Blackstone Group L.P.
Form 10-Q
November 05, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015**

OR

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

Commission File Number: 001-33551

The Blackstone Group L.P.

(Exact name of Registrant as specified in its charter)

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

345 Park Avenue

New York, New York 10154

(Address of principal executive offices)(Zip Code)

(212) 583-5000

(Registrant s telephone number, including area code)

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

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

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

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

The number of the Registrant s voting common units representing limited partner interests outstanding as of October 30, 2015 was 558,440,339. The number of the Registrant s non-voting common units representing limited partner interests outstanding as of October 30, 2015 was 59,083,468.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as outlook, indicator, believes, expects, potential, continues, will, should, seeks, approximately, predicts, intends, plans, estimates, anticipates or the negative version of these words or other 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, 2014 and in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (SEC), which are accessible on the SEC s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. 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), Facebook page (www.facebook.com/blackstone), Twitter (www.twitter.com/blackstone), LinkedIn (www.linkedin.com/company/the-blackstone-group), Instagram (instagram.com/Blackstone) and YouTube (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 ir.blackstone.com and the Alerts & Subscriptions page under News & Views at www.blackstone.com. The contents of our website, any alerts and social media channels are not, however, a part of this report.

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) and collateralized debt obligation (CDO) vehicles, 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 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. Blackstone s Private Equity segment comprises its management of corporate private equity funds (including our sector and regional focused funds), which we refer to collectively as our Blackstone Capital Partners (BCP) funds, certain multi-asset class investment funds which we refer to collectively as our Blackstone Tactical Opportunities Accounts (Tactical Opportunities), and Strategic Partners Fund Solutions (Strategic Partners), a secondary private fund of funds business. We refer to our real estate opportunistic funds as our Blackstone Real Estate Partners (BREP) funds and our real estate debt investment funds as our Blackstone Real Estate Debt Strategies (BREDS) funds. We refer to our core+ real estate funds which invest with a more modest risk profile and lower leverage as Blackstone Property Partners (BPP) funds. We refer to our listed real estate investment trusts as REITs . 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.

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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,

(b) the net asset value of our funds of hedge funds, hedge funds and certain registered investment companies,

(c) the invested capital or fair value of assets we manage pursuant to separately managed accounts,

(d) the amount of debt and equity outstanding for our CLOs and CDOs during the reinvestment period,

(e) the aggregate par amount of collateral assets, including principal cash, for our CLOs and CDOs after the reinvestment period,

(f) the gross amount of assets (including leverage) for certain of our credit-focused registered investment companies, and

(g) the fair value of common stock, preferred stock, convertible debt, or similar instruments issued by our public REIT.

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

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

(a) for our Private Equity segment funds and 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 of co-investments managed by us on which we receive fees,

(d) the net asset value of our funds of hedge funds, hedge funds and certain registered investment companies,

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

(f) the net proceeds received from equity offerings and accumulated core earnings of our REITs, subject to certain adjustments,

(g) the aggregate par amount of collateral assets, including principal cash, of our CLOs and CDOs, and

(h) the gross amount of assets (including leverage) for certain of our credit-focused registered investment companies.

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

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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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Financial Condition (Unaudited)

(Dollars in Thousands, Except Unit Data)

	September 30, 2015	December 31, 2014
Assets		
Cash and Cash Equivalents	$ 1,380,404	$ 1,412,472
Cash Held by Blackstone Funds and Other	854,417	1,808,092
Investments (including assets pledged of $65,493 and $45,764 at September 30, 2015 and December 31, 2014, respectively)	15,298,755	22,765,589
Accounts Receivable	879,262	559,321
Reverse Repurchase Agreements	85,282	
Due from Affiliates	1,210,658	1,128,408
Intangible Assets, Net	380,303	458,833
Goodwill	1,787,392	1,787,392
Other Assets	369,081	324,760
Deferred Tax Assets	1,373,149	1,252,230
Total Assets	$ 23,618,703	$ 31,497,097
Liabilities and Partners Capital		
Loans Payable	$ 6,158,702	$ 8,923,841
Due to Affiliates	1,387,170	1,490,088
Accrued Compensation and Benefits	2,364,880	2,439,257
Securities Sold, Not Yet Purchased	173,707	85,878
Repurchase Agreements	42,102	29,907
Accounts Payable, Accrued Expenses and Other Liabilities	821,871	1,194,579
Total Liabilities	10,948,432	14,163,550
Commitments and Contingencies		
Redeemable Non-Controlling Interests in Consolidated Entities	183,161	2,441,854
Partners Capital		
The Blackstone Group L.P. Partners Capital		
Partners Capital (common units: 621,979,987 issued and outstanding as of September 30, 2015; 595,624,855 issued and outstanding as of December 31, 2014)	6,566,990	6,999,830
Appropriated Partners Capital		81,301
Accumulated Other Comprehensive Loss	(49,890)	(20,864)
Total The Blackstone Group L.P. Partners Capital	6,517,100	7,060,267
Non-Controlling Interests in Consolidated Entities	2,369,183	3,415,356
Non-Controlling Interests in Blackstone Holdings	3,600,827	4,416,070
Total Partners Capital	12,487,110	14,891,693

Total Liabilities and Partners Capital	$ 23,618,703	$ 31,497,097

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See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Financial Condition (Unaudited)

(Dollars in Thousands)

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

	September 30, 2015	December 31, 2014
Assets		
Cash Held by Blackstone Funds and Other	$ 481,251	$ 1,325,094
Investments	4,711,500	7,759,322
Accounts Receivable	186,005	131,996
Due from Affiliates	37,169	65,124
Other Assets	9,646	48,441
Total Assets	$ 5,425,571	$ 9,329,977
Liabilities		
Loans Payable	$ 3,350,923	$ 6,787,100
Due to Affiliates	78,226	182,107
Accounts Payable, Accrued Expenses and Other	428,401	697,149
Total Liabilities	$ 3,857,550	$ 7,666,356

See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in Thousands, Except Unit and Per Unit Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Management and Advisory Fees, Net	$ 703,596	$ 640,949	$ 1,894,496	$ 1,833,632
Performance Fees				
Realized				
Carried Interest	435,189	638,676	2,580,266	1,613,958
Incentive Fees	33,455	35,445	110,775	118,743
Unrealized				
Carried Interest	(1,055,920)	222,105	(1,124,010)	1,213,181
Incentive Fees	(50,832)	(6,163)	36,274	112,709
Total Performance Fees	(638,108)	890,063	1,603,305	3,058,591
Investment Income (Loss)				
Realized	99,952	91,142	445,705	459,878
Unrealized	(179,298)	38,445	(262,024)	62,754
Total Investment Income (Loss)	(79,346)	129,587	183,681	522,632
Interest and Dividend Revenue	26,244	18,107	70,129	47,516
Other	(813)	720	(2,478)	1,583
Total Revenues	11,573	1,679,426	3,749,133	5,463,954
Expenses				
Compensation and Benefits				
Compensation	393,655	525,093	1,426,233	1,511,085
Performance Fee Compensation				
Realized				
Carried Interest	97,798	186,003	628,079	595,702
Incentive Fees	15,062	19,029	49,126	61,173
Unrealized				
Carried Interest	(228,697)	164,132	(204,876)	319,158
Incentive Fees	(14,641)	(9,002)	16,450	39,221
Total Compensation and Benefits	263,177	885,255	1,915,012	2,526,339
General, Administrative and Other	158,664	128,015	436,496	400,061
Interest Expense	36,860	31,615	105,644	86,129
Fund Expenses	18,296	10,253	76,845	20,241
Total Expenses	476,997	1,055,138	2,533,997	3,032,770
Other Income (Loss)				
Net Gains (Losses) from Fund Investment Activities	(16,867)	8,682	158,703	217,422
Income (Loss) Before Provision for Taxes	(482,291)	632,970	1,373,839	2,648,606
Provision for Taxes	1,573	79,108	144,168	216,487

Net Income (Loss)	(483,864)	553,862	1,229,671	2,432,119
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(12,520)	(23,328)	8,787	44,950
Net Income Attributable to Non-Controlling Interests in Consolidated Entities	30,671	55,491	179,183	239,513
Net Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(247,318)	271,194	532,782	1,114,518
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (254,697)	$ 250,505	$ 508,919	$ 1,033,138
Distributions Declared Per Common Unit	$ 0.74	$ 0.55	$ 2.41	$ 1.48
Net Income (Loss) Per Common Unit				
Common Units, Basic	$ (0.40)	$ 0.41	$ 0.81	$ 1.70
Common Units, Diluted	$ (0.40)	$ 0.41	$ 0.80	$ 1.69
Weighted-Average Common Units Outstanding				
Common Units, Basic	638,832,799	611,684,213	632,046,646	606,671,289
Common Units, Diluted	638,832,799	614,978,870	635,439,828	610,221,301
Revenues Earned from Affiliates				
Management and Advisory Fees, Net	$ 48,200	$ 107,615	$ 125,143	$ 262,990

See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income (Loss)	$ (483,864)	$ 553,862	$ 1,229,671	$ 2,432,119
Other Comprehensive Loss, Net of Tax Currency Translation Adjustment	(13,413)	(21,663)	(46,325)	(23,393)
Comprehensive Income (Loss)	(497,277)	532,199	1,183,346	2,408,726
Less				
Comprehensive Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(12,520)	(23,328)	8,787	44,950
Comprehensive Income Attributable to Non-Controlling Interests in Consolidated Entities	31,026	48,984	161,884	228,993
Comprehensive Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(247,318)	271,194	532,782	1,114,518
Comprehensive Income (Loss) Attributable to The Blackstone Group L.P.	$ (268,465)	$ 235,349	$ 479,893	$ 1,020,265

See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Changes in Partners Capital (Unaudited)

(Dollars in Thousands, Except Unit Data)

	The Blackstone Group L.P.								
	Common Units	Partners Capital	Appro-priated Partners Capital	Accumulated Other Compre-hensive Income (Loss)	Total	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Blackstone Holdings	Total Partners Capital	Redeemable Non-Controlling Interests in Consolidated Entities
Balance at December 31, 2014	595,624,855	$ 6,999,830	$ 81,301	$ (20,864)	$ 7,060,267	$ 3,415,356	$ 4,416,070	$ 14,891,693	$ 2,441,854
Deconsolidation of CLOs and Funds on Adoption of ASU 2015-02			(90,928)		(90,928)	(1,002,728)		(1,093,656)	(2,258,289)
Adjustment to Appropriated Partners Capital on Adoption of ASU 2014-13			9,627		9,627			9,627	
Net Income		508,919			508,919	179,183	532,782	1,220,884	8,787
Currency Translation Adjustment				(29,026)	(29,026)	(39,191)		(68,217)	
Capital Contributions						294,661		294,661	2,354
Capital Distributions		(1,502,479)			(1,502,479)	(473,454)	(1,415,625)	(3,391,558)	(11,545)
Transfer of Non-Controlling Interests in Consolidated Entities						(4,644)		(4,644)	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non-Controlling Interest Holders		22,049			22,049			22,049	
Equity-Based Compensation		315,643			315,643		279,910	595,553	
Net Delivery of Vested Blackstone Holdings Partnership Units and Blackstone Common Units	12,048,073	(55,860)			(55,860)		(1,903)	(57,763)	
Excess Tax Benefits Related to Equity-Based Compensation, Net		68,481			68,481			68,481	
Change in The Blackstone Group L.P. s Ownership Interest		93,847			93,847		(93,847)		
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	14,307,059	116,560			116,560		(116,560)		
Balance at September 30, 2015	621,979,987	$ 6,566,990	$	$ (49,890)	$ 6,517,100	$ 2,369,183	$ 3,600,827	$ 12,487,110	$ 183,161

continued

See notes to condensed consolidated financial statements

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THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Changes in Partners Capital (Unaudited)

(Dollars in Thousands, Except Unit Data)

	The Blackstone Group L.P.								
	Common Units	Partners Capital	Appro-priated Partners Capital	Accumulated Other Compre-hensive Income (Loss)	Total	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Blackstone Holdings	Total Partners Capital	Redeemable Non-Controlling Interests in Consolidated Entities
Balance at December 31, 2013	572,592,279	$ 6,002,592	$ 300,708	$ 3,466	$ 6,306,766	$ 2,464,047	$ 3,656,416	$ 12,427,229	$ 1,950,442
Transition and Acquisition Adjustments Relating to Consolidation of CLO Entities			8,398		8,398			8,398	
Consolidation of Fund Entity						323,158		323,158	30,922
Net Income		1,033,138			1,033,138	239,513	1,114,518	2,387,169	44,950
Allocation of Losses of Consolidated CLO Entities			(92,020)		(92,020)	92,020			
Currency Translation Adjustment				(12,873)	(12,873)	(10,520)		(23,393)	
Allocation of Currency Translation Adjustment of Consolidated CLO Entities			(10,520)		(10,520)	10,520			
Reclassification of Currency Translation Adjustment Due to Deconsolidation of CLO Entities		611			611			611	
Capital Contributions						400,602		400,602	769,548
Capital Distributions		(881,651)			(881,651)	(357,610)	(898,716)	(2,137,977)	(352,383)
Transfer of Non-Controlling Interests in Consolidated Entities						(3,465)		(3,465)	
Purchase of Interests from Certain Non-Controlling Interest Holders		(6)			(6)			(6)	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non-Controlling Interest Holders		19,310			19,310			19,310	
Equity-Based Compensation		333,656			333,656		307,474	641,130	
Relinquished with Deconsolidation and Liquidation of Partnership			(82,488)		(82,488)	(82)		(82,570)	
Net Delivery of Vested Blackstone Holdings Partnership Units and Blackstone Common Units	6,353,748	(33,076)			(33,076)		(783)	(33,859)	
Excess Tax Benefits Related to Equity-Based Compensation, Net		21,371			21,371			21,371	
Change in The Blackstone Group L.P. s Ownership Interest		3,168			3,168		(3,168)		
	12,810,910	88,946			88,946		(88,946)		

Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units									
Balance at September 30, 2014	591,756,937	$ 6,588,059	$ 124,078	$ (9,407)	$ 6,702,730	$ 3,158,183	$ 4,086,795	$ 13,947,708	$ 2,443,479

See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

	Nine Months Ended September 30,	
	2015	**2014**
Operating Activities		
Net Income	$ 1,229,671	$ 2,432,119
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Blackstone Funds Related		
Unrealized (Appreciation) Depreciation on Investments Allocable to Non-Controlling Interests in Consolidated Entities	258,201	(434,899)
Net Realized Gains on Investments	(3,280,963)	(2,241,242)
Changes in Unrealized Losses on Investments Allocable to The Blackstone Group L.P.	251,411	12,765
Non-Cash Performance Fees	940,745	(936,097)
Non-Cash Performance Fee Compensation	483,795	1,015,254
Equity-Based Compensation Expense	561,454	584,353
Excess Tax Benefits Related to Equity-Based Compensation	(68,481)	(19,320)
Amortization of Intangibles	77,947	76,909
Other Non-Cash Amounts Included in Net Income	147,636	125,602
Cash Flows Due to Changes in Operating Assets and Liabilities		
Cash Held by Blackstone Funds and Other	953,674	(108,284)
Cash Relinquished in Deconsolidation and Liquidation of Partnership	(442,370)	(470,523)
Accounts Receivable	(246,076)	100,161
Reverse Repurchase Agreements	(85,282)	55,446
Due from Affiliates	(65,367)	263,731
Other Assets	(87,839)	(96,815)
Accrued Compensation and Benefits	(514,677)	(428,574)
Securities Sold, Not Yet Purchased	90,875	(38,793)
Accounts Payable, Accrued Expenses and Other Liabilities	(473,431)	(72,861)
Repurchase Agreements	12,186	(233,029)
Due to Affiliates	(98,156)	11,403
Treasury Cash Management Strategies		
Investments Purchased	(3,106,152)	(2,700,900)
Cash Proceeds from Sale of Investments	2,671,905	2,211,242
Blackstone Funds Related		
Investments Purchased	(3,263,923)	(5,236,260)
Cash Proceeds from Sale or Pay Down of Investments	5,436,696	8,196,265
Net Cash Provided by Operating Activities	1,383,479	2,067,653
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(58,879)	(21,386)
Changes in Restricted Cash	5,843	5,845
Net Cash Used in Investing Activities	(53,036)	(15,541)

continued

See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Cash Flows (Unaudited) Continued

(Dollars in Thousands)

	Nine Months Ended September 30,	
	2015	**2014**
Financing Activities		
Distributions to Non-Controlling Interest Holders in Consolidated Entities	$ (484,965)	$ (656,034)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	291,609	1,116,670
Purchase of Interests from Certain Non-Controlling Interest Holders		(6)
Payments Under Tax Receivable Agreement	(82,830)	(86,733)
Net Settlement of Vested Common Units and Repurchase of Common and Blackstone Holdings Partnership Units	(57,763)	(33,858)
Excess Tax Benefits Related to Equity-Based Compensation	68,481	19,320
Proceeds from Loans Payable	675,831	491,252
Repayment and Repurchase of Loans Payable	(3,657)	(8,870)
Distributions to Unitholders	(2,918,104)	(1,780,367)
Blackstone Funds Related		
Proceeds from Loans Payable	1,325,299	567,635
Repayment of Loans Payable	(175,696)	(1,569,528)
Net Cash Used in Financing Activities	(1,361,795)	(1,940,519)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(716)	(72)
Net Increase (Decrease) in Cash and Cash Equivalents	(32,068)	111,521
Cash and Cash Equivalents, Beginning of Period	1,412,472	831,998
Cash and Cash Equivalents, End of Period	$ 1,380,404	$ 943,519
Supplemental Disclosure of Cash Flows Information		
Payments for Interest	$ 112,340	$ 98,931
Payments for Income Taxes	$ 111,891	$ 207,536
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Non-Cash Contributions from Non-Controlling Interest Holders	$ 1,051	$ 50,183
Non-Cash Distributions to Non-Controlling Interest Holders	$ (34)	$ (53,959)
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	$ (291)	$ 13,533
Net Assets Related to the Consolidation of CLO Vehicles	$	$ 8,398
Net Assets Related to the Consolidation of Certain Fund Entities	$	$ 354,080
Notes Issuance Costs	$ 5,269	$ 4,375
Transfer of Interests to Non-Controlling Interest Holders	$ (4,644)	$ (3,465)

Change in The Blackstone Group L.P. s Ownership Interest	$ 93,847	$ 3,168
Net Settlement of Vested Common Units	$ 135,133	$ 64,295
Conversion of Blackstone Holdings Partnership Units to Common Units	$ 116,560	$ 88,946
Acquisition of Ownership Interests from Non-Controlling Interest Holders Deferred Tax Asset	$ (140,110)	$ (88,479)
Due to Affiliates	$ 118,061	$ 69,169
Partners Capital	$ 22,049	$ 19,310

See notes to condensed consolidated financial statements.

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THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements

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

1. ORGANIZATION

The Blackstone Group L.P., together with its subsidiaries (Blackstone or the Partnership), is a leading global manager of private capital and provider of financial advisory services. The alternative asset management business includes the management of private equity funds, real estate funds, real estate investment trusts (REITs), funds of hedge funds, hedge funds, credit-focused funds, collateralized loan obligation (CLO) vehicles, collateralized debt obligation (CDO) vehicles, separately managed accounts and registered investment companies (collectively referred to as the Blackstone Funds). Blackstone has also historically provided various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Blackstone s business is organized into five segments: private equity, real estate, hedge fund solutions, credit and financial advisory.

The Partnership was formed as a Delaware limited partnership on March 12, 2007. The Partnership is managed and operated by its general partner, Blackstone Group Management L.L.C., which is in turn wholly owned and controlled by one of Blackstone s founders, Stephen A. Schwarzman (the Founder), and Blackstone s other senior managing directors. The activities of the Partnership are conducted through its holding partnerships: Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P. and Blackstone Holdings IV L.P. (collectively, Blackstone Holdings , Blackstone Holdings Partnerships or the Holding Partnerships). 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 four 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 in each of the four Holding Partnerships for one Blackstone common unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission.

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

All intercompany balances and transactions have been eliminated in consolidation.

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

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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)

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

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

Fair Value of Financial Instruments

GAAP establishes a 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

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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)

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. Upon adoption of the new CLO measurement guidance adopted as of January 1, 2015, senior and subordinate 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. For periods prior to the adoption of new CLO measurement guidance, senior and subordinate notes issued by CLO vehicles are classified within Level III of the fair value hierarchy.

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, those held within Blackstone s Treasury Cash Management Strategies and debt securities sold, not yet purchased and interests in investment funds. 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 and Derivative Instruments Designated as Fair Value Hedges are valued using contractual cash flows and observable inputs comprising yield curves, foreign currency rates and credit spreads.

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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)

Upon adoption of the new CLO measurement guidance adopted as of January 1, 2015, 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 cap 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. In some instances, Blackstone may utilize other valuation techniques, including the discounted cash flow method or a market approach.

Credit-Focused Liabilities Credit-focused liabilities comprise senior and subordinate loans issued by Blackstone s consolidated CLO vehicles. Such liabilities have historically been valued using a discounted cash flow method. On the adoption of new accounting guidance as of January 1, 2015 and the application of a permitted measurement alternative, such liabilities are valued based on the more observable fair value of related assets held by CLO vehicles less (a) the fair value of any beneficial interests held by Blackstone and (b) the carrying value of any beneficial interest that represent compensation for services.

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Level III Valuation Process

Investments classified within Level III of the fair value hierarchy are valued on a quarterly basis, taking into consideration 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 that is chaired by Blackstone s Vice Chairman and includes senior heads of each of Blackstone s businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone s investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee. 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 (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 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

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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 adjustment 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 to the Condensed Consolidated Financial Statements.

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.

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.

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Reverse Repurchase and 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 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

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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 are recorded within Investments and freestanding derivative liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

The 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.

Distributions

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

Recent Accounting Developments

In June 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

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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.

The amended guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those annual periods. The guidance may have a material impact on Blackstone s consolidated financial statements if it is determined that both performance fees and carried interest are forms of variable consideration that may not be included in the transaction price. This may significantly delay the recognition of carried interest income and performance fees.

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.

In June 2014, the FASB issued amended guidance on transfers and servicing. Under the amended guidance, repurchase transactions previously accounted for as sales should be accounted for as secured borrowings. There are additional disclosures relating to repurchase agreements, secured lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings including a disaggregation of the gross obligations by the class of collateral pledged, the remaining contractual tenor of the agreements and a discussion of the potential risks associated with the agreements and the related collateral pledged.

The accounting guidance is effective for the first interim or annual period beginning after December 15, 2014. Adoption did not have a material impact on Blackstone s financial statements. The amended disclosure guidance is effective for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The amended disclosure requirements are presented in Note 10. Reverse Repurchase and Repurchase Agreements . Adoption did not have a material impact on Blackstone s financial statements.

In August 2014, the FASB issued amended guidance on the measurement of financial assets and financial liabilities of a consolidated collateralized financing entity. Under the amended guidance, a reporting entity that consolidates a collateralized financing entity may elect to measure the financial assets and the financial liabilities using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. When this measurement alternative is elected, a reporting entity s consolidated net income (loss) should reflect the reporting entity s own economic interest in the collateralized financing entity, including (a) changes in the fair value of the beneficial interests retained by the reporting entity and (b) beneficial interests that represent compensation for services. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted as of the beginning of the annual period. The Partnership adopted the amended guidance for the quarter ended June 30, 2015 and applied a modified retrospective approach as

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of January 1, 2015. As a result, prior periods have not been impacted. The guidance impacted the measurement of the financial liabilities of Blackstone s consolidated CLOs. Adoption did not have a material impact on Blackstone s financial statements.

In February 2015, the FASB issued amended guidance on consolidation. The amended guidance modifies the analysis that companies must perform in order to determine whether a legal entity should be consolidated. The amended guidance simplifies current consolidation rules by (a) reducing the number of consolidation models, (b) eliminating the risk that a reporting entity may have to consolidate a legal entity solely based on a fee arrangement with another legal entity, (c) placing more weight on the risk of loss in order to identify the party that has a controlling financial interest, (d) reducing the number of instances that related party guidance needs to be applied when determining the party that has a controlling financial interest, and changing rules for companies in certain industries that ordinarily employ limited partnership or VIE structures. The amended guidance is effective for public entities for interim and annual periods beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. The Partnership adopted the guidance for the quarter ended June 30, 2015 and applied a modified retrospective approach as of January 1, 2015. As a result, prior periods have not been impacted. As a result of adoption, certain Blackstone Funds were deconsolidated as of January 1, 2015 resulting in a reduction in consolidated assets and liabilities as of January 1, 2015 of $8.0 billion and $4.7 billion, respectively. The impact of adoption on Redeemable Non-Controlling Interests in Consolidated Entities, Appropriated Partners Capital, and Non-Controlling Interests in Consolidated Entities as of January 1, 2015 was a reduction of $2.3 billion, $90.9 million and $1.0 billion, respectively. Adoption of the amended guidance had no impact on Net Income Attributable to The Blackstone Group L.P.

In April 2015, the FASB issued amended guidance to simplify the presentation of debt issuance costs. The amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an Other Asset, consistent with debt discounts. The amendments are effective for fiscal years beginning after December 15, 2015 and interim periods within those years. Early adoption is permitted for financial statements that have not previously been issued. The Partnership adopted the guidance as of June 30, 2015 and applied the guidance retrospectively. Adoption of the amended guidance did not have a material impact on Blackstone s financial statements.

