UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014**

OR

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

Commission File Number: 001-33551

The Blackstone Group L.P.

(Exact name of Registrant as specified in its charter)

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

345 Park Avenue

New York, New York 10154

(Address of principal executive offices)(Zip Code)

(212) 583-5000

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (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 Exchange Act). Yes ¨ No x

The number of the Registrant s voting common units representing limited partner interests outstanding as of April 30, 2014 was 511,616,604.
The number of the Registrant s non-voting common units representing limited partner interests outstanding as of April 30, 2014 was 69,083,468.

TABLE OF CONTENTS

Table of Contents

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, wil should, seeks, approximately, predicts, intends, plans, estimates, anticipates or the negative version of these words or other compar Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled Risk Factors in our annual report on Form 10-K for the year ended December 31, 2013 and in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (SEC), which are accessible on the SEC s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this report, and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Website and Social Media Disclosure

We use our website (www.blackstone.com), our corporate Facebook page (www.facebook.com/blackstone) and our corporate Twitter account (@Blackstone) as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about Blackstone when you enroll your e-mail address by visiting the E-mail Alerts section of our website at http://ir.blackstone.com/alerts.cfm?. The contents of our website and social media channels are not, however, a part of this report.

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

Blackstone Funds, our funds and our investment funds refer to the private equity funds, real estate funds, funds of hedge funds, credit-focused funds, collateralized loan obligation (CLO) and collateralized debt obligation (CDO) vehicles, real estate investment trusts and registered investment companies that are managed by Blackstone. Our carry funds refer to the private equity funds, real estate funds and certain of the credit-focused funds (with multi-year drawdown, commitment-based structures that only pay carry on the realization of an investment) that are managed by Blackstone. Blackstone s Private Equity segment comprises its management of corporate private equity funds (including our sector and regional focused funds), which we refer to collectively as our Blackstone Capital Partners (BCP) funds, certain multi-asset class investment funds which we collectively refer to as our Blackstone Tactical Opportunities Accounts (Tactical Opportunities), and Strategic Partners Fund Solutions (Strategic Partners), a secondary private fund of funds business. We refer to our real estate opportunistic funds as our Blackstone Real Estate Partners (BREP) funds and our real estate debt investment funds as our Blackstone Real Estate Debt Strategies (BREDS) funds. We refer to our listed real estate investment trusts as REITs . Our hedge funds refer to our funds of hedge funds, certain of our real estate debt investment funds and certain other credit-focused funds which are managed by Blackstone.

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

(a) the fair value of the investments held by our carry funds and our side-by-side and co-investment entities managed by us, plus the capital that we are entitled to call from investors in those funds and entities pursuant to the terms of their respective capital commitments, including capital commitments to funds that have yet to commence their investment periods,

Table of Contents

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

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

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

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

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

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

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

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

(a) for our Private Equity segment funds and Real Estate segment carry funds including certain real estate debt investment funds and certain of our Hedge Fund Solutions funds, the amount of capital commitments, remaining invested capital, fair value or par value of assets held, depending on the fee terms of the fund,

(b) for our credit-focused carry funds, the amount of remaining invested capital (which may include leverage) or net asset value, depending on the fee terms of the fund,

(c) the remaining invested capital of co-investments managed by us on which we receive fees,

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

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

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

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

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

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

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

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

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Financial Condition (Unaudited)

(Dollars in Thousands, Except Unit Data)

	March 31, 2014	December 31, 2013
Assets		
Cash and Cash Equivalents	$ 787,521	$ 831,998
Cash Held by Blackstone Funds and Other	1,210,586	1,045,882
Investments (including assets pledged of $240,334 and $316,564 at March 31, 2014 and December 31, 2013, respectively)	21,905,850	21,729,523
Accounts Receivable	1,108,848	888,356
Reverse Repurchase Agreements	162,708	148,984
Due from Affiliates	956,449	1,192,044
Intangible Assets, Net	534,490	560,748
Goodwill	1,787,392	1,787,392
Other Assets	348,375	284,472
Deferred Tax Assets	1,226,326	1,209,207
Total Assets	$ 30,028,545	$ 29,678,606
Liabilities and Partners Capital		
Loans Payable	$ 9,987,304	$ 10,466,504
Due to Affiliates	1,366,052	1,436,859
Accrued Compensation and Benefits	1,971,434	2,132,939
Securities Sold, Not Yet Purchased	296,434	76,195
Repurchase Agreements	216,861	316,352
Accounts Payable, Accrued Expenses and Other Liabilities	1,418,699	872,086
Total Liabilities	15,256,784	15,300,935
Commitments and Contingencies		
Redeemable Non-Controlling Interests in Consolidated Entities	2,176,354	1,950,442
Partners Capital		
Partners Capital (common units: 584,091,792 issued and outstanding as of March 31, 2014; 572,592,279 issued and outstanding as of December 31, 2013)	6,108,525	6,002,592
Appropriated Partners Capital	234,509	300,708
Accumulated Other Comprehensive Income	2,418	3,466
Non-Controlling Interests in Consolidated Entities	2,563,146	2,464,047
Non-Controlling Interests in Blackstone Holdings	3,686,809	3,656,416
Total Partners Capital	12,595,407	12,427,229
Total Liabilities and Partners Capital	$ 30,028,545	$ 29,678,606

continued

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Financial Condition (Unaudited)

(Dollars in Thousands, Except Unit Data)

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

	March 31, 2014	December 31, 2013
Assets		
Cash Held by Blackstone Funds and Other	$ 829,263	$ 618,881
Investments	9,423,931	9,700,804
Accounts Receivable	589,371	231,052
Due from Affiliates	20,958	27,022
Other Assets	23,803	29,755
Total Assets	$ 10,887,326	$ 10,607,514
Liabilities		
Loans Payable	$ 8,124,054	$ 8,802,155
Due to Affiliates	120,323	143,444
Accounts Payable, Accrued Expenses and Other	975,074	284,818
Total Liabilities	$ 9,219,451	$ 9,230,417

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Operations (Unaudited)

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Revenues		
Management and Advisory Fees, Net	$ 573,160	$ 482,133
Performance Fees		
Realized		
Carried Interest	333,623	294,170
Incentive Fees	43,794	23,741
Unrealized		
Carried Interest	330,394	177,347
Incentive Fees	64,233	105,798
Total Performance Fees	772,044	601,056
Investment Income		
Realized	153,026	42,353
Unrealized	13,500	106,230
Total Investment Income	166,526	148,583
Interest and Dividend Revenue	14,069	12,557
Other	869	2,144
Total Revenues	1,526,668	1,246,473
Expenses		
Compensation and Benefits		
Compensation	485,351	451,430
Performance Fee Compensation		
Realized		
Carried Interest	149,398	89,437
Incentive Fees	23,635	10,508
Unrealized		
Carried Interest	40,730	95,472
Incentive Fees	23,531	44,478
Total Compensation and Benefits	722,645	691,325
General, Administrative and Other	135,554	109,306
Interest Expense	24,667	27,062
Fund Expenses	4,985	7,408
Total Expenses	887,851	835,101
Other Income		
Net Gains from Fund Investment Activities	70,155	67,210

