BAKER ADOLPHUS B
Form 4
October 14, 2004

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
BAKER ADOLPHUS B

(Last) (First) (Middle)

PO BOX 2960

(Street)

JACKSON, MS 39207

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CAL MAINE FOODS INC [CALM]

3. Date of Earliest Transaction (Month/Day/Year)
10/12/2004

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President, COO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock								230,000	D	
Common Stock								214,156	D	
Common Stock								55,630	I	By ESOP
Common Stock	10/12/2004		S		12,000	D	$ 10.42	140,544	I (1)	By wife

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option (right to buy)	$ 1.5							12/13/2000 (2)	12/13/2009	Common Stock	16,000
Stock appreciation right	$ 1.5							12/13/2000 (2)	12/13/2009	Common Stock	16,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BAKER ADOLPHUS B PO BOX 2960 JACKSON, MS 39207	X		President, COO	

Signatures

Arden T. Phillips, Attorney-in-fact	10/12/2004
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reporting person disclaims beneficial ownership of all securities held by his wife, and this report should not be deemed an admission that the reporting person is the beneficial owner of such securities for purposes of Section 16 or for any other purpose.

(2) The stock option and stock appreciation right become exercisable to the extent of 20% on the above date and is cumulatively exercisable to the extent of 20% each year thereafter. The stock appreciation right and the stock option were granted in tandem. Accordingly, the exercise of the one results in the expiration of the other, if and to the extent the other is not exercised.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

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. We believe that 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.

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.

We believe that 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

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	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	2002
Income before taxes	$ 1,146,046	$ 493,028	$ 2,298,140	$ 1,342,923	$ 1,539,434	$ 953,025	$ 48,565
Expenses of consolidated funds	53,689	18,076	143,695	67,972	43,123	42,076	24,094
Management fees earned from funds	12,741	8,029	36,535	34,467	34,041	28,048	22,936
Net (gains) loss from investment activities	(3,783,433)	(1,686,381)	(7,587,296)	(5,142,530)	(6,214,519)	(3,537,039)	438,684
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)
Total reportable segment fee related earnings	$ 373,697	$ 148,498	$ 747,419	$ 237,367	$ 303,626	$ 259,124	$ 175,551

(2)

"Carry Dollars Created," which is sometimes referred to as "Carry Dollars," is calculated by multiplying the aggregate amount of limited partner capital invested in new transactions during the year by our carry funds by the contractual percentage rate of the profits that we can earn as carried interest from such investments (generally 20%). Carry Dollars Created is a measure of the productivity of our investment activities and is measured at the time of investment by a carry fund. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial Measures and Indicators Operating Metrics Carry Dollars Created" on page 115 for a discussion of Carry Dollars Created.

(3)

Adjusted cash flow from operations is used as a supplemental non-GAAP measure by us to assess liquidity and amounts available for distribution to our existing owners. See "Cash Distribution Policy". In accordance with GAAP, certain of the Blackstone funds are consolidated into the combined financial statements of Blackstone Group, notwithstanding the fact that Blackstone Group has only a minority economic interest in these funds. Consequently, Blackstone Group's combined financial statements reflect the cash flow of the consolidated Blackstone funds on a gross basis rather than the cash flow attributable to Blackstone.

Adjusted cash flow from operations is therefore intended to reflect the cash flow attributable to Blackstone and is equal to cash flow from operations presented in accordance with GAAP, adjusted to exclude cash flow relating to (1) the investment activities of the Blackstone funds, (2) the realized and unrealized income attributable to the non-controlling interest of the Blackstone funds and (3) changes in our operating assets and liabilities. We believe that adjusted cash flow from operations provides investors with useful information on the cash flows of the Blackstone Group relating to our required capital investments and our ability to make annual cash distributions. However, adjusted cash flow from operations should not be considered in isolation or as alternative to cash flow from operations presented in accordance with GAAP.

Following is a reconciliation of Net Cash (Used In) Provided By Operating Activities presented on a GAAP basis to Adjusted Cash Flow from Operations:

	Three Months Ended March 31,		Year Ended December 31,		
	2007	2006	2006	2005	2004
	(Dollars in Thousands)				
Net Cash (Used In) Provided By Operating Activities	$ (1,343,955)	$ 1,444,438	$ (4,396,614)	$ 2,709,258	$ 52,682
Changes in operating assets and liabilities	(289,160)	528,580	1,154,680	4,139	205,642
Blackstone funds related investment activities	1,926,042	(1,846,118)	3,776,325	(2,608,412)	(84,620)
Net realized gains on investments	1,050,641	2,513,125	5,054,995	4,918,364	2,029,266
Non-controlling interests in income of consolidated entities	(744,923)	(1,953,729)	(3,950,664)	(3,631,179)	(420,561)
Other non-cash adjustments	13,007	6,644	41,929	52,427	62,815
Adjusted Cash Flow from Operations	$ 611,652	$ 692,940	$ 1,680,651	$ 1,444,597	$ 1,845,224

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RISK FACTORS

An investment in our common units involves risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before investing in our common units.

Risks Related to Our Business

Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital and reducing the volume of the transactions involving our financial advisory business, each of which could materially reduce our revenue and cash flow and adversely affect our financial condition.

Our business is materially affected by conditions in the global financial markets and economic conditions throughout the world that are outside our control, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these market conditions. The market conditions surrounding each of our businesses, and in particular our corporate private equity and real estate segments, have been quite favorable for a number of years. Future market conditions may not continue to be as favorable. In the event of a market downturn, each of our businesses could be affected in different ways. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions.

Our investment funds may be affected by reduced opportunities to exit and realize value from their investments and by the fact that we may not be able to find suitable investments for the investment funds to effectively deploy capital, which could adversely affect our ability to raise new funds. During periods of difficult market conditions or slowdowns in a particular sector, companies in which we invest may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments and harm our assets under management and operating results. A general market downturn, or a specific market dislocation, may result in lower investment returns for our investment funds, which would adversely affect our revenues. Furthermore, such conditions would also increase the risk of default with respect to investments held by our investment funds that have significant debt investments, such as our mezzanine funds, senior debt vehicles and distressed securities hedge fund.

In addition, our financial advisory business would be materially affected by conditions in the global financial markets and economic conditions throughout the world. For example, revenue generated by our financial advisory business is directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable market or economic conditions, the volume and value of mergers and acquisitions transactions may decrease, thereby reducing the demand for our financial advisory services and increasing price competition among financial services companies seeking such engagements.

Our revenue, net income and cash flow are all highly variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our common units to decline.

Our revenue, net income and cash flow are all highly variable, primarily due to the fact that we receive carried interest from our carry funds only when investments are realized and transaction fees received by our carry funds and fees received by our advisory business can vary significantly from quarter to quarter. In addition, the investment return profiles of most of our investment funds are volatile. We may also experience fluctuations in our results from quarter to quarter due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of our common units and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the price of our common units or increased volatility in our common unit price generally.

The timing and receipt of carried interest generated by our carry funds is uncertain and will contribute to the volatility of our results. Carried interest depends on our carry funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash (or other proceeds). We cannot predict when, or if, any realization of investments will occur. If we were to have a realization event in a particular quarter, it may have a significant impact on our results for that particular quarter which may not be replicated in subsequent quarters. We recognize revenue on investments in our investment funds based on our allocable share of realized and unrealized gains (or losses) reported by such investment funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could further increase the volatility of our quarterly results.

With respect to our proprietary hedge funds and many of our funds of hedge funds, our incentive fees are paid annually, semi-annually or quarterly if the net asset value of a fund has increased. Our hedge funds also have "high water marks" whereby we do not earn incentive fees during a particular period even though the fund had positive returns in such period as a result of losses in prior periods. If a hedge fund experiences losses, we will not be able to earn incentive fees from the fund until it surpasses the previous high water mark. The incentive fees we earn are therefore dependent on the net asset value of the hedge fund, which could lead to significant volatility in our quarterly results.

We also earn a portion of our revenue from financial advisory engagements, and in many cases we are not paid until the successful consummation of the underlying transaction, restructuring or closing of the fund. As a result, our financial advisory revenue is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. If a transaction, restructuring or funding is not consummated, we often do not receive any financial advisory fees other than the reimbursement of certain out-of-pocket expenses, despite the fact that we may have devoted considerable resources to these transactions.

Because our revenue, net income and cash flow can be highly variable from quarter to quarter and year to year, we plan not to provide any guidance regarding our expected quarterly and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in our common unit price.

We depend on our founders and other key senior managing directors and the loss of their services would have a material adverse effect on our business, results and financial condition.

We depend on the efforts, skill, reputations and business contacts of our founders, Messrs. Schwarzman and Peterson, our President and Chief Operating Officer, Hamilton E. James, our Vice Chairman, J. Tomilson Hill, and other key senior managing directors, the information and deal flow they and other senior managing directors generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success will depend on the continued service of these individuals, who are not obligated to remain employed with us. Mr. Peterson has informed us that he intends to retire from our firm and relinquish his role as a founder by no later than December 31, 2008. In addition, all of the Blackstone Holdings partnership units that Mr. Peterson will receive, and a portion of the Blackstone Holdings partnership units that each of our other senior managing directors will receive, in the reorganization described in "Organizational Structure" will be fully vested upon issuance. We have experienced departures of several key senior managing directors in the past and may do so in the future, and we cannot predict the impact that Mr. Peterson's departure or the departure of any other key senior managing director will have on our ability to achieve our investment objectives. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future.

Our senior managing directors and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds, clients and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds, our clients and members of the business community and result in the reduction of assets under management or fewer investment opportunities. For example, if any of our senior managing directors were to join or form a competing firm, that could have a material adverse effect on our business, results and financial condition.

Our transition to a publicly-traded structure may adversely affect our ability to retain and motivate our senior managing directors and other key personnel and to recruit, retain and motivate new senior managing directors and other key personnel, both of which could adversely affect our business, results and financial condition.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our senior managing directors and other professionals. 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, including new senior managing directors. However, we may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. As part of the reorganization we will effect prior to this offering, our current senior managing directors will receive partnership units in Blackstone Holdings. Distributions in respect of these equity interests may not equal the cash distributions previously received by our senior managing directors prior to this offering. Until December 31, 2009, the income (and accordingly distributions) of Blackstone Holdings will be allocated on a priority basis to The Blackstone Group L.P.'s wholly-owned subsidiaries as described in "Cash Distribution Policy", which may reduce the amount of distributions received by our senior managing directors. Additionally, ownership of a portion of the Blackstone Holdings partnership units to be received by our senior managing directors is not dependent upon their continued employment with us as those equity interests will be fully vested upon issuance. Moreover, the minimum retained ownership requirements and transfer restrictions to which these interests are subject in certain instances lapse over time, may not be enforceable in all cases and can be waived. There is no guarantee that the non-competition and non-solicitation agreements to which our senior managing directors are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us or that these agreements will be enforceable in all cases. In addition, these agreements will expire after a certain period of time, at which point each of our senior managing directors would be free to compete against us and solicit investors in our funds, clients and employees. See "Organizational Structure Reorganization Blackstone Holdings Formation" and "Management Non-Competition and Non-Solicitation Agreements" and " Minimum Retained Ownership Requirements and Transfer Restrictions for Existing Owners". For example, if legislation were to be enacted by the U.S. Congress to treat carried interest as ordinary income rather than as capital gain for U.S. federal income tax purposes, such legislation would materially increase the amount of taxes that we and possibly our equityholders would be required to pay, thereby adversely affecting our ability to recruit, retain and motivate our current and future professionals. See " Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis."

Following this offering, we might not be able to provide future senior managing directors with equity interests in our business to the same extent or with the same tax consequences as our existing senior managing directors. Therefore, in order to recruit and retain existing and future senior managing directors, we may need to increase the level of compensation that we pay to them. Accordingly, as we promote or hire new senior managing directors over time, we may increase the level of compensation we pay to our senior managing directors, which would cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. In addition, issuance of equity interests in our business to future senior managing directors would dilute public common unitholders.

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with investors. The effects of becoming public, including potential changes in our compensation structure, could adversely affect this culture. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain this culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of common unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the U.S. Internal Revenue Service, or "IRS," and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. Changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation (referred to as the "Qualifying Income Exception"), affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common units. For example, as discussed below under " Members of the United States Congress are reviewing the tax laws applicable to investment partnerships, including the taxation of carried interest, and these laws could be changed in a manner that materially increases the taxes that we and/or our common unitholders are required to pay", some members of the United States Congress may be considering legislative proposals to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes. In addition, see " 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 and could well result in a reduction in the value of our common units".

Our organizational documents and agreements permit our general partner to modify our amended and restated limited partnership agreement from time to time, without the consent of the common unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all common unitholders. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to common unitholders in a manner that reflects such common unitholders' beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects common unitholders.

Members of the United States Congress are reviewing the tax laws applicable to investment partnerships, including the taxation of carried interest, and these laws could be changed in a manner that materially increases the taxes that we and/or our common unitholders are required to pay.

Some members of the United States Congress may be considering legislative proposals to treat all or part of the income, including capital gain and dividend income, recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes. Depending on the specific provisions, the enactment of any such legislation could (1) materially increase taxes payable by holders of our common units who are individuals, non-U.S. persons or tax-exempt persons and/or (2) cause such income to be non-qualifying income under the publicly traded partnership rules, which could preclude us from qualifying as a partnership for U.S. federal income tax purposes or require us to earn such income through corporate subsidiaries, thereby materially increasing our tax liability and reducing the value of our common units. It is not possible to quantify with precision the impact on us or our common unitholders of any such changes in the tax laws. In 2006, however, approximately half of our economic net income was attributable to carried interest, and the substantial majority of that carried interest consisted of long-term capital gains and dividend income. Our existing owners who are individuals were generally taxed at a maximum U.S. federal income tax rate of 15% on such capital gains and dividend income. Because individuals are generally taxed on ordinary income at a maximum U.S. federal income tax rate of 35%, any change in the tax laws that treats carried interest as ordinary income could materially increase the taxes our common unitholders who are individuals are required to pay, which in turn could adversely affect an investment in our common units. Similarly, under the partnership tax rules, much of the long-term capital gain and dividend income we earn will not be subject to U.S. federal income tax at the level of our partnership or subsidiaries. Any change in the tax laws that treated such income as non-qualifying income under the publicly traded partnership rules could require us to earn such income through corporate subsidiaries, which would generally be subject to U.S. federal income tax at a maximum rate of 35%, which could adversely affect the value of our common units.