In August 2015, the FASB issued clarifying guidance on the presentation and subsequent measurement of debt issuance costs associated with the line of credit arrangements. An entity may defer and present debt issuance costs as assets and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The guidance is effective immediately. The guidance did not have a material impact on Blackstone s consolidated financial statements.

In May 2015, the FASB issued amended guidance on the disclosures for investments in certain entities that calculate NAV per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient.

The guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those years. Early application is permitted. Blackstone adopted the guidance for the quarter ended June 30, 2015 and applied the guidance retrospectively. Adoption of the guidance did not have a material impact on Blackstone s financial statements.

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3. INTANGIBLE ASSETS

Intangible Assets, Net consists of the following:

	September 30, 2015	December 31, 2014
Finite-Lived Intangible Assets/Contractual Rights	$ 1,464,017	$ 1,464,017
Accumulated Amortization	(1,083,714)	(1,005,184)
Intangible Assets, Net	$ 380,303	$ 458,833

Amortization expense associated with Blackstone s intangible assets was $29.5 million and $77.9 million for the three and nine month periods ended September 30, 2015, respectively, and $25.1 million and $76.9 million for the three and nine month periods ended September 30, 2014, respectively.

Amortization of Intangible Assets held at September 30, 2015 is expected to be $95.6 million, $85.6 million, $46.5 million, $46.5 million, and $46.4 million for each of the years ending December 31, 2015, 2016, 2017, 2018, and 2019, respectively. Blackstone s intangible assets as of September 30, 2015 are expected to amortize over a weighted-average period of 6.5 years.

4. INVESTMENTS

Investments consists of the following:

	September 30, 2015	December 31, 2014
Investments of Consolidated Blackstone Funds	$ 4,743,145	$ 11,375,407
Equity Method Investments	3,017,850	3,240,825
Blackstone s Treasury Cash Management Strategies	2,158,590	1,666,061
Performance Fees	5,220,114	6,337,045
Other Investments	159,056	146,251
	$ 15,298,755	$ 22,765,589

Blackstone s share of Investments of Consolidated Blackstone Funds totaled $454.4 million and $704.9 million at September 30, 2015 and December 31, 2014, 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 (Loss) Net Gains from Fund Investment Activities in the Condensed Consolidated Statements of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized Gains	$ 51,150	$ 32,427	$ 178,662	$ 66,366
Net Change in Unrealized Losses	(102,340)	(71,525)	(100,597)	(30,406)
Realized and Net Change in Unrealized Gains (Losses) from Consolidated Blackstone Funds	(51,190)	(39,098)	78,065	35,960
Interest and Dividend Revenue Attributable to Consolidated Blackstone Funds	34,323	47,780	80,638	181,462
Other Income (Loss) Net Gains (Losses) from Fund Investment Activities	$ (16,867)	$ 8,682	$ 158,703	$ 217,422

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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 nine months ended September 30, 2015 and 2014, no individual equity method investment held by Blackstone met the significance criteria. As such, Blackstone is not required to present summarized financial information for any of its equity method investments.

The Partnership recognized net gains (losses) related to its equity method investments of $(89.7) million and $97.1 million for the three months ended September 30, 2015 and 2014, respectively. The Partnership recognized net gains related to its equity method investments of $91.9 million and $330.1 million for the nine months ended September 30, 2015 and 2014, respectively.

Blackstone s Treasury Cash Management Strategies

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized Gains (Losses)	$ (3,003)	$ 2,142	$ (6,606)	$ 6,307
Net Change in Unrealized Gains (Losses)	(8,984)	(14,541)	(12,922)	1,551
	$ (11,987)	$ (12,399)	$ (19,528)	$ 7,858

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, 2014	$ 2,215,584	$ 3,721,751	$ 15,031	$ 384,679	$ 6,337,045
Performance Fees Allocated as a Result of Changes in Fund Fair Values	595,918	882,083	29,019	9,574	1,516,594
Foreign Exchange Loss		(20,321)			(20,321)
Fund Distributions	(1,164,109)	(1,334,908)	(12,526)	(101,661)	(2,613,204)
Performance Fees, September 30, 2015	$ 1,647,393	$ 3,248,605	$ 31,524	$ 292,592	$ 5,220,114

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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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized Gains (Losses)	$ 1,282	$ (460)	$ 1,274	$ 5,152
Net Change in Unrealized Gains (Losses)	(2,779)	239	(3,233)	(6,252)
	$ (1,497)	$ (221)	$ (1,959)	$ (1,100)

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 September 30, 2015 is presented below:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Instruments	$ 95,927	$	(a)	(a)
Credit Driven	271,999		(b)	(b)
Event Driven	60,296		(c)	(c)
Equity	244		(d)	(d)
Commodities	2,454		(e)	(e)
	$ 430,920	$		

(a) Diversified Instruments include investments in funds that invest across multiple strategies. Investments representing 15% 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 85% 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 34% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date. Investments representing 62% of the fair value of the investments in this category are redeemable as of the reporting date. Investments representing 4% of the total fair value in the credit driven category are subject to redemption restrictions such as the investee fund manager s ability to limit the amount of redemptions.

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

(d) The Equity category includes investments in hedge funds that invest primarily in domestic and international equity securities. Withdrawals are generally not permitted for the investments in this category. Distributions will be received as the underlying investments are liquidated.

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

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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 (Loss), Net of Tax Currency Translation Adjustment. For the three months ended September 30, 2015 the resulting loss was $0.1 million. For the nine months ended September 30, 2015, the resulting gain was $5.2 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.

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

	September 30, 2015				December 31, 2014			
	Assets		Liabilities		Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Net Investment Hedges								
Foreign Currency Contracts	$ 140	$	$ 56,008	$ 244	$ 62,078	$ 523	$	$
Freestanding Derivatives								
Blackstone Other Interest Rate Contracts	1,510,139	1,260	1,557,240	11,834	223,886	407	879,412	4,590
Foreign Currency Contracts	181,335	2,443	210,855	1,849	192,163	2,798	148,873	681
Credit Default Swaps			74,000	6,413	19,500	85	56,000	868
Investments of Consolidated Blackstone Funds								
Foreign Currency Contracts	97,169	2,345	107,632	5,975	199,364	8,915	250,244	21,875
Interest Rate Contracts					22,659	2,281		
Credit Default Swaps			87,088	4,454			91,372	2,514
	1,788,643	6,048	2,036,815	30,525	657,572	14,486	1,425,901	30,528
Total	$ 1,788,783	$ 6,048	$ 2,092,823	$ 30,769	$ 719,650	$ 15,009	$ 1,425,901	$ 30,528

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Investment Hedges Foreign Currency Contracts				
Hedge Ineffectiveness	$	$	$ 229	$
Freestanding Derivatives				
Realized Gains (Losses)				
Interest Rate Contracts	$ (2,076)	$ 2,482	$ (7,169)	$ 1,079
Foreign Currency Contracts	53	4,327	8,956	1,346
Credit Default Swaps	646	763	4,427	2,045
Total	$ (1,377)	$ 7,572	$ 6,214	$ 4,470
Freestanding Derivatives				
Net Change in Unrealized Gains (Losses)				
Interest Rate Contracts	$ (7,282)	$ (111)	$ (3,321)	$ (4,384)
Foreign Currency Contracts	1,796	(5,253)	(6,449)	(27,197)

Credit Default Swaps	(3,319)	(1,060)	(8,710)	3,738
Total	$ (8,805)	$ (6,424)	$ (18,480)	$ (27,843)

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As of September 30, 2015 and December 31, 2014, the Partnership had not designated any derivatives as cash flow hedges.

7. FAIR VALUE OPTION

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

	September 30, 2015	December 31, 2014
Assets		
Loans and Receivables	$ 179,255	$ 40,397
Equity and Preferred Securities	271,905	102,907
Debt Securities	15,260	
Assets of Consolidated CLO Vehicles		
Corporate Loans	3,194,584	6,279,592
Corporate Bonds	351,674	292,690
Other		44,513
	$ 4,012,678	$ 6,760,099
Liabilities		
Liabilities of Consolidated CLO Vehicles		
Senior Secured Notes	$ 3,244,579	$ 6,448,352
Subordinated Notes	111,029	348,752
	$ 3,355,608	$ 6,797,104

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 September 30,			
	2015		2014	
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	$	$ (1,235)	$	$
Equity and Preferred Securities	(36)	(3,749)	(468)	(5,870)
Debt Securities		(342)		
Assets of Consolidated CLO Vehicles				
Corporate Loans	2,578	(38,888)	384	(41,569)
Corporate Bonds	(988)	(4,578)	174	(4,069)
Other	1,003	(305)	7,620	(1,032)

	$ 2,557	$ (49,097)	$ 7,710	$ (52,540)
Liabilities				
Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes	$	$	$ (1,822)	$ (38,651)
Subordinated Notes		34,235		22,731
	$	$ 34,235	$ (1,822)	$ (15,920)

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	Nine Months Ended September 30,			
	2015		2014	
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	$	$ (1,832)	$	$
Equity and Preferred Securities	(273)	(11,240)	(1,791)	44
Debt Securities		(342)		
Assets of Consolidated CLO Vehicles				
Corporate Loans	(2,269)	1,993	(64,251)	7,388
Corporate Bonds	(867)	(62)	(2,012)	(375)
Other	4,276	(3,636)	20,914	18,523
	$ 867	$ (15,119)	$ (47,140)	$ 25,580
Liabilities				
Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes	$	$	$ (5,914)	$ (134,289)
Subordinated Notes		23,997		78,345
	$	$ 23,997	$ (5,914)	$ (55,944)

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

	September 30, 2015			December 31, 2014		
		For Financial Assets Past Due (a)			For Financial Assets Past Due (a)	
	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal
Loans and Receivables	$ (7,303)	$	$	$ (5,323)	$	$
Debt Securities	(342)					
Assets of Consolidated CLO Vehicles						
Corporate Loans	(36,356)	318	(5,897)	(197,580)	4,369	(21,876)
Corporate Bonds	(7,449)			(7,814)		
	$ (51,450)	$ 318	$ (5,897)	$ (210,717)	$ 4,369	$ (21,876)

(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 December 31, 2014, no Loans and Receivables for which the fair value option was elected were past due or in non-accrual status. As of September 30, 2015 and December 31, 2014, 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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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 and NAV:

	September 30, 2015				
	Level I	Level II	Level III	NAV	Total
Assets					
Investments of Consolidated Blackstone Funds (a)					
Investment Funds	$	$	$	$ 154,183	$ 154,183
Equity Securities	65,038	53,506	92,311		210,855
Partnership and LLC Interests		118,342	507,939		626,281
Debt Instruments		171,179	32,044		203,223
Assets of Consolidated CLO Vehicles					
Corporate Loans		2,992,996	201,588		3,194,584
Corporate Bonds		347,700	3,974		351,674
Freestanding Derivatives Foreign Currency Contracts		2,345			2,345
Total Investments of Consolidated Blackstone Funds	65,038	3,686,068	837,856	154,183	4,743,145
Blackstone s Treasury Cash Management Strategies					
Investment Funds	235,427				235,427
Equity Securities	242,534				242,534
Debt Instruments		1,385,369	44,593	117,790	1,547,752
Other				132,877	132,877
Total Blackstone s Treasury Cash Management Strategies	477,961	1,385,369	44,593	250,667	2,158,590
Money Market Funds	308,504				308,504
Freestanding Derivatives					
Interest Rate Contracts	661	599			1,260
Foreign Currency Contracts		2,443			2,443
Loans and Receivables			179,255		179,255
Other Investments	29,282		103,704	26,070	159,056
	$ 881,446	$ 5,074,479	$ 1,165,408	$ 430,920	$ 7,552,253

	September 30, 2015			
	Level I	Level II	Level III	Total
Liabilities				
Liabilities of Consolidated Funds and CLO Vehicles (a)				
Senior Secured Notes (b)	$	$ 3,244,579	$	$ 3,244,579
Subordinated Notes (b)		111,029		111,029
Freestanding Derivatives Foreign Currency Contracts		5,975		5,975
Freestanding Derivatives Credit Default Swaps		4,454		4,454
Net Investment Hedges Foreign Currency Contracts		244		244

Freestanding Derivatives				
Interest Rate Contracts	3,827	8,007		11,834
Foreign Currency Contracts		1,849		1,849
Credit Default Swaps		6,413		6,413
Securities Sold, Not Yet Purchased		173,707		173,707
	$ 3,827	$ 3,556,257	$	$ 3,560,084

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	December 31, 2014				
	Level I	Level II	Level III	NAV	Total
Assets					
Investments of Consolidated Blackstone Funds (a)					
Investment Funds	$	$	$	$ 1,103,210	$ 1,103,210
Equity Securities	58,934	114,115	179,311		352,360
Partnership and LLC Interests		187,140	1,496,422		1,683,562
Debt Instruments		1,502,314	105,970		1,608,284
Assets of Consolidated CLO Vehicles					
Corporate Loans		5,691,517	588,075		6,279,592
Corporate Bonds		292,690			292,690
Freestanding Derivatives Foreign Currency Contracts		8,915			8,915
Freestanding Derivatives Interest Rate Contracts		2,281			2,281
Other	13	19,455	25,045		44,513
Total Investments of Consolidated Blackstone Funds	58,947	7,818,427	2,394,823	1,103,210	11,375,407
Blackstone s Treasury Cash Management Strategies					
Investment Funds	307,111				307,111
Equity Securities	71,746				71,746
Debt Instruments		1,090,794	84,894	50,507	1,226,195
Other				61,009	61,009
Total Blackstone s Treasury Cash Management Strategies	378,857	1,090,794	84,894	111,516	1,666,061
Money Market Funds	198,278				198,278
Net Investment Hedges Foreign Currency Contracts		523			523
Freestanding Derivatives					
Interest Rate Contracts	263	144			407
Foreign Currency Contracts		2,798			2,798
Credit Default Swaps		85			85
Loans and Receivables			40,397		40,397
Other Investments	31,731	436	104,491	9,593	146,251
	$ 668,076	$ 8,913,207	$ 2,624,605	$ 1,224,319	$ 13,430,207

	December 31, 2014			
	Level I	Level II	Level III	Total
Liabilities				
Liabilities of Consolidated Funds and CLO Vehicles (a)				
Senior Secured Notes	$	$	$ 6,448,352	$ 6,448,352
Subordinated Notes			348,752	348,752
Freestanding Derivatives Foreign Currency Contracts		21,875		21,875
Freestanding Derivatives Credit Default Swaps		2,514		2,514
Freestanding Derivatives				
Interest Rate Contracts	1,357	3,233		4,590
Foreign Currency Contracts		681		681

Credit Default Swaps		868		868
Securities Sold, Not Yet Purchased		85,878		85,878
	$ 1,357	$ 115,049	$ 6,797,104	$ 6,913,510

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(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, is presumed to have control. While the Partnership is required to consolidate certain funds, including CLO vehicles, for GAAP purposes, the Partnership has no ability to utilize the assets of these funds and there is no recourse to the Partnership for their liabilities since these are client assets and liabilities.

(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 September 30, 2015 and 2014, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Transfers from Level I into Level II (a)	$ 287	$	$ 287	$
Transfers from Level II into Level I (b)	$ 26,534	$	$ 32,312	$ 67,327

(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.

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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 September 30, 2015:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Financial Assets					
Investments of Consolidated Blackstone Funds					
Equity Securities	$ 70,957	Discounted Cash Flows	Discount Rate	7.8% - 25.0%	13.2%
			Revenue CAGR	-5% - 60.6%	8.1%
			Exit Multiple - EBITDA	5.0x - 18.2x	9.6x
			Exit Multiple - P/E	10.5x - 17.0x	11.0x
	15,683	Transaction Price	N/A	N/A	N/A
	166	Market Comparable Companies	EBITDA Multiple	6.7x - 7.3x	6.8x
	58	Third Party Pricing	N/A	N/A	N/A
	5,447	Other	N/A	N/A	N/A
Partnership and LLC Interests	465,131	Discounted Cash Flows	Discount Rate	4.4% - 25.7%	9.4%
			Revenue CAGR	-5.8% - 35.6%	8.0%
			Exit Multiple - EBITDA	0.2x - 23.3x	10.5x
			Exit Capitalization Rate	2.6% - 10.5%	6.3%
	28,185	Transaction Price	N/A	N/A	N/A
	12,410	Third Party Pricing	N/A	N/A	N/A
	1,907	Other	N/A	N/A	N/A
	306	Market Comparable Companies	EBITDA Multiple	0.4x	N/A
Debt Instruments	9,994	Discounted Cash Flows	Discount Rate	6.5% - 37.1%	14.5%
			Revenue CAGR	7.2% - 20.0%	16.3%
			Exit Multiple - EBITDA	6.3x - 12.0x	10.4x
			Exit Capitalization Rate	1.0% - 4.8%	2.2%
	19,742	Third Party Pricing	N/A	N/A	N/A
	2,043	Transaction Pricing	N/A	N/A	N/A
	265	Market Comparable Companies	EBITDA Multiple	6.4x	N/A
Assets of Consolidated CLO Vehicles	120,373	Third Party Pricing	N/A	N/A	N/A
	84,872	Market Comparable Companies	EBITDA Multiple	3.7x - 9.0x	6.1x
	317	Other	N/A	N/A	N/A
Total Investments of Consolidated Blackstone Funds	837,856				

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

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Blackstone s Treasury Cash Management Strategies	$ 34,376	Discounted Cash Flows	Default Rate	1.1% - 2.0%	1.9%
			Recovery Rate	30.0% - 70.0%	66.6%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0% - 30.0%	25.4%
			Reinvestment Rate	LIBOR + 350 bps	LIBOR + 396 bps
				LIBOR + 400 bps	
			Discount Rate	5.8% - 13.0%	7.5%
	10,217	Third Party Pricing	N/A	N/A	N/A
Loans and Receivables	158,180	Discounted Cash Flows	Discount Rate	11.9% - 16.0%	12.3%
	21,075	Third Party Pricing	N/A	N/A	N/A
Other Investments	85,404	Discounted Cash Flows	Discount Rate	1.4% - 12.5%	3.1%
			Default Rate	2.0%	N/A
			Recovery Rate	70.0%	N/A
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	453	Market Comparable Companies	EBITDA Multiple	7.0x	N/A
	17,847	Transaction Price	N/A	N/A	N/A
Total	$ 1,165,408				

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(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 December 31, 2014:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Financial Assets					
Investments of Consolidated Blackstone Funds					
Equity Securities	$ 106,727	Discounted Cash Flows	Discount Rate	8.4% - 24.7%	11.8%
			Revenue CAGR	0.7% - 24.4%	7.1%
			Exit Multiple - EBITDA	5.0x - 13.0x	10.1x
			Exit Multiple - P/E	10.5x - 17.0x	11.2x
	67,706	Transaction Price	N/A	N/A	N/A
	163	Market Comparable Companies	EBITDA Multiple	6.7x - 7.6x	6.9x
	45	Third Party Pricing	N/A	N/A	N/A
	4,670	Other	N/A	N/A	N/A
Partnership and LLC Interests	485,748	Discounted Cash Flows	Discount Rate	4.4% - 21.5%	9.5%
			Revenue CAGR	-4.4% - 41.7%	6.5%
			Exit Multiple - EBITDA	1.0x - 19.1x	9.7x
			Exit Capitalization Rate	2.0% - 19.1%	6.8%
	996,199	Transaction Price	N/A	N/A	N/A
	13,793	Third Party Pricing	N/A	N/A	N/A
	682	Other	N/A	N/A	N/A
Debt Instruments	9,570	Discounted Cash Flows	Discount Rate	8.8% - 24.7%	16.1%
			Revenue CAGR	4.7% - 6.8%	5.0%
			Exit Multiple - EBITDA	5.9x - 11.3x	11.0x
			Exit Capitalization Rate	1.0% - 12.4%	9.3%
			Default Rate	2%	N/A
			Recovery Rate	30.0% - 70.0%	66.0%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	95,542	Third Party Pricing	N/A	N/A	N/A
	686	Transaction Price	N/A	N/A	N/A
	172	Market Comparable Companies	EBITDA Multiple	6.6x - 7.9x	6.6x
Assets of Consolidated CLO Vehicles	318,636	Third Party Pricing	N/A	N/A	N/A
	290,658	Market Comparable Companies	EBITDA Multiple	3.8x - 15.0x	6.1x
	3,826	Discounted Cash Flows	Discount Rate	8.0%	N/A
Total Investments of Consolidated Blackstone Funds	2,394,823				

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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)

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Blackstone s Treasury Cash Management Strategies	$ 26,167	Discounted Cash Flows	Default Rate	1.0%	N/A
			Recovery Rate	30.0% - 70.0%	66.0%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	30.0%	N/A
			Reinvestment Rate	LIBOR + 450 bps	N/A
			Discount Rate	5.8% - 10.0%	7.2%
	54,257	Third Party Pricing	N/A	N/A	N/A
	4,470	Transaction Price	N/A	N/A	N/A
Loans and Receivables	26,247	Discounted Cash Flows	Discount Rate	10.5% - 12.2%	10.9%
	14,150	Transaction Price	N/A	N/A	N/A
Other Investments	11,887	Transaction Price	N/A	N/A	N/A
	92,604	Discounted Cash Flows	Discount Rate	1.3% - 12.5%	2.9%
			Default Rate	2.0%	N/A
			Recovery Rate	30.0% - 70.0%	66.0%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
Total	$ 2,624,605				
Financial Liabilities					
Liabilities of Consolidated CLO Vehicles	$ 6,797,104	Discounted Cash Flows	Default Rate	2.0%	N/A
			Recovery Rate	30.0% - 70.0%	66.0%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Discount Rate	0.3% - 19.3%	2.3%
			Reinvestment Rate	LIBOR + 400 bps	N/A

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.
(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 the Blackstone s Treasury Cash Management Strategies, debt instruments, other investments and liabilities of consolidated CLO vehicles 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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(All Dollars Are in Thousands, Except Unit and Per Unit Data, Except Where Noted)

Since December 31, 2014, 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 Investment Income (Loss) and Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations.

	Level III Financial Assets at Fair Value Three Months Ended September 30,							
	2015				2014			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments (c)	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments (c)	Total
Balance, Beginning of Period	$ 937,149	$ 36,440	$ 151,734	$ 1,125,323	$ 2,260,856	$ 42,725	$ 167,516	$ 2,471,097
Transfer Out Due to Deconsolidation					(64,634)			(64,634)
Transfer In to Level III (b)	43,920		5,194	49,114	161,332		20,452	181,784
Transfer Out of Level III (b)	(143,531)		(9,171)	(152,702)	(212,108)		(9,913)	(222,021)
Purchases	122,676	144,058	5,240	271,974	165,838	69,255	19,914	255,007
Sales	(139,229)		(2,792)	(142,021)	(190,383)	(42,261)	(6,736)	(239,380)
Settlements		(1,405)	(140)	(1,545)		(526)	(123)	(649)
Changes in Gains (Losses) Included in Earnings and Other Comprehensive Income (Loss)	16,871	162	(1,768)	15,265	11,581	601	(8,733)	3,449
Balance, End of Period	$ 837,856	$ 179,255	$ 148,297	$ 1,165,408	$ 2,132,482	$ 69,794	$ 182,377	$ 2,384,653
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	$ (41,807)	$ 162	$ (1,837)	$ (43,482)	$ (8,606)	$ 601	$ (8,371)	$ (16,376)

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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)

	Level III Financial Assets at Fair Value Nine Months Ended September 30,							
	2015				2014			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments (c)	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments (c)	Total
Balance, Beginning of Period (a)	$ 2,394,821	$ 40,397	$ 189,384	$ 2,624,602	$ 2,460,908	$ 137,788	$ 44,773	$ 2,643,469
Transfer In Due to Consolidation and Acquisition (d)					205,890			205,890
Transfer Out Due to Deconsolidation	(1,460,538)			(1,460,538)	(335,357)			(335,357)
Transfer In to Level III (b)	47,035		25,092	72,127	273,934		28,424	302,358
Transfer Out of Level III (b)	(181,429)		(56,336)	(237,765)	(315,067)		(20,657)	(335,724)
Purchases	304,012	150,244	38,579	492,835	346,144	162,899	153,344	662,387
Sales	(321,121)	(9,535)	(39,765)	(370,421)	(618,008)	(230,324)	(14,309)	(862,641)
Settlements		(3,485)	(358)	(3,843)		(1,170)	(424)	(1,594)
Changes in Gains (Losses) Included in Earnings and Other Comprehensive Income (Loss)	55,076	1,634	(8,299)	48,411	114,038	601	(8,774)	105,865
Balance, End of Period	$ 837,856	$ 179,255	$ 148,297	$ 1,165,408	$ 2,132,482	$ 69,794	$ 182,377	$ 2,384,653
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	$ (25,614)	$ 1,505	$ (329)	$ (24,438)	$ 96,217	$ 601	$ (7,199)	$ 89,619

	Level III Financial Liabilities at Fair Value Three Months Ended September 30,					
	2015			2014		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	$	$	$	$ 6,407,838	$ 474,757	$ 6,882,595
Transfer In Due to Consolidation and Acquisition (d)				495,610	29,828	525,438
Transfer Out Due to Deconsolidation				(778,461)	(104,049)	(882,510)

Settlements				(570,785)		(570,785)
Changes in (Gains) Losses Included in Earnings and Other Comprehensive Income (Loss)				(231,554)	(40,264)	(271,818)
Balance, End of Period	$	$	$	$ 5,322,648	$ 360,272	$ 5,682,920
Changes in Unrealized (Gains) Losses Included in Earnings Related to Liabilities Still Held at the Reporting Date	$	$	$	$ (233,376)	$ (40,264)	$ (273,640)

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

	Level III Financial Liabilities at Fair Value Nine Months Ended September 30,					
	2015			2014		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	$ 6,448,352	$ 348,752	$ 6,797,104	$ 8,302,572	$ 610,435	$ 8,913,007
Transfer In Due to Consolidation and Acquisition (d)				967,629	116,009	1,083,638
Transfer Out Due to Deconsolidation	(4,168,405)	(261,934)	(4,430,339)	(2,231,853)	(277,301)	(2,509,154)
Transfer Out Due to Amended CLO Guidance (e)	(2,279,947)	(86,818)	(2,366,765)			
Issuances				32,197	10,000	42,197
Settlements				(1,569,416)	(110)	(1,569,526)
Changes in (Gains) Losses Included in Earnings and Other Comprehensive Income (Loss)				(178,481)	(98,761)	(277,242)
Balance, End of Period	$	$	$	$ 5,322,648	$ 360,272	$ 5,682,920
Changes in Unrealized (Gains) Losses Included in Earnings Related to Liabilities Still Held at the Reporting Date	$	$	$	$ (184,395)	$ (98,761)	$ (283,156)

(a) Beginning of period 2015 balances have been adjusted to remove investments for which fair value is based on NAV. Pursuant to amended fair value guidance, disclosure in the fair value hierarchy is no longer required.

