markets, primarily as a result of improved performance across

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multiple strategies in the segment, with the BPS Composite gross return up 2.7% in the quarter (2.5% net). In addition, approximately 84% of Hedge Fund Solutions' Fee-Earnings Assets Under Management eligible for Incentive Fees was above the high water mark as of the end of the first quarter of 2017. Hedge Fund Solutions revenues would likely be negatively impacted if global asset prices experienced another period of decline, including as a result of uncertainty regarding governmental and tax policy, or liquidity needs caused investors to withdraw assets.

Total Performance Fees, which are determined on a fund by fund basis, were \$58.8 million for the three months ended March 31, 2017, an increase of \$59.0 million compared to \$(0.2) million for the three months ended March 31, 2016. The increase was primarily driven by higher returns for a number of funds.

Total Investment Income (Loss) was \$17.7 million for the three months ended March 31, 2017, an increase of \$34.7 million compared to \$(17.0) million for the three months ended March 31, 2016, primarily due to the year over year net appreciation of investments of which Blackstone owns a share.

*Expenses*

Expenses were \$95.9 million for the three months ended March 31, 2017, an increase of \$15.0 million compared to \$81.0 million for the three months ended March 31, 2016. The increase in expenses was attributable to an increase of \$21.9 million in Performance Fee Compensation, partially offset by a \$6.6 million decrease in Compensation. Performance Fee Compensation was \$22.5 million for the three months ended March 31, 2017 compared to \$0.7 million for the three months ended March 31, 2016, primarily due to an increase in Performance Fee Revenue. Compensation was \$47.6 million for the three months ended March 31, 2017 compared to \$54.2 million for the three months ended March 31, 2016, primarily due to an overall decrease in Management Fees.

*Operating Metrics*

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

	Fee-Earning Assets Under Management Eligible for Incentive Fees		Estimated % Above High Water Mark / Benchmark (a)	
	As of March 31,		As of March 31,	
	2016	2017	2016	2017
	(Dollars in Thousands)			
BAAM-Managed Funds (b)	\$35,411,177	\$36,953,493	1%	84%

- (a) Estimated % Above High Water Mark/Benchmark 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 benchmark, where applicable. Incremental positive performance in the applicable Blackstone Funds may cause additional assets to reach their respective High Water Mark or clear a benchmark return, thereby resulting in an increase in Estimated % Above High Water Mark/Benchmark.
- (b) For the BAAM-managed funds, at March 31, 2017 the incremental appreciation needed for the 16% of Fee-Earning Assets Under Management below their respective High Water Marks/Benchmarks to reach their respective High Water Marks/Benchmarks was \$437.3 million, a decrease of \$1.3 billion, compared to \$1.7 billion at March 31, 2016. Of the Fee-Earning Assets Under Management below their respective High Water Marks/Benchmarks as of March 31, 2017, 43% were within 5% of reaching their respective High Water Mark.

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*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 financial 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 Principal Solutions Composite:

Composite	Three Months Ended March 31,				Average Annual Returns (a) Periods Ended March 31, 2017							
	2017		2016		One Year		Three Year		Five Year		Historical	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BAAM Principal Solutions Composite (b)	3%	2%	-3%	-3%	10%	9%	5%	4%	7%	6%	7%	6%

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

- (a) Composite returns present a summarized asset-weighted return measure to evaluate the overall performance of the applicable class of Blackstone Funds.
- (b) BAAM's Principal Solutions ("BPS") Composite covers the period from January 2000 to present, although BAAM's inception date is September 1990. BPS Composite does not include BAAM's individual investor solutions (i.e., liquid alternatives), long-biased commodities, ventures (i.e., seeding and minority interests), strategic opportunities (i.e., co-investments), Senfina (i.e., direct trading) and advisory (non-discretionary) platforms, except for investments by BPS funds directly into those platforms. BAAM-managed funds in liquidation are also excluded. The historical return is from January 1, 2000.

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**Credit**

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

	Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	\$	%
(Dollars in Thousands)				
<b>Segment Revenues</b>				
Management Fees, Net				
Base Management Fees	\$ 139,147	\$ 125,990	\$ 13,157	10%
Transaction and Other Fees, Net	1,484	1,342	142	11%
Management Fee Offsets	(17,859)	(9,658)	(8,201)	85%
Total Management Fees, Net	<u>122,772</u>	<u>117,674</u>	<u>5,098</u>	<u>4%</u>
Performance Fees				
Realized				
Carried Interest	8,800	—	8,800	N/M
Incentive Fees	29,539	21,697	7,842	36%
Unrealized				
Carried Interest	48,557	(14,779)	63,336	N/M
Incentive Fees	992	270	722	267%
Total Performance Fees	<u>87,888</u>	<u>7,188</u>	<u>80,700</u>	<u>N/M</u>
Investment Income (Loss)				
Realized				
Carried Interest	3,058	(2,974)	6,032	N/M
Incentive Fees	7,449	(17,561)	25,010	N/M
Total Investment Income (Loss)	<u>10,507</u>	<u>(20,535)</u>	<u>31,042</u>	<u>N/M</u>
Interest and Dividend Revenue				
Other	9,233	6,748	2,485	37%
Total Revenues	<u>228,673</u>	<u>109,711</u>	<u>118,962</u>	<u>108%</u>
<b>Expenses</b>				
Compensation and Benefits				
Compensation				
Performance Fee Compensation	54,979	52,382	2,597	5%
Realized				
Carried Interest	4,633	—	4,633	N/M
Incentive Fees	14,071	10,127	3,944	39%
Unrealized				
Carried Interest	21,962	(6,998)	28,960	N/M
Incentive Fees	626	485	141	29%
Total Compensation and Benefits	<u>96,271</u>	<u>55,996</u>	<u>40,275</u>	<u>72%</u>
Other Operating Expenses				
Total Expenses	<u>32,701</u>	<u>26,220</u>	<u>6,481</u>	<u>25%</u>
Economic Income	<u>\$ 99,701</u>	<u>\$ 27,495</u>	<u>\$ 72,206</u>	<u>263%</u>

N/M Not meaningful.

*Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016*

*Revenues*

Revenues were \$228.7 million for the three months ended March 31, 2017, an increase of \$119.0 million, compared to \$109.7 million for the three months ended March 31, 2016. The increase in revenues was primarily attributable to increases of \$80.7 million in Performance Fees, \$31.0 million in Investment Income (Loss) and \$5.1 million in Total Management Fees, Net.

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Revenues in our Credit segment increased in the first quarter of 2017 compared to the first quarter of 2016, driven by solid performance across both the performing credit and distressed strategies, with particularly strong performance in our energy investments compared to the prior-year period. Despite the continuing low interest rate environment, our Credit funds were able to identify attractive investment opportunities in the first quarter of 2017 by focusing on transactions where our scale and expertise granted us a competitive advantage, particularly in the European direct lending and energy sectors. Our Credit segment revenues may, however, be negatively impacted by prolonged periods of market pressure, depressed energy prices, market volatility or uncertainty regarding governmental and tax policy.

Performance Fees were \$87.9 million for the three months ended March 31, 2017, an increase of \$80.7 million, compared to \$7.2 million for the three months ended March 31, 2016. This change was primarily attributable to higher returns in our Performing Credit Strategies and Distressed Strategies.

Investment Income (Loss) was \$10.5 million for the three months ended March 31, 2017, an increase of \$31.0 million, compared to \$(20.5) million for the three months ended March 31, 2016, primarily due to the prior period's unrealized investment losses in our distressed strategies and long only funds.

Total Management Fees, Net were \$122.8 million for the three months ended March 31, 2017, an increase of \$5.1 million, compared to \$117.7 million for the three months ended March 31, 2016. The increase was primarily attributable to our long only and hedge fund strategies.

*Expenses*

Expenses were \$129.0 million for the three months ended March 31, 2017, an increase of \$46.8 million, compared to \$82.2 million for the three months ended March 31, 2016. The increase in expenses was primarily attributable to increases of \$37.7 million in Performance Fee Compensation and \$6.5 million in Other Operating Expenses. The increase in Performance Fee Compensation was largely due to the increase in Performance Fee Revenue. The increase in Other Operating Expenses was due to an increase in interest, professional fees, other expense allocations to the segment and certain one-time expenses.

*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 financial 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 combined internal rates of return of the segment's Performing Credit and Distressed Strategies funds:

Composite (a)	Three Months Ended				March 31, 2017	
	March 31,		2016		Inception to Date	
	2017	2016	2016	2016	Gross	Net
	Gross	Net	Gross	Net	Gross	Net
Performing Credit Strategies (b)	3%	2%	1%	—	15%	9%
Distressed Strategies (c)	3%	2%	-3%	-4%	12%	7%

**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, net of tax advances.

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- (b) Performing Credit Strategies include mezzanine lending funds, BDCs and other performing credit strategy funds. Performing Credit Strategies' returns represent the IRR of the combined cash flows of the fee-earning funds exceeding \$100 million of fair value at each respective quarter end excluding the Blackstone Funds that were contributed to GSO as part of Blackstone's acquisition of GSO in March 2008. The inception to date returns are from July 16, 2007.
- (c) Distressed Strategies include rescue lending funds, distressed hedge funds and energy strategies. Distressed Strategies' returns represent the IRR of the combined cash flows of the fee-earning funds exceeding \$100 million of fair value at each respective quarter end. The inception to date returns are from August 1, 2005.

As of March 31, 2017, there was \$27.4 billion of Performance Fee eligible assets under management invested in Credit strategies that were above the hurdle necessary to generate Incentive Fees or carried interest. This represented 51% of the total Performance Fee eligible assets at fair value across all Credit strategies.

## **Liquidity and Capital Resources**

### ***General***

Blackstone's business model derives revenue primarily from third party assets under management. 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, where our minimum general partner commitments are generally less than 5% of the limited partner commitments of a fund, and pay distributions to unitholders.

Fluctuations in our statement of financial condition 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 Redeemable Non-Controlling Interests in Consolidated Entities and 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 statement of financial condition 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 \$28.3 billion as of March 31, 2017, up \$1.9 billion from December 31, 2016.

Total liabilities were \$15.2 billion as of March 31, 2017, up \$1.3 billion from December 31, 2016. The increase was principally due to an increase in Loans Payable of \$930.6 million, primarily due to new CLO vehicles.

For the three months ended March 31, 2017, we had Total Fee Related Revenues of \$649.6 million and related expenses of \$358.8 million, generating Fee Related Earnings of \$290.7 million and Distributable Earnings of \$1.2 billion.

### ***Sources and Uses of Liquidity***

We have multiple sources of liquidity to meet our capital needs, including annual cash flows, accumulated earnings in the businesses, the proceeds from our issuances of senior notes, liquid investments we hold on our balance sheet for our own use and access to our \$1.5 billion committed revolving credit facility. As of March 31, 2017, Blackstone had \$2.3 billion in cash and cash equivalents, \$2.7 billion invested in corporate treasury investments, \$1.9 billion invested in Blackstone Funds and other investments, against \$3.4 billion in borrowings from our bond issuances, and no borrowings outstanding under our revolving credit facility.

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

We 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

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unitholders and the holders of Blackstone Holdings Partnership Units. Our own capital commitments to our funds, the funds we invest in and our investment strategies as of March 31, 2017 consisted of the following:

Fund	Blackstone and General Partner		Senior Managing Directors and Certain Other Professionals (a)	
	Original Commitment	Remaining Commitment	Original Commitment	Remaining Commitment
	(Dollars in Thousands)			
<b>Private Equity</b>				
BCP VII	\$ 500,000	\$ 456,063	\$ 225,000	\$ 205,228
BCP VI	719,718	121,989	250,000	42,374
BCP V	629,356	39,938	—	—
BEP I	50,000	4,853	—	—
BEP II	80,000	54,185	26,667	18,062
BCEP	120,000	101,608	—	—
Tactical Opportunities	277,677	128,296	74,826	42,765
Strategic Partners	346,856	267,713	58,627	46,614
Other (b)	236,525	28,494	—	—
<b>Real Estate</b>				
BREP VIII	300,000	189,508	100,000	63,169
BREP VII	300,000	48,588	100,000	16,196
BREP VI	750,000	36,809	150,000	7,362
BREP Europe III	100,000	13,231	35,000	4,410
BREP Europe IV	130,000	26,253	43,333	8,751
BREP Europe V	130,000	120,544	43,333	40,181
BREP Asia	50,392	30,171	16,667	9,979
BREDS II	50,000	26,647	16,667	8,882
BREDS III	50,000	45,392	16,667	15,131
Other (b)	149,482	38,583	—	—
<b>Hedge Fund Solutions</b>				
Strategic Alliance	50,000	2,033	—	—
Strategic Alliance II	50,000	1,482	—	—
Strategic Alliance III	22,000	22,000	—	—
Strategic Holdings LP	50,000	40,182	—	—
Other (b)	800	270	—	—
<b>Credit</b>				
Capital Opportunities Fund II LP	120,000	40,787	109,979	37,381
GSO Capital Solutions II	125,000	61,518	119,537	58,830
Blackstone/GSO Capital Solutions	50,000	6,552	27,666	3,625
BMezz II	17,692	3,085	—	—
GSO Credit Alpha Fund LP	52,102	20,852	50,247	20,110
GSO Euro Senior Debt Fund LP	63,000	52,764	56,811	47,581
GSO Energy Select Opportunities Fund	80,000	64,443	74,682	60,159
Capital Opportunities Fund III LP	130,783	111,715	29,834	25,389
Other (b)	86,037	40,323	16,187	5,234
<b>Other</b>				
Treasury	145,541	136,853	—	—
<b>Total</b>	<b>\$ 6,012,961</b>	<b>\$ 2,383,724</b>	<b>\$ 1,641,730</b>	<b>\$ 787,413</b>

- (a) 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. The amounts of the aggregate applicable general partner original and remaining commitment are shown in the table above. In addition, certain senior managing directors and other professionals are required to fund a

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de minimis amount of the commitment in the other private equity, real estate and credit-focused 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 above will be more than sufficient to fund our working capital requirements.

- (b) Represents capital commitments to a number of other funds in each respective segment.

As of March 31, 2017, Blackstone Holdings Finance Co. L.L.C. (the “Issuer”), an indirect subsidiary of the Partnership, had issued and outstanding the following senior notes (collectively the “Notes”):

Senior Notes (a)	Issue Date	Aggregate Principal Amount (Dollars/Euros in Thousands)
6.625%, Due 8/15/2019	8/20/2009	\$ 600,000
5.875%, Due 3/15/2021	9/15/2010	\$ 400,000
4.750%, Due 2/15/2023	8/17/2012	\$ 400,000
6.250%, Due 8/15/2042	8/17/2012	\$ 250,000
5.000%, Due 6/15/2044	4/7/2014	\$ 500,000
4.450%, Due 7/15/2045	4/27/2015	\$ 350,000
2.000%, Due 5/19/2025	5/19/2015	€ 300,000
1.000%, Due 10/5/2026	10/5/2016	€ 600,000

- (a) The Notes are unsecured and unsubordinated obligations of the Issuer 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 the Issuer 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.

Blackstone, through indirect subsidiaries, has a \$1.5 billion unsecured revolving credit facility (the “Credit Facility”) with Citibank, N.A., as Administrative Agent with a maturity date of August 31, 2021. Borrowings may also be made in U.K. sterling, euros, Swiss francs or Japanese yen, 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-earning assets under management, each tested quarterly.

In January 2008, the Board of Directors of our general partner, Blackstone Group Management L.L.C., authorized the repurchase of up to \$500 million of our common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of Blackstone common units and Blackstone Holdings Partnership Units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three months ended March 31, 2017, no units were repurchased. As of March 31, 2017, the amount remaining under this program available for repurchases was \$335.8 million.

### ***Distributable Earnings, Fee Related Earnings and Economic Net Income***

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

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Earnings is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. Distributable Earnings, which is a component of Economic Net Income, is the sum across all segments of: (a) Total Management, Advisory and Other Fees, Net (b) Interest and Dividend Revenue, (c) Realized Performance Fees, and (d) Realized Investment Income (Loss); less (a) Compensation, excluding the expense of equity-based awards, (b) Realized Performance Fee Compensation, (c) Other Operating Expenses, and (d) Taxes and Related Payables Under the Tax Receivable Agreement.

Effective January 1, 2017, Fee Related Earnings was redefined to exclude all Equity-Based Compensation and Other Revenue. Distributable Earnings was redefined to exclude Other Revenue. All prior periods have been recast to reflect this reclassification. Equity-Based Compensation and Other Revenue both continue to be included in Economic Income and Economic Net Income.

The following table calculates Blackstone's Fee Related Earnings, Distributable Earnings and Economic Net Income:

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
(Dollars in Thousands)		
▶ Base Management and Advisory Fees <sup>(a)</sup>	\$ 649,581	\$ 613,201
▶ Fee Related Compensation <sup>(a)</sup>	(262,377)	(266,440)
▶ Non-Interest Operating Expenses <sup>(b)</sup>	(96,462)	(100,094)
<b>Fee Related Earnings</b>	<b>\$ 290,742</b>	<b>\$ 246,667</b>
▶ Net Realized Incentive Fees <sup>(b)</sup>	27,649	15,388
▶ Net Realized Carried Interest <sup>(b)</sup>	745,131	172,406
▶ Realized Investment Income (Loss) <sup>(a)</sup>	202,894	(10,101)
▶ Net Interest (Loss) <sup>(b)</sup>	(10,954)	(13,351)
▶ Taxes and Related Payables <sup>(c)</sup>	(25,324)	(16,794)
<b>Distributable Earnings</b>	<b>\$ 1,230,138</b>	<b>\$ 394,215</b>
▶ Net Unrealized Incentive Fees <sup>(b)</sup>	36,877	3,652
▶ Net Unrealized Carried Interest <sup>(b)</sup>	(150,360)	17,605
▶ Unrealized Investment (Loss) <sup>(a)</sup>	(98,935)	(16,549)
▶ Other Revenue <sup>(a)</sup>	(8,287)	(6,248)
▶ Add Back: Related Payables <sup>(e)</sup>	6,519	-
▶ Less: Equity-Based Compensation <sup>(d)</sup>	(29,914)	(22,024)
<b>Economic Net Income</b>	<b>\$ 986,038</b>	<b>\$ 370,651</b>

(a) Represents the total segment amounts of the respective captions. See Note 18. "Segment Reporting" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

(b) Detail on this amount is included in the table below.

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- (c) Taxes and Related Payables Including Payable Under Tax Receivable Agreement represents the total GAAP tax provision adjusted to include only the current tax provision (benefit) calculated on Income (Loss) Before Provision for Taxes and the Payable Under Tax Receivable Agreement.
- (d) Represents equity-based award expense included in Economic Income, which excludes all transaction-related equity-based charges.
- (e) Represents tax-related payables including the Payable Under Tax Receivable Agreement, which is a component of Taxes and Related Payables.

