

Blackstone Group L.P.
Form 10-K
February 25, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM **TO**
Commission File Number: 001-33551

The Blackstone Group L.P.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

20-8875684
(I.R.S. Employer

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incorporation or organization)

Identification No.)

345 Park Avenue

New York, New York 10154

(Address of principal executive offices)(Zip Code)

(212) 583-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

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

The aggregate market value of the common units of the Registrant held by non-affiliates as of June 30, 2010 was approximately \$3,347.8 million, which includes non-voting common units with a value of approximately \$1,042.8 million.

The number of the Registrant's voting common units representing limited partner interests outstanding as of February 18, 2011 was 343,303,073. The number of the Registrant's non-voting common units representing limited partner interests outstanding as of February 18, 2011 was 109,083,468.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Forward-Looking Statements

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

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

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

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

- (a) the fair value of the investments held by our carry funds plus the capital that we are entitled to call from investors in those funds pursuant to the terms of their capital commitments to those funds (plus the fair value of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees or a carried interest allocation);
- (b) the net asset value of our funds of hedge funds, hedge funds and our closed-end mutual funds and registered investment companies;
- (c) the fair value of assets we manage pursuant to separately managed accounts; and
- (d) the amount of capital raised for our CLOs.

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

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

- (a) for our Blackstone Capital Partners (BCP) and Blackstone Real Estate Partners (BREP) funds where the investment period has not expired, the amount of capital commitments;
- (b) for our BCP and BREP funds where the investment period has expired, the remaining amount of invested capital;
- (c) for our real estate debt investment funds (BREDS), the remaining amount of invested capital;
- (d) for our credit-oriented carry funds, the amount of invested capital (which may be calculated to include leverage) or net asset value;
- (e) the invested capital of co-investments arranged by us that were made by limited partners of our funds in portfolio companies of such funds and on which we receive fees;
- (f) the net asset value of our funds of hedge funds, hedge funds (except our credit-oriented closed-end registered investment companies) and our closed-end mutual funds;
- (g) the fair value of assets we manage pursuant to separately managed accounts;
- (h) the gross amount of underlying assets of our CLOs at cost; and
- (i) the gross amount of assets (including leverage) for our credit-oriented closed-end registered investment companies.

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

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

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

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PART I

ITEM 1. BUSINESS

Overview

Blackstone is a leading manager of private capital and provider of financial advisory services. We are one of the largest independent managers of private capital in the world, with assets under management of \$128.1 billion as of December 31, 2010. Our alternative asset management businesses include the management of private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligation (CLO) vehicles, separately managed accounts and publicly-traded closed-end mutual funds. We also provide a wide range of financial advisory services, including financial and strategic advisory, restructuring and reorganization and fund placement services.

We seek to deliver superior returns to investors in our funds through a disciplined, value-oriented investment approach. 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. Our businesses have yielded a significant positive impact on society through, for example, increases in employment, additional capital investment and research and development expense by our portfolio companies, increased tax revenue to federal and local governments and returns to our limited partners. Two of our primary limited partner constituencies are corporate and public pension funds. As a result, to the extent our funds perform well it supports a better retirement for hundreds of thousands of pensioners.

During 2010 many of the strategies and initiatives we have been pursuing to enhance our asset management and financial advisory businesses proved successful.

We purchased a 40% equity interest in Pátria Investments Limited and Pátria Investimentos Ltda, a leading Brazilian alternative asset manager and advisory firm that was founded in 1988. Pátria's alternative asset management businesses manage over \$4.3 billion in assets and include the management of private equity funds, real estate funds, infrastructure funds and hedge funds. Our partnership is designed to enable Blackstone's fund investors and advisory clients to benefit from the business opportunities in Latin America's largest economy. In addition, it will enhance our intellectual library by providing all of Blackstone's businesses increased access to information and deal flow.

In January 2011, we substantially finalized our fund-raise for Blackstone Capital Partners VI L.P., our seventh private equity fund, despite a very difficult fund-raising environment for asset managers. Moreover, we were able to continue to attract investor capital across our investment funds generally as we were able to grow our fee-earning assets by 14% during 2010.

In November, we closed on an agreement to manage Bank of America Merrill Lynch's Asian real estate assets as part of enhancing our existing global real estate platform. As part of that agreement, we will also act as the new general partner for the Merrill Lynch Asian Real Estate Opportunity Fund. In the aggregate, this transaction provided us with \$2.1 billion of additional assets to manage.

Our funds of hedge fund business continued to focus on its key tenets of diversification, risk management, due diligence and downside protection combined with customized and innovative investment solutions for investors. This contributed to that business continuing to be a leading global institutional funds of hedge funds investment manager with \$32.9 billion in assets under management.

GSO raised capital from traditional institutional investors for a number of credit funds, as well as expanding its investor base by raising capital in the public markets for a closed-end registered

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investment company. This expanded GSO's investor base and contributed to what we believe is one of the dominant credit investment platforms in the industry today with \$31.0 billion in assets under management.

Our financial advisory practice continued to focus on growing its global capabilities and international recognition as evidenced by major advisory assignments in Europe and Asia.