(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.

(c) Represents Blackstone s Treasury Cash Management Strategies and Other Investments.

(d) Represents the transfer into Level III of financial assets and liabilities as a result of the consolidation of certain fund entities.

(e) Transfers out due to amended CLO measurement guidance represents the transfer out of Level III for liabilities of consolidated CLO vehicles for which fair value is based on the more observable fair value of CLO assets. Such liabilities are classified as Level II within the fair value hierarchy. As the guidance was adopted as of January 1, 2015, there are no transfers for the three months ending September 30, 2015.

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 considers itself the sponsor of the applicable Blackstone Fund. The Partnership does not provide performance guarantees and has no other financial obligation to

provide funding to consolidated VIEs other than its own capital commitments.

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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:

	September 30, 2015	December 31, 2014
Investments	$ 567,452	$ 776,079
Accounts Receivable	21,029	125,316
Due from Affiliates	42,931	53,751
Total VIE Assets	631,412	955,146
Due to Affiliates	203	108
Accounts Payable, Accrued Expenses and Other Liabilities	57	124
Potential Clawback Obligation	56,762	206,725
Maximum Exposure to Loss	$ 688,434	$ 1,162,103

10. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

At September 30, 2015, 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 $84.8 million as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of $84.8 million and cash were used to cover Securities Sold, Not Yet Purchased. The Partnership also pledged securities with a carrying value of $65.5 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

At December 31, 2014, the Partnership pledged securities with a carrying value of $44.8 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

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The following table provides information regarding the Partnership s Repurchase Agreements obligation by type of collateral pledged as of September 30, 2015:

	September 30, 2015 Remaining Contractual Maturity of the Agreements				
	Overnight Continuous	Up to 30 Days	30 - 90 Days	Greater than 90 days	Total
Repurchase Agreements					
Asset-Backed Securities	$	$ 42,102	$	$	$ 42,102
Total	$	$ 42,102	$	$	$ 42,102
Gross Amount of Recognized Liabilities for Repurchase Agreements in Note 11. Offsetting of Assets and Liabilities					$ 42,102
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 September 30, 2015:

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Received	Net Amount
Assets				
Freestanding Derivatives	$ 3,703	$ 1,676	$ 826	$ 1,201
Reverse Repurchase Agreements	85,282	84,828		454
Total	$ 88,985	$ 86,504	$ 826	$ 1,655

	Gross and Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Pledged	Net Amount

Liabilities				
Net Investment Hedges	$ 244	$	$	$ 244
Freestanding Derivatives	24,550	1,676	17,480	5,394
Repurchase Agreements	42,102	41,433	669	
Total	$ 66,896	$ 43,109	$ 18,149	$ 5,638

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

The following tables present the offsetting of assets and liabilities as of December 31, 2014:

	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	
Assets				
Net Investment Hedges	$ 523	$	$	$ 523
Freestanding Derivatives	3,290	1,132	352	1,806
Total	$ 3,813	$ 1,132	$ 352	$ 2,329

	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	
Liabilities				
Freestanding Derivatives	$ 8,653	$ 1,132	$ 7,424	$ 97
Repurchase Agreements	29,907	29,438	469	
Total	$ 38,560	$ 30,570	$ 7,893	$ 97

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:

	September 30, 2015	December 31, 2014
Furniture, Equipment and Leasehold Improvements, Net	$ 174,028	$ 135,740
Prepaid Expenses	151,356	102,503
Other Assets	39,994	82,704
Freestanding Derivatives	3,703	3,290
Net Investment Hedges		523
	$ 369,081	$ 324,760

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 entered into 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 September 30, 2015, the aggregate cash balance on deposit relating to the cash pooling arrangement was $1.2 billion, which was fully offset with an accompanying overdraft.

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12. BORROWINGS

The carrying value and fair value of the Blackstone issued notes, included in Loans Payable within the Condensed Consolidated Statements of Financial Condition, were:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value (a)	Carrying Value (c)	Fair Value (a)
Blackstone Issued 6.625%, $600 Million Par, Notes Due 8/15/2019 (b)	$ 616,925	$ 681,876	$ 622,552	$ 684,158
Blackstone Issued 5.875%, $400 Million Par, Notes Due 3/15/2021	$ 397,627	$ 459,960	$ 397,357	$ 462,360
Blackstone Issued 4.750%, $400 Million Par, Notes Due 2/15/2023	$ 391,998	$ 434,960	$ 391,344	$ 436,240
Blackstone Issued 6.250%, $250 Million Par, Notes Due 8/15/2042	$ 237,605	$ 295,100	$ 237,487	$ 307,125
Blackstone Issued 5.000%, $500 Million Par, Notes Due 6/15/2044	$ 487,960	$ 515,500	$ 487,966	$ 527,500
Blackstone Issued 4.450%, $350 Million Par, Notes Due 7/15/2045	$ 343,777	$ 332,780	$	$
Blackstone Issued 2.000%, 300 Million Par, Notes Due 5/19/2025	$ 331,854	$ 329,978	$	$

(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.

(c) The carrying value has been adjusted to reflect the presentation of debt issuance costs as a direct deduction from the related liability for all periods presented in accordance with amended guidance on simplifying the presentation of such costs.

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:

	September 30, 2015			December 31, 2014		
	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	$ 3,276,326	1.91%	5.1	$ 6,594,266	1.27%	3.8
Subordinated Notes	207,851	(a)	N/A	740,050	(a)	N/A
	$ 3,484,177			$ 7,334,316		

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

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Senior Secured Notes and Subordinated Notes comprise the following amounts:

	September 30, 2015			December 31, 2014		
		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	$ 3,244,579	$	$	$ 6,448,352	$ 2,500	$ 2,504
Subordinated Notes	$ 111,029	$ 10,000	$ 8,851	$ 348,752	$ 24,200	$ 14,377

The Loans Payable of the consolidated CLO vehicles are collateralized by assets held by each respective CLO vehicle and assets of one vehicle may not be used to satisfy the liabilities of another. As of September 30, 2015 and December 31, 2014, the fair value of the consolidated CLO assets was $4.1 billion and $8.0 billion, respectively. This collateral consisted of Cash, Corporate Loans, Corporate Bonds and other securities.

Scheduled principal payments for borrowings as of September 30, 2015 were as follows:

	Operating Borrowings	Blackstone Fund Facilities/CLO Vehicles	Total Borrowings
2015	$	$ 4,166	$ 4,166
2016			
2017		380,922	380,922
2018			
2019	585,000		585,000
Thereafter	2,237,470	3,103,255	5,340,725
Total	$ 2,822,470	$ 3,488,343	$ 6,310,813

13. INCOME TAXES

Blackstone s effective tax rate was -0.3% and 12.5% for the three months ended September 30, 2015 and 2014, respectively, and 10.5% and 8.2% for the nine months ended September 30, 2015 and 2014, respectively. Blackstone s income tax provision was $1.6 million and $79.1 million for the three months ended September 30, 2015 and 2014, respectively, and $144.2 million and $216.5 million for the nine months ended September 30, 2015 and 2014, respectively.

Blackstone s effective tax rate for the three and nine months ended September 30, 2015 and 2014 was substantially due to the following: (a) certain corporate subsidiaries are subject to federal, state, local and foreign income taxes as applicable and other subsidiaries are subject to New York City unincorporated business taxes, and (b) a portion of compensation charges are not deductible for tax purposes.

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14. NET INCOME (LOSS) PER COMMON UNIT

Basic and diluted net income (loss) per common unit for the three and nine months ended September 30, 2015 and September 30, 2014 was calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (254,697)	$ 250,505	$ 508,919	$ 1,033,138
Basic Net Income (Loss) Per Common Unit				
Weighted-Average Common Units Outstanding	638,832,799	611,684,213	632,046,646	606,671,289
Basic Net Income (Loss) Per Common Unit	$ (0.40)	$ 0.41	$ 0.81	$ 1.70
Diluted Net Income (Loss) Per Common Unit				
Weighted-Average Common Units Outstanding	638,832,799	611,684,213	632,046,646	606,671,289
Weighted-Average Unvested Deferred Restricted Common Units		3,294,657	3,393,182	3,550,012
Weighted-Average Diluted Common Units Outstanding	638,832,799	614,978,870	635,439,828	610,221,301
Diluted Net Income (Loss) Per Common Unit	$ (0.40)	$ 0.41	$ 0.80	$ 1.69

The following table summarizes the anti-dilutive securities for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Weighted-Average Unvested Deferred Restricted Common Units	1,913,028	(a)	(a)	(a)
Weighted-Average Blackstone Holdings Partnership Units	550,983,910	539,856,777	551,860,289	544,426,162

(a) These units were dilutive and were included in the diluted per common unit calculation for the applicable period.

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.

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During the nine months ended September 30, 2015 and 2014, no units were repurchased. As of September 30, 2015, 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, 2015, the Partnership had the ability to grant 165,943,809 units under the Equity Plan.

For the three and nine months ended September 30, 2015, the Partnership recorded compensation expense of $78.8 million and $561.5 million, respectively, in relation to its equity-based awards with corresponding tax benefits of $9.0 million and $36.0 million, respectively. For the three and nine months ended September 30, 2014, the Partnership recorded compensation expense of $202.8 million and $584.4 million, respectively, in relation to its equity-based awards with corresponding tax benefits of $6.3 million and $19.9 million, respectively. As of September 30, 2015, there was $1.1 billion of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 5.2 years.

Total vested and unvested outstanding units, including Blackstone common units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,192,166,487 as of September 30, 2015. Total outstanding unvested phantom units were 27,326 as of September 30, 2015.

A summary of the status of the Partnership s unvested equity-based awards as of September 30, 2015 and of changes during the period January 1, 2015 through September 30, 2015 is presented below:

	Blackstone Holdings		The Blackstone Group L.P.			
			Equity Settled Awards		Cash Settled Awards	
Unvested Units	Partnership Units	Weighted-Average Grant Date Fair Value	Deferred Restricted Common Units and Options	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, December 31, 2014	33,498,237	$ 26.19	17,569,372	$ 16.95	1,455	$ 31.95
Granted	28,207,130	38.76	5,171,322	35.74	16,312	35.31
Vested	(19,681,411)	29.62	(7,536,719)	17.93	(815)	32.62
Forfeited	(934,536)	23.49	(228,735)	21.01		
Exchanged			(10,374)	28.23	10,374	28.23
Balance, September 30, 2015	41,089,420	$ 33.24	14,964,866	$ 22.88	27,326	$ 32.53

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Units Expected to Vest

The following unvested units, after expected forfeitures, as of September 30, 2015, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	33,291,174	4.6
Deferred Restricted Blackstone Common Units	12,633,401	2.1
Total Equity-Based Awards	45,924,575	3.9
Phantom Units	18,457	4.0

Equity-Based Awards with Performance Conditions

The Partnership has also granted certain equity-based awards with performance requirements. These awards are based on the performance of certain businesses over a three to five year period beginning January 2012, relative to a predetermined threshold. Blackstone has determined that it is probable that the relevant performance thresholds will be exceeded in future periods and, therefore, has recorded compensation expense since the beginning of the performance period of $3.4 million.

16. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

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

	September 30, 2015	December 31, 2014
Due from Affiliates		
Accrual for Potential Clawback of Previously Distributed Carried Interest	$ 495	$ 2,518
Primarily Interest Bearing Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees for Investments in Blackstone Funds	279,592	237,341
Amounts Due from Portfolio Companies and Funds	375,633	372,820
Investments Redeemed in Non-Consolidated Funds of Hedge Funds	4,456	32,020
Management and Performance Fees Due from Non-Consolidated Funds	360,291	355,657
Payments Made on Behalf of Non-Consolidated Entities	169,049	111,796
Advances Made to Certain Non-Controlling Interest Holders and Blackstone Employees	21,142	16,256
	$ 1,210,658	$ 1,128,408

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	September 30, 2015	December 31, 2014
Due to Affiliates		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreements	$ 1,272,807	$ 1,234,890
Accrual for Potential Repayment of Previously Received Performance Fees	1,177	3,889
Due to Note Holders of Consolidated CLO Vehicles	8,851	16,881
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	21,222	21,266
Payable to Affiliates for Consolidated Funds		22,447
Distributions Received on Behalf of Blackstone Entities	72,431	176,304
Payments Made by Non-Consolidated Entities	10,682	14,411
	$ 1,387,170	$ 1,490,088

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 generally are subject to preferential management fee and performance fee arrangements. As of September 30, 2015 and December 31, 2014, such investments aggregated $789.6 million and $1.0 billion, respectively. Their share of the Net Income (Loss) Attributable to Redeemable Non-Controlling and Non-Controlling Interests in Consolidated Entities aggregated $(20.0) million and $40.0 million for the three months ended September 30, 2015 and 2014, respectively, and $61.1 million and $135.7 million for the nine months ended September 30, 2015 and 2014, respectively.

Revenues Earned from Affiliates

Management and Advisory Fees, Net earned from affiliates totaled $48.2 million and $107.6 million for the three months ended September 30, 2015 and 2014, respectively. Management and Advisory Fees, Net earned from affiliates totaled $125.1 million and $263.0 million for the nine months ended September 30, 2015 and 2014, 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 $0.8 million and $1.0 million for the three months ended September 30, 2015 and 2014, respectively, and $4.0 million and $2.1 million for the nine months ended September 30, 2015 and 2014, 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

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liquidated based on the fair value of their underlying investments as of September 30, 2015. See Note 17. Commitments and Contingencies Contingencies Contingent Obligations (Clawback) .

Aircraft and Other Services

In the normal course of business, Blackstone personnel have made use of aircraft owned as personal assets by Stephen A. Schwarzman and an aircraft owned jointly as a personal asset by Hamilton E. James, Blackstone s President and Chief Operating Officer, and Jonathan D. Gray, Blackstone s Global Head of Real Estate and a Director of Blackstone (each such aircraft, Personal Aircraft). Mr. Schwarzman paid for his purchases of his Personal Aircraft himself and bears all operating, personnel and maintenance costs associated with their operation. Each of Mr. James and Mr. Gray paid for his respective interest in their jointly owned Personal Aircraft and bears all operating, personnel and maintenance costs associated with its operation. 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 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.

Tax Receivable Agreements

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

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

Assuming no material changes in the relevant tax law and that the corporate taxpayers earn sufficient taxable income to realize the full tax benefit of the increased amortization of the assets, the expected future payments under the tax receivable agreements (which are taxable to the recipients) will aggregate $1.3 billion over the next 15 years. The after-tax net present value of these estimated payments totals $411.7 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

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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.

17. COMMITMENTS AND CONTINGENCIES

Commitments

Investment Commitments

Blackstone had $2.2 billion of investment commitments as of September 30, 2015 representing general partner capital funding commitments to the Blackstone Funds, limited partner capital funding to other funds and Blackstone principal investment commitments. The consolidated Blackstone Funds had signed investment commitments of $34.9 million as of September 30, 2015 which includes $22.9 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 $24.0 million as of September 30, 2015.

The Blackstone Holdings Partnerships provide guarantees to a lending institution for certain loans held by employees either for investment in Blackstone Funds or for members capital contributions to Blackstone Group International Partners LLP. The amount guaranteed as of September 30, 2015 was $117.0 million.

Litigation

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

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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 with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at various points through 2016. Further extensions of such terms may be implemented under given circumstances.

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

The following table presents the clawback obligations by segment:

	September 30, 2015			December 31, 2014		
Segment	Blackstone Holdings	Current and Former Personnel	Total	Blackstone Holdings	Current and Former Personnel	Total
Real Estate	$	$	$	$ 130	$ 1,647	$ 1,777
Credit	682	495	1,177	1,241	871	2,112
Total	$ 682	$ 495	$ 1,177	$ 1,371	$ 2,518	$ 3,889

A portion of the Carried Interest paid to current and former Blackstone personnel is held in segregated accounts in the event of a cash clawback obligation. These segregated accounts are not included in the Condensed Consolidated Financial Statements of the Partnership, except to the extent a portion of the assets held in the segregated accounts may be allocated to a consolidated Blackstone fund of hedge funds. At September 30, 2015, $551.6 million was held in segregated accounts for the purpose of meeting any clawback obligations of current and former personnel if such payments are required.

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 and financial advisory businesses through five segments:

Private Equity Blackstone s Private Equity segment comprises its management of private equity funds, certain multi-asset class investment funds and secondary private funds of funds.

Real Estate Blackstone s Real Estate segment primarily comprises its management of global, European focused and Asian focused opportunistic real estate funds. In addition, the segment has debt investment funds and a publicly traded REIT targeting non-controlling real estate debt-related investment opportunities in the public and private markets, primarily in the United States and

Europe.

Hedge Fund Solutions Blackstone s Hedge Fund Solutions segment is comprised principally of Blackstone Alternative Asset Management (BAAM), an institutional solutions provider utilizing hedge funds across a variety of strategies.

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Credit Blackstone s Credit segment, which principally includes GSO Capital Partners LP (GSO), manages credit-focused products within private and public debt market strategies. GSO s products include senior credit-focused funds, mezzanine funds, distressed debt funds, general credit-focused funds, registered investment companies, separately managed accounts and CLO vehicles.

Financial Advisory Blackstone s Financial Advisory segment comprises financial and strategic advisory services, restructuring and reorganization advisory services, capital markets services and Park Hill Group, which provides fund placement services for alternative investment funds.

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

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

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.

On October 1, 2015, Blackstone completed the previously-announced spin-off of the operations that have historically constituted Blackstone s Financial Advisory segment, other than Blackstone s capital markets services business. Blackstone s capital markets services business was retained and was not part of the spin-off. The financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses were spun-off from Blackstone and combined with PJT Capital LP, an independent financial advisory firm founded by Paul J. Taubman, to form an independent, publicly traded company called PJT Partners Inc. Each common unitholder of Blackstone received one share of Class A common stock of PJT Partners Inc. for every 40 common units of Blackstone held by such unitholder on the record date.

As this transaction closed on October 1, 2015, the first day of the fourth fiscal quarter, the condensed consolidated financial statements of Blackstone as of September 30, 2015 and for the three and nine month periods then ended include the financial position, results of operations and cash flows for the operations that were spun-off.

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The following table presents the financial data for Blackstone s five segments for the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net Base Management Fees	$ 128,452	$ 175,710	$ 133,592	$ 126,533	$	$ 564,287
Advisory Fees					146,153	146,153
Transaction and Other Fees, Net	9,358	21,390	219	1,289	147	32,403
Management Fee Offsets	(12,262)	(10,147)	(507)	(11,260)		(34,176)
Total Management and Advisory Fees, Net	125,548	186,953	133,304	116,562	146,300	708,667
Performance Fees						
Realized						
Carried Interest	214,532	169,051		51,606		435,189
Incentive Fees		3,879	2,783	28,123		34,785
Unrealized						
Carried Interest	(809,363)	(128,854)	(5,394)	(112,366)		(1,055,977)
Incentive Fees		2,784	(29,711)	(26,419)		(53,346)
Total Performance Fees	(594,831)	46,860	(32,322)	(59,056)		(639,349)
Investment Income (Loss)						
Realized	46,917	39,821	(468)	1,735	(479)	87,526
Unrealized	(110,689)	(95,382)	(6,411)	(10,177)	(998)	(223,657)
Total Investment Loss	(63,772)	(55,561)	(6,879)	(8,442)	(1,477)	(136,131)
Interest and Dividend Revenue	8,119	11,057	4,136	6,053	6,094	35,459
Other	471	(938)	(66)	(73)	(235)	(841)
Total Revenues	(524,465)	188,371	98,173	55,044	150,682	(32,195)
Expenses						
Compensation and Benefits Compensation	69,522	99,255	44,408	51,324	65,066	329,575
Performance Fee Compensation Realized						
Carried Interest	16,303	52,546		28,950		97,799
Incentive Fees		1,838	(436)	13,659		15,061
Unrealized						
Carried Interest	(141,448)	(23,018)	(3,041)	(61,190)		(228,697)
Incentive Fees		5,215	(7,011)	(12,846)		(14,642)
Total Compensation and Benefits	(55,623)	135,836	33,920	19,897	65,066	199,096
Other Operating Expenses	43,693	42,050	24,147	24,898	22,777	157,565

Total Expenses	(11,930)	177,886	58,067	44,795	87,843	356,661
Economic Income (Loss)	$ (512,535)	$ 10,485	$ 40,106	$ 10,249	$ 62,839	$ (388,856)

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	Three Months Ended September 30, 2014					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	$ 108,236	$ 155,089	$ 121,484	$ 120,684	$	$ 505,493
Advisory Fees					84,131	84,131
Transaction and Other Fees, Net	48,996	38,312	161	3,025	391	90,885
Management Fee Offsets	(5,837)	(8,977)	(1,099)	(6,850)		(22,763)
Total Management and Advisory Fees, Net	151,395	184,424	120,546	116,859	84,522	657,746
Performance Fees						
Realized						
Carried Interest	124,913	349,237		164,602		638,752
Incentive Fees		1,159	6,683	28,998		36,840
Unrealized						
Carried Interest	96,455	187,175		(61,604)		222,026
Incentive Fees		(374)	25,473	(31,630)		(6,531)
Total Performance Fees	221,368	537,197	32,156	100,366		891,087
Investment Income (Loss)						
Realized	20,421	49,173	2,693	3,040	505	75,832
Unrealized	(12,754)	14,492	(1,168)	4,892	(528)	4,934
Total Investment Income (Loss)	7,667	63,665	1,525	7,932	(23)	80,766
Interest and Dividend Revenue	5,346	7,135	2,724	5,968	2,412	23,585
Other	2,150	976	740	(3,619)	472	719
Total Revenues	387,926	793,397	157,691	227,506	87,383	1,653,903
Expenses						
Compensation and Benefits Compensation	79,007	90,586	41,940	54,877	58,016	324,426
Performance Fee Compensation Realized						
Carried Interest	30,944	64,187		90,872		186,003
Incentive Fees		592	2,312	16,125		19,029
Unrealized						
Carried Interest	93,434	108,789		(38,091)		164,132
Incentive Fees		(123)	8,778	(17,657)		(9,002)
Total Compensation and Benefits	203,385	264,031	53,030	106,126	58,016	684,588
Other Operating Expenses	34,109	36,138	20,480	20,860	19,853	131,440
Total Expenses	237,494	300,169	73,510	126,986	77,869	816,028
Economic Income	$ 150,432	$ 493,228	$ 84,181	$ 100,520	$ 9,514	$ 837,875

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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 reconciles the Total Segments to Blackstone s Income (Loss) Before Provision for Taxes for the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ (32,195)	$ 43,768(a)	$ 11,573	$ 1,653,903	$ 25,523(a)	$ 1,679,426
Expenses	$ 356,661	$ 120,336(b)	$ 476,997	$ 816,028	$ 239,110(b)	$ 1,055,138
Other Income (Loss)	$	$ (16,867)(c)	$ (16,867)	$	$ 8,682(c)	$ 8,682
Economic Income (Loss)	$ (388,856)	$ (93,435)(d)	$ (482,291)	$ 837,875	$ (204,905)(d)	$ 632,970

(a) The Revenues adjustment represents management and performance fees earned from Blackstone Funds which were eliminated in consolidation to arrive at Blackstone consolidated revenues and non-segment related Investment Income (Loss), which is included in Blackstone consolidated revenues.