The following calculates the components of Fee Related Earnings, Distributable Earnings and Economic Net Income in the above table identified by note (b):

(Dollars in Thousands)	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Compensation	\$ (289,027)	\$ (287,403)
Less: Equity-Based Compensation - Non-Incentive Fee Related	26,650	20,963
<b>Fee Related Compensation</b>	<b>\$ (262,377)</b>	<b>\$ (266,440)</b>
Operating Expenses <sup>(a)</sup>	153,292	148,526
Less: Interest Expense	(56,830)	(48,432)
<b>Non-Interest Operating Expenses</b>	<b>\$ 96,462</b>	<b>\$ 100,094</b>
Realized Incentive Fees <sup>(a)</sup>	47,137	28,450
Less: Realized Incentive Fee Compensation <sup>(a)</sup>	(22,752)	(14,123)
Plus: Equity-Based Compensation - Incentive Fee Related	3,264	1,061
<b>Net Realized Incentive Fees</b>	<b>\$ 27,649</b>	<b>\$ 15,388</b>
Realized Carried Interest <sup>(a)</sup>	1,111,322	230,909
Less: Realized Carried Interest Compensation <sup>(a)</sup>	(366,191)	(58,503)
<b>Net Realized Carried Interest</b>	<b>\$ 745,131</b>	<b>\$ 172,406</b>
Interest Income and Dividend Revenue <sup>(a)</sup>	45,876	35,081
Less: Interest Expense	(56,830)	(48,432)
<b>Net Interest (Loss)</b>	<b>\$ (10,954)</b>	<b>\$ (13,351)</b>
<b>Taxes and Related Payables<sup>(c)</sup></b>	<b>\$ (25,324)</b>	<b>\$ (16,794)</b>
Unrealized Incentive Fees <sup>(a)</sup>	60,016	7,100
Less: Unrealized Incentive Fee Compensation <sup>(a)</sup>	(23,139)	(3,448)
<b>Net Unrealized Incentive Fees</b>	<b>\$ 36,877</b>	<b>\$ 3,652</b>
Unrealized Carried Interest <sup>(a)</sup>	(154,747)	47,606
Less: Unrealized Carried Interest Compensation <sup>(a)</sup>	4,387	(30,001)
<b>Net Unrealized Carried Interest</b>	<b>\$ (150,360)</b>	<b>\$ 17,605</b>
<b>Related Payables<sup>(d)</sup></b>	<b>\$ 6,519</b>	<b>\$ -</b>
Equity-Based Compensation - Non-Incentive Fee Related	26,650	20,963
Plus: Equity-Based Compensation - Incentive Fee Related	3,264	1,061
<b>Equity-Based Compensation<sup>(b)</sup></b>	<b>\$ 29,914</b>	<b>\$ 22,024</b>

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- (a) Represents the total segment amounts of the respective captions. See Note 18. “Segment Reporting” in the “Notes to Condensed Consolidated Financial Statements” in “Part I. Item 1. Financial Statements” of this filing.
- (b) Represents equity-based award expense included in Economic Income, which excludes all transaction-related equity-based charges.
- (c) Taxes and Related Payables Including Payable Under Tax Receivable Agreement represents the total GAAP tax provision adjusted to include only the current tax provision (benefit) calculated on Income (Loss) Before Provision for Taxes and the Payable Under Tax Receivable Agreement.
- (d) Represents tax-related payables including the Payable Under Tax Receivable Agreement, which is a component of Taxes and Related Payables.

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The following table is a reconciliation of Net Income (Loss) Attributable to The Blackstone Group L.P. to Economic Income, of Economic Income to Economic Net Income, of Economic Net Income to Fee Related Earnings, of Fee Related Earnings to Distributable Earnings and of Distributable Earnings to Adjusted Earnings Before Interest, Taxes and Depreciation and Amortization:

(Dollars in Thousands)	Three Months Ended March 31,	
	2017	2016
<b>Net Income Attributable to The Blackstone Group L.P.</b>	<b>\$ 461,825</b>	<b>\$ 159,753</b>
Net Income Attributable to Non-Controlling Interests		
in Blackstone Holdings	417,258	131,202
Net Income Attributable to Non-Controlling Interests in Consolidated Entities	138,685	40,086
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	2,000	(6,401)
<b>Net Income</b>	<b>\$ 1,019,768</b>	<b>\$ 324,640</b>
Provision for Taxes	57,437	9,146
<b>Income Before Provision for Taxes</b>	<b>\$ 1,077,205</b>	<b>\$ 333,786</b>
Transaction-Related Charges <sup>(a)</sup>	56,979	64,136
Amortization of Intangibles <sup>(b)</sup>	11,344	23,208
(Income) Associated with Non-Controlling Interests of Consolidated Entities <sup>(c)</sup>	(140,685)	(33,685)
<b>Economic Income</b>	<b>\$ 1,004,843</b>	<b>\$ 387,445</b>
Taxes <sup>(d)</sup>	(18,805)	(16,794)
<b>Economic Net Income</b>	<b>\$ 986,038</b>	<b>\$ 370,651</b>
Taxes <sup>(d)</sup>	18,805	16,794
Performance Fee Adjustment <sup>(e)</sup>	(1,063,728)	(314,065)
Investment (Income) Loss Adjustment <sup>(f)</sup>	(103,959)	26,650
Other Revenue <sup>(g)</sup>	8,287	6,248
Net Interest Loss <sup>(h)</sup>	10,954	13,351
Performance Fee Compensation and Benefits Adjustment <sup>(i)</sup>	407,695	106,075
Equity-Based Compensation - Non-Incentive Fee Related <sup>(j)</sup>	26,650	20,963
<b>Fee Related Earnings</b>	<b>\$ 290,742</b>	<b>\$ 246,667</b>
Net Realized Performance Fees <sup>(k)</sup>	772,780	187,794
Realized Investment Income (Loss) <sup>(l)</sup>	202,894	(10,101)
Net Interest (Loss) <sup>(h)</sup>	(10,954)	(13,351)
Taxes and Related Payables Including Payable Under Tax Receivable Agreement <sup>(m)</sup>	(25,324)	(16,794)
<b>Distributable Earnings</b>	<b>\$ 1,230,138</b>	<b>\$ 394,215</b>
Interest Expense	56,830	48,432
Taxes and Related Payables Including Payable Under Tax Receivable Agreement <sup>(m)</sup>	25,324	16,794
Depreciation and Amortization	6,216	6,292
<b>Adjusted EBITDA</b>	<b>\$ 1,318,508</b>	<b>\$ 465,733</b>

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- (a) This adjustment adds back to Income (Loss) Before Provision (Benefit) for Taxes amounts for Transaction-Related Charges which include principally equity-based compensation charges associated with Blackstone's IPO and long-term retention programs outside of annual deferred compensation and other corporate actions.
- (b) This adjustment adds back to Income (Loss) Before Provision (Benefit) for Taxes amounts for the Amortization of Intangibles which are associated with Blackstone's IPO and other corporate actions.
- (c) This adjustment adds back to Income (Loss) Before Provision (Benefit) for Taxes the amount of (Income) Loss Associated with Non-Controlling Interests of Consolidated Entities and includes the amount of Management Fee Revenues associated with consolidated CLO entities.
- (d) Taxes represent the total GAAP tax provision adjusted to include only the current tax provision (benefit) calculated on Income (Loss) Before Provision (Benefit) for Taxes.
- (e) This adjustment removes from Economic Income the total segment amount of Performance Fees.
- (f) This adjustment removes from Economic Income the total segment amount of Investment Income (Loss).
- (g) This adjustment removes from Economic Income the total segment amount of Other Revenue.
- (h) This adjustment represents Interest Income and Dividend Revenue less Interest Expense.
- (i) This adjustment removes from expenses the compensation and benefit amounts related to Blackstone's profit sharing plans related to Performance Fees, including Incentive Fee Related equity-based award expense.
- (j) Represents Non-Incentive Fee Related equity-based award expense and excludes all transaction-related equity-based charges.
- (k) Represents the adjustment for realized Performance Fees net of corresponding actual amounts due under Blackstone's profit sharing plans related thereto. Equals the sum of Net Realized Incentive Fees and Net Realized Carried Interest.
- (l) Represents the adjustment for Blackstone's Realized Investment Income (Loss).
- (m) Taxes and Related Payables Including Payable Under Tax Receivable Agreement represent the total GAAP tax provision adjusted to include only the current tax provision (benefit) calculated on Income (Loss) Before Provision (Benefit) for Taxes and the Payable Under Tax Receivable Agreement.

## **Distributions**

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, excluding the expense of equity-based awards, (b) Realized Performance Fee Compensation, (c) Other Operating Expenses, and (d) Taxes and Related Payables Including the Payable Under Tax Receivable Agreement.

Our intention is to distribute quarterly to common unitholders approximately 85% of The Blackstone Group L.P.'s share of Distributable Earnings, subject to adjustment by amounts determined by Blackstone's 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 cash requirements such as tax-related payments, clawback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter.

All of the foregoing is subject to the qualification that the declaration and payment of any distributions are at the sole discretion of our general partner and our general partner may change our distribution policy at any time, including, without limitation, to reduce the quarterly distribution payable to our common unitholders or even to eliminate such distributions entirely.

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Because the subsidiaries of The Blackstone Group L.P. must pay taxes and make payments under the tax receivable agreements, the amounts ultimately distributed by The Blackstone Group L.P. to its common unitholders in respect of each fiscal year are generally expected to be less, on a per unit basis, than the amounts distributed by the Blackstone Holdings Partnerships to the Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships in respect of their Blackstone Holdings Partnership Units.

The following graph shows fiscal quarterly and annual per common unitholder distributions for 2016 and 2017. Distributions are declared and paid in the quarter subsequent to the quarter in which they are earned.

### Common Unitholder Distributions by Fiscal Year

(Dollars per Common Unit)



With respect to the first quarter of fiscal year 2017, we have paid to common unitholders a distribution of \$0.87 per common unit. With respect to fiscal year 2016, we paid common unitholders aggregate distributions of \$1.52 per common unit.

#### **Leverage**

We may under certain circumstances use leverage opportunistically and over time to create the most efficient capital structure for Blackstone and our public common unitholders. In addition to the borrowings from our bond issuances and our revolving credit facility, we may use 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.

Generally our funds in our private equity segment, our opportunistic real estate funds, funds of hedge funds and certain credit-focused funds have not utilized substantial leverage at the fund level other than for (a) short-term

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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 1% to 25% 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 Real Estate debt hedge funds, Hedge Fund Solutions funds and credit-focused 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.

The following table presents information regarding these financial instruments in our Condensed Consolidated Statements of Financial Condition:

	<b>Reverse Repurchase Agreements</b>	<b>Repurchase Agreements</b>	<b>Securities Sold, Not Yet Purchased</b>
	(Dollars in Millions)		
Balance, March 31, 2017	\$ 44.6	\$ 94.6	\$ 178.4
Balance, December 31, 2016	\$ 118.5	\$ 75.3	\$ 215.4
Three Months Ended March 31, 2017			
Average Daily Balance	\$ 92.4	\$ 120.5	\$ 231.1
Maximum Daily Balance	\$ 118.5	\$ 152.7	\$ 262.1

**Contractual Obligations, Commitments and Contingencies**

The following table sets forth information relating to our contractual obligations as of March 31, 2017 on a consolidated basis and on a basis deconsolidating the Blackstone Funds:

<u>Contractual Obligations</u>	<u>April 1, 2017 to December 31, 2017</u>	<u>2018-2019</u>	<u>2020-2021</u>	<u>Thereafter</u>	<u>Total</u>
			(Dollars in Thousands)		
Operating Lease Obligations (a)	\$ 56,635	\$ 139,271	\$ 138,549	\$ 414,494	\$ 748,949
Purchase Obligations	20,987	18,597	1,973	—	41,557
Blackstone Issued Notes and Revolving Credit Facility (b)	—	585,000	400,000	2,458,680	3,443,680
Interest on Blackstone Issued Notes and Revolving Credit Facility (c)	94,015	300,478	211,214	1,350,446	1,956,153
Blackstone Funds and CLO Vehicles Debt Obligations Payable (d)	322,365	—	—	6,132,643	6,455,008
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (e)	87,528	227,532	227,532	795,222	1,337,814
Blackstone Funds Capital Commitments to Investee Funds (f)	359,032	—	—	—	359,032
Due to Certain Non-Controlling Interest Holders in Connection with Tax Receivable Agreements (g)	—	177,834	173,951	816,135	1,167,920
Unrecognized Tax Benefits, Including Interest and Penalties (h)	6,367	—	—	—	6,367
Blackstone Operating Entities Capital Commitments to Blackstone Funds and Other (i)	2,383,724	—	—	—	2,383,724
<b>Consolidated Contractual Obligations</b>	<b>3,330,653</b>	<b>1,448,712</b>	<b>1,153,219</b>	<b>11,967,620</b>	<b>17,900,204</b>
Blackstone Funds and CLO Vehicles Debt Obligations Payable (d)	(322,365)	—	—	(6,132,643)	(6,455,008)
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (e)	(87,528)	(227,532)	(227,532)	(795,222)	(1,337,814)
Blackstone Funds Capital Commitments to Investee Funds (f)	(359,032)	—	—	—	(359,032)
<b>Blackstone Operating Entities Contractual Obligations</b>	<b>\$ 2,561,728</b>	<b>\$ 1,221,180</b>	<b>\$ 925,687</b>	<b>\$ 5,039,755</b>	<b>\$ 9,748,350</b>

- (a) We lease our primary office space and certain office equipment under agreements that expire through 2030. In connection with certain office space 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 senior notes we issued. As of March 31, 2017, we had no outstanding borrowings under our revolver.
- (c) Represents interest to be paid over the maturity of our senior notes and borrowings under our revolving credit facility which has been calculated assuming no pre-payments are made and debt is held until its final maturity date. These amounts exclude commitment fees for unutilized borrowings under our revolver.
- (d) These obligations are those of the Blackstone Funds including the consolidated CLO vehicles.
- (e) Represents interest to be paid over the maturity of the related consolidated Blackstone Funds' and CLO vehicles' debt obligations which has been calculated assuming no pre-payments will be made and debt will be

held until its final maturity date. The future interest payments are calculated using variable rates in effect as of March 31, 2017, at spreads to market rates pursuant to the financing agreements, and range from 0.7% to 9.4%. 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.

- (f) 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.
- (g) 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 IPO 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 16. "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.
- (h) The total represents gross unrecognized tax benefits of \$3.4 million and interest and penalties of \$3.0 million. In addition, Blackstone is not able to make a reasonably reliable estimate of the timing of payments in individual years in connection with gross unrecognized benefits of \$0.3 million and interest of \$0.4 million; therefore, such amounts are not included in the above contractual obligations table.
- (i) 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***

Blackstone and certain of its consolidated funds provide financial guarantees. The amounts and nature of these guarantees are described in Note 17. "Commitments and Contingencies — Contingencies — Guarantees" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

#### ***Indemnifications***

In many of its service contracts, Blackstone agrees to indemnify the third party service provider under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our Condensed Consolidated Financial Statements as of March 31, 2017.

#### ***Clawback Obligations***

Carried Interest is subject to clawback to the extent that the Carried Interest received to date with respect to a fund exceeds the amount due to Blackstone based on cumulative results of that fund. The actual clawback liability, however, generally does not become realized until the end of a fund's life except for certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability. The lives of the carry funds, including available contemplated extensions, for which a liability for potential clawback obligations has been recorded for financial reporting purposes, are currently anticipated to expire at various points through 2028. Further extensions of such terms may be implemented under given circumstances.

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For financial reporting purposes, when applicable, the general partners record 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.

As of March 31, 2017, the total clawback obligations were \$2.2 million, of which \$1.1 million related to Blackstone Holdings and \$1.1 million related to current and former Blackstone personnel. If, at March 31, 2017, all of the investments held by our carry funds were deemed worthless, a possibility that management views as remote, the amount of Carried Interest subject to potential clawback would be \$5.4 billion, on an after tax basis where applicable, of which Blackstone Holdings is potentially liable for \$4.9 billion if current and former Blackstone personnel default on their share of the liability, a possibility that management also views as remote. (See Note 16. "Related Party Transactions" and Note 17. "Commitments and Contingencies" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.)

### **Critical Accounting Policies**

We prepare our Condensed Consolidated Financial Statements in accordance with 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 condensed 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.)

### **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 has a controlling financial interest. The Partnership has a controlling interest in Blackstone Holdings because 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 determine (a) 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 (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment.

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 continually. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly or indirectly by the Partnership. 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.

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Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Funds could affect an entity's status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

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

***Revenue Recognition***

Revenues primarily consist of management and advisory fees, performance fees, investment income, interest and dividend revenue and other. Please refer to "Part I. Item 1. Business — Incentive Arrangements / Fee Structure" in our Annual Report on Form 10-K for the year ended December 31, 2016 for additional information regarding the manner in which Base Management Fees and Performance Fees are generated.

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

The Partnership earns base management fees from limited partners of funds in each of its managed funds, at a fixed percentage of assets under management, net asset value, total assets, committed capital or invested capital, or in some cases, a fixed fee. Base management fees are recognized 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 of our hedge fund solutions and credit-focused funds:

- 0.25% to 2.00% of committed capital or invested capital during the investment period,
- 0.50% to 1.75% of invested capital or investment fair value subsequent to the investment period for private equity and real estate funds, and
- 1.00% to 1.50% of invested capital or net asset value subsequent to the investment period for certain credit-focused funds.

On real estate and credit-focused funds structured like hedge funds:

- 0.50% to 1.50% of net asset value.

On credit-focused separately managed accounts:

- 0.35% to 1.50% of net asset value.

On real estate separately managed accounts:

- 0.50% to 2.00% of invested capital, net operating income or net asset value.

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

- 0.50% to 1.25% of net asset value.

On CLO vehicles:

- 0.40% to 0.65% of the aggregate par amount of collateral assets, including principal cash.

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On credit-focused registered and non-registered investment companies:

- 0.35% to 1.50% of total assets or net asset value.

The investment adviser of BXMT receives annual management fees based upon 1.50% of BXMT's net proceeds received from equity offerings and accumulated "core earnings" (which is generally equal to its GAAP net income excluding certain non-cash and other items), subject to certain adjustments. The investment adviser of our non-exchange traded REIT receives a management fee of 1.25% per annum of net asset value, payable monthly.

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

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

Advisory fees consist of transaction-based fee arrangements. 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.

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. Management fees paid by limited partners to the Blackstone Funds and passed on to Blackstone are not considered affiliate revenues.

*Performance Fees* — Performance Fees earned on the performance of Blackstone's hedge fund structures ("Incentive Fees") 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 Incentive 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. Accrued but unpaid Incentive Fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition. Incentive Fees are realized at the end of a measurement period, typically annually. Once realized, such fees are not subject to clawback or reversal.

In certain fund structures, specifically in private equity, real estate and certain hedge fund solutions and credit-focused 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

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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 or, in limited instances, after certain thresholds for return of capital are met. Carried Interest is subject to clawback to the extent that the Carried Interest received to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received Carried Interest, 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 carry 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. The actual clawback liability, however, generally does not become realized until the end of a fund's life except for certain funds, including certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability.

*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. Unrealized Investment Income (Loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

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

*Other Revenue* — Other Revenue consists of miscellaneous income and 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 and senior managing directors and (b) equity-based compensation associated with the grants of equity-based awards to employees and senior managing directors. Compensation cost relating to the issuance of equity-based awards to senior managing directors and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight-line basis, except in the case of (a) equity-based awards that do not require future service, which are expensed immediately and (b) certain awards to recipients that meet specified criteria making them eligible for retirement treatment (allowing such recipient to keep a percentage of those awards upon departure from Blackstone after becoming eligible for retirement), for which the expense for the portion of the award that would be retained in the event of retirement is either expensed immediately or amortized to the retirement date. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

*Compensation and Benefits — Performance Fee* — Performance Fee Compensation consists of Carried Interest (which may be distributed in cash or in kind) and Incentive Fee allocations, and may in future periods also include allocations of investment income from Blackstone's firm investments, to employees and senior managing directors participating in certain profit sharing initiatives. Such compensation expense is subject to both positive and negative adjustments. Unlike Carried Interest and Incentive Fees, compensation expense is based on the performance of individual investments held by a fund rather than on a fund by fund basis. Compensation received from advisory clients in the form of securities of such clients may also be allocated to employees and senior managing directors.

### ***Fair Value of Financial Instruments***

GAAP establishes a hierarchical 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 types 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, including corporate bonds and loans held within CLO vehicles, government and agency securities, less liquid and restricted equity securities, and certain over-the-counter derivatives where the fair value is based on observable inputs. Senior and subordinated notes issued by CLO vehicles are classified within Level II of the fair value hierarchy.
- 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-focused funds, distressed debt and non-investment grade residual interests in securitizations, certain corporate bonds and loans held within CLO vehicles, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

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.

#### *Level II Valuation Techniques*

Financial instruments classified within Level II of the fair value hierarchy comprise debt instruments, including certain corporate loans and bonds held by Blackstone's consolidated CLO vehicles and debt securities sold, not yet purchased. Certain equity securities and derivative instruments valued using observable inputs are also classified as Level II.

