Blackstone Group L.P.
Form S-1/A
June 21, 2007

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As filed with the Securities and Exchange Commission on June 21, 2007.

Registration No. 333-141504

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 9
to

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

The Blackstone Group L.P.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**6282**	**20-8875684**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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Approximate date of commencement of the proposed sale of the securities to the public: **As soon as practicable after the Registration Statement is declared effective.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Units Representing Limited Partner Interests	153,333,334 common units	$31.00	$4,753,333,354	$145,927(3)

(1) Includes 20,000,000 common units subject to the underwriters' option to purchase additional common units.

(2) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(a) under the Securities Act of 1933.

(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JUNE 21, 2007

PRELIMINARY PROSPECTUS

133,333,334 Common Units
Representing Limited Partner Interests

The Blackstone Group L.P. is offering all of the 133,333,334 common units representing limited partner interests in this offering. This is our initial public offering of common units and no public market currently exists for our common units. We anticipate that the initial public offering price will be between $29.00 and $31.00 per common unit. Our common units have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "BX."

We have entered into an agreement with an investment vehicle established by the People's Republic of China with respect to its foreign exchange reserve that we refer to as the "State Investment Company" pursuant to which we will sell to it $3 billion of non-voting common units at a purchase price per common unit equal to 95.5% of the initial public offering price in this offering. The number of non-voting common units purchased by the State Investment Company will be reduced if necessary so that its equity interest in Blackstone remains under 10%. The sale of non-voting common units to the State Investment Company is subject to, and will close concurrently with, the completion of this offering.

We intend to use a portion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company to purchase interests in our business from our existing owners, including members of our senior management.

Our founders want to make these important observations:

Our corporate private equity and real estate businesses have benefited from high levels of activity in the last few years. These activity levels may continue, but could decline at any time because of factors we cannot control.

While we believe the long-term growth trends in our businesses are favorable, there may be significant fluctuations in our financial results from quarter to quarter. Our common units should only be purchased by investors who expect to remain unitholders for a number of years.

We intend to continue to follow the management approach that has served us well as a private firm of focusing on making the right decisions about purchasing and selling the right assets at the right time and at the right prices, without regard to how those decisions affect our financial results in any given quarter.

Investing in our common units involves risks. See "Risk Factors" beginning on page 32. These risks include the following:

The Blackstone Group L.P. is managed by our general partner, which is owned by our senior managing directors. Our common unitholders will have only limited voting rights and will have no right to elect our general partner or its directors.

Immediately following this offering, our existing owners will generally have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of our limited partners, including any attempt to remove our general partner.

The partnership agreement of The Blackstone Group L.P. limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner to our common unitholders and restricts the remedies available to common unitholders for actions that might otherwise constitute breaches of our general partner's duties.

We depend on our founders and other key senior managing directors, and our future success and growth depends to a substantial degree on our ability to retain and motivate our senior managing directors and other key personnel and to strategically recruit, retain and motivate new talented personnel.

As discussed in "Material U.S. Federal Tax Considerations", The Blackstone Group L.P. will be treated as a partnership for U.S. federal income tax purposes and you therefore will be required to take into account your allocable share of items of income, gain, loss and deduction of The Blackstone Group L.P. in computing your U.S. federal income tax liability. You may not receive cash distributions equal to your allocable share of our net taxable income or even the tax liability that results from that income.

Members of the United States Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and to apply to us, we would incur a material increase in our tax liability, which could well result in a reduction in the value of our common units.

PRICE $ A COMMON UNIT

	Price to Public	Underwriting Discounts	Proceeds to The Blackstone Group L.P.
Per Common Unit	$	$	$
Total	$	$	$

We have granted the underwriters the right to purchase up to an additional 20,000,000 common units to cover over-allotments.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units to purchasers on or about , 2007.

Morgan Stanley **Citi**

Merrill Lynch & Co. **Credit Suisse** **Lehman Brothers**

Deutsche Bank Securities

ABN AMRO Rothschild LLC
Banc of America Securities LLC
Bear, Stearns & Co. Inc.
Goldman, Sachs & Co.
JPMorgan
Lazard Capital Markets
UBS Investment Bank
Wachovia Securities

Nikko Citigroup **SEB Enskilda** **Wells Fargo Securities**

, 2007

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. We and the underwriters are offering to sell, and seeking offers to buy, our common units only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common units.

Until , 2007 (25 days after the date of this prospectus), all dealers that effect transactions in our common units, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Except where the context requires otherwise, references in this prospectus to "Blackstone," the "Company," "we," "us" or "our" refer (1) prior to the consummation of our reorganization into a holding partnership structure as described under "Organizational Structure", to Blackstone Group, which comprises certain consolidated and combined entities under the common ownership of (a) our two founders, Mr. Stephen A. Schwarzman and Mr. Peter G. Peterson, and our other senior managing directors, (b) selected other individuals engaged in some of our businesses and (c) American International Group, Inc., whom we refer to collectively as our "existing owners," and (2) after our reorganization, to The Blackstone Group L.P. and its consolidated subsidiaries. References in this prospectus to the ownership of our founders and other senior managing directors and of selected other individuals engaged in some of our businesses include the ownership of current and future personal planning vehicles of these individuals. Completion of our reorganization will occur prior to this offering.

"Blackstone funds," "our funds" and "our investment funds" refer to the corporate private equity funds, real estate opportunity funds, funds of hedge funds, mezzanine funds, senior debt vehicles, proprietary hedge funds and closed-end mutual funds that are managed by Blackstone. "Our carry funds" refer to the corporate private equity funds, real estate opportunity funds and mezzanine funds that are managed by Blackstone. "Our hedge funds" refer to the funds of hedge funds and proprietary hedge funds that are managed by Blackstone.

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

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

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

(3) the amount of capital raised for our senior debt vehicles.

Our calculation of assets under management may differ from the calculations of other asset managers and as a result this measure may not be comparable to similar measures presented by other asset managers. Our definition of assets under management is not based on any definition of assets under management that is set forth in the agreements governing the investment funds that we manage. See "Business Structure and Operation of Our Investment Funds Incentive Arrangements / Fee Structure".

Unless indicated otherwise, the information included in this prospectus assumes no exercise by the underwriters of the option to purchase up to an additional 20,000,000 common units from us and that the common units to be sold in this offering are sold at $30.00 per common unit, which is the midpoint of the price range indicated on the front cover of this prospectus.

SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all the information you should consider before investing in our common units. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and the financial statements and the related notes before you decide to invest in our common units.

Blackstone

We are a leading global alternative asset manager and provider of financial advisory services. We are one of the largest independent alternative asset managers in the world, with assets under management of approximately $88.4 billion as of May 1, 2007. Our alternative asset management businesses include the management of corporate private equity funds, real estate opportunity funds, funds of hedge funds, mezzanine funds, senior debt vehicles, proprietary hedge funds and closed-end mutual funds. We also provide various financial advisory services, including corporate and mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

We seek to deliver superior returns to investors in our funds through a disciplined, value-oriented investment approach. We believe that this investment approach, implemented across our broad and expanding range of alternative asset classes and investment strategies, helps provide stability and predictability to our business over different economic cycles. Since we were founded in 1985, we have cultivated strong relationships with clients in our financial advisory business, where we endeavor to provide objective and insightful solutions and advice that our clients can trust. We believe our scaled, diversified businesses, coupled with our long track record of investment performance, proven investment approach and strong client relationships, position us to continue to perform well in a variety of market conditions, expand our assets under management and add complementary businesses.

As of June 1, we had 60 senior managing directors and employ approximately 340 other investment and advisory professionals at our headquarters in New York and our offices in Atlanta, Boston, Chicago, Dallas, Los Angeles, San Francisco, London, Paris, Mumbai and Hong Kong. We believe that the depth and breadth of the intellectual capital and experience of our professionals are key reasons why we have generated exceptional returns over many years for the investors in our funds. This track record in turn has allowed us to successfully and repeatedly raise additional assets from an increasingly wide variety of sophisticated investors.

We generate our income from fees earned pursuant to contractual arrangements with the investment funds that we manage, with the investors in these funds and with these funds' portfolio companies (including management, transaction and monitoring fees), as well as from fees earned for the provision of corporate and mergers and acquisitions advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds. In most cases, we receive a preferred allocation of income (a "carried interest") or an incentive fee from an investment fund in the event that specified investment returns are achieved by the fund. In the case of our carry funds, we are generally entitled to a carried interest equal to 20% of the net realized income and gains generated by these funds (subject to an annual preferred return for the limited partner investors in these funds ranging from 7% to 10% and a "catch-up" allocation to us). For example, if a carry fund were to sufficiently exceed the preferred return threshold and generate $500 million of profits net of allocable fees and expenses from a given investment, our carried interest would entitle us to receive $100 million of these net profits. Our ability to generate carried interest and incentive fees is an important element of our business and these items have historically accounted for a very significant portion of our income.

We have grown our assets under management significantly, from approximately $14.1 billion as of December 31, 2001 to approximately $88.4 billion as of May 1, 2007, representing compound annual growth of 41.1%. The following table sets forth our assets under management by segment and fund type as of May 1, 2007.