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

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

	Three Months Ended September 30,	
	2015	2014
Fund Management Fees and Performance Fees Eliminated in Consolidation and Transactional Investment Loss	$ (45,027)	$ (25,613)
Fund Expenses Added in Consolidation	10,175	7,649
Non-Controlling Interests in Income of Consolidated Entities	18,151	32,163
Transaction-Related Other Income	(166)	(5,517)
Total Consolidation Adjustments and Reconciling Items	$ (16,867)	$ 8,682

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

	Three Months Ended September 30,	
	2015	2014
Economic Income (Loss)	$ (388,856)	$ 837,875
Adjustments		
Amortization of Intangibles	(30,624)	(27,828)

IPO and Acquisition-Related Charges	(80,962)	(209,240)
Non-Controlling Interests in Income of Consolidated Entities	18,151	32,163
Total Consolidation Adjustments and Reconciling Items	(93,435)	(204,905)
Income (Loss) Before Provision (Benefit) for Taxes	$ (482,291)	$ 632,970

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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 presents the financial data for Blackstone s segments as of and for the nine months ended September 30, 2015 and 2014:

	September 30, 2015 and the Nine Months Then Ended					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	$ 358,753	$ 468,801	$ 394,445	$ 375,177	$	$ 1,597,176
Advisory Fees					307,389	307,389
Transaction and Other Fees, Net	17,586	58,116	244	4,806	452	81,204
Management Fee Offsets	(26,239)	(20,441)	(1,395)	(22,480)		(70,555)
Total Management and Advisory Fees, Net	350,100	506,476	393,294	357,503	307,841	1,915,214
Performance Fees						
Realized						
Carried Interest	1,144,085	1,344,283		91,898		2,580,266
Incentive Fees		5,822	30,214	76,238		112,274
Unrealized						
Carried Interest	(548,114)	(498,481)	2,620	(80,099)		(1,124,074)
Incentive Fees		12,788	33,571	(10,774)		35,585
Total Performance Fees	595,971	864,412	66,405	77,263		1,604,051
Investment Income (Loss)						
Realized	141,991	196,597	(12,600)	6,695	(868)	331,815
Unrealized	(101,503)	(165,563)	104	(530)	(39)	(267,531)
Total Investment Income (Loss)	40,488	31,034	(12,496)	6,165	(907)	64,284
Interest and Dividend Revenue	23,403	31,313	12,055	17,642	12,523	96,936
Other	1,161	(3,838)	(1,214)	3,454	(1,303)	(1,740)
Total Revenues	1,011,123	1,429,397	458,044	462,027	318,154	3,678,745
Expenses						
Compensation and Benefits Compensation	206,690	263,573	146,353	148,325	183,824	948,765
Performance Fee Compensation Realized						
Carried Interest	162,287	415,210		50,582		628,079
Incentive Fees		2,865	11,745	34,515		49,125
Unrealized						
Carried Interest	11,098	(171,661)	1,036	(45,349)		(204,876)
Incentive Fees		8,020	12,404	(3,974)		16,450
Total Compensation and Benefits	380,075	518,007	171,538	184,099	183,824	1,437,543
Other Operating Expenses	144,906	125,539	65,852	70,273	62,678	469,248

Total Expenses	524,981	643,546	237,390	254,372	246,502	1,906,791
Economic Income	$ 486,142	$ 785,851	$ 220,654	$ 207,655	$ 71,652	$ 1,771,954
Segment Assets as of September 30, 2015	$ 5,616,177	$ 7,528,157	$ 1,763,698	$ 2,775,812	$ 954,220	$ 18,638,064

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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)

	Nine Months Ended September 30, 2014					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	$ 310,024	$ 472,294	$ 357,876	$ 338,747	$	$ 1,478,941
Advisory Fees					269,008	269,008
Transaction and Other Fees, Net	119,459	65,390	380	13,433	1,329	199,991
Management Fee Offsets	(11,796)	(25,903)	(4,085)	(17,841)		(59,625)
Total Management and Advisory Fees, Net	417,687	511,781	354,171	334,339	270,337	1,888,315
Performance Fees						
Realized						
Carried Interest	457,112	961,721		195,201		1,614,034
Incentive Fees		7,203	54,501	68,264		129,968
Unrealized						
Carried Interest	765,730	446,873		423		1,213,026
Incentive Fees		(1,120)	74,114	38,517		111,511
Total Performance Fees	1,222,842	1,414,677	128,615	302,405		3,068,539
Investment Income (Loss)						
Realized	155,768	203,194	21,907	8,334	745	389,948
Unrealized	(4,125)	(30,566)	4,320	12,492	1,135	(16,744)
Total Investment Income	151,643	172,628	26,227	20,826	1,880	373,204
Interest and Dividend Revenue	15,240	21,254	7,725	16,721	7,101	68,041
Other	3,578	1,075	659	(3,867)	137	1,582
Total Revenues	1,810,990	2,121,415	517,397	670,424	279,455	5,399,681
Expenses						
Compensation and Benefits Compensation	225,352	256,401	125,852	156,939	189,442	953,986
Performance Fee Compensation Realized						
Carried Interest	229,435	259,462		106,805		595,702
Incentive Fees		3,657	18,501	39,015		61,173
Unrealized						
Carried Interest	132,480	193,113		(6,435)		319,158
Incentive Fees		(524)	26,791	12,954		39,221
Total Compensation and Benefits	587,267	712,109	171,144	309,278	189,442	1,969,240
Other Operating Expenses	106,308	105,787	65,061	75,858	63,311	416,325
Total Expenses	693,575	817,896	236,205	385,136	252,753	2,385,565
Economic Income	$ 1,117,415	$ 1,303,519	$ 281,192	$ 285,288	$ 26,702	$ 3,014,116

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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 reconciles the Total Segments to Blackstone s Income (Loss) Before Provision for Taxes and Total Assets as of and for the nine months ended September 30, 2015 and 2014:

	September 30, 2015 and the Nine Months Then Ended			Nine Months Ended September 30, 2014		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ 3,678,745	$ 70,388(a)	$ 3,749,133	$ 5,399,681	$ 64,273(a)	$ 5,463,954
Expenses	$ 1,906,791	$ 627,206(b)	$ 2,533,997	$ 2,385,565	$ 647,205(b)	$ 3,032,770
Other Income	$	$ 158,703(c)	$ 158,703	$	$ 217,422(c)	$ 217,422
Economic Income (Loss)	$ 1,771,954	$ (398,115)(d)	$ 1,373,839	$ 3,014,116	$ (365,510)(d)	$ 2,648,606
Total Assets	$ 18,638,064	$ 4,980,639(e)	$ 23,618,703			

(a) The Revenues adjustment represents management and performance fees earned from Blackstone Funds that were eliminated in consolidation to arrive at Blackstone consolidated revenues and non-segment related Investment Income (Loss), which is included in Blackstone consolidated revenues.

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

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

	Nine Months Ended September 30,	
	2015	2014
Fund Management Fees and Performance Fees Eliminated in Consolidation and Transactional Investment Loss	$ (80,519)	$ (64,531)
Fund Expenses Added in Consolidation	53,218	7,668
Non-Controlling Interests in Income of Consolidated Entities	187,970	284,463
Transaction-Related Other Income	(1,966)	(10,178)
Total Consolidation Adjustments and Reconciling Items	$ 158,703	$ 217,422

(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:

	Nine Months Ended September 30,	
	2015	2014
Economic Income	$ 1,771,954	$ 3,014,116

Adjustments		
Amortization of Intangibles	(81,243)	(85,141)
IPO and Acquisition-Related Charges	(504,842)	(564,832)
Non-Controlling Interests in Income of Consolidated Entities	187,970	284,463
Total Consolidation Adjustments and Reconciling Items	(398,115)	(365,510)
Income Before Provision for Taxes	$ 1,373,839	$ 2,648,606

(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.

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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)

19. SUBSEQUENT EVENTS

There have been no events since September 30, 2015 that require recognition or disclosure in the Condensed Consolidated Financial Statements.

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ITEM 1A. UNAUDITED SUPPLEMENTAL PRESENTATION OF STATEMENTS OF FINANCIAL CONDITION THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition

(Dollars in Thousands)

	September 30, 2015			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 1,380,404	$	$	$ 1,380,404
Cash Held by Blackstone Funds and Other	371,235	483,182		854,417
Investments	11,049,422	4,736,879	(487,546)	15,298,755
Accounts Receivable	664,041	215,221		879,262
Reverse Repurchase Agreements	85,282			85,282
Due from Affiliates	1,184,972	36,580	(10,894)	1,210,658
Intangible Assets, Net	380,303			380,303
Goodwill	1,787,392			1,787,392
Other Assets	361,864	7,217		369,081
Deferred Tax Assets	1,373,149			1,373,149
Total Assets	$ 18,638,064	$ 5,479,079	$ (498,440)	$ 23,618,703
Liabilities and Partners Capital				
Loans Payable	$ 2,807,747	$ 3,350,955	$	$ 6,158,702
Due to Affiliates	1,312,784	89,348	(14,962)	1,387,170
Accrued Compensation and Benefits	2,364,862	18		2,364,880
Securities Sold, Not Yet Purchased	87,685	86,022		173,707
Repurchase Agreements		42,102		42,102
Accounts Payable, Accrued Expenses and Other Liabilities	494,840	327,031		821,871
Total Liabilities	7,067,918	3,895,476	(14,962)	10,948,432
Redeemable Non-Controlling Interests in Consolidated Entities		183,161		183,161
Partners Capital				
Partners Capital	6,567,728	483,439	(484,177)	6,566,990
Accumulated Other Comprehensive Income (Loss)	(50,589)		699	(49,890)
Non-Controlling Interests in Consolidated Entities	1,452,180	917,003		2,369,183
Non-Controlling Interests in Blackstone Holdings	3,600,827			3,600,827
Total Partners Capital	11,570,146	1,400,442	(483,478)	12,487,110
Total Liabilities and Partners Capital	$ 18,638,064	$ 5,479,079	$ (498,440)	$ 23,618,703

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THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition

(Dollars in Thousands)

	December 31, 2014			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 1,412,472	$	$	$ 1,412,472
Cash Held by Blackstone Funds and Other	348,957	1,459,135		1,808,092
Investments	12,123,708	11,835,242	(1,193,361)	22,765,589
Accounts Receivable	364,927	194,394		559,321
Due from Affiliates	1,060,831	723,285	(655,708)	1,128,408
Intangible Assets, Net	458,833			458,833
Goodwill	1,787,392			1,787,392
Other Assets	276,476	48,284		324,760
Deferred Tax Assets	1,252,230			1,252,230
Total Assets	$ 19,085,826	$ 14,260,340	$ (1,849,069)	$ 31,497,097
Liabilities and Partners Capital				
Loans Payable	$ 2,136,706	$ 6,787,135	$	$ 8,923,841
Due to Affiliates	1,289,552	1,350,911	(1,150,375)	1,490,088
Accrued Compensation and Benefits	2,439,257			2,439,257
Securities Sold, Not Yet Purchased		85,878		85,878
Repurchase Agreements		29,907		29,907
Accounts Payable, Accrued Expenses and Other Liabilities	430,712	763,867		1,194,579
Total Liabilities	6,296,227	9,017,698	(1,150,375)	14,163,550
Redeemable Non-Controlling Interests in Consolidated Entities		2,441,854		2,441,854
Partners Capital				
Partners Capital	6,999,830	698,694	(698,694)	6,999,830
Appropriated Partners Capital		81,301		81,301
Accumulated Other Comprehensive Income (Loss)	(21,932)	1,068		(20,864)
Non-Controlling Interests in Consolidated Entities	1,395,631	2,019,725		3,415,356
Non-Controlling Interests in Blackstone Holdings	4,416,070			4,416,070
Total Partners Capital	12,789,599	2,800,788	(698,694)	14,891,693
Total Liabilities and Partners Capital	$ 19,085,826	$ 14,260,340	$ (1,849,069)	$ 31,497,097

(a) The Consolidated Blackstone Funds consisted of the following:
Blackstone AG Investment Partners L.P.*

Blackstone Distressed Securities Fund L.P.*

Blackstone Market Opportunities Fund L.P.*

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 II L.P.*

Blackstone Strategic Alliance Fund L.P.

Blackstone Strategic Capital Holdings B L.P.*

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Blackstone Strategic Capital Holdings L.P.*

Blackstone Strategic Equity Fund L.P.*

Blackstone Value Recovery Fund L.P.*

Blackstone/GSO Loan Financing Limited

Blackstone/GSO Secured Trust Ltd.*

BREP Edens Investment Partners L.P.*

BSSF I AIV L.P.

BTD CP Holdings, LP

GSO Legacy Associates II LLC

GSO Legacy Associates LLC

Shanghai Blackstone Equity Investment Partnership L.P.*

Private equity side-by-side investment vehicles

Real estate side-by-side investment vehicles

Mezzanine side-by-side investment vehicles

Collateralized loan obligation vehicles

* Consolidated as of December 31, 2014 only.

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

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

Our Business

Blackstone is one of the largest independent managers of private capital in the world. We have historically also provided a wide range of financial advisory services, including financial advisory, restructuring and reorganization advisory and fund placement services (see Significant Transactions for additional information on the spin-off of these businesses).

Our business is organized into five business segments:

Private Equity. We are a world leader in private equity investing, having managed six general private equity funds, as well as two sector focused funds, since we established this business in 1987. We refer to these managed corporate private equity funds collectively as our Blackstone Capital Partners (BCP) funds. Our Private Equity segment also includes Blackstone Tactical Opportunities Accounts (Tactical Opportunities), which are multi-asset class investment accounts, Strategic Partners Fund Solutions (Strategic Partners), a secondary private fund of funds business and Blackstone Total Alternatives Solution (BTAS), a new

investment program for eligible high net worth investors offering exposure to Blackstone s key illiquid investment strategies through a single commitment. Through our private equity funds we pursue transactions throughout the world, including leveraged buyout acquisitions of seasoned companies, transactions involving growth equity or start-up businesses in established industries, minority investments, corporate partnerships, distressed debt, structured securities and industry consolidations, in all cases in strictly friendly transactions.

Real Estate. We are a world leader in real estate investing, having built the largest private real estate investment business in the world since our start in 1991. We have managed or continue to manage a number of global, European and Asian focused opportunistic real estate funds, several real estate debt investment funds, a registered investment company focused on liquid real estate debt investments (BREIF), a publicly traded real estate investment trust (BXMT) and core+ real estate investments, including the 2014 launch of our first commingled U.S.-focused open ended core+ fund. Our real estate opportunity funds are diversified geographically and have made significant investments in lodging, office

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buildings, shopping centers, residential and a variety of real estate operating companies. Our debt investment funds target high yield real estate debt related investment opportunities in the public and private markets, primarily in the United States and Europe. Our core+ funds target stabilized office, multifamily, industrial, and retail assets globally. We refer to our real estate opportunistic funds as our Blackstone Real Estate Partners (BREP) funds, our real estate debt investment funds as our Blackstone Real Estate Debt Strategies (BREDS) funds and our core+ investment funds as our Blackstone Property Partners (BPP) funds.

Hedge Fund Solutions. Blackstone s Hedge Fund Solutions segment is comprised principally of Blackstone Alternative Asset Management (BAAM). BAAM was organized in 1990 and has developed into a leading institutional solutions provider utilizing hedge funds across a wide variety of strategies. BAAM is the world s largest discretionary allocator to hedge funds.

Credit. Our Credit segment is comprised principally of GSO Capital Partners LP (GSO), a global leader in managing credit-focused products within private and public debt market strategies. GSO s products include senior credit-focused funds, mezzanine funds, distressed debt funds, general credit-focused funds, registered investment companies, separately managed accounts and collateralized loan obligation (CLO) vehicles.

Financial Advisory. Our Financial Advisory segment includes financial and strategic advisory services, restructuring and reorganization advisory services, capital markets services and fund placement services for alternative investment funds.

We generate revenue from fees earned pursuant to contractual arrangements with funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees), and from financial and strategic advisory, restructuring and reorganization advisory, capital markets services and fund placement services for alternative investment funds. We invest in the funds we manage and, in most cases, receive a preferred allocation of income (i.e., a carried interest) or an incentive fee from an investment fund in the event that specified cumulative investment returns are achieved (generally collectively referred to as Performance Fees). The composition of our revenues will vary based on market conditions and the cyclicality of the different businesses in which we operate. Net investment gains and investment income generated by the Blackstone Funds, principally private equity and real estate funds, are driven by value created by our operating and strategic initiatives as well as overall market conditions. 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.

Global equity indices were down sharply during the third quarter of 2015. In the U.S., the S&P 500 Index declined 7% and the Chicago Board Options Exchange volatility index reached its highest levels since 2011, driven primarily by investor concerns over slowing global economic growth. The Federal Reserve, once widely expected to raise interest rates as early as the third quarter of 2015, decided to hold interest rates steady at its most recent meeting in light of global market developments and persistent low levels of inflation.

Concerns about global growth prospects and uncertainty on interest rates also weighed on credit markets. While base rates in the U.S. remained at historically low levels, high yield spreads widened year-over-year and high-yield issuance fell. Global equity capital market activity for both initial public offerings and follow-on offerings fell significantly year-over-year in the midst of heightened market volatility and significant index declines. However, merger and acquisition markets remained active globally in the third quarter, making the first nine months of 2015 the strongest for worldwide deal activity since 2007.

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Significant Transactions

On October 1, 2015, Blackstone completed the previously-announced spin-off of the operations that have historically constituted Blackstone s Financial Advisory segment, other than Blackstone s capital markets services business. Blackstone s capital markets services business was retained and was not part of the spin-off. The financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses were spun-off from Blackstone and combined with PJT Capital LP, an independent financial advisory firm founded by Paul J. Taubman, to form an independent, publicly traded company called PJT Partners Inc.

On October 1, 2015, Blackstone formed a new holding partnership, Blackstone Holdings AI L.P., which will hold certain operating entities and operate in a manner similar to the existing Blackstone Holdings Partnerships.

On May 19, 2015, Blackstone issued 300 million in aggregate principal amount of 2.000% senior notes which will mature on May 19, 2025.

On April 27, 2015, Blackstone issued $350 million in aggregate principal amount of 4.450% senior notes which will mature on July 15, 2045.

Organizational Structure

The simplified diagram below depicts our organizational structure as of September 30, 2015. 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.

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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, 2014 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, advisory fees and 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.

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

Accrued but unpaid Management and Advisory Fees, net of management fee reductions and management fee offsets, as of the reporting date are included in Accounts Receivable or Due from Affiliates in the 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 Consolidated Statements of Financial Condition. Accrued but unpaid Incentive Fees on onshore funds as of the reporting date are reflected in Investments in the 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

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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 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 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 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. Equity-based awards that do not require future service are expensed immediately. 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.

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

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

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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 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 Consolidated Statements of Financial Condition.

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) 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 Consolidated Statements of Operations.

There remains some uncertainty regarding Blackstone s future taxation levels. Over the past several years, a number of legislative and administrative proposals to change the taxation of Carried Interest have been introduced and, in certain cases, have been passed by the U.S. House of Representatives 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. It is unclear whether or when the U.S. Congress will pass such legislation or what provisions will be included in any final legislation if enacted.

The most recent legislative proposals 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.

The Obama administration proposed policies similar to Congress that would tax income and gain, including gain on sale, attributable to an ISPI at ordinary rates, with an exception for certain qualified capital interests. The proposal would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the tax rules applicable to publicly traded partnerships after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. The Obama administration proposed similar changes in its published revenue proposals for 2014 and prior years.

In addition, legislation was proposed in 2014 that would, among other things (a) generally treat publicly traded partnerships (other than those deriving 90 percent of their income from activities relating to mining and natural resources) as taxable corporations for tax years beginning after 2016 and (b) recharacterize a portion of capital gain from certain partnership interests held in connection with the performance of services as ordinary income for tax years beginning after 2014.

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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. It is unclear whether or when similar legislation will be enacted. 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%, 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.

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

The Obama administration has announced other proposals for potential reform to the U.S. federal income tax rules for businesses, including reducing the deductibility of interest for corporations, reducing the top marginal rate on corporations and subjecting entities currently treated as partnerships for tax purposes to an entity level income tax similar to the corporate income tax. Several proposals for reform if enacted could adversely affect us. It is unclear what any actual legislation would provide, when it would be proposed or what its prospects for enactment would be.

Other proposals have contemplated the migration of the United States from a worldwide system of taxation, pursuant to which U.S. corporations are taxed on their worldwide income, to a territorial system where U.S. corporations are taxed only on their U.S. source income (subject to certain exceptions for income derived in low-tax jurisdictions from the exploitation of tangible assets) at a top corporate tax rate that would be 25%. Such proposals include revenue raisers to offset the reduction in the tax rate and base which may or may not be detrimental to us, including changes to the rules for depreciating or amortizing assets, including goodwill, and changes to rules affecting real estate investment trusts, partnerships and tax-exempt entities. A variation of this proposal completes a similar territorial U.S. tax system, but with more expansive U.S. taxation of the foreign profits of non-U.S. subsidiaries of U.S. corporations. Such proposal would also eliminate the withholding tax exemption on portfolio interest debt obligations for investors residing in non-treaty jurisdictions. Recent legislation has also proposed audit procedure adjustments that could affect large partnerships like us. Whether these proposals will be enacted by the government and in what form is unknown, as are the ultimate consequences of the proposed legislation.

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Economic Income

Blackstone uses Economic Income (EI) as a key measure of value creation, a benchmark of its performance and in making resource deployment and compensation decisions across its five segments. EI represents segment net income before taxes excluding transaction-related charges. Transaction-related charges arise from Blackstone s initial public offering (IPO) and long-term retention programs outside of annual deferred compensation and other corporate actions, including acquisitions. Transaction-related charges include equity-based compensation charges, the amortization of intangible assets and contingent consideration associated with acquisitions. EI presents revenues and expenses on a basis that deconsolidates the investment funds we manage. Economic Net Income (ENI) represents EI adjusted to include current period taxes. Taxes represent the current tax provision (benefit) calculated on Income (Loss) Before Provision for Taxes. EI, 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 (FRE), which is derived from EI, as a measure to highlight earnings from operations excluding: (a) the income related to performance fees and related performance fee compensation costs and (b) income earned from Blackstone s investments in the Blackstone Funds. Management uses FRE as a measure to assess whether recurring revenue from our businesses is sufficient to adequately cover all of our operating expenses and generate profits. FRE equals contractual fee revenues, less (a) compensation expenses (which includes amortization of non-IPO and non-acquisition-related equity-based awards, but excludes amortization of IPO and acquisition-related equity-based awards, Carried Interest and incentive fee compensation) and (b) non-interest operating expenses. See Liquidity and Capital Resources Sources of Liquidity below for our discussion of FRE.

Effective January 1, 2015, Blackstone redefined FRE to exclude Interest Income and Dividend Revenue, Interest Expense and Investment Income (Loss) Blackstone Treasury Cash Management Strategies.

Distributable Earnings

Distributable Earnings, which is derived from our segment reported results, is a supplemental measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships. Distributable Earnings, which is a 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 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 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 Payables Under the Tax Receivable Agreement.

As a result of the redefinition of FRE noted above, effective January 1, 2015, Distributable Earnings has been redefined to exclude Unrealized Investment Income (Loss) Blackstone Treasury Cash Management Strategies.

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

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Expense, (b) Taxes and Related Payables Including Payable Under Tax Receivable Agreement, and (c) Depreciation and Amortization. See Liquidity and Capital Resources Sources 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 of Liquidity.

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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,

(b) the net asset value of our funds of hedge funds, hedge funds and certain registered investment companies,

(c) the invested capital or fair value of assets we manage pursuant to separately managed accounts,

(d) the amount of debt and equity outstanding for our CLOs and CDOs during the reinvestment period,

(e) the aggregate par amount of collateral assets, including principal cash, for our CLOs and CDOs after the reinvestment period,

(f) the gross amount of assets (including leverage) for certain of our credit-focused registered investment companies, and

(g) the fair value of common stock, preferred stock, convertible debt, or similar instruments issued by our public REIT.

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

Fee-Earning Assets Under Management. 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 of co-investments managed by us on which we receive fees,

(d) the net asset value of our funds of hedge funds, hedge funds and certain registered investment companies,

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

(f) the net proceeds received from equity offerings and accumulated core earnings of our REITs, subject to certain adjustments,

(g) the aggregate par amount of collateral assets, including principal cash, of our CLOs and CDOs, and

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(h) the gross amount of assets (including leverage) for certain of our credit-focused registered investment companies.

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

For our carry funds, total assets under management includes the fair value of the investments held, whereas fee-earning assets under management includes the amount of capital commitments, 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.

Consolidated Results of Operations

Following is a discussion of our consolidated results of operations for the three and nine months ended September 30, 2015 and 2014. For a more detailed discussion of the factors that affected the results of our five business segments (which are presented on a basis that deconsolidates the investment funds we manage) in these periods, see Segment Analysis below.