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 and could well result in a reduction in the value of our common units.

On June 14, 2007, the Chairman and the Ranking Republican Member of the United States Senate Committee on Finance introduced legislation that would tax as corporations publicly traded partnerships that directly or indirectly derive income from investment adviser or asset management services. In addition, the Chairman and the Ranking Republican Member concurrently issued a press release stating that they do not believe that proposed public offerings of private equity and hedge fund management firms, including us, are consistent with the intent of the existing rules regarding publicly traded partnerships because the majority of their income is from the active provision of services to investment funds and limited partner investors in such funds. Further, they have sent letters to the Secretary of the Treasury and the Chairman of the U.S. Securities and Exchange Commission regarding these tax issues in which they express a view that recent initial public offerings of private equity and hedge funds "raise serious tax questions that if left unaddressed have the potential to jeopardize the integrity of the tax code and the corporate tax base over the long term." As explained in the technical explanation accompanying the proposed legislation:

> Under the bill, the exception from corporate treatment for a publicly traded partnership does not apply to any partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from services provided by any person as an investment adviser, as defined in the Investment Advisers Act of 1940, or as a person associated with an investment adviser, as defined in that Act. Further, the exception from corporate treatment does not apply to a partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from asset management services provided by an investment adviser, a person associated with an investment adviser, or any person related to either, in connection with the management of assets with respect to which investment adviser services were provided. For purposes of the bill, these determinations are made without regard to whether the person is required to register as an investment adviser under the Investment Advisers Act of 1940.

If enacted, the proposed legislation introduced by the Chairman and the Ranking Republican Member of the United States Senate Committee on Finance would be effective as of the date it was introduced. Under a transition rule contained in the proposed legislation, it would apply to us with respect to our taxable year beginning January 1, 2013 because we filed the registration statement of which this prospectus forms a part prior to June 14, 2007. If the proposed legislation survives the legislative and executive process in its proposed form and were to be enacted into law, we would incur a material increase in our tax liability when such legislation begins to apply to us. If The Blackstone Group L.P. were taxed as a corporation, our effective tax rate could increase significantly. The federal statutory rate for corporations is currently 35%, and the state and local tax rates, net of the federal benefit, aggregate approximately 6%. If a variation of this proposed legislation or any other change in the tax laws, rules, regulations or interpretations preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules, this would materially increase our tax liability and could well result in a reduction in the value of our common units.

The requirements of being a public entity and sustaining our growth may strain our resources.

As a public entity, we will be subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or "Exchange Act," and requirements of the U.S. Sarbanes-Oxley Act of 2002, or "Sarbanes-Oxley Act." These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting, which is discussed below. In order to maintain and improve the effectiveness of our disclosure controls and procedures, significant resources and management oversight will be required. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. In addition, sustaining our growth will also require us to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We expect to incur significant additional annual expenses related to these steps and, among other things, additional directors and officers liability insurance, director fees, reporting requirements of the Securities and Exchange Commission, or "SEC," transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

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.

It is our intention to eventually use a significant amount of borrowings to finance our business operations as a public company. See "Summary Blackstone We Intend to be a Different Kind of Public Company Use of Leverage to Enhance Returns". That will expose us to the typical risks associated with the use of substantial leverage, including those discussed below under " Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments". These risks are exacerbated by our funds' use of leverage to finance investments. Our use of substantial leverage as a public company, coupled with the leverage used by many of our investment funds to finance investments, could also cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, which might well result in an increase in our borrowing costs and could otherwise adversely affect our business in a material way, particularly if our credit ratings were to fall below investment grade.

Operational risks may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to our investment funds, regulatory intervention or reputational damage.

In addition, we operate in businesses that are highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on us.

Furthermore, we depend on our headquarters in New York City, where most of our personnel are located, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Finally, we rely on third-party service providers for certain aspects of our business, including for certain information systems and technology and administration of our hedge funds. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the funds' operations and could impact our reputation and hence adversely affect our businesses.

Our internal controls over financial reporting do not currently meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and common unit price.

Our internal controls over financial reporting do not currently meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act that we will eventually be required to meet. We are in the process of addressing our internal controls over financial reporting and are establishing formal policies, processes and practices related to financial reporting and to the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and activities within our organization.

Additionally, we have begun the process of documenting our internal control procedures to satisfy the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. Because we do not currently have comprehensive documentation of our internal controls and have not yet tested our internal controls in accordance with Section 404, we cannot conclude in accordance with Section 404 that we do not have a material weakness in our internal controls or a combination of significant deficiencies that could result in the conclusion that we have a material weakness in our internal controls. As a public entity, we will be required to complete our initial assessment in a timely manner. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to certify as to the adequacy of our internal controls over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under our revolving credit facility. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements could also suffer if our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in our common unit price.

The time and attention that our senior managing directors and other employees devote to assets that are not being contributed to Blackstone Holdings will not financially benefit us and may reduce the time and attention these individuals devote to our business.

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 are not being contributed to us and will continue to be owned by our senior managing directors and third parties. Accordingly, following this offering we will no longer receive any carried interest income from, or any gains (or losses) arising from, such non-contributed assets. As a result, the time and attention that our senior managing directors and employees devote to these non-contributed assets will not financially benefit us and may reduce the time and attention these individuals devote to our business.

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our business. Changes in tax law and other legislative or regulatory changes could adversely affect us.

Our asset management and financial advisory businesses are subject to extensive regulation. We are subject to regulation, including periodic examinations, by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing clients or fail to gain new asset management or financial advisory clients. In addition, we regularly rely on exemptions from various requirements of the U.S. Securities Act of 1933, as amended, or "Securities Act," the Exchange Act, the U.S. Investment Company Act of 1940, as amended, or "1940 Act," and the U.S. Employee Retirement Income Security Act of 1974, as amended, in conducting our asset management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected. See " Risks Related to Our Organizational Structure If The Blackstone Group L.P. were deemed an "investment company" under the 1940 Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business". Lastly, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our investment funds and are not designed to protect our common unitholders. Consequently, these regulations often serve to limit our activities.

In addition, the regulatory environment in which our asset management and financial advisory clients operate may affect our business. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of mergers and acquisitions activity and changes in state laws may limit investment activities of state pension plans. See "Business Regulatory and Compliance Matters" for a further discussion of the regulatory environment in which we conduct our businesses.

The regulatory environment in which we operate is subject to further regulation. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

Legislation is under consideration in Germany and has recently been introduced in Denmark that would significantly limit the tax deductibility of interest expense incurred by companies in those countries. If adopted, these measures would adversely affect Danish and German companies in which our corporate private equity and real estate opportunity funds have investments and limit the benefits to them of additional investments in those countries. Our corporate private equity and real estate opportunity fund businesses are subject to the risk that similar measures might be introduced in other countries in which they currently have investments or plan to invest in the future, or that other legislative or regulatory measures might be promulgated in any of the countries in which we operate that adversely affect our business. For example, if legislation were to be enacted by the U.S. Congress to treat carried interest as ordinary income rather than as capital gain for U.S. federal income tax purposes, such legislation would materially increase the amount of taxes that we and possibly our equityholders are required to pay, thereby reducing the value of our common units and adversely affecting our ability to recruit, retain and motivate our current and future professionals. See " Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis" and " Members of the United States Congress are reviewing the tax laws applicable to investment partnerships, including the taxation of carried interest, and these laws could be changed in a manner that materially increases the taxes that we and/or our common unitholders are required to pay". In addition, U.S. and foreign labor unions have recently been agitating for greater legislative and regulatory oversight of private equity firms and transactions. Labor unions have also threatened to use their influence to prevent pension funds from investing in private equity funds.

Recently, it has been reported in the press that a few of our competitors in the private equity industry have received information requests relating to private equity transactions from the Antitrust Division of the U.S. Department of Justice. In addition, the U.K. Financial Services Authority recently published a discussion paper on the impact that the growth in the private equity market has had on the markets in the United Kingdom and the suitability of its regulatory approach in addressing risks posed by the private equity market.

In addition, regulatory developments designed to increase oversight of hedge funds may adversely affect our business. In recent years, there has been debate in U.S. and foreign governments about new rules and regulations for hedge funds. For example, the SEC had recently adopted a rule, which was later struck down by a federal court, that would have required registration under the Investment Advisers Act of 1940, or "Advisers Act," of hedge fund managers if they had 15 or more clients. While all of our entities that serve as advisers to our investment funds are already registered with the SEC under the Advisers Act as investment advisers, other new regulations could constrain or otherwise impose burdens on our business.

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

The investment decisions we make in our asset management business and the activities of our investment professionals on behalf of portfolio companies of our carry funds may subject them and us to the risk of third-party litigation arising from investor dissatisfaction with the performance of those investment funds, the activities of our portfolio companies and a variety of other litigation claims. For example, from time to time we and our portfolio companies have been subject to class action suits by shareholders in public companies that we have agreed to acquire that challenge our acquisition transactions and attempt to enjoin them. In addition, in early 2007 thirteen private equity firms, including Blackstone, were named as defendants in a purported class action complaint by shareholders in public companies recently acquired by private equity firms. In June 2007 this suit was dismissed by the plaintiffs without prejudice.

In addition, to the extent investors in our investment funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have remedies against us, our investment funds, our senior managing directors or our affiliates under the federal securities law and/or state law. While the general partners and investment advisers to our investment funds, including their directors, officers, other employees and affiliates, are generally indemnified to the fullest extent permitted by law with respect to their conduct in connection with the management of the business and affairs of our investment funds, such indemnity does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

Our financial advisory activities may also subject us to the risk of liabilities to our clients and third parties, including our clients' stockholders, under securities or other laws in connection with corporate transactions on which we render advice.

If any lawsuits were brought against us and resulted in a finding of substantial legal liability, it could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could seriously harm our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and advisory clients and to pursue investment opportunities for our carry funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

Employee misconduct could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There is a risk that our employees could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to companies in which we may invest or our financial advisory clients. If our employees were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If one of our employees were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be adversely affected.

Risks Related to Our Asset Management Business

Poor performance of our investment funds would cause a decline in our revenue, income and cash flow, may obligate us to repay carried interest previously paid to us, and could adversely affect our ability to raise capital for future investment funds.

In the event that any of our investment funds were to perform poorly, our revenue, income and cash flow would decline because the value of our assets under management would decrease, which would result in a reduction in management fees, and our investment returns would decrease, resulting in a reduction in the carried interest and incentive fees we earn. Moreover, we could experience losses on our investments of our own principal as a result of poor investment performance by our investment funds. Furthermore, if, as a result of poor performance of later investments in a carry fund's life, the fund does not achieve certain investment returns for the fund over its life, we will be obligated to repay the amount by which carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled. Poor performance of our investment funds could make it more difficult for us to raise new capital. Investors in carry funds might decline to invest in future investment funds we raise and investors in hedge funds or other investment funds might withdraw their investments as a result of poor performance of the investment funds in which they are invested. Investors and potential investors in our funds continually assess our investment funds' performance, and our ability to raise capital for existing and future investment funds and avoid excessive redemption levels will depend on our investment funds' continued satisfactory performance.

Valuation methodologies for certain assets in our funds can be subject to significant subjectivity and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds.

There are no readily ascertainable market prices for a very large number of illiquid investments of our corporate private equity, real estate opportunity and mezzanine funds. We determine the value of the investments of each of our corporate private equity, real estate opportunity and mezzanine funds on a periodic basis based on the fair value of such investments. The fair value of investments of a corporate private equity, real estate opportunity or mezzanine fund is determined using a number of methodologies described in the investment funds' valuation policies. We have made valuation determinations historically without the assistance of an independent valuation firm, although an independent valuation firm will participate in valuation determinations following this offering.

Investments for which market prices are not observable are generally either private investments in the equity of operating companies or real estate properties or investments in funds managed by others. Fair values of private investments are determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. Generally these valuations are derived by multiplying a key performance metric of the investee company or asset (e.g., EBITDA) by the relevant valuation multiple (e.g., price/equity ratio) observed for comparable companies or transactions, adjusted by management for differences between the investment and the comparable referenced. Private investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value. If the fair value of private investments held cannot be valued by reference to observable valuation measures for comparable companies, then the primary analytical method used to estimate the fair value of such private investments is the discounted cash flow method. A sensitivity analysis is applied to the estimated future cash flows using various factors depending on the investment, including assumed growth rates (in cash flows), capitalization rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values. The valuation based on the inputs determined to be the most probable is used as the fair value of the investment.

The determination of fair value using these methodologies takes into consideration a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment.

Because there is significant uncertainty in the valuation of, or in the stability of the value of illiquid investments, the fair values of such investments as reflected in an investment fund's net asset value do not necessarily reflect the prices that would actually be obtained by us on behalf of the investment fund when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in prior fund net asset values would result in losses for the applicable fund, a decline in asset management fees and the loss of potential carried interest and incentive fees. Changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. Also, a situation where asset values turn out to be materially different than values reflected in prior fund net asset values could cause investors to lose confidence in us, which would in turn result in difficulty in raising additional funds or redemptions from our hedge funds.