The valuation techniques used to value financial instruments classified within Level II of the fair value hierarchy are as follows:

- Debt Instruments 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 and market transactions in comparable investments and various relationships between investments. The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

- Freestanding Derivatives are valued using contractual cash flows and observable inputs comprising yield curves, foreign currency rates and credit spreads.
- Senior and subordinate notes issued by CLO vehicles are classified based on the more observable fair value of CLO assets less (a) the fair value of any beneficial interests held by Blackstone, and (b) the carrying value of any beneficial interests that represent compensation for services.

### *Level III Valuation Techniques*

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

*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 based on unaudited information at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (for example, 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. Where a discounted cash flow method is used, a terminal value is derived by reference to EBITDA or price/earnings exit multiples.

*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 (for example, 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. Where a discounted cash flow method is used, a terminal value is derived by reference to an exit EBITDA multiple or capitalization rate. Additionally, where applicable, projected distributable cash flow through debt maturity will be considered in support of the investment's fair value.

*Credit-Focused Investments* — The fair values of credit-focused investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. For credit-focused investments that are not publicly traded or whose market prices are not readily available, Blackstone may utilize other valuation techniques, including the discounted cash flow method or a market approach. The discounted cash flow method projects the expected cash flows of the debt instrument based on contractual terms, and discounts such cash flows back to the valuation date using a market-based yield. The market-based yield is estimated using yields of publicly traded debt instruments issued by companies operating in similar industries as the subject investment, with similar leverage statistics and time to maturity.

The market approach is generally used to determine the enterprise value of the issuer of a credit investment, and considers valuation multiples of comparable companies or transactions. The resulting enterprise value will dictate whether or not such credit investment has adequate enterprise value coverage. In cases of distressed credit instruments, the market approach may be used to estimate a recovery value in the event of a restructuring.

#### *Level III Valuation Process*

Investments classified within Level III of the fair value hierarchy are valued on a quarterly basis, taking into consideration factors including any changes in Blackstone's weighted-average cost of capital assumptions, discounted cash flow projections and exit multiple assumptions, as well as any changes in economic and other relevant conditions, and valuation models are updated accordingly. The valuation process also includes a review by an independent valuation party, at least annually for all investments, and quarterly for certain investments, to corroborate the values determined by management. The valuations of Blackstone's investments are reviewed quarterly by a valuation committee chaired by Blackstone's Vice Chairman and includes senior heads of each of Blackstone's businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone's investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee. The valuations are further tested by comparison to actual sales prices obtained on disposition of the investments.

#### *Investments, at Fair Value*

The Blackstone Funds are accounted for as investment companies under the American Institute of Certified Public Accountants Accounting and Auditing Guide, *Investment Companies*, and reflect their investments, including majority-owned and controlled investments (the "Portfolio Companies"), at fair value. 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 (Losses) 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, at current market conditions (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 securities that otherwise would not have been carried at fair value with gains and losses recorded in net income. Accounting for these financial instruments at fair value 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 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-focused and funds of hedge funds investments. Changes in the fair value of such instruments are recognized in Investment Income (Loss) in the Condensed Consolidated Statements of Operations. Interest income on interest bearing loans and receivables and debt securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest and Dividend Revenue.

In addition, the Partnership has elected the fair value option for the assets and liabilities of CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts or the acquisition of the share capital of CLO managers. Historically, the

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adjustment resulting from the difference between the fair value of assets and liabilities for each of these events was presented as a transition and acquisition adjustment to Appropriated Partners' Capital. Assets of the consolidated CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption and acquisition are presented within Net Gains (Losses) from Fund Investment Activities. Expenses of consolidated CLO vehicles are presented in Fund Expenses. Historically, amounts attributable to Non-Controlling Interests in Consolidated Entities had a corresponding adjustment to Appropriated Partners' Capital. On the adoption of the new CLO measurement guidance, there is no attribution of amounts to Non-Controlling Interests and no corresponding adjustments to Appropriated Partners' Capital.

The Partnership has elected the fair value option for certain proprietary investments that would otherwise have been accounted for using the equity method of accounting. The fair value of such investments is based on quoted prices in an active market or using the discounted cash flow method. Changes in fair value are recognized in Investment Income (Loss) in the Condensed Consolidated Statements of Operations.

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.

The investments of consolidated Blackstone Funds in funds of hedge funds ("Investee Funds") are valued at net asset value ("NAV") per share of the Investee Fund. In limited circumstances, the Partnership may determine, based on its own due diligence and investment procedures, that NAV per share does not represent fair value. In such circumstances, the Partnership will estimate the fair value in good faith and in a manner that it reasonably chooses, in accordance with the requirements of GAAP.

Certain investments of Blackstone and of the consolidated Blackstone funds of hedge funds and credit-focused 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. Further disclosure on instruments for which fair value is measured using NAV per share is presented in Note 5. "Net Asset Value as Fair Value" in the "Notes to Condensed Consolidated Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

### ***Intangibles and Goodwill***

Blackstone's intangible assets consist of contractual rights to earn future fee income, including management and advisory fees, Incentive Fees and Carried Interest. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 3 to 20 years, reflecting the contractual lives of such assets. Amortization expense is included within General, Administrative and Other in the Condensed Consolidated Statements of Operations. The Partnership does not hold any indefinite-lived intangible assets. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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Goodwill comprises goodwill arising from the contribution and reorganization of the Partnership's predecessor entities in 2007 immediately prior to its IPO, the acquisition of GSO in 2008 and the acquisition of Strategic Partners in 2013. Goodwill is reviewed for impairment at least annually utilizing a qualitative or quantitative approach, and more frequently if circumstances indicate impairment may have occurred. The impairment testing for goodwill under the qualitative approach is based first on a qualitative assessment to determine if it is more likely than not that the fair value of Blackstone's operating segments is less than their respective carrying values. The operating segment is the reporting level for testing the impairment of goodwill. If it is determined that it is more likely than not that an operating segment's fair value is less than its carrying value or when the quantitative approach is used, a two-step quantitative assessment is performed to (a) calculate the fair value of the operating segment and compare it to its carrying value, and (b) if the carrying value exceeds its fair value, to measure an impairment loss.

Senior management has organized the firm into four operating segments. All of the components in each segment have similar economic characteristics and senior 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.

The carrying value of goodwill was \$1.7 billion as of March 31, 2017 and December 31, 2016. At March 31, 2017 and December 31, 2016, we determined that there was no evidence of goodwill impairment.

#### **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 17. "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" of this filing.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

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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 adviser to certain funds in our Hedge Fund Solutions and Credit segments, 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 fair value of our investments in the related funds. The proportion of our management fees that are based on NAV is dependent on the number and types of Blackstone Funds in existence and the current stage of each fund's life cycle. For the three months ended March 31, 2017 and March 31, 2016, the percentages of our fund management fees based on the NAV of the applicable funds or separately managed accounts, were as follows:

	Three Months Ended March 31,	
	2017	2016
Fund Management Fees Based on the NAV of the Applicable Funds or Separately Managed Accounts	34%	32%

**Market Risk**

The Blackstone Funds hold investments which are reported at fair value. Based on the fair value as of March 31, 2017 and March 31, 2016, we estimate that a 10% decline in fair value of the investments would result in the following declines in Management Fees, Performance Fees, Net of Related Compensation Expense and Investment Income:

	March 31,					
	2017			2016		
	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)
10% Decline in Fair Value of the Investments	\$ 88,945	\$ 1,177,531	\$ 235,607	\$ 83,597	\$ 1,279,978	\$ 242,146

(a) Represents the annualized effect of the 10% decline.

(b) Represents the reporting date effect of the 10% decline.

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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:

	March 31, 2017	
	Total Assets Under Management, Excluding Undrawn Capital Commitments and the Amount of Capital Raised for CLOs (Dollars in Thousands)	Percentage Amount Classified as Level III Investments
Private Equity	\$ 47,990,889	69%
Real Estate	\$ 67,712,883	80%
Credit	\$ 53,273,271	51%

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 Annual Report on Form 10-K for the year ended December 31, 2016. 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-focused 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; however, if investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, those funds could be materially and adversely affected.

**Exchange Rate Risk**

The Blackstone Funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. We estimate that as of March 31, 2017 and March 31, 2016, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would result in the following declines in Management Fees, Performance Fees, Net of Related Compensation Expense and Investment Income:

	March 31,					
	2017			2016		
	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)
	(Dollars in Thousands)					
10% Decline in the Rate of Exchange of All Foreign Currencies Against the U.S. Dollar	\$ 14,297	\$ 269,236	\$ 29,883	\$ 12,828	\$ 248,490	\$ 31,258

- (a) Represents the annualized effect of the 10% decline.
- (b) Represents the reporting date effect of the 10% decline.

### Interest Rate Risk

Blackstone has debt obligations payable that accrue interest at variable rates. Interest rate changes may therefore affect the amount of our interest payments, future earnings and cash flows. Based on our debt obligations payable as of March 31, 2017 and March 31, 2016, we estimate that interest expense relating to variable rates would increase on an annual basis, in the event interest rates were to increase by one percentage point, as follows:

	March 31,	
	2017	2016
	(Dollars in Thousands)	
Annualized Increase in Interest Expense Due to a One Percentage Point Increase in Interest Rates	\$ 28	\$ 43

Blackstone has a diversified portfolio of liquid assets to meet the liquidity needs of various businesses. This portfolio includes cash, open ended money market mutual funds, open ended bond mutual funds, marketable investment securities, freestanding derivative contracts, repurchase and reverse repurchase agreements and other investments. If interest rates were to increase by one percentage point, we estimate that our annualized investment income would decrease, offset by an estimated increase in interest income on an annual basis from interest on floating rate assets, as follows:

	March 31,			
	2017		2016	
	Annualized Decrease in Investment Income	Annualized Increase in Interest Income from Floating Rate Assets	Annualized Decrease in Investment Income	Annualized Increase in Interest Income from Floating Rate Assets
	(Dollars in Thousands)			
One Percentage Point Increase in Interest Rates	\$ 10,240(a)	\$ 26,036	\$ 13,291(a)	\$ 14,543

(a) As of March 31, 2017 and 2016, this represents 0.2% and 0.4% of our portfolio of liquid assets, respectively.

### Credit Risk

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

Our portfolio of liquid assets contain 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 annualized investment income would decrease, if credit spreads were to increase by one percentage point, as follows:

	March 31,	
	2017	2016
	(Dollars in Thousands)	
Decrease in Annualized Investment Income Due to a One Percentage Point Increase in Credit Spreads (a)	\$39,531	\$23,622

(a) As of March 31, 2017 and 2016, this represents 0.8% and 0.7% of our portfolio of liquid assets, respectively.

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 Securities Exchange Act) occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. See “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016. 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. However, given the inherent unpredictability of these types of proceedings and the potentially large and/or indeterminate amounts that could be sought, it is possible that an adverse outcome in certain matters could have a material effect on Blackstone’s financial results in any particular period.

### 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, 2016 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](http://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 and reducing the ability of our investment funds to raise or deploy capital, each of which could materially reduce our revenue, earnings and cash flow and adversely affect our financial prospects and condition.” in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

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

In January 2008, the Board of Directors of our general partner, Blackstone Group Management L.L.C., authorized the repurchase of up to \$500 million of Blackstone common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased 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. The unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three months ended March 31, 2017, no units were repurchased. As of March 31, 2017, the amount remaining available for repurchases was \$335.8 million under this program. See “Part I. Item 1. Financial Statements — Notes to Condensed Consolidated Financial Statements — Note 14. Net Income Per Common Unit” and “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — 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 Blackstone Holdings Partnership Units.

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**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.1+	Amended and Restated Agreement of Exempted Limited Partnership of Blackstone Real Estate Associates Europe V L.P., dated May 8, 2017 and deemed effective as of March 1, 2016.
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.

+ Management contract or compensatory plan or arrangement in which directors or executive officers are eligible to participate.

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

**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: May 9, 2017

**The Blackstone Group L.P.**

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

\_\_\_\_\_  
/s/ Michael S. Chae  
Name: Michael S. Chae  
Title: Chief Financial Officer  
(Principal Financial Officer and Authorized Signatory)

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HIGHLY CONFIDENTIAL & TRADE SECRET

**BLACKSTONE REAL ESTATE ASSOCIATES EUROPE V L.P.**

AMENDED AND RESTATED  
AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP

Dated May 8, 2017  
Effective as of March 1, 2016

THE EXEMPTED LIMITED PARTNERSHIP INTERESTS (THE “*INTERESTS*”) OF BLACKSTONE REAL ESTATE ASSOCIATES EUROPE V L.P. (THE “*PARTNERSHIP*”) HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES OR ANY OTHER APPLICABLE SECURITIES LAWS IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. SUCH INTERESTS MUST BE ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH (I) THE SECURITIES ACT, THE EXEMPTED LIMITED PARTNERSHIP ACT OF THE CAYMAN ISLANDS, ANY APPLICABLE STATE SECURITIES LAWS, AND ANY OTHER APPLICABLE SECURITIES LAWS; AND (II) THE TERMS AND CONDITIONS OF THIS AMENDED AND RESTATED AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP. THE INTERESTS MAY NOT BE TRANSFERRED OF RECORD EXCEPT IN COMPLIANCE WITH SUCH LAWS AND THIS AMENDED AND RESTATED AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP. THEREFORE, PURCHASERS OF SUCH INTERESTS WILL BE REQUIRED TO BEAR THE RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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**BLACKSTONE REAL ESTATE ASSOCIATES EUROPE V L.P.**

AMENDED AND RESTATED AGREEMENT OF EXEMPTED LIMITED PARTNERSHIP, dated May 8, 2017 and with a deemed effective date of March 1, 2016, of Blackstone Real Estate Associates Europe V L.P., a Cayman Islands exempted limited partnership (the “*Partnership*”), by and between Blackstone Real Estate Associates Europe (Delaware) V L.L.C., a Delaware limited liability company (“*Delaware GP*”), and Blackstone Real Estate Europe (Cayman) V Ltd., a Cayman Islands exempted company (“*Cayman GP*”), and, together with the Delaware GP, the “*General Partners*” or, collectively, the “*General Partner*”), Mapcal Limited (the “*Initial Limited Partner*”), as initial limited partner, and the Limited Partners listed in the books and records of the Partnership.

WITNESSETH

WHEREAS, the Delaware GP as general partner, and the Initial Limited Partner, entered into an Initial Exempted Limited Partnership Agreement dated October 26, 2015 (the “*Original Agreement*”) and formed an exempted limited partnership under the laws of the Cayman Islands under the name of Blackstone Real Estate Associates Europe V L.P.; and

WHEREAS, the parties hereto have executed this Agreement on May 8, 2017, with a deemed effective date as between the parties of March 1, 2016, and hereby amend and restate the Original Agreement in its entirety to reflect the withdrawal of the Initial Limited Partner and as otherwise provided herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein made and intending to be legally bound, the parties hereto hereby agree that the Original Agreement shall be amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS

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

“*Adjustment Amount*” has the meaning set forth in Section 8.1(b)(iii).

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

“*Affiliate*” when used with reference to another person means any person (other than the Partnership), directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with, such other person, which may include, for greater certainty, endowment funds, charitable programs and other similar and/or related vehicles or accounts associated with or established by Blackstone and/or its affiliates, partners and current and/or former employees.

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

“*Alternative Investment Vehicle*” has the meaning set forth in the BREP Europe V Partnership Agreement.

“*Applicable Collateral Percentage*,” with respect to any Firm Collateral or Special Firm Collateral, has the meaning set forth in the books and records of the Partnership with respect thereto.

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

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

“*BCE Investment*” means any direct or indirect investment by any Blackstone Collateral Entity.

“*BCEP*” means the collective reference to (i) Blackstone Core Equity Partners L.P., a Delaware limited partnership and (ii) any Alternative Investment Vehicles or Parallel Funds (each as defined in the partnership agreement for the partnership referred to in clause (i) above).

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

“*BCP VI*” is the collective reference to (i) Blackstone Capital Partners VI L.P., a Delaware limited partnership and (ii) any Alternative Investment Vehicles or Parallel Funds (each as defined in the partnership agreement for the partnership referred to in clause (i) above).

“*BCP VII*” is the collective reference to (i) Blackstone Capital Partners VII L.P. and Blackstone Capital Partners VII.2 L.P., each a Delaware limited partnership and (ii) any Alternative Investment Vehicles or Parallel Funds (each as defined in the partnership agreements for the partnerships referred to in clause (i) above).

“*BCTP*” means (i) Blackstone Clean Technology Partners L.P., a Delaware limited partnership and (ii) any other Alternative Investment Vehicles or Parallel Funds (each as defined in the partnership agreement for the partnership referred to in clause (i) above).

“*BEP*” means (i) Blackstone Energy Partners L.P. and Blackstone Energy Partners Q L.P., each a Delaware limited partnership and (ii) any other Alternative Investment Vehicles or Parallel Funds (each as defined in the partnership agreement for the partnership referred to in clause (i) above).

“*BEP II*” means (i) Blackstone Energy Partners II L.P. and Blackstone Energy Partners II.F L.P., each a Delaware limited partnership and (ii) any other Alternative Investment Vehicles or Parallel Funds (each as defined in the partnership agreement for the partnership referred to in clause (i) above).

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

“*BFGSO*” means any entity formed to invest side-by-side with any GSO Fund and any other entity that is an Affiliate thereof and that has terms substantially similar to those of the foregoing partnerships or other entities and is formed in connection with the participation by one or more partners or other equity owners thereof directly or indirectly in investments in securities also purchased by any GSO Fund or any other funds with substantially similar investment objectives to any GSO Fund and that are sponsored or managed by an Affiliate of the General Partner (which includes serving as general partner of such funds).

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

“*BFREP*” means Blackstone Real Estate Capital Associates L.P., Blackstone Real Estate Capital Associates II L.P., Blackstone Real Estate Capital Associates III L.P., Blackstone Family Real Estate Partnership L.P., Blackstone Family Real Estate Partnership II L.P., Blackstone Family Real Estate Partnership III L.P., Blackstone Family Real Estate Partnership International-A-SMD L.P., Blackstone Family Real Estate Partnership IV-SMD L.P., Blackstone Family Real Estate Partnership International II-SMD L.P., Blackstone Family Real Estate Partnership V-SMD L.P., Blackstone Family Real Estate Partnership VI-SMD L.P., Blackstone Family Real Estate Partnership VII-SMD L.P., Blackstone Family Real Estate Partnership VIII-SMD L.P., Blackstone Family Real Estate Partnership Europe III-SMD L.P., Blackstone Family Real Estate Special Situations Partnership - SMD L.P., Blackstone Family Real Estate Special Situations Partnership Europe - SMD L.P., Blackstone Real Estate Holdings L.P., Blackstone Real Estate Holdings II L.P., Blackstone Real Estate Holdings III L.P., Blackstone Real Estate Holdings International - A L.P., Blackstone Real Estate Holdings IV L.P., Blackstone Real Estate Holdings International II L.P., Blackstone Real Estate Holdings V L.P., Blackstone Real Estate Holdings VI L.P., Blackstone Real Estate Holdings VII L.P., Blackstone Real Estate Holdings Europe III L.P., Blackstone Real Estate Holdings Europe IV L.P., Blackstone Real Estate Special Situations Holdings II L.P., Blackstone Real Estate Special Situations Holdings Europe L.P., Blackstone Family Real Estate Partnership Europe IV SMD L.P., Blackstone Real Estate Holdings Europe IV ESC L.P., Blackstone Family Real Estate Partnership Europe V SMD L.P., Blackstone Real Estate Holdings Europe V ESC L.P., Blackstone Family Real Estate Partnership Asia - SMD L.P., Blackstone Real Estate Holdings Asia - ESC L.P., Blackstone Real Estate Holdings VII-ESC L.P., Blackstone Real Estate Holdings VIII-

ESC L.P., and any other entity that is an Affiliate thereof and that has terms substantially similar to those of the foregoing partnerships and is formed in connection with the participation by one or more partners thereof in real estate and real estate-related investments also purchased by BREP VII, BREP VIII, the BREDS Funds, BREP Europe IV or BREP Asia and any other funds with substantially similar investment objectives to BREP VII, BREP VIII, the BREDS Funds, BREP Europe IV, BREP Asia or BPP and that are sponsored or managed by an Affiliate of the General Partner (which includes serving as general partner of such funds).