Income Before Provision for Taxes		708,972		478,582
Provision for Taxes		54,097		50,993
Net Income		654,875		427,589
Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities		45,792		62,316
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities		43,961		(9,452)
Net Income Attributable to Non-Controlling Interests in Blackstone Holdings		299,505		207,090
Net Income Attributable to The Blackstone Group L.P.	$	265,617	$	167,635
Distributions Declared Per Common Unit	$	0.58	$	0.42
Net Income Per Common Unit Basic and Diluted	$	0.44	$	0.29
Weighted-Average Common Units Outstanding				
Common Units, Basic		601,527,299		582,322,183
Common Units, Diluted		605,669,164		585,699,899
Revenues Earned from Affiliates				
Management and Advisory Fees, Net	$	74,032	$	39,371

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in Thousands)

	Three Months Ended March 31,	
	2014	**2013**
Net Income	$ 654,875	$ 427,589
Other Comprehensive Loss, Net of Tax Currency Translation Adjustment	(1,166)	(11,950)
Comprehensive Income	653,709	415,639
Less:		
Comprehensive Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	45,792	62,316
Comprehensive Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	43,843	(17,280)
Comprehensive Income Attributable to Non-Controlling Interests in Blackstone Holdings	299,505	207,090
Comprehensive Income Attributable to The Blackstone Group L.P.	$ 264,569	$ 163,513

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Changes in Partners Capital (Unaudited)

(Dollars in Thousands, Except Unit Data)

	The Blackstone Group L.P.							
	Common Units	**Partners Capital**	**Appro-priated Partners Capital**	**Accumulated Other Compre-hensive Income**	**Non-Controlling Interests in Consolidated Entities**	**Non-Controlling Interests in Blackstone Holdings**	**Total Partners Capital**	**Redeemable Non-Controlling Interests in Consolidated Entities**
Balance at December 31, 2013	572,592,279	$ 6,002,592	$ 300,708	$ 3,466	$ 2,464,047	$ 3,656,416	$ 12,427,229	$ 1,950,442
Transition and Acquisition Adjustments Relating to Consolidation of CLO Entities			8,398				8,398	
Consolidation of Fund Entity					4,511		4,511	30,922
Net Income		265,617			43,961	299,505	609,083	45,792
Allocation of Losses of Consolidated CLO Entities			(39,019)		39,019			
Currency Translation Adjustment				(1,048)	(118)		(1,166)	
Allocation of Currency Translation Adjustment of Consolidated CLO Entities			(118)		118			
Reclassification of Currency Translation Adjustment Due to Deconsolidation of CLO Entities		(2,695)					(2,695)	
Capital Contributions					147,862		147,862	282,641
Capital Distributions		(341,318)			(135,987)	(367,544)	(844,849)	(133,443)
Transfer of Non-Controlling Interests in Consolidated Entities					(212)		(212)	
Purchase of Interests from Certain Non-Controlling Interest Holders		(6)					(6)	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non-Controlling Interest Holders		12,645					12,645	
Equity-Based Compensation		142,117				133,128	275,245	
Relinquished with Deconsolidation and Liquidation of Partnership			(35,460)		(55)		(35,515)	
Net Delivery of Vested Blackstone Holdings Partnership Units and Blackstone Common Units	4,759,747	(19,129)					(19,129)	
Excess Tax Benefits Related to Equity-Based Compensation, Net		14,006					14,006	
Change in The Blackstone Group L.P. s Ownership Interest		(10,354)				10,354		
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	6,739,766	45,050				(45,050)		
Balance at March 31, 2014	584,091,792	$ 6,108,525	$ 234,509	$ 2,418	$ 2,563,146	$ 3,686,809	$ 12,595,407	$ 2,176,354

continued

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Changes in Partners Capital (Unaudited)

(Dollars in Thousands, Except Unit Data)

	The Blackstone Group L.P.							
	Common Units	Partners Capital	Appro-priated Partners Capital	Accumulated Other Compre-hensive Income (Loss)	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Blackstone Holdings	Total Partners Capital	Redeemable Non-Controlling Interests in Consolidated Entities
Balance at December 31, 2012	556,354,387	$ 4,955,649	$ 509,028	$ 2,170	$ 1,443,559	$ 2,748,356	$ 9,658,762	$ 1,556,185
Net Income (Loss)		167,635			(9,452)	207,090	365,273	62,316
Allocation of Losses of Consolidated CLO Entities			(81,254)		81,254			
Currency Translation Adjustment				(4,122)	(7,828)		(11,950)	
Allocation of Currency Translation Adjustment of Consolidated CLO Entities			(7,828)		7,828			
Capital Contributions					34,648	107	34,755	151,450
Capital Distributions		(240,498)			(66,689)	(321,017)	(628,204)	(130,874)
Transfer of Non-Controlling Interests in Consolidated Entities					(208)		(208)	
Purchase of Interests from Certain Non-Controlling Interest Holders		(11)					(11)	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non-Controlling Interest Holders		75,859					75,859	
Equity-Based Compensation		126,994				125,354	252,348	
Relinquished with Deconsolidation and Liquidation of Partnership			(9,776)				(9,776)	50
Net Delivery of Vested Common Units	4,574,312	(9,741)					(9,741)	
Change in The Blackstone Group L.P. s Ownership Interest		(9,748)				9,748		
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	383,129	1,902				(1,902)		
Balance at March 31, 2013	561,311,828	$ 5,068,041	$ 410,170	$ (1,952)	$ 1,483,112	$ 2,767,736	$ 9,727,107	$ 1,639,127