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

We have presented in this prospectus the annualized IRRs and returns relating to the historical performance of all of our investment funds, including certain legacy Blackstone funds that do not have a meaningful amount of unrealized investments, the general partners of which are not being contributed to Blackstone Holdings in the reorganization described in "Organizational Structure". The historical and potential future returns of the investment funds that we manage are not directly linked to returns on our common units. Therefore, you should not conclude that continued positive performance of the investment funds that we manage will necessarily result in positive returns on an investment in our common units. However, poor performance of the investment funds that we manage would cause a decline in our revenue from such investment funds, and would therefore have a negative effect on our performance and in all likelihood the returns on an investment in our common units.

Moreover, with respect to the historical returns of our investment funds:

- the rates of returns of our carry funds reflect unrealized gains as of the applicable measurement date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;

- in the past few years, the rates of returns of our corporate private equity and real estate opportunity funds have been positively influenced by a number of investments that experienced rapid and substantial increases in value following the dates on which those investments were made, which may not occur with respect to future investments;

- our investment funds' returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including favorable borrowing conditions in the debt markets, and there can be no assurance that our current or future investment funds will be able to avail themselves of comparable investment opportunities or market conditions; and

- the rates of return reflect our historical cost structure, which may vary in the future due to factors beyond our control, including changes in laws.

See "Business The Historical Investment Performance of Our Investment Funds". In addition, future returns will be affected by the applicable risks described elsewhere in this prospectus, including risks of the industries and businesses in which a particular fund invests.

Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments.

Because many of our carry funds' investments rely heavily on the use of leverage, our ability to achieve attractive rates of return on investments will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company's or real estate asset's total debt and equity capitalization, including debt that may be incurred in connection with the investment. An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment.

Investments in highly leveraged entities are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;

limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;

limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and

limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt.

Our hedge funds, many of the hedge funds in which our funds of hedge funds invest and our mezzanine funds and senior debt vehicles may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. The fund may borrow money from time to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost and the timing and magnitude of such losses may be accelerated or exacerbated in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings.

Increases in interest rates could also decrease the value of fixed-rate debt investments that our investment funds make.

Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

The asset management business is intensely competitive.

The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, brand recognition and business reputation. Our asset management business competes with a number of private equity funds, specialized investment funds, hedge funds, corporate buyers, traditional asset managers, commercial banks, investment banks and other financial institutions. A number of factors serve to increase our competitive risks:

a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;

several of our competitors have recently raised, or are expected to raise, significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;

some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;

some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;

- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;

- there are relatively few barriers to entry impeding new investment funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;

- some investors may prefer to invest with an investment manager that is not publicly traded; and

- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Alternatively, we may experience decreased rates of return and increased risks of loss if we match investment prices, structures and terms offered by competitors. In addition, if interest rates were to rise or there were to be a prolonged bull market in equities, the attractiveness of our investment funds relative to investments in other investment products could decrease. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future investment funds, either of which would adversely impact our business, revenue, results of operations and cash flow.

The due diligence process that we undertake in connection with investments by our investment funds may not reveal all facts that may be relevant in connection with an investment.

Before making investments in private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Our asset management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of our principal investments.

Many of our investment funds invest in securities that are not publicly traded. In many cases, our investment funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our investment funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available. The ability of many of our investment funds, particularly our corporate private equity funds, to dispose of investments is heavily dependent on the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is held. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, our investment funds may be forced to either sell securities at lower prices than they had expected to realize or defer potentially for a considerable period of time sales that they had planned to make. We have made and expect to continue to make significant principal investments in our current and future investment funds. Contributing capital to these investment funds is risky, and we may lose some or all of the principal amount of our investments.

We have increasingly engaged in large-sized investments, which involve certain complexities and risks that are not encountered in small- and medium-sized investments.

Our corporate private equity and real estate opportunity funds have increasingly been investing in very large transactions. The increased size of these investments involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance, and exiting larger deals may present challenges in many cases. In addition, larger transactions may entail greater scrutiny by regulators, labor unions and other third parties. Recently, labor unions have been more active in opposing certain larger investments by our corporate private equity funds and private equity firms generally.

Larger transactions may be structured as "consortium transactions" due to the size of the investment and the amount of capital required to be invested. A consortium transaction involves an equity investment in which two or more private equity firms serve together or collectively as equity sponsors. We have participated in a significant number of consortium transactions in recent years due to the increased size of many of the transactions in which we have been involved. Consortium transactions generally entail a reduced level of control by Blackstone over the investment because governance rights must be shared with the other private equity investors. Accordingly, we may not be able to control decisions relating to the investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in " Our investment funds make investments in companies that we do not control".

Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment.

Our investment funds make investments in companies that we do not control.

Investments by most of our investment funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our investment funds through trading activities or through purchases of securities from the issuer. In addition, our corporate private equity and real estate opportunity funds may acquire minority equity interests (particularly in consortium transactions, as described in " We have increasingly engaged in large-sized investments, which involve certain complexities and risks that are not encountered in small- and medium-sized investments") and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the investment funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our investment funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

We expect to make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Many of our investment funds generally invest a significant portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States. Investments in non-U.S.

securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to:

- currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;

- less developed or efficient financial markets than in the United States, which may lead to potential price volatility and relative illiquidity;

- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;

- differences in the legal and regulatory environment;

- less publicly available information in respect of companies in non-U.S. markets;

- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of profits on investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments; and

- the possible imposition of non-U.S. taxes or withholding on income and gains recognized with respect to such securities.

There can be no assurance that adverse developments with respect to such risks will not adversely affect our assets that are held in certain countries or the returns from these assets.

Investments by our investment funds will in most cases rank junior to investments made by others.

In most cases, the companies in which our investment funds invest will have indebtedness or equity securities, or may be permitted to incur indebtedness or to issue equity securities, that rank senior to our investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following an insolvency, the ability of our investment funds to influence a company's affairs and to take actions to protect their investments may be substantially less than that of the senior creditors.

Third-party investors in our investment funds will have the right to dissolve the investment funds and investors in our hedge funds may redeem their investments in our hedge funds. These events would lead to a decrease in our revenues, which could be substantial.

In connection with this offering, we are amending the governing agreements of all of our investment funds (with the exception of our proprietary hedge funds and four of our funds of hedge funds) to provide that, subject to certain conditions, third-party investors in those funds will have the right to remove the general partner of the fund or to accelerate the liquidation date of the investment fund without cause by a simple majority vote, resulting in a reduction in management fees we would earn from such investment funds and a significant reduction in the amounts of total carried interest and incentive fees from those funds. Carried interest and incentive fees could be significantly reduced as a result of our inability to maximize the value of investments by an investment fund during the liquidation process. Finally, the applicable funds would cease to exist. In addition, the governing agreements of our investment funds enable investors in those funds to vote to terminate the investment period by a simple majority vote in accordance with specified procedures or accelerate the withdrawal of their capital on an investor-by-investor basis in the event certain "key persons" in our investment funds (for example, both of Stephen A. Schwarzman and Hamilton E. James in the case of our corporate private equity funds) do not remain active managing the fund. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our investment funds would likely result in significant reputational damage to us.

Investors in our hedge funds may also generally redeem their investments on an annual, semi-annual or quarterly basis following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years), subject to the applicable fund's specific redemption provisions. In a declining market, the pace of redemptions and consequent reduction in our assets under management could accelerate. The decrease in revenues that would result from significant redemptions in our hedge funds could have a material adverse effect on our business, revenues, net income and cash flows.

In addition, because all of our investment funds have advisers that are registered under the Advisers Act, the management agreements of all of our investment funds would be terminated upon an "assignment," without investor consent, of these agreements, which may be deemed to occur in the event these advisers were to experience a change of control. We cannot be certain that consents required to assignments of our investment management agreements will be obtained if a change of control occurs. In addition, with respect to our publicly-traded closed-end mutual funds, each investment fund's investment management agreement must be approved annually by the independent members of such investment fund's board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the fees we earn from such investment funds.

Certain policies and procedures implemented to mitigate potential conflicts of interest and address certain regulatory requirements may reduce the synergies across our various businesses.

Because of our various lines of asset management and advisory businesses, we will be subject to a number of actual and potential conflicts of interest and subject to greater regulatory oversight than that to which we would otherwise be subject if we had just one line of business. In addressing these conflicts and regulatory requirements across our various businesses, we have implemented certain policies and procedures (for example, information walls) that may reduce the positive synergies that we cultivate across these businesses. For example, we may come into possession of material non-public information with respect to issuers in which we may be considering making an investment or issuers that are our advisory clients. As a consequence, we may be precluded from providing such information or other ideas to our other businesses that might be of benefit to them.

Risk management activities may adversely affect the return on our funds' investments.

When managing our exposure to market risks, we may (on our own behalf or on behalf of our funds) from time to time use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging or other derivative transactions generally will depend on our ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction in order to reduce our exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

Our real estate opportunity funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in our real estate opportunity funds will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result for instance of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond our control. In addition, if our real estate opportunity funds acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

Certain of our fund investments may be concentrated in certain asset types or in a geographic region, which could exacerbate any negative performance of those funds to the extent those concentrated investments perform poorly.

The governing agreements of our investment funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. For example, over 85% of the investments of our real estate opportunity funds are in office building and hotel assets. During periods of difficult market conditions or slowdowns in these sectors, the decreased revenues, difficulty in obtaining access to financing and increased funding costs experienced by our real estate opportunity funds may be exacerbated by this concentration of investments, which would result in lower investment returns for our real estate opportunity funds.

Our hedge fund investments are subject to numerous additional risks.

Our hedge fund investments, including investments by our funds of hedge funds in other hedge funds, are subject to numerous additional risks, including the following:

Certain of the funds are newly established funds without any operating history or are managed by management companies or general partners who do not have a significant track record as an independent manager.

Generally, there are few limitations on the execution of our hedge funds' investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.

Hedge funds may engage in short-selling, which is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.

Hedge funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the funds' internal consideration of the creditworthiness of their counterparties may prove insufficient. The absence of a regulated market to facilitate settlement may increase the potential for losses.

Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This "systemic risk" may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the hedge funds interact on a daily basis.

The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A hedge fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position.

Hedge funds are subject to risks due to potential illiquidity of assets. Hedge funds may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which they may be a party, and changes in industry and government regulations. It may be impossible or costly for hedge funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. Moreover, these risks may be exacerbated for our funds of hedge funds. For example, if one of our funds of hedge funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for our funds of hedge funds would be compounded.

Hedge fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets.

Certain of our investment funds utilize distressed debt and equity investment strategies which involve significant risks and potential additional liabilities.

Our distressed securities hedge fund invests in issuers with weak financial conditions, poor operating results, substantial financial needs, negative net worth and/or special competitive problems. This fund also invests in issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these issuers. Furthermore, some of our distressed securities hedge fund's distressed investments may not be widely traded or may have no recognized market. Depending on the specific fund's investment profile, a fund's exposure to such investments may be substantial in relation to the market for those investments and the acquired assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the fair value of such investments to ultimately reflect their intrinsic value as perceived by us.

A central strategy of our distressed securities hedge fund is to predict the occurrence of certain corporate events, such as debt and/or equity offerings, restructurings, reorganizations, mergers, takeover offers and other transactions. If we do not accurately predict these events, the market price and value of the fund's investment could decline sharply.

In addition, these investments could subject our distressed securities hedge fund to certain potential additional liabilities that may exceed the value of its original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our funds may become involved in substantial litigation.

We are subject to risks in using prime brokers, custodians, administrators and other agents.

Many of our funds of hedge funds, mezzanine funds, senior debt vehicles, proprietary hedge funds, closed-end mutual funds and other investment funds depend on the services of prime brokers, custodians, administrators and other agents to carry out certain securities transactions. For example, in the event of the insolvency of a prime broker and/or custodian, the funds might not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, the funds' cash held with a prime broker or custodian will not be segregated from the prime broker's or custodian's own cash, and the funds will therefore rank as unsecured creditors in relation thereto.

Risks Related to Our Financial Advisory Business

Financial advisory fees are not long-term contracted sources of revenue and are not predictable.

The fees earned by our financial advisory business are typically payable upon the successful completion of a particular transaction or restructuring. A decline in our financial advisory engagements or the market for advisory services would adversely affect our business. Our financial advisory business operates in a highly competitive environment where typically there are no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately solicited, awarded and negotiated. In addition, many businesses do not routinely engage in transactions requiring our services. As a consequence, our fee-paying engagements with many clients are not predictable and high levels of financial advisory revenue in one quarter are not necessarily predictive of continued high levels of financial advisory revenue in future periods. In addition to the fact that most of our financial advisory engagements are single, non-recurring engagements, we lose clients each year as a result of a client's decision to retain other financial advisors, the sale, merger or restructuring of a client, a change in a client's senior management and various other causes. As a result, our financial advisory revenue could decline materially due to such changes in the volume, nature and scope of our engagements.

The fees earned by Park Hill Group, our fund placement business, are generally payable upon the successful subscription by an investor in a client's fund and/or the closing of that fund. To the extent fewer assets are raised for funds or interest by investors in alternative asset funds declines, the fees earned by Park Hill Group would be adversely affected.

We face strong competition from other financial advisory firms.

The financial advisory industry is intensely competitive, and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our employees, transaction execution, our products and services, innovation and reputation and price. We have always experienced intense competition over obtaining advisory mandates, and we may experience pricing pressures in our financial advisory business in the future as some of our competitors seek to obtain increased market share by reducing fees. Our primary competitors in our financial advisory business are large financial institutions, many of which have far greater financial and other resources and much broader client relationships than us and (unlike us) have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage and a wide range of investment banking services, which may enhance their competitive position. They also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services revenue in an effort to gain market share, which puts us at a competitive disadvantage and could result in pricing pressures that could materially adversely affect our revenue and profitability. In addition, Park Hill Group operates in a highly competitive environment and the barriers to entry into the fund placement business are low.

Risks Related to Our Organizational Structure

Our common unitholders do not elect our general partner or vote on our general partner's directors and will have limited ability to influence decisions regarding our business.