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The following tables set forth information regarding our consolidated results of operations and certain key operating metrics for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		2015 vs. 2014		Nine Months Ended September 30,		2015 vs. 2014	
	2015	2014	$	%	2015	2014	$	%
	(Dollars in Thousands)							
Revenues								
Management and Advisory Fees, Net	$ 703,596	$ 640,949	$ 62,647	10%	$ 1,894,496	$ 1,833,632	$ 60,864	3%
Performance Fees								
Realized								
Carried Interest	435,189	638,676	(203,487)	-32%	2,580,266	1,613,958	966,308	60%
Incentive Fees	33,455	35,445	(1,990)	-6%	110,775	118,743	(7,968)	-7%
Unrealized								
Carried Interest	(1,055,920)	222,105	(1,278,025)	N/M	(1,124,010)	1,213,181	(2,337,191)	N/M
Incentive Fees	(50,832)	(6,163)	(44,669)	725%	36,274	112,709	(76,435)	-68%
Total Performance Fees	(638,108)	890,063	(1,528,171)	N/M	1,603,305	3,058,591	(1,455,286)	-48%
Investment Income (Loss)								
Realized	99,952	91,142	8,810	10%	445,705	459,878	(14,173)	-3%
Unrealized	(179,298)	38,445	(217,743)	N/M	(262,024)	62,754	(324,778)	N/M
Total Investment Income (Loss)	(79,346)	129,587	(208,933)	N/M	183,681	522,632	(338,951)	-65%
Interest and Dividend Revenue	26,244	18,107	8,137	45%	70,129	47,516	22,613	48%
Other	(813)	720	(1,533)	N/M	(2,478)	1,583	(4,061)	N/M
Total Revenues	11,573	1,679,426	(1,667,853)	-99%	3,749,133	5,463,954	(1,714,821)	-31%
Expenses								
Compensation and Benefits								
Compensation	393,655	525,093	(131,438)	-25%	1,426,233	1,511,085	(84,852)	-6%
Performance Fee Compensation Realized								
Carried Interest	97,798	186,003	(88,205)	-47%	628,079	595,702	32,377	5%
Incentive Fees	15,062	19,029	(3,967)	-21%	49,126	61,173	(12,047)	-20%
Unrealized								
Carried Interest	(228,697)	164,132	(392,829)	N/M	(204,876)	319,158	(524,034)	N/M
Incentive Fees	(14,641)	(9,002)	(5,639)	63%	16,450	39,221	(22,771)	-58%
Total Compensation and Benefits	263,177	885,255	(622,078)	-70%	1,915,012	2,526,339	(611,327)	-24%
General, Administrative and Other	158,664	128,015	30,649	24%	436,496	400,061	36,435	9%
Interest Expense	36,860	31,615	5,245	17%	105,644	86,129	19,515	23%
Fund Expenses	18,296	10,253	8,043	78%	76,845	20,241	56,604	280%
Total Expenses	476,997	1,055,138	(578,141)	-55%	2,533,997	3,032,770	(498,773)	-16%
Other Income (Loss)								
Net Gains (Losses) from Fund Investment Activities	(16,867)	8,682	(25,549)	N/M	158,703	217,422	(58,719)	-27%
Income (Loss) Before Provision for Taxes	(482,291)	632,970	(1,115,261)	N/M	1,373,839	2,648,606	(1,274,767)	-48%
Provision for Taxes	1,573	79,108	(77,535)	-98%	144,168	216,487	(72,319)	-33%
Net Income (Loss)	(483,864)	553,862	(1,037,726)	N/M	1,229,671	2,432,119	(1,202,448)	-49%
	(12,520)	(23,328)	10,808	-46%	8,787	44,950	(36,163)	-80%

Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities								
Net Income Attributable to Non-Controlling Interests in Consolidated Entities	30,671	55,491	(24,820)	-45%	179,183	239,513	(60,330)	-25%
Net Income (Loss) Attributable to Non-Controlling Interests in Blackstone Holdings	(247,318)	271,194	(518,512)	N/M	532,782	1,114,518	(581,736)	-52%
Net Income (Loss) Attributable to The Blackstone Group L.P.	$ (254,697)	$ 250,505	$ (505,202)	N/M	$ 508,919	$ 1,033,138	$ (524,219)	-51%

N/M Not meaningful.

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Revenues

Total Revenues were $11.6 million for the three months ended September 30, 2015, a decrease of $1.7 billion compared to Total Revenues for the three months ended September 30, 2014 of $1.7 billion. The decrease in revenues was primarily attributable to decreases of $1.5 billion in Performance Fees and $208.9 million in Investment Income, partially offset by an increase of $62.6 million in Management and Advisory Fees, Net.

The decrease in Performance Fees was primarily attributable to decreases in our Private Equity, Real Estate, and Credit segments. The decrease in our Private Equity segment was a result of global public market volatility resulting in depreciation of 2.3% for the quarter across the portfolio driven by our public holdings, despite strong underlying company fundamentals and positive performance of our private holdings in the industrials sector. The decrease in Performance Fees in our Real Estate segment was primarily due to the slight depreciation from our BREP opportunistic funds. For the three months ended September 30, 2015, the carrying value of investments for BREP opportunistic funds decreased 0.1% despite strong operating fundamentals across the portfolio. Our BREDS drawdown and real estate hedge funds appreciated 4.6% and 0.5%, respectively. The decrease in Performance Fees in our Credit segment was attributable in part to public market declines.

The decrease in Investment Income was due to decreases in our Real Estate, Private Equity and Credit segments. The decrease in our Real Estate segment was primarily due to the net depreciation of investments in our BREP VI fund. The decrease in the Private Equity segment was due to the factors noted above. The decrease in our Credit segment was primarily due to the factors noted above.

The increase in Total Management and Advisory Fees, Net was primarily attributable to increases in our Financial Advisory and Hedge Fund Solutions segments, partially offset by a decrease in our Private Equity segment. The increase in our Financial Advisory segment was primarily due to the increased deal size of closed Advisory transactions. The increase in our Hedge Fund Solutions segment was primarily due to an increase in Fee-Earning Assets Under Management. The decrease in our Private Equity segment was primarily due to the timing of investment closings partially offset by the additional management fees earned from the commencement of the investment periods of BEP II and the second vintage of tactical opportunities separately managed accounts earlier in the year.

Total Revenues were $3.7 billion for the nine months ended September 30, 2015, a decrease of $1.7 billion compared to Total Revenues for the nine months ended September 30, 2014 of $5.5 billion. The decrease in revenues was primarily attributable to decreases of $1.5 billion in Performance Fees and $339.0 million in Investment Income, partially offset by an increase of $60.9 million in Management and Advisory Fees, Net.

The decrease in Performance Fees was principally due to decreases in our Private Equity, Real Estate and Credit segments. The decrease in our Private Equity segment was driven by the strong performance of our portfolio in the 2014 period, which outpaced the performance in the comparable 2015 period. Returns for the nine months ended 2014 were generally stronger across public holdings as well as most industry verticals. The decrease in our Real Estate segment was primarily attributable to the net decrease in the appreciation from our BREP opportunistic funds. For the nine months ended September 30, 2015, the carrying value of investments for our BREP opportunistic funds increased 8.6% driven by appreciation in the private portfolio offset by declines in public investment values. Our BREDS drawdown and real estate hedge funds appreciated 8.6% and 4.0%, respectively. The decrease in our Credit segment was primarily attributable to declines in public holdings in our major carry funds.

The decrease in Investment Income was primarily attributable to decreases in our Real Estate, Private Equity, and Hedge Fund Solutions segments. The decrease in our Real Estate segment was primarily attributable to the net decrease in the appreciation from our BREP opportunistic funds. The decrease in our Private Equity segment was principally driven by strong returns in our public portfolio and investments in the services, healthcare and energy sectors in the year to date period of 2014 that were greater than the returns generated for the comparable period in 2015. The decrease in our Hedge Fund Solutions segment was primarily driven by the year over year decrease in the net appreciation of investments of which Blackstone owns a share.

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The increase in Total Management and Advisory Fees, Net was primarily attributable to increases in our Hedge Fund Solutions, Credit and Financial Advisory segments, partially offset by a decrease in our Private Equity segment. The increase in our Hedge Fund Solutions segment was primarily driven by an increase in Fee-Earning Assets Under Management. The increase in our Credit segment was primarily driven by an increase in Fee-Earning Assets Under Management due to the growth in the Performing Credit and Hedge Fund Strategies. The increase in our Financial Advisory segment was primarily due to the increased deal size of closed Advisory transactions. The decrease in our Private Equity segment was driven by the timing of investment closings, partially offset by the addition of management fee earning assets across the segment, including the investment period commencement for BEP II and the second vintage of tactical opportunities separately managed accounts.

Expenses

Expenses were $477.0 million for the three months ended September 30, 2015, a decrease of $578.1 million compared to $1.1 billion for the three months ended September 30, 2014. The decrease was primarily attributable to a decrease of $622.1 million in Total Compensation and Benefits, which was comprised of a decrease in Performance Fee Compensation of $490.6 million due to the decrease in Performance Fee Revenue as well as a decrease in Compensation of $131.4 million due to lower equity-based compensation expense related to awards granted in connection with Blackstone s IPO, which were fully vested and expensed as of June 30, 2015. The decrease was partially offset by an increase of $30.6 million in General, Administrative and Other Expense primarily due to transactional costs associated with the PJT spin-off and professional fees.

Expenses were $2.5 billion for the nine months ended September 30, 2015, a decrease of $498.8 million compared to $3.0 billion for the nine months ended September 30, 2014. The decrease was primarily attributable to a decrease in Total Compensation and Benefits of $611.3 million, partially offset by increases of $56.6 million to Fund Expense and $36.4 million to General, Administrative and Other Expense. The decrease in Total Compensation and Benefits was comprised of a $526.5 million decrease in Performance Fee Compensation, due to the decrease in Performance Fee Revenue as well as a decrease in Compensation of $84.9 million due to lower equity-based compensation expense related to awards granted in connection with Blackstone s IPO, which were fully vested and expensed as of June 30, 2015. The increase in Fund Expense was primarily due to the consolidated CLO vehicles in the Credit segment. The increase in General, Administrative and Other Expense was primarily due to transactional costs associated with the PJT spin-off and non-recurring costs related to the SEC settlement.

Other Income (Loss)

Other Income (Loss) Net Gains (Losses) from Fund Investment Activities is attributable to the consolidated Blackstone Funds that are largely held by third party investors. As such, most of this Other Income (Loss) 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 $(16.9) million for the three months ended September 30, 2015, a decrease of $25.5 million compared to $8.7 million for the three months ended September 30, 2014. The change was principally driven by decreases in our Real Estate and Private Equity segments, partially offset by an increase in our Credit segment.

Other Income Net Gains from Fund Investment Activities was $158.7 million for the nine months ended September 30, 2015, a decrease of $58.7 million compared to $217.4 million for the nine months ended September 30, 2014. The change was principally driven by decreases in our Real Estate, Private Equity and Hedge Fund Solutions segments, partially offset by an increase in our Credit segment.

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Provision for Taxes

Blackstone s Provision for Taxes for the three months ended September 30, 2015 and 2014 was $1.6 million and $79.1 million, respectively. This resulted in an effective tax rate of -0.3% and 12.5%, respectively, based on our Income (Loss) Before Provision for Taxes of $(482.3) million and $633.0 million, respectively. The 12.8% decrease in the effective tax rate for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 resulted primarily from the pre-tax book loss of $(505.6) million for the 2015 period that was passed through to common unitholders and non-controlling interest holders and did not result in any tax benefit to Blackstone compared to the pre-tax book income of $476.0 million for the 2014 period that was passed through to common unitholders and non-controlling interest holders and did not result in any income tax provision for Blackstone. The change in this pre-tax income (loss) resulted in a 10.4% decrease in the effective tax rate between the respective periods.

Blackstone s Provision for Taxes for the nine months ended September 30, 2015 and 2014 was $144.2 million and $216.5 million, respectively. This resulted in an effective tax rate of 10.5% and 8.2%, respectively, based on our Income Before Provision for Taxes of $1.4 billion and $2.6 billion, respectively.

The 2.3% increase in the effective tax rate for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 resulted primarily from the pre-tax book income of $943.1 million for the 2015 period that was passed through to common unitholders and non-controlling interest holders and did not result in any income tax provision for Blackstone compared to the pre-tax book income of $2.1 billion for the 2014 period that was passed through to common unitholders and non-controlling interest holders and did not result in any income tax provision for Blackstone. The change in the pre-tax income resulted in a 4.3% increase in the effective tax rate between the respective periods.

Offsetting this in both the nine months ended September 30, 2015 and the nine months ended September 30, 2014, the book equity-based compensation expense exceeded the tax deductible equity-based compensation expense due to the issuance of units that were not tax deductible since they represented a value for value exchange for tax purposes. Although the amount of the excess book expense over the tax expense did not change significantly in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, the effective tax rates increased by 0.1% and 1.0%, respectively. The change in these amounts resulted in a 0.9% decrease in the effective tax rate between the respective nine month periods.

Non-Controlling Interests in Consolidated Entities

The Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities and Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities are 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 (Loss) Net Gains (Losses) from Fund Investment Activities from the Net Income 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 (Losses) 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 September 30, 2015 and 2014, the net income before taxes allocated to Blackstone Holdings was 46.9% and 47.7%, respectively. For the nine months ended September 30, 2015 and 2014, the net income before taxes allocated to Blackstone Holdings was 47.0% and 48.0%, respectively. The decreases of 0.8% and 1.0%, respectively, were primarily due to conversions of Blackstone Holdings Partnership Units to Blackstone common units and the vesting of common units.

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Operating Metrics

The following graph summarizes the Fee-Earning Assets Under Management by Segment and Total Assets Under Management by Segment, followed by a rollforward of activity for the three and nine months ended September 30, 2015 and 2014. 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 in graph may not add due to rounding.

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	Three Months Ended									
	September 30, 2015					September 30, 2014				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
	(Dollars in Thousands)									
Earning ets Under agement										
nce, nning of od	$ 49,537,189	$ 62,683,857	$ 65,512,170	$ 61,608,998	$ 239,342,214	$ 42,888,756	$ 52,823,975	$ 58,084,020	$ 56,117,009	$ 209,913,76
ows, including nmitments (a)	2,167,399	3,505,204	2,166,621	3,322,883	11,162,107	1,740,674	2,381,299	4,304,025	4,811,496	13,237,49
lows, uding ributions (b)	(5,159)	(6,187)	(946,976)	(1,129,074)	(2,087,396)	(177,153)	(66,881)	(617,630)	(907,268)	(1,768,93
izations (c)	(1,016,313)	(1,558,691)	(265,863)	(2,596,034)	(5,436,901)	(546,051)	(2,438,697)	(104,853)	(2,372,395)	(5,461,99
Inflows flows)	1,145,927	1,940,326	953,782	(402,225)	3,637,810	1,017,470	(124,279)	3,581,542	1,531,833	6,006,56
ket reciation preciation) (d)	(122,712)	234,439	(1,283,614)	(868,781)	(2,040,668)	(88,485)	(391,521)	371,520	(992,240)	(1,100,72
nce, End of od (e)	$ 50,560,404	$ 64,858,622	$ 65,182,338	$ 60,337,992	$ 240,939,356	$ 43,817,741	$ 52,308,175	$ 62,037,082	$ 56,656,602	$ 214,819,60
ease crease)	$ 1,023,215	$ 2,174,765	$ (329,832)	$ (1,271,006)	$ 1,597,142	$ 928,985	$ (515,800)	$ 3,953,062	$ 539,593	$ 4,905,84
ease crease)	2%	3%	-1%	-2%	1%	2%	-1%	7%	1%	

	Nine Months Ended									
	September 30, 2015					September 30, 2014				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
	(Dollars in Thousands)									
Earning ets Under agement										
nce, nning of od	$ 43,890,167	$ 52,563,068	$ 61,417,558	$ 58,821,006	$ 216,691,799	$ 42,600,515	$ 50,792,803	$ 52,865,837	$ 51,722,584	$ 197,981,73
ows, including nmitments (a)	11,478,595	22,915,069	7,638,280	11,803,189	53,835,133	5,582,792	8,074,976	10,113,647	13,950,322	37,721,73
lows, uding ributions (b)	(1,096,336)	(4,134,328)	(3,954,401)	(5,078,307)	(14,263,372)	(1,121,402)	(225,722)	(3,215,975)	(2,609,400)	(7,172,49
izations (c)	(3,779,695)	(6,412,592)	(379,076)	(4,336,542)	(14,907,905)	(3,508,675)	(5,982,663)	(301,121)	(6,106,615)	(15,899,07
Inflows	6,602,564	12,368,149	3,304,803	2,388,340	24,663,856	952,715	1,866,591	6,596,551	5,234,307	14,650,16
ket reciation preciation) (d)	67,673	(72,595)	459,977	(871,354)	(416,299)	264,511	(351,219)	2,574,694	(300,289)	2,187,69
nce, End of od (e)	$ 50,560,404	$ 64,858,622	$ 65,182,338	$ 60,337,992	$ 240,939,356	$ 43,817,741	$ 52,308,175	$ 62,037,082	$ 56,656,602	$ 214,819,60
ease	$ 6,670,237	$ 12,295,554	$ 3,764,780	$ 1,516,986	$ 24,247,557	$ 1,217,226	$ 1,515,372	$ 9,171,245	$ 4,934,018	$ 16,837,86
ease	15%	23%	6%	3%	11%	3%	3%	17%	10%	

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	Three Months Ended									
	September 30, 2015					September 30, 2014				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
	(Dollars in Thousands)									
l Assets er agement										
nce, nning of od	$ 92,026,337	$ 91,578,634	$ 67,829,866	$ 81,288,709	$ 332,723,546	$ 68,294,162	$ 80,410,988	$ 60,672,759	$ 69,539,804	$ 278,917,71
ows, including nmitments (a)	3,881,773	4,275,973	3,125,890	4,817,218	16,100,854	2,669,040	1,718,999	3,877,378	4,831,193	13,096,61
lows, uding ributions (b)	(79,057)	(6,915)	(957,200)	(1,197,835)	(2,241,007)	(246,522)	(33,866)	(638,142)	(959,005)	(1,877,53
izations (c)	(2,704,995)	(3,049,688)	(277,717)	(2,961,773)	(8,994,173)	(2,365,776)	(4,617,150)	(115,265)	(2,878,482)	(9,976,67
Inflows flows)	1,097,721	1,219,370	1,890,973	657,610	4,865,674	56,742	(2,932,017)	3,123,971	993,706	1,242,40
ket reciation preciation) (d)	(1,633,389)	389,552	(1,314,891)	(1,104,971)	(3,663,699)	1,539,463	2,709,887	387,133	(381,662)	4,254,82
nce, End of od (e)	$ 91,490,669	$ 93,187,556	$ 68,405,948	$ 80,841,348	$ 333,925,521	$ 69,890,367	$ 80,188,858	$ 64,183,863	$ 70,151,848	$ 284,414,93
ease crease)	$ (535,668)	$ 1,608,922	$ 576,082	$ (447,361)	$ 1,201,975	$ 1,596,205	$ (222,130)	$ 3,511,104	$ 612,044	$ 5,497,22
ease crease)	-1%	2%	1%	-1%	0%	2%	-0%	6%	1%	

	Nine Months Ended									
	September 30, 2015					September 30, 2014				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
	(Dollars in Thousands)									
Assets gement										
ce, ning of d	$ 73,073,252	$ 80,863,187	$ 63,585,671	$ 72,858,960	$ 290,381,070	$ 65,675,031	$ 79,410,788	$ 55,657,463	$ 65,014,348	$ 265,757,6
s, including nitments (a)	24,883,583	24,863,736	8,688,589	19,353,867	77,789,775	7,511,215	6,603,445	9,471,979	14,242,919	37,829,5
ows, ing butions (b)	(222,036)	(269,466)	(4,022,615)	(5,678,605)	(10,192,722)	(758,763)	(710,979)	(3,249,348)	(2,747,585)	(7,466,6
zations (c)	(10,054,677)	(17,021,718)	(403,983)	(5,306,050)	(32,786,428)	(11,213,738)	(13,590,373)	(402,278)	(7,427,332)	(32,633,7
flows ows)	14,606,870	7,572,552	4,261,991	8,369,212	34,810,625	(4,461,286)	(7,697,907)	5,820,353	4,068,002	(2,270,8
et ciation eciation) (d)	3,810,547	4,751,817	558,286	(386,824)	8,733,826	8,676,622	8,475,977	2,706,047	1,069,498	20,928,1
ce, End of d (e)	$ 91,490,669	$ 93,187,556	$ 68,405,948	$ 80,841,348	$ 333,925,521	$ 69,890,367	$ 80,188,858	$ 64,183,863	$ 70,151,848	$ 284,414,9
se	$ 18,417,417	$ 12,324,369	$ 4,820,277	$ 7,982,388	$ 43,544,451	$ 4,215,336	$ 778,070	$ 8,526,400	$ 5,137,500	$ 18,657,3
se	25%	15%	8%	11%	15%	6%	1%	15%	8%	

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

(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). Also included is the distribution of funds associated with the discontinuation of our proprietary single manager hedge funds.

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(c) Realizations represent realizations from the disposition of assets, capital returned to investors from CLOs and the effect of changes in the definition of Total Assets Under Management.
(d) Market appreciation (depreciation) includes realized and unrealized gains (losses) on portfolio investments and the impact of foreign exchange rate fluctuations.
(e) Fee-Earning Assets Under Management and Total Assets Under Management as of September 30, 2015 included $125.6 million and $158.2 million, respectively, from a joint venture in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were $240.9 billion at September 30, 2015, an increase of $1.6 billion, or 1%, compared to $239.3 billion at June 30, 2015. The net increase was due to:

Inflows of $11.2 billion related to:

$3.5 billion in our Real Estate segment primarily related to $1.5 billion invested in BPP, $850.0 million raised for BREP VIII, and $786.5 million invested in BREDS II,

$3.3 billion in our Credit segment principally related to $1.1 billion raised in our business development companies (BDCs), $593.7 million of fee-earning inflows across our Hedge Fund Strategies funds, and $600.1 million raised due to new CLO products,

$2.2 billion in our Hedge Fund Solutions segment primarily related to $1.1 billion raised for individual investor solutions, $475.5 million raised for specialized solutions, $326.9 million raised for commingled products, and $240.1 million raised for customized solutions, and

$2.2 billion in our Private Equity segment primarily related to $1.8 billion from our Tactical Opportunities platform, and $284.9 million from Strategic Partners.

Offsetting these increases were:

Realizations of $5.4 billion primarily driven by:

$2.6 billion in our Credit segment primarily due to capital returned to investors in CLO products and in drawdown funds,

$1.6 billion in our Real Estate segment primarily from the realizations of $651.4 million in BREDS, $212.0 million in BREP International II, $157.9 million in BREP VI, and $166.4 million in BREP Europe III, and

$1.0 billion in our Private Equity segment primarily from BCP V strategic and public dispositions including Center Parcs, Summit Materials, CMS Info Systems and Michaels Stores; Strategic Partners fund of funds realizations.

Outflows of $2.1 billion primarily attributable to:

$1.1 billion in our Credit segment primarily related to $647.2 million in BDCs, and $272.1 million in Hedge Fund Strategies, and $209.4 million from our long only platform, and

$947.0 million in our Hedge Fund Solutions segment reflecting investors liquidity needs and certain strategic shifts in their programs.

Net market depreciation of $2.0 billion due to:

$1.3 billion depreciation in our Hedge Fund Solution segment due to lower returns, and

$868.8 million depreciation in our Credit segment due to declines in public markets.

BAAM had net inflows of $843.7 million from October 1 through November 1, 2015.

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Fee-Earning Assets Under Management were $240.9 billion at September 30, 2015, an increase of $24.2 billion, or 11%, compared to $216.7 billion at December 31, 2014. The net increase was due to:

Inflows of $53.8 billion related to:

$22.9 billion in our Real Estate segment primarily related to $15.6 billion raised for BREP VIII, $3.7 billion raised/invested in BPP and $1.1 billion raised in equity offerings for BXMT,

$11.8 billion in our Credit segment principally related to $3.8 billion raised due to new CLO launches, $3.4 billion of capital raised for our BDCs, $1.4 billion raised in our Hedge Fund Strategies funds, and $1.3 billion of capital deployed across our drawdown funds,

$11.5 billion in our Private Equity segment primarily related to $6.1 billion from our Tactical Opportunities platform, $4.5 billion raised for Blackstone Energy Partners II, and $819.4 million from Strategic Partners, and

$7.6 billion in our Hedge Fund Solutions segment mainly related to growth in our customized and commingled products, registered liquid alternatives, direct investing platforms and an additional closing on the general partner interests vehicle.

Offsetting these increases were:

Realizations of $14.9 billion primarily driven by:

$6.4 billion in our Real Estate segment primarily attributable to $1.9 billion of realizations from BREP VI, $2.0 billion of realizations from BREDS, $639.1 million of realizations from co-investment, and $526.3 million of realizations from BREP V,

$4.3 billion in our Credit segment primarily due to capital returned to CLO investors from CLOs that are post their re-investment periods, and to investors in drawdown funds, and

$3.8 billion in our Private Equity segment primarily due to continued disposition activity across the segment.

Outflows of $14.3 billion primarily attributable to:

$5.1 billion in our Credit segment primarily attributable to $1.8 billion from our long only platform, $1.7 billion from BDCs, and $1.0 billion from Hedge Fund Strategies,

$4.1 billion in our Real Estate segment primarily attributable to $4.0 billion of uninvested reserves at the close of BREP VII s investment period,

$4.0 billion in our Hedge Fund Solutions segment as a result of, in general, the liquidity needs of limited partners and certain strategic shifts in their programs, and

$1.1 million in our Private Equity segment primarily from the end of the investment periods for BEP and tactical opportunities initial platform of separately managed accounts.

Total Assets Under Management

Total Assets Under Management were $333.9 billion at September 30, 2015, an increase of $1.2 billion, compared to $332.7 billion at June 30, 2015. The net increase was due to:

Inflows of $16.1 billion related to:

$4.8 billion in our Credit segment primarily due to $1.1 billion raised for our BDCs, $1.0 billion of capital raised in energy focused products, $954.3 million raised for European Senior Debt Strategies,

$4.3 billion in our Real Estate segment primarily related to $2.5 billion raised in BPP, $850.6 million raised for BREP VIII, and $421.8 million raised for BREDS,

$3.9 billion in our Private Equity segment primarily due to $2.1 billion from our Tactical Opportunities platform, and $1.1 billion capital raised for the seventh global private equity fund, and

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$3.1 billion in our Hedge Fund Solutions segment, which primarily related to growth in individual investor solutions, the first close of BAAM s third seeding vehicle, continued growth in customized and commingled products, and the final close of BAAM s general partner interests vehicle.