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

	Three Months Ended March 31,	
	2014	**2013**
Operating Activities		
Net Income	$ 654,875	$ 427,589
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Blackstone Funds Related		
Unrealized Appreciation on Investments Allocable to Non-Controlling Interests in Consolidated Entities	(108,233)	(125,897)
Net Realized Gains on Investments	(543,367)	(425,967)
Changes in Unrealized Gains on Investments Allocable to The Blackstone Group L.P.	3,833	(86,763)
Non-Cash Performance Fees	(276,508)	(134,220)
Non-Cash Performance Fee Compensation	237,294	239,896
Equity-Based Compensation Expense	194,645	195,343
Excess Tax Benefits Related to Equity-Based Compensation	(16,513)	
Amortization of Intangibles	26,258	22,913
Other Non-Cash Amounts Included in Net Income	53,939	51,607
Cash Flows Due to Changes in Operating Assets and Liabilities		
Cash Held by Blackstone Funds and Other	(52,120)	153,381
Cash Relinquished in Deconsolidation and Liquidation of Partnership	(75,327)	(103,985)
Accounts Receivable	364,988	178,416
Reverse Repurchase Agreements	(13,724)	(10,025)
Due from Affiliates	275,550	44,438
Other Assets	(81,645)	9,333
Accrued Compensation and Benefits	(288,791)	(289,260)
Securities Sold, Not Yet Purchased	70,318	(12,762)
Accounts Payable, Accrued Expenses and Other Liabilities	(223,761)	(386,227)
Repurchase Agreements	(138,678)	(39,412)
Due to Affiliates	(28,278)	(53,020)
Treasury Cash Management Strategies		
Investments Purchased	(808,884)	(931,481)
Cash Proceeds from Sale of Investments	1,020,997	1,199,355
Blackstone Funds Related		
Investments Purchased	(1,652,358)	(1,564,358)
Cash Proceeds from Sale or Pay Down of Investments	2,385,748	2,745,408
Net Cash Provided by Operating Activities	980,258	1,104,302
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(6,123)	(7,344)
Changes in Restricted Cash	5,841	5,852
Net Cash Used in Investing Activities	(282)	(1,492)

continued

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Financing Activities		
Distributions to Non-Controlling Interest Holders in Consolidated Entities	$ (258,361)	$ (197,563)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	419,332	186,147
Purchase of Interests from Certain Non-Controlling Interest Holders	(6)	(11)
Payments Under Tax Receivable Agreement	(80,565)	
Net Settlement of Vested Common Units and Repurchase of Common and Blackstone Holdings Partnership Units	(19,129)	(9,741)
Excess Tax Benefits Related to Equity-Based Compensation	16,513	
Proceeds from Loans Payable	2,206	479
Repayment and Repurchase of Loans Payable	(6,488)	(435)
Distributions to Unitholders	(708,862)	(561,515)
Blackstone Funds Related		
Proceeds from Loans Payable		1,844
Repayment of Loans Payable	(389,097)	(416,241)
Net Cash Used in Financing Activities	(1,024,457)	(997,036)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4	(10)
Net Increase (Decrease) in Cash and Cash Equivalents	(44,477)	105,764
Cash and Cash Equivalents, Beginning of Period	831,998	709,502
Cash and Cash Equivalents, End of Period	$ 787,521	$ 815,266
Supplemental Disclosure of Cash Flows Information		
Payments for Interest	$ 49,282	$ 53,785
Payments for Income Taxes	$ 47,547	$ 17,212
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Non-Cash Contributions from Non-Controlling Interest Holders	$ 10,933	$
Non-Cash Distributions to Non-Controlling Interest Holders	$ (11,069)	$
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	$ 808	$ 109
Net Assets Related to the Consolidation of CLO Vehicles	$ 8,398	$
Net Assets Related to the Consolidation of Certain Fund Entities	$ 35,433	$
In-kind Contribution of Capital	$	$ 2,323
Transfer of Interests to Non-Controlling Interest Holders	$ (212)	$ (207)

Change in The Blackstone Group L.P. s Ownership Interest	$	(10,354)	$	(9,748)
Net Settlement of Vested Common Units	$	22,325	$	9,981
Conversion of Blackstone Holdings Partnership Units to Common Units	$	45,050	$	1,902
Acquisition of Ownership Interests from Non-Controlling Interest Holders				
Deferred Tax Asset	$	(46,023)	$	(78,972)
Due to Affiliates	$	33,378	$	1,272
Partners Capital	$	12,645	$	77,700

See notes to condensed consolidated financial statements.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements

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

1. ORGANIZATION

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

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

Generally, holders of the limited partner interests in the four Holding Partnerships may, four times each year, exchange their limited partnership interests (Partnership Units) for Blackstone common units, on a one-to-one basis, exchanging one Partnership Unit in each of the four Holding Partnerships for one Blackstone common unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission.

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

All intercompany balances and transactions have been eliminated in consolidation.

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

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner is presumed to have control. Although the Partnership has a non-controlling interest in the Blackstone Holdings Partnerships, the limited partners do not have the right to dissolve the partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by the Partnership. Accordingly, the Partnership consolidates Blackstone Holdings and records non-controlling interests to reflect the economic interests of the limited partners of Blackstone Holdings.

In addition, the Partnership consolidates all variable interest entities (VIE) in which it is the primary beneficiary. An enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (a) whether an entity in which the Partnership holds a variable interest is a VIE and (b) whether the Partnership s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. VIEs qualify for the deferral of the consolidation guidance if all of the following conditions have been met:

(a) The entity has all of the attributes of an investment company as defined in the American Institute of Certified Public Accountants Accounting and Auditing Guide, *Investment Companies* (Investment Company Guide), or does not have all the attributes of an investment company but it is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the Investment Company Guide,

(b) The reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and

(c) The entity is not a securitization or asset-backed financing entity or an entity that was formerly considered a qualifying special purpose entity.

Where the VIEs have qualified for the deferral of the current consolidation guidance, the analysis is based on previous consolidation guidance. This guidance requires an analysis to determine (a) whether an entity in which the Partnership holds a variable interest is a variable interest entity and (b) whether the Partnership s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would be expected to absorb a majority of the variability of the entity. Under both guidelines, the Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a variable interest entity and reconsiders that conclusion continually. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly by the Partnership and its affiliates or indirectly through employees. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Funds could affect an entity s status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

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

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

Fair Value of Financial Instruments

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I include listed equities, listed derivatives and mutual funds with quoted prices. The Partnership does not adjust the quoted price for these investments, even in situations where Blackstone holds a large position and a sale could reasonably impact the quoted price.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans, government and agency securities, less liquid and restricted equity securities, certain over-the-counter derivatives where the fair value is based on observable inputs, and certain funds of hedge funds and proprietary investments in which Blackstone has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.

Level III Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include general and limited partnership interests in private equity and real estate funds, credit-focused funds, distressed debt and non-investment grade residual interests in securitizations, certain corporate bonds and loans held within CLO vehicles, certain over-the-counter derivatives where the fair value is based on unobservable inputs and certain funds of hedge funds that use net asset value per share to determine fair value in which Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date. Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date if an investee fund manager has the ability to limit the amount of redemptions, and/or the ability to side pocket investments, irrespective of whether such ability has been exercised. Senior and subordinate notes issued by CLO vehicles are classified within Level III of the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Partnership s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Transfers between levels of the fair value hierarchy are recognized at the beginning of the reporting period.