Our general partner, Blackstone Group Management L.L.C., which is owned by our senior managing directors, will manage all of our operations and activities. The limited liability company agreement of Blackstone Group Management L.L.C. establishes a board of directors that will be responsible for the oversight of our business and operations. Our general partner's board of directors will be elected in accordance with its limited liability company agreement, where our senior managing directors have agreed that our founders, Messrs. Schwarzman and Peterson (or, following their withdrawal, death or disability, the remaining founder or any successor founder designated by them), will have the power to appoint and remove the directors of our general partner. 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), the power to appoint and remove the directors of our general partner will revert to the members of our general partner (our senior managing directors) holding a majority in interest in our general partner.

Our common unitholders do not elect our general partner or its board of directors and, unlike the holders of common stock in a corporation, will have only limited voting rights on matters affecting our business and therefore limited ability to influence decisions regarding our business. Furthermore, if our common unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. Our general partner may not be removed unless that removal is approved by the vote of the holders of not less than $66^2/_3$% of the voting power of our outstanding common units and special voting units (including common units and special voting units held by the general partner and its affiliates) and we receive an opinion of counsel regarding limited liability matters. As discussed below, immediately following this offering 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. Therefore, they will have the ability to remove or block any removal of our general partner and thus control The Blackstone Group L.P.

Our existing owners will be able to determine the outcome of those few matters that may be submitted for a vote of the limited partners.

Immediately following this offering, our existing owners will beneficially own 78.0% of the equity in our business, or 76.2% if the underwriters exercise in full their option to purchase additional 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.

Our common unitholders' voting rights are further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of The Blackstone Group L.P. common units then outstanding (other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) cannot be voted on any matter. In addition, our partnership agreement contains provisions limiting the ability of our common unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the ability of our common unitholders to influence the manner or direction of our management. Our partnership agreement also does not restrict our general partner's 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. Furthermore, the common unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event. In addition, we have the right to acquire all our then-outstanding common units if not more than 10% of our common units are held by persons other than our general partner and its affiliates.

As a result of these matters and the provisions referred to under " Our common unitholders do not elect our general partner or vote on our general partner's directors and will have limited ability to influence decisions regarding our business", our common unitholders may be deprived of an opportunity to receive a premium for their common units in the future through a sale of The Blackstone Group L.P., and the trading prices of our common units may be adversely affected by the absence or reduction of a takeover premium in the trading price.

We are a limited partnership and as a result will qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of the New York Stock Exchange.

We are a limited partnership and will qualify for exceptions from certain corporate governance and other requirements of the rules of the New York Stock Exchange. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the New York Stock Exchange, including the requirements (1) that a majority of the board of directors of our general partner consist of independent directors, (2) that we have a nominating/corporate governance committee that is composed entirely of independent directors and (3) that we have a compensation committee that is composed entirely of independent directors. In addition, we will not be required to hold annual meetings of our common unitholders. Following this offering, we intend to avail ourselves of these exceptions. Accordingly, you will not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the New York Stock Exchange.

Potential conflicts of interest may arise among our general partner, its affiliates and us. Our general partner and its affiliates have limited fiduciary duties to us and our common unitholders, which may permit them to favor their own interests to the detriment of us and our common unitholders.

Conflicts of interest may arise among our general partner and its affiliates, on the one hand, and us and our common unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our common unitholders. These conflicts include, among others, the following:

- our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you;

- our general partner is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our common unitholders. For example, our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds and certain of our subsidiaries engaged in our advisory business have contractual duties to their clients, as a result of which we expect to regularly take actions that might adversely affect our near-term results of operations or cash flow;

because our senior managing directors hold their Blackstone Holdings partnership units directly or through entities that are not subject to corporate income taxation and The Blackstone Group L.P. holds Blackstone Holdings partnership units through wholly-owned subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior managing directors and The Blackstone Group L.P. relating to the selection and structuring of investments;

other than as set forth in the non-competition and non-solicitation agreements to which our senior managing directors are subject, which may not be enforceable, affiliates of our general partner and existing and former personnel employed by our general partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;

our general partner has limited its liability and reduced or eliminated its duties (including fiduciary duties) under the partnership agreement, while also restricting the remedies available to our common unitholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our general partner and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By purchasing our common units, you will have agreed and 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 constitute a breach of fiduciary or other duties under applicable state law;

our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under the partnership agreement;

our general partner determines how much debt we incur and that decision may adversely affect our credit ratings;

our general partner determines which costs incurred by it and its affiliates are reimbursable by us;

our general partner controls the enforcement of obligations owed to us by it and its affiliates; and

our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

See "Certain Relationships and Related Person Transactions" and "Conflicts of Interest and Fiduciary Responsibilities".

Our partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our general partner and limit remedies available to common unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for a common unitholder to successfully challenge a resolution of a conflict of interest by our general partner or by its conflicts committee.

Our partnership agreement contains provisions that waive or consent to conduct by our general partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligations to us or our common unitholders whatsoever. When our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its "sole discretion" or "discretion" or that it deems "necessary or appropriate" or "necessary or advisable," then our general partner will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any limited partners and will not be subject to any different standards imposed by the partnership agreement, the Delaware Limited Partnership Act or under any other law, rule or regulation or in equity. These modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our common unitholders will only have recourse and be able to seek remedies against our general partner if our general partner breaches its obligations pursuant to our partnership agreement. Unless our general partner breaches its obligations pursuant to our partnership agreement, we and our common unitholders will not have any recourse against our general partner even if our general partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our partnership agreement, our partnership agreement provides that our general partner and its officers and directors will not be liable to us or our common unitholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These modifications are detrimental to the common unitholders because they restrict the remedies available to common unitholders for actions that without those limitations might constitute breaches of duty (including fiduciary duty).

Whenever a potential conflict of interest exists between us and our general partner, our general partner may resolve such conflict of interest. If our general partner determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our general partner, then it will be presumed that in making this determination, our general partner acted in good faith. A common unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our general partner obtains the approval of the conflicts committee of our general partner, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our general partner of any duties it may owe to us or our common unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. If you choose to purchase a common unit, you will be treated as having consented to the provisions set forth in the partnership agreement, including 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. As a result, common unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See "Conflicts of Interest and Fiduciary Responsibilities".

The control of our general partner may be transferred to a third party without common unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or consolidation without the consent of our common unitholders. Furthermore, at any time, the members of our general partner may sell or transfer all or part of their limited liability company interests in our general partner without the approval of the common unitholders, subject to certain restrictions as described elsewhere in this prospectus. A new general partner may not be willing or able to form new investment funds and could form funds that have investment objectives and governing terms that differ materially from those of our current investment funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as Blackstone's track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

We intend to pay regular distributions to our common unitholders, but our ability to do so may be limited by our holding partnership structure, applicable provisions of Delaware law and contractual restrictions.

After consummation of this offering, we intend to pay cash distributions on a quarterly basis. The Blackstone Group L.P. will be a holding partnership and will have no material assets other than the ownership of the partnership units in Blackstone Holdings held through wholly-owned subsidiaries. The Blackstone Group L.P. has no independent means of generating revenue. Accordingly, we intend to cause Blackstone Holdings to make distributions to its partners, including The Blackstone Group L.P.'s wholly-owned subsidiaries, 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 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".

The declaration and payment of any future 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, including payment obligations pursuant to the tax receivable agreement and restrictions pursuant to our revolving credit facility, legal, tax and regulatory restrictions, restrictions or 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. Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our revolving credit facility require that the ratio of recourse debt of the Blackstone Holdings partnerships on a combined basis to partners' capital of the Blackstone Holdings partnerships on a combined basis be no greater than one to one, which may prohibit us from making certain distributions. Subject to a notice period and a cure period, distributions in violation of the terms of our revolving credit facility would result in a default under our revolving credit facility. In addition, Blackstone Holdings' cash flow from operations may be insufficient to enable it to make required minimum tax distributions to its partners, in which case Blackstone Holdings may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

We will be required to pay our senior managing directors for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with this offering, subsequent exchanges of our common units and related transactions.

As described in "Organizational Structure", 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 as described in "Organizational Structure Sale and Offering Transactions". In addition, holders of partnership units in Blackstone Holdings (other than

The Blackstone Group L.P.'s wholly-owned subsidiaries), 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. 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. The purchase and subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings that otherwise would not have been available. These increases in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that The Blackstone Group L.P.'s wholly-owned subsidiaries that are taxable as corporations for U.S. federal income tax purposes, which we refer to as the "corporate taxpayers," would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

The corporate taxpayers will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers actually realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Blackstone Holdings. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of Blackstone Holdings, the payments that we may make to our existing owners will be substantial. 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 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 "Pricing Sensitivity Analysis" to see how this information 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. Future payments to our existing owners in respect of subsequent exchanges would be in addition to these amounts and are expected to be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, our existing owners will not reimburse us for any payments previously made under the tax receivable agreement. As a result, in certain circumstances payments to our existing owners under the tax receivable agreement could be in excess of the corporate taxpayers' cash tax savings. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

We expect to record significant net losses for a number of years following this offering as a result of the amortization of finite-lived intangible assets and non-cash equity-based compensation.

As part of the reorganization we will acquire interests in our business from our existing owners. We will account for the acquisition of the interests of our existing owners other than our founders using the purchase method of accounting, and preliminarily expect to reflect the excess of the purchase price over the fair value of the tangible assets acquired and liabilities assumed as goodwill and other intangible assets on our statement of financial condition. We preliminarily estimate that we will record in excess of $4 billion of finite-lived intangible assets (in addition to approximately $3.6 billion of goodwill). We anticipate amortizing these finite-lived intangibles over their estimated useful lives, which are expected to range between three and ten years, using the straight-line method. In addition, as part of the reorganization, our existing owners will receive 846,532,186 Blackstone Holdings partnership units, of which 439,808,327 will be unvested. The grant date fair value of the unvested Blackstone Holdings partnership units (which will be the initial public offering price per common unit in this offering) will be charged to expense as the Blackstone Holdings partnership units vest over the assumed service periods, which range up to eight years, on a straight-line basis. The amortization of these finite-lived intangible assets and of this non-cash equity based compensation will increase our expenses substantially during the relevant periods and, as a result, we expect to record significant net losses for a number of years following this offering.

If The Blackstone Group L.P. were deemed an "investment company" under the 1940 Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

A person will generally be deemed to be an "investment company" for purposes of the 1940 Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or

- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing asset management and financial advisory services and not in the business of investing, reinvesting or trading in securities. We also believe that the primary source of income from each of our businesses is properly characterized as income earned in exchange for the provision of services. We hold ourselves out as an asset management and financial advisory firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that The Blackstone Group L.P. is, or following this offering will be, an "orthodox" investment company as defined in section 3(a)(1)(A) of the 1940 Act and described in the first bullet point above. Further, following this offering, The Blackstone Group L.P. will have no material assets other than its equity interests in certain wholly-owned subsidiaries, which in turn will have no material assets (other than intercompany debt) other than general partner interests in the Blackstone Holdings partnerships. These wholly-owned subsidiaries will be the sole general partners of the Blackstone Holdings partnerships and will be vested with all management and control over the Blackstone Holdings partnerships. We do not believe the equity interests of The Blackstone Group L.P. in its wholly-owned subsidiaries or the general partner interests of these wholly-owned subsidiaries in the Blackstone Holdings partnerships are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of The Blackstone Group L.P.'s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis after this offering will be comprised of assets that could be considered investment securities. Accordingly, we do not believe The Blackstone Group L.P. is, or following this offering will be, an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the 1940 Act as described in the second bullet point above. In addition, we believe The Blackstone Group L.P. is not an investment company under section 3(b)(1) of the 1940 Act because it is primarily engaged in a non-investment company business.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that The Blackstone Group L.P. will not be deemed to be an investment company under the 1940 Act. If anything were to happen which would cause The Blackstone Group L.P. to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among The Blackstone Group L.P., Blackstone Holdings and our senior managing directors, or any combination thereof, and materially adversely affect our business, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the 1940 Act.

Risks Related to Our Common Units and this Offering

There may not be an active trading market for our common units, which may cause our common units to trade at a discount from the initial offering price and make it difficult to sell the common units you purchase.

Prior to this offering, there has been no public trading market for our common units. It is possible that after this offering an active trading market will not develop or continue, which would make it difficult for you to sell your common units at an attractive price or at all. The initial public offering price per common unit will be determined by agreement among us and the representatives of the underwriters, and may not be indicative of the price at which our common units will trade in the public market after this offering.

A portion of the proceeds from this offering (net of underwriting discounts) and the sale of non-voting common units to the State Investment Company will be used to purchase interests in our business from our existing owners. Accordingly, we will not retain such proceeds.

We estimate that our net proceeds from this offering (net of underwriting discounts), at an assumed initial public offering price of $30.00 per common unit and after deducting estimated underwriting discounts, and the sale of non-voting common units to the State Investment Company will be approximately $6.83 billion, or $7.41 billion if the underwriters exercise in full their option to purchase additional common units. We intend to use approximately $3.90 billion of these proceeds, 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 as described under "Organizational Structure Sale and Offering Transactions". Accordingly, we will not retain such proceeds and they will not be used to invest in and grow our business. See "Use of Proceeds".

Our common unit price may decline due to the large number of common units eligible for future sale and for exchange.

The market price of our common units could decline as a result of sales of a large number of common units in the market after the offering or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. Upon completion of this offering we will have a total of 238,045,375 of our common units outstanding, or 258,045,375 common units assuming the underwriters exercise in full their option to purchase additional common units. All of the 133,333,334 common units sold in this offering, or 153,333,334 common units assuming the underwriters exercise in full their option to purchase addition common units, will be freely tradable

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without restriction or further registration under the Securities Act by persons other than our "affiliates." See "Common Units Eligible for Future Sale". Subject to the lock-up restrictions described below, we may issue and sell in the future additional common units.