	Assets Under Management as of May 1, 2007	
	(in billions)	
Corporate private equity funds		$ 33.08
Real estate opportunity funds		19.95
Marketable alternative asset funds		35.34
Funds of hedge funds	$ 20.03	
Mezzanine funds	1.51	
Senior debt vehicles	8.43	
Distressed securities hedge fund	1.39	
Equity hedge fund	1.80	
Closed-end mutual funds	2.18	
Total		$ 88.37

Our business is organized into four business segments:

Corporate Private Equity. We are a world leader in private equity investing, having managed five general private equity funds as well as one specialized fund focusing on media and communications-related investments. We established this business in 1987. The corporate private equity fund we are currently investing is one of the largest funds of its kind ever raised, with aggregate capital commitments of over $19.6 billion as of May 1, 2007. We pursue transactions throughout the world, including not only typical leveraged buyout acquisitions of seasoned companies but also transactions involving start-up businesses in established industries, turnarounds, minority investments, corporate partnerships and industry consolidations. Our corporate private equity business has grown assets under management significantly, from approximately $7.6 billion as of December 31, 2001 to approximately $33.1 billion as of May 1, 2007, representing compound annual growth of 31.8%. Our corporate private equity segment generated income before taxes of $1,009.9 million for the year ended December 31, 2006 and $197.8 million for the three months ended March 31, 2007.

Real Estate. Since 1992, our real estate business has been a diversified, global operation, with investments in a variety of sectors and geographic locations. We have managed six general real estate opportunity funds and two internationally focused real estate opportunity funds. Taken together, the two real estate opportunity funds we are currently investing would represent one of the largest real estate funds ever raised, with aggregate capital commitments of over $7.2 billion as of May 1, 2007. Our real estate opportunity funds have made significant investments in lodging, major urban office buildings, residential properties, distribution and warehousing centers and a variety of real estate operating companies. Our real estate business has grown assets under management significantly, from approximately $3.0 billion as of December 31, 2001 to approximately $19.9 billion as of May 1, 2007, representing compound annual growth of 42.6%. Our real estate segment generated income before taxes of $902.7 million for the year ended December 31, 2006 and $762.0 million for the three months ended March 31, 2007.

Marketable Alternative Asset Management. Our marketable alternative asset management segment, established in 1990, comprises our management of funds of hedge funds, mezzanine funds, senior debt vehicles, proprietary hedge funds and publicly-traded closed-end mutual funds. Our marketable alternative asset management segment has grown assets under management significantly, from approximately $3.5 billion as of December 31, 2001 to approximately $35.3 billion as of May 1, 2007, representing compound annual growth of 54.2%. Our marketable alternative asset management segment generated income before taxes of

$191.7 million for the year ended December 31, 2006 and $113.2 million for the three months ended March 31, 2007.

Funds of hedge funds. We manage a variety of funds of hedge funds, which are investment funds that invest in third-party hedge funds. Our funds of hedge funds are designed as risk-mitigation products that are generally expected to have relatively low volatility and limited correlation with the equity markets. The funds of hedge funds that we manage comprise a wide range of different portfolios and investment strategies, including broadly diversified funds, strategy focused funds, opportunistic funds and client customized funds. We are one of the ten largest independent fund of hedge fund managers in the world with approximately $20.0 billion in aggregate assets under management as of May 1, 2007 in a variety of fund of hedge funds vehicles, which are invested with over 180 different hedge fund managers.

Mezzanine funds. We manage funds that invest primarily in the mezzanine debt of middle-market companies arranged through privately negotiated transactions. These investments are generally structured to earn current income through interest payments and may also include return enhancements including warrants or other equity-linked securities.

Senior debt vehicles. We manage vehicles that invest primarily in senior secured loans and other debt instruments. These vehicles are of the type commonly referred to as collateralized debt obligation or collateralized loan obligation funds.

Proprietary hedge funds. We have two proprietary hedge funds:

Distressed securities hedge fund. Our distressed securities hedge fund invests primarily in distressed and defaulted debt securities and related equities, with an emphasis on smaller, less efficiently traded issues.

Equity hedge fund. Our equity hedge fund invests primarily in equity investments on a long and short basis.

Closed-end mutual funds. We are the investment manager of two publicly-traded closed-end mutual funds The India Fund, Inc. and The Asia Tigers Fund, Inc. The India Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Indian companies. The India Fund is the largest of the two India-focused closed-end mutual funds in the United States. The Asia Tigers Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Asian companies.

Financial Advisory. Our financial advisory segment comprises our corporate and mergers and acquisitions advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds. From January 1, 2002 to December 31, 2006, our financial advisory business revenues have grown at a compound annual rate of 22.7%. Our financial advisory segment generated income before taxes of $193.9 million for the year ended December 31, 2006 and $73.1 million for the three months ended March 31, 2007.

Corporate and Mergers and Acquisitions Advisory. Since 1985, our corporate and mergers and acquisitions advisory services operation has advised on transactions with a total value of more than $275 billion. Professionals in this area have a wide array of specialized industry knowledge and experience and provide all types of corporate and financial advisory services with a wide range of transaction execution capability.

Restructuring and Reorganization Advisory. Our restructuring and reorganization advisory operation is one of the leading advisers to companies and creditors in restructurings and bankruptcies. Since 1991, we have advised on more than 150 distressed situations, both in and out of bankruptcy proceedings, involving more than $350 billion of total liabilities.

Park Hill Group. Park Hill Group is our fund placement business. Since its inception in 2005, Park Hill Group has assisted its clients in raising a total of $45.8 billion for 21 corporate private equity, real estate, venture capital and hedge funds.

Key Aspects of Our Organizational Structure and this Offering

Organizational Structure. Prior to this offering we will effect our reorganization into a holding partnership structure described in "Organizational Structure." Following the reorganization and this offering, The Blackstone Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, will hold equity interests in five Blackstone Holdings partnerships (which we refer to collectively as "Blackstone Holdings"), which in turn will with limited exceptions own each of the operating entities included in our historical combined financial statements. Through wholly-owned subsidiaries, The Blackstone Group L.P. will be the sole general partner of each of the Blackstone Holdings partnerships. Accordingly, The Blackstone Group L.P. will operate and control all of the business and affairs of Blackstone Holdings and will consolidate the financial results of Blackstone Holdings and its consolidated subsidiaries.

Each of the Blackstone Holdings partnerships will have an identical number of partnership units outstanding, and we use the terms "Blackstone Holdings partnership unit" or "partnership unit in/of Blackstone Holdings" to refer collectively to a partnership unit in each of the Blackstone Holdings partnerships. The Blackstone Group L.P. will hold, through wholly-owned subsidiaries, a number of Blackstone Holdings partnership units equal to the number of common units that The Blackstone Group L.P. has issued. Immediately following this offering and the sale of non-voting common units to the State Investment Company as described below, The Blackstone Group L.P. will hold Blackstone Holdings partnership units representing 22.0% of the total number of partnership units of Blackstone Holdings, or 23.8% if the underwriters exercise in full their option to purchase additional common units, and our existing owners will hold Blackstone Holdings partnership units representing 78.0% of the total number of partnership units of Blackstone Holdings, or 76.2% if the underwriters exercise in full their option to purchase additional common units. The Blackstone Holdings partnership units that will be held by The Blackstone Group L.P.'s wholly-owned subsidiaries will be economically identical in all respects to the Blackstone Holdings partnership units that will be held by our existing owners, except that The Blackstone Group L.P.'s wholly-owned subsidiaries will be entitled to priority allocations of income through December 31, 2009 as described under "Cash Distribution Policy". Accordingly, the income of Blackstone Holdings will benefit The Blackstone Group L.P. to the extent of its equity interest in Blackstone Holdings.

Sale of Non-Voting Common Units to the State Investment Company. We have entered into an agreement with an investment vehicle established by the People's Republic of China with respect to its foreign exchange reserve that we refer to as the "State Investment Company", pursuant to which we will sell to it $3 billion of non-voting common units at a purchase price per common unit equal to 95.5% of the initial public offering price in this offering (or 104,712,041 common units, assuming an initial public offering price per unit of $30.00). The number of non-voting common units purchased by the State Investment Company will be reduced if necessary so that its equity interest in Blackstone immediately following this offering remains under 10%, and it will be restricted in the future from purchasing common units in excess of that amount. The State Investment Company has agreed to hold the purchased common units for four years, except in certain limited circumstances such as a change of control of us or a sale by our existing owners of a 51% equity interest in our business to a single person or group. After such four-year period, the State Investment Company may sell up to one-third of its common units over each of the subsequent three years and we have agreed to provide it with registration rights to effect such sales. Unaffiliated third-party transferees of common units from the

State Investment Company or its affiliates will have the same limited voting rights with respect to such common units as the investors in this offering will have. The sale of non-voting common units to the State Investment Company is subject to, and will close concurrently with, the completion of this offering.

The State Investment Company has agreed to explore in good faith potential arrangements pursuant to which it or its affiliates would invest in or commit to fund amounts to current and future investment funds managed by us and to evaluate in good faith and consider investing in any comparable funds or vehicles offered by us in connection with any investment they make in alternative asset funds or vehicles. In addition, the State Investment Company has agreed that it and its affiliates will obtain our written consent prior to making any investment in any other firm primarily engaged in the sponsorship or management of alternative asset funds or vehicles for a year following this offering. We have agreed that if we issue a 5% equity interest in our firm to an investor during the first year following this offering, we will modify the terms of the State Investment Company's investment in us to the extent necessary so that the terms of the new investor's investment, in the aggregate, are no more favorable than those of the State Investment Company's investment.