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

“*Blackstone Capital Commitment*” has the meaning set forth in the BREP Europe V Partnership Agreement.

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

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

“*BPP*” is the collective reference to (i) Blackstone Property Partners L.P., a Delaware limited partnership, (ii) any other Alternative Investment Vehicles or Parallel Funds (each as defined in the partnership agreement for the partnership referred to in clause (i) above) or (iii) any other investment vehicle established pursuant to Article 2 of the partnership agreement for the partnership referred to in clause (i) above.

“*BREDS Funds*” means the investment funds, vehicles and/or managed accounts managed on a day-to-day basis primarily by personnel in the Blackstone Real Estate Debt Strategies Group (including, without limitation, Blackstone Real Estate Special Situations Fund II L.P., Blackstone Real Estate Special Situations Fund II.1 L.P., Blackstone Real Estate Special Situations Fund II.2 L.P., Blackstone Real Estate Debt Strategies II L.P., Blackstone Real Estate Debt Strategies II – AC L.P., Blackstone Real Estate Debt Strategies II – Gaussian L.P., Blackstone Real Estate Debt Strategies III L.P., Blackstone Real Estate Debt Strategies II – A L.P., Blackstone Real Estate CMBS Fund L.P., Blackstone Real Estate Special Situations Europe L.P., Blackstone Real Estate Special Situations Europe 1 L.P., Blackstone Real Estate Special Situations Europe 2 L.P., Blackstone Commercial Real Estate Debt Fund L.P., Blackstone Real Estate Special Situations Fund L.P. and, in each case, any alternative vehicles, feeder vehicles or subsidiaries formed in connection therewith, any successor funds, any supplemental capital vehicles or other vehicles formed in connection therewith (or are otherwise related thereto) or in connection with any investments made thereby, and, in each case, any vehicles formed in connection with Blackstone’s side-by-side or additional general partner investments relating thereto).

“*BREP VII*” means (i) Blackstone Real Estate Partners VII L.P., Blackstone Real Estate Partners VII.TE.1 L.P., Blackstone Real Estate Partners VII.TE.2 L.P., Blackstone Real Estate Partners VII.TE.3 L.P., Blackstone Real Estate Partners VII.TE.4 L.P., Blackstone Real Estate Partners VII.TE.5 L.P., Blackstone Real Estate Partners VII.TE.6 L.P., Blackstone Real Estate Partners VII.TE.7 L.P., Blackstone Real Estate Partners VII.TE.8 L.P. and Blackstone Real Estate Partners VII.F L.P., each a Delaware limited partnership, (ii) any other Alternative Investment Vehicles, Parallel Funds or other Supplemental Capital Vehicles (each as defined in the respective partnership agreements for the partnerships referred to in clause (i) above) or (iii) any other investment vehicle established pursuant to Article 2 of the respective partnership agreements for any of the partnerships referred to in clause (i) above.

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

“*BREP Asia*” is the collective reference to (i) Blackstone Real Estate Partners Asia L.P., a Cayman Islands exempted limited partnership, and Blackstone Real Estate Partners Asia.F L.P., a Delaware limited partnership (ii) any other Alternative Investment Vehicles, Parallel Funds or other Supplemental Capital Vehicles (each as defined in the partnership agreement for the partnership referred to in clause (i) above) or (iii) any other investment vehicle established pursuant to Article 2 of the partnership agreement for the partnership referred to in clause (i) above.

“*BREP Europe IV*” is the collective reference to (i) Blackstone Real Estate Partners Europe IV L.P. and Blackstone Real Estate Partners Europe IV.2 L.P., each a Cayman Islands exempted limited partnership, (ii) Blackstone Real Estate Partners Europe IV.F L.P., a Delaware limited partnership, (iii) any other Alternative Investment Vehicles, Parallel Funds or other Supplemental Capital Vehicles (each as defined in the partnership agreements for the partnerships referred to in clause (i) or (ii) above), or (iv) any other investment vehicle established pursuant to Article 2 of the partnership agreements for the partnerships referred to in clause (i) or (ii) above.

“*BREP Europe V*” is the collective reference to (i) Blackstone Real Estate Partners Europe V L.P., a Cayman Islands exempted limited partnership, (ii) any other Alternative Investment Vehicles, Parallel Funds or other Supplemental Capital Vehicles (each as defined in the partnership agreement for the partnership referred to in clause (i) above) or (iii) any other investment vehicle established pursuant to Article 2 of the partnership agreement for the partnership referred to in clause (i) above.

“*BREP Europe V Partnership Agreement*” means the Amended and Restated Agreement of Exempted Limited Partnership of Blackstone Real Estate Partners Europe V L.P., dated the date set forth therein, as it may be amended, supplemented, restated or otherwise modified from time to time.

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“*BREP Europe V Partnership Agreements*” is the collective reference to the BREP Europe V Partnership Agreement and any governing agreement of any of the partnerships or other entities referred to in clause (ii) or (iii) of the definition of “BREP Europe V.”

“*BTO*” means (i) the investment funds, vehicles and/or managed accounts managed on a day-to-day basis primarily by personnel in the Blackstone Tactical Opportunities Program (including, without limitation, Blackstone Tactical Opportunities Fund L.P. and Blackstone Tactical Opportunities Fund II L.P., each a Delaware limited partnership, and Blackstone Tactical Opportunities Fund II.F L.P., a Cayman Islands exempted limited partnership), (ii) any alternative investment vehicles relating to, or formed in connection with, any of the partnerships referred to in clause (i) of this definition, (iii) any parallel fund, managed account or other capital vehicle relating to, or formed in connection with, any of the partnerships referred to in clause (i) of this definition and (iv) any other limited partnership, limited liability company or other entity (in each case, whether now or hereafter established) of which the Blackstone Tactical Opportunities Program (including, without limitation, Blackstone Tactical Opportunities Associates L.L.C., Blackstone Tactical Opportunities Associates II L.L.C., BTOA L.L.C. and BTOA II L.L.C.) or its personnel serves, directly or indirectly, as the general partner, manager or managing member or in a similar capacity.

“*BTORO*” means (i) the investment funds, vehicles and/or managed accounts managed on a day-to-day basis primarily by personnel in the Tac Opps Residential Program (including, without limitation, Blackstone TORO Fund-A L.P., a Delaware limited partnership, and TORO Holdings, L.P. a Delaware limited partnership), (ii) any alternative investment vehicles relating to, or formed in connection with, any of the partnerships referred to in clause (i) of this definition, (iii) any parallel fund, managed account or other capital vehicle relating to, or formed in connection with, any of the partnerships referred to in clause (i) of this definition, and (iv) any other limited partnership, limited liability company or other entity (in each case, whether now or hereafter established) of which the Tac Opps Residential Program (including, without limitation, Blackstone TORO Fund-A L.P. and TORO Holdings, L.P.) or its personnel serves, directly or indirectly, as the general partner, manager or managing member or in a similar capacity.

“*BUMO*” means (i) the investment funds, vehicles and/or managed accounts managed on a day-to-day basis primarily by personnel in the Blackstone UK Mortgage Opportunities Program (including, without limitation, Blackstone UK Mortgage Opportunities Fund L.P., a Cayman exempted limited partnership), (ii) any alternative investment vehicles relating to, or formed in connection with, any of the partnerships referred to in clause (i) of this definition, (iii) any parallel fund, managed account or other capital vehicle relating to, or formed in connection with, any of the partnerships referred to in clause (i) of this definition, and (iv) any other exempted limited partnership, limited liability company or other entity (in each case, whether now or hereafter established) of which the Blackstone UK Mortgage Opportunities Program (including, without limitation, Blackstone UK Mortgage Opportunities Fund L.P.) or its personnel serves, directly or indirectly, as the general partner, manager or managing member or in a similar capacity.

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“*Business Day*” means any day other than a Saturday, Sunday or other day on which banks are authorized or required by law to be closed in New York, New York, United States or the Cayman Islands.

“*Capital Commitment BREP Europe V Commitment*” means the Capital Commitment (as defined in the BREP Europe V Partnership Agreement), if any, of the Partnership to BREP Europe V that relates solely to the Capital Commitment BREP Europe V Interest, if any.

“*Capital Commitment BREP Europe V Interest*” means the Interest (as defined in the BREP Europe V Partnership Agreement), if any, of the Partnership as a capital partner (and, if applicable, a limited partner and/or a general partner) of BREP Europe V.

“*Capital Commitment BREP Europe V Investment*” means the Partnership’s interest in a specific investment of BREP Europe V held by the Partnership through the Capital Commitment BREP Europe V Interest.

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

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

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

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

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

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

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

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

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

“ *Capital Commitment Investment* ” means any Capital Commitment BREP Europe V Investment, but shall exclude any GP-Related Investment.

“ *Capital Commitment Liquidating Share* ” with respect to each Capital Commitment Investment means, in the case of dissolution of the Partnership, the related Capital Commitment Capital Account of a Partner (less amounts reserved in accordance with Section 9.3) immediately prior to dissolution.

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

“ *Capital Commitment Partner Interest* ” means a Partner’s exempted limited partnership interest in the Partnership with respect to the Capital Commitment BREP Europe V Interest.

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

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

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

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

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

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

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

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

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

“ *Cause* ” means the occurrence or existence of any of the following with respect to any Partner, as determined fairly, reasonably, on an informed basis and in good faith by the General Partner: (i) (w) any breach by any Partner of any provision of any non-competition agreement, (x) any material breach of this Agreement or any rules or regulations applicable to such Partner that are established by the General Partner, (y) such Partner’s deliberate failure to perform his or her duties to the Partnership or any of its

Affiliates or (z) such Partner's committing to or engaging in any conduct or behavior that is or may be harmful to the Partnership or any of its Affiliates in a material way as determined by the General Partner; provided, that in the case of any of the foregoing clauses (w), (x), (y) and (z), the General Partner has given such Partner written notice (a "Notice of Breach") within fifteen days after the General Partner becomes aware of such action and such Partner fails to cure such breach, failure to perform or conduct or behavior within fifteen days after receipt of such Notice of Breach from the General Partner (or such longer period, not to exceed an additional fifteen days, as shall be reasonably required for such cure; provided, that such Partner is diligently pursuing such cure); (ii) any act of actual fraud, misappropriation, dishonesty, embezzlement or similar conduct against the Partnership or any of its Affiliates; (iii) conviction (on the basis of a trial or by an accepted plea of guilty or nolo contendere) of a felony (under U.S. law or its equivalent in any jurisdiction) or crime (including any misdemeanor charge involving moral turpitude, false statements or misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery), or a determination by a court of competent jurisdiction, by a regulatory body or by a self-regulatory body having authority with respect to securities laws, rules or regulations of the applicable securities industry, that such Partner individually has violated any applicable securities laws or any rules or regulations thereunder, or any rules of any such self-regulatory body (including, without limitation, any licensing requirement), if such conviction or determination has a material adverse effect on (A) such Partner's ability to function as a Partner of the Partnership, taking into account the services required of such Partner and the nature of the business of the Partnership and its Affiliates or (B) the business of the Partnership and its Affiliates, or (iv) becoming subject to an event described in Rule 506(d)(1)(i)-(viii) of Regulation D under the Securities Act.

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

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

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

"*Clawback Amount*" means the "Clawback Amount" and (to the extent applicable to any limited partnership, limited liability company or other entity named or referred to in the definition of BREP Europe V) the "Interim Clawback Amount," each as defined in Article One of the BREP Europe V Partnership Agreement, and any other clawback amount payable to the limited partners of BREP Europe V or to BREP Europe V pursuant to any BREP Europe V Partnership Agreement, as applicable.

“*Clawback Provisions*” means paragraphs 4.2.9 and 9.2.7 of the BREP Europe V Partnership Agreement and any other similar provisions in any other BREP Europe V Partnership Agreements existing heretofore or hereafter entered into.

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

“*Commitment Agreement*” means the agreement between the Partnership (or the General Partner in its capacity as general partner of the Partnership) and a Partner, entered into in accordance with Section 10.4 and pursuant to which such Partner undertakes certain obligations, including the obligation to make capital contributions pursuant to Section 4.1 and/or Section 7.1.

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

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

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

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

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

“*Default Interest Rate*” means the lower of (i) the sum of (a) the Prime Rate and (b) 5% or (ii) the highest rate of interest permitted under applicable law.

“*Delaware Arbitration Act*” has the meaning set forth in Section 10.1(d).

“*Delaware GP*” means Blackstone Real Estate Associates Europe (Delaware) V L.L.C., a Delaware limited liability company and a general partner of the Partnership.

“ *Disabling Event* ” means (a) the Withdrawal of a General Partner, other than in accordance with Section 6.4(a) or (b) a General Partner (i) makes an assignment for the benefit of its creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent or has entered against it an order for relief in any bankruptcy or insolvency proceeding, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in a proceeding described in clause (iv) or (vi) seeks, consents to, or acquiesces in, the appointment of a trustee, receiver or liquidator of the General Partner or of all or substantially all of its properties.

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

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

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

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

“ *Existing Partner* ” means any Partner who is neither a Retaining Withdrawn Partner nor a Deceased Partner.

“ *Final Event* ” means the death, Total Disability, Incompetence, Bankruptcy, liquidation, dissolution or Withdrawal from the Partnership of any person who is a Partner in accordance with the Partnership Act.

“ *Firm Advances* ” has the meaning set forth in Section 7.1(b).

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

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

“ *Fiscal Year* ” means a calendar year, or any other period chosen by the General Partner.

“ *Fund* ” has the meaning set forth in Section 3.4(a).

“ *Fund GP* ” means the Partnership (only with respect to the GP-Related BREP Europe V Interest) and the Other Fund GPs.

“GAAP” means U.S. generally accepted accounting principles.

“General Partner” or “General Partners” means the Cayman GP and/or the Delaware GP, as applicable, and any person admitted to the Partnership as an additional or substitute general partner of the Partnership in accordance with the provisions of this Agreement (until such time as such person ceases to be a general partner of the Partnership as provided herein or in the Partnership Act), in each case, subject to the provisions of Section 3.4.

“Giveback Amount” means the “Investment-Related Giveback Amount,” as such term is defined in the BREP Europe V Partnership Agreement.

“Giveback Provisions” means paragraph 3.4.3 of the BREP Europe V Partnership Agreement and any other similar provisions in any other BREP Europe V Partnership Agreements existing heretofore or hereafter entered into.

“Governmental Entity” has the meaning set forth in Section 10.8(b).

“GP-Related BREP Europe V Interest” means the Partnership’s interest held by the Partnership in BREP Europe V in the Partnership’s capacity as general partner of BREP Europe V, excluding any Capital Commitment BREP Europe V Interest.

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

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

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

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

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

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

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

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

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

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

“*GP-Related Investment*” means any investment (direct or indirect) of the Partnership in respect of the GP-Related BREP Europe V Interest (including, without limitation, any GP-Related BREP Europe V Investment but excluding any Capital Commitment Investment).

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

“*GP-Related Partner Interest*” of a Partner means all exempted limited partnership interests of such Partner in the Partnership (other than such Partner’s Capital Commitment Partner Interest), including, without limitation, such Partner’s exempted limited partnership interest in the Partnership with respect to the GP-Related BREP Europe V Interest and with respect to all GP-Related Investments.

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

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

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

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

“*GP-Related Unrealized Net Income (Loss)*” attributable to any GP-Related BREP Europe V Investment as of any date means the GP-Related Net Income (Loss) that would be realized by the Partnership with respect to such GP-Related BREP Europe V Investment if BREP Europe V’s entire portfolio of investments were sold on such date for cash in an amount equal to their aggregate value on such date (determined in accordance with Section 5.1(h)) and all distributions payable by BREP Europe V to the Partnership (indirectly through the general partner of BREP Europe V) pursuant to any BREP Europe V Partnership Agreement with respect to such GP-Related BREP Europe V Investment were made on such date. “GP-Related Unrealized Net Income (Loss)” attributable to any other GP-Related Investment (other than any Capital Commitment Investment) as of any date means the GP-Related Net Income (Loss) that would be realized by the Partnership with respect to such GP-Related Investment if such GP-Related Investment were sold on such date for cash in an amount equal to its value on such date (determined in accordance with Section 5.1(h)).

“ *GSO Fund* ” means (i) any of GSO Capital Opportunities Fund LP, GSO Capital Opportunities Overseas Fund L.P., GSO Capital Opportunities Overseas Master Fund L.P., GSO Liquidity Partners LP, GSO Liquidity Overseas Partners LP, Blackstone / GSO Capital Solutions Fund LP, Blackstone / GSO Capital Solutions Overseas Fund L.P., Blackstone / GSO Capital Solutions Overseas Master Fund L.P., GSO Capital Solutions Fund II LP, GSO Capital Solutions Overseas Feeder Fund II LP, GSO European Senior Debt Fund LP, GSO European Senior Debt Feeder Fund LP, GSO Targeted Opportunity Partners LP, GSO Targeted Opportunity Overseas Partners L.P., GSO Targeted Opportunity Overseas Intermediate Partners L.P., GSO Targeted Opportunity Master Partners L.P., GSO SJ Partners LP, GSO Capital Opportunities Fund II LP, GSO Capital Opportunities Cayman Overseas Fund II LP, GSO NMERB LP, GSO Energy Partners-A LP, GSO Palmetto Opportunistic Investment Partners LP, GSO Foreland Co-Invest Holdings LP, GSO Bakken Holdings I LP or GSO Churchill Partners LP, or (ii) any alternative vehicle or parallel fund relating to any of the partnerships referred to in clause (i) above.

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

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

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

“ *Holdings* ” means Blackstone Holdings III L.P., a Québec société en commandite.

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

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

“ *Initial Limited Partner* ” has the meaning set forth in the recitals.

“ *Interest* ” means a Partner’s exempted limited partnership interest in the Partnership, including any interest that is held by a Retaining Withdrawn Partner, and including any Partner’s GP-Related Partner Interest and Capital Commitment Partner Interest.

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

“ *Investor Note* ” means a promissory note of a Partner evidencing indebtedness incurred by such Partner to purchase a Capital Commitment Interest, the terms of which were or are approved by the General Partner and which is secured by such Capital Commitment Interest, all other Capital Commitment Interests of such Partner and all

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

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

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

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

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

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

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

“*Liquidator*” has the meaning set forth in Section 6.6.

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

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

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

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

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

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

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

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

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

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

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

“*Original Agreement*” has the meaning set forth in the recitals.

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

“*Other Fund GPs*” means the Delaware GP (only with respect to the Delaware GP’s GP-Related Partner Interest in the Partnership) and any other entity (other than the Partnership) through which any Partner, Withdrawn Partner or any other person directly receives any amounts of Carried Interest, and any successor thereto; provided, that this includes any other entity which has in its organizational documents a provision which indicates that it is a “Fund GP” or an “Other Fund GP”; provided further, that notwithstanding any of the foregoing, neither Holdings nor any Estate Planning Vehicle established for the benefit of family members of any Partner or of any member or partner of any Other Fund GP shall be considered an “Other Fund GP” for purposes hereof.

“ *Other Sources* ” means (i) distributions or payments of CC Carried Interest (which shall include amounts of CC Carried Interest which are not distributed or paid to a Partner but are instead contributed to a trust (or similar arrangement) to satisfy any “holdback” obligation with respect thereto) and (ii) distributions from Blackstone Collateral Entities (other than the Partnership) to such Partner.

“ *Parallel Fund* ” means any additional collective investment vehicle (or other similar arrangement) formed pursuant to paragraph 2.8 of the BREP Europe V Partnership Agreement.