In addition, upon completion of this offering our existing owners will own an aggregate of 846,532,186 Blackstone Holdings partnership units, or 826,532,186 Blackstone Holdings partnership units assuming the underwriters exercise in full their option to purchase additional common units. Prior to this offering we will enter into an exchange agreement with 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. The common units we issue upon such exchanges would be "restricted securities," as defined in Rule 144 under the Securities Act, unless we register such issuances. However, we will enter into a registration rights agreement with the limited partners of Blackstone Holdings that would require us to register these common units under the Securities Act. See "Common Units Eligible for Future Sale Registration Rights" and "Certain Relationships and Related Person Transactions Registration Rights Agreement". While the partnership agreements of the Blackstone Holdings partnerships and related agreements will contractually restrict our existing owners' ability to transfer the Blackstone Holdings partnership units or The Blackstone Group L.P. common units they hold and will require that they maintain a minimum amount of equity ownership during their employ by us, these contractual provisions may lapse over time or be waived, modified or amended at any time. See "Management Minimum Retained Ownership Requirements and Transfer Restrictions for Existing Owners".

In addition, 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 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 State Investment Company will be able to sell these common units subject to the transfer restrictions set forth in the letter agreement described under "Organizational Structure Sale of Non-Voting Common Units to the State Investment Company". We have agreed to provide the State Investment Company with registration rights to effect certain sales. See "Common Units Eligible for Future Sale Registration Rights".

Under our 2007 Equity Incentive Plan, we intend to grant 37,730,343 deferred restricted common units, which are subject to specified vesting requirements, 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). An aggregate of 124,224,117 additional common units and Blackstone Holdings partnership units have been covered by our 2007 Equity Incentive Plan. In addition, beginning in 2008 the aggregate number of common units and Blackstone Holdings partnership units covered by our 2007 Equity Incentive Plan will be increased on the first day of each fiscal year during its term by a number of units equal to the positive difference, if any, of (a) 15% of the aggregate number of common units and Blackstone Holdings partnership units outstanding on the last day of the immediately preceding fiscal year (excluding Blackstone Holdings partnership units held by The Blackstone Group LP or its wholly-owned subsidiaries) minus (b) the aggregate number of common units and Blackstone Holdings partnership units covered by our 2007 Equity Incentive Plan as of such date (unless the administrator of the 2007 Equity Incentive Plan should decide to increase the number of common units and Blackstone Holdings partnership units covered by the plan by a lesser amount). See "Management

IPO Date Equity Awards". We intend to file one or more registration statements on Form S-8 under the Securities Act to register common units covered by our 2007 Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover 163,000,000 common units.

In addition, our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to common units. Similarly, the Blackstone Holdings partnership agreements authorize the wholly-owned subsidiaries of The Blackstone Group L.P. which are the general partners of those partnerships to issue an unlimited number of additional partnership securities of the Blackstone Holdings partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Blackstone Holdings partnerships units, and which may be exchangeable for our common units.

The market price of our common units may be volatile, which could cause the value of your investment to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of common units in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response the market price of our common units could decrease significantly. You may be unable to resell your common units at or above the initial public offering price.

Risks Related to United States Taxation

If we were treated as a corporation for U.S. federal income tax or state tax purposes, then our distributions to you would be substantially reduced and the value of our common units would be adversely affected.

The value of your investment in us depends largely on our being treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code and that The Blackstone Group L.P. not be registered under the 1940 Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We may not meet these requirements or current law may change so as to cause, in either event, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject to U.S. federal income tax. Moreover, the anticipated after-tax benefit of an investment in our common units depends largely on our being treated as a partnership for U.S. federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our taxable income at the corporate tax rate. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our distributions to you would be substantially reduced, likely causing a substantial reduction in the value of our common units.

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to entity level taxation. For example, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.

You may be subject to U.S. federal income tax on your share of our taxable income, regardless of whether you receive any cash dividends from us.

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Internal Revenue Code and we are not required to register as an investment company under the 1940 Act on a continuing basis, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly-traded partnership taxable as a corporation. As a result, you may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within your taxable year, regardless of whether or not you receive cash dividends from us. See "Material U.S. Federal Tax Considerations".

You may not receive cash dividends equal to your allocable share of our net taxable income or even the tax liability that results from that income. In addition, certain of our holdings, including holdings, if any, in a Controlled Foreign Corporation, or "CFC," and a Passive Foreign Investment Company, or "PFIC," may produce taxable income prior to the receipt of cash relating to such income, and common unitholders that are U.S. taxpayers will be required to take such income into account in determining their taxable income. In the event of an inadvertent termination of our partnership status for which the IRS has granted us limited relief, each holder of our common units may be obligated to make such adjustments as the IRS may require to maintain our status as a partnership. Such adjustments may require persons holding our common units to recognize additional amounts in income during the years in which they hold such units.

The Blackstone Group L.P.'s interest in certain of our businesses will be held through Blackstone Holdings I/II GP Inc. or Blackstone Holdings V GP L.P., which will be treated as corporations for U.S. federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your investment.

In light of the publicly-traded partnership rules under U.S. federal income tax law and other requirements, The Blackstone Group L.P. will hold its interest in certain of our businesses through Blackstone Holdings I/II GP Inc. or Blackstone Holdings V GP L.P., which will be treated as corporations for U.S. federal income tax purposes. Each such corporation could be liable for significant U.S. federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of your investment. Those additional taxes have not applied to our existing owners in our organizational structure in effect before this offering and will not apply to our existing owners following this offering to the extent they own equity interests directly or indirectly in the Blackstone Holdings partnerships.

Complying with certain tax-related requirements may cause us to invest through foreign or domestic corporations subject to corporate income tax or enter into acquisitions, borrowings, financings or arrangements we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. federal income tax purposes and not as an association or publicly traded partnership taxable as a corporation, we must meet the Qualifying Income Exception discussed above on a continuing basis and we must not be required to register as an investment company under the 1940 Act. In order to effect such treatment, we (or our subsidiaries) may be required to invest through foreign or domestic corporations subject to corporate income tax, or enter into acquisitions, borrowings, financings or other transactions we may not have otherwise entered into. This may adversely affect our ability to operate solely to maximize our cash flow.

Tax gain or loss on disposition of our common units could be more or less than expected.

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis in those common units. Prior distributions to you in excess of the total net taxable income allocated to you, which decreased the tax basis in your common units, will in effect become taxable income to you if the common units are sold at a price greater than your tax basis in those common units, even if the price is less than the original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to you.

If we were not to make, or cause to be made, an otherwise available election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Blackstone Holdings partnerships, a holder of common units could be allocated more taxable income in respect of those common units prior to disposition than if such an election were made.

We currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us, Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P. If no such election is made, there will generally be no adjustment to the basis of the assets of Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P. upon our acquisition of interests in Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P. in connection with this offering, or to our assets or to the assets of Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P. upon a subsequent transferee's acquisition of common units from a prior holder of such common units, even if the purchase price for those interests or units, as applicable, is greater than the share of the aggregate tax basis of our assets or the assets of Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P. attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by us, Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P., gain allocable to a holder of common units could include built-in gain in the asset existing at the time we acquired those interests, or such holder acquired such units, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made. See "Material U.S. Federal Tax Considerations United States Taxes Consequences to U.S. Holders of Common Units Section 754 Election."

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.

Certain of our funds' investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be a PFIC or a CFC for U.S. federal income tax purposes. Common unitholders indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences. See "Material U.S. Federal Tax Considerations United States Taxes Consequences to U.S. Holders of Common Units Passive Foreign Investment Companies" and " Controlled Foreign Corporations".

Non-U.S. persons face unique U.S. tax issues from owning common units that may result in adverse tax consequences to them.

In light of our intended investment activities, we may be, or may become, engaged in a U.S. trade or business for U.S. federal income tax purposes in which case some portion of our income would be treated as effectively connected income with respect to non-U.S. holders, or "ECI." Moreover, dividends paid by an investment that we make in a real estate investment trust, or "REIT," that are attributable to gains from the sale of U.S. real property interests and sales of certain investments in interests in U.S. real property, including stock of certain U.S. corporations owning significant U.S. real property, may be treated as ECI with respect to non-U.S. holders. In addition, certain income of non-U.S. holders from U.S. sources not connected to any such U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, non-U.S. holders generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders will be reduced by withholding taxes imposed at the highest effective applicable tax rate.

Tax-exempt entities face unique tax issues from owning common units that may result in adverse tax consequences to them.

In light of our intended investment activities, we may derive income that constitutes "unrelated business taxable income," or "UBTI." Consequently, a holder of common units that is a tax-exempt organization may be subject to "unrelated business income tax" to the extent that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership could be treated as earning UBTI if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the partnership interest itself is debt-financed.

We cannot match transferors and transferees of common units, and we will therefore adopt certain income tax accounting positions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our common units.

Because we cannot match transferors and transferees of common units, we will adopt depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our common unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of common units and could have a negative impact on the value of our common units or result in audits of and adjustments to our common unitholders' tax returns.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes.

We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. Our termination would, among other things, result in the closing of our taxable year for all common unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income. See "Material U.S. Federal Tax Considerations" for a description of the consequences of our termination for U.S. federal income tax purposes.

Common unitholders will be subject to state and local taxes and return filing requirements as a result of investing in our common units.

In addition to U.S. federal income taxes, our common unitholders will be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our common unitholders do not reside in any of those jurisdictions. Our common unitholders likely will be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, common unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each common unitholder to file all U.S. federal, state and local tax returns that may be required of such common unitholder. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common units.

We do not expect to be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return.

It will most likely require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for the Partnership. For this reason, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. See "Material U.S. Federal Tax Considerations United States Taxes Administrative Matters Information Returns".

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under "Risk Factors". These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that we have derived from independent consultant reports, publicly available information, various industry publications, other published industry sources and our internal data and estimates. Independent consultant reports, industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable.

Our internal data and estimates are based upon information obtained from investors in our funds, trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. Although we believe that such information is reliable, we have not had this information verified by any independent sources.

ORGANIZATIONAL STRUCTURE

Reorganization

Blackstone Holdings Formation

Our business is presently owned by our founders and other senior managing directors, selected other individuals engaged in some of our businesses and AIG, to whom we refer 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, our existing owners will contribute to Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P., which we refer to collectively as "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 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 March 31, 2007. More specifically, our existing owners will contribute to Blackstone Holdings or sell to wholly-owned subsidiaries of The Blackstone Group L.P. the intellectual property rights associated with the Blackstone name and the indicated equity interests in the following businesses, which we refer to collectively as the "Contributed Businesses":

- 100% of the investment advisers of all of Blackstone's investment funds (other than our senior debt vehicles and our proprietary hedge funds as described below), which provide investment management and services to, and are entitled to any management fees payable in respect of, these investment funds, as well as transaction and other fees that may be payable by these investment funds' portfolio companies;

- 100% of the entities that are the managing members of the general partners of all of our actively investing carry funds (that is, the Blackstone Capital Partners V, Blackstone Real Estate Partners VI, Blackstone Real Estate Partners International II and Blackstone Mezzanine Partners II funds), as well as all of our historical carry 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, Blackstone Real Estate Partners International I and Blackstone Mezzanine Partners I funds), which entities will be entitled to:

  - 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 (as defined below) by our actively investing corporate private equity and real estate 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 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 (and our actively investing Blackstone Mezzanine Partners II fund); and

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

100% of the entity that is the manager of our senior debt vehicles, which is entitled to the management fees and a portion of the incentive fees payable in respect of such vehicles;

100% of the entities that are the managing members of the general partners of our funds of hedge funds, which are entitled to any management and incentive fees payable in respect of such funds;

100% of the entities that are the managing members of the general partner and the investment adviser of our distressed securities hedge fund, which entities are entitled to a portion of the management fees and a portion of the incentive fees payable in respect of such fund;

100% of the entities that are managing members of the general partner and the investment adviser of our equity hedge fund, which entities are entitled to a portion of the management fees and a portion of the incentive fees payable in respect of such fund;

100% of Blackstone Advisory Services L.P., through which Blackstone provides mergers and acquisitions and restructuring and reorganization advisory services; and

100% of Park Hill Group, which provides placement services to corporate private equity funds, real estate funds, venture capital funds and hedge funds.

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, as well as by all of our historical corporate private equity and real estate funds that still have a meaningful amount of unrealized investments, 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;

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 allocated 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".

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In exchange for the contribution and sale of the Contributed Businesses described above, our existing owners will receive an aggregate amount of cash (payable with a portion of the proceeds of this offering and the sale of non-voting common units to the State Investment Company) equal to the product of $^{4}/_{7}$ multiplied by the sum of (A) the proceeds we receive from this offering (net of underwriting discounts) plus (B) the proceeds we receive from the sale of non-voting common units to the State Investment Company and an aggregate number of Blackstone Holdings partnership units equal to 982,558,115 minus the product of $^{4}/_{7}$ multiplied by the sum of (X) the number of common units we sell in this offering plus (Y) the number of non-voting common units we sell to the State Investment Company. Assuming an initial public offering price of $30.00 per common unit, our existing owners will receive an aggregate of approximately $3.90 billion of cash and an aggregate of 846,532,186 Blackstone Holdings partnership units as follows (see "Principal Unitholders"):

- our founders will receive 147,521,160 vested and 153,969,830 unvested Blackstone Holdings partnership units;

- our non-founding senior managing directors and selected other individuals engaged in some of our businesses will receive 210,419,427 vested and 285,838,497 unvested Blackstone Holdings partnership units; and

- AIG will receive 48,783,272 Blackstone Holdings partnership units, all of which will be fully vested.

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 wholly-owned subsidiaries of The Blackstone Group L.P. will contribute all of the interests in the Contributed Businesses that they purchase from our existing owners to Blackstone Holdings in exchange for an aggregate number of Blackstone Holdings partnership units equal to the product of $^{4}/_{7}$ multiplied by the aggregate number of common units we sell in this offering and to the State Investment Company.