Our placement business was able to successfully navigate an uncertain political and regulatory climate in the United States and return to positive revenue growth.

We issued \$400 million 10-year 5.875% senior notes in the third quarter of 2010, the proceeds of which we expect to utilize to further our growth strategy.

We continued to reaffirm our commitment to corporate social responsibility with a five-year, \$50 million pledge by The Blackstone Charitable Foundation to foster entrepreneurship and economic recovery in communities hardest hit by the global economic crisis.

In accordance with our sustained focus on conducting our business as a responsible corporate citizen, we reiterated our commitment to following the global Guidelines for Responsible Investment and enhanced our policies and procedures that incorporate environmental, health, safety, labor, governance and social issues into investment decision-making and ownership activities.

As of December 31, 2010, we had 106 senior managing directors and employed approximately 560 other investment and advisory professionals at our headquarters in New York and our offices in Atlanta, Beijing, Boston, Chicago, Dallas, Dubai, Düsseldorf, Hong Kong, Houston, London, Los Angeles, Menlo Park, Mumbai, Paris, San Francisco, Shanghai, Sydney and Tokyo. We believe that the depth and breadth of the intellectual capital and experience of our professionals are key reasons why we have generated excellent returns while managing downside risk 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.

Business Segments

Historically we reported our financial results across four business segments. They were: (a) Private Equity, (b) Real Estate, (c) Credit and Marketable Alternatives, which comprised our management of funds of hedge funds, credit-oriented funds and separately managed accounts, CLOs and publicly-traded closed-end mutual funds, and (d) Financial Advisory, which comprises our financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds.

In January 2011, we separated our Credit and Marketable Alternatives segment into two new segments, Hedge Fund Solutions and Credit Businesses, and began reporting across five business segments: (a) Private Equity, (b) Real Estate, (c) Hedge Fund Solutions, (d) Credit Businesses and (e) Financial Advisory. The Hedge Fund Solutions segment, which is comprised primarily of Blackstone Alternative Asset Management, primarily manages funds of hedge funds and includes Indian-focused and Asian-focused closed-end mutual funds. The Credit Businesses segment, which principally includes GSO, manages credit-oriented funds, CLOs, separately managed accounts and debt-focused closed-end registered investment companies. We will report segment results under this structure commencing in the first quarter of 2011.

Information about our business segments should be read together with Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and related notes included elsewhere in this Form 10-K.

Private Equity Segment

Our Private Equity segment, established in 1987, is a global business with 114 investment professionals and offices in New York, London, Menlo Park, Mumbai, Hong Kong, Beijing and Shanghai. We are a world leader in

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private equity investing, having managed five general private equity funds as well as one specialized fund focusing on communications-related investments. Last year we largely completed our fund-raising efforts for our seventh global private equity fund, Blackstone Capital Partners VI L.P., and we are currently investing it. In addition, we are in the process of raising an investment fund focused on clean technology assets. From an operation focused in our early years on consummating leveraged buyout acquisitions of U.S.-based companies, we have grown into a business pursuing transactions throughout the world and executing not only typical leveraged buyout acquisitions of seasoned companies but also transactions involving growth equity or start-up businesses in established industries, minority investments, corporate partnerships, distressed debt, structured securities and industry consolidations, in all cases in strictly friendly transactions. Our Private Equity segment's multi-dimensional investment approach is guided by several core investment principles: corporate partnerships, sector expertise, a contrarian bias (e.g., investing in out-of-favor / under-appreciated industries), global scope, distressed securities investing, significant number of exclusive opportunities, superior financing expertise, operations oversight and a strong focus on value creation. Our existing Private Equity funds, which we refer to as the Blackstone Capital Partners (BCP) funds, invest primarily in control-oriented, privately negotiated investments and generally utilize leverage in consummating the investments they make. As of December 31, 2010, our Private Equity segment had \$29.3 billion of assets under management, or 23% of our total assets under management, which does not include the assets under management of BCP VI referred to above. For more information concerning the revenues and fees we derive from our Private Equity segment, see Incentive Arrangements / Fee Structure in this Item 1.

Real Estate Segment

We are a world leader in real estate investing with an assortment of real estate funds that are diversified geographically and across a variety of sectors. We launched our first real estate fund in 1994 and have managed six opportunistic real estate funds, two internationally focused opportunistic real estate funds, a European focused opportunistic real estate fund and a number of real estate debt-investment funds. Our real estate opportunity funds, which we refer to as the Blackstone Real Estate Partners (BREP) funds, have made significant investments in lodging, major urban office buildings and a variety of real estate operating companies. The BREP funds invest primarily in control-oriented, privately negotiated real estate investments and generally utilize leverage in consummating the investments they make. In addition, our real estate debt-investment funds, which we refer to generally as the Blackstone Real Estate Debt Strategies (BREDS) funds, target non-controlling real estate debt-related investment opportunities in the public and private markets, primarily in the United States and Europe. In November 2010, we closed on an agreement to manage Bank of America Merrill Lynch's Asian real estate assets. As part of that agreement, we will also act as the new general partner for the Merrill Lynch Asian Real Estate Opportunity Fund. In the aggregate, this transaction provided us with \$2.1 billion of additional fee-earnings assets under management. The Real Estate segment is comprised of 102 investment professionals with offices in New York, Chicago, Los Angeles, London, Paris, Mumbai, Tokyo, Hong Kong, Singapore and Seoul. Our Real Estate segment's investing approach is guided by several core investment principles, many of which are similar to our Private Equity segment, including global scope, significant number of exclusive opportunities, superior financing expertise, operations oversight and a strong focus on value creation. As of December 31, 2010, our Real Estate segment had \$33.2 billion of assets under management, or 26% of our total assets under management. For more information concerning the revenues and fees we derive from our Real Estate segment, see Incentive Arrangements / Fee Structure in this Item 1.