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

“ *Partner Category* ” means the Existing Partners, Retaining Withdrawn Partners or Deceased Partners, each referred to as a group for purposes hereof.

“ *Partnership* ” means Blackstone Real Estate Associates Europe V L.P., an exempted limited partnership registered in the Cayman Islands.

“ *Partnership Act* ” means the Exempted Limited Partnership Law, 2014 of the Cayman Islands, as it may be amended from time to time, and any successor to such statute.

“ *Partnership Affiliate* ” has the meaning set forth in Section 3.4(c).

“ *Partnership Affiliate Governing Agreement* ” has the meaning set forth in Section 3.4(c).

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

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

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

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

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

“ *Retained Portion* ” has the meaning set forth in Section 7.6(a).

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

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

“*Securities Act*” means the U.S. Securities Act of 1933, as amended from time to time, or any successor statute.

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

“*SMD Agreements*” means the agreements between the Partnership (or the General Partner in its capacity as general partner of the Partnership) and certain of the Partners, entered into in accordance with Section 10.4 and pursuant to which each such Partner undertakes certain obligations with respect to the Partnership and/or its Affiliates.

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

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

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

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

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

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

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

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“*Tax Advances*” has the meaning set forth in Section 6.7(d).

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

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

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

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

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

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

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

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

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

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

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

“*U.S.*” means the United States of America.

“*Winding Up Event*” has the meaning set forth in Section 9.1.

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

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

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

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

“ *W-8BEN-E* ” has the meaning set forth in Section 3.8.

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

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

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

## ARTICLE II

### GENERAL PROVISIONS

Section 2.1. General Partners and Limited Partners. The Partners may be General Partners or Limited Partners. The General Partners as of the date hereof are the Cayman GP and the Delaware GP, subject to the provisions of Section 3.4. The Limited Partners shall be as shown on the books and records of the Partnership which shall be maintained in accordance with the Partnership Act. The books and records of the Partnership contain the GP-Related Profit Sharing Percentage and GP-Related Commitment of each Partner (including, without limitation, the Delaware GP) with respect to the GP-Related Investments of the Partnership as of the date hereof. The books and records of the Partnership contain the Capital Commitment Profit Sharing Percentage and Capital Commitment-Related Commitment of each Partner (including, without limitation, the Delaware GP) with respect to the Capital Commitment Investments of the Partnership as of the date hereof. The books and records of the Partnership shall be amended by the General Partner from time to time, in accordance with the Partnership Act and this Agreement, to reflect additional GP-Related Investments, additional Capital Commitment Investments, dispositions by the Partnership of GP-Related Investments, dispositions by the Partnership of Capital Commitment Investments, the GP-Related Profit Sharing Percentages of the Partners (including, without limitation, the Delaware GP) as modified from time to time, the Capital Commitment Profit Sharing Percentages of the Partners (including, without limitation, the Delaware GP) as modified from time to time, the admission of additional Partners, the

Withdrawal of Partners, the transfer or assignment of interests in the Partnership pursuant to the terms of this Agreement and any other matters required by the Partnership Act. At the time of admission of each additional Partner, the General Partner shall determine in its sole discretion the GP-Related Investments and Capital Commitment Investments in which such Partner shall participate and such Partner's GP-Related Commitment, Capital Commitment-Related Commitment, GP-Related Profit Sharing Percentage with respect to each such GP-Related Investment and Capital Commitment Profit Sharing Percentage with respect to each such Capital Commitment Investment. Each Partner may have a GP-Related Partner Interest and/or a Capital Commitment Partner Interest.

Section 2.2. Formation; Name; Foreign Jurisdictions. The Partnership is hereby continued as an exempted limited partnership pursuant to the Partnership Act and shall conduct its activities under the name of Blackstone Real Estate Associates Europe V L.P. The General Partners shall have the power to change the name of the Partnership at any time, subject to compliance with the requirements of the Partnership Act, and shall thereupon file the requisite notice pursuant to the Partnership Act. The General Partner is further authorized to execute and deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Partnership to qualify to do business in a jurisdiction in which the Partnership may wish to conduct business.

Section 2.3. Term. The term of the Partnership shall continue until December 31, 2066, unless earlier terminated, wound up and dissolved in accordance with this Agreement and the Partnership Act.

Section 2.4. Purposes; Powers. (a) The purposes of the Partnership shall be, directly or indirectly through subsidiaries or Affiliates, subject to the Partnership Act,

(i) (A) to serve as a general partner of BREP Europe V (including any Alternative Investment Vehicle, Parallel Fund or other partnership included in the definition of "BREP Europe V") and perform the functions of a general partner of BREP Europe V specified in the BREP Europe V Partnership Agreements, and (B) to serve as, and hold the Capital Commitment BREP Europe V Interest as, a capital partner (and, if applicable, a limited partner and/or a general partner) of BREP Europe V (including any Alternative Investment Vehicle, Parallel Fund or other partnership included in the definition of "BREP Europe V") and perform the functions of a capital partner (and, if applicable, a limited partner and/or a general partner) of BREP Europe V (including any Alternative Investment Vehicle, Parallel Fund or other partnership included in the definition of "BREP Europe V") specified in the BREP Europe V Partnership Agreements;

(ii) to make the Blackstone Capital Commitment or a portion thereof, directly or indirectly, and to invest in GP-Related Investments, Capital Commitment Investments and other Investments and acquire and invest in Securities or other property (directly or indirectly through BREP Europe V (including any Alternative Investment Vehicle, Parallel Fund or other partnership included in the definition of "BREP Europe V") or otherwise), to serve as a general or limited partner, member, shareholder or other equity interest owner of any Other Fund GP and perform the functions of a general or

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limited partner, member, shareholder or other equity interest owner specified in any such Fund GP's respective partnership agreement, limited liability company agreement, charter or other governing documents, as amended, supplemented, restated or otherwise modified from time to time;

(iii) (A) to serve as a general or limited partner of any other partnership and perform the functions of a general or limited partner specified in any such partnership's respective partnership agreement, as amended, supplemented, restated or otherwise modified from time to time, and (B) to serve as a member, shareholder or other equity interest owner of limited liability companies, other companies, corporations or other entities and perform the functions of a member, shareholder or other equity interest owner specified in the respective limited liability company agreement, charter or other governing documents, as amended, supplemented, restated or otherwise modified from time to time, of any such limited liability company, company, corporation or other entity;

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

(v) to carry on such other businesses, perform such other services and make such other investments as are deemed desirable by the General Partner and as are permitted under the Partnership Act, the BREP Europe V Partnership Agreements, and any applicable partnership agreement, limited liability company agreement, charter or other governing document referred to in clause (ii) or (iii) above, in each case as the same may be amended, supplemented, restated or otherwise modified from time to time;

(vi) any other lawful purpose; and

(b) to do all things necessary, desirable, convenient or incidental thereto. In furtherance of its purposes, the General Partner on behalf of the Partnership shall have all powers necessary, suitable or convenient for the accomplishment of its purposes, alone or with others, as principal or agent, including the following, *provided*, that the Partnership shall not undertake business with the public in the Cayman Islands other than so far as may be necessary for the carrying on of business exterior to the Cayman Islands:

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

(ii) to acquire and invest in general partner or limited partner interests, in limited liability company interests, in common and preferred stock of corporations and/or in other interests in or obligations of the foregoing entities or other entities and in Investments and Securities or other property or direct or indirect interests therein,

whether such Investments and Securities or other property are readily marketable or not, and to receive, hold, sell, dispose of or otherwise transfer any such partner interests, limited liability company interests, stock, interests, obligations, Investments or Securities or other property and any dividends and distributions thereon and to purchase and sell, on margin, and be long or short, futures contracts and to purchase and sell, and be long or short, options on futures contracts;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.5. Registered Office; Place of Business. The Partnership shall maintain a registered office at Maples Corporate Services Limited, PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place or places within the Cayman Islands as may from time to time be designated by the General Partner.

Section 2.6. Withdrawal of Initial Limited Partner. Upon the admission of one or more additional Limited Partners to the Partnership, the Initial Limited Partner shall (a) receive a return of any capital contribution made by it to the Partnership, (b) Withdraw as the Initial Limited Partner of the Partnership and (c) have no further right, interest or obligation of any kind whatsoever as a Partner in the Partnership; provided, that the effective date of such Withdrawal shall be deemed as between the parties hereto to be March 1, 2016.

### ARTICLE III

#### MANAGEMENT

Section 3.1. General Partners. The Cayman GP and the Delaware GP shall be the “General Partners,” subject to Section 3.4. There may be one or more General Partners. All references herein to the “General Partner” in the singular form shall be deemed to also refer to such other General Partner as may be appropriate. A General Partner may not be removed without its consent. The management, conduct and control of the business and affairs of the Partnership shall be vested in the General Partners as provided in Section 3.4 and the relative rights and responsibilities of such General Partners will be as agreed upon from time to time between them.

Section 3.2. Limitations on Limited Partners. Except as may be expressly required or permitted by the Partnership Act, Limited Partners as such shall have no right to, and shall not, take part in the management, conduct or control of the Partnership’s business or act for or bind the Partnership, and shall have only the rights and powers granted to Limited Partners of the applicable class herein or in the Partnership Act.

Section 3.3. Partner Voting.

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

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

(c) Notwithstanding any other provision of this Agreement, any Limited Partner or Withdrawn Partner that fails to respond to a notice provided by the General Partner requesting the consent, approval or vote (including, without limitation, with respect to any amendments pursuant to Section 10.14) of such Limited Partner or Withdrawn Partner within fourteen (14) days after such notice is sent to such Limited Partner or Withdrawn Partner shall be deemed to have given its affirmative consent or approval thereto.

Section 3.4. Management. (a) The General Partners shall have the powers, rights, obligations and liabilities of a general partner pursuant to the Partnership Act (including section 4(2) of the Partnership Act); and without limiting the foregoing, the management, conduct, control and operation of the Partnership and the formulation and execution of business and investment policy shall be vested in the General Partners; provided, that any provision of this Agreement to the contrary notwithstanding, except as otherwise required by applicable law, (i) the Cayman GP shall have exclusive power, authority, management, conduct, control and operation with respect to the voting of securities of portfolio companies of any Fund (as hereinafter defined) and/or the Partnership, and (ii) the Delaware GP shall have exclusive power, authority, management, conduct, control and operation with respect to all matters of any kind except the voting of securities of portfolio companies of any Fund and/or the Partnership and (iii) each reference in this Agreement to the “General Partner” or “General Partners” in relation to the power, authority, management, conduct, control and operation of the Partnership means the Delaware GP, unless such reference relates to the power, authority, management, conduct, control and operation of the Partnership with respect to the voting of securities of portfolio companies of any Fund and/or the Partnership, in which case, such reference to the “General Partner” or “General Partners” means the Cayman GP. Subject to the proviso to the immediately preceding sentence, the General Partners shall, in the General Partners’ discretion, exercise all powers necessary and convenient for the purposes of the Partnership, including those enumerated in Section 2.4, on behalf and in the name of the Partnership. All decisions and determinations (howsoever described herein) to be made by the General Partners pursuant to this Agreement shall be made in the General Partners’ discretion, subject only to the express terms and conditions of this Agreement. “*Fund*” means any of (x) the Partnership, or (y) any other partnership or other entity or investment vehicle of which the Partnership serves as general partner or in a similar capacity.

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

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

(d) Each of the General Partners, and any other person designated by the General Partners, each acting individually, is hereby authorized and empowered, as an authorized representative of the Partnership or of either or both of the General Partners within the meaning of the Partnership Act or as an authorized person of the Delaware GP (within the meaning of the Delaware Limited Liability Company Act, 6 Del. C. §§ 18-101 *et seq.*, as amended, or otherwise) (the General Partners hereby authorizing and ratifying any of the following actions):

(i) to prepare or cause to be prepared and to execute and deliver and/or file (including any such action, directly or indirectly, through one or more other entities, in the name and on behalf of the Partnership, on its own behalf, if applicable, or, as applicable, in its capacity as general partner of BREP Europe V or as general or limited partner, member, shareholder or other equity interest owner of any Partnership Affiliate, any of the following):

(A) any agreement, certificate, instrument or other document of the Partnership, BREP Europe V or any Partnership Affiliate (and any amendments, supplements, restatements and/or other modifications thereof), including, without limitation, the following: (I) the BREP Europe V Partnership Agreements and each Partnership Affiliate Governing Agreement, (II) subscription agreements and documents on

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behalf of BREP Europe V and/or the Partnership, (III) side letters issued in connection with investments in BREP Europe V by limited partners thereof, and (IV) such other agreements, instruments, certificates and other documents as may be necessary or desirable in furtherance of the Partnership's, BREP Europe V's or any Partnership Affiliate's purposes (and any amendments, supplements, restatements and/or other modifications of any of the foregoing referred to in (I) through (IV) hereof);

(B) all formation and/or organizational documents of BREP Europe V, the Partnership or any Partnership Affiliate (and any amendments, supplements, restatements and/or other modifications thereof); and

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

(ii) to prepare or cause to be prepared and to sign, execute and deliver and/or file (including any such action, directly or indirectly, through one or more other entities, in the name and on behalf of the Partnership and/or in the name and on behalf of the Partnership as general partner of BREP Europe V or as general or limited partner, member, shareholder or other equity owner of any Partnership Affiliate): (A) any certificates, forms, notices, applications and other documents to be filed with any government or governmental or regulatory body on behalf of the Partnership, BREP Europe V and/or any Partnership Affiliate, (B) any certificates, forms, notices, applications and other documents that may be necessary or advisable in connection with any bank account of the Partnership, BREP Europe V or any Partnership Affiliate or any banking facilities or services that may be utilized by the Partnership, BREP Europe V or any Partnership Affiliate, and all checks, notes, drafts and other documents of the Partnership, BREP Europe V or any Partnership Affiliate that may be required in connection with any such bank account, banking facilities or services, and (C) resolutions with respect to any of the foregoing matters (which resolutions, when executed by any person authorized as provided in this Section 3.4(d), each acting individually, shall be deemed to have been duly adopted by the General Partner, the Partnership, BREP Europe V or any Partnership Affiliate, as applicable, for all purposes).

The authority granted to any person (other than the General Partner) in this Section 3.4(d) may be revoked at any time by the General Partner by an instrument in writing signed by the General Partner.

Section 3.5. Responsibilities of Partners.

(a) Unless otherwise determined by the General Partner in a particular case, each Limited Partner shall devote substantially all his or her time and attention to the businesses of the Partnership and its Affiliates.

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

(c) The General Partner may from time to time establish such other rules and regulations applicable to Partners or other employees as the General Partner deems appropriate, including rules governing the authority of Partners or other employees to bind the Partnership to financial commitments or other obligations.

Section 3.6. Exculpation and Indemnification.

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

(b) Indemnification. (i) To the fullest extent permitted by law, the Partnership shall indemnify and hold harmless (but only to the extent of the Partnership's assets (including, without limitation, the remaining GP Related Commitments and Capital Commitment-Related Commitments of the Partners)) each Covered Person from and against any and all claims, damages, losses, costs, expenses and liabilities (including, without limitation, amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim), joint and several, of any nature whatsoever, known or unknown, liquidated or unliquidated (collectively, for purposes of this Section 3.6, "Losses"), arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of such Covered Person's management of the affairs of the Partnership or which relate to or arise out of or in connection with the Partnership, its property, its business or affairs (other than claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising out of any act or omission of such Covered Person constituting Cause); provided, that a Covered Person shall not be entitled to indemnification under this Section 3.6(b) with respect to any claim, issue or matter if there is a final and non-appealable judicial determination and/or determination of an arbitrator that such Covered Person did not act in good faith and in what such Covered Person reasonably believed to be in, or not opposed to, the best interest of the Partnership and within the authority granted to such Covered Person by this Agreement, and, with respect to any criminal act or proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful; provided further, that if such Covered Person is a Partner or a Withdrawn Partner, such Covered Person shall bear its share of such Losses in accordance with such Covered Person's GP-Related Profit Sharing Percentage in the Partnership as of the time of the actions or omissions that gave rise to such Losses. To the fullest extent permitted by law, expenses (including legal fees) incurred by a Covered Person (including, without limitation, the General Partner) in defending any claim, demand, action, suit or proceeding may, with the approval of the General Partner, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of a written undertaking by or on behalf of the Covered Person to repay such amount to the extent that it shall be subsequently determined that the Covered Person is not entitled to be indemnified as authorized in this Section 3.6(b), and the Partnership and its Affiliates shall have a continuing right of offset against such Covered Person's interests/investments in the Partnership and such Affiliates and shall have the right to withhold amounts otherwise distributable to such Covered Person to satisfy such repayment obligation. If a Partner institutes litigation against a Covered Person which gives rise to an indemnity obligation hereunder, such Partner shall be responsible, up to the amount of such Partner's Interests and remaining GP Related Commitments and Capital Commitment-Related Commitments, for such Partner's pro rata share of the Partnership's expenses related to such indemnity obligation, as determined by the General Partner. The General Partner on behalf of the Partnership may purchase insurance, to the extent available at reasonable cost, to cover losses, claims, damages or liabilities covered by the foregoing indemnification provisions. Partners will not be personally obligated with respect to indemnification pursuant to this Section 3.6(b). The General Partner shall have the authority to enter into separate agreements with any Covered Person in order to give effect to the obligations to indemnify pursuant to this Section 3.6(b).

(ii) (A) Notwithstanding anything to the contrary herein, for greater certainty it is understood and/or agreed that the Partnership's obligations hereunder are not intended to render the Partnership as a primary indemnitor for purposes of the indemnification, advancement of expenses and related provisions under applicable law governing BREP Europe V and/or a particular portfolio entity through which an Investment is indirectly held. It is further understood and/or agreed that a Covered Person shall first seek to be so indemnified and have such expenses advanced in the following order of priority: first, out of proceeds available in respect of applicable insurance policies maintained by the applicable portfolio entity and/or BREP Europe V; second, by the applicable portfolio entity through which such investment is indirectly held; and third, by BREP Europe V (only to the extent the foregoing sources have been exhausted).

(B) The Partnership's obligation, if any, to indemnify or advance expenses to any Covered Person shall be reduced by any amount that such Covered Person may collect as indemnification or advancement from BREP Europe V and/or the applicable portfolio entity (including by virtue of any applicable insurance policies maintained thereby), and to the extent the Partnership (or any Affiliate thereof) pays or causes to be paid any amounts that should have been paid by BREP Europe V and/or the applicable portfolio entity (including by virtue of any applicable insurance policies maintained thereby), it is agreed among the Partners that the Partnership shall have a subrogation claim against BREP Europe V and/or such portfolio entity in respect of such advancement or payments. The General Partner and the Partnership shall be specifically empowered to structure any such advancement or payment as a loan or other arrangement (except for a loan to an executive officer of The Blackstone Group L.P. or any of its Affiliates, which shall not be permitted) as the General Partner may determine necessary or advisable to give effect to or otherwise implement the foregoing.

### Section 3.7. Representations of Limited Partners.

(a) Each Limited Partner by execution of this Agreement (or by otherwise becoming bound by the terms and conditions hereof as provided herein or in the Partnership Act) represents and warrants to every other Partner and to the Partnership, except as may be waived by the General Partner, that such Limited Partner is acquiring each of such Limited Partner's Interests for such Limited Partner's own account for investment and not with a view to resell or distribute the same or any part hereof, and that no other person has any interest in any such Interest or in the rights of such Limited Partner hereunder; provided, that a Partner may choose to make transfers for estate and charitable planning purposes (pursuant to Section 6.3(a) and otherwise in accordance with the terms of this Agreement). Each Limited Partner represents and warrants that such Limited Partner understands that the Interests have not been registered under the Securities Act, and therefore such Interests may not be resold without registration under the Securities Act or exemption from such registration, and that accordingly such Limited Partner must bear the economic risk of an investment in the Partnership for an indefinite period of time. Each Limited Partner represents that such Limited Partner has such knowledge and experience in financial and business matters that such Limited Partner is capable of evaluating the merits and risks of an investment in the Partnership, and that such Limited Partner is able to bear the

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

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

Section 3.8. Tax Representation and Further Assurances. (a) Each Limited Partner, upon the request of the General Partner, agrees to perform all further acts and to execute, acknowledge and deliver any documents that may be reasonably necessary to comply with the General Partner's or the Partnership's obligations under applicable law or to carry out the provisions of this Agreement.