If the underwriters exercise their option to purchase additional common units, the aggregate amount of cash that our existing owners will receive will be increased by the product of the number of common units purchased by the underwriters pursuant to such option multiplied by the initial public offering price per common unit in this offering (net of underwriting discounts) and the aggregate number of vested Blackstone Holdings partnership units that our existing owners will receive will be correspondingly reduced by the number of common units purchased by the underwriters pursuant to such option. Similarly, if the underwriters exercise their option to purchase additional common units, the aggregate number of Blackstone Holdings partnership units that the wholly-owned subsidiaries of The Blackstone Group L.P. will purchase will increase by the number of common units purchased by the underwriters pursuant to such option.

We refer to the above-described transactions, collectively, as the "Blackstone Holdings Formation."

See "Certain Relationships and Related Person Transactions Blackstone Holdings Partnership Agreements" for information regarding vesting of the Blackstone Holdings partnership units. In addition, under the terms of the partnership agreements of the Blackstone Holdings partnerships, all of the Blackstone Holdings partnership units received by the limited partners of Blackstone Holdings in the Reorganization will be subject to restrictions on transfer and minimum retained ownership requirements. See "Management Minimum Retained Ownership Requirements and Transfer Restrictions for Existing Owners" and "Certain Relationships and Related Person Transactions Blackstone Holdings Partnership Agreements". Subject to vesting and minimum retained ownership requirements and transfer restrictions, all of the Blackstone Holdings partnership units to be received by our existing owners in the Blackstone Holdings Formation will be entitled to be exchanged up to four times each year (subject to the terms of the exchange agreement) 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, as described below in " The Blackstone Group L.P." 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. See "Certain Relationships and Related Person Transactions Exchange Agreement".

The vested Blackstone Holdings partnership units received by our founders in the Reorganization will be reflected in our financial statements at the historical cost of the interests contributed. The vested Blackstone Holdings partnership units received by our other existing owners in the Reorganization will be reflected in our financial statements at fair value of the interests contributed. We intend to accrue for the unvested Blackstone Holdings partnership units as compensation paid to our non-founding senior managing directors in accordance with Statement of Financial Accounting Standards No. 123(R) "*Share-Based Payments*", or "SFAS 123(R)." The unvested Blackstone Holdings partnership units will be charged to expense as the Blackstone Holdings partnership units vest over the service period. The expense will be based on the grant date fair value of the Blackstone Holdings partnership units, which will be the initial public offering price of The Blackstone Group L.P. common units into which these partnership units are exchangeable.

Deconsolidation of Blackstone Funds

In accordance with GAAP, a number of our investment funds have historically been consolidated into our combined financial statements. As a result, our historical combined financial statements reflect the assets, liabilities, revenues, expenses and cash flows of these investment funds on a gross basis rather than reflecting only the value of our principal investments in such investment funds.

The Contributed Businesses that act as a general partner of a consolidated Blackstone fund (with the exception of our proprietary hedge funds and four of our funds of hedge funds) are taking the necessary steps to grant rights to the third-party investors in that fund to provide that a simple majority of the fund's investors will have the right, without cause, to remove the general partner of that fund or to accelerate the liquidation date of that fund in accordance with certain procedures. The granting of these rights, which will occur substantially concurrently with the Blackstone Holdings Formation described above, will lead to the deconsolidation of such investment funds from our consolidated financial statements as of and for periods following such event. In addition, because the general partners of certain other legacy Blackstone funds will not be contributed to Blackstone Holdings as part of the Blackstone Holdings Formation as described above, we will also no longer consolidate those funds in our consolidated financial statements following this offering.

Because the interests of the limited partner investors in our investment funds, which are reflected as "non-controlling interests in consolidated entities" on our historical combined statements of financial condition and as "non-controlling interests in income of consolidated entities" on our historical combined statements of income, will also be eliminated in connection with the deconsolidation of these investment funds, the deconsolidation of these investment funds will not result in a change in our partners' equity or net income in our consolidated financial statements. See "Unaudited Pro Forma Financial Information" for a more detailed description of the deconsolidation of our investment funds from our financial statements.

Distribution of Earnings Generated by Contributed Businesses Prior to Offering

We intend to make one or more distributions to our existing owners representing all of the undistributed earnings generated by the Contributed Businesses 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. We may need to draw on our revolving credit facility to make such distributions.

We refer to the Blackstone Holdings Formation, the deconsolidation of most Blackstone funds and the distribution to our existing owners of the pre-offering earnings of the Contributed Businesses, collectively, as the "Reorganization".

The Blackstone Group L.P.

The Blackstone Group L.P. was formed as a Delaware limited partnership on March 12, 2007. The Blackstone Group L.P. has not engaged in any business or other activities except in connection with its formation, the Reorganization and the Sale and Offering Transactions described below. The Blackstone Group L.P. is 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.

Prior to this offering we will enter into an exchange agreement with 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. We have not yet determined how any such future exchanges will be accounted in our consolidated financial statements.

The amended and restated partnership agreement of The Blackstone Group L.P. will also provide that 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 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. See "Material Provisions of The Blackstone Group L.P. Partnership Agreement".

Sale of Non-Voting Common Units to the State Investment Company

On May 22, 2007, we 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 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. 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 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.

Sale and Offering Transactions

Upon the consummation of this offering and the sale of non-voting common units to the State Investment Company, The Blackstone Group L.P. will contribute the proceeds from this offering and the sale of non-voting common units to the State Investment Company to its wholly-owned subsidiaries, 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). 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. The wholly-owned subsidiaries of The Blackstone Group L.P. may from time to time enter into intracompany lending arrangements with one another.

The Blackstone Group L.P.'s wholly-owned subsidiaries will then use all of these proceeds to (1) purchase interests in the Contributed Businesses from our existing owners (and contribute these interests to Blackstone Holdings in exchange for a number of newly-issued Blackstone Holdings partnership units that is equal to the product of $^4/_7$ multiplied by the aggregate number of common units we sell in this offering and to the State Investment Company (plus 20,000,000 additional newly-issued Blackstone Holdings partnership units if the underwriters exercise in full their option to purchase additional common units) as described above under " Reorganization Blackstone Holdings Formation" and (2) purchase a number of additional newly-issued Blackstone Holdings partnership units from Blackstone Holdings that is equal to the product of $^3/_7$ multiplied by the aggregate number of common units we sell in this offering and to the State Investment Company. Accordingly, The Blackstone Group L.P. will hold, through wholly-owned subsidiaries, a number of Blackstone Holdings partnership units equal to the aggregate number of common units that The Blackstone Group L.P. has issued in connection with this offering and the sale of non-voting common units to the State Investment Company. In connection with their acquisition of partnership units in Blackstone Holdings, these wholly-owned subsidiaries of The Blackstone Group L.P. will become the sole general partners of the Blackstone Holdings partnerships.

The purchase by The Blackstone Group L.P.'s wholly-owned subsidiaries of interests in our business from our existing owners with a portion of the proceeds from this offering is expected to result in an increase in the tax basis of the tangible and intangible assets of Blackstone Holdings that would not otherwise have been available. This increase 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 this increase in tax basis, as well as 85% of the amount of any such savings these entities actually realize as a result of increases in tax basis that arise due to future exchanges of Blackstone Holdings partnership units. No payments will be made if a limited partner elects to exchange his or her Blackstone Holdings partnership units in a tax-free transaction involving a charitable contribution. See "Certain Relationships and Related Person Transaction Tax Receivable Agreement".

At the time of this offering, we intend to grant to our non-senior managing director employees awards of deferred restricted common units as described under "Management IPO Date Equity Awards".

We refer to the above-described transactions, including the sale of non-voting common units to the State Investment Company, as the "Sale and Offering Transactions." We intend to cause Blackstone Holdings to use the remaining proceeds from the Sale and Offering Transactions as set forth under "Use of Proceeds".

As a result, assuming an initial public offering price of $30.00 per common unit, immediately following the Sale and Offering Transactions:

- The Blackstone Group L.P., through its wholly-owned subsidiaries, will hold 238,045,375 partnership units in Blackstone Holdings (or 258,045,375 partnership units if the underwriters exercise in full their option to purchase additional common units) and will, through its wholly-owned subsidiaries, be the sole general partner of each of the Blackstone Holdings partnerships and, through Blackstone Holdings and its subsidiaries, operate the Contributed Businesses;

- our founders will hold 147,521,160 vested partnership units and 153,969,830 unvested partnership units in Blackstone Holdings, our non-founding senior managing directors and selected other individuals engaged in some of our businesses will hold 210,419,427 vested and 285,838,497 unvested partnership units in Blackstone Holdings and AIG will hold 48,783,272 vested partnership units in Blackstone Holdings;

- investors in this offering will hold 133,333,334 common units (or 153,333,334 common units if the underwriters exercise in full their option to purchase additional common units) and the State Investment Company will hold 104,712,041 non-voting common units; and

- 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).

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". Subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, holders of Blackstone Holdings partnership units may up to four times each year (subject to the terms of the exchange agreement) exchange these 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. See "Certain Relationships and Related Person Transactions Exchange Agreement".

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.

The diagram below depicts our organizational structure immediately following the Reorganization and the Sale and Offering Transactions.

Holding Partnership Structure

The Blackstone Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, the sole general partner of each of the Blackstone Holdings partnerships. The Blackstone Group L.P. will operate and control all of the business and affairs of Blackstone Holdings. Through Blackstone Holdings, we will continue to conduct the Contributed Businesses. The Blackstone Group L.P. will consolidate the financial results of Blackstone Holdings and its consolidated subsidiaries, and the ownership interest of the limited partners of Blackstone Holdings will be reflected as a minority interest in The Blackstone Group L.P.'s consolidated financial statements.

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 a partnership 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.

Following the reorganization and the offering:

- The Blackstone Group L.P. will be a holding partnership;
- through wholly-owned subsidiaries, The Blackstone Group L.P. will hold equity interests in, and be the sole general partner of, each of the Blackstone Holdings partnerships;
- 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;
- 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 the 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"); and
- The Blackstone Group L.P. intends to conduct all of its material business activities through the Blackstone Holdings partnerships.

Accordingly, and similar in many respects to the structure referred to as an "umbrella partnership" real estate investment trust, or "UPREIT," that is frequently used in the real estate industry:

- our business will be conducted through second tier partnerships of which The Blackstone Group L.P., indirectly through wholly-owned subsidiaries, is the sole general partner;
- our existing owners will hold equity interests in these second tier partnerships which are exchangeable for the publicly traded common units of The Blackstone Group L.P.; and
- 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 believe that 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. Investors in this offering will become partners in The Blackstone Group L.P. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner's adjusted basis in its partnership interest. 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. 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.

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. Net profits and net losses of Blackstone Holdings will generally be allocated to its partners (including The Blackstone Group L.P.'s wholly-owned subsidiaries) pro rata in accordance with the percentages of their respective partnership interests, 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". Because The Blackstone Group L.P. will indirectly own 22.0% of the total partnership units in Blackstone Holdings (or 23.8% if the underwriters exercise in full their option to purchase additional common units), The Blackstone Group L.P. will indirectly be allocated 22.0% of the net profits and net losses of Blackstone Holdings (or 23.8% if the underwriters exercise in full their option to purchase additional common units), 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". The remaining net profits and net losses will be allocated to the limited partners of Blackstone Holdings. These percentages are subject to change, including upon an exchange of Blackstone Holdings partnership units for The Blackstone Group L.P. common units and upon issuance of additional The Blackstone Group L.P. common units to the public. 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.

After this offering, 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 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".

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). If we had effected the Reorganization on January 1, 2006, the assumed effective tax rate for 2006 would have been approximately 46%. 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.

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.

In addition, we estimate that our proceeds from the 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. See "Principal Unitholders" for information regarding the proceeds from this offering and the sale of non-voting common units to the State Investment Company that will be paid to our directors and named executive officers.

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 currently 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. See "Pricing Sensitivity Analysis" to see how 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.

Our revolving credit facility is a $1.35 billion revolving credit facility that matures on February 1, 2012. As of March 31, 2007, we had outstanding borrowings of $577.0 million bearing interest at a weighted average rate of 6.1%. Proceeds from these borrowings have been used for working capital purposes. We anticipate borrowing additional amounts under our revolving credit facility to make distributions representing all of the undistributed earnings generated by the Contributed Businesses prior to date of this offering. If the offering had occurred on March 31, 2007, we estimate that the aggregate amount of such borrowings would have been $610.4 million.

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".

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2007:

- on a historical basis; and

- on a pro forma basis for The Blackstone Group L.P. giving effect to the Blackstone Holdings pro forma adjustments as well as to the Sale and Offering Transactions described in "Organizational Structure" and the application of a portion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company to repay short-term borrowings of approximately $1.19 billion, as described in "Use of Proceeds".

You should read this table together with the other information contained in this prospectus, including "Organizational Structure", "Use of Proceeds", "Unaudited Pro Forma Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and related notes included elsewhere in this prospectus.

	March 31, 2007	
	Blackstone Group Combined Historical	**The Blackstone Group L.P. Pro Forma**
	(Dollars in Thousands)	
Cash and Cash Equivalents	$ 125,749	$ 1,819,470
Loans Payable	$ 1,405,509	$ 155,232
Due to Existing Owners(1)		863,685
Amounts Due to Non-Controlling Interest Holders(2)	353,684	178,761
Non-Controlling Interests in Consolidated Entities	33,887,439	10,319,087
Partners' Capital	2,884,165	4,876,883
Accumulated Other Comprehensive Income	6,277	6,277
Total Capitalization	$ 38,537,074	$ 16,399,925

(1) Reflects adjustments to give effect to the tax receivable agreement as a result of the purchase of interests in our business from our existing owners as described in "Organizational Structure Sale and Offering Transactions".

(2) Consists primarily of investor redemptions and capital withdrawals payable by the Blackstone funds.