Credit and Marketable Alternatives Segment

Our Credit and Marketable Alternatives segment comprises our funds of hedge funds, credit-oriented funds, separately managed accounts and CLO vehicles and publicly-traded closed-end mutual funds and registered investment companies. As of December 31, 2010, our Credit and Marketable Alternatives segment had \$65.6 billion of assets under management, or 51% of our total assets under management. For more information concerning the revenues and fees we derive from our Credit and Marketable Alternatives segment, see Incentive Arrangements / Fee Structure in this Item 1.

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Hedge Fund Solutions (separate segment as of January 2011)

Our Hedge Fund Solutions segment is comprised of our Hedge Funds and our Indian-focused and Asian-focused closed-end mutual funds. As of December 31, 2010, our new Hedge Fund Solutions segment had \$34.6 billion of assets under management, or 27% of our total assets under management.

Hedge Funds. Our funds of hedge funds group, which we refer to as Blackstone Alternative Asset Management (BAAM), was organized in 1990 and manages a variety of funds of hedge funds and separately managed accounts. Working with our clients over the past 21 years, BAAM has developed into a leading manager of institutional funds of hedge funds with 106 investment professionals and offices in New York, London and Hong Kong. BAAM's overall investment philosophy is to protect and grow investors' assets through both commingled and custom-tailored investment strategies designed to deliver compelling risk-adjusted returns and mitigate risk. Diversification, risk management, due diligence and a focus on downside protection are key tenets of our approach. Although certain underlying managers that BAAM invests with may utilize leverage in connection with the investments those managers make in their respective underlying hedge funds, BAAM does not utilize long-term leverage for the investments it makes in the underlying hedge funds. Our funds of hedge funds operation had \$32.9 billion of assets under management as of December 31, 2010. For more information concerning the revenues and fees we derive from our Hedge Fund Solutions segment, see Incentive Arrangements / Fee Structure in this Item 1.

Closed-End Mutual Funds. In 2005, we were appointed the investment manager and adviser of two publicly-traded closed-end mutual funds called The India Fund and The Asia Tigers Fund. The India Fund, with \$1.6 billion in assets under management as of December 31, 2010, trades on the New York Stock Exchange under the symbol IFN. The India Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Indian companies. The Asia Tigers Fund, with \$72.1 million in assets under management as of December 31, 2010, trades on the New York Stock Exchange under the symbol GRR. The Asia Tigers Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Asian companies.

Credit Businesses (separate segment as of January 2011)

Our credit-oriented funds, CLOs, credit-focused separately managed accounts and publicly registered debt-focused investment companies are managed by our subsidiary, GSO Capital Partners (GSO), which we acquired in March 2008. GSO is a major participant in the leveraged finance markets with \$31.0 billion of assets under management as of December 31, 2010, or 24% of our total assets under management. Our credit-oriented businesses have 80 investment professionals and offices in New York, London and Houston. The credit-oriented funds we manage or advise include senior credit-oriented funds, distressed debt funds, mezzanine funds and general credit-oriented funds focused on the leveraged finance marketplace. In addition, GSO manages a number of credit-oriented separately managed accounts and publicly registered investment management companies. These vehicles have investment portfolios comprised of loans and securities spread across the capital structure, including senior debt, subordinated debt, preferred stock and common equity. GSO may utilize leverage in connection with the investments the credit-oriented funds, separately managed accounts or investment companies make. In addition, GSO manages 34 separate CLOs and with total assets under management of \$16.0 billion focused primarily on senior secured debt issued by a diverse universe of non-investment grade companies.

Financial Advisory Segment

Our Financial Advisory segment comprises our financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds. Our financial advisory businesses are global businesses with 239 professionals and offices in New York, Atlanta, Chicago, Dallas, Boston, Los Angeles, San Francisco, Menlo Park, London, Paris, Hong Kong, Beijing and Tokyo.

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Financial and Strategic Advisory Services (Blackstone Advisory Partners L.P.). Our financial and strategic advisory business, Blackstone Advisory Partners L.P., has been an independent provider of creative solutions in complex and critical financial advisory assignments for over 25 years. We focus on a wide range of transaction execution capabilities with respect to acquisitions, mergers, joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory, private placements and distressed sales with offices in New York, London, Hong Kong, Atlanta, Boston, Menlo Park, Paris and Beijing. Recent clients include Aluminum Corporation of China, American International Group, Inc. (AIG), E.ON AG, GDF Suez S.A., Kraft Foods, Nestle S.A, Noble Group Limited, The Procter & Gamble Company, Publicis Groupe S.A., Thomson Reuters, and Xerox Corporation. The success of Blackstone Advisory Partners L.P. has resulted from a highly experienced team focused on our core principles, including protecting client confidentiality, prioritizing our client s interests, avoidance of conflicts and senior-level attention. The 20 senior managing directors in Blackstone Advisory Partners L.P. have an average of over 20 years of experience in providing corporate finance and mergers and acquisitions advice.