Level II Valuation Techniques

Financial instruments classified within Level II of the fair value hierarchy comprise debt instruments, including corporate loans and bonds held by Blackstone s consolidated CLO vehicles, those held within Blackstone s Treasury Cash Management Strategies and debt securities sold, not yet purchased and interests in investment funds. Certain equity securities and derivative instruments valued using observable inputs are also classified as Level II.

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

Debt Instruments and Equity Securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments. The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Investment Funds held by the consolidated Blackstone Funds are valued using net asset value per share as described in Level III Valuation Techniques Funds of Hedge Funds. Certain investments in investment funds are classified within Level II of the fair value hierarchy as the investment can be redeemed at, or within three months of, the reporting date.

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

Level III Valuation Techniques

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

Private Equity Investments The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization (EBITDA), the discounted cash flow method, public market or private transactions, valuations for comparable companies and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (for example, multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Where a discounted cash flow method is used, a terminal value is derived by reference to EBITDA or price/earnings exit multiples.

15

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Real Estate Investments The fair values of real estate investments are determined by considering projected operating cash flows, sales of comparable assets, if any, and replacement costs, among other measures. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rates (cap rates) analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or assets (for example, multiplying a key performance metric of the investee company or asset, such as EBITDA, by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Where a discounted cash flow method is used, a terminal value is derived by reference to an exit EBITDA multiple or capitalization rate. Additionally, where applicable, projected distributable cash flow through debt maturity will be considered in support of the investment s fair value.

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

Certain investments of Blackstone and of the consolidated Blackstone funds of hedge funds and credit-focused funds measure their investments in underlying funds at fair value using NAV per share without adjustment. The terms of the investee s investment generally provide for minimum holding periods or lock-ups, the institution of gates on redemptions or the suspension of redemptions or an ability to side pocket investments, at the discretion of the investee s fund manager, and as a result, investments may not be redeemable at, or within three months of, the reporting date. A side pocket is used by hedge funds and funds of hedge funds to separate investments that may lack a readily ascertainable value, are illiquid or are subject to liquidity restriction. Redemptions are generally not permitted until the investments within a side pocket are liquidated or it is deemed that the conditions existing at the time that required the investment to be included in the side pocket no longer exist. As the timing of either of these events is uncertain, the timing at which the Partnership may redeem an investment held in a side pocket cannot be estimated. Investments for which fair value is measured using NAV per share are reflected within the fair value hierarchy based on the existence of redemption restrictions, if any, as described above. Further disclosure on instruments for which fair value is measured using NAV per share is presented in Note 5. Net Asset Value as Fair Value .

Credit-Focused Investments The fair values of credit-focused investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In some instances, Blackstone may utilize other valuation techniques, including the discounted cash flow method or a market approach.

Credit-Focused Liabilities Credit-focused liabilities comprise senior and subordinate loans issued by Blackstone s consolidated CLO vehicles. Such liabilities are valued using a discounted cash flow method.

Level III Valuation Process

Investments classified within Level III of the fair value hierarchy are valued on a quarterly basis, taking into consideration any changes in Blackstone s weighted-average cost of capital assumptions, discounted cash flow projections and exit multiple assumptions, as well as any changes in economic and other relevant conditions, and valuation models are updated accordingly. The valuation process also includes a review by an independent valuation party, at least annually for all investments, and quarterly for certain investments, to corroborate the values determined by management. The valuations of Blackstone s investments are reviewed quarterly by a valuation

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

committee which is chaired by Blackstone s Vice Chairman and includes senior heads of each of Blackstone s businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone s investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee. The valuations are further tested by comparison to actual sales prices obtained on disposition of the investments.

Investments, at Fair Value

The Blackstone Funds are accounted for as investment companies under the Investment Company Guide, and reflect their investments, including majority-owned and controlled investments (the Portfolio Companies), at fair value. Blackstone has retained the specialized accounting for the consolidated Blackstone Funds. Thus, such consolidated funds investments are reflected in Investments on the Condensed Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations. Fair value is the amount that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Blackstone s principal investments are presented at fair value with unrealized appreciation or depreciation and realized gains and losses recognized in the Condensed Consolidated Statements of Operations within Investment Income (Loss).

For certain instruments, the Partnership has elected the fair value option. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. The Partnership has applied the fair value option for certain loans and receivables that otherwise would not have been carried at fair value with gains and losses recorded in net income. Accounting for these financial instruments at fair value is consistent with how the Partnership accounts for its other principal investments. Loans extended to third parties are recorded within Accounts Receivable within the Condensed Consolidated Statements of Financial Condition. Debt securities for which the fair value option has been elected are recorded within Investments. The methodology for measuring the fair value of such investments is consistent with the methodology applied to private equity, real estate, credit-focused and funds of hedge funds investments. Changes in the fair value of such instruments are recognized in Investment Income (Loss) in the Condensed Consolidated Statements of Operations. Interest income on interest bearing loans and receivables on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest and Dividend Revenue.

In addition, the Partnership has elected the fair value option for the assets and liabilities of CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts or the acquisition of the share capital of CLO managers. The adjustment resulting from the difference between the fair value of assets and liabilities for each of these events is presented as a transition and acquisition adjustment to Appropriated Partners Capital. The recognition of the initial difference between the fair value of assets and liabilities of CLO vehicles consolidated as a result of the acquisition of management contracts or CLO managers subsequent to the initial adoption of revised accounting guidance effective January 1, 2010, as an adjustment to Appropriated Partners Capital, is currently under review by the Emerging Issues Task Force (EITF). Assets of the consolidated CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. The methodology for measuring the fair value of such assets and liabilities is consistent with the methodology applied to

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

private equity, real estate and credit-focused investments. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption and acquisition are presented within Net Gains (Losses) from Fund Investment Activities. Expenses of consolidated CLO vehicles are presented in Fund Expenses. Amounts attributable to Non-Controlling Interests in Consolidated Entities have a corresponding adjustment to Appropriated Partners Capital.

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

Further disclosure on instruments for which the fair value option has been elected is presented in Note 7. Fair Value Option to the Condensed Consolidated Financial Statements.

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

Equity Method Investments

Investments in which the Partnership is deemed to exert significant influence, but not control, are accounted for using the equity method of accounting. Under the equity method of accounting, the Partnership s share of earnings (losses) from equity method investments is included in Investment Income (Loss) in the Condensed Consolidated Statements of Operations. The carrying amounts of equity method investments are reflected in Investments in the Condensed Consolidated Statements of Financial Condition. As the underlying investments of the Partnership s equity method investments in Blackstone Funds are reported at fair value, the carrying value of the Partnership s equity method investments approximates fair value.