See "Pricing Sensitivity Analysis" to see how 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.

DILUTION

If you invest in our common units, your interest will be diluted to the extent of the difference between the initial public offering price per common unit of our common units and the pro forma net tangible book value per common unit of our common units after this offering. Dilution results from the fact that the per common unit offering price of the common units is substantially in excess of the pro forma net tangible book value per common unit attributable to the existing equity holders.

Our pro forma net tangible book value as of March 31, 2007 was approximately $5.06 billion, or $5.98 per common unit. Pro forma net tangible book value represents the amount of total tangible assets less total liabilities, after giving effect to the Reorganization, and pro forma net tangible book value per common unit represents pro forma net tangible book value divided by the number of common units outstanding, after giving effect to the Reorganization and assuming that all of the holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries) exchanged their units for newly-issued common units on a one-for-one basis.

After giving effect to the Reorganization and the Sale and Offering Transactions and the application of a portion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company to repay short-term borrowings of approximately $1.19 billion, as described in "Use of Proceeds", our pro forma net tangible book value as of March 31, 2007 would have been $7.42 billion, or $6.84 per common unit. This represents an immediate increase in net tangible book value of $0.86 per common unit to existing equityholders and an immediate dilution in net tangible book value of $23.16 per common unit to investors in this offering.

The following table illustrates this dilution on a per common unit basis assuming the underwriters do not exercise their option to purchase additional common units:

Assumed initial public offering price per common unit		$ 30.00
Pro forma net tangible book value per common unit as of March 31, 2007	$ 5.98	
Increase in pro forma net tangible book value per common unit attributable to investors in this offering	0.86	
Pro forma net tangible book value per common unit after the offering		6.84
Dilution in pro forma net tangible book value per common unit to investors in this offering		$ 23.16

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.

The following table summarizes, on the same pro forma basis as of March 31, 2007, the total number of common units purchased from us, the total cash consideration paid to us and the average price per common unit paid by the existing equityholders, by the State Investment Company and by new investors purchasing common units in this offering, assuming that all of the holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries) exchanged their Blackstone Holdings partnership units for our common units on a one-for-one basis.

	Common Units Purchased		Total Consideration		
	Number	**Percent**	**Amount**	**Percent**	**Average Price Per Common Unit**
			(Dollars in Millions)		
Existing Equityholders	846,532,186	78.0%	$	0.0%	$
State Investment Company	104,712,041	9.7%	3,000.0	42.9%	$ 28.65
Investors in this offering	133,333,334	12.3%	4,000.0	57.1%	$ 30.00
Total	1,084,577,561	100.0%	$ 7,000.0	100.0%	$ 6.45

CASH DISTRIBUTION POLICY

Throughout our 21-year history as a privately-owned firm, we have had a policy of distributing substantially all of our adjusted cash flow from operations to our owners. 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 Summary Historical Financial and Other Data" for a reconciliation of our adjusted cash flow from operations to our cash flow from operating activities presented in accordance with generally accepted accounting principles.

Because 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 will fund distributions by The Blackstone Group L.P., if any, in three steps:

first, we will cause Blackstone Holdings to make distributions to its partners, including The Blackstone Group L.P.'s wholly-owned subsidiaries. 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 the following paragraph);

second, we will cause The Blackstone Group L.P.'s wholly-owned subsidiaries to distribute to The Blackstone Group L.P. their share of such distributions, net of the taxes and amounts payable under the tax receivable agreement by such wholly-owned subsidiaries; and

third, The Blackstone Group L.P. will distribute its net share of such distributions to our common unitholders on a pro rata basis.

The partnership agreements of the Blackstone Holdings partnerships will provide that until December 31, 2009, the income (and accordingly 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.

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.

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, including our cash position, our net income and our realizations on investments made by our investment funds;
- working capital requirements and anticipated cash needs;
- contractual restrictions and obligations, including payment obligations pursuant to the tax receivable agreement and restrictions pursuant to our revolving credit facility;
- 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.

Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our revolving credit facility require that the ratio of recourse debt of the Blackstone Holdings partnerships on a combined basis to partners' capital of the Blackstone Holdings partnerships on a combined basis be no greater than one to one, which may prohibit us from making certain distributions. Subject to a notice period and a cure period, distributions in violation of the terms of our revolving credit facility would result in a default under our revolving credit facility.

In addition, Blackstone Holdings' cash flow from operations may be insufficient to enable it to make required minimum tax distributions to its partners, in which case Blackstone Holdings may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Cash distributions to our existing owners in respect of the fiscal and tax year ended December 31, 2005 were $1.61 billion in the aggregate. 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.

We intend to make one or more distributions to our existing owners representing all of the undistributed earnings generated by the Contributed Businesses 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.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited condensed consolidated pro forma statements of income for the three months ended March 31, 2007 and the year ended December 31, 2006 and the unaudited condensed consolidated pro forma statement of financial condition as of March 31, 2007 are based upon our historical financial statements included elsewhere in this prospectus. In addition, the following pro forma measure of Economic Net Income for the three months ended March 31, 2007 and the year ended December 31, 2006, which represents a supplemental measure used by management to assess financial performance, is based upon our historical measures included elsewhere in this prospectus. These pro forma financial statements and supplemental financial measure present our consolidated results of operations and financial position giving pro forma effect to all of the transactions described under "Organizational Structure" as if such transactions had been completed as of January 1, 2006 with respect to the unaudited condensed consolidated pro forma statements of income and as of March 31, 2007 with respect to the unaudited pro forma statement of financial condition. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of these transactions on the historical financial information of Blackstone Group. The adjustments are described in the notes to the unaudited condensed consolidated pro forma statement of income and the unaudited condensed consolidated pro forma statement of financial condition.

We entered into an agreement with the State Investment Company pursuant to which we will sell to it $3 billion of non-voting common units, subject to and concurrently with, this initial public offering. Under this agreement, the State Investment Company is unconditionally required to complete the purchase of our non-voting common units if this offering is successfully completed. Accordingly, we have reflected the investment by the State Investment Company in these pro forma financial statements within the column captioned *Other Reorganization and Offering Adjustments*. (See "Organizational Structure Sale of Non-Voting Common Units to the State Investment Company", for additional information).

The pro forma adjustments in the columns labeled *Deconsolidation of Blackstone Funds* and *Elimination of Non-Contributed Entities* principally give effect to:

- the deconsolidation of those of our investment funds that have been consolidated in our historical combined financial statements with the exception of our proprietary hedge funds and four of our funds of hedge funds as described below; and

- the elimination from consolidation of the general partners of certain investment funds that are no longer actively making new investments and a number of investment vehicles through which our existing owners and other related parties have made commitments to or investments in or alongside of our investment funds because such entities will not be contributed to Blackstone Holdings.

The pro forma adjustments in the *Acquisition of Interests* column principally give effect to:

- the acquisition of non-controlling interests in our business from our existing owners (other than our founders), which will be accounted for using the purchase method of accounting; and

- the amortization expense of the finite-lived intangible assets acquired in conjunction with the acquisition of these non-controlling interests.

The pro forma adjustments in the *Other Reorganization and Offering Adjustments* column principally give effect to the other elements of the reorganization and the Sale and Offering Transaction as described in "Organizational Structure" including:

- payments to existing owners of our business, including (1) senior managing director ("SMD") performance compensation, (2) participation in a portion of the carried interest income earned in respect of certain of the funds and (3) compensation expense related to the issuance of unvested Blackstone Holdings partnership units as part of the Blackstone Holdings Formation;

payments to employees of our business, including (1) participation by certain employees in a portion of the carried interest income earned in respect of certain of the funds and (2) grants of deferred restricted common units at the time of this offering;

a provision for corporate income taxes on the income of The Blackstone Group L.P.'s wholly-owned subsidiaries that will be taxable as corporations for U.S. federal income tax purposes, which we refer to as the "corporate taxpayers";

the effect of one or more distributions to our existing owners representing all of the undistributed earnings generated by the Contributed Businesses prior to the date of the offering;

the purchase by The Blackstone Group L.P.'s wholly-owned subsidiaries of interests in our business for cash from the proceeds from this offering and the related effects of the tax receivable agreement.

the sale of non-voting common units to the State Investment Company; and

the application of a portion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company to repay short-term borrowings, as described in "Use of Proceeds".

Blackstone Group is considered our predecessor for accounting purposes, and its combined financial statements will be our historical financial statements following this offering. Because our founders control the entities which comprise Blackstone Group before and after the Reorganization, we will account for the acquisition of our founders' interests in our business, as part of the Reorganization, as a transfer of interests under common control. Accordingly, we will carry forward unchanged the value of our founders' interests in the assets and liabilities recognized in Blackstone Group's combined financial statements into our consolidated financial statements. Also as part of the Reorganization, we will acquire interests in our business from our other existing owners. We are accounting for the acquisition of our other existing owners' interests using the purchase method of accounting as these holders are not considered to control the entities that comprise Blackstone Group prior to the Reorganization.

In accordance with GAAP, a number of our investment funds have historically been consolidated into our combined financial statements. As a result, our historical combined financial statements reflect the assets, liabilities, revenues, expenses and cash flows of these investment funds on a gross basis rather than reflecting only the value of our principal investments in such investment funds.

The Contributed Businesses that act as a general partner of all of the consolidated Blackstone funds (with the exception of our proprietary hedge funds which we control and four of our funds of hedge funds which are variable interest entities) are taking the necessary steps to grant rights to the unaffiliated investors in that fund to provide that a simple majority of the fund's unaffiliated investors will have the right, without cause, to remove the general partner of that fund or to accelerate the liquidation date of the fund in accordance with certain procedures. The granting of these rights will lead to the deconsolidation of such investment funds from our consolidated financial statements. Accordingly, we believe deconsolidating these funds will result in our financial statements reflecting our alternative asset management business, including our management fees and performance fees and allocations, in a manner that reflects both how our management evaluates our business and the risks of the assets and liabilities of our company and will provide investors reviewing our financial statements an enhanced understanding of our business. In addition, because the general partners of certain other legacy Blackstone funds will not be contributed to Blackstone Holdings as part of the Blackstone Holdings Formation, we will also no longer consolidate those funds in our consolidated financial statements following this offering. See "Organizational Structure Reorganization Deconsolidation of Blackstone Funds".

The deconsolidation of these investment funds will only affect the manner in which we account for these funds, which will be to reflect our earned incentive fees and our share of the funds' net assets and our share of the funds' net earnings; this accounting treatment will not affect our consolidated net income or partners' capital.

We have decided not to early adopt Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* ("SFAS 159") with respect to our general partner interests. As a consequence of this decision, we have concluded that we will recognize in the financial statement caption Performance Fees and Allocations the performance fees and allocations earned from these funds in accordance with Method 2 of Emerging Issues Task Force ("EITF") Topic D-96, *Accounting for Management Fees Based on a Formula*. Pursuant to the requirements of Method 2 we will record as revenue the amount that would be due to us pursuant to the fund agreements at each period end as if the fund agreements were terminated at that date.

The following describes the significant effects of the pro forma adjustments to our combined financial statements, which are reflected in the accompanying condensed consolidated pro forma financial information presented below:

These adjustments will increase (decrease) our financial statement line items as of March 31, 2007 and for the three-month period then ended and for the year ended December 31, 2006 as follows (based on comparing our combined historical financial information for these periods to our pro forma financial information for the comparable periods).

	As of March 31, 2007
Statement of Financial Condition	
Total Assets	(56.3%)
Total Liabilities	(22.5%)
Non-Controlling Interests in Consolidated Entities	(69.5%)

	Three Months Ended March 31, 2007	**Year Ended December 31, 2006**
Statement of Income		
Total Revenues	132.2%	108.4%
Total Expenses	673.5%	765.1%
Net Gains from Investment Activities	(94.0%)	(94.9%)
Non-Controlling Interests in Income of Consolidated Entities	98.3%	126.2%

With the exception of our proprietary hedge funds which we control and four of our funds of hedge funds which are variable interest entities, we will no longer record in our consolidated statements of financial condition and consolidated statements of income the total assets, liabilities, revenues, expenses and other income of the Blackstone funds. Accordingly, we will no longer record the non-controlling interests' share of these funds' partners' capital and net income.

We will also remove the cash flow activities of the deconsolidated investment funds from our statement of cash flows and replace them with our cash contributions to and distributions from such investment funds. Such amounts were previously eliminated in consolidation. This will not have an effect on the amounts recorded as our cash and cash equivalents. However, it will result in significant changes to our cash flows from operating, investing and financing activities.

Management fees and performance fees and allocations previously earned directly from the funds will be included in our statement of income rather than eliminating the revenue in consolidation. On deconsolidation, we will recognize in revenue the performance fees and allocations related to the private equity, real estate and mezzanine debt funds that we presently consolidate. Such amounts are currently reflected in the caption Net Gains on Investment Activities. Subsequent to deconsolidation, these amounts will be accounted for within the revenue caption Performance Fees and Allocations in accordance with Method 2 of EITF Topic D-96.

We will update our notes to the consolidated financial statements to remove disclosures related to amounts no longer reflected in our consolidated financial statements, including but not limited to:

the accounting policies of our funds which do not pertain to us following deconsolidation,

detailed disclosure of investments held by the deconsolidated funds,

detailed disclosure of loans payable by the deconsolidated funds and

commitments and contingencies related to the deconsolidated funds' operations.

We will update the notes to our consolidated financial statements to include disclosures regarding our investments in these funds.

We will evaluate on an ongoing basis whether we need to provide separate financial statements for investments in entities accounted for using the equity method of accounting pursuant to Rule 3-09 of Regulation S-X. Based on our pro forma financial information for the year ended December 31, 2006, we would not have been required to provide such separate financial statements for any of our equity method investments, including our equity investments in the deconsolidated funds.

The unaudited condensed consolidated pro forma financial information should be read together with "Organizational Structure", "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.