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

(c) Each Limited Partner acknowledges and agrees that the Partnership and the General Partner may release confidential information or other information about the Limited Partner or related to such Limited Partner's investment in the Partnership if the Partnership or the General Partner, in its or their sole discretion, determines that such disclosure is required by applicable law or regulation or in order to comply for an exception from, or reduced tax rate of, tax or other tax benefit. Any such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed on any such person by law or otherwise, and a Limited Partner shall have no claim against the Partnership, the General Partner or any of their Affiliates for any form of damages or liability as a result of actions taken by the foregoing in order to comply with any disclosure obligations that the foregoing reasonably believe are required by law, regulation or otherwise.

(d) Each Limited Partner acknowledges and agrees that if it provides information that is in anyway materially misleading, or if it fails to provide the Partnership or its agents with any information requested hereunder, in either case in order to satisfy the Partnership's obligations, the General Partner reserves the right to take any action and pursue any remedies at its disposal, including (i) requiring such Limited Partner to Withdraw for Cause and (ii) withholding or deducting any costs caused by such Limited Partner's action or inaction from amounts otherwise distributable to such Limited Partner from the Partnership and its Affiliates.

#### ARTICLE IV

##### CAPITAL OF THE PARTNERSHIP

Section 4.1. Capital Contributions by Partners. (a) Each Partner (other than the Cayman GP) shall be required to make capital contributions to the Partnership ("GP-Related Capital Contributions") at such times and in such amounts (the "GP-Related Required Amounts") as are required to satisfy the Partnership's obligation to make capital contributions to fund its capital contributions with respect to any GP-Related BREP Europe V Investment and as are otherwise determined by the General Partner from time to time or as may be set forth in such Partner's Commitment Agreement or SMD Agreement, if any, or otherwise; provided, that additional GP-Related Capital Contributions in excess of the GP-Related Required Amounts may be made pro rata among the Partners (other than the Cayman GP) based upon each Partner's Carried Interest Sharing Percentage. GP-Related Capital Contributions in excess of the GP-Related Required Amounts which are to be used for ongoing business operations (as distinct from financing, legal or other specific liabilities of the Partnership (including those specifically set forth in Section 4.1(d) and Section 5.8(d)) shall be determined by the General Partner. Limited Partners shall not be required to make additional GP-Related Capital Contributions to the Partnership in excess of the GP-Related Required Amounts except (i) as a condition of an increase in such Limited Partner's GP-Related Profit Sharing Percentage, or (ii) as specifically set forth in this Agreement; provided, however, that the General Partner and any Limited Partner may agree from time to time that such Limited Partner shall make an additional GP-Related

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Capital Contribution to the Partnership; and provided, further, that each Investor Special Limited Partner shall maintain its GP-Related Capital Accounts at an aggregate level equal to the product of (i) its GP-Related Profit Sharing Percentage from time to time and (ii) the total capital of the Partnership related to the GP-Related BREP Europe V Interest.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(C) Upon any valuation or revaluation of the Special Firm Collateral and/or any adjustment in the Applicable Collateral Percentage applicable to a Qualifying Fund (as provided in the books and records of the Partnership), if such Partner's or Withdrawn Partner's Special Firm Collateral is valued at less than such Partner's Holdback (excluding any Excess Holdback) as provided in the books and records of the Partnership,

taking into account other permitted means of satisfying the Holdback hereunder, the General Partner on behalf of the Partnership shall provide notice of the foregoing to such Partner or Withdrawn Partner and, within 10 Business Days of receiving such notice, such Partner or Withdrawn Partner shall contribute cash or additional Special Firm Collateral to the Trust Account in an amount necessary to make up such deficiency. If any such Partner or Withdrawn Partner defaults upon his or her obligations under this clause (C), then Section 5.8(d)(ii) shall apply thereto; provided, that clause (A) of Section 5.8(d)(ii) shall be deemed inapplicable to such default; provided further, that for purposes of applying Section 5.8(d)(ii) to a default under this clause (C): (I) the term “GP-Related Defaulting Party” where such term appears in such Section 5.8(d)(ii) shall be construed as “defaulting party” for purposes hereof and (II) the terms “Net GP-Related Recontribution Amount” and “GP-Related Recontribution Amount” where such terms appear in such Section 5.8(d)(ii) shall be construed as the amount due pursuant to this clause (C).

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

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

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

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

PARTICIPATION IN PROFITS AND LOSSES

Section 5.1. General Accounting Matters.

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

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

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

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

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

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

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

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

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

#### Section 5.2. GP-Related Capital Accounts.

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

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

Section 5.3. GP-Related Profit Sharing Percentages.

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

(b) The General Partner may elect to allocate to the Partners less than 100% of the GP-Related Profit Sharing Percentages of any category for any annual accounting period at the time specified in Section 5.3(a) for the annual fixing of GP-Related Profit Sharing Percentages (any remainder of such GP-Related Profit Sharing Percentages being called a "*GP-*

*Related Unallocated Percentage*"); provided, that any GP-Related Unallocated Percentage in any category of GP-Related Net Income (Loss) for any annual accounting period that is not allocated by the General Partner within 90 days after the end of such accounting period shall be deemed to be allocated among all the Partners (including the Delaware GP, but excluding the Cayman GP) in the manner determined by the General Partner in its sole discretion.

(c) Unless otherwise determined by the General Partner in a particular case, (i) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from any GP-Related Investment shall be allocated in proportion to the Partners' respective GP-Related Capital Contributions in respect of such GP-Related Investment and (ii) GP-Related Profit Sharing Percentages in GP-Related Net Income (Loss) from each GP-Related Investment shall be fixed at the time such GP-Related Investment is acquired and shall not thereafter change, subject to any repurchase rights established by the General Partner pursuant to Section 5.7. The Cayman GP shall have no GP-Related Profit Sharing Percentage.

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

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

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

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

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

(f) Notwithstanding the foregoing, the General Partner may make such allocations as it deems reasonably necessary to give economic effect to the provisions of this Agreement, taking into account facts and circumstances as the General Partner deems reasonably necessary for this purpose.

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

Section 5.6. Liability of Limited Partners. Each Limited Partner (including each Special Limited Partner) and former Limited Partner shall be liable for the satisfaction and discharge of all losses, liabilities and expenses of the Partnership allocable to him or her pursuant to Section 5.4 or Section 7.3, but only to the extent required by applicable law, subject to the Partnership Act. Except as otherwise provided in the following sentence, in no event shall any Limited Partner (including each Special Limited Partner) or former Limited Partner be obligated to make any additional capital contribution to the Partnership in excess of his or her aggregate GP-Related Capital Contributions and Capital Commitment-Related Capital Contributions pursuant to Section 4.1 and Section 7.1, or have any liability in excess of such aggregate GP-Related Capital Contributions and Capital Commitment-Related Capital Contributions for the satisfaction and discharge of the losses, liabilities and expenses of the Partnership. In no way does any of the foregoing limit any Partner's obligations under Section 4.1(d), Section 5.8(d) or Section 7.4(g) or otherwise to make capital contributions as provided hereunder.

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

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

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

(b) Subject to the Partnership's having sufficient available cash in the reasonable judgment of the General Partner, the General Partner on behalf of the Partnership shall make cash distributions to each Partner with respect to each Fiscal Year of the Partnership in an aggregate amount at least equal to the total U.S. federal, New York State and New York City income and other taxes that would be payable by such Partner with respect to all categories of GP-Related Net Income (Loss) allocated to such Partner for such Fiscal Year, the amount of which shall be calculated (i) on the assumption that each Partner is an individual subject to the then prevailing maximum rate of U.S. federal, New York State and New York City and other income taxes (including, without limitation, taxes under Section 1411 of the Code), (ii) taking into account the deductibility of state and local income and other taxes for U.S. federal income tax purposes and (iii) taking into account any differential in applicable rates due to the type and

character of GP-Related Net Income (Loss) allocated to such Partner. Notwithstanding the provisions of the foregoing sentence, the General Partner may refrain from making any distribution if, in the reasonable judgment of the General Partner, such distribution is prohibited by the Partnership Act.

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

(d) (i) (A) If the Partnership is obligated under the Clawback Provisions or Giveback Provisions to contribute to BREP Europe V (or to the limited partners of BREP Europe V) a Clawback Amount or a Giveback Amount (other than a Capital Commitment Giveback Amount) directly or indirectly, in respect of the GP-Related BREP Europe V Interest (the amount of any such obligation of the Partnership with respect to such a Giveback Amount being herein called a "*GP-Related Giveback Amount*"), the General Partner shall call for such amounts as are necessary to satisfy such obligations of the Partnership, as determined by the General Partner, in which case each Partner and Withdrawn Partner shall contribute to the Partnership, in cash, when and as called by the General Partner, such an amount of prior distributions by the Partnership (and the Other Fund GPs) with respect to Carried Interest (and/or Non-Carried Interest in the case of a GP-Related Giveback Amount) (the "*GP-Related Recontribution Amount*") which equals (I) the product of (a) a Partner's or Withdrawn Partner's Carried Interest Give Back Percentage and (b) the aggregate Clawback Amount payable by the Partnership, in the case of Clawback Amounts and (II) with respect to a GP-Related Giveback Amount, such Partner's pro rata share of prior distributions of Carried Interest and/or Non-Carried Interest in

connection with (a) the GP-Related BREP Europe V Investment giving rise to the GP-Related Giveback Amount, (b) if the amounts contributed pursuant to clause (II)(a) above are insufficient to satisfy such GP-Related Giveback Amount, GP-Related BREP Europe V Investments other than the one giving rise to such obligation, but only those amounts received by the Partners with an interest in the GP-Related BREP Europe V Investment referred to in clause (II)(a) above and (c) if the GP-Related Giveback Amount is unrelated to a specific GP-Related BREP Europe V Investment, all GP-Related BREP Europe V Investments. Each Partner and Withdrawn Partner shall promptly contribute to the Partnership, along with satisfying his or her comparable obligations to the Other Fund GPs, if any, upon such call, such Partner's or Withdrawn Partner's GP-Related Recontribution Amount, less the amount paid out of the Trust Account on behalf of such Partner or Withdrawn Partner by the Trustee(s) pursuant to written instructions from the General Partner, or if applicable, any of the Other Fund GPs with respect to Carried Interest (and/or Non-Carried Interest in the case of GP-Related Giveback Amounts) (the "*Net GP-Related Recontribution Amount*"), irrespective of the fact that the amounts in the Trust Account may be sufficient on an aggregate basis to satisfy the Partnership's and the Other Fund GPs' obligation under the Clawback Provisions and/or Giveback Provisions; provided, that to the extent a Partner's or Withdrawn Partner's share of the amount paid with respect to the Clawback Amount and/or the GP-Related Giveback Amount exceeds his or her GP-Related Recontribution Amount, such excess shall be repaid to such Partner or Withdrawn Partner as promptly as reasonably practicable, subject to clause (ii) below; provided further, that such written instructions from the General Partner shall specify each Partner's and Withdrawn Partner's GP-Related Recontribution Amount. Prior to such time, the General Partner may, in its discretion (but shall be under no obligation to), provide notice that in the General Partner's judgment, the potential obligations in respect of the Clawback Provisions or the Giveback Provisions will probably materialize (and an estimate of the aggregate amount of such obligations); provided further, that any amount from a Partner's Trust Account used to pay any part of any GP-Related Giveback Amount (or such lesser amount as may be required by the General Partner) shall be contributed by such Partner to such Partner's Trust Account no later than 30 days after the Net GP-Related Recontribution Amount is paid with respect to such GP-Related Giveback Amount. Solely to the extent required by the BREP Europe V Partnership Agreements, each member of the General Partner shall have the same obligations as a Partner (which obligations shall be subject to the same limitations as the obligations of a Partner) under this Section 5.8(d) and under Section 5.8(d)(ii)(A) solely with respect to such member's pro rata share of any Clawback Amount (for purposes of this sentence, as defined in the BREP Europe V Partnership Agreements) and solely to the extent that the Partnership has insufficient funds to meet the Partnership's obligations under the BREP Europe V Partnership Agreements.

(B) To the extent any Partner or Withdrawn Partner has satisfied any Holdback obligation with Firm Collateral, such Partner or Withdrawn Partner shall, within 10 days of the General Partner's call for GP-Related Recontribution Amounts, make a cash payment into the Trust Account in an amount equal to the amount of the Holdback obligation satisfied with such Firm Collateral, or such lesser amount such that the amount in the Trust Account allocable to such Partner or Withdrawn Partner equals the sum of (I) such Partner's or Withdrawn Partner's GP-Related Recontribution Amount and (II) any similar amounts payable to any of the Other Fund GPs. Immediately upon receipt of such cash, the

Trustee(s) shall take such steps as are necessary to release such Firm Collateral of such Partner or Withdrawn Partner equal to the amount of such cash payment. If the amount of such cash payment is less than the amount of Firm Collateral of such Partner or Withdrawn Partner, the balance of such Firm Collateral if any, shall be retained to secure the payment of GP-Related Deficiency Contributions, if any, and shall be fully released upon the satisfaction of the Partnership's and the Other Fund GPs' obligation to pay the Clawback Amount. The failure of any Partner or Withdrawn Partner to make a cash payment in accordance with this clause (B) (to the extent applicable) shall constitute a default under Section 5.8(d)(ii) as if such cash payment hereunder constitutes a Net GP-Related Recontribution Amount under Section 5.8(d)(ii).

(ii) (A) In the event any Partner or Withdrawn Partner (a "*GP-Related Defaulting Party*") fails to recontribute all or any portion of such GP-Related Defaulting Party's Net GP-Related Recontribution Amount for any reason, the General Partner shall require all other Partners and Withdrawn Partners to contribute, on a *pro rata* basis (based on each of their respective Carried Interest Give Back Percentages in the case of Clawback Amounts, and GP-Related Profit Sharing Percentages in the case of GP-Related Giveback Amounts (as more fully described in clause (II) of Section 5.8(d)(i)(A) above)), such amounts as are necessary to fulfill the GP-Related Defaulting Party's obligation to pay such GP-Related Defaulting Party's Net GP-Related Recontribution Amount (a "*GP-Related Deficiency Contribution*") if the General Partner determines in its good faith judgment that the Partnership (or an Other Fund GP) will be unable to collect such amount in cash from such GP-Related Defaulting Party for payment of the Clawback Amount or GP-Related Giveback Amount, as the case may be, at least 20 Business Days prior to the latest date that the Partnership, and the Other Fund GPs, if applicable, are permitted to pay the Clawback Amount or GP-Related Giveback Amount, as the case may be; provided, that, subject to Section 5.8(e), no Partner or Withdrawn Partner shall as a result of such GP-Related Deficiency Contribution be required to contribute an amount in excess of 167% of the amount of the Net GP-Related Recontribution Amount initially requested from such Partner or Withdrawn Partner in respect of such default.

(B) Thereafter, the General Partner shall determine in its good faith judgment that the Partnership should either (1) not attempt to collect such amount in light of the costs associated therewith, the likelihood of recovery and any other factors considered relevant in the good faith judgment of the General Partner or (2) pursue any and all remedies (at law or equity) available to the Partnership against the GP-Related Defaulting Party, the cost of which shall be a Partnership expense to the extent not ultimately reimbursed by the GP-Related Defaulting Party. It is agreed that the Partnership shall have the right (effective upon such GP-Related Defaulting Party becoming a GP-Related Defaulting Party) to set-off as appropriate and apply against such GP-Related Defaulting Party's Net GP-Related Recontribution Amount any amounts otherwise payable to the GP-Related Defaulting Party by the Partnership or any Affiliate thereof

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

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

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

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

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

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

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

(B) determine the amount of Carried Interest distributions otherwise distributable to such Partner with respect to the Subject Investment (indirectly through the Partnership from BREP Europe V) before any reduction in respect of the amount determined in clause (A) above (the “*Unadjusted Carried Interest Distributions*”); and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5.10. Tax Capital Accounts; Tax Allocations.

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

(b) All items of income, gain, loss, deduction and credit of the Partnership shall be allocated among the Partners for federal, state and local income tax purposes in the same manner as such items of income, gain, loss, deduction and credit shall be allocated among the Partners pursuant to this Agreement, except as may otherwise be provided herein or by the Code or other applicable law. In the event there is a net decrease in partnership minimum gain or partner nonrecourse debt minimum gain (determined in accordance with the principles of Treasury Regulations Sections 1.704-2(d) and 1.704-2(i)) during any taxable year of the Partnership, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to its respective share of such net decrease during such year, determined pursuant to Treasury Regulations Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated shall be determined in accordance with Treasury Regulations Section 1.704-2(f). In addition, this Agreement shall be considered to contain a

“qualified income offset” as provided in Treasury Regulations Section 1.704-1(b)(2)(ii)(d). Notwithstanding the foregoing, the General Partner in its sole discretion shall make allocations for tax purposes as may be needed to ensure that allocations are in accordance with the interests of the Partners within the meaning of the Code and the Treasury Regulations.

(c) For U.S. federal, state and local income tax purposes only, Partnership income, gain, loss, deduction or expense (or any item thereof) for each Fiscal Year shall be allocated to and among the Partners in a manner corresponding to the manner in which corresponding items are allocated among the Partners pursuant to the other provisions of this Section 5.10; provided, that the General Partner may in its sole discretion make such allocations for tax purposes as it determines are appropriate so that allocations have substantial economic effect or are in accordance with the interests of the Partners, within the meaning of the Code and the Treasury Regulations thereunder.

## ARTICLE VI

### ADDITIONAL PARTNERS; WITHDRAWAL OF PARTNERS; SATISFACTION AND DISCHARGE OF PARTNERSHIP INTERESTS; TERMINATION

#### Section 6.1. Additional Partners .

(a) Effective on the first day of any month (or on such other date as shall be determined by the General Partner in its sole discretion), the General Partner shall have the right to admit one or more additional or substitute persons into the Partnership as General Partners or Limited Partners. Each such person shall make the representations and certifications with respect to itself set forth in Section 3.7 and Section 3.8. The General Partner shall determine and negotiate with the additional Partner (which term, for the avoidance of doubt, shall include, without limitation, any substitute Partner) all terms of such additional Partner’s participation in the Partnership, including the additional Partner’s initial GP-Related Capital Contribution, Capital Commitment-Related Capital Contribution, GP-Related Profit Sharing Percentage and Capital Commitment Profit Sharing Percentage. Each additional Partner shall have such voting rights as may be determined by the General Partner from time to time unless, upon the admission to the Partnership of any Limited Partner, the General Partner shall designate that such Limited Partner shall not have such voting rights (any such Limited Partner being called a “*Nonvoting Limited Partner*”). Any additional Partner shall, as a condition to becoming a Partner, agree to become a party to, and be bound by the terms and conditions of, the Trust Agreement. If Blackstone or another or subsequent holder of an Investor Note approved by the General Partner for purposes of this Section 6.1(a) shall foreclose upon a Limited Partner’s Investor Note issued to finance such Limited Partner’s purchase of his or her Capital Commitment Interests, Blackstone or such other or subsequent holder shall succeed to such Limited Partner’s Capital Commitment Interests and shall be deemed to have become a Limited Partner to such extent. Any additional Partner may have a GP-Related Partner Interest or a Capital Commitment Partner Interest, without having the other such interest.