Repurchase and Reverse Repurchase Agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements), comprised primarily of U.S. and non-U.S. government and agency securities, asset-backed securities and corporate debt, represent collateralized financing transactions. Such transactions are recorded in the Condensed Consolidated Statements of Financial Condition at their contractual amounts and include accrued interest. The carrying value of repurchase and reverse repurchase agreements approximates fair value.

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

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

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

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Securities Sold, Not Yet Purchased

Securities Sold, Not Yet Purchased consist of equity and debt securities that the Partnership has borrowed and sold. The Partnership is required to cover its short sale in the future by purchasing the security at prevailing market prices and delivering it to the counterparty from which it borrowed the security. The Partnership is exposed to loss in the event that the price at which a security may have to be purchased to cover a short sale exceeds the price at which the borrowed security was sold short.

Securities Sold, Not Yet Purchased are recorded at fair value in the Condensed Consolidated Statements of Financial Condition.

Derivative Instruments

The Partnership recognizes all derivatives as assets or liabilities on its Condensed Consolidated Statements of Financial Condition at fair value. On the date the Partnership enters into a derivative contract, it designates and documents each derivative contract as one of the following: (a) a hedge of a recognized asset or liability (fair value hedge), (b) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), (c) a hedge of a net investment in a foreign operation, or (d) a derivative instrument not designated as a hedging instrument (freestanding derivative). For a fair value hedge, Blackstone records changes in the fair value of the derivative and, to the extent that it is highly effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk, in current period earnings in General, Administrative and Other in the Condensed Consolidated Statements of Operations. Changes in the fair value of derivatives designated as hedging instruments caused by factors other than changes in the risk being hedged, which are excluded from the assessment of hedge effectiveness, are recognized in current period earnings.

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

For freestanding derivative contracts, the Partnership presents changes in fair value in current period earnings. Changes in the fair value of derivative instruments held by consolidated Blackstone Funds are reflected in Net Gains (Losses) from Fund Investment Activities or, where derivative instruments are held by the Partnership, within Investment Income (Loss) in the Condensed Consolidated Statements of Operations. The fair value of freestanding derivative assets are recorded within Investments and freestanding derivative liabilities are recorded within Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

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

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

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

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

Affiliates

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

Distributions

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

Recent Accounting Developments

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance on the reporting of amounts reclassified out of accumulated other comprehensive income. The guidance did not change the requirement for reporting net income or other comprehensive income in financial statements. However, the amendments required an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts.

The guidance was effective prospectively for periods beginning after December 15, 2012. Adoption had no impact on the Partnership s financial statements.

In December 2011, the FASB issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (a) offset or (b) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the amended guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including (a) the gross amounts of those recognized assets and liabilities, (b) the amounts offset to determine the net amount presented in the statement of financial position, and (c) the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of (a) the amounts related to recognized financial instruments and other derivative instruments, (b) the amount related to financial collateral (including cash collateral), and (c) the overall net amount after considering amounts that have not been offset. The guidance was effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments were limited to disclosure only, adoption did not have a material impact on the Partnership s financial statements.

In January 2013, the FASB issued guidance to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarified that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (a) offset, or (b) subject to a master netting

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

agreement or similar agreement, irrespective of whether they are offset, applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments were effective for interim and annual periods beginning on or after January 1, 2013. Adoption did not have a material impact on the Partnership s financial statements.

In February 2013, the FASB issued guidance on the measurement of joint and several liability arrangements in which the total amount of the obligation is fixed at the reporting date. The guidance requires entities to measure obligations from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Adoption did not have a material impact on the Partnership s financial statements.

In March 2013, the FASB issued guidance on a parent entity s accounting for cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. When a parent entity ceases to have a controlling financial interest in a subsidiary or a group of assets that is a business within a foreign entity, any related portion of the total cumulative translation adjustment should be released into net income if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, partial sale guidance applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. For an equity method investment that is not a foreign entity, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment. Additionally, the guidance clarifies that the sale of an investment in a foreign entity includes both (a) events that result in the loss of a controlling financial interest in a foreign entity (that is, irrespective of any retained investment) and (b) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. The guidance shall be applied on a prospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2013. The guidance should be applied to derecognition events occurring after the effective date. Prior periods should not be adjusted. Early adoption is permitted. Adoption did not have a material impact on the Partnership s financial statements.

In April 2013, the FASB issued guidance on when and how an entity should prepare its financial statements using the liquidation basis of accounting. The guidance requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Financial statements prepared using the liquidation basis of accounting shall measure and present assets at the amount of the expected cash proceeds from liquidation. The presentation of assets shall include any items that had not previously been recognized under GAAP but that it expects to either sell in liquidation or use in settling liabilities. Liabilities shall be recognized and measured in accordance with GAAP that otherwise applies to those liabilities. The guidance requires an entity to accrue and separately present the costs that it expects to incur and the income that it expects to earn during the expected duration of the liquidation, including any costs associated with sale or settlement of those assets and liabilities. The guidance requires disclosures about an entity s plan for liquidation, the methods and significant assumptions used to measure assets and liabilities, the type and amount of costs and income accrued, and the expected duration of the

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

liquidation process. The guidance is effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013 and interim periods therein. The guidance should be applied prospectively. Adoption did not have a material impact on the Partnership s financial statements.

In June 2013, the FASB issued guidance to clarify the characteristics of an investment company and to provide guidance for assessing whether an entity is an investment company. Consistent with existing guidance for investment companies, all investments are to be measured at fair value including non-controlling ownership interests in other investment companies. There are no changes to the current requirements relating to the retention of specialized accounting in the consolidated financial statements of a non-investment company parent. The guidance is effective for interim and annual periods beginning after December 15, 2013 and early application is prohibited. Adoption did not have a material impact on the Partnership s financial statements.

3. INTANGIBLE ASSETS

Intangible Assets, Net consists of the following:

	March 31, 2014	December 31, 2013
Finite-Lived Intangible Assets/Contractual Rights	$ 1,464,017	$ 1,594,128
Accumulated Amortization	(929,527)	(1,033,380)
Intangible Assets, Net	$ 534,490	$ 560,748

Amortization expense associated with Blackstone s intangible assets was $26.3 million for the three months ended March 31, 2014 and $22.9 million for the three months ended March 31, 2013.

Amortization of Intangible Assets held at March 31, 2014 is expected to be $102.3 million, $95.8 million, $85.6 million, $46.5 million, and $46.5 million for each of the years ending December 31, 2014, 2015, 2016, 2017 and 2018, respectively. Blackstone s intangible assets as of March 31, 2014 are expected to amortize over a weighted-average period of 7.3 years.