Restructuring and Reorganization Advisory Services. Our restructuring and reorganization advisory group is one of the leading advisers in both out-of-court restructurings and in-court bankruptcies. With offices in New York and London, our restructuring and reorganization team advises companies, creditors, corporate parents, hedge funds, financial sponsors and acquirers of troubled companies. This group is particularly active in large, complex and high-profile bankruptcies and restructurings. Some of the recent clients that we have advised include Abitibi Bowater, Actavis, Ambac Assurance Corporation, Center Parcs, DX Group, Flying J, Hawkeye, International Lease Finance Corporation, Merisant, Natural Products Group, Oerlikon and W.R. Grace. Senior-level attention, global emphasis and the ability to facilitate prompt, creative resolutions are critical ingredients in our restructuring and reorganization advisory approach. We have one of the most seasoned and experienced restructuring teams in the financial services industry, working on a significant share of the major restructuring assignments in this area. Our six senior managing directors have an average of 19 years of experience in restructuring assignments and employ the skills we feel are crucial to successful restructuring outcomes.

Fund Placement Services/Park Hill Group. Park Hill Group provides fund placement services for private equity funds, real estate funds, venture capital funds and hedge funds. Park Hill Group primarily provides placement services to unrelated third-party sponsored funds. It also assists us in raising capital for our own investment funds from time to time and providing insights into new alternative asset products and trends. Park Hill Group and our investment funds each benefit from the others relationships with both limited partners and other fund sponsors.

Financial and Other Information by Segment

Financial and other information by segment for the years ended December 31, 2010, 2009 and 2008 is set forth in Note 20. Segment Reporting in the Notes to Consolidated Financial Statements in Part II, Item 8, Financial Statements and Supplementary Data of this filing.

Pátria Investments

On October 1, 2010, we purchased a 40% equity interest in Pátria Investments Limited and Pátria Investimentos Ltda. (collectively, Pátria). Pátria is a leading Brazilian alternative asset manager and advisory firm that was founded in 1988. Pátria s alternative asset management businesses manage over \$4.3 billion in assets and include the management of private equity funds (\$1.4 billion), real estate funds (\$0.7 million), an infrastructure fund (\$1.5 billion) and hedge funds (\$0.7 million). Pátria has approximately 140 employees and is led by a group of four managing partners. Our investment in Pátria is a minority, non-controlling investment, which we will record using the equity method of accounting. We have representatives on Pátria s board of directors in proportion to our ownership, but we do not control the day-to-day management of the firm or the investment decisions of their funds, all of which will continue to reside with the four managing partners.

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Patria has raised three private equity funds and is in the process of raising a fourth, with a primary focus on high-growth industries in Brazil. Pátria has successfully built leading companies through its operational approach and add-on acquisitions. Within real estate, Pátria's two funds center on Brazilian real estate development, particularly build-to-suit, sale leaseback and buy-lease transactions. Pátria's infrastructure fund has concentrated on renewable energy generation, including early stage projects in Brazil. In addition, Pátria is in the process of raising a new infrastructure fund with a broad mandate for infrastructure throughout Brazil. The firm's capital management group manages a variety of hedge funds with strategies in Brazilian and international equities, Brazilian credit opportunities and money markets. Pátria's investors are diversified and span Brazilian institutional and high-net worth investors and international institutional investors. The funds generally have similar fee and carried interest arrangements as Blackstone investment funds.

Pátria's advisory business focuses on mergers and acquisitions, joint ventures and strategic alliances, restructuring and reorganizations, corporate finance, and financial/economic appraisals.

Investment Process and Risk Management

We maintain a rigorous investment process across all of our funds, accounts and other investment vehicles. Each fund, account or other vehicle has investment policies and procedures that generally contain requirements and limitations for investments, such as limitations relating to the amount that will be invested in any one investment and the types of industries or geographic regions in which the fund, account or other vehicle will invest.

Private Equity Funds

Our Private Equity investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, managing and exiting investments, as well as pursuing operational improvements and value creation. After an initial selection, evaluation and diligence process, the relevant team of investment professionals (i.e., the deal team) will present a proposed transaction at a weekly review committee meeting comprised of senior managing directors of our Private Equity segment. Review committee meetings are led by an executive committee of several senior managing directors of our Private Equity segment. After discussing the contemplated transaction with the deal team, the review committee decides whether to give its preliminary approval to the deal team to continue pursuing the investment opportunity and investigate further any particular issues raised by the review committee during the process.