(b) The GP-Related Profit Sharing Percentages, if any, to be allocated to an additional Partner as of the date such Partner is admitted to the Partnership, together with the pro rata reduction in all other Partners' GP-Related Profit Sharing Percentages as of such date, shall be established by the General Partner pursuant to Section 5.3. The Capital Commitment Profit Sharing Percentages, if any, to be allocated to an additional Partner as of the date such Partner is admitted to the Partnership, together with the *pro rata* reduction in all other Partners' Capital Commitment Profit Sharing Percentages as of such date, shall be established by the General Partner. Notwithstanding any provision in this Agreement to the contrary, the General Partner is authorized, without the need for any further act, vote or consent of any person, to make adjustments to the GP-Related Profit Sharing Percentages as it determines necessary in its sole discretion in connection with any additional Partners admitted to the Partnership, adjustments with respect to other Partners of the Partnership and to give effect to other matters set forth herein, as applicable.

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

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

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

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

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

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

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

### Section 6.3. GP-Related Partner Interests Not Transferable.

(a) No Partner may sell, assign, pledge, grant a security interest over or otherwise transfer or encumber all or any portion of such Partner's GP-Related Partner Interest other than as permitted by written agreement between such Partner and the General Partner; provided, that, subject to the Partnership Act, this Section 6.3 shall not impair transfers by operation of law, transfers by will or by other testamentary instrument occurring by virtue of the death or dissolution of a Partner, or transfers required by trust agreements; provided further, that, subject to the prior written consent of the General Partner, which shall not be unreasonably withheld, a Limited Partner may transfer, for estate planning purposes, up to 25% of his or her GP-Related Profit Sharing Percentage to any estate planning trust, limited partnership or limited liability company with respect to which such Limited Partner controls investments related to any interest in the Partnership held therein (an "*Estate Planning Vehicle*"). Each Estate Planning

Vehicle will be a Nonvoting Limited Partner. Such Limited Partner and the Nonvoting Limited Partner shall be jointly and severally liable for all obligations of both such Limited Partner and such Nonvoting Limited Partner with respect to the interest transferred (including the obligation to make additional GP-Related Capital Contributions). The General Partner may at its sole option exercisable at any time require such Estate Planning Vehicle to Withdraw from the Partnership on the terms of this Article VI. Except as provided in the second proviso to the first sentence of this Section 6.3(a), no assignee, legatee, distributee, heir or transferee (by conveyance, operation of law or otherwise) of the whole or any portion of any Partner's GP-Related Partner Interest shall have any right to be a General Partner or Limited Partner without the prior written consent of the General Partner (which consent may be given or withheld in its sole discretion without giving any reason therefor). Notwithstanding the granting of a security interest in the entire partnership interest of any Partner, such Partner shall continue to be a Partner of the Partnership.

(b) Notwithstanding any provision hereof to the contrary, no sale or transfer of any GP-Related Partner Interest in the Partnership may be made except in compliance with the Partnership Act, the laws of the Cayman Islands and all U.S. federal, state and other applicable laws, including U.S. federal and state securities laws.

Section 6.4. General Partner Withdrawal; Transfer of General Partner ' s Interest .

(a) Subject to the Partnership Act, no General Partner may transfer or assign its interest as a General Partner in the Partnership or its right to manage the affairs of the Partnership, except that the General Partner may, subject to the Partnership Act, with the prior written approval of a Majority in Interest of the Partners, admit another person as an additional or substitute General Partner who makes such representations with respect to itself as the General Partner deems necessary or appropriate (with regard to compliance with applicable law or otherwise); provided, however, that the General Partner may, in its sole discretion, transfer all or part of its interest in the Partnership to a person who makes such representations with respect to itself as the General Partner deems necessary or appropriate (with regard to compliance with applicable law or otherwise) and who owns, directly or indirectly, the principal part of the business then conducted by the General Partner in connection with any liquidation, dissolution or reorganization of the General Partner, and, upon the assumption by such person of liability for all the obligations of the General Partner under this Agreement and the filing of a statement pursuant to Section 10(2) of the Partnership Act, such person shall be admitted as the General Partner. A person who is so admitted as an additional or substitute General Partner shall thereby become a General Partner and shall have the right to manage the affairs of the Partnership and to vote as a Partner to the extent of the interest in the Partnership so acquired.

(b) Except as contemplated by Section 6.4(a), Withdrawal by a General Partner is not permitted. The Withdrawal of a General Partner shall not dissolve the Partnership if at the time of such Withdrawal there are one or more remaining General Partners satisfying the requirements of the Partnership Act, and any one or more of such remaining General Partners continue the business of the Partnership (any and all such remaining General Partners being hereby authorized to continue the business of the Partnership without dissolution and hereby agreeing to do so). Notwithstanding Section 6.4(c), if upon the Withdrawal of a General Partner

there shall be no remaining General Partner, the Partnership shall be wound up and subsequently dissolved unless, within 90 days after the occurrence of such Withdrawal, all remaining Limited Partners (excluding Withdrawn Partners) agree (including by acting through the power of attorney granted pursuant to Section 10.11) in writing to continue the business of the Partnership and to the appointment, effective as of the date of such Withdrawal, of one or more General Partners satisfying the requirement of the Partnership Act.

(c) The Partnership shall not be dissolved, in and of itself, by the Withdrawal of any Partner, but shall continue with the surviving or remaining Partners as partners thereof in accordance with and subject to the terms and provisions of this Agreement.

(d) A General Partner shall not cease to be a general partner of the Partnership upon the collateral assignment of or the pledging or granting of a security interest in its entire Interest in the Partnership.

**Section 6.5. Satisfaction and Discharge of a Withdrawn Partner ' s GP-Related Partner Interest .**

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

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

(c) In the event of the Withdrawal of a Partner with respect to such Withdrawn Partner’s GP-Related Partner Interest, the General Partner shall, promptly after such Withdrawn Partner’s Settlement Date, (i) determine and allocate to the Withdrawn Partner’s GP-Related Capital Accounts such Withdrawn Partner’s allocable share of the GP-Related Net Income (Loss) of the Partnership for the period ending on such Settlement Date in accordance with Article V and (ii) credit the Withdrawn Partner’s GP-Related Capital Accounts with interest in accordance with Section 5.2. In making the foregoing calculations, the General Partner shall be entitled to establish such reserves (including reserves for taxes, bad debts, unrealized losses, actual or threatened litigation or any other expenses, contingencies or obligations) as it deems

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appropriate. Unless otherwise determined by the General Partner in a particular case, a Withdrawn Partner shall not be entitled to receive any GP-Related Unallocated Percentage in respect of the accounting period during which such Partner Withdraws from the Partnership (whether or not previously awarded or allocated) or any GP-Related Unallocated Percentage in respect of prior accounting periods that have not been paid or allocated (whether or not previously awarded) as of such Withdrawn Partner's Withdrawal Date.

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

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

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

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

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

(h) [Intentionally omitted.]

(i) Within 120 days after each Settlement Date, the General Partner shall submit to the Withdrawn Partner a statement of the settlement of such Withdrawn Partner's GP-Related Partner Interest in the Partnership pursuant to this Section 6.5 together with any cash payment, subordinated promissory note and in kind distributions to be made to such Partner as shall be determined by the General Partner. The General Partner shall submit to the Withdrawn Partner supplemental statements with respect to additional amounts payable to or by the

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

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

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

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

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

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

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

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

(o) In addition to the foregoing, the General Partner shall have the right to pay a Withdrawn Partner (other than the Cayman GP or the Delaware GP) a discretionary additional payment in an amount and based upon such circumstances and conditions as it determines to be relevant. The provisions of this Section 6.5 shall apply to any Investor Special Limited Partner relating to another Limited Partner, and to any transferee of any GP-Related Partner Interest of such Partner pursuant to Section 6.3, if such Partner Withdraws from the Partnership.

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

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

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

Section 6.6. Termination of the Partnership. The General Partner may wind up and subsequently dissolve the Partnership prior to the expiration of its term at any time on giving notice of the dissolution to the other Partners and by filing the requisite notice pursuant to Section 36 of the Partnership Act. Upon the winding up of the Partnership, and following the payment of creditors of the Partnership and the making of provisions for the payment of any contingent, conditional or unmatured claims known to the Partnership, the Partners' respective interests in the Partnership shall be valued and settled in accordance with the procedures set forth in Sections 5.10, 6.5 and 8.1 and Article IX. The General Partner shall be the liquidator (the "*Liquidator*"). In the event that the General Partner is unable to serve as Liquidator, a liquidating trustee shall be chosen by affirmative vote of a Majority in Interest of the Partners (excluding Nonvoting Limited Partners).

Section 6.7. Certain Tax Matters. (a) The General Partner shall determine all matters concerning allocations for tax purposes not expressly provided for herein in its sole discretion.

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

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

(d) To the extent the General Partner reasonably determines that the Partnership (or any entity in which the Partnership holds an interest) is or may be required by law to withhold or to make tax payments, including interest and penalties on such amounts, on behalf of or with respect to any Partner (“*Tax Advances*”), the General Partner may withhold or escrow such amounts or make such tax payments as so required. All Tax Advances made on behalf of a Partner shall, at the option of the General Partner, (i) be promptly paid to the Partnership by the Partner on whose behalf such Tax Advances were made or (ii) be repaid by reducing the amount of the current or next succeeding distribution or distributions which would otherwise have been made to such Partner or, if such distributions are not sufficient for that purpose, by so reducing the proceeds upon dissolution of the Partnership otherwise payable to such Partner. Whenever the General Partner selects option (ii) pursuant to the preceding sentence for repayment of a Tax Advance by a Partner, for all other purposes of this Agreement such Partner shall be treated as having received all distributions (whether before or upon dissolution of the Partnership) unreduced by the amount of such Tax Advance. To the fullest extent permitted by law, each Partner hereby agrees to indemnify and hold harmless all other Partners from and against any liability (including, without limitation, any liability for taxes, penalties, additions to tax or interest) with respect to income attributable to or distributions or other payments to such Partner. The obligations of a Partner set forth in this Section 6.7(d) shall survive the withdrawal of any Partner from the Partnership or any Transfer of a Partner’s interest.

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

## ARTICLE VII

### CAPITAL COMMITMENT INTERESTS; CAPITAL CONTRIBUTIONS; ALLOCATIONS; DISTRIBUTIONS

#### Section 7.1. Capital Commitment Interests, etc.

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

(ii) Each Partner (other than the Cayman GP), severally, agrees to make contributions of capital to the Partnership (“*Capital Commitment-Related Capital Contributions*”) as required to fund the Partnership’s direct or indirect capital contributions to BREP Europe V, in respect of the Capital Commitment BREP Europe V Interest, if any, and the related Capital Commitment BREP Europe V Commitment, if

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

(b) The General Partner or one of its Affiliates (in such capacity, the "*Advancing Party*") may in its sole discretion advance to any Limited Partner (including any additional Partner admitted to the Partnership pursuant to Section 6.1 but excluding any Partners that are also executive officers of Blackstone) all or any portion of the Capital Commitment-Related Capital Contributions due to the Partnership from such Limited Partner with respect to any Capital Commitment Investment ("*Firm Advances*"). Each such Limited Partner shall pay to the Advancing Party interest on each Firm Advance from the date of such Firm Advance until the repayment thereof by such Limited Partner. Each Firm Advance shall be repayable in full, including accrued interest to the date of such repayment, upon prior written notice by the Advancing Party. The making and repayment of each Firm Advance shall be recorded in the books and records of the Partnership, and such recording shall be conclusive evidence of each such Firm Advance, binding on the Limited Partner and the Advancing Party absent manifest error. Except as provided below, the interest rate applicable to a Firm Advance shall equal the cost of funds of the Advancing Party at the time of the making of such Firm Advance. The Advancing Party shall inform any Limited Partner of such rate upon such Limited Partner's request; provided, that such interest rate shall not exceed the maximum interest rate allowable by applicable law; provided further, that amounts that are otherwise payable to such Limited Partner pursuant to Section 7.4(a) shall be used to repay such Firm Advance (including interest thereon). The Advancing Party may, in its sole discretion, change the terms of Firm Advances (including the terms contained herein) and/or discontinue the making of Firm Advances; provided, that (i) the Advancing Party shall notify the relevant Limited Partners of any material changes to such terms and (ii) the interest rate applicable to such Firm Advances and overdue amounts thereon shall not exceed the maximum interest rate allowable by applicable law.

(c) The Cayman GP shall have no Capital Commitment-Related Commitment and no Capital Commitment Profit Sharing Percentage. The Capital Commitment Profit Sharing Percentage of the Delaware GP with respect to any Capital Commitment Investment will rank *pari passu* with those of the Limited Partners participating in the same Capital Commitment Investment.

Section 7.2. Capital Commitment Capital Accounts.

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

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

Section 7.3. Allocations.

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

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

(c) Notwithstanding the foregoing, the General Partner may make such allocations as it deems reasonably necessary to give economic effect to the provisions of this Agreement, taking into account facts and circumstances as the General Partner deems reasonably necessary for this purpose.

Section 7.4. Distributions.

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

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

(ii) Second, to distribution to the Limited Partner of an amount equal to the U.S. federal, state and local income taxes on income of the Partnership allocated to such Limited Partner for such year in respect of such Limited Partner's Capital Commitment Partner Interest (the aggregate amount of any such distribution shall be determined by the General Partner, subject to the limitation that the minimum aggregate amount of such distribution be the tax that would be payable if the taxable income of the Partnership related to all Partners' Capital Commitment Partner Interests were all allocated to an individual subject to the then-prevailing maximum U.S. federal, New York State and New York City tax rates (including, without limitation, the "medicare" tax imposed under Section 1411 of the Code and taking into account the extent to which such taxable income allocated by the Partnership was composed of long-term capital gains and the deductibility of state and local income taxes for U.S. federal income tax purposes)); provided, that additional amounts shall be paid to the Limited Partner pursuant to this clause (ii) to the extent that such amount reduces the amount otherwise distributable to the Limited Partner pursuant to a comparable provision in any other BCE Agreement and there are not sufficient amounts to fully satisfy such provision from the relevant partnership or other entity; provided further, that amounts paid pursuant to the provisions in such other BCE Agreements comparable to the immediately preceding proviso shall reduce those amounts otherwise distributable to the Limited Partner pursuant to provisions in such other BCE Agreements that are comparable to this clause (ii);

(iii) Third, to the payment in full of the principal amount of the Investor Note financing (A) any Capital Commitment Investment disposed of during or prior to such Fiscal Year or (B) any BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such Fiscal Year, to the extent not repaid from Other Sources;

(iv) Fourth, to the return to such Limited Partner of (A) all Capital Commitment-Related Capital Contributions made in respect of the Capital Commitment Interest to which any Capital Commitment Investment disposed of during or prior to such Fiscal Year relates or (B) all capital contributions made to any Blackstone Collateral Entity (other than the Partnership) in respect of interests therein relating to BCE Investments (other than Capital Commitment Investments) disposed of during or prior to such Fiscal Year (including all principal paid on the related Investor Notes), to the extent not repaid from amounts of Other Sources (other than amounts of CC Carried Interest);

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

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

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

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

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

(b) [Intentionally omitted.]

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

(d) [Intentionally omitted.]

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

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

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

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

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

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

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

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

Section 7.6. Disposition Election.

(a) At any time prior to the date of the Partnership's execution of a definitive agreement to dispose of a Capital Commitment Investment, the General Partner may in its sole discretion permit a Partner to retain all or any portion of its pro rata share of such Capital Commitment Investment (as measured by such Partner's Capital Commitment Profit Sharing Percentage in such Capital Commitment Investment). If the General Partner so permits, such Partner shall instruct the General Partner in writing prior to such date (i) not to dispose of all or

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

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

Section 7.7. Capital Commitment Special Distribution Election.

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

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

ARTICLE VIII

WITHDRAWAL; ADMISSION OF NEW PARTNERS

Section 8.1. Limited Partner Withdrawal; Repurchase of Capital Commitment Interests.

(a) Capital Commitment Interests (or a portion thereof) that were financed by Investor Notes will be treated as Non-Contingent for purposes hereof based upon the proportion of (a) the sum of Capital Commitment-Related Capital Contributions not financed by Investor Notes with respect to such Capital Commitment Interest and principal payments on the related Investor Notes to (b) the sum of the Capital Commitment-Related Capital Contributions not financed by Investor Notes with respect to such Capital Commitment Interest, the original principal amount of such Investor Notes and all deferred amounts of interest which from time to time comprise part of the principal amount of such Investor Notes. A Limited Partner may prepay a portion of any outstanding principal on the Investor Notes; provided, that in the event that a Limited Partner prepays all or any portion of the principal amount of the Investor Notes within nine months prior to the date on which such Limited Partner is no longer an employee or

officer of Blackstone, the Partnership (or its designee) shall have the right, in its sole discretion, to purchase the Capital Commitment Interest that became Non-Contingent as a result of such prepayment; provided further, that the purchase price for such Capital Commitment Interest shall be determined in accordance with the determination of the purchase price of a Limited Partner's Contingent Capital Commitment Interests as set forth in paragraph (b) below. Prepayments made by a Limited Partner shall apply pro rata against all of such Limited Partner's Investor Notes; provided, that such Limited Partner may request that such prepayments be applied only to Investor Notes related to BCE Investments that are related to one or more Blackstone Collateral Entities specified by such Limited Partner. Except as expressly provided herein, Capital Commitment Interests that were not financed in any respect with Investor Notes shall be treated as Non-Contingent Capital Commitment Interests.

(b) (i) Upon a Limited Partner ceasing to be an officer or employee of the General Partner or any of its Affiliates, other than as a result of such Limited Partner dying or suffering a Total Disability, such Limited Partner (the "*Withdrawn Partner*") and the General Partner on behalf of the Partnership or any other person designated by the General Partner shall each have the right (exercisable by the Withdrawn Partner within 30 days and by the Partnership or its designee(s) within 45 days after such Limited Partner's ceasing to be such an officer or employee) or any time thereafter, upon 30 days' notice, but not the obligation, to require (subject to the prior consent of the General Partner on behalf of the Partnership, such consent not to be unreasonably withheld or delayed), subject to the Partnership Act, to buy (in the case of exercise of such right by such Withdrawn Partner) or the Withdrawn Partner to sell (in the case of exercise of such right by the Partnership or its designee(s)) all (but not less than all) such Withdrawn Partner's Contingent Capital Commitment Interests.

(ii) The purchase price for each such Contingent Capital Commitment Interest shall be an amount equal to the lesser of (A) the Adjusted Unpaid Principal Amount (as hereinafter defined) with respect to such Contingent Capital Commitment Interest at the date of the purchase of such Contingent Capital Commitment Interest by the Partnership or its designee(s), or (B) the Capital Commitment Value of such Contingent Capital Commitment Interest (determined in good faith by the General Partner as of the most recent valuation prior to the date of the purchase of such Contingent Capital Commitment Interest by the Partnership or its designee(s)).

(iii) The "*Adjusted Unpaid Principal Amount*" with respect to any Contingent Capital Commitment Interest at the date of any such purchase means the sum of (A) the outstanding principal amount of the related Investor Note(s) plus accrued interest thereon to the date of such purchase (such portion of the purchase price to be paid in cash) and (B) an additional amount (the "*Adjustment Amount*") equal to (x) all interest paid by the Limited Partner on the portion of the principal amount of such Investor Note(s) relating to the portion of the related Capital Commitment Interest remaining Contingent and to be repurchased, plus (y) all Capital Commitment Net Losses allocated to the Withdrawn Partner on such Contingent portion of such Capital Commitment Interest, minus (z) all Capital Commitment Net Income allocated to the Withdrawn Partner on such Contingent portion of such Capital Commitment Interest; provided, that, if the Withdrawn Partner was terminated from employment or his or her position as an officer for Cause, all amounts referred to in clause (x) or (y) of the Adjustment Amount,

in the General Partner's sole discretion, may be deemed to equal zero. The Adjustment Amount shall, if positive, be payable by the holders of the purchased Capital Commitment Interests to the Withdrawn Partner from the next Capital Commitment Net Income received by such holders on the Contingent portion of such Withdrawn Partner's Capital Commitment Interests at the time such Capital Commitment Net Income is received. If the Adjustment Amount is negative, it shall be payable to the holders of the purchased Capital Commitment Interest by the Withdrawn Partner (A) from the next Capital Commitment Net Income on the Non-Contingent portion of the Withdrawn Partner's Capital Commitment Interests at the time such Capital Commitment Net Income is received by the Withdrawn Partner, or (B) if the Partnership or its designee(s) elects to purchase such Withdrawn Partner's Non-Contingent Capital Commitment Interests, in cash by the Withdrawn Partner at the time of such purchase; provided, that the General Partner and its Affiliates may offset any amounts otherwise owing to a Withdrawn Partner against any Adjustment Amount owed by such Withdrawn Partner. Until so paid, such remaining Adjustment Amount will not itself bear interest.