4. INVESTMENTS

Investments consists of the following:

	March 31, 2014	December 31, 2013
Investments of Consolidated Blackstone Funds	$ 12,521,552	$ 12,521,248
Equity Method Investments	3,291,797	3,309,879
Blackstone s Treasury Cash Management Strategies	996,806	1,104,800
Performance Fees	4,979,453	4,674,792
Other Investments	116,242	118,804

	$ 21,905,850	$ 21,729,523

Blackstone s share of Investments of Consolidated Blackstone Funds totaled $758.8 million and $487.8 million at March 31, 2014 and December 31, 2013, respectively.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Investments of Consolidated Blackstone Funds

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

	Three Months Ended March 31, 2014	2013
Realized Gains	$ 13,713	$ 67,788
Net Change in Unrealized Gains (Losses)	(27,214)	(42,495)
Realized and Net Change in Unrealized Gains (Losses) from Consolidated Blackstone Funds	(13,501)	25,293
Interest and Dividend Revenue Attributable to Consolidated Blackstone Funds	83,656	41,917
Other Income Net Gains from Fund Investment Activities	$ 70,155	$ 67,210

Equity Method Investments

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

Blackstone evaluates each of its equity method investments to determine if any were significant as defined by guidance from the United States Securities and Exchange Commission. As of and for the three months ended March 31, 2014 and 2013, no individual equity method investment held by Blackstone met the significance criteria. As such, Blackstone is not required to present summarized financial information for any of its equity method investments.

The Partnership recognized net gains related to its equity method investments of $97.2 million and $107.9 million for the three months ended March 31, 2014 and 2013, respectively.

Blackstone s Treasury Cash Management Strategies

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

	Three Months Ended March 31, 2014	2013
Realized Gains	$ 3,094	$ 3,911
Net Change in Unrealized Gains (Losses)	8,970	(971)
	$ 12,064	$ 2,940

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Performance Fees

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

	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
Performance Fees, December 31, 2013	$ 971,860	$ 3,268,606	$ 9,468	$ 424,858	$ 4,674,792
Performance Fees Allocated as a Result of Changes in Fund Fair Values	286,726	335,470	23,259	74,214	719,669
Foreign Exchange Gain		454			454
Fund Distributions	(118,775)	(209,887)	(15,681)	(71,119)	(415,462)
Performance Fees, March 31, 2014	$ 1,139,811	$ 3,394,643	$ 17,046	$ 427,953	$ 4,979,453

Other Investments

Other Investments consist primarily of proprietary investment securities held by Blackstone. The following table presents Blackstone s realized and net change in unrealized gains (losses) in other investments:

	Three Months Ended March 31, 2014	2013
Realized Gains (Losses)	$ 6,307	$ (648)
Net Change in Unrealized Gains (Losses)	(6,504)	5,204
	$ (197)	$ 4,556

5. NET ASSET VALUE AS FAIR VALUE

A summary of fair value by strategy type alongside the remaining unfunded commitments and ability to redeem such investments as of March 31, 2014 is presented below:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Instruments	$ 132,135	$ 3,590	(a)	(a)
Credit Driven	201,711		(b)	(b)

Event Driven	122,941		(c)	(c)
Equity	428,613		(d)	(d)
Commodities	58,260		(e)	(e)
Private Equity	72,337		(f)	(f)
	$ 1,015,997	$ 3,590		

(a) Diversified Instruments include investments in funds that invest across multiple strategies. Investments representing 64% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date. Investments representing 28% of the fair value of the investments in this category represent investments in hedge funds that are in the process of liquidating. Distributions from these funds will be received as underlying investments are liquidated. The time at which this redemption restriction may lapse cannot be estimated. The remaining 8% of investments in this category are redeemable as of the reporting date. As of the reporting date, the investee fund manager had elected to side pocket 19% of Blackstone s investments in this category.

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

(b) The Credit Driven category includes investments in hedge funds that invest primarily in domestic and international bonds. Investments representing 83% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date. Investments representing 13% of the fair value of the investments in this category are redeemable as of the reporting date. Investments representing 4% of the total fair value in the credit driven category are subject to redemption restrictions at the discretion of the investee fund manager who may choose (but may not have exercised such ability) to side pocket such investments. As of the reporting date, the investee fund manager had not elected to side pocket any of Blackstone s investments in this category.

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

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

(e) The Commodities category includes investments in commodities-focused funds that primarily invest in futures and physical-based commodity driven strategies. Withdrawals are not permitted for investments representing 95% of the fair value of investments in this category. Distributions will be received as the underlying investments are liquidated. The remaining 5% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date.

(f) The Private Equity category includes investments in private equity funds that primarily invest in private equity, revenue interests and other private investments. Withdrawals are not permitted for investments in this category.

6. DERIVATIVE FINANCIAL INSTRUMENTS

Blackstone and the Blackstone Funds enter into derivative contracts in the normal course of business to achieve certain risk management objectives and for general investment purposes. Additionally, Blackstone may enter into derivative contracts in order to hedge its interest rate risk exposure against the effects of interest rate changes. As a result of the use of derivative contracts, Blackstone and the consolidated Blackstone Funds are exposed to the risk that counterparties will fail to fulfill their contractual obligations. To mitigate such counterparty risk, Blackstone and the consolidated Blackstone Funds enter into contracts with certain major financial institutions, all of which have investment grade ratings. Counterparty credit risk is evaluated in determining the fair value of derivative instruments.

Freestanding Derivatives

Freestanding derivatives are instruments that Blackstone and certain of the consolidated Blackstone Funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include interest rate swaps, foreign exchange contracts, equity swaps, options, futures and other derivative contracts.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

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

	March 31, 2014				December 31, 2013			
	Assets		Liabilities		Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Freestanding Derivatives								
Blackstone Other Interest Rate Contracts	$ 1,825,971	$ 4,834	$ 1,509,350	$ 1,545	$ 1,994,276	$ 8,521	$ 1,083,140	$ 2,676
Foreign Currency Contracts	93,600	846	111,512	737	166,066	1,480	163,787	1,015
Total Return Swaps					326,929	342		
Credit Default Swaps			34,000	2,763			10,000	591
Investments of Consolidated Blackstone Funds								
Foreign Currency Contracts	324,312	24,919	163,567	12,197	396,569	30,830	239,037	10,018
Interest Rate Contracts	25,684	2,857			62,193	3,726		
Credit Default Swaps			113,119	7,912				
Total	$ 2,269,567	$ 33,456	$ 1,931,548	$ 25,154	$ 2,946,033	$ 44,899	$ 1,495,964	$ 14,300