Offsetting these increases were:

Realizations of $9.0 billion primarily driven by:

$3.0 billion in our Credit segment primarily due to the same reasons in Fee-Earning Assets Under Management above,

$3.0 billion in our Real Estate segment primarily due to $682.0 million of realizations in BREP International II, $474.3 million of realizations in BREP VI, $375.4 million of realizations in BREP Europe III, $358.6 million of realizations in BREP VII, and $467.0 million in BREDS, and

$2.7 billion in our Private Equity segment primarily due to $1.7 billion of realizations in BCP V, and $521.6 million of realizations in Strategic Partners.

Net market depreciation of $3.7 billion due to:

$1.6 billion depreciation in our Private Equity segment primarily due to a reduction in carrying value of our public holdings partially offset by the performance of private holdings in the industrials sector,

$1.3 billion depreciation in our Hedge Fund Solutions segment due to lower returns, and

$1.1 billion depreciation in our Credit segment due to declines in public markets.

Outflows of $2.2 billion primarily attributable to:

$1.2 billion in our Credit segment primarily due to the same reasons in Fee-Earning Assets Under Management above, and

$957.2 million in our Hedge Fund Solutions segment primarily driven by investors liquidity needs and certain strategic shifts in their programs.

Total Assets Under Management were $333.9 billion at September 30, 2015, an increase of $43.5 billion, or 15%, compared to $290.4 billion at December 31, 2014. The net increase was due to:

Inflows of $77.8 billion related to:

$24.9 billion in our Real Estate segment related to $16.0 billion raised for BREP VIII, $4.4 billion raised in BPP, and $1.1 billion raised through equity offerings for BXMT,

$24.9 billion in our Private Equity segment primarily related to $16.8 billion raised for the seventh private equity fund, and $5.7 billion raised for our Tactical Opportunities platform,

$19.4 billion in our Credit segment primarily due to $3.6 billion raised in our energy focused products, $3.4 billion raised for BDCs, $3.8 billion raised from CLO launches, and $3.5 billion raised in European senior debt strategies, and

$8.7 billion in our Hedge Fund Solutions segment primarily due to the reasons described under Fee-Earning Assets Under Management above.

Market appreciation of $8.7 billion due to:

$4.8 billion appreciation in our Real Estate segment due to a carrying value increase in our opportunistic funds of 8.6% driven by the appreciation of investments in the BREP opportunistic funds offset by declines in public investment values,

$3.8 billion appreciation in our Private Equity segment primarily due to strong fund performance, with a 7.7% overall increase in carrying value, including 8.4% in BCP V and 6.3% in BCP VI, and

$558.3 million appreciation in our Hedge Fund Solutions segment due to BAAM s Principal Solutions Composite being up 2.2% net.

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Offsetting these increases were:

- Realizations of $32.8 billion primarily driven by:
  - $17.0 billion in our Real Estate segment primarily due to realizations across the segment with 84% of realizations generated from BREP V, BREP VI, BREP VII, BREP Europe III, co-investment, and BREDS II,
  - $10.1 billion in our Private Equity segment primarily due to continued disposition activity across the segment, mainly from our BCP V fund, and
  - $5.3 billion in our Credit segment primarily due primarily to $3.4 billion of realizations from returns to CLO investors, and $1.9 billion of realizations from our drawdown funds.
- Outflows of $10.2 billion primarily attributable to:
  - $5.7 billion in our Credit segment primarily due to the same reasons in Fee-Earning Assets Under Management above, and
  - $4.0 billion in our Hedge Fund Solutions segment primarily due to the reasons described under 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.

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	Three Months Ended September 30,		2015 vs. 2014		Nine Months Ended September 30,		2015 vs. 2014	
	2014	2015	$	%	2014	2015	$	%
	(Dollars in Thousands)							
Limited Partner Capital Invested								
Private Equity	$ 2,277,861	$ 1,535,702	$ (742,159)	-33%	$ 6,164,210	$ 5,711,155	$ (453,055)	-7%
Real Estate	3,046,867	4,118,952	1,072,085	35%	7,756,292	8,525,724	769,432	10%
Hedge Fund Solutions	473,233	66,427	(406,806)	-86%	828,639	201,909	(626,730)	-76%
Credit	866,404	424,365	(442,039)	-51%	1,810,262	1,286,556	(523,706)	-29%
Total	$ 6,664,365	$ 6,145,446	$ (518,919)	-8%	$ 16,559,403	$ 15,725,344	$ (834,059)	-5%

Limited Partner Capital Invested was $6.1 billion for the three months ended September 30, 2015, a decrease of $518.9 million, or 8%, from $6.7 billion for the three months ended September 30, 2014. Limited Partner Capital Invested was $15.7 billion for the nine months ended September 30, 2015, a decrease of $834.1 million, or 5%, compared to $16.6 billion for the nine months ended September 30, 2014. The amount of Limited Partner Capital Invested is a function of finding opportunistic investments that fit our investment philosophy and strategy in each of our segments as well as the relative timing of investment closings within those segments.

The following presents the committed undrawn capital available for investment (dry powder) as of September 30, 2014 and 2015:

Note: Totals may not add due to rounding. Amounts are as of September 30, for each of the periods indicated.

(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.

Net Accrued Performance Fees

The following table presents the accrued performance fees, net of performance fee compensation, of the Blackstone Funds as of September 30, 2015 and 2014. Net accrued performance fees presented do not include

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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. Financial Statements of this filing.

	September 30, 2015	2014
	(Dollars in Millions)	
Private Equity		
BCP IV Carried Interest	$ 156	$ 343
BCP V Carried Interest	486	572
BCP VI Carried Interest	303	265
BEP Carried Interest	59	79
Tactical Opportunities Carried Interest	42	32
BTAS Carried Interest	1	
Strategic Partners Carried Interest	27	2
Other Carried Interest	1	1
Total Private Equity (a)	1,075	1,294
Real Estate		
BREP IV Carried Interest	26	4
BREP V Carried Interest	542	679
BREP VI Carried Interest	720	1,244
BREP VII Carried Interest	613	545
BREP VIII Carried Interest	3	
BREP Europe III Carried Interest	195	187
BREP Europe IV Carried Interest	112	25
BREP Asia Carried Interest	48	12
BPP Carried Interest	24	8
BPP Incentive Fees	7	
BREDS Carried Interest	14	16
BREDS Incentive Fees	5	2
Asia Platform Incentive Fees	7	8
Total Real Estate (a)	2,316	2,730
Hedge Fund Solutions		
Incentive Fees	38	70
Total Hedge Fund Solutions	38	70
Credit		
Carried Interest	134	186
Incentive Fees	22	54
Total Credit	156	240
Total Blackstone		
Carried Interest	3,506	4,200
Incentive Fees	79	134
Net Accrued Performance Fees	$ 3,585	$ 4,334

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

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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 September 30, 2015.

(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 September 30, 2015:

Fund (Investment Period)	Committed Capital	Available Capital (a)	Unrealized Investments			Realized Investments		Total Investments		Net IRR (c)	
			Value	MOIC (b)	% Public	Value	MOIC (b)	Value	MOIC (b)	Realized	Total
	(Dollars in Thousands, Except Where Noted)										
Private Equity											
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	199,298	305,478	1.4x		2,619,040	1.4x	2,924,518	1.4x	7%	6%
BCP IV (Nov 2002 / Dec 2005)	6,773,182	221,559	2,360,762	1.3x	23%	18,652,893	3.2x	21,013,655	2.8x	45%	36%
BCP V (Dec 2005 / Jan 2011)	21,024,105	1,330,193	13,220,032	1.6x	64%	23,805,670	2.0x	37,025,702	1.8x	10%	8%
BCP VI (Jan 2011 / Jan 2017)	15,183,973	5,537,622	12,254,533	1.3x	18%	2,004,781	1.9x	14,259,314	1.4x	47%	12%
BEP (Aug 2011 / Feb 2015)	2,438,835	230,025	2,784,328	1.3x	21%	539,484	2.0x	3,323,812	1.4x	56%	20%
BEP II (Feb 2015 / Feb 2021)	4,951,351	4,951,351		N/A			N/A		N/A	N/A	N/A
BCP VII (TBD)	16,775,000	16,775,000		N/A			N/A		N/A	N/A	N/A
Total Corporate Private Equity	75,471,379	29,245,048	30,925,133	1.4x	38%	61,805,113	2.3x	92,730,246	1.9x	19%	16%
Tactical Opportunities	11,999,235	7,057,842	5,598,643	1.1x	1%	1,208,134	1.5x	6,806,777	1.2x	38%	12%
Strategic Partners	17,280,564	4,227,205	6,971,984	1.7x	N/A	12,720,524	1.1x	19,692,508	1.3x	N/A	15%
Other Funds and Co-Investment (d)	1,868,221	277,682	1,311,485	1.1x	45%	108,013	1.8x	1,419,498	1.1x	N/A	N/M
Total Private Equity	$ 106,619,399	$ 40,807,777	$ 44,807,245	1.4x	28%	$ 75,841,784	1.9x	$ 120,649,029	1.7x	19%	15%
Real Estate											
Dollar											
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		2,531,613	2.1x	2,531,613	2.1x	19%	19%
BREP III (Apr 1999 / Apr 2003)	1,522,708			N/A		3,328,504	2.4x	3,328,504	2.4x	21%	21%
BREP IV (Apr 2003 / Dec 2005)	2,198,694		1,027,268	0.9x	11%	3,632,929	2.2x	4,660,197	1.7x	45%	13%
BREP V (Dec 2005 / Feb 2007)	5,539,418		5,071,272	2.3x	30%	7,729,999	2.2x	12,801,271	2.2x	13%	11%
BREP VI (Feb 2007 / Aug 2011)	11,059,523	584,807	8,799,927	2.2x	65%	16,589,673	2.4x	25,389,600	2.3x	15%	13%
BREP VII (Aug 2011 / Apr 2015)	13,486,361	3,002,256	15,819,308	1.6x	1%	7,514,814	1.9x	23,334,122	1.7x	34%	24%
BREP VIII (Apr 2015 / Oct 2020)	15,928,531	14,984,719	1,087,193	1.1x			N/A	1,087,193	1.1x	N/A	N/M
Total Global BREP	$ 51,454,996	$ 18,571,782	$ 31,804,968	1.7x	24%	$ 43,000,430	2.2x	$ 74,805,398	2.0x	22%	17%
Euro											

BREP Int I (Jan 2001 / Sep 2005)	824,172			N/A		1,364,490	2.1x	1,364,490	2.1x	23%	23%
BREP Int II (Sep 2005 / Jun 2008)	1,629,748	53,252	817,019	1.2x	45%	1,417,697	2.1x	2,234,716	1.6x	10%	6%
BREP Europe III (Jun 2008 / Sep 2013)	3,205,140	464,993	3,451,390	1.8x	7%	2,356,583	2.2x	5,807,973	2.0x	25%	20%
BREP Europe IV (Sep 2013 / Mar 2019)	6,693,483	3,064,932	4,836,148	1.3x		354,935	1.3x	5,191,083	1.3x	35%	21%
Total Euro BREP	12,352,543	3,583,177	9,104,557	1.4x	7%	5,493,705	2.0x	14,598,262	1.6x	18%	14%
BREP Co-Investment (e)	$ 5,709,088	$	$ 5,555,712	1.8x	67%	$ 5,804,079	2.2x	$ 11,359,791	2.0x	16%	16%
BREP Asia (Jun 2013 / Dec 2017)	5,079,687	2,944,998	2,709,568	1.3x		52,498	1.4x	2,762,066	1.3x	22%	14%
Total BREP	$ 78,314,999	$ 25,614,141	$ 52,158,982	1.6x	23%	$ 56,167,818	2.2x	$ 108,326,800	1.9x	21%	17%
BPP (f)	$ 7,925,523	$ 3,278,618	$ 5,400,419	1.2x		$	N/A	$ 5,400,419	1.2x	N/A	20%
BREDS (g)	$ 7,256,058	$ 2,359,876	$ 2,482,860	1.2x		$ 5,197,513	1.3x	$ 7,680,373	1.3x	13%	12%
Hedge Fund Solutions											
BSCH (Dec 2013 / Jun 2020) (h)	$ 3,301,000	$ 3,015,745	$ 297,429	1.1x		$ 54,573	N/A	$ 352,002	1.3x	N/M	8%
Total Hedge Fund Solutions	$ 3,301,000	$ 3,015,745	$ 297,429	1.1x		$ 54,573	N/A	$ 352,002	1.3x	N/M	8%
Credit (i)											
Mezzanine I (Jul 2007 / Jul 2012)	$ 2,000,000	$ 102,380	$ 472,638	1.8x		$ 4,384,595	1.6x	$ 4,857,233	1.6x	N/A	18%
Mezzanine II (Nov 2011 / Nov 2016)	4,120,000	2,731,998	2,507,099	1.2x		1,514,372	1.5x	4,021,471	1.3x	N/A	19%
Rescue Lending I (Sep 2009 / May 2013)	3,253,143	552,445	1,848,064	1.3x		4,034,599	1.5x	5,882,663	1.4x	N/A	13%
Rescue Lending II (Jun 2013 / Jun 2018)	5,125,000	3,485,668	1,924,642	1.1x		88,846	1.1x	2,013,488	1.1x	N/A	22%
Total Credit	$ 14,498,143	$ 6,872,491	$ 6,752,443	1.2x		$ 10,022,412	1.5x	$ 16,774,855	1.4x	N/A	16%

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

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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 recallable capital, 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 September 30, 2015 IRR on total invested capital based on realized proceeds and unrealized value, as applicable, after management fees, expenses and Carried Interest.
(d) Returns for Other Funds and Co-Invest are not meaningful as these funds have limited transaction activity.
(e) 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.
(f) BPP, or Blackstone Property Partners, are the core+ real estate funds which invest with a more modest risk profile and lower leverage.
(g) Excludes Capital Trust drawdown funds.
(h) BSCH is a permanent capital vehicle focused on acquiring strategic minority positions in alternative asset managers.
(i) The Total Investments MOIC for Mezzanine I, Mezzanine II, Rescue Lending I and Rescue Lending II Funds, excluding recycled capital during the investment period, was 2.0x, 1.7x, 1.6x and 1.3x, respectively. Funds presented represent the flagship credit drawdown funds only. The Total Credit Net IRR is the combined IRR of the four flagship credit drawdown funds presented.

Segment Analysis

Discussed below is our EI 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 September 30,		2015 vs. 2014		Nine Months Ended September 30,		2015 vs. 2014	
	2015	2014	$	%	2015	2014	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees, Net								
Base Management Fees	$ 128,452	$ 108,236	$ 20,216	19%	$ 358,753	$ 310,024	$ 48,729	16%
Transaction and Other Fees, Net	9,358	48,996	(39,638)	-81%	17,586	119,459	(101,873)	-85%
Management Fee Offsets	(12,262)	(5,837)	(6,425)	110%	(26,239)	(11,796)	(14,443)	122%
Total Management Fees, Net	125,548	151,395	(25,847)	-17%	350,100	417,687	(67,587)	-16%
Performance Fees								
Realized								
Carried Interest	214,532	124,913	89,619	72%	1,144,085	457,112	686,973	150%
Unrealized								
Carried Interest	(809,363)	96,455	(905,818)	N/M	(548,114)	765,730	(1,313,844)	N/M
Total Performance Fees	(594,831)	221,368	(816,199)	N/M	595,971	1,222,842	(626,871)	-51%
Investment Income (Loss)								
Realized	46,917	20,421	26,496	130%	141,991	155,768	(13,777)	-9%
Unrealized	(110,689)	(12,754)	(97,935)	768%	(101,503)	(4,125)	(97,378)	N/M
Total Investment Income (Loss)	(63,772)	7,667	(71,439)	N/M	40,488	151,643	(111,155)	-73%
Interest and Dividend Revenue	8,119	5,346	2,773	52%	23,403	15,240	8,163	54%
Other	471	2,150	(1,679)	-78%	1,161	3,578	(2,417)	-68%
Total Revenues	(524,465)	387,926	(912,391)	N/M	1,011,123	1,810,990	(799,867)	-44%
Expenses								
Compensation and Benefits								
Compensation	69,522	79,007	(9,485)	-12%	206,690	225,352	(18,662)	-8%
Performance Fee Compensation								
Realized								
Carried Interest	16,303	30,944	(14,641)	-47%	162,287	229,435	(67,148)	-29%
Unrealized								
Carried Interest	(141,448)	93,434	(234,882)	N/M	11,098	132,480	(121,382)	-92%
Total Compensation and Benefits	(55,623)	203,385	(259,008)	N/M	380,075	587,267	(207,192)	-35%
Other Operating Expenses	43,693	34,109	9,584	28%	144,906	106,308	38,598	36%
Total Expenses	(11,930)	237,494	(249,424)	N/M	524,981	693,575	(168,594)	-24%
Economic Income (Loss)	$ (512,535)	$ 150,432	$ (662,967)	N/M	$ 486,142	$ 1,117,415	$ (631,273)	-56%

N/M Not meaningful.

Revenues

Revenues were $(524.5) million for the three months ended September 30, 2015, a decrease of $912.4 million compared to $387.9 million for the three months ended September 30, 2014. The decrease in revenues was primarily attributable to decreases in Performance Fees, Investment Income, and Total Management Fees, Net of $816.2 million, $71.4 million and $25.8 million, respectively.

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Performance Fees, which are determined on a fund by fund basis, were $(594.8) million for the three months ended September 30, 2015, a decrease of $816.2 million compared to $221.4 million for the three months ended September 30, 2014. The decrease was a result of global public market volatility resulting in depreciation of 2.3% across the portfolio driven by our public holdings, despite strong underlying company fundamentals and positive performance of our private holdings in the industrial sector.

Investment Income was $(63.8) million for the three months ended September 30, 2015, a decrease of $71.4 million compared to $7.7 million for the three months ended September 30, 2014 due to the factors noted above.

Total Management Fees, Net were $125.5 million for the three months ended September 30, 2015, a decrease of $25.8 million compared to $151.4 million for the three months ended September 30, 2014, primarily driven by a decrease in Transaction and Other Fees, Net, partially offset by an increase in Base Management Fees. Transaction and Other Fees, Net were $9.4 million for the three months ended September 30, 2015, a decrease of $39.6 million compared to $49.0 million for the three months ended September 30, 2014, due to the timing of investment closings. Base Management Fees were $128.5 million for the three months ended September 30, 2015, an increase of $20.2 million compared to the $108.2 million for the three months ended September 30, 2014, principally due to a higher level of fee earning assets as a result of the commencement of the investment periods for BEP II and the tactical opportunities second vintage of separately managed accounts earlier in the year.

Revenues were $1.0 billion for the nine months ended September 30, 2015, a decrease of $799.9 million compared to $1.8 billion for the nine months ended September 30, 2014. The decrease in revenues was primarily attributable to decreases in Performance Fees, Investment Income, and Total Management Fees, Net of $626.9 million, $111.2 million, and $67.6 million, respectively.

Performance Fees, which are determined on a fund by fund basis, were $596.0 million for the nine months ended September 30, 2015, a decrease of $626.9 million, compared to $1.2 billion for the nine months ended September 30, 2014, driven by the strong performance of our portfolio in the 2014 period, outpacing the performance in the comparable 2015 period. Returns for the nine months ended September 30, 2014 were strong across public holdings as well as most industry verticals.

Investment Income was $40.5 million for the nine months ended September 30, 2015, a decrease of $111.2 million, compared to $151.6 million for the nine months ended September 30, 2014. The decrease in the segment was principally driven by strong returns in our public portfolio and investments in the services, healthcare and energy sectors in the nine months ended September 30, 2014 that were greater than the positive returns generated in the nine months ended September 30, 2015.

Total Management Fees, Net were $350.1 million for the nine months ended September 30, 2015, a decrease of $67.6 million compared to $417.7 million for the nine months ended September 30, 2014, primarily driven by a decrease in Transaction and Other Fees, Net, partially offset by an increase in Base Management Fees. Transaction and Other Fees, Net were $17.6 million for the nine months ended September 30, 2015, a decrease of $101.9 million compared to $119.5 million for the nine months ended September 30, 2014, principally due to timing of investment closings, as well as one-time items related to fundraising fees and legal reserves. Base Management Fees were $358.8 million for the nine months ended September 30, 2015, an increase of $48.7 million compared to $310.0 million for the nine months ended September 30, 2014, principally due to the addition of management fee earning assets across the segment, including the investment period commencement for BEP II and the second platform of tactical opportunities separately managed accounts.

Expenses

Expenses were $(11.9) million for the three months ended September 30, 2015, a decrease of $249.4 million compared to $237.5 million for the three months ended September 30, 2014. The decrease was primarily attributable to a decrease of $249.5 million in Performance Fee Compensation, partially offset by an increase of $9.6 million in

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Other Operating Expenses. Performance Fee Compensation decreased as a result of the decrease in Performance Fees Revenue. Other Operating Expenses increased principally as a result of interest allocated to the segment and non-recurring fundraising fees.

Expenses were $525.0 million for the nine months ended September 30, 2015, a decrease of $168.6 million compared to $693.6 million for the nine months ended September 30, 2014. The decrease was attributable to a decrease of $188.5 million in Performance Fee Compensation and $18.7 million in Compensation, partially offset by an increase of $38.6 million, in Other Operating Expenses. Performance Fee Compensation decreased as a result of the decrease in Performance Fees Revenue. Compensation decreased due to an overall decrease in Revenues, on which a portion of compensation is based. Other Operating Expenses increased principally due to interest allocated to the segment and certain one-time items related to fundraising fees and legal reserves.

Fund Returns

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

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

	Three Months Ended September 30,				Nine Months Ended September 30,				September 30, 2015 Inception to Date			
	2015		2014 (a)		2015		2014 (a)		Realized		Total	
Fund (b)	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
BCP IV	-9%	-8%	-5%	-5%	-7%	-7%	-1%	-1%	59%	45%	50%	36%
BCP V	-7%	-3%	4%	4%	10%	7%	22%	18%	13%	10%	10%	8%
BCP VI	-1%	-1%	5%	4%	6%	4%	30%	22%	65%	47%	19%	12%
BEP I	-7%	-6%			-1%	-1%	23%	19%	61%	56%	26%	20%
BEP II (c)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tactical Opportunities	1%		7%	6%	8%	5%	19%	15%	39%	38%	16%	12%
Strategic Partners	6%	3%	6%	7%	14%	12%	19%	19%	N/A	N/A	18%	15%

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) Changes in previous period returns are due to the repayment of fund level financing with capital drawn down from the respective fund s general and limited partners.

(b) Net returns are based on the change in carrying value (realized and unrealized) after management fees, expenses and Carried Interest allocations.

(c) BEP II s investment returns are presented as N/A as its investment period commenced in February 2015.

The corporate private equity funds within the Private Equity segment have four contributed funds with closed investment periods: BCP IV, BCP V, BCOM and BEP I. As of September 30, 2015, 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 (GP) is subject to equalization such that (a) the GP accrues Carried Interest when the total Carried Interest for the combined fund classes is positive and (b) the GP 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. BCOM

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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.

Real Estate

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

	Three Months Ended September 30,		2015 vs. 2014		Nine Months Ended September 30,		2015 vs. 2014	
	2015	2014	$	%	2015	2014	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees, Net								
Base Management Fees	$ 175,710	$ 155,089	$ 20,621	13%	$ 468,801	$ 472,294	$ (3,493)	-1%
Transaction and Other Fees, Net	21,390	38,312	(16,922)	-44%	58,116	65,390	(7,274)	-11%
Management Fee Offsets	(10,147)	(8,977)	(1,170)	13%	(20,441)	(25,903)	5,462	-21%
Total Management Fees, Net	186,953	184,424	2,529	1%	506,476	511,781	(5,305)	-1%
Performance Fees								
Realized								
Carried Interest	169,051	349,237	(180,186)	-52%	1,344,283	961,721	382,562	40%
Incentive Fees	3,879	1,159	2,720	235%	5,822	7,203	(1,381)	-19%
Unrealized								
Carried Interest	(128,854)	187,175	(316,029)	N/M	(498,481)	446,873	(945,354)	N/M
Incentive Fees	2,784	(374)	3,158	N/M	12,788	(1,120)	13,908	N/M
Total Performance Fees	46,860	537,197	(490,337)	-91%	864,412	1,414,677	(550,265)	-39%
Investment Income (Loss)								
Realized	39,821	49,173	(9,352)	-19%	196,597	203,194	(6,597)	-3%
Unrealized	(95,382)	14,492	(109,874)	N/M	(165,563)	(30,566)	(134,997)	442%
Total Investment Income (Loss)	(55,561)	63,665	(119,226)	N/M	31,034	172,628	(141,594)	-82%
Interest and Dividend Revenue	11,057	7,135	3,922	55%	31,313	21,254	10,059	47%
Other	(938)	976	(1,914)	N/M	(3,838)	1,075	(4,913)	N/M
Total Revenues	188,371	793,397	(605,026)	-76%	1,429,397	2,121,415	(692,018)	-33%
Expenses								
Compensation and Benefits								
Compensation	99,255	90,586	8,669	10%	263,573	256,401	7,172	3%
Performance Fee Compensation								
Realized								
Carried Interest	52,546	64,187	(11,641)	-18%	415,210	259,462	155,748	60%
Incentive Fees	1,838	592	1,246	210%	2,865	3,657	(792)	-22%
Unrealized								
Carried Interest	(23,018)	108,789	(131,807)	N/M	(171,661)	193,113	(364,774)	N/M
Incentive Fees	5,215	(123)	5,338	N/M	8,020	(524)	8,544	N/M
Total Compensation and Benefits	135,836	264,031	(128,195)	-49%	518,007	712,109	(194,102)	-27%
Other Operating Expenses	42,050	36,138	5,912	16%	125,539	105,787	19,752	19%

Total Expenses	177,886	300,169	(122,283)	-41%	643,546	817,896	(174,350)	-21%
Economic Income	$ 10,485	$ 493,228	$ (482,743)	-98%	$ 785,851	$ 1,303,519	$ (517,668)	-40%

N/M Not meaningful.