Once a proposed transaction has reached a more advanced stage, it undergoes a detailed interim review by the review committee of our private equity funds. Following assimilation of the review committee's input and its decision to proceed with a proposed transaction, the proposed investment is vetted by the investment committee. The investment committee of our private equity funds is composed of Stephen A. Schwarzman, Hamilton E. James and selected senior managing directors of our Private Equity segment as appropriate based on the location and sector of the proposed transaction. The investment committee is responsible for approving all investment decisions made on behalf of our private equity funds. Both the review committee and the investment committee processes involve a consensus approach to decision making among committee members.

The investment professionals of our private equity funds are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. In addition to members of a deal team and our portfolio operations group, which is responsible for monitoring and assisting in enhancing portfolio companies' operations and value, all professionals in the Private Equity segment meet several times each year to review the performance of the funds' portfolio companies.

Real Estate Funds

Our real estate operation has an investment committee similar to that described under Private Equity Funds. The real estate investment committee, which includes Mr. Schwarzman, Mr. James and the senior

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managing directors in the Real Estate segment, scrutinizes potential transactions, provides guidance and instructions at the appropriate stage of each transaction and approves the making and disposition of each BREP fund investment. In addition, the committee approves significant illiquid investments by the BREDS funds.

The investment professionals of our real estate funds are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. In addition to members of a deal team and our asset management group responsible for monitoring and assisting in enhancing portfolio companies' operations and value, senior professionals in the Real Estate segment meet several times each year to review the performance of the funds' portfolio companies and investments.

Funds of Hedge Funds

Before deciding to invest in a new hedge fund, our funds of hedge funds team conducts extensive due diligence, including an on-site front office review of the hedge fund's performance, investment terms, investment strategy and investment personnel, a back office review of the hedge fund's operations, processes, risk management and internal controls, industry reference checks and a legal review of the fund investment structures and legal documents. Once initial due diligence procedures are completed and the investment professionals are satisfied with the results of the review, the team will present the potential hedge fund investment to the investment committee of our funds of hedge funds operation. The investment committee is comprised of the senior managing directors on the investment team and other senior investment personnel. This committee meets formally at least once a month to review, and potentially approve, investment and divestment suggestions. If the investment committee approves a potential hedge fund investment, the executive committee of our funds of hedge funds operation, chaired by Blackstone Vice Chairman J. Tomilson Hill, will make the ultimate decision to approve an investment decision. Members of our funds of hedge funds team monitor and review existing hedge fund investments at least weekly. Additionally, Mr. Hill and other senior members of our funds of hedge funds teams meet weekly with Mr. Schwarzman and Mr. James to monitor and review our funds of hedge funds.

Mutual Funds

Our two Asia-focused closed-end mutual funds, The India Fund and The Asia Tigers Fund, are managed by Punita Kumar-Sinha, the Chief Investment Officer of the funds, with the support of 10 investment professionals located in India, Hong Kong and the United States. The investment process blends fundamental analysis and quantitative tools utilizing a knowledge base developed from corporate and government relationships in India and Asia. This approach includes frequent discussions with management and research based in the region, careful consideration of the macroeconomic and political environments, and the ongoing review of quantitative signals, tools and investment thesis to appropriately manage the funds in changing market conditions. Risk management includes the evaluation of stock specific and systemic risk, forecast tracking error and volatility and the determination of liquidity, position and industry concentration limits. The funds are supported by a dedicated Chief Financial Officer, Chief Compliance Officer and operations team.

Credit Businesses

Each of our credit-oriented funds has an investment committee similar to that described under Private Equity Funds. The investment committees for the credit-oriented funds, each of which includes Bennett J. Goodman, J. Albert Smith III and Douglas I. Ostrover and senior members of the respective investment teams associated with each fund, review potential transactions, provide input regarding the scope of due diligence and approve recommended investments and dispositions. These investment committees have delegated certain abilities to approve investments and dispositions to credit committees within each operation which consist of the senior members of the respective investment teams associated with each fund. In addition, senior members of GSO, including Mr. Goodman, Mr. Smith III and Mr. Ostrover, meet weekly with Mr. Schwarzman and Mr. James to discuss investment and risk management activities and market conditions.

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The investment decisions for each of our CLOs and publicly registered investment management companies, are made by a separate investment committee, which is composed of the group's senior managing directors and managing directors. The investment committee approves all assets prior to the initial investment by any investment vehicle in such asset. The investment team is staffed by 32 professionals, organized across areas of research, portfolio management, trading, and capital formation to ensure active management of the portfolios and to afford focus on all aspects of our CLOs and publicly registered investment management companies. Investment decisions follow a consensus-based approach and require unanimous approval of the investment committee. Industry-focused research analysts provide the committee with a formal and comprehensive review of any new investment recommendation, while our portfolio managers and trading professionals provide opinions on other technical aspects of the recommendation. Once approved, investments are subject to predetermined periodic reviews to assess their continued fit within the funds. Our research team constantly monitors the operating performance of the underlying issuers, while portfolio managers, in concert with our traders, focus on optimizing asset composition to maximize value for our investors.