Distributions. Our intention is to distribute to our common unitholders on a quarterly basis substantially all of The Blackstone Group L.P.'s net after-tax share of our annual adjusted cash flow from operations in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our common unitholders for any one or more of the ensuing four quarters. We expect that our first quarterly distribution will be paid in the fourth quarter of 2007 in respect of the prior quarter. Because we will not know what our available adjusted cash flow from operations will be for any year until the end of such year, we expect that our first three quarterly distributions in respect of any given year will generally be smaller than the final quarterly distribution in respect of such year. The declaration and payment of any distributions will be at the sole discretion of our general partner.

We intend to cause Blackstone Holdings to make distributions to its partners, including The Blackstone Group L.P.'s wholly-owned subsidiaries, in order to fund any distributions The Blackstone Group L.P. may declare on the common units. If Blackstone Holdings makes such distributions, our existing owners, as limited partners of Blackstone Holdings, will be entitled to receive equivalent distributions pro rata based on their partnership interests in Blackstone Holdings (except that The Blackstone Group L.P.'s wholly-owned subsidiaries will be entitled to priority allocations of income through December 31, 2009 as described under "Cash Distribution Policy"). In addition, with respect to our actively investing carry funds, senior debt vehicles and proprietary hedge funds as well as any future carry funds, senior debt vehicles and proprietary hedge funds, we intend to continue to allocate to the senior managing directors, other professionals and selected other individuals who work in these operations a portion of the carried interest or incentive fees earned in relation to these funds in order to better align their interests with our own and with those of the investors in these funds.

Cash distributions to our existing owners in respect of the fiscal and tax year ended December 31, 2006 were $1.85 billion in the aggregate. Cash distributions to our existing owners in respect of the current fiscal and tax year have aggregated approximately $614.7 million to date. In connection with the reorganization we intend to make one or more distributions to our existing owners representing all of the undistributed earnings generated by the businesses to be contributed to Blackstone Holdings prior to the date of the offering. If the offering had occurred on March 31, 2007, we estimate that the aggregate amount of such distributions would have been $610.4 million. However, the actual amount of such distributions will depend on the amount of earnings generated by the contributed businesses prior to the offering.

In addition, our existing owners will receive $3.90 billion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company, or approximately $4.47 billion if the underwriters exercise in full their option to purchase additional common units, as a result of our purchase from them of interests in our business at the time of this offering.

Tax Consequences. Investors in this offering will become limited partners of The Blackstone Group L.P. As discussed in "Material U.S. Federal Tax Considerations", The Blackstone Group L.P. will be treated as a partnership and not as a corporation for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether or not cash distributions are then made. Accordingly, an investor in this offering will generally be required to pay U.S. federal income taxes with respect to the income and gain of The Blackstone Group L.P. that is allocated to such investor, even if The Blackstone Group L.P. does not make cash distributions. See "Material U.S. Federal Tax Considerations" for a summary discussing certain U.S. federal income tax considerations related to the purchase, ownership and disposition of our common units as of the date of this prospectus.

Deconsolidation of Blackstone Funds. Investors in our common units should note that Blackstone's corporate private equity, real estate opportunity and mezzanine funds have historically been consolidated into Blackstone's financial statements, notwithstanding that Blackstone has only a minority interest in these funds. Consequently, our historical financial statements do not reflect the net asset value of our investments in such funds, but reflect rather on a gross basis the assets, liabilities, revenues, expenses and cash flows of these funds. We intend to deconsolidate all of our funds that have historically been consolidated in our financial statements with the exception of our proprietary hedge funds and four of our funds of hedge funds. Accordingly, we will no longer record the non-controlling interests' share of these fund's partners' capital and net income. These adjustments would have changed our March 31, 2007 financial statement items as follows (based on comparing our combined historical financial information for this period to our pro forma financial information for such period): assets decrease of 56%; liabilities decrease of 23%; revenues increase of 132%; expenses increase of 674%; and non-controlling interests in income of consolidated entities increase of 98%. We believe that the deconsolidation of these funds by means of granting investors in these funds general partner removal rights or liquidation rights, as the case may be, will result in our financial statements reflecting our alternative asset management business, including our management fee, incentive fee and performance fee revenues, in a manner that reflects both how our management evaluates our business and the risks of the assets and liabilities of our firm. Accordingly, we believe that deconsolidating these funds will provide investors reviewing our financial statements an enhanced understanding of our business. Because we are initiating these steps, we are not seeking or receiving any consideration from the investors in these funds for granting them these rights. There will be no change in either our equity or net income as a result of the deconsolidation. See "Unaudited Pro Forma Financial Information" for a more detailed description of the deconsolidation of our investment funds from our financial statements.

Competitive Strengths

World Leader in Alternative Asset Management. Alternative asset management is the fastest growing segment of the asset management industry, and we are one of the largest independent alternative asset managers in the world. From the time we entered the asset management business 20 years ago through May 1, 2007, we have raised approximately $61.4 billion of committed capital for our corporate private equity funds, real estate opportunity funds, mezzanine funds and senior debt vehicles, and we managed approximately $25.4 billion in our funds of hedge funds, proprietary hedge funds and closed-end mutual funds as of May 1, 2007. Our assets under management have grown from approximately $14.1 billion as of December 31, 2001 to approximately $88.4 billion as of May 1, 2007, representing compound annual growth of 41.1%. We believe that the strength and breadth of our franchise, supported by our people, investment approach and track record of success, provide a distinct advantage when raising capital, evaluating opportunities, making investments, building value and realizing returns.

One of the Largest Managers of Corporate Private Equity and Real Estate Opportunity Funds. We have been one of the largest private equity fund managers since we entered this business in 1987. From that time through May 1, 2007, we had invested total capital of $21.4 billion in 112 transactions with a total enterprise value of approximately $199 billion through our corporate private equity funds and total capital of $13.3 billion in 214 transactions with a total enterprise value of over $102 billion through our real estate opportunity funds. Both the corporate private equity fund and the two real estate opportunity funds (taken together) we are currently investing are among the largest funds ever raised in their respective sectors, with aggregate capital commitments of $19.6 billion and $7.2 billion, respectively, as of May 1, 2007. We believe that our long-term leadership in private equity has imbued the Blackstone brand with value that enhances all of our different businesses and facilitates our ability to expand into complementary new businesses.

Diversified, Global Investment Platform. Our asset management businesses are diversified across a broad variety of alternative asset classes and investment strategies and have global reach and scale. We benefit from substantial synergies across all of these businesses, including the ability to leverage the extensive intellectual capital that resides throughout our firm. We believe that the extensive investment review process that is conducted in all of our asset management businesses, involving active participation by Stephen A. Schwarzman and Hamilton E. James across all of our businesses, is not only a significant reason for our successful investment performance but also helps to maximize those synergies. In addition, we believe our financial advisory segment further increases the diversification of our business mix.

During our 21-year history, we have grown by entering new businesses that were complementary to our existing asset management and financial advisory businesses. For example, in 1988 we entered into a partnership with the founders of BlackRock Inc. and helped those individuals develop an asset management business specializing in fixed income. We sold our interest in BlackRock Inc. in 1994. We have invested in complementary new areas because they offered opportunities to deploy our financial and intellectual capital and generate superior investment returns, attractive net income margins and substantial cash flow. We believe that our ability to identify and successfully enter new growth areas is a key competitive advantage, and we will continue to seek new opportunities to expand our asset management franchise and our advisory business.

Exceptional Investment Track Record. We have an exceptional record of generating attractive risk-adjusted returns across our asset management businesses, as shown in the table below. We believe that the superior investment returns we have generated for investors in our funds over many years across a broad and expanding range of alternative asset classes and through all types of economic conditions and all cycles of the equity and debt capital markets are a key reason why we have been able to successfully and consistently grow our assets under management across our alternative asset management platform.

	Year of Inception	Combined Fund Level Annualized IRR or Return Since Inception(1)	Annualized IRR or Return, Net of Fees, Since Inception(2)
Corporate private equity	1987	30.7%	22.6%
Real estate opportunity	1992	39.7%	31.0%
Funds of hedge funds	1990	13.0%	12.0%
Mezzanine	1999	17.2%	10.6%
Senior debt vehicles:			
Equity tranches	2002	23.6%(3)	16.2%(3)
Distressed securities hedge	2005	11.5%	8.0%
Equity hedge	2006	26.1%(4)	20.0%(4)
Closed-end mutual funds:			
The India Fund	2005		30.1%(5)
The Asia Tigers Fund	2005		38.2%(5)

(1) Through March 31, 2007.

(2) Through March 31, 2007. The annualized IRR or return, net of fees, of an investment fund represents the gross annualized IRR or return applicable to limited partners net of management fees, incentive fees, organizational expenses, transaction costs, partnership expenses (including interest incurred by the fund itself) and the general partner's allocation of profits, if any.