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Revenues

Revenues were $188.4 million for the three months ended September 30, 2015, a decrease of $605.0 million compared to $793.4 million for the three months ended September 30, 2014. The decrease in revenues was primarily attributable to decreases of $490.3 million in Performance Fees and $119.2 million in Investment Income.

Performance Fees, which are determined on a fund by fund basis, were $46.9 million for the three months ended September 30, 2015, a decrease of $490.3 million compared to $537.2 million for the three months ended September 30, 2014. The decrease in Performance Fees was primarily due to the slight depreciation from our BREP opportunistic funds. For the three months ended September 30, 2015, the carrying value of investments for BREP opportunistic funds decreased 0.1% despite strong operating fundamentals across the portfolio. Our BREDS drawdown and real estate hedge funds appreciated 4.6% and 0.5%, respectively.

Investment Income (Loss) was $(55.6) million for the three months ended September 30, 2015, a decrease of $119.2 million compared to $63.7 million for the three months ended September 30, 2014, primarily due to the net depreciation of investments in our BREP VI fund. Blackstone has a larger investment in BREP VI that in other funds.

Revenues were $1.4 billion for the nine months ended September 30, 2015, a decrease of $692.0 million compared to $2.1 billion for the nine months ended September 30, 2014. The decrease in revenues was primarily attributable to decreases of $550.3 million in Performance Fees and $141.6 million in Investment Income.

Performance Fees, which are determined on a fund by fund basis, were $864.4 million for the nine months ended September 30, 2015, a decrease of $550.3 million compared to $1.4 billion for the nine months ended September 30, 2014. Performance Fees decreased due to the net decrease in the appreciation from our BREP opportunistic funds. For the nine months ended September 30, 2015, the carrying value of investments for our BREP opportunistic funds increased 8.6% driven by appreciation in the private portfolio offset by declines in public investment values. Our BREDS drawdown and real estate hedge funds appreciated 8.6% and 4.0%, respectively.

Investment Income was $31.0 million for the nine months ended September 30, 2015, a decrease of $141.6 million compared to $172.6 million for the nine months ended September 30, 2014, primarily attributable to the same reason noted above.

Expenses

Expenses were $177.9 million for the three months ended September 30, 2015, a decrease of $122.3 million compared to $300.2 million for the three months ended September 30, 2014. The decrease was primarily attributable to a decrease of $136.9 million in Performance Fee Compensation, partially offset by an increase of $8.7 million in Compensation. The decrease in Performance Fee Compensation was due to the decrease in Performance Fees Revenue. The increase in Compensation was due to an increase in headcount to support the growth of the businesses.

Expenses were $643.5 million for the nine months ended September 30, 2015, a decrease of $174.4 million compared to $817.9 million for the nine months ended September 30, 2014. The decrease was attributable to a decrease of $201.3 million in Performance Fee Compensation, partially offset by an increase in Other Operating Expenses of $19.8 million. The decrease in Performance Fee Compensation was due to the decrease in Performance Fees Revenue. The increase in Other Operating Expenses was primarily due to interest expense allocated to the segment and a one-time placement fee related to BREP VIII.

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.

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and is also not necessarily indicative of the future performance of any particular fund. An investment in The Blackstone Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

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

	Three Months Ended September 30,				Nine Months Ended September 30,				September 30, 2015 Inception to Date			
	2015		2014		2015		2014		Realized		Total	
Fund (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BREP IV	-6%	-5%	1%	1%	2%	2%	5%	4%	72%	45%	23%	13%
BREP V	-1%	-1%	5%	5%	15%	13%	15%	13%	18%	13%	15%	11%
BREP International II (b)	-5%	-5%	12%	12%	17%	15%	19%	18%	12%	10%	7%	6%
BREP VI	-10%	-9%	5%	4%	-1%	-1%	13%	11%	20%	15%	17%	13%
BREP Europe III (b)	5%	4%	11%	9%	18%	14%	24%	19%	36%	25%	30%	20%
BREP VII	5%	4%	8%	6%	16%	12%	23%	18%	48%	34%	34%	24%
BREP Asia	3%	2%	3%	1%	17%	11%	13%	6%	35%	22%	24%	14%
BREP Europe IV (b)	7%	5%	7%	5%	23%	17%	24%	14%	56%	35%	32%	21%
BREDS	7%	4%	5%	3%	9%	5%	12%	8%	17%	13%	16%	12%
BSSF I	1%	1%	1%	1%	5%	3%	11%	8%	N/A	N/A	15%	11%
CMBS	1%			-1%	4%	2%	8%	5%	N/A	N/A	15%	11%
BREIF	1%	1%			8%	5%	3%	1%	N/A	N/A	9%	5%
BREP Co-Investment	-7%	-7%	5%	2%	-1%	-1%	18%	16%	18%	16%	18%	16%

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.

The following table presents the Carried Interest status of our real estate carry funds with expired investment periods which are currently not generating performance fees as of September 30, 2015:

Fully Invested Funds	Amount (Amounts in Millions)	Gain to Cross Carried Interest Threshold (a) % Change in Total Enterprise Value (b)	% Change in Equity Value
BREP Int l II (Sep 2005 / Jun 2008)	742	29%	97%

(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.

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The Real Estate segment has four funds in their investment period, which were above their respective Carried Interest thresholds as of September 30, 2015: BREP Asia, BREP Europe IV and two funds within BREDS.

Hedge Fund Solutions

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

	Three Months Ended September 30,		2015 vs. 2014		Nine Months Ended September 30,		2015 vs. 2014	
	2015	2014	$	%	2015	2014	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees, Net								
Base Management Fees	$ 133,592	$ 121,484	$ 12,108	10%	$ 394,445	$ 357,876	$ 36,569	10%
Transaction and Other Fees, Net	219	161	58	36%	244	380	(136)	-36%
Management Fee Offsets	(507)	(1,099)	592	-54%	(1,395)	(4,085)	2,690	-66%
Total Management Fees, Net	133,304	120,546	12,758	11%	393,294	354,171	39,123	11%
Performance Fees								
Realized								
Incentive Fees	2,783	6,683	(3,900)	-58%	30,214	54,501	(24,287)	-45%
Unrealized								
Carried Interest	(5,394)		(5,394)	N/M	2,620		2,620	N/M
Incentive Fees	(29,711)	25,473	(55,184)	N/M	33,571	74,114	(40,543)	-55%
Total Performance Fees	(32,322)	32,156	(64,478)	N/M	66,405	128,615	(62,210)	-48%
Investment Income (Loss)								
Realized	(468)	2,693	(3,161)	N/M	(12,600)	21,907	(34,507)	N/M
Unrealized	(6,411)	(1,168)	(5,243)	449%	104	4,320	(4,216)	-98%
Total Investment Income (Loss)	(6,879)	1,525	(8,404)	N/M	(12,496)	26,227	(38,723)	N/M
Interest and Dividend Revenue	4,136	2,724	1,412	52%	12,055	7,725	4,330	56%
Other	(66)	740	(806)	N/M	(1,214)	659	(1,873)	N/M
Total Revenues	98,173	157,691	(59,518)	-38%	458,044	517,397	(59,353)	-11%
Expenses								
Compensation and Benefits								
Compensation	44,408	41,940	2,468	6%	146,353	125,852	20,501	16%
Performance Fee Compensation								
Realized								
Incentive Fees	(436)	2,312	(2,748)	N/M	11,745	18,501	(6,756)	-37%
Unrealized								
Carried Interest	(3,041)		(3,041)	N/M	1,036		1,036	N/M
Incentive Fees	(7,011)	8,778	(15,789)	N/M	12,404	26,791	(14,387)	-54%
Total Compensation and Benefits	33,920	53,030	(19,110)	-36%	171,538	171,144	394	0%
Other Operating Expenses	24,147	20,480	3,667	18%	65,852	65,061	791	1%
Total Expenses	58,067	73,510	(15,443)	-21%	237,390	236,205	1,185	1%

Economic Income	$ 40,106	$ 84,181	$ (44,075)	-52%	$ 220,654	$ 281,192	$ (60,538)	-22%

N/M Not meaningful.

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Revenues

Revenues were $98.2 million for the three months ended September 30, 2015, a decrease of $59.5 million compared to $157.7 million for the three months ended September 30, 2014. The decrease in revenues was primarily attributable to a decrease of $64.5 million in Performance Fees, partially offset by an increase of $12.8 million in Total Management Fees, Net.

Performance Fees, which are determined on a fund by fund basis, were $(32.3) million for the three months ended September 30, 2015, a decrease of $64.5 million compared to $32.2 million for the three months ended September 30, 2014. The decrease in Performance Fees was primarily due to lower returns.

Total Management Fees, Net were $133.3 million for the three months ended September 30, 2015, an increase of $12.8 million compared to $120.5 million for the three months ended September 30, 2014, primarily due to an increase in Base Management Fees. Base Management Fees were $133.6 million for the three months ended September 30, 2015, an increase of $12.1 million compared to $121.5 million for the three months ended September 30, 2014. This increase was driven by an increase in Fee-Earning Assets Under Management of 5% from the prior year period, which was from net inflows and market appreciation.

Revenues were $458.0 million for the nine months ended September 30, 2015, a decrease of $59.4 million compared to $517.4 million for the nine months ended September 30, 2014. The decrease in revenue was primarily attributable to decreases of $62.2 million and $38.7 million in Performance Fees and Total Investment Income respectively, partially offset by an increase of $39.1 million in Total Management Fees, Net.

Performance Fees, which are determined on a fund by fund basis, were $66.4 million for the nine months ended September 30, 2015, a decrease of $62.2 million compared to $128.6 million for the nine months ended September 30, 2014. The decrease in Performance Fees was primarily due to lower returns.

Investment Income (Loss) was $(12.5) million for the nine months ended September 30, 2015, a decrease of $38.7 million compared to $26.2 million for the nine months ended September 30, 2014. The decrease in Investment Income (Loss) was primarily driven by the year over year net depreciation of investments of which Blackstone owns a share.

Total Management Fees, Net were $393.3 million for the nine months ended September 30, 2015, an increase of $39.1 million compared to $354.2 million for the nine months ended September 30, 2014, primarily due to an increase in Base Management Fees. Base Management Fees were $394.4 million for the nine months ended September 30, 2015, an increase of $36.6 million compared to $357.9 million for the nine months ended September 30, 2014. This increase was driven by an increase in Fee-Earning Assets Under Management of 5% from the prior year period, which was from net inflows and market appreciation.

Expenses

Expenses were $58.1 million for the three months ended September 30, 2015, a decrease of $15.4 million compared to $73.5 million for the three months ended September 30, 2014. The decrease in expenses was primarily attributable to a decrease of $21.6 million in Performance Fee Compensation, partially offset by increases of $3.7 million and $2.5 million in Other Operating Expenses and Compensation, respectively. The decrease in Performance Fee Compensation was attributable to the decrease in Performance Fees Revenue. The increase in Other Operating Expenses was primarily due to interest allocated to the segment. The increase in Compensation was primarily due to an increase in Total Management Fees, on which a portion of compensation is based.

Expenses were $237.4 million for the nine months ended September 30, 2015, relatively stable compared to $236.2 million for the nine months ended September 30, 2014.

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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 and/or Hurdle (a)	
	As of September 30,		As of September 30,	
	2014	2015	2014	2015
	(Dollars in Thousands)			
BAAM Managed Funds (b)	$ 33,990,973	$ 35,825,891	90%	62%

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

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

(b) For the BAAM managed funds, at September 30, 2015 the incremental appreciation needed for the 38% of Fee-Earning Assets Under Management below their respective High Water Marks and/or Hurdle to reach their respective High Water Marks and/or Hurdle was $261.1 million, an increase of $202.1 million, or 342%, compared to $59.0 million at September 30, 2014. Of the Fee-Earning Assets Under Management below their respective High Water Marks and/or Hurdle as of September 30, 2015, 83% were within 5% of reaching their respective High Water Mark and/or Hurdle.

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.

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The following table presents the return information of the BAAM Managed Funds, BAAM Principal Solutions Composite:

	Three Months Ended September 30,				Nine Months Ended September 30,				Average Annual Returns (a) Periods Ended September 30, 2015							
	2015		2014		2015		2014		One Year		Three Year		Five Year		Historical	
Composite	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
BAAM Managed Funds, BAAM Principal Solutions Composite (b)	-1%	-1%	2%	1%	3%	2%	6%	5%	4%	3%	8%	7%	7%	6%	8%	7%

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 (liquid alternatives), long-only equity, long-biased commodities, ventures (seeding and minority interests), strategic opportunities (co-investments), Senfina (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. On a net of fees basis, the BPS Composite was down 1.0% for the quarter and up 2.2% year-to-date.

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Credit

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

	Three Months Ended September 30,		2015 vs. 2014		Nine Months Ended September 30,		2015 vs. 2014	
	2015	2014	$	%	2015	2014	$	%
	(Dollars in Thousands)							
Segment Revenues								
Management Fees, Net								
Base Management Fees	$ 126,533	$ 120,684	$ 5,849	5%	$ 375,177	$ 338,747	$ 36,430	11%
Transaction and Other Fees, Net	1,289	3,025	(1,736)	-57%	4,806	13,433	(8,627)	-64%
Management Fee Offsets	(11,260)	(6,850)	(4,410)	64%	(22,480)	(17,841)	(4,639)	26%
Total Management Fees, Net	116,562	116,859	(297)	-0%	357,503	334,339	23,164	7%
Performance Fees								
Realized								
Carried Interest	51,606	164,602	(112,996)	-69%	91,898	195,201	(103,303)	-53%
Incentive Fees	28,123	28,998	(875)	-3%	76,238	68,264	7,974	12%
Unrealized								
Carried Interest	(112,366)	(61,604)	(50,762)	82%	(80,099)	423	(80,522)	N/M
Incentive Fees	(26,419)	(31,630)	5,211	-16%	(10,774)	38,517	(49,291)	N/M
Total Performance Fees	(59,056)	100,366	(159,422)	N/M	77,263	302,405	(225,142)	-74%
Investment Income (Loss)								
Realized	1,735	3,040	(1,305)	-43%	6,695	8,334	(1,639)	-20%
Unrealized	(10,177)	4,892	(15,069)	N/M	(530)	12,492	(13,022)	N/M
Total Investment Income (Loss)	(8,442)	7,932	(16,374)	N/M	6,165	20,826	(14,661)	-70%
Interest and Dividend Revenue	6,053	5,968	85	1%	17,642	16,721	921	6%
Other	(73)	(3,619)	3,546	-98%	3,454	(3,867)	7,321	N/M
Total Revenues	55,044	227,506	(172,462)	-76%	462,027	670,424	(208,397)	-31%
Expenses								
Compensation and Benefits								
Compensation	51,324	54,877	(3,553)	-6%	148,325	156,939	(8,614)	-5%
Performance Fee Compensation								
Realized								
Carried Interest	28,950	90,872	(61,922)	-68%	50,582	106,805	(56,223)	-53%
Incentive Fees	13,659	16,125	(2,466)	-15%	34,515	39,015	(4,500)	-12%
Unrealized								
Carried Interest	(61,190)	(38,091)	(23,099)	61%	(45,349)	(6,435)	(38,914)	605%
Incentive Fees	(12,846)	(17,657)	4,811	-27%	(3,974)	12,954	(16,928)	N/M
Total Compensation and Benefits	19,897	106,126	(86,229)	-81%	184,099	309,278	(125,179)	-40%
Other Operating Expenses	24,898	20,860	4,038	19%	70,273	75,858	(5,585)	-7%
Total Expenses	44,795	126,986	(82,191)	-65%	254,372	385,136	(130,764)	-34%
Economic Income	$ 10,249	$ 100,520	$ (90,271)	-90%	$ 207,655	$ 285,288	$ (77,633)	-27%

N/M Not meaningful.

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Revenues

Revenues were $55.0 million for the three months ended September 30, 2015, a decrease of $172.5 million compared to $227.5 million for the three months ended September 30, 2014. This change was primarily attributable to decreases of $159.4 million in Performance Fees and $16.4 million in Investment Income (Loss).

Performance Fees were $(59.1) million for the three months ended September 30, 2015, a decrease of $159.4 million compared to $100.4 million for the three months ended September 30, 2014. This change was primarily attributable to declines in public markets that impacted all three alternative credit strategies. The net returns of Blackstone s significant Credit segment funds were -2.4% for Hedge Fund Strategies, -3.2% for Mezzanine Strategies and -5.7% for Rescue Lending Strategies for the three months ended September 30, 2015.

Investment Income (Loss) was $(8.4) million for the three months ended September 30, 2015, a decrease of $16.4 million compared to $7.9 million for the three months ended September 30, 2014. The decrease in Investment Income (Loss) was primarily driven by the factors noted above.

Revenues were $462.0 million for the nine months ended September 30, 2015, a decrease of $208.4 million compared to $670.4 million for the nine months ended September 30, 2014. This change was primarily attributable to decreases of $225.1 million and $14.7 million in Performance Fees and Investment Income (Loss), respectively, partially offset by an increase of $23.2 million in Total Management Fees, Net.

Performance Fees were $77.3 million for the nine months ended September 30, 2015, a decrease of $225.1 million compared to $302.4 million for the nine months ended September 30, 2014. This change was primarily attributable to declines in public holdings in our major carry funds. The net returns of Blackstone s significant Credit segment funds were 0.1% for Hedge Fund Strategies, 4.4% for Mezzanine Strategies and -1.0% for Rescue Lending Strategies for the nine months ended September 30, 2015.

Investment Income (Loss) was $6.2 million for the nine months ended September 30, 2015, a decrease of $14.7 million compared to $20.8 million for the nine months ended September 30, 2014. The decrease in Investment Income (Loss) was primarily driven by the factors noted above.

Total Management Fees, Net were $357.5 million for the nine months ended September 30, 2015, an increase of $23.2 million compared to $334.3 million for the nine months ended September 30, 2014. This change was primarily attributable to an increase of $36.4 million in Base Management Fees, partially offset by a decrease of $8.6 million in Transaction and Other Fees, Net. The increase in Base Management Fees was primarily attributable to a larger Fee-Earning Assets Under Management base, driven by Hedge Fund Strategies and Performing Credit. The decrease in Transaction and Other Fees, Net was primarily attributable to fees related to the European CLO business.

Expenses

Expenses were $44.8 million for the three months ended September 30, 2015, a decrease of $82.2 million compared to $127.0 million for the three months ended September 30, 2014. The decrease in expenses was primarily attributable to a decrease of $82.7 million in Performance Fee Compensation. The decrease in Performance Fee Compensation was due to lower performance revenue noted above.

Expenses were $254.4 million for the nine months ended September 30, 2015, a decrease of $130.8 million compared to $385.1 million for the nine months ended September 30, 2014. The decrease in expenses was primarily attributable to decreases of $125.2 million in Total Compensation and Benefits and $5.6 million in Other Operating Expenses. The decrease in Total Compensation and Benefits was due to the decrease in Performance Fees Revenue. The decrease in Other Operating Expenses was driven by a non-recurring placement fee in the first quarter of 2014 and partially offset by an increase in interest allocated to the segment.

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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.

As of September 30, 2015, the Credit segment s returns reflect composite returns for funds included within each alternative strategy as set forth below. Previously, these returns reflected only the composite returns for the flagship funds in each strategy. The historical returns presented in the tables below have been updated to conform to the current presentation.

The following table presents composite return information of the segment s Hedge Fund Strategies funds:

	Three Months Ended September 30,				Nine Months Ended September 30,				Average Annual Returns (a) Periods Ended September 30, 2015							
	2015		2014		2015		2014		One Year		Three Year		Five Year		Historical	
Composite	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Hedge Fund Strategies (b)	-2%	-2%	-0%	-0%	1%	0%	6%	5%	-3%	-4%	11%	8%	12%	9%	12%	9%

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

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

(b) The Hedge Fund Strategies returns represent a weighted-average composite 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 historical returns are from August 1, 2005.

The following table presents combined internal rates of return of the segment s Mezzanine Strategies funds and Rescue Lending Strategies funds:

	Three Months Ended September 30,				Nine Months Ended September 30,				September 30, 2015 Inception to Date	
	2015		2014		2015		2014			
Composite (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Mezzanine Strategies (b)	-3%	-3%	14%	11%	6%	4%	24%	18%	24%	18%
Rescue Lending Strategies (c)	-6%	-6%	8%	6%	-1%	-1%	19%	15%	19%	14%

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

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

(b) The Mezzanine 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) The Rescue Lending 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 September 29, 2009.

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As of September 30, 2015, the drawdown funds within the Rescue Lending Strategies return were above their respective Carried Interest thresholds. For the Mezzanine Lending Strategies return, one fund representing 3.7% of the fair value included in the return was below its Carried Interest threshold. The other funds in the Mezzanine Lending Strategies return, representing 96.3% of the fair value included in the return, were above their respective Carried Interest thresholds.

Financial Advisory

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

	Three Months Ended September 30,		2015 vs. 2014		Nine Months Ended September 30,		2015 vs. 2014	
	2015	2014	$	%	2015	2014	$	%
	(Dollars in Thousands)							
Segment Revenues								
Advisory Fees	$ 146,153	$ 84,131	$ 62,022	74%	$ 307,389	$ 269,008	$ 38,381	14%
Transaction and Other Fees, Net	147	391	(244)	-62%	452	1,329	(877)	-66%
Total Advisory and Transaction Fees	146,300	84,522	61,778	73%	307,841	270,337	37,504	14%
Investment Income (Loss)								
Realized	(479)	505	(984)	N/M	(868)	745	(1,613)	N/M
Unrealized	(998)	(528)	(470)	89%	(39)	1,135	(1,174)	N/M
Total Investment Income (Loss)	(1,477)	(23)	(1,454)	N/M	(907)	1,880	(2,787)	N/M
Interest and Dividend Revenue	6,094	2,412	3,682	153%	12,523	7,101	5,422	76%
Other	(235)	472	(707)	N/M	(1,303)	137	(1,440)	N/M
Total Revenues	150,682	87,383	63,299	72%	318,154	279,455	38,699	14%
Expenses								
Compensation and Benefits								
Compensation	65,066	58,016	7,050	12%	183,824	189,442	(5,618)	-3%
Other Operating Expenses	22,777	19,853	2,924	15%	62,678	63,311	(633)	-1%
Total Expenses	87,843	77,869	9,974	13%	246,502	252,753	(6,251)	-2%
Economic Income	$ 62,839	$ 9,514	$ 53,325	560%	$ 71,652	$ 26,702	$ 44,950	168%

N/M Not meaningful.

On October 1, 2015, Blackstone completed the previously-announced spin-off of the operations that have historically constituted Blackstone s Financial Advisory segment, other than Blackstone s capital markets service business.

Revenues

Revenues were $150.7 million for the three months ended September 30, 2015, an increase of $63.3 million compared to $87.4 for the three months ended September 30, 2014. The increase in revenues was primarily due to a $61.8 million increase in Total Advisory and Transaction Fees. The increase in Total Advisory and Transaction Fees was primarily due to increased deal size of closed Advisory transactions.

Revenues were $318.2 million for the nine months ended September 30, 2015, an increase of $38.7 million compared to $279.5 million for the nine months ended September 30, 2014. The increase in revenues was primarily due to a $37.5 million increase in Total Advisory and

Transaction Fees. The increase in Total Advisory and Transaction Fees was primarily due to increased deal size of closed Advisory transactions.

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Expenses

Expenses were $87.8 million for the three months ended September 30, 2015, an increase of $10.0 million compared to the three months ended September 30, 2014. The increase in expenses was primarily due to a $7.1 million increase in Compensation. The increase in Compensation was primarily due to an overall increase in Advisory Fees, partially offset by a decrease in headcount.

Expenses were $246.5 million for the nine months ended September 30, 2015, a decrease of $6.3 million compared to the nine months ended September 30, 2014. The decrease in expenses was primarily due to a $5.6 million decrease in Compensation. The decrease in Compensation was primarily due to a decrease in headcount.

Liquidity and Capital Resources

General

Blackstone s business model derives revenue primarily from third party assets under management and from advisory businesses. Blackstone is not a capital or balance sheet intensive business and targets operating expense levels such that total management and advisory fees exceed total operating expenses each period. As a result, we require limited capital resources to support the working capital or operating needs of our businesses. We draw primarily on the long-term committed capital of our limited partner investors to fund the investment requirements of the Blackstone Funds and use our own realizations and cash flows to invest in growth initiatives, make commitments to our own funds, 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, Non-Controlling Interests in Consolidated Entities and Appropriated Partners Capital 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 $23.6 billion as of September 30, 2015, a decrease of $7.9 billion from December 31, 2014. The decrease in total assets was primarily attributable to a decrease of $7.5 billion in Investments following the adoption of new consolidation accounting guidance which resulted in the deconsolidation of a number of Blackstone Funds.

Total liabilities were $10.9 billion as of September 30, 2015, a decrease of $3.2 billion from December 31, 2014. The decrease in total liabilities was primarily due to a decrease in Loans Payable of $2.8 billion, which was attributable to the adoption of new consolidation accounting guidance which resulted in the deconsolidation of a number of Blackstone Funds.