(iv) Upon such Limited Partner ceasing to be such an officer or employee of the General Partner or any of its Affiliates, all Investor Notes shall become fully recourse to the Withdrawn Partner in his or her individual capacity (whether or not the Withdrawn Partner or the Partnership or its designee(s) exercises the right to require repurchase of the Withdrawn Partner's Contingent Capital Commitment Interests).

(v) If, at any time, the Withdrawn Partner or the Partnership or its designee(s) exercises the right to require repurchase of such Limited Partner's Contingent Capital Commitment Interests, then, at the time of such repurchase of such Contingent Capital Commitment Interests, the related Investor Note(s) shall become due and payable in full.

(vi) If neither the Withdrawn Partner nor the Partnership or its designee(s) exercises the right to require repurchase of such Contingent Capital Commitment Interests, then the Withdrawn Partner shall retain the Contingent portion of his or her Capital Commitment Interests and the related Investor Note(s) shall remain outstanding, shall become fully recourse to the Withdrawn Partner in his or her individual capacity, shall be payable in accordance with their remaining original maturity schedule(s) and shall be prepayable at any time by the Withdrawn Partner at his or her option (and the General Partner shall apply such prepayments against outstanding Investor Notes on a pro rata basis).

(vii) To the extent that another Partner purchases a portion of a Capital Commitment Interest of a Withdrawn Partner, the purchasing Partner's Capital Commitment Capital Account and Capital Commitment Profit Sharing Percentage for such Capital Commitment Investment shall be correspondingly increased.

(c) Upon the occurrence of a Final Event with respect to any Limited Partner, such Limited Partner shall thereupon cease to be a Partner with respect to such Limited Partner's Capital Commitment Partner Interest. If such a Final Event shall occur, no Successor in Interest to any such Limited Partner shall for any purpose hereof become or be deemed to become a

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

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

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

(f) The General Partner for and on behalf of the Partnership may subsequently transfer any Unallocated Capital Commitment Interest or portion thereof which is purchased by it as described above to any other person approved by the General Partner. In connection with such purchase or transfer or the purchase of a Capital Commitment Interest or portion thereof by the General Partner's designee(s), Blackstone may loan all or a portion of the purchase price of the transferred or purchased Capital Commitment Interest to the Partnership, the transferee or the designee-purchaser(s), as applicable (excluding any of the foregoing who is an executive officer of The Blackstone Group L.P. or any Affiliate thereof). To the extent that a Withdrawn Partner's Capital Commitment Interests (or portions thereof) are repurchased by the General Partner on behalf of the Partnership and not transferred to or purchased by another person, all or any portion of such repurchased Capital Commitment Interests may, in the sole discretion of the General Partner, (i) be allocated to each Partner already participating in the Capital Commitment Investment to which the repurchased Capital Commitment Interest relates, (ii) be allocated to each Partner in the Partnership, whether or not already participating in such Capital Commitment Investment, and/or (iii) continue to be held by the General Partner on behalf of the Partnership as an unallocated Capital Commitment Investment (such Capital Commitment Interests being herein called "*Unallocated Capital Commitment Interests*"). To the extent that a Capital Commitment Interest is allocated to Partners as provided in clause (i) and/or (ii) above, any indebtedness incurred by the Partnership to finance such repurchase shall also be allocated to such Partners. All such Capital Commitment Interests allocated to Limited Partners shall be deemed to be Contingent and shall become Non-Contingent as and to the extent that the principal amount of such related indebtedness is repaid. The Limited Partners receiving such allocations shall be responsible for such related indebtedness only on a nonrecourse basis to the extent provided in this Agreement, except as otherwise provided in this Section 8.1 and except as such Limited Partners and the General Partner shall otherwise agree; provided that such

indebtedness shall become fully recourse to the extent and at the time provided in this Section 8.1. If the indebtedness financing such repurchased interests is not to be nonrecourse or so limited, the Partnership may require an assumption by the Limited Partners of such indebtedness on the terms thereof as a precondition to allocation of the related Capital Commitment Interests to such Limited Partners; provided, that a Limited Partner shall not, except as set forth in his or her Investor Note(s), be obligated to accept any obligation that is personally recourse (except as otherwise provided in this Section 8.1), unless his or her prior written consent is obtained. So long as the General Partner on behalf of the Partnership retains the Unallocated Capital Commitment Interests pursuant to clause (iii) above, such Unallocated Capital Commitment Interests shall belong to the Partnership and any indebtedness financing the Unallocated Capital Commitment Interests shall be an obligation of the Partnership to which all income of the Partnership is subject except as otherwise agreed by the lender of such indebtedness. Any Capital Commitment Net Income (Loss) on an Unallocated Capital Commitment Interest shall be allocated to each Partner in the proportion his or her aggregate Capital Commitment Capital Accounts bear to the aggregate Capital Commitment Capital Accounts of all Partners; debt service on such related financing will be an expense of the Partnership allocable to all Partners in such proportions.

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

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

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

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

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

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

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

Section 8.2. Transfer of Limited Partner's Capital Commitment Interest. Without the prior written consent of the General Partner, no Limited Partner or former Limited Partner shall have the right to sell, assign, mortgage, pledge, grant a security interest over or otherwise dispose of or transfer ("Transfer") all or part of any such Partner's Capital Commitment Partner Interest in the Partnership; provided, that this Section 8.2 shall in no way impair (i) Transfers as permitted in Section 8.1 above and subject to the Partnership Act, in the case of the purchase of a Withdrawn Partner's or deceased or Totally Disabled Limited Partner's Capital Commitment Interests, (ii) with the prior written consent of the General Partner, which shall not be unreasonably withheld, Transfers by a Limited Partner to another Limited Partner of Non-Contingent Capital Commitment Interests, (iii) Transfers with the prior written consent of the General Partner, which consent may be granted or withheld in its sole discretion without giving any reason therefor and (iv) with the prior written consent of the General Partner, which shall not be unreasonably withheld, Transfers, for estate planning purposes, of up to 25% of a Limited Partner's Capital Commitment Partner Interest to an Estate Planning Vehicle (it being understood that it shall not be unreasonable for the General Partner to condition any Transfer of an Interest pursuant to this clause (iv) on the satisfaction of certain conditions and/or requirements imposed by the General Partner in connection with any such Transfer, including, for example, a requirement that any transferee of an Interest hold such Interest as a passive, non-voting interest in the Partnership). Each Estate Planning Vehicle will be a Nonvoting Limited Partner. Such Limited Partner and the Nonvoting Limited Partner shall be jointly and severally

liable for all obligations of both such Limited Partner and such Nonvoting Limited Partner with respect to the interest transferred (including the obligation to make additional Capital Commitment-Related Capital Contributions). The General Partner may at its sole option exercisable at any time require such Estate Planning Vehicle to Withdraw from the Partnership on the terms of Section 8.1 and Article VI. No person acquiring an interest in the Partnership pursuant to this Section 8.2 shall become a Limited Partner of the Partnership, or acquire such Partner's right to participate in the affairs of the Partnership, unless such person shall be admitted as a Limited Partner pursuant to Section 6.1. A Limited Partner shall not cease to be a limited partner of the Partnership upon the collateral assignment of, or the pledging or granting of a security interest in, its entire limited partner interest in the Partnership in accordance with the provisions of this Agreement.

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

## ARTICLE IX

### DISSOLUTION

Section 9.1. Dissolution. The Partnership shall be terminated, wound up and subsequently dissolved pursuant to the Partnership Act:

(a) pursuant to Section 6.6;

(b) upon the expiration of the term of the Partnership; or

(c) upon the occurrence of a Disabling Event or the death, insanity, retirement, bankruptcy, commencement of liquidation proceedings, resignation, insolvency or dissolution with respect to the last remaining General Partner satisfying the requirements of the Partnership Act, provided that the Partnership shall not be dissolved if, within 90 days after such event, the Limited Partners unanimously agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of the above events, of another General Partner satisfying the requirements of the Partnership Act.

Each of the events causing a winding up of the Partnership set forth in clause (a), (b) or (c) of this Section 9.1 is herein called a “ *Winding Up Event*. ”

Section 9.2. Final Distribution.

(a) Subject to the Partnership Act, within 120 calendar days after a Winding Up Event, the assets of the Partnership shall be distributed in accordance with the Partnership Act in the following manner and order and subsequently the General Partner shall file a final notice of dissolution with the Registrar of Exempted Limited Partnerships in the Cayman Islands pursuant to the Partnership Act:

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- (i) to the payment of the expenses of the termination, winding-up and dissolution of the Partnership;
  - (ii) to pay all creditors of the Partnership, other than Partners, either by the payment thereof or the making of reasonable provision therefor;
  - (iii) to establish reserves, in amounts established by the General Partner or the Liquidator, to meet other liabilities of the Partnership; and
  - (iv) to pay, in accordance with the terms agreed among them and otherwise on a *pro rata* basis, all creditors of the Partnership that are Partners, either by the payment thereof or the making of reasonable provision therefor.

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

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

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

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

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

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

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

## ARTICLE X

### MISCELLANEOUS

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

(b) Notwithstanding the provisions of paragraph (a), the General Partner may bring, or may cause the Partnership to bring, on behalf of the General Partner or the Partnership or on behalf of one or more Partners, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Partner (i) expressly consents to the application of paragraph (c) of this Section 10.1 to any such action or proceeding, (ii) agrees that proof shall not be

required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate and (iii) irrevocably appoints the General Partner as such Partner's agent for service of process in connection with any such action or proceeding and agrees that service of process upon any such agent, who shall promptly advise such Partner of any such service of process, shall be deemed in every respect effective service of process upon the Partner in any such action or proceeding.

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

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

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

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

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

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

Section 10.4. Letter Agreements; Schedules. The General Partner may, or may cause the Partnership to, enter or has previously entered, into separate letter agreements with individual Partners, officers or employees with respect to GP-Related Profit Sharing Percentages, Capital Commitment Profit Sharing Percentages, benefits or any other matter, which letter agreements have the effect of establishing rights under, or altering or supplementing, the terms of this Agreement with respect to any such Partner and such matters. The parties hereto agree that any rights established, or any terms of this Agreement altered or supplemented, in any such separate letter agreement, including any Commitment Agreement or SMD Agreement, shall govern solely with respect to such Partner notwithstanding any other provision of this Agreement. The General Partner may from time to time execute and deliver to the Partners Schedules which set forth the then current capital balances, GP-Related Profit Sharing Percentages and Capital Commitment Profit Sharing Percentages of the Partners and any other matters deemed appropriate by the General Partner. Such schedules shall be for information purposes only and shall not be deemed to be part of this Agreement for any purpose whatsoever; provided, that this in no way limits the effectiveness of any Commitment Agreement or SMD Agreement.

Section 10.5. Governing Law. Except as expressly provided in Section 10.1 (subject to applicable law), this Agreement shall be governed by and construed in accordance with the laws of the Cayman Islands, without regard to principles of conflicts of law. In particular, the Partnership is registered as an exempted limited partnership pursuant to the Partnership Act, and the rights, duties and liabilities of the General Partners and Limited Partners (including the Special Limited Partners) shall be as provided therein, except as herein otherwise expressly provided. If any provision of this Agreement shall be held to be invalid, such provision shall be given its meaning to the maximum extent permitted by law and the remainder of this Agreement shall not be affected thereby. Unless the context otherwise requires, any reference to any law, regulation, governmental entity or agency or such survivor concepts shall be with respect to any jurisdiction, whether Cayman Islands, U.S. or otherwise.

Section 10.6. Successors and Assigns; Third Party Beneficiaries. This Agreement shall be binding upon and shall, subject to the penultimate sentence of Section 6.3(a), inure to the benefit of the parties hereto, their respective heirs and personal representatives, and any successor to a trustee of a trust which is or becomes a party hereto; provided, that no person claiming by, through or under a Partner (whether such Partner's heir, personal representative or otherwise), as distinct from such Partner itself, shall have any rights as, or in respect to, a Partner (including the right to approve or vote on any matter or to notice thereof) except the right to receive only those distributions expressly payable to such person pursuant to Article VI and Article VIII. Any Partner or Withdrawn Partner shall remain liable for the obligations under this Agreement (including any Net GP-Related Recontribution Amounts and any Capital Commitment Recontribution Amounts) of any transferee of all or any portion of such Partner's or Withdrawn Partner's interest in the Partnership, unless waived by the General Partner. The Partnership shall, if the General Partner determines, in its good faith judgment, based on the standards set forth in Section 5.8(d)(ii)(A) and Section 7.4(g)(ii)(A), to pursue such transferee, pursue payment (including any Net GP-Related Recontribution Amounts and/or any Capital Commitment Recontribution Amounts) from the transferee with respect to any such obligations. Nothing in this Agreement is intended, nor shall anything herein be construed, to confer any rights, legal or equitable, on any person other than the Partners and their respective legal representatives, heirs, successors and permitted assigns. Notwithstanding the foregoing, and subject to and in accordance with the Contracts (Rights of Third Parties) Law, 2014, solely to the extent required by the BREP Europe V Partnership Agreements, (x) the limited partners in BREP Europe V shall be a third-party beneficiaries of the provisions of Section 5.8(d)(i)(A) and Section 5.8(d)(ii)(A) (and the definitions relating thereto), solely as they relate to any Clawback Amount (for purpose of this sentence, as defined in paragraph 9.2.7(b) of the BREP Europe V Partnership Agreement) and (y) the amendment of the provisions of Section 5.8(d)(i)(A) and Section 5.8(d)(ii)(A) (and the definitions related thereto), solely as they relate to any Clawback Amount (for purpose of this sentence, as defined in in paragraph 9.2.7(b) of the BREP Europe V Partnership Agreement), shall be effective against such limited partners only with a Combined Limited Partner Consent (as such term is used in the BREP Europe V Partnership Agreement). Notwithstanding any other term of this Agreement, the consent of any person who is not a party to this Agreement (including any beneficiary under this Section 10.6) is not required for any variation of, amendment to, or release, rescission or termination of, this Agreement.

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

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Section 10.8. Confidentiality.

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

(b) Nothing in this Agreement shall prohibit or impede any Partner from communicating, cooperating or filing a complaint on possible violations of U.S. federal, state or local law or regulation to or with any governmental agency or regulatory authority (collectively, a “*Governmental Entity*”), including, but not limited to, the SEC, FINRA, EEOC or NLRB, or from making other disclosures to any Governmental Entity that are protected under the whistleblower provisions of U.S. federal, state or local law or regulation, provided that in each case such communications and disclosures are consistent with applicable law. Each Partner understands and acknowledges that (a) an individual shall not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a U.S. federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal, and (b) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order. Moreover, a Partner shall not be required to give prior notice to (or get prior authorization from) Blackstone regarding any such communication or disclosure. Except as otherwise provided in this paragraph or under applicable law, under no circumstance is any Partner authorized to disclose any information covered by Blackstone or its affiliates’ attorney-client privilege or attorney work product or Blackstone’s trade secrets without the prior written consent of Blackstone.

Section 10.9. Notices. Whenever notice is required or permitted by this Agreement to be given, such notice shall be in writing (including teletype or similar writing) and shall be given by hand delivery (including any courier service) or teletype to any Partner at its address or teletype number shown in the books and records of the Partnership or, if given to the General Partner or the Partnership, at the address or teletype number of the Partnership in New York City. Each such notice shall be effective (i) if given by teletype, upon dispatch and (ii) if given by hand delivery, when delivered to the address of such Partner or the General Partner or the Partnership specified as aforesaid. Sections 8 and 19(3) of the Electronic Transactions Law (2003 Revision) of the Cayman Islands shall not apply to this Agreement.

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

Section 10.11. Power of Attorney. Each Partner hereby irrevocably appoints the General Partner as such Partner's true and lawful representative and attorney-in-fact, each acting alone, in such Partner's name, place and stead, to make, execute, sign and file all instruments, documents and certificates which, from time to time, may be required to set forth any amendment to this Agreement or may be required by this Agreement or by the laws of the United States of America, the Cayman Islands, the State of Delaware or any other state or country in which the Partnership shall determine to do business, or any political subdivision or agency thereof, to execute, implement and continue the valid and subsisting existence of the Partnership. Such power of attorney is intended to secure an interest in property and, in addition, the obligation of each relevant Limited Partner under this Agreement and shall survive and continue in full force and effect notwithstanding the subsequent Withdrawal from the Partnership of any Partner for any reason and shall not be affected by the subsequent disability or incapacity of such Partner.

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

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

Section 10.14. Modifications. Except as provided herein, this Agreement may be amended or modified at any time by the General Partner in its sole discretion, upon notification thereof to the Limited Partners.

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Section 10.15. Entire Agreement. This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. Subject to Section 10.4, this Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed and unconditionally delivered this Agreement as a deed on the day and year written above. In the event that it is impracticable to obtain the signature of any one or more of the Partners to this Agreement, this Agreement shall be binding among the other Partners executing the same.

GENERAL PARTNERS:

BLACKSTONE REAL ESTATE ASSOCIATES EUROPE  
(DELAWARE) V L.L.C.

By: /s/ John G. Finley

Name: John G. Finley

Title: Chief Legal Officer and Secretary

Witnessed by: /s/ Margaret Rudick

Name: Margaret Rudick

BLACKSTONE REAL ESTATE EUROPE (CAYMAN) V  
LTD.

By: Blackstone Real Estate Holdings Director L.L.C., its director

By: /s/ John G. Finley

Name: John G. Finley

Title: Chief Legal Officer

Witnessed by: /s/ Margaret Rudick

Name: Margaret Rudick

[Blackstone Real Estate Associates Europe V L.P. LPA]

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LIMITED PARTNERS:

Limited Partners now and hereafter admitted pursuant to powers of attorney granted to Blackstone Real Estate Associates Europe (Delaware) V L.L.C. pursuant to powers of attorney executed by such Limited Partners

By: BLACKSTONE REAL ESTATE ASSOCIATES EUROPE (DELAWARE) V L.L.C., as Attorney

By: /s/ John G. Finley

Name: John G. Finley

Title: Chief Legal Officer and Secretary

Witnessed by: /s/ Margaret Rudick

Name: Margaret Rudick

[Blackstone Real Estate Associates Europe V L.P. LPA]

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INITIAL LIMITED PARTNER:

MAPCAL LIMITED,

As Initial Limited Partner, solely to reflect its Withdrawal from  
the Partnership

By: /s/ David Marshall

Name: David Marshall

Title: Authorized Signatory

Witnessed by: /s/ Juliette Forrester

Name: Juliette Forrester

[Blackstone Real Estate Associates Europe V L.P. LPA]

## CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Stephen A. Schwarzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 of The Blackstone Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2017

/s/ Stephen A. Schwarzman

Stephen A. Schwarzman

Chief Executive Officer

of Blackstone Group Management L.L.C.

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Michael S. Chae, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 of The Blackstone Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2017

/s/ Michael S. Chae

Michael S. Chae  
Chief Financial Officer  
of Blackstone Group Management L.L.C.

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

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen A. Schwarzman, Chief Executive Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: May 9, 2017

/s/ Stephen A. Schwarzman

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Stephen A. Schwarzman

Chief Executive Officer

of Blackstone Group Management L.L.C.

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

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

In connection with the Quarterly Report of The Blackstone Group L.P. (the "Partnership") on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael S. Chae, Chief Financial Officer of Blackstone Group Management L.L.C., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: May 9, 2017

/s/ Michael S. Chae

\_\_\_\_\_  
Michael S. Chae  
Chief Financial Officer  
of Blackstone Group Management L.L.C.

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