(3) Our senior debt vehicles are typically capitalized with investment grade debt and tiers of subordinated debt and equity securities, the most subordinated of which benefit from residual amounts. These most subordinated securities typically represent approximately 10% of a vehicle's total capitalization. The gross annualized return for these subordinated securities represents the gross compound annual rate of return on such subordinated securities before management fees, but after deducting interest expense and administrative expenses.

(4) Reflects returns from October 1, 2006 (the date operations commenced) through March 31, 2007 only (in contrast to all other results in the table above, which are annualized).

(5) A subsidiary of ours has been the investment manager of The India Fund and The Asia Tigers Fund since December 5, 2005. The current portfolio manager has managed The India Fund since August 1, 1997 and has managed The Asia Tigers Fund since July 1, 1999. The net annualized returns, based on net asset value, have been calculated since December 5, 2005.

See "Business The Historical Investment Performance of Our Investment Funds" for information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance. The historical information presented above and elsewhere in this prospectus with respect to the investment performance of our funds is provided for illustrative purposes only. The historical investment performance of our funds is no guarantee of future performance of our current funds or any other fund we may manage in the future.

Diverse Base of Longstanding Investors. We have a long history of raising significant amounts of capital on a global basis across a broad range of asset classes, and we believe that the strength and breadth of our relationships with institutional investors provide us with a competitive advantage in raising capital for our investment funds. During our two decades of asset management activities, we have built long-term relationships with many of the largest institutional investors in the world, most of which invest in a number of different categories of our investment funds. For example, of those of the 50 largest corporate and public pension funds in the United States as measured by assets under management that to our knowledge invest in alternative assets, approximately 72% have invested in our funds. In addition, investors representing approximately 85% of the total capital invested in all of our carry funds since 1987 have invested in successive funds in the same category. Furthermore, our investor base is highly diversified, with no single unaffiliated investor in our current corporate private equity or real estate opportunity funds accounting for more than 9% of the total amount of capital raised for those funds. Our Park Hill Group business further enables us to grow our investor base through its expanding network of relationships with potential investors. We believe that our strong network of investor relationships, together with our long-term track record of providing investors in our funds with superior risk-adjusted investment returns, will enable us to continue to grow our assets under management across our investment platform.

Strong Industry and Corporate Relationships. We believe that the strength of our relationships with investment banking firms, other financial intermediaries and leading corporations and corporate executives provides us with competitive advantages in identifying transactions, securing investment opportunities and generating exceptional returns. We actively cultivate our relationships with major investment banking firms and other financial intermediaries and are among the most significant clients of many of these firms. For example, our investment professionals meet regularly with investment bankers and other personnel of all of the major investment banking firms regarding potential investment opportunities, and we will often seek to work with many of the same financial institutions that we have worked with on previous transactions when seeking financing arrangements for potential investment opportunities. We believe our repeated and consistent dealings with these firms over a long period of time have led to our being one of the first parties considered for potential investment ideas and have enhanced our ability to obtain financing on more favorable terms. We believe that our strong network of relationships with these firms provide us with a significant advantage in attracting deal flow and securing transactions, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a very limited number of other private equity firms. We also have a broad range of relationships with senior-level business executives whom we use to generate investment opportunities, analyze prospective investments and act as directors of and advisers to our corporate private equity and real estate opportunity funds' portfolio companies. Moreover, private equity investing in partnership with leading corporations is a signature form of investing for us. Through May 1, 2007, we had invested in 42 corporate partnerships, including transactions with AT&T Inc., General Electric Company, Northrop Grumman Corporation, Sony Corporation, Time Warner Inc., Union Carbide Corporation, Union Pacific Corporation, USX Corporation and Vivendi SA. We believe that the depth and breadth of our corporate partnerships will lead to a significant number of opportunities for our corporate private equity and real estate opportunity funds over the next several years. As a result of these various relationships, we believe that we are less reliant on auction processes in making investments than many of our competitors, thereby providing us with a wider array of attractive investment opportunities.

Our People. We believe that our senior management and our talented and experienced professionals are the principal reason why we have achieved significant growth and success in all of our businesses. Since our firm's founding in 1985, Stephen A. Schwarzman has served as our firm's Chief Executive Officer and Peter G. Peterson has served as either Chairman or Senior Chairman. Hamilton E. James serves as our President and Chief Operating Officer, oversees our corporate private equity operation directly and, along with Mr. Schwarzman, oversees and serves on the investment committees or oversight committees for all of our other businesses. Jonathan D. Gray and Chad R. Pike are senior managing directors overseeing our real estate operation. J. Tomilson Hill is our Vice Chairman and the head of our fund of hedge funds business. Howard Gellis leads our corporate debt business, John D. Dionne manages our distressed securities hedge fund, Manish Mittal manages our equity hedge fund and Punita Kumar-Sinha manages our closed-end mutual funds. Our corporate and mergers and acquisitions advisory operation is led by John Studzinski, our restructuring and reorganization advisory operation is led by Arthur B. Newman and our fund placement business is overseen by Kenneth C. Whitney. Our 60 senior managing directors have an average of 22 years of relevant experience. This team is supported by approximately 340 other professionals with a variety of backgrounds in investment banking, leveraged finance, private equity, real estate and other disciplines. We believe that the extensive experience and financial acumen of our management and professionals provide us with a significant competitive advantage.

Alignment of Interests. One of our fundamental philosophies as a privately-owned firm has been to align our interests, and those of our senior managing directors and other professionals, with the interests of the investors in our funds. Since inception, Blackstone, its senior managing directors and other professionals have committed over $2.7 billion of their own capital to our carry funds and as of May 1, 2007, our hedge funds managed an additional $2.1 billion of Blackstone's senior managing director and employee capital. In structuring this offering, we have sought to achieve the same alignment of interests between our common unitholders and our senior managing directors and other employees through their significant and long-term ownership of our equity. Our senior managing directors and other existing owners who are our employees will own in excess of 78.0% of the equity in our business immediately following this offering. In addition, we intend to make equity awards to all of our employees at the time of this offering and to use appropriate equity-based compensation to motivate and retain our professionals in the future. The equity held by our senior managing directors and other employees will be subject to vesting and minimum retained ownership requirements and transfer restrictions as described in "Organizational Structure Reorganization Blackstone Holdings Formation", "Management IPO Date Equity Awards" and " Minimum Retained Ownership Requirements and Transfer Restrictions for Existing Owners".

Distinct Advisory Perspective. We are not engaged in securities underwriting, research or other similar activities that might conflict with our role as a trusted financial advisor. We believe that this makes us particularly well-suited to represent boards and special committees in the increasing number of situations where they are looking to retain a financial advisor who is devoid of such conflicts. In addition, we believe that our ability to view financial advisory client assignments from both the client's and an owner's perspective often provides unique insights into how best to maximize value while also achieving our clients' strategic objectives.

Our Growth Strategy

We intend to create value for our common unitholders by:

- generating superior investment performance across our asset management platform;
- growing the assets under management in our existing investment fund operations;
- expanding our asset management base by raising new investment funds;
- increasing our investment of our own capital in our funds;
- expanding our advisory business; and
- entering into complementary new businesses.

Why We Are Going Public

We have decided to become a public company:

- to access new sources of capital that we can use to invest in our existing businesses, to expand into complementary new businesses and to further strengthen our development as an enduring institution;
- to enhance our firm's valuable brand;
- to provide us with a publicly-traded equity currency and to enhance our flexibility in pursuing future strategic acquisitions;
- to expand the range of financial and retention incentives that we can provide to our existing and future employees through the issuance of equity-related securities representing an interest in the value and performance of our firm as a whole; and
- to permit the realization over time of the value of our equity held by our existing owners.

We Intend to be a Different Kind of Public Company

We have built a leading global alternative asset management and financial advisory firm that has achieved success and substantial growth. While we believe that becoming a publicly traded company will provide us with many benefits, it is our intention to preserve the elements of our culture that have contributed to our success as a privately-owned firm. In particular, as described below, we intend to continue to manage our business with a long-term perspective, to focus at all times on seeking to optimize returns to the limited partner investors in our investment funds and to retain our partnership management structure and culture of employee ownership of our business.

Management with a Long-Term Perspective. As a privately-owned firm, Blackstone has always been managed with a perspective of achieving successful growth over the long-term. Both in entering and building our various businesses over the years and in determining the types of investments to be made by our investment funds, our management has consistently sought to focus on the best outcomes for our businesses and investments over a period of years rather than on the short-term impact on our revenue, net income or cash flow. We intend to maintain this long-term focus after we become a public company even though this approach, together with the fact that our financial results will be significantly affected by the timing of new investments and realizations of gains, may result in significant and unpredictable variances in these items from quarter to quarter. In addition, while the management fees we receive from our investment funds are payable on a regular basis in contractually prescribed amounts over the life of each fund, transaction fees earned by our corporate private equity, real estate and mezzanine operations and fees earned by our advisory business are subject to greater variability from quarter to quarter.

Our largest businesses corporate private equity and real estate have benefited greatly in recent years from public companies accepting going-private acquisition offers in order, among other reasons, to avoid the public markets' focus on short-term earnings performance. As a public company we do not intend to permit the short-term perspective of the public markets to change our own focus on the long-term in making investment, operational and strategic decisions. Because our businesses can vary in significant and unpredictable ways from quarter to quarter and year to year, we do not plan to provide guidance regarding our expected quarterly and annual operating results to investors or analysts after we become a public company.