The unaudited condensed consolidated pro forma financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position of Blackstone that would have occurred had the transactions referenced above occurred on the dates indicated or had we operated as a public entity during the periods presented. The unaudited condensed consolidated pro forma financial information should not be relied upon as being indicative of our results of operations or financial condition had the transactions contemplated in connection with the Reorganization and this offering been completed on the dates assumed. The unaudited condensed consolidated pro forma financial information also does not project our results of operations or financial condition for any future period or date.

We have not made any pro forma adjustments relating to reporting, compliance and investor relations costs that we will incur as a public company or reimbursements to our general partner for the costs of managing and operating us. No pro forma adjustment has been made for these additional expenses as an estimate of such expenses are not determinable.

Unaudited Condensed Consolidated Pro Forma Statement of Financial Condition

As of March 31, 2007

(Dollars in Thousands)

	Blackstone Group Combined Historical	Deconsolidation of Blackstone Funds(1a)	Elimination of Non-Contributed Entities(1b)	Blackstone Group Deconsolidated	Acquisition of Interests(2c)	Other Reorganization and Offering Adjustments(3)	The Blackstone Group LP Consolidated Pro Forma
Assets							
Cash and Cash Equivalents	$ 125,749	$	$	$ 125,749	$	$ 6,784,000 (d)	$ 1,819,470
						(3,902,857)(e)	
						(1,187,422)(f)	
Cash Held at Consolidated Entities	353,115	(285,147)	(3,948)	64,020			64,020
Investments, at Fair Value	37,384,845	(31,983,095)	(153,256)	5,248,494			5,248,494
Accounts Receivable	311,256	(88,939)	384	222,701			222,701
Due from Brokers	591,012			591,012			591,012
Investment Subscriptions Paid in Advance	247,119	(205,737)		41,382			41,382
Due from Affiliates	270,711	84,216	328	355,255			355,255
Other Assets	81,699	(12,322)		69,377			69,377
Other Intangible Assets					4,089,531		4,089,531
Goodwill					3,689,217		3,689,217
Deferred Tax Asset						1,016,100 (g)	1,016,100
Total Assets	$ 39,365,506	$ (32,491,024)	$ (156,492)	$ 6,717,990	$ 7,778,748	$ 2,709,821	$ 17,206,559
Liabilities and Partners' Capital							
Loans Payable	$ 1,405,509	$ (673,277)	$	$ 732,232	$	$ 610,422 (h)	$ 155,232
						(1,187,422)(f)	
Amounts Due to Non-Controlling Interest Holders	353,684	(174,923)		178,761			178,761
Securities Sold, Not Yet Purchased	525,464			525,464			525,464
Due to Existing Owners						863,685 (g)	863,685
Due to Affiliates	41,852	(17,371)	(2,387)	22,094			22,094
Accrued Compensation and Benefits	43,194			43,194			43,194
Accounts Payable, Accrued Expenses and Other Liabilities	217,922	(62,421)		155,501	60,381		215,882
Total Liabilities	2,587,625	(927,992)	(2,387)	1,657,246	60,381	286,685	2,004,312

As of March 31, 2007

Commitments and Contingencies							
Non-Controlling Interests in Consolidated Entities	33,887,439	(31,399,945)		2,487,494	7,718,367	(268,351)(e) (1,574,975)(e) 1,956,552 (i)	10,319,087
Partners' Capital							
Common Units, 189,208,003 Outstanding, on a pro forma basis							
Partners' Capital	2,884,165	(163,087)	(154,105)	2,566,973		(610,422)(h)	4,876,883
						6,784,000 (d)	
						(2,059,531)(e)	
						152,415 (g)	
						(1,956,552)(i)	
Accumulated Other Comprehensive Income	6,277			6,277			6,277
Total Partners' Capital	2,890,442	(163,087)	(154,105)	2,573,250		2,309,910	4,883,160
Total Liabilities and Partners' Capital	$ 39,365,506	$ (32,491,024)	$ (156,492)	$ 6,717,990	$ 7,778,748	$ 2,709,821	$ 17,206,559

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Notes to Unaudited Condensed Consolidated Pro Forma Statement of Financial Condition

1. Adjustments for Deconsolidation of Blackstone Funds and Elimination of Non-Contributed Entities

Presents the effects of deconsolidation of the investment funds and the elimination of the financial results of non-contributed entities:

(a)

Reflects the deconsolidation of all investment funds pursuant to EITF 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights,* that have historically been consolidated in our combined financial statements, except for (1) four of our funds of hedge funds that are determined to be variable interest entities where Blackstone is the primary beneficiary, (2) hedge funds which we control and (3) legacy Blackstone funds the general partners of which are not being contributed to Blackstone Holdings.

In accordance with GAAP, our investment funds have historically been consolidated into our combined financial statements. As a result, our historical combined financial statements reflect the assets, liabilities, revenues, expenses and cash flows of these investment funds on a gross basis, including the portion which relates to unaffiliated investors in these funds, rather than reflecting only our portion of the investments in, and the revenues and profits earned from, these funds. We believe the deconsolidation of these funds will result in our financial statements reflecting our alternative asset management business in a manner that reflects both how our management evaluates our business and the risks of the assets and liabilities of our company.

The Contributed Businesses that act as a general partner of all of the consolidated Blackstone funds (with the exception of our proprietary hedge funds and four of our funds of hedge funds) are taking the necessary steps to grant rights to the unrelated investors in those funds to provide that a simple majority of the fund's investors will have the right, without cause, to remove the general partner of that fund or accelerate the liquidation date of that fund in accordance with certain procedures. The granting of these rights, which will occur substantially concurrently with the Blackstone Holdings Formation, will lead to the deconsolidation of such investment funds from our consolidated financial statements.

Because the interests of the limited partner investors in our investment funds, which are reflected in the caption Non-Controlling Interests in Consolidated Entities on our historical combined Statement of Financial Condition, will be eliminated in connection with the deconsolidation of these investment funds, the deconsolidation of these investment funds will not result in a change in the statement of financial condition caption Partners' Capital included within our Consolidated Statement of Financial Condition.

(b)

Reflects the elimination of the financial results of the general partners of certain legacy Blackstone funds and a number of investment vehicles through which our existing owners and other parties have made commitments to, or investments in or alongside of our investment funds, because such entities will not be contributed to Blackstone Holdings. The deconsolidation of these funds results in a decrease to Partners' Capital of $154.1 million, the excess of these deconsolidated assets over these deconsolidated liabilities.

2. Acquisition of Interests

(c)

As part of the Reorganization, we will acquire interests in our business from our existing owners. These interests will be acquired, in part, through an exchange of partnership units in Blackstone Holdings and, in part, through the payment of cash.

The transaction described above has been accounted for as an acquisition of non-controlling interests in accordance with Statement of Financial Accounting Standard No. 141, *Business Combinations*. The vested Blackstone Holdings partnership units received by our founders in the Reorganization will be reflected in our financial statements at the historical cost of the interests contributed. The vested Blackstone Holdings partnership units received by our other existing owners in the Reorganization will be reflected in our financial statements at the fair value of the interests contributed as these holders are not considered to control Blackstone Group prior to the Reorganization.

The total consideration paid approximates $9.29 billion and reflects (i) Blackstone Holdings partnership units issued in the exchange, the fair value of which are approximately $7.72 billion, and (ii) cash of approximately $1.57 billion. Accordingly, we have reflected the acquired tangible assets at the fair value of the consideration paid. The excess of the purchase price over the fair value of the tangible assets acquired approximates $7.78 billion and has been included in the captions Goodwill and Other Intangible Assets in the Unaudited Condensed Consolidated Pro Forma Statement of Financial Condition as of March 31, 2007. The finite-lived intangible assets relate to the contractual right to future fee income from our management, advisory and incentive fee contracts and the contractual right to earn future carried interest from our corporate private equity, real estate and mezzanine funds and approximate $4.09 billion. The residual amount representing the purchase price in excess of tangible and intangible assets (including a deferred tax liability of $60.4 million) is $3.69 billion and is recorded as goodwill.

The following is a preliminary estimate of the allocation of the purchase price as described above. We are in the early stages of gathering data and performing an analysis and evaluation of the excess of the cost over the net tangible assets acquired and liabilities assumed. For purposes of these pro forma condensed consolidated financial statements, based upon preliminary information and analyses, we have made an allocation between finite-lived intangible assets and goodwill. This allocation is subject to change as valuation analyses are finalized and remaining information on the fair value of assets and liabilities is received.

		(Dollars in Thousands)
Purchase price	$	9,293,122
Goodwill	$	3,689,217
Finite-lived intangible assets/contractual rights		4,089,531
Deferred tax liability		(60,381)
Increase to non-controlling interests in consolidated entities		7,718,367
Net assets acquired, at fair value		1,574,755
Total	$	9,293,122

The estimated useful lives of the finite-lived intangibles are expected to range between three and ten years. The Blackstone Group L.P. anticipates amortizing these finite-lived intangibles over their estimated useful lives using the straight-line method.

3. Other Reorganization and Offering Adjustments

(d)

We are reflecting proceeds of $3.00 billion from our offering to the State Investment Company of 104,712,041 non-voting common units at a price of 95.5% of the assumed offering price of $30.00 per common unit (or $28.65 per common unit). In addition, we are reflecting proceeds of $4.00 billion from our initial public offering of 133,333,334 common units at the assumed initial public offering price of $30.00 per common unit. Estimated underwriting discounts ($170.0 million) and direct and incremental offering expenses ($46.0 million) result in net cash proceeds of $6.78 billion ($7 billion less $216 million) and net increase to Partners' Capital of $6.78 billion.

(e)

Represents the use of approximately $3.90 billion 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.

We have determined to use proceeds from this offering in an amount equal to the product of $^4/_7$ multiplied by the sum of (A) the proceeds we receive from this offering (net of underwriting discounts) ($3.83 billion) plus (B) the proceeds we receive from the sale of non-voting common units to the State Investment Company ($3.00 billion) to purchase interests in our business from our existing owners. ($^4/_7$ multiplied by $6.83 billion equals $3.90 billion.) Adjustment represents the use of approximately $3.90 billion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company by wholly-owned subsidiaries of The Blackstone Group L.P. to purchase interests in our business from our existing owners at fair value, which interests will be contributed to Blackstone Holdings in exchange for a number of newly-issued Blackstone Holdings partnership units that is equal to the product of $^4/_7$ multiplied by the aggregate number of common units that we sell in this offering and to the State Investment Company.

This amount will be used to acquire $2.33 billion of interests from our founders and $1.57 billion of interests from our other existing owners. The cost of interests purchased from our founders is $268.4 million. This latter amount has been derived by taking Blackstone Group Deconsolidated Partners' Capital ($2.57 billion) less the assumed undistributed earnings of $610.4 million (see Note 3(h) below) multiplied by the quotient of the amount paid to our founders divided by the estimated value of Blackstone Holdings (assuming a $30 per common unit initial public offering price). We then determined the interests to be acquired and the proportionate historical cost. These historical costs have been removed from non-controlling interests, with an offset to Partners' Capital. We account for this portion of the Reorganization as a transfer of interests under common control; accordingly, we account for the cost of the interests purchased from our founders as a reduction of Partners' Capital. The excess of the purchased interests over the cost basis totals $2.06 billion and is recorded as a reduction to partners' capital. See "Organizational Structure Sale and Offering Transactions" and "Use of Proceeds".

All remaining purchases of interests from our existing owners, excluding our founders, have been accounted for using the purchase method of accounting. Accordingly, the cost of the acquired interests in excess of the carrying value has been preliminarily allocated to goodwill and finite-lived intangible assets. (See Note 2(c)).

(f)

Reflects the use of a portion of the proceeds from this offering and the sale of non-voting common units to the State Investment Company to repay outstanding indebtedness of $1,187.4 million, representing $577.0 million under our revolving credit facility and $610.4 million as described in adjustment (h) below, as of March 31, 2007. Our revolving credit agreement is a $1.35 billion revolving credit facility that matures on February 1, 2012. The weighted average debt outstanding for the year ended December 31, 2006 and the three months ended March 31, 2007 were $562.2 million and $619.0 million, respectively. The weighted average interest rate for year ended December 31, 2006 and the three months ended March 31, 2007 were 6.36% and 6.74%, respectively.

(g)

Reflects adjustments to give effect to the tax receivable agreement as a result of the purchase of interests in our business from our existing owners as described in "Organization Structure Sale and Offering Transactions" of an increase of $1,016.1 million in deferred tax assets, $863.7 million in liability to existing owners and $152.4 million in Partners' Capital.

The effects of the tax receivable agreement as a result of the purchase of interests in our business from our existing owners as described in "Organizational Structure Sale and Offering Transactions" on our Consolidated Statement of Financial Condition are as follows:

we will record an increase in Deferred Tax Assets for the estimated income tax effects of the increase in the tax basis of the purchased interests, based on enacted federal and state tax rates at the date of the transaction;

to the extent we estimate that we will not realize the full benefit represented by the Deferred Tax Asset, based on an analysis of expected future earnings, we will reduce the Deferred Tax Asset with a valuation allowance; and

we will record 85% of the estimated realizable tax benefit (which is the recorded Deferred Tax Asset less any recorded valuation allowance) as an increase to the liability Due to Existing Owners under the tax receivable agreement and the remaining 15% of the estimated realizable tax benefit as an increase to Partners' Capital. See "Certain Relationships and Related Person Transactions Tax Receivable Agreement".

The estimated amounts have been derived as follows:

approximately 36% of the $3.9 billion purchase of interests from our existing owners, or $1,386.5 million, relates to the purchase of interests to be acquired by Blackstone Holdings I/II GP Inc., and therefore subject to corporate income taxes. For tax purposes, depending on the existing tax basis of the underlying assets held within the acquired interests, such purchases could result in a step-up of an amount up to the purchase price of $1,386.5 million;

we have calculated a preliminary future tax benefit attributable to