Structure and Operation of Our Investment Funds

We conduct the sponsorship and management of our carry funds and other similar vehicles primarily through a partnership structure in which limited partnerships organized by us accept commitments and/or funds for investment from institutional investors and (to a limited extent) high net worth individuals. Such commitments are generally drawn down from investors on an as needed basis to fund investments over a specified term. All of our private equity and real estate funds are commitment structured funds, except for two of our real estate debt funds which are structured like hedge funds where all of the committed capital is funded on or promptly after the investor's subscription date and cash proceeds resulting from the disposition of investments can be reused indefinitely for further investment, subject to certain investor withdrawal rights. Our credit-oriented funds are generally commitment structured funds or hedge funds where the investor's capital is fully funded into the fund upon or soon after the subscription for interests in the fund. Three of our credit-oriented vehicles are publicly registered investment management companies. The CLO vehicles we manage are structured investment vehicles that are generally private companies with limited liability. Most of our funds of hedge funds are structured as funds where the investor's capital is fully funded into the fund upon the subscription for interests in the fund. Our investment funds are generally organized as limited partnerships with respect to U.S. domiciled vehicles and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles. In the case of our separately managed accounts, the investor, rather than us, generally controls the investment vehicle that holds or has custody of the investments we advise the vehicle to make.

Our investment funds, separately managed accounts and other vehicles are generally advised by a Blackstone entity serving as investment adviser which is registered under the U.S. Investment Advisers Act of 1940, or Advisers Act. Substantially all of the responsibility for the day-to-day operations of each investment vehicle is typically delegated to the Blackstone entity serving as investment adviser pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment adviser to the applicable vehicle, the calculation of management fees to be borne by investors in our investment vehicles, the calculation of and the manner and extent to which other fees received by the investment adviser from fund portfolio companies serve to offset or reduce the management fees payable by investors in our investment funds and certain rights of termination with respect to our investment advisory agreements. For a discussion of the management fees to which our investment advisers are entitled across our various types of investment funds, please see Incentive Arrangements / Fee Structure below. With the exception of the registered investment companies described below, the investment vehicles themselves do not generally register as investment companies under the U.S. Investment Company Act of 1940, or 1940 Act, in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of vehicles formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the 1940 Act exempts from its registration requirements investment vehicles privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers as defined under the 1940 Act. Section 3(c)(1) of the 1940 Act excepts from its registration requirements privately placed investment

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vehicles whose securities are beneficially owned by not more than 100 persons. In addition, under current interpretations of the United States Securities and Exchange Commission (SEC), Section 7(d) of the 1940 Act exempts from registration any non-U.S. investment vehicle all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

In some cases, one or more of our investment advisers advises funds registered under the 1940 Act. For example, one of our investment advisers advises the two publicly-traded closed-end mutual funds, The India Fund and The Asia Tigers Fund. In addition, GSO serves as an investment advisor to two publicly-traded closed-end investment management companies and as a sub-advisor to a registered investment advisor, which manages a closed-end investment management company called FS Investment Corporation that is registered as a business development company under the 1940 Act.

In addition to having an investment adviser, each investment fund that is a limited partnership, or partnership fund, also has a general partner that makes all operational and investment decisions relating to the conduct of the investment fund's business. Furthermore, all decisions concerning the making, monitoring and disposing of investments are made by the general partner. The limited partners of the partnership funds take no part in the conduct or control of the business of the investment funds, have no right or authority to act for or bind the investment funds and have no influence over the voting or disposition of the securities or other assets held by the investment funds. These decisions are made by the investment fund's general partner in its sole discretion. With the exception of certain of our funds of hedge funds and certain credit-oriented funds, third-party investors in our funds 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. In addition, the governing agreements of our investment funds provide that in the event certain key persons in our investment funds do not meet specified time commitments with regard to managing the fund (for example, both of Stephen A. Schwarzman and Hamilton E. James in the case of our private equity funds), then investors in certain funds have the right to vote to terminate the investment period by a simple majority vote in accordance with specified procedures, accelerate the withdrawal of their capital on an investor-by-investor basis, or the fund's investment period will automatically terminate and the vote of a simple majority of investors is required to restart it.

Incentive Arrangements / Fee Structure

The investment adviser of each of our carry funds generally receives an annual management fee that ranges from 1% to 1.65% of the investment fund's capital commitments during the investment period and from 0.75% to 1.75% of invested capital after the investment period, except that the investment advisers to certain of our credit-oriented and real estate debt carry funds receive an annual management fee that ranges from 1.0% to 1.5% of invested capital throughout the term of the fund. The investment adviser of each of our credit-oriented and certain of our real estate debt funds that are structured like a hedge fund generally receives an annual management fee that ranges from 0.75% to 2.0% of the fund's net asset value and for general partners or similar entities a performance-based allocation fee (or similar incentive fee) equal to a range of 10% to 20% of the applicable fund's net capital appreciation per annum, subject to certain net loss carry-forward provisions (known as a high water mark). The investment adviser of each of our funds of hedge funds and separately managed accounts that invest in hedge funds is generally entitled to a management fee with respect to each fund it manages ranging from 0.65% to 1.5% of assets under management per annum plus, in some cases, an incentive fee generally ranging from 5% to 10% of the applicable fund's net appreciation per annum, subject to a highwater mark and in some cases a preferred return. The investment adviser of each of our CLOs receives annual management fees typically equal to 0.40% to 1.25% of each fund's total assets, subject to certain performance measures related to the underlying assets the vehicle owns, and additional management fees which are incentive-based (that is, subject to meeting certain return criteria). The investment adviser of our credit-oriented separately managed accounts receives annual management fees typically equal to 0.35% to 1.50% of each account's invested capital or net asset value. The investment adviser of our Indian-focused and Asian-focused closed-end mutual funds receives an annual management fee that ranges from 0.75% to 1.1% depending on the amount of assets in the applicable fund. The investment adviser to our three credit-oriented publicly