Continued Focus on Limited Partner Investors in Our Investment Funds. Serving the investors in our investment funds has been our guiding principle, and we remain fully committed to our fiduciary and contractual obligations to these investors. We do not intend to permit our status as a public company to change our focus on seeking at all times to optimize returns to investors in our investment funds. Accordingly, we expect to take actions regularly with respect to the purchase or sale of investments and the structuring of investment transactions for our investment funds to achieve this objective, even if these actions adversely affect our near-term results. We believe that optimizing returns for the investors in our funds will create the most value for our common unitholders over time.

Use of Leverage to Enhance Returns. In order to generate enhanced returns on equity for our owners, we have historically employed significant leverage on our balance sheet. As a public company, we intend to continue using leverage to create the most efficient capital structure for Blackstone and our public common unitholders. We do not anticipate approaching significant leverage levels during the first one or two years after this offering because the proceeds we will retain from this offering and the sale of non-voting common units to the State Investment Company are expected to be our principal source of financing for our business during that period. However, we anticipate that our debt-to-equity ratio will eventually rise to levels in the range of 3:1 to 4:1 as we attempt to increase our return on equity for the benefit of our common unitholders. This strategy will expose us to the typical risks associated with the use of substantial leverage, including affecting the credit ratings that may be assigned to our debt by rating agencies. See "Risk Factors Risks Related to Our Business Our use of leverage to finance our business will expose us to substantial risks, which are exacerbated by our funds' use of leverage to finance investments".

Partnership Management Structure. Throughout our 21-year history as a privately-owned firm, our management structure has reflected strong central leadership and active involvement by our senior management. For example, members of our senior management, including Messrs. Schwarzman and James, have served on the investment committees of many of our funds and intend to continue to serve on those investment committees, which are responsible for approving or overseeing all investment decisions made on behalf of those funds. We believe that the continued active involvement of our senior management in the deliberations of our investment committees will preserve a critical element of our management structure that has contributed to our achievement of superior returns for our funds. We believe that this management structure has meaningfully contributed to our significant growth and the successful performance of all our businesses. Although our business has been managed as a private partnership since its founding, we also have extensive experience with the management and ownership of public companies. As a public company, we intend to continue to employ our current management structure because we believe this structure will best enable us to continue to achieve the level of success we have achieved as a private partnership.

No Golden Parachutes/CEO Compensation. We have no severance arrangements with any of our professionals. Accordingly, unlike in the case of many public companies, the departure of an executive officer or other senior managing director would not trigger any contractual obligation on our part to make any special payments to the departing professional. Moreover, following this offering Mr. Schwarzman will receive no compensation other than a $350,000 salary (and will own a significant portion of the carried interest earned from our carry funds).

Equity Awards to All Employees. Because we believe that the talents and dedication of all of our employees contribute to our success, we intend to make equity awards to all of our approximately 710 non-senior managing director employees at the time of this offering. See "Management IPO Date Equity Awards". We believe this will preserve and strengthen our historical emphasis on aligning the interests of our personnel with those of our investors.

Charitable Contributions. Our senior managing directors intend to contribute an aggregate of $150 million of our equity (calculated based on the initial public offering price per common unit in this offering) to The Blackstone Charitable Foundation. The foundation's philanthropy is expected to extend to a wide range of educational, cultural, scientific and other charitable organizations that serve the communities in which Blackstone operates, as well as other worthy charities with which our employees are personally involved. The foundation's specific initial gift recipients have not yet been determined. The foundation's charitable gift making will be supervised by its board of directors, which will initially consist of two senior managing directors and three employees of Blackstone. We expect that The Blackstone Charitable Foundation will serve as the primary vehicle for our future charitable giving, although we have not yet determined the frequency or amount of the donations that we will make.

Our Common Units Are Not an Appropriate Investment for Investors With a Short-Term Focus

Our businesses have achieved substantial growth, particularly over the past five years, in no small part due to the successful investment performances of our investment funds. While the long-term growth trends in our businesses are favorable, our financial results are subject to significant volatility and we are unable to predict them from quarter to quarter or year to year. Our corporate private equity and real estate businesses have benefited from high levels of activity in the last few years. These activity levels may continue but they could decline at any time (along with activity levels in any of our other businesses).

We focus closely on actual and expected changes in the economic conditions and conditions in the debt and equity capital markets in all of the geographic regions in which we conduct our business, and we try to accelerate or reduce (or on occasion suspend entirely) the rate of our investment or disposition activities in response to changing economic and market conditions. In the past, changing economic and market conditions and our investment actions in response to those changes have led to swings in investment activity from year to year. We expect these swings to occur in future years as well, which is one of the reasons why there may be significant volatility in our revenue, net income and cash flow. However, we believe that if we continue to follow the management approach that has served us well as a private firm focusing on making the right decisions about purchasing and selling the right assets at the right time and the right prices, without regard to how those decisions affect our financial results in any given quarter, our businesses will continue to prosper. See " Competitive Strengths Exceptional Investment Track Record".

Because of the nature of our businesses and the long-term focus we employ in managing them, our common units should only be purchased by investors who expect to remain unitholders for a number of years.

Investment Risks

An investment in our common units involves substantial risks and uncertainties. Some of the more significant challenges and risks include those associated with our susceptibility to conditions in the global financial markets and global economic conditions, the volatility of our revenue, net income and cash flow, our dependence on our founders and other key senior managing directors, our ability to retain and motivate our existing senior managing directors and recruit, retain and motivate new senior managing directors in the future and risks associated with adverse changes in tax law and other legislative or regulatory changes. For example, members of the United States Congress may be considering legislative proposals to treat a portion of carried interest as ordinary income for U.S. federal income tax purposes and have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules. See "Risk Factors" for a discussion of the factors you should consider before investing in our common units.

The Blackstone Group L.P. was formed in Delaware on March 12, 2007. Our principal executive offices are located at 345 Park Avenue, New York, New York 10154, and our telephone number is (212) 583-5000.

Organizational Structure

Our business is presently owned by our founders and other senior managing directors, selected other individuals engaged in some of our businesses and American International Group, Inc., or "AIG," whom we refer to collectively as our "existing owners."

Our business is presently conducted through a large number of entities as to which there is no single holding entity but which are separately owned by our existing owners. In order to facilitate this offering, prior to this offering we will effect the reorganization into a holding partnership structure as described in "Organizational Structure" whereby our existing owners will contribute to Blackstone Holdings or sell to wholly-owned subsidiaries of The Blackstone Group L.P. (which will in turn contribute them to Blackstone Holdings) each of the operating entities included in our historical combined financial statements, with the exception of the general partners of certain legacy Blackstone funds that do not have a meaningful amount of unrealized investments and a number of investment vehicles through which our existing owners and other third parties have made commitments to or investments in or alongside of Blackstone's investment funds, which entities will not be contributed to Blackstone Holdings and will continue to be owned by our existing owners. The legacy funds whose general partners will not be contributed to Blackstone Holdings represent in the aggregate less than 7% of the Blackstone funds' total investments as of March 31, 2007. In addition, the separate investment vehicles for our existing owners and other third parties that will not be contributed have an aggregate of approximately $212 million of investments in or alongside of the Blackstone funds as of December 31, 2006.

Accordingly, subsidiaries of Blackstone Holdings will generally be entitled to:

- all management fees payable in respect of all of our current and future investment funds (with the exception of our proprietary hedge funds, where the professionals who work in those operations are entitled to a portion of the management fees), as well as transaction and other fees that may be payable by these investment funds' portfolio companies;

- 73% 96% (depending on the particular fund investment) of all carried interest earned in relation to investments made prior to the date of the reorganization by our actively investing corporate private equity and real estate funds (that is, the Blackstone Capital Partners V, Blackstone Real Estate Partners VI and Blackstone Real Estate Partners International II funds), as well as by all of our historical corporate private equity and real estate funds that still have a meaningful amount of unrealized investments (that is, the Blackstone Capital Partners IV, Blackstone Communications Partners, Blackstone Real Estate Partners IV, Blackstone Real Estate Partners V and Blackstone Real Estate Partners International I funds), and approximately 62% of all carried interest earned in relation to investments made prior to the date of the reorganization by our two mezzanine funds (that is, the Blackstone Mezzanine Partners fund and our actively investing Blackstone Mezzanine Partners II fund).

- all carried interest earned in relation to investments made from and after the date of the reorganization by our actively investing and future carry funds, other than the percentage we determine to allocate to our professionals as described below;

- all incentive fees payable in respect of all of our current and future investment funds, other than the percentage we determine to allocate to our professionals as described below;

- all returns on investments of our own capital in the investment funds we sponsor and manage; and

- all fees generated by our financial advisory business.

With respect to our actively investing carry funds, senior debt vehicles and proprietary hedge funds as well as any future carry funds, senior debt vehicles and proprietary hedge funds, we intend to continue to allocate to the senior managing directors, other professionals and selected other individuals who work in these operations a portion of the carried interest or incentive fees earned in relation to these funds in order to better align their interests with our own and with those of the investors in these funds. Our current estimate is that approximately 40% of the carried interest earned in relation to our carry funds will be allocated to such individuals, although these percentages may fluctuate up or down over time.