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

	Three Months Ended March 31,	
	2014	2013
Freestanding Derivatives		
Realized Gains (Losses)		
Interest Rate Contracts	$ (833)	$ (526)
Foreign Currency Contracts	1,439	(1,236)
Credit Default Swaps	286	8
Total	$ 892	$ (1,754)
Net Change in Unrealized Gains (Losses)		
Interest Rate Contracts	$ (2,542)	$ (6,686)
Foreign Currency Contracts	(8,117)	7,379
Credit Default Swaps	1,813	(23)
Total	$ (8,846)	$ 670

As of March 31, 2014 and December 31, 2013, the Partnership had not designated any derivatives as cash flow hedges or hedges of net investments in foreign operations.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

7. FAIR VALUE OPTION

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

	March 31, 2014	December 31, 2013
Assets		
Loans and Receivables	$ 61,573	$ 137,788
Equity and Preferred Securities	92,463	88,568
Assets of Consolidated CLO Vehicles		
Corporate Loans	7,914,869	8,466,889
Corporate Bonds	143,333	161,382
Other	29,820	41,061
	$ 8,242,058	$ 8,895,688
Liabilities		
Liabilities of Consolidated CLO Vehicles		
Senior Secured Notes	$ 7,795,523	$ 8,302,572
Subordinated Notes	619,188	610,435
	$ 8,414,711	$ 8,913,007

The following table presents the realized and net change in unrealized gains (losses) on financial instruments on which the fair value option was elected:

	Three Months Ended March 31,			
	2014		2013	
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	$	$	$ 43	$ (50)
Equity and Preferred Securities	(584)	5,118	(793)	3,150
Assets of Consolidated CLO Vehicles				
Corporate Loans	(38,242)	15,059	39,575	79,146
Corporate Bonds	1,098	252	2,882	(3,788)
Other	14,997	(3,118)	889	1,609
	$ (22,731)	$ 17,311	$ 42,596	$ 80,067
Liabilities				
Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes	$ (2,538)	$ (55,874)	$	$ (227,911)

Subordinated Notes		36,955		36,742
	$ (2,538)	$ (18,919)	$	$ (191,169)

27

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

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

	March 31, 2014				
		For Financial Assets Past Due (a)		For Financial Assets with Non-Accrual Status	
	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal
Loans and Receivables	$ (1,322)	$	$	$	$ (1,703)
Assets of Consolidated CLO Vehicles					
Corporate Loans	(198,893)	25,269	(69,176)		
Corporate Bonds	(325)				
	$ (200,540)	$ 25,269	$ (69,176)	$	$ (1,703)

	December 31, 2013				
		For Financial Assets Past Due (a)		For Financial Assets with Non-Accrual Status	
	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal	Fair Value	Excess (Deficiency) of Fair Value Over Principal
Loans and Receivables	$ (533)	$	$	$	$
Assets of Consolidated CLO Vehicles					
Corporate Loans	(281,254)	57,837	(176,379)		
Corporate Bonds	(1,789)				
	$ (283,576)	$ 57,837	$ (176,379)	$	$

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

As of December 31, 2013, no Loans and Receivables for which the fair value option was elected were past due or in non-accrual status. As of March 31, 2014 and December 31, 2013, no Corporate Bonds included within the Assets of Consolidated CLO Vehicles for which the fair value option was elected were past due or in non-accrual status.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

8. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

	March 31, 2014			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)				
Investment Funds	$	$	$ 970,477	$ 970,477
Equity Securities	74,543	106,643	207,217	388,403
Partnership and LLC Interests		163,401	1,283,903	1,447,304
Debt Instruments	2,708	1,442,482	154,380	1,599,570
Assets of Consolidated CLO Vehicles				
Corporate Loans		7,147,823	767,046	7,914,869
Corporate Bonds		143,333		143,333
Freestanding Derivatives Foreign Currency Contracts		24,919		24,919
Freestanding Derivatives Interest Rate Contracts		2,857		2,857
Other	21		29,799	29,820
Total Investments of Consolidated Blackstone Funds	77,272	9,031,458	3,412,822	12,521,552
Blackstone s Treasury Cash Management Strategies	90,586	857,359	48,861	996,806
Money Market Funds	196,428			196,428
Freestanding Derivatives				
Interest Rate Contracts	4,049	785		4,834
Foreign Currency Contracts		846		846
Loans and Receivables			61,573	61,573
Other Investments	20,873	7,319	88,050	116,242
	$ 389,208	$ 9,897,767	$ 3,611,306	$ 13,898,281
Liabilities				
Liabilities of Consolidated Blackstone Funds (a)				
Freestanding Derivatives Credit Default Swaps	$	$ 7,912	$	$ 7,912
Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes			7,795,523	7,795,523
Subordinated Notes			619,188	619,188
Freestanding Derivatives Foreign Currency Contracts		12,197		12,197
Total Liabilities of Consolidated Blackstone Funds		20,109	8,414,711	8,434,820
Freestanding Derivatives				
Interest Rate Contracts	1,502	43		1,545
Foreign Currency Contracts		737		737
Credit Default Swaps		2,763		2,763
Securities Sold, Not Yet Purchased		296,434		296,434
	$ 1,502	$ 320,086	$ 8,414,711	$ 8,736,299

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

	December 31, 2013			
	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Blackstone Funds (a)				
Investment Funds	$	$	$ 897,843	$ 897,843
Equity Securities	51,147	130,816	193,699	375,662
Partnership and LLC Interests		88,555	1,254,903	1,343,458
Debt Instruments		1,154,902	45,495	1,200,397
Assets of Consolidated CLO Vehicles				
Corporate Loans		7,537,661	929,228	8,466,889
Corporate Bonds		161,382		161,382
Freestanding Derivatives Foreign Currency Contracts		30,830		30,830
Freestanding Derivatives Interest Rate Contracts		3,726		3,726
Other	3,477		37,584	41,061
Total Investments of Consolidated Blackstone Funds	54,624	9,107,872	3,358,752	12,521,248
Blackstone s Treasury Cash Management Strategies	19,629	1,041,039	44,132	1,104,800
Money Market Funds	173,781			173,781
Freestanding Derivatives				
Interest Rate Contracts	7,423	1,098		8,521
Foreign Currency Contracts		1,480		1,480
Total Return Swaps		342		342
Loans and Receivables			137,788	137,788
Other Investments	87,068	17,270	14,466	118,804
	$ 342,525	$ 10,169,101	$ 3,555,138	$ 14,066,764
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes	$	$	$ 8,302,572	$ 8,302,572
Subordinated Notes			610,435	610,435
Freestanding Derivatives Foreign Currency Contracts		10,018		10,018
Freestanding Derivatives				
Interest Rate Contracts	2,484	192		2,676
Foreign Currency Contracts		1,015		1,015
Credit Default Swaps		591		591
Securities Sold, Not Yet Purchased		76,195		76,195
	$ 2,484	$ 88,011	$ 8,913,007	$ 9,003,502

(a) Pursuant to GAAP consolidation guidance, the Partnership is required to consolidate all VIEs in which it has been identified as the primary beneficiary, including certain CLO vehicles, and other funds in which a consolidated entity of the Partnership, as the general partner of the fund, is presumed to have control. While the Partnership is required to consolidate certain funds, including CLO vehicles, for GAAP purposes, the Partnership has no ability to utilize the assets of these funds and there is no recourse to the Partnership for their liabilities since these are client assets and liabilities.