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registered closed-end management investment companies receives annual management fees typically equal to 1.5% of each company's net asset value or total managed assets. In addition, for the business development company we sub-advise, we receive an incentive fee of 10% of the vehicle's net appreciation per annum, subject to a preferred return.

The management fees we receive from our carry funds are payable on a regular basis (typically quarterly) in the contractually prescribed amounts noted above over the life of the fund and do not depend on the investment performance of the fund. The management fees we receive from our hedge funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual or quarterly withdrawal or redemption rights following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years) and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor's capital account grows and will proportionately decrease as the net asset value of each investor's capital account decreases. The management fees we receive from our separately managed accounts are generally paid on a regular basis (typically quarterly) and may alternatively be based on invested capital or proportionately increase or decrease based on the net asset value of the separately managed account. In each case the management fees we are paid for managing a separately managed account will generally be subject to contractual rights the investor has to terminate our management of an account on as short as 30 days' prior notice. The management fees we receive from the publicly traded investment management companies we manage are generally paid on a regular basis (typically quarterly) and proportionately increase or decrease based on the net asset value of the investment management company. The management fees we are paid for managing the investment management company will generally be subject to contractual rights the company's board of directors (or, in the case of the business development company we manage, the investment advisor) has to terminate our management of an account on as short as 30 days' prior notice.

The general partner or an affiliate of each of our carry funds also receives carried interest from the investment fund. Carried interest entitles the general partner (or an affiliate) to a preferred allocation of income and gains from a fund. The carried interest is typically structured as a net profits interest in the applicable fund. In the case of our carry funds, carried interest is calculated on a realized gain basis, and each general partner is generally entitled to a carried interest equal to 20% of the net realized income and gains (generally taking into account unrealized losses) generated by such fund, except that the general partners (or affiliates) of certain of our credit-oriented and real estate debt funds are entitled to a carried interest that ranges from 10% to 15% depending on the specific fund. Net realized income or loss is not netted between or among funds. For most carry funds, the carried interest is subject to an annual preferred limited partner return ranging from 7.0% to 10.0%, subject to a catch-up allocation to the general partner. If, at the end of the life of a carry fund or earlier with respect to our real estate funds, as a result of diminished performance of later investments in a carry fund's life, the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives in excess of 20% (10% or 15% in the case of certain of our credit-oriented and real estate debt carry funds) of the fund's net profits over the life of the fund, we will be obligated to repay an amount equal to the carried interest that was previously distributed to us that exceeds the amounts to which we are ultimately entitled. This obligation is known as a clawback obligation and is an obligation of any person who directly received such carried interest, including us and our employees who participate in our carried interest plans. Although a portion of any distributions by us to our unitholders may include any carried interest received by us, we do not intend to seek fulfillment of any clawback obligation by seeking to have our unitholders return any portion of such distributions attributable to carried interest associated with any clawback obligation. The clawback obligation operates with respect to a given carry fund's own net investment performance only and performance fees of other funds are not netted for determining this contingent obligation. Moreover, although a clawback obligation is several, the governing agreements of most of our funds provide that to the extent another recipient of carried interest (such as a current or former employee) does not fund his or her respective share, then we and our employees who participate in such carried interest plans may have to fund additional amounts (generally up to an additional 50%) beyond what we actually received in carried interest, although we will retain the right to pursue any remedies that we have under such governing agreements against those carried interest

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recipients who fail to fund their obligations. We have recorded a contingent repayment obligation equal to the amount that would be due on December 31, 2010, if the various carry funds were liquidated at their current carrying value. Our ability to generate carried interest is an important element of our business and carried interest has historically accounted for a very significant portion of our income.

For additional information concerning the clawback obligations we could face, see Item 1A. Risk Factors We may not have sufficient cash to pay back clawback obligations if and when they are triggered under the governing agreements with our investors.

Many of our investment advisors, especially private equity and real estate advisors, receive customary fees (e.g., acquisition fees or origination fees) upon consummation of many of the funds' transactions, receive monitoring fees from many of the funds' portfolio companies for continued advice from the investment adviser, and may from time to time receive disposition and other fees in connection with their activities. The acquisition fees which they receive are generally calculated as a percentage (that generally can range up to 1%) of the total enterprise value of the acquired entity. Most of our carry funds are required to reduce the management fees charged to their limited partner investors by 50% to 100% of such transaction fees and certain other fees that they receive.