The income of Blackstone Holdings (including management fees, transaction fees, incentive fees and other fees, as well as carried interest) will benefit The Blackstone Group L.P. to the extent of its equity interest in Blackstone Holdings. See "Business Structure and Operation of Our Investment Funds Incentive Arrangements / Fee Structure".

Following the reorganization and this offering, The Blackstone Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, hold equity interests in the Blackstone Holdings partnerships. Through wholly-owned subsidiaries, The Blackstone Group L.P. will be the sole general partner of each of the Blackstone Holdings partnerships. Accordingly, The Blackstone Group L.P. will operate and control all of the business and affairs of Blackstone Holdings and will consolidate the financial results of Blackstone Holdings and its consolidated subsidiaries. The Blackstone Group L.P. is itself managed and operated by its general partner, Blackstone Group Management L.L.C., to whom we refer as "our general partner," which is in turn wholly-owned by our senior managing directors and controlled by our founders.

The diagram below depicts our organizational structure immediately following this offering and the sale of non-voting common units to the State Investment Company.

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Throughout our history as a privately-owned firm, we have had a management structure involving strong central management by our founders and have been managed with a perspective of achieving successful growth over the long term. Our desire to preserve our current management structure is one of the principal reasons why we have decided to organize The Blackstone Group L.P. as a limited partnership that is managed by our general partner.

The Blackstone Group L.P. has formed a number of wholly-owned subsidiaries to serve as the general partners of the Blackstone Holdings partnerships: Blackstone Holdings I/II GP Inc. (a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes), Blackstone Holdings III GP L.L.C. (a Delaware limited liability company that is a disregarded entity and not an association taxable as a corporation for U.S. federal income tax purposes), Blackstone Holdings IV GP L.P. (a Delaware limited partnership that is a disregarded entity and not an association taxable as a corporation for U.S. federal income tax purposes) and Blackstone Holdings V GP L.P. (a Québec société en commandite that is a foreign corporation for U.S. federal income tax purposes).

The Blackstone Group L.P. intends to conduct all of its material business activities through Blackstone Holdings. Each of the Blackstone Holdings partnerships was formed to hold our interests in different businesses. We expect that our U.S. fee-generating businesses generally will be held by Blackstone Holdings I L.P. We expect that our interests in many of the investments by our corporate private equity funds and real estate opportunity funds in entities that are treated as partnerships for U.S. federal income tax purposes generally will be held by Blackstone Holdings II L.P. We anticipate that Blackstone Holdings III L.P. generally will hold a variety of assets, including interests in entities treated as domestic corporations for U.S. federal income tax purposes. We expect that our interests in certain investments made by our corporate private equity funds and real estate opportunity funds in certain non-U.S. entities and certain other investments generally will be held by Blackstone Holdings IV L.P. We expect that our non-U.S. fee-generating businesses generally will be held by Blackstone Holdings V L.P.

As discussed in "Material U.S. Federal Tax Considerations", The Blackstone Group L.P. will be treated as a partnership and not as a corporation for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, whether or not cash distributions are then made. Investors in this offering will become limited partners of The Blackstone Group L.P. However, our partnership agreement does not restrict our ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. We believe that The Blackstone Holdings partnerships will also be treated as partnerships and not as corporations for U.S. federal income tax purposes. Accordingly, the holders of partnership units in Blackstone Holdings, including The Blackstone Group L.P.'s wholly-owned subsidiaries, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Blackstone Holdings. See "Material U.S. Federal Tax Considerations United States Taxes Taxation of our Partnership and the Blackstone Holdings Partnerships" for more information about the tax treatment of The Blackstone Group L.P. and Blackstone Holdings.

Each of the Blackstone Holdings partnerships will have an identical number of partnership units outstanding. The Blackstone Group L.P. will hold, through wholly-owned subsidiaries, a number of Blackstone Holdings partnership units equal to the number of common units that The Blackstone Group L.P. has issued. Immediately following this offering and the sale of non-voting common units to the State Investment Company, The Blackstone Group L.P. will hold Blackstone Holdings partnership units representing 22.0% of the total number of partnership units of Blackstone Holdings, or 23.8% if the underwriters exercise in full their option to purchase additional common units, and our existing owners will hold Blackstone Holdings partnership units representing 78.0% of the total number of partnership units of Blackstone Holdings, or 76.2% if the underwriters exercise in full their option to purchase additional common units. The Blackstone Holdings partnership units that will be held by The Blackstone Group L.P.'s wholly-owned subsidiaries will be economically identical in all respects to the

Blackstone Holdings partnership units that will be held by our existing owners, except that The Blackstone Group L.P.'s wholly-owned subsidiaries will be entitled to priority allocations of income through December 31, 2009 as described under "Cash Distribution Policy". Accordingly, immediately following this offering and the sale of non-voting common units to the State Investment Company, investors in this offering will own 12.3% of the equity in our business, the State Investment Company will own 9.7% of the equity in our business and our existing owners will own 78.0% of the equity in our business. If the underwriters exercise in full their option to purchase additional common units, immediately following this offering, investors in this offering will own 14.1% of the equity in our business, the State Investment Company will own 9.7% of the equity in our business and our existing owners will own 76.2% of the equity in our business.

Under the terms of the partnership agreements of the Blackstone Holdings partnerships, all of the Blackstone Holdings partnership units received by our existing owners in the reorganization described in "Organizational Structure" will be subject to restrictions on transfer and, with the exception of AIG and our Senior Chairman, Peter G. Peterson, minimum retained ownership requirements. In addition, approximately 45% of the Blackstone Holdings partnership units received by our existing owners who are our employees will not be vested and, with specified exceptions, will be subject to forfeiture if the employee ceases to be employed by us prior to vesting. See "Management Minimum Retained Ownership Requirements and Transfer Restrictions for Existing Owners" and "Certain Relationships and Related Person Transactions Blackstone Holdings Partnership Agreements".

The Blackstone Group L.P. is managed and operated by our general partner. Our general partner will not have any business activities other than managing and operating us. We will reimburse our general partner and its affiliates for all costs incurred in managing and operating us, and our partnership agreement provides that our general partner will determine the expenses that are allocable to us. Although there are no ceilings on the expenses for which we will reimburse our general partner and its affiliates, the expenses to which they may be entitled to reimbursement from us, such as director fees, are expected to be immaterial.

Unlike the holders of common stock in a corporation, our common unitholders will have only limited voting rights and will have no right to elect our general partner or its directors, which will be elected by our founders (the State Investment Company will not have voting rights in respect of any of its common units). In addition, on those few matters that may be submitted for a vote of our common unitholders our existing owners will indirectly hold special voting units in The Blackstone Group L.P. that provide them with an aggregate number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Blackstone Holdings partnership units held by the limited partners of Blackstone Holdings on the relevant record date and entitle them to participate in the vote on the same basis as our common unitholders. We will initially issue a single special voting unit to Blackstone Partners L.L.C., an entity wholly-owned by our senior managing directors, that provides it with an aggregate number of votes that is equal to the aggregate number of vested and unvested Blackstone Holdings partnership units held by the limited partners of Blackstone Holdings on the relevant record date. (Our senior managing directors have agreed in the limited liability company agreement of Blackstone Partners that our founders will have the power to determine how the special voting unit held by Blackstone Partners will be voted. Actions by our founders in this regard must be taken with such founders' unanimous approval. Following the withdrawal, death or disability of our founders (or any successor founder designated by them, whom we refer to as a "successor founder"), this power will revert to the members of Blackstone Partners holding a majority in interest in that entity.) If Blackstone Partners directs us to do so, we will issue special voting units to each of the limited partners of Blackstone Holdings, whereupon each special voting unitholder will be entitled to a number of votes that is equal to the number of vested and unvested Blackstone Holdings partnership units held by such special voting unitholder on the relevant record date. Accordingly, immediately following this offering, on those few matters that may be submitted for a vote of the limited partners of The Blackstone Group L.P., investors in this offering will collectively have 13.6% of the voting power of The Blackstone Group L.P. limited partners, or 15.6% if the underwriters exercise in full their option to purchase additional common units, and our existing owners will collectively have 86.4% of the voting power of The Blackstone Group L.P. limited partners, or 84.4% if the underwriters exercise in full their option to purchase additional common units.

Although our general partner has no business activities other than the management of our business, conflicts of interest may arise in the future between us and our common unitholders, on the one hand, and our general partner and its affiliates, on the other. The resolution of these conflicts may not always be in our best interests or that of our common unitholders. In addition, we have fiduciary and contractual obligations to the investors in our investment funds and we expect to regularly take actions with respect to the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds or otherwise that are in the best interests of the limited partner investors in those funds but that might at the same time adversely affect our near-term results of operations or cash flow.

Our partnership agreement limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner to our common unitholders. Our partnership agreement also restricts the remedies available to common unitholders for actions that might otherwise constitute breaches of our general partner's duties (including fiduciary duties). By purchasing our common units, you are treated as having consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. For a more detailed description of the conflicts of interest and fiduciary responsibilities of our general partner, see "Conflicts of Interest and Fiduciary Responsibilities".