For the three months ended September 30, 2015, we had Total Fee Related Revenues of $707.8 million and related expenses of $442.2 million, generating Fee Related Earnings of $265.7 million and Distributable Earnings of $691.5 million. For the nine months ended September 30, 2015, we had Total Fee Related Revenues of $1.9 billion and related expenses of $1.3 billion, generating Fee Related Earnings of $624.7 million and Distributable Earnings of $3.0 billion.

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Sources of Liquidity

We have multiple sources of liquidity to meet our capital needs, including annual cash flows, accumulated earnings in the businesses, investments in our own Treasury and liquid funds and access to our $1.1 billion committed revolving credit facility. We may from time to time access the capital markets. As of September 30, 2015, we had $1.4 billion in cash and cash equivalents, $2.6 billion invested in Blackstone s Treasury Cash Management Strategies, $172.1 million invested in liquid Blackstone Funds, and $2.1 billion invested in illiquid Blackstone Funds, against $2.8 billion in borrowings from our bond issuances, and no borrowings outstanding under our revolving credit facility.

On April 27, 2015, Blackstone issued $350 million in aggregate principal amount of 4.450% senior notes which will mature on July 15, 2045.

On May 19, 2015, Blackstone issued 300 million in aggregate principal amount of 2.000% senior notes which will mature on May 19, 2025.

In addition to the cash we received in connection with our IPO and 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 use Distributable Earnings, which is derived from our segment reported results, as a supplemental non-GAAP measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships. Distributable Earnings is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. Distributable Earnings, which is a component of Economic Net Income, is the sum across all segments of: (a) Total Management and Advisory Fees, (b) Interest and Dividend Revenue, (c) Other Revenue, (d) Realized Performance Fees, and (e) Realized Investment Income (Loss); less (a) Compensation, 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.

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

(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.
(c) Represents the current tax provision calculated on Income Before Provision for Taxes and the Payable Under Tax Receivable Agreement.
(d) Represents equity-based award expense included in Economic Income.
(e) Represents tax-related payables including the Payable Under Tax Receivable Agreement.

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The following calculates the components of Fee Related Earnings, Distributable Earnings and Economic Net Income in the above table identified by note (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) Represents equity-based award expense included in Economic Income.
(c) Taxes and Related Payables Including Payable Under Tax Receivable Agreement represent the current tax provision (benefit) calculated on Income (Loss) Before Provision (Benefit) for Taxes and the Payable Under Tax Receivable Agreement.
(d) Represents tax-related payables including the Payable Under Tax Receivable Agreement.

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The following table is a reconciliation of Net Income 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:

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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 initial public offering 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 initial public offering 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 current tax provision (benefit) calculated on Income (Loss) Before Provision (Benefit) for Taxes.
(e) This adjustment removes from EI the total segment amount of Performance Fees.
(f) This adjustment removes from EI the total segment amount of Investment Income (Loss).
(g) This adjustment represents Interest Income and Dividend Revenue less Interest Expense.
(h) This adjustment removes from expenses the compensation and benefit amounts related to Blackstone s profit sharing plans related to Performance Fees.
(i) Represents the adjustment for realized Performance Fees net of corresponding actual amounts due under Blackstone s profit sharing plans related thereto.
(j) Represents the adjustment for Blackstone s Investment Income (Loss) Realized.
(k) Taxes and Related Payables Including Payable Under Tax Receivable Agreement represent the current tax provision (benefit) calculated on Income (Loss) Before Provision (Benefit) for Taxes and the Payable Under Tax Receivable Agreement.
(l) Represents equity-based award expense included in EI.

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Liquidity Needs

We expect that our primary liquidity needs will be cash to (a) provide capital to facilitate the growth of our existing businesses which principally includes funding our general partner and co-investment commitments to our funds, (b) provide capital to facilitate our expansion into new businesses that are complementary, (c) pay operating expenses, including cash compensation to our employees and other obligations as they arise, (d) fund modest capital expenditures, (e) repay borrowings and related interest costs, (f) pay income taxes, and (g) make distributions to our unitholders and the holders of Blackstone Holdings Partnership Units. Our own capital commitments to our funds, the funds we invest in and our investment strategies as of September 30, 2015 consisted of the following:

	Blackstone and General Partner		Senior Managing Directors and Certain Other Professionals (a)	
Fund	**Original Commitment**	**Remaining Commitment**	**Original Commitment**	**Remaining Commitment**
	(Dollars in Thousands)			
Private Equity				
BCP VII	$ 500,000	$ 500,000	$ 225,000	$ 225,000
BCP VI	719,718	268,466	250,000	93,254
BCP V	629,356	42,258		
BEP	50,000	6,400		
BEP II	80,000	80,000	26,667	26,667
Tactical Opportunities	212,565	119,481	44,894	25,235
Strategic Partners	155,525	108,192	20,294	5,936
Other (b)	207,502	12,517		
Real Estate				
BREP VIII	300,000	280,970	100,000	93,657
BREP VII	300,000	65,603	100,000	21,868
BREP VI	750,000	38,840	150,000	12,947
BREP Europe III	100,000	13,231	35,000	4,410
BREP Europe IV	130,000	56,339	43,333	18,780
BREP Asia	50,392	25,030	16,797	8,343
BREDS II	50,000	25,843	16,667	8,614
CT Opportunity Partners I	25,000	23,410		
Other (b)	141,111	40,378		
Hedge Fund Solutions				
Strategic Alliance	50,000	2,033		
Strategic Alliance II	50,000	1,482		
Strategic Alliance III	2,000	2,000		
Strategic Holdings LP	50,000	45,847		
Other (b)	300	133		
Credit				
Capital Opportunities Fund II LP	120,000	78,188	119,425	71,806
GSO Capital Solutions II	125,000	103,426	110,205	98,813
Blackstone/GSO Capital Solutions	50,000	9,462	27,666	5,236
BMezz II	17,692	3,085		
GSO Credit Alpha Fund LP	52,102	41,852	50,953	40,929
GSO Euro Senior Debt Fund LP	63,000	63,000	57,611	57,611
GSP Energy Select Opportunities Fund	80,000	80,000	75,935	75,935
Other (b)	80,212	44,857	13,485	8,760
Total	$ 5,141,475	$ 2,182,323	$ 1,483,932	$ 903,801

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(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 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.

Blackstone, through indirect subsidiaries, has a $1.1 billion unsecured revolving credit facility (the Credit Facility) with Citibank, N.A., as Administrative Agent with a maturity date of May 29, 2019. 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 August 2009, Blackstone Holdings Finance Co. L.L.C. issued $600 million in aggregate principal amount of 6.625% Senior Notes which will mature on August 15, 2019, unless earlier redeemed or repurchased. In September 2010, Blackstone Holdings Finance Co. L.L.C. issued $400 million in aggregate principal amount of 5.875% Senior Notes which will mature on March 15, 2021, unless earlier redeemed or repurchased. In August 2012, Blackstone Holdings Finance Co. L.L.C. issued $400 million in aggregate principal amount of 4.75% Senior Notes which will mature on February 15, 2023 and $250 million in aggregate principal amount of 6.25% Senior Notes which will mature on August 15, 2042. In April 2014, Blackstone Holdings Finance Co. L.L.C. issued $500 million in aggregate principal amount of 5.000% Senior Notes which will mature on June 15, 2044, unless earlier redeemed or repurchased. (These Senior Notes are collectively referred to as the Notes .) The Notes are unsecured and unsubordinated obligations of Blackstone Holdings Finance Co. L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Blackstone Group L.P. and each of the Blackstone Holdings Partnerships. The Notes contain customary covenants and financial restrictions that, among other things, limit Blackstone Holdings Finance Co. L.L.C. and the guarantors ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The Notes also contain customary events of default. All or a portion of the Notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the Notes. If a change of control repurchase event occurs, the Notes are subject to repurchase at the repurchase price as set forth in the Notes.

On April 27, 2015, Blackstone Holdings Finance Co. L.L.C. issued $350 million in aggregate principal amount of 4.450% senior notes which will mature on July 15, 2045, unless earlier redeemed or repurchased.

On May 19, 2015, Blackstone Holdings Finance Co. L.L.C. issued 300 million in aggregate principal amount of 2.000% senior notes which will mature on May 19, 2025, unless earlier redeemed or repurchased.

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 September 30, 2015, no units were repurchased. As of September 30, 2015, the amount remaining under this program available for repurchases was $335.8 million.

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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.

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 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.

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The following chart shows fiscal quarterly and annual per common unitholder distributions for 2014 and 2015. Distributions are declared and paid in the quarter subsequent to the quarter in which they are earned.

With respect to fiscal year 2015, we have paid to common unitholders a distribution of $0.49 in respect of the third quarter, aggregating $2.12 per common unit in respect of the nine months ended September 30, 2015. With respect to fiscal year 2014, we paid common unitholders aggregate distributions of $2.12 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, our Treasury Cash Management Strategies 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 private equity funds, real estate funds, funds of hedge funds and credit-focused funds have not utilized substantial leverage at the fund level other than for (a) short-term borrowings between the date of an investment and the receipt of capital from the investing fund s investors, and (b) long-term borrowings for certain investments in aggregate amounts which are generally 1% to 20% 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.

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Certain of our Real Estate debt hedge funds, Hedge Fund Solutions and Credit 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:

	Reverse Repurchase Agreements	Repurchase Agreements	Securities Sold, Not Yet Purchased
	(Dollars in Millions)		
Balance, September 30, 2015	$ 85.3	$ 42.1	$ 174.0
Balance, December 31, 2014	$	$ 29.9	$ 85.9
Nine Months Ended September 30, 2015			
Average Daily Balance	$ 76.1	$ 68.2	$ 157.8
Maximum Daily Balance	$ 120.7	$ 147.2	$ 204.6

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Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations as of September 30, 2015 on a consolidated basis and on a basis deconsolidating the Blackstone Funds:

Contractual Obligations	October 1, 2015 to December 31, 2015	2016 2017	2018 2019	Thereafter	Total
			(Dollars in Thousands)		
Operating Lease Obligations (a)	$ 19,749	$ 187,736	$ 179,209	$ 702,341	$ 1,089,035
Purchase Obligations	7,408	23,627	7,178	526	38,739
Blackstone Issued Notes and Revolving Credit Facility (b)			585,000	2,237,470	2,822,470
Interest on Blackstone Issued Notes and Revolving Credit Facility (c)	12,527	291,786	288,412	1,519,071	2,111,796
Blackstone Funds and CLO Vehicles Debt Obligations Payable (d)	4,166	380,922		3,103,255	3,488,343
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (e)	18,404	139,145	119,246	475,725	752,520
Blackstone Funds Capital Commitments to Investee Funds (f)	34,916				34,916
Due to Certain Non-Controlling Interest Holders in Connection with Tax Receivable Agreements (g)		151,274	171,041	977,783	1,300,098
Unrecognized Tax Benefits, Including Interest and Penalties (h)	5,751				5,751
Blackstone Operating Entities Capital Commitments to Blackstone Funds and Other (i)	2,182,323				2,182,323
Consolidated Contractual Obligations	2,285,244	1,174,490	1,350,086	9,016,171	13,825,991
Blackstone Funds and CLO Vehicles Debt Obligations Payable (d)	(4,166)	(380,922)		(3,103,255)	(3,488,343)
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (e)	(18,404)	(139,145)	(119,246)	(475,725)	(752,520)
Blackstone Funds Capital Commitments to Investee Funds (f)	(34,916)				(34,916)
Blackstone Operating Entities Contractual Obligations	$ 2,227,758	$ 654,423	$ 1,230,840	$ 5,437,191	$ 9,550,212

(a) We lease our primary office space under agreements that expire through 2032. In connection with certain lease agreements, we are responsible for escalation payments. The contractual obligation table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases for financial statement purposes and as such are not recorded as liabilities on the Condensed Consolidated Statements of Financial Condition. The amounts are presented net of contractual sublease commitments. Included herein is $153.8 million of lease commitments related to PJT Partners Inc. which as of October 1, 2015 have been transferred to PJT Partners Inc. as part of the spin-off.

(b) Represents the principal amount due on the senior notes we issued. As of September 30, 2015, 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 will be made and debt will be held until its final maturity date. These amounts exclude commitment fees for unutilized borrowings under our revolver.

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(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 September 30, 2015, at spreads to market rates pursuant to the financing agreements, and range from 0.27% to 7.12%. 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 initial public offering in 2007 and subsequent purchases. The obligation represents the amount of the payments currently expected to be made, which are dependent on the tax savings actually realized as determined annually without discounting for the timing of the payments. As required by GAAP, the amount of the obligation included in the Condensed Consolidated Financial Statements and shown in Note 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 $3.2 million and interest and penalties of $2.5 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 $15.9 million and interest of $5.8 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.

In connection with the spin-off of our financial and strategic advisory services, restructuring and reorganization advisory service and Park Hill group businesses, certain of the Blackstone equity awards held by PJT Partners personnel who remained employed with PJT Partners through the spin-off were converted into equity awards of PJT Partners. As described under Certain Relationships and Related Party Transactions Agreements with Blackstone Related to the Spin-Off Employee Matters Agreement in the Form 10 filed by PJT Partners Inc. on September 3, 2015, if in the first 180 calendar days following the spin-off the value of the PJT Partners personnel s converted equity award is less than the value that the relinquished Blackstone award would have had over the same period, Blackstone will pay (in cash, Blackstone equity or PJT Partners equity, at Blackstone s discretion) certain true-up awards to PJT Partners personnel. As an illustrative example, $20.7 million would be payable by Blackstone pursuant to this true-up requirement if the true-up awards were calculated as of October 30, 2015.

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 September 30, 2015.

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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 with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at various points through 2016. Further extensions of such terms may be implemented under given circumstances.

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

As of September 30, 2015, the total clawback obligations were $1.2 million, of which $0.7 million related to Blackstone Holdings and $0.5 million related to current and former Blackstone personnel. (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.)

Principles of Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner 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. 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.

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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.

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, 2014 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, advisory fees and 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 credit-focused funds:

- 0.25% to 1.75% of committed capital or invested capital during the investment period,
- 0.25% 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 for certain credit-focused funds.

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

- 1.50% to 2.00% of net asset value.

On credit-focused separately managed accounts:

- 0.30% to 1.35% of net asset value.

On real estate separately managed accounts:

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

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

0.50% to 1.25% of net asset value.

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On CLO vehicles:

0.40% to 1.25% of total assets.

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

0.50% to 1.50% of fund 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.

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

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

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(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 Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Blackstone Carry Funds were to be liquidated based on the current fair value of the underlying funds investments as of the reporting date. 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.

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. Equity-based awards that do not require future service are expensed immediately. 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.

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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. Upon adoption of the new CLO measurement guidance adopted as of January 1, 2015, senior and subordinate 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. For periods prior to the adoption of new CLO measurement guidance, senior and subordinate notes issued by CLO vehicles are classified within Level III of the fair value hierarchy.

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, those held within Blackstone s Treasury Cash Management Strategies and debt securities sold, not yet purchased and interests in investment funds. 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,

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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 and Derivative Instruments Designated as Fair Value Hedges are valued using contractual cash flows and observable inputs comprising yield curves, foreign currency rates and credit spreads.

Upon adoption of the new CLO measurement guidance adopted as of January 1, 2015, 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 cap 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. In some instances, Blackstone may utilize other valuation techniques, including the discounted cash flow method or a market approach.

Credit-Focused Liabilities Credit-focused liabilities comprise senior and subordinate loans issued by Blackstone s consolidated CLO vehicles. Such liabilities have historically been valued using a discounted cash flow method. On the adoption of new accounting guidance as of January 1, 2015 and the application of a permitted

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measurement alternative, such liabilities are valued based on the more observable fair value of related assets held by CLO vehicles less (a) the fair value of any beneficial interests held by Blackstone and (b) the carrying value of any beneficial interest that represent compensation for services.

Level III Valuation Process

Investments classified within Level III of the fair value hierarchy are valued on a quarterly basis, taking into consideration 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 that is chaired by Blackstone s Vice Chairman and includes senior heads of each of Blackstone s businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone s investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee. 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 (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 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

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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 adjustment 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 accompanying 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.

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.

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Goodwill is reviewed for impairment at least annually, and more frequently if circumstances indicate impairment may have occurred. We test goodwill for impairment at the operating segment level (the same as our segments). Management has organized the firm into five operating segments. All of the components in each segment have similar economic characteristics and management makes key operating decisions based on the performance of each segment. Therefore, we believe that operating segment is the appropriate reporting level for testing the impairment of goodwill.

The carrying value of goodwill was $1.8 billion as of September 30, 2015 and December 31, 2014, respectively. At September 30, 2015 and December 31, 2014, 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.

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.

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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 nine months ended September 30, 2015 and September 30, 2014, the percentages of our fund management fees based on the NAV of the applicable funds or separately managed accounts, were as follows:

	Nine Months Ended September 30,	
	2015	2014
Fund Management Fees Based on the NAV of the Applicable Funds or Separately Managed Accounts	35%	35%

Market Risk

The Blackstone Funds hold investments which are reported at fair value. Based on the fair value as of September 30, 2015 and September 30, 2014, 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:

	September 30,					
	2015			2014		
	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 Fair Value of the Investments	$ 85,230	$ 1,388,498	$ 227,245	$ 86,241	$ 1,237,030	$ 290,556

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

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

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:

	September 30, 2015	
	Total Assets Under Management, Excluding Undrawn Capital Commitments and the Amount of Capital Raised for CLOs	Percentage Amount Classified as Level III Investments

	(Dollars in Thousands)	
Private Equity	$ 41,248,115	91%
Real Estate	$ 62,547,442	76%
Credit	$ 43,954,837	51%

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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, 2014. 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 September 30, 2015 and September 30, 2014, 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:

	September 30,					
	2015			2014		
	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	$ 13,235	$ 253,312	$ 33,093	$ 21,848	$ 279,198	$ 40,602

(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 September 30, 2015 and September 30, 2014, we estimate that interest expense relating to variable rates would increase on an annual basis, in the event interest rates were to increase by one percentage point, as follows:

	September 30,	
	2015	2014
	(Dollars in Thousands)	
Annualized Increase in Interest Expense Due to a One Percentage Point Increase in Interest Rates	$ 42	$ 68

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Blackstone s Treasury Cash Management Strategies consists of a diversified portfolio of liquid assets to meet the liquidity needs of various businesses (the Treasury Liquidity Portfolio). This portfolio includes cash, open-ended money market mutual funds, open-ended bond mutual funds, marketable investment securities, freestanding derivative contracts, repurchase and reverse repurchase agreements and other investments. 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:

	September 30,			
	2015		2014	
	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	$ 12,783(a)	$ 13,450	$ 16,276(a)	$ 10,425

(a) As of September 30, 2015 and 2014, this represents 0.3% and 0.6% of the Treasury Liquidity Portfolio, respectively.

Credit Risk

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

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

We estimate that our annualized investment income would decrease, if credit spreads were to increase by one percentage point, as follows:

	September 30,	
	2015	2014
	(Dollars in Thousands)	
Decrease in Annualized Investment Income Due to a One Percentage Point Increase in Credit Spreads (a)	$ 52,347	$ 49,544

(a) As of September 30, 2015 and 2014, this represents 1.3% and 1.8% of the Treasury Liquidity Portfolio, 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,

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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 change in our internal control over financial reporting (as such term is defined in Rules 13a 15(f) and 15d 15(f) under the Exchange Act) occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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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, 2014. 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.

The SEC has publicly indicated that it is specifically focused on private equity practices regarding fees and other conflicts of interest, including, among other things, the widespread industry practice of receiving fees from portfolio companies in connection with the termination of monitoring agreements upon the initial public offering or disposition of such companies. The SEC had reviewed our historical monitoring fee practices in 2011 2012 in their regular exam process. In June 2014, we voluntarily modified our monitoring fee practices in ways that are beneficial to our private equity investors, including eliminating any such payments beyond the year of sale for full dispositions and limiting payments following IPOs. This followed the expansion in 2012 of the disclosure that was already being made to private equity investors regarding such fees. As previously disclosed, in October 2014 the SEC informally requested additional information about our historical monitoring fee termination practices. The SEC also asked for additional information about certain pre-2011 practices relating to the application of disparate vendor discounts to Blackstone and to our funds that were changed in 2011 and had also been previously reviewed by the SEC in 2012. On October 7, 2015, without admitting or denying any wrongdoing, three of Blackstone s private equity fund advisers (the Fund Advisers) consented to the entry of an order settling these matters in connection with funds formed many years ago. According to the SEC order, with respect to these legacy funds, the Fund Advisers did not provide sufficient pre-commitment disclosure regarding the possibility of accelerating otherwise authorized fees upon termination of monitoring fee agreements with their portfolio companies. The SEC order recognized, however, that such fees were disclosed in distribution notices, quarterly reports and in the case of initial public offerings of portfolio companies, in Form S-1 filings, and were subject to an explicit Limited Partner Advisory Committee objection right that was never exercised. The order also found that the Fund Advisers did not adequately disclose that certain legal fee discounts they received, prior to 2011, were greater than discounts received by the funds. The SEC order recognized, however, that in early 2011, the Fund Advisers voluntarily changed this policy. The Fund Advisers agreed as part of the settlement to pay disgorgement of $26,225,203 (plus prejudgment interest of $2,686,553) to limited partners of those funds and a civil monetary penalty of $10,000,000 to the SEC.

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, 2014 and in our subsequently filed Quarterly Reports on Form 10-Q, all of which are accessible on the Securities and Exchange Commission s website at www.sec.gov.

See Part I. Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Business Environment in this report for a discussion of the conditions in the financial markets and economic conditions affecting our businesses. This discussion updates, and should be read together with, the risk factor entitled Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital and reducing the volume of the transactions involving our financial advisory business, each of which could materially reduce our revenue and cash flow and adversely affect our financial condition in our Annual Report on Form 10-K for the year ended December 31, 2014.

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.

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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 September 30, 2015, no units were repurchased. As of September 30, 2015, 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Withdrawal Agreement with Laurence Tosi

On July 24, 2015, Blackstone announced that Laurence Tosi resigned from his position as Chief Financial Officer of Blackstone Group Management L.L.C., the general partner of Blackstone, effective August 7, 2015 (the Effective Date).

In connection with his resignation, Mr. Tosi entered into a withdrawal agreement with Blackstone on November 3, 2015, which includes the terms summarized below. Under the terms of the withdrawal agreement, Mr. Tosi agreed to enter into a general release of claims in favor of Blackstone and its related parties and affirmed his non-competition, non-solicitation, non-disparagement and confidentiality covenants contained in his Non-Competition and Non-Solicitation Agreement (the Non-Competition Agreement). All payments and benefits are subject to Mr. Tosi s timely execution and non-revocation of the release and compliance with these restrictive covenants.

Under the terms of the withdrawal agreement, Mr. Tosi will receive $500,000 payable in a lump-sum cash payment within 15 days following the date of his agreement and the unvested portion of Mr. Tosi s carried interest in (i) all Blackstone Innovations LLC and Blackstone Innovations (Cayman) III LP investments made through the Effective Date and (ii) Blackstone s investment in Ipreo Holdings, LLC will vest. Except as described above, all of Mr. Tosi s other unvested carried interest was forfeited as of the Effective Date.

In addition, under the terms of the withdrawal agreement, Mr. Tosi s outstanding Blackstone unvested equity awards will be treated as follows:

49,925 deferred restricted common units held by Mr. Tosi pursuant to the terms of Blackstone s Sixth Amended and Restated Bonus Deferral Plan, as amended, will, notwithstanding Mr. Tosi s withdrawal, continue to vest and be settled in accordance with their terms, subject to Mr. Tosi s continued compliance with the Non-Competition Agreement through each applicable vesting date; and

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Mr. Tosi forfeited 576,837 unvested units of Blackstone and/or Blackstone Holdings with a value, as of the Effective Date of $21.8 million. Nonetheless, Blackstone agreed to provide Mr. Tosi with (i) quarterly payments from the Effective Date through February 1, 2016 equal to quarterly distributions to be made in respect of 125,448 Blackstone Holdings Partnership Units during such time and (ii) a number of vested Blackstone Holdings Partnership Units with a fair market value equal to $5,000,000 using a 60-trading day volume weighted average price as of February 1, 2016, in each case, subject to Mr. Tosi s compliance with the Non-Competition Agreement. If the number of Blackstone Holdings Partnership Units in clause (ii) is greater than the number of Blackstone Holdings Partnership Units in clause (i), then Mr. Tosi will be entitled to an additional cash payment equal to distributions from the Effective Date through February 1, 2016 with respect to such excess number of Blackstone Holdings Partnership Units. If the number of Blackstone Holdings Partnership Units in clause (i) is greater than the number of Blackstone Holdings Partnership Units in clause (ii), then the number of Blackstone Holdings Partnership Units Mr. Tosi is entitled to receive will be reduced by a number of units with a value equal to the excess of the distributions Mr. Tosi received with respect to such excess number of Blackstone Holdings Partnership Units.

Section 13(r) Disclosure

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA), which added Section 13(r) of the Exchange Act, Blackstone hereby incorporates by reference herein Exhibit 99.1 of this report, which includes disclosures publicly filed and/or provided to us by Travelport Limited and Hilton Worldwide Holdings Inc., each of which may be considered our affiliate.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
10.1	Agreement, dated as of November 3, 2015, between Blackstone Holdings I L.P. and Laurence A. Tosi.
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).
99.1	Section 13(r) Disclosure.
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.

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

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SIGNATURES

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

Date: November 5, 2015

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)