Capital Invested In and Alongside Our Investment Funds

To further align our interests with those of investors in our investment funds, we have invested the firm's capital and that of our personnel in the investment funds we sponsor and manage. Minimum general partner capital commitments to our investment funds are determined separately with respect to our investment funds and, generally, are less than 5% of the assets of any particular fund. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Our Sources of Cash and Liquidity Needs for more information regarding our minimum general partner capital commitments to our funds. We determine whether to make general partner capital commitments to our funds in excess of the minimum required commitments based on a variety of factors, including estimates regarding liquidity over the estimated time period during which commitments will be funded, estimates regarding the amounts of capital that may be appropriate for other opportunities or other funds we may be in the process of raising or are considering raising, prevailing industry standards with respect to sponsor commitments and our general working capital requirements. In some cases, we require our senior managing directors and other professionals to fund a portion of the general partner capital commitments to our funds. In other cases, we may from time to time on an annual basis offer to our senior managing directors and employees a part of the general partner commitments to our investment funds. Our general partner capital commitments are funded with cash and not with carried interest or deferral of management fees.

Investors in many of our funds also receive the opportunity to make additional co-investments with the investment funds. Our senior managing directors and employees, as well as Blackstone itself, also have the opportunity to make co-investments, which we refer to as side-by-side investments, with many of our carry funds. Co-investments and side-by-side investments are investments in portfolio companies or other assets on the same terms and conditions as those acquired by the applicable fund. Co-investments refer to investments arranged by us that are made by our limited partner investors (and other investors in some instances) in a portfolio company or other assets alongside an investment fund. In certain cases, limited partner investors may pay additional management fees or carried interest in connection with such co-investments. Side-by-side investments are similar to co-investments but are made by senior managing directors, employees and certain affiliates of Blackstone pursuant to a binding election, subject to certain limitations, submitted in January of each year for the estimated activity during the ensuing 12 months under which those persons are permitted to make investments alongside a particular carry fund in all transactions of that fund for that year. Our side-by-side investments are funded in cash and are not generally subject to management fees or carried interest.

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Competition

The asset management and financial advisory industries are intensely competitive, and we expect them to remain so. We compete both globally and on a regional, industry and niche basis. We compete on the basis of a number of factors, including investment performance, transaction execution skills, access to capital, access to and retention of qualified personnel, reputation, range of products and services, innovation and price.

Asset Management. We face competition both in the pursuit of outside investors for our investment funds and in acquiring investments in attractive portfolio companies and making other investments. Depending on the investment, we face competition primarily from sponsors managing other private equity funds, specialized investment funds, hedge funds and other pools of capital, other financial institutions including sovereign wealth funds, corporate buyers and other parties. Several of these competitors have significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources or other resources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. Competitors may also be subject to different regulatory regimes or rules that may provide them more flexibility or better access to pursue transactions or raise capital for their investment funds. In addition, some of these 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. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment or be perceived by sellers as otherwise being more desirable bidders, which may provide them with a competitive advantage in bidding for an investment. Lastly, any increase in the allocation of amounts of capital to alternative investment strategies by institutional and individual investors could lead to a reduction in the size and duration of pricing inefficiencies that many of our investment funds seek to exploit.

Financial Advisory. Our competitors are other advisory, investment banking and financial firms. 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. Our competitors also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services and products 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 the current market environment, we are also seeing increased competition from independent boutique advisory firms focused primarily on mergers and acquisitions and other strategic advisory and/or restructuring services. In addition, Park Hill Group operates in a highly competitive environment and the barriers to entry into the fund placement business are low.

In all of our businesses, competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see Item 1A. Risk Factors Risks Related to Our Asset Management Business The asset management business is intensely competitive and Risks Related to Our Financial Advisory Business We face strong competition from other financial advisory firms .

Employees

As of December 31, 2010, we employed approximately 1,440 people, including our 106 senior managing directors and approximately 560 other investment and advisory professionals. We strive to maintain a work environment that fosters professionalism, excellence, integrity and cooperation among our employees.

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Regulatory and Compliance Matters

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere.

All of the investment advisers of our investment funds operating in the U.S. are registered as investment advisers with the SEC (other investment advisers are registered in non-U.S. jurisdictions). Registered investment advisers are subject to the requirements and regulations of the Advisers Act. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an adviser and advisory clients and general anti-fraud prohibitions.

Blackstone Advisory Partners L.P., a subsidiary of ours through which we conduct our financial advisory business, is registered as a broker-dealer with the SEC, is a member of The Financial Industry Regulatory Authority, or FINRA, and is registered as a broker-dealer in 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the Virgin Islands. Park Hill Group LLC is registered as a broker-dealer with the SEC, is a member of FINRA and is registered as a broker-dealer in numerous states. Park Hill Group Real Estate Group LLC is also registered as a broker-dealer with the SEC, is a member of FINRA and is registered as a broker-dealer in numerous states. Our broker-dealer entities are subject to regulation and oversight by the SEC. In addition, FINRA, a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including our broker-dealer entities. State securities regulators also have regulatory or oversight authority over our broker-dealer entities.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self-regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

Two of our subsidiaries, The Blackstone Group International Partners LLP and GSO Capital Partners In