The Offering

Common units offered by The Blackstone Group L.P.	133,333,334 common units.
Sale of Non-Voting Common Units to the State Investment Company	We have entered into an agreement with the State Investment Company pursuant to which we will sell to it $3 billion of non-voting common units at a purchase price per common unit equal to 95.5% of the initial public offering price in this offering (or 104,712,041 non-voting common units, assuming an initial public offering price per unit of $30.00). The number of non-voting common units purchased by the State Investment Company will be reduced if necessary so that its equity interest in Blackstone remains under 10%. The sale of non-voting common units to the State Investment Company is subject to, and will close concurrently with, the completion of this offering. See "Organizational Structure Sale of Non-Voting Common Units to the State Investment Company".
Common units outstanding after the sale and offering transactions	238,045,375 common units (or 1,084,577,561 common units if all outstanding Blackstone Holdings partnership units held by our existing owners were exchanged for newly-issued common units on a one-for-one basis).
Use of proceeds	We estimate that our net proceeds from this offering, at an assumed initial public offering price of $30.00 per common unit and after deducting estimated underwriting discounts, will be approximately $3.83 billion, or $4.41 billion if the underwriters exercise in full their option to purchase additional common units.
	We estimate that our proceeds from the sale of non-voting common units to the State Investment Company described under "Organizational Structure Sale of Non-Voting Common Units to the State Investment Company" will be approximately $3.0 billion.
	We intend to use approximately $3.90 billion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company, or approximately $4.47 billion if the underwriters exercise in full their option to purchase additional common units, to purchase interests in our business from our existing owners, including certain members of our senior management, as described under "Organizational Structure Sale and Offering Transactions". Accordingly, we will not retain any of these proceeds.
	We intend to use all of the remaining proceeds from this offering and the sale of non-voting common units to the State Investment Company, or approximately $2.93 billion (before

	reduction for offering expenses of approximately $46.0 million), to purchase newly-issued Blackstone Holdings partnership units substantially concurrently with the consummation of this offering. We intend to cause Blackstone Holdings to use approximately $1.2 billion of these proceeds to repay short-term borrowings and the remainder:
	to provide capital to facilitate the growth of our existing asset management and financial advisory businesses, including through funding a portion of our general partner capital commitments to our carry funds;
	to provide capital to facilitate our expansion into new businesses that are complementary to our existing asset management and financial advisory businesses and that can benefit from being affiliated with us, including possibly through selected strategic acquisitions (see "Business New Business and Other Growth Initiatives"); and
	for other general corporate purposes.
	Pending specific application of these proceeds, we expect to invest them primarily in our funds of hedge funds and additionally in our distressed securities hedge fund and our equity hedge fund.
	Affiliates of certain of the underwriters are participating lenders in our revolving credit facility and will accordingly receive a portion of the offering proceeds we use to repay the borrowings under that facility. See "Underwriters".
Voting rights	Our general partner, Blackstone Group Management L.L.C., will manage all of our operations and activities. Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business and will have no right to elect our general partner or its directors, which will be elected by our founders. In addition, the State Investment Company will not have voting rights in respect of any of its common units.
	On those few matters that may be submitted for a vote of our common unitholders, our existing owners will indirectly hold special voting units in The Blackstone Group L.P. that provide them with an aggregate number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Blackstone Holdings partnership units held by the limited partners of Blackstone Holdings on the relevant record date and entitle them to participate in the vote on the same basis as our common unitholders. We will initially issue a single special voting unit to Blackstone Partners L.L.C., an entity wholly-owned by our senior managing directors, that provides it with an aggregate number of votes that is equal to the

	aggregate number of vested and unvested Blackstone Holdings partnership units held by the limited partners of Blackstone Holdings on the relevant record date. (Our senior managing directors have agreed in the limited liability company agreement of Blackstone Partners that our founders will have the power to determine how the special voting unit held by Blackstone Partners will be voted. Actions by our founders in this regard must be taken with such founders' unanimous approval. Following the withdrawal, death or disability of our founders (and any successor founder), this power will revert to the members of Blackstone Partners holding a majority in interest in that entity.) If Blackstone Partners directs us to do so, we will issue special voting units to each of the limited partners of Blackstone Holdings, whereupon each special voting unitholder will be entitled to a number of votes that is equal to the number of vested and unvested Blackstone Holdings partnership units held by such special voting unitholder on the relevant record date. Accordingly, immediately following this offering our existing owners will generally have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Blackstone Group L.P., including any attempt to remove our general partner. See "Material Provisions of The Blackstone Group L.P. Partnership Agreement Withdrawal or Removal of the General Partner" and " Meetings; Voting".
Cash distribution policy	Our intention is to distribute to our common unitholders on a quarterly basis substantially all of The Blackstone Group L.P.'s net after-tax share of our annual adjusted cash flow from operations in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our common unitholders for any one or more of the ensuing four quarters. We expect that our first quarterly distribution will be paid in the fourth quarter of 2007 in respect of the prior quarter. Because we will not know what our available adjusted cash flow from operations will be for any year until the end of such year, we expect that our first three quarterly distributions in respect of any given year will generally be smaller than the final quarterly distribution in respect of such year. See note (3) under " Summary Historical Financial and Other Data" for a reconciliation of our adjusted cash flow from operations to our cash flow from operations presented in accordance with generally accepted accounting principles.
	The declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. Our general partner will

	take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us and such other factors as our general partner may deem relevant.
	The Blackstone Group L.P. will be a holding partnership and will have no material assets other than its ownership of partnership units in Blackstone Holdings held through wholly-owned subsidiaries. We intend to cause Blackstone Holdings to make distributions to its partners, including The Blackstone Group L.P.'s wholly-owned subsidiaries, in order to fund any distributions The Blackstone Group L.P. may declare on the common units. If Blackstone Holdings makes such distributions, the limited partners of Blackstone Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Blackstone Holdings, except as set forth in " Priority allocation for the benefit of common unitholders prior to December 31, 2009".
	In addition, the partnership agreements of the Blackstone Holdings partnerships will provide for cash distributions, which we refer to as "tax distributions," to the partners of such partnerships if the wholly-owned subsidiaries of The Blackstone Group L.P. which are the general partners of the Blackstone Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income). The Blackstone Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities.
Priority allocation for the benefit of common unitholders prior to December 31, 2009	The partnership agreements of the Blackstone Holdings partnerships will provide that until December 31, 2009, the distributions of Blackstone Holdings will be allocated each year:
	first, to The Blackstone Group L.P.'s wholly-owned subsidiaries until sufficient income has been so allocated

to permit The Blackstone Group L.P. to make aggregate distributions to our common unitholders of $1.20 per common unit on an annualized basis for such year;

second, to the other partners of the Blackstone Holdings partnerships until an equivalent amount of income on a partnership interest basis has been allocated to such other partners for such year; and

thereafter, pro rata to all partners of the Blackstone Holdings partnerships in accordance with their respective partnership interests.

Accordingly, until December 31, 2009, our existing owners will not receive distributions in respect of their Blackstone Holdings partnership units for a year unless and until our common unitholders receive aggregate distributions of $1.20 per common unit on an annualized basis for such year. We do not intend to maintain this priority allocation after December 31, 2009. After December 31, 2009, all the income (and accordingly distributions) of Blackstone Holdings will be allocated pro rata to all partners of the Blackstone Holdings partnerships in accordance with their respective partnership interests.

Cash distributions prior to this offering	We intend to make one or more distributions to our existing owners representing all of the undistributed earnings generated prior to the date of the offering by the entities being contributed to Blackstone Holdings. If the offering had occurred on March 31, 2007, we estimate that the aggregate amount of such distributions would have been $610.4 million. However, the actual amount of such distributions will depend on the amount of earnings generated by these entities prior to the offering.
Exchange rights of holders of Blackstone Holdings partnership units	Prior to this offering we will enter into an exchange agreement with the holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries) so that these holders, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, may up to four times each year (subject to the terms of the exchange agreement) exchange their Blackstone Holdings partnership units for The Blackstone Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A Blackstone Holdings limited partner must exchange one partnership unit in each of the five Blackstone Holdings partnerships to effect an exchange for a common unit. If and when an existing owner

	exchanges a Blackstone Holdings partnership unit for a common unit of The Blackstone Group L.P., the relative equity ownership positions of the exchanging existing owner and of the other equity owners of Blackstone (whether held at The Blackstone Group L.P. or at Blackstone Holdings) will not be altered. We have not yet determined how any such future exchanges will be accounted for in our consolidated financial statements.
Tax receivable agreement	The purchase of interests in our business from our existing owners with a portion of the proceeds from this offering as described in "Organizational Structure Sale and Offering Transactions" and future exchanges of Blackstone Holdings partnership units are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings that would not otherwise have been available. These increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that the wholly-owned subsidiaries of The Blackstone Group L.P. that are taxable as corporations for U.S. federal income tax purposes would otherwise be required to pay in the future. These wholly-owned subsidiaries will enter into a tax receivable agreement with our existing owners whereby they will agree to pay to our existing owners 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that these entities actually realize as a result of these increases in tax basis. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased amortization of our assets, we expect that future payments to our existing owners in respect of the initial purchase will aggregate $863.7 million and range from approximately $35.5 million to $77.3 million per year over the next 15 years (or $993.2 million and range from approximately $40.8 million to $88.9 million per year over the next 15 years if the underwriters exercise in full their option to purchase additional common units). See "Certain Relationships and Related Person Transactions Tax Receivable Agreement".
Risk factors	See "Risk Factors" for a discussion of risks you should carefully consider before deciding to invest in our common units.
New York Stock Exchange symbol	"BX"