30

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

The following table summarizes the fair value transfers between Level I and Level II for positions that existed as of March 31, 2014 and 2013, respectively:

	Three Months Ended March 31, 2014	2013
Transfers from Level I into Level II (a)	$	$ 75,134
Transfers from Level II into Level I (b)	$ 18,029	$

(a) Transfers out of Level I represent those financial instruments for which restrictions exist and adjustments were made to an otherwise observable price to reflect fair value at the reporting date.

(b) Transfers into Level I represent those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

The following table summarizes the quantitative inputs and assumptions used for items categorized in Level III of the fair value hierarchy as of March 31, 2014:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Financial Assets					
Investments of Consolidated Blackstone Funds					
Investment Funds	$ 970,477	NAV as Fair Value	N/A	N/A	N/A
Equity Securities	119,884	Discounted Cash Flows	Discount Rate	8.4% - 26.1%	12.4%
			Revenue CAGR	-0.2% - 33.9%	6.5%
			Exit Multiple -EBITDA	5.0x - 14.0x	9.0x
			Exit Multiple - P/E	8.5x - 17.0x	9.8x
	80,370	Transaction Price	N/A	N/A	N/A
	248	Market Comparable Companies	EBITDA Multiple	6.5x - 7.8x	7.1x
	572	Third Party Pricing	N/A	N/A	N/A
	6,143	Other	N/A	N/A	N/A
Partnership and LLC Interests	591,893	Discounted Cash Flows	Discount Rate	4.0% - 20.0%	9.0%
			Revenue CAGR	-0.8% - 34.3%	6.3%
			Exit Multiple - EBITDA	0.1x - 23.3x	9.4x
			Exit Capitalization Rate	4.3% - 10.5%	7.0%
	677,538	Transaction Price	N/A	N/A	N/A
	9,335	Third Party Pricing	N/A	N/A	N/A
	5,137	Other	N/A	N/A	N/A
Debt Instruments	12,220	Discounted Cash Flows	Discount Rate	9.8% - 21.0%	19.2%
			Revenue CAGR	0.1% - 8.0%	4.5%
			Exit Multiple - EBITDA	4.0x - 11.1x	10.4x
			Exit Capitalization Rate	6.4% - 8.4%	6.5%
			Default Rate	2.0%	N/A
			Recovery Rate	70.0%	N/A
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	141,425	Third Party Pricing	N/A	N/A	N/A
	537	Transaction Price	N/A	N/A	N/A
	198	Market Comparable Companies	EBITDA Multiple	5.9x - 8.0x	5.9x
Assets of Consolidated CLO Vehicles	491,051	Third Party Pricing	N/A	N/A	N/A
	252,990	Market Comparable Companies	EBITDA Multiple	3.5x - 15.0x	7.1x
	46,724	Discounted Cash Flows	Discount Rate	7.0% - 8.5%	7.6%
	6,080	Transaction Price	N/A	N/A	N/A
Total Investments of Consolidated Blackstone Funds	3,412,822				

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Blackstone s Treasury Cash Management Strategies	$ 17,070	Discounted Cash Flows	Default Rate	2.0%	N/A
			Recovery Rate	70.0%	N/A
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
			Discount Rate	5.7% - 7.7%	6.2%
	21,124	Third Party Pricing	N/A	N/A	N/A
	623	Transaction Price	N/A	N/A	N/A
	10,044	NAV as Fair Value	N/A	N/A	N/A
Loans and Receivables	61,573	Discounted Cash Flows	Discount Rate	11.6% - 14.0%	12.7%
Other Investments	11,932	Transaction Price	N/A	N/A	N/A
	72,776	Discounted Cash Flows	Discount Rate	1.5% - 12.5%	3.3%
			Default Rate	2.0%	N/A
			Recovery Rate	70.0%	N/A
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	3,342	NAV as Fair Value	N/A	N/A	N/A
Total	$ 3,611,306				
Financial Liabilities					
Liabilities of Consolidated CLO Vehicles	$ 8,414,711	Discounted Cash Flows	Default Rate	2.0% - 3.0%	2.2%
			Recovery Rate	70.0%	N/A
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Discount Rate	0.4% - 24.2%	2.5%
			Reinvestment Rate	LIBOR + 400 bps	N/A

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

The following table summarizes the quantitative inputs and assumptions used for items categorized in Level III of the fair value hierarchy as of December 31, 2013:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Financial Assets					
Investments of Consolidated Blackstone Funds					
Investment Funds	$ 897,843	NAV as Fair Value	N/A	N/A	N/A
Equity Securities	112,117	Discounted Cash Flows	Discount Rate	9.2% - 26.3%	12.4%
			Revenue CAGR	0.9% - 46.2%	6.8%
			Exit Multiple - EBITDA	5.0x - 14.0x	8.9x
			Exit Multiple - P/E	8.5x - 17.0x	9.8x
	78,154	Transaction Price	N/A	N/A	N/A
	275	Market Comparable Companies	EBITDA Multiple	6.3x - 7.5x	6.9x
	50	Third Party Pricing	N/A	N/A	N/A
	3,103	Other	N/A	N/A	N/A
Partnership and LLC Interests	557,534	Discounted Cash Flows	Discount Rate	5.0% - 22.5%	9.0%
			Revenue CAGR	-0.7% - 17.7%	5.5%
			Exit Multiple - EBITDA	3.0x - 23.3x	9.4x
			Exit Capitalization Rate	4.3% - 10.5%	7.0%
	687,246	Transaction Price	N/A	N/A	N/A
	9,181	Third Party Pricing	N/A	N/A	N/A
	942	Other	N/A	N/A	N/A
Debt Instruments	11,814	Discounted Cash Flows	Discount Rate	10.7% - 21.0%	19.2%
			Revenue CAGR	4.8% - 5.5%	4.8%
			Exit Multiple - EBITDA	5.8x - 11.1x	10.8x
			Exit Capitalization Rate	6.4% - 7.5%	6.7%
			Default Rate	2.0%	N/A
			Recovery Rate	67.0%	N/A
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	31,675	Third Party Pricing	N/A	N/A	N/A
	1,772	Transaction Price	N