Common units outstanding and the other information based thereon in this prospectus, except where otherwise disclosed, do not reflect:

846,532,186 common units issuable upon exchange of 846,532,186 Blackstone Holdings partnership units (or, if the underwriters exercise in full their option to purchase additional common units, 826,532,186 common units issuable upon exchange of 826,532,186 Blackstone Holdings partnership units) that will be held by our existing owners immediately following the offering and sale transactions, which are entitled, subject to vesting and minimum retained ownership requirements and transfer restrictions, to be exchanged for our common units on a one-for-one basis;

20,000,000 common units issuable upon exercise of the underwriters' option to purchase additional common units; or

interests that may be granted under our 2007 Equity Incentive Plan, consisting of:

37,730,343 deferred restricted common units that we expect to grant to our non-senior managing director professionals at the time of this offering (of which 4,855,255 will be vested at the time of this offering);

1,045,540 phantom deferred restricted common units that we expect to grant to our other non-senior managing director employees at the time of this offering, which are settleable in cash; and

additional common units or Blackstone Holdings partnership units covered by our 2007 Equity Incentive Plan, which are subject to automatic annual increases.

See "Management 2007 Equity Incentive Plan".

See "Pricing Sensitivity Analysis" to see how some of the information presented above would be affected by an initial public offering price per common unit at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus.

Summary Historical Financial and Other Data

The following summary historical combined financial and other data of Blackstone Group should be read together with "Organizational Structure", "Unaudited Pro Forma Financial Information", "Selected Historical Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included elsewhere in this prospectus. Blackstone Group is considered our predecessor for accounting purposes, and its combined financial statements will be our historical financial statements following this offering.

We derived the summary historical combined statements of income data of Blackstone Group for each of the years ended December 31, 2004, 2005 and 2006 and the summary historical combined statements of financial condition data as of December 31, 2005 and 2006 from our audited combined financial statements which are included elsewhere in this prospectus. We derived the summary historical combined statements of income data of Blackstone Group for the three months ended March 31, 2006 and 2007 and the summary historical combined statement of financial condition data as of March 31, 2007 from our unaudited combined financial statements which are included elsewhere in this prospectus. We derived the summary historical combined statements of income data of Blackstone Group for the years ended December 31, 2002 and 2003 and the summary combined statements of financial condition data as of December 31, 2002, 2003 and 2004 from our unaudited combined financial statements which are not included in this prospectus. The unaudited combined financial statements of Blackstone Group have been prepared on substantially the same basis as the audited combined financial statements and include all adjustments that we consider necessary for a fair presentation of our combined financial position and results of operations for all periods presented.

The summary historical financial data is not indicative of the expected future operating results of The Blackstone Group L.P. following the reorganization and this offering. In particular, following this offering The Blackstone Group L.P. will no longer consolidate in its financial statements the investment funds that have historically been consolidated in our financial statements, with the exception of our proprietary hedge funds and four of our funds of hedge funds. In addition, the general partners of certain legacy Blackstone funds that do not have a meaningful amount of unrealized investments and a number of investment vehicles through which our existing owners and other third parties have made commitments to or investments in or alongside of Blackstone's investment funds will not be contributed to Blackstone Holdings. See "Organizational Structure Reorganization" and "Unaudited Pro Forma Financial Information".

	Three Months Ended March 31,		Year Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
	(Dollars in Thousands)						
Statement of Income Data							
Revenues							
Fund management fees	$ 382,957	$ 180,116	$ 852,283	$ 370,574	$ 390,645	$ 304,651	$ 173,538
Advisory fees	92,525	38,413	256,914	120,137	108,356	119,410	141,613
Interest and other	3,935	2,460	11,082	6,037	4,462	2,635	2,972
Total Revenues	479,417	220,989	1,120,279	496,748	503,463	426,696	318,123
Expenses							
Employee compensation and benefits	79,207	52,850	250,067	182,605	139,512	114,218	94,412
Interest	11,122	7,488	36,932	23,830	16,239	13,834	13,418
Occupancy and related charges	9,322	7,604	35,862	30,763	29,551	23,575	20,064
General, administrative and other	18,810	12,578	86,534	56,650	48,576	44,222	37,614
Fund expenses	53,689	18,076	143,695	67,972	43,123	42,076	24,094
Total Expenses	172,150	98,596	553,090	361,820	277,001	237,925	189,602
Other Income							
Net gains (loss) from investment activities	3,783,433	1,686,381	7,587,296	5,142,530	6,214,519	3,537,268	(438,684)
Income (loss) before non-controlling interests in income of consolidated entities and income taxes	4,090,700	1,808,774	8,154,485	5,277,458	6,440,981	3,726,039	(310,163)
Non-controlling interests in income (loss) of consolidated entities	2,944,654	1,315,746	5,856,345	3,934,535	4,901,547	2,773,014	(358,728)
Income before taxes	1,146,046	493,028	2,298,140	1,342,923	1,539,434	953,025	48,565
Income taxes	13,970	5,873	31,934	12,260	16,120	11,949	9,119
Net Income	$ 1,132,076	$ 487,155	$ 2,266,206	$ 1,330,663	$ 1,523,314	$ 941,076	$ 39,446
Statement of Cash Flows Data							
Net Cash (Used in) Provided By Operating Activities	$ (1,343,955)	$ 1,444,438	$ (4,396,614)	$ 2,709,258	$ 52,682		
Net Cash Used in Investing Activities	$ (3,068)	$ (1,051)	$ (24,190)	$ (7,353)	$ (18,282)		

	Three Months Ended March 31,		Year Ended December 31,				
Net Cash Provided By (Used in) Financing Activities	$ 1,342,302	$ (1,430,465)	$ 4,463,315	$ (2,738,350)	$ (48,872)		
Other Data							
Total reportable segment fee related earnings(1)	$ 373,697	$ 148,498	$ 747,419	$ 237,367	$ 303,626	$ 259,124	$ 175,551
Carry Dollars Created(2)	$ 794,739	$ 303,589	$ 2,115,126	$ 617,130	$ 687,554	$ 440,019	$ 285,107
Adjusted cash flow from operations(3)	$ 611,652	$ 692,940	$ 1,680,651	$ 1,444,597	$ 1,845,224		
Total assets under management	$ 83,135,056	$ 57,498,488	$ 69,512,202	$ 51,098,827	$ 32,124,250	$ 27,032,739	$ 21,701,504

	As of March 31, 2007	As of December 31, 2006	2005	2004	2003	2002
	(Dollars in Thousands)					
Statement of Financial Condition Data						
Total assets	$ 39,365,506	$ 33,891,044	$ 21,121,124	$ 21,253,939	$ 14,937,386	$ 10,348,829
Total liabilities	$ 2,587,625	$ 2,373,271	$ 2,082,771	$ 1,930,001	$ 1,458,512	$ 891,263
Non-controlling interests in consolidated entities	$ 33,887,439	$ 28,794,894	$ 17,213,408	$ 17,387,507	$ 12,398,271	$ 9,043,808
Partners' capital	$ 2,890,442	$ 2,722,879	$ 1,824,945	$ 1,936,431	$ 1,080,603	$ 413,758

(1) Total reportable segment fee related earnings is the aggregate of a profit measure reported by each of our four segments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Segment Analysis" and Note 12 of Blackstone Group's combined financial statements included in this prospectus. The difference between total reportable segment fee related earnings and income before taxes calculated in accordance with accounting principles generally accepted in the United States of America, or "GAAP," is that the total reportable segment fee related earnings represents income before taxes adjusted to (1) exclude expenses of consolidated Blackstone funds, (2) include management fees earned from such funds that were eliminated in consolidation and (3) eliminate net gains and losses from investment activities and non-controlling interests in income of consolidated entities.

Management uses total reportable segment fee related earnings as a supplemental non-GAAP measure of operating performance. Management makes operating decisions and assesses the performance of our businesses based on financial and operating metrics and data that are presented without the consolidation of any of our investment funds. Current operations are managed based in part on total reportable segment fee related earnings which is comprised principally of revenue earned from fund management and advisory fees. These revenues are reduced by all operating expenses, including but not limited to employee compensation, interest and occupancy costs. It has been, and remains, a key objective of ours to maximize fee related earnings as such amounts directly affect the profits from the business. On an annual basis, as a public company, we will continue to focus on positive fee earnings generation and utilize this metric to make operating decisions and assess the performance of our business, as total reportable segment fee related earnings will directly affect the returns to our investors. However, unlike net income presented in accordance with GAAP, a limitation of total reportable segment fee related earnings is that it is not a complete view of amounts that will ultimately accrue to investors as it excludes net gains (losses) from investments which could be significant.

As detailed below, total reportable segment fee related earnings is reconciled to income before taxes in accordance with GAAP. However, total reportable segment fee related earnings should not be considered in isolation or as an alternative to income before taxes.

Three Months Ended March 31,		Year Ended December 31,			
2007	2006	2006	2005	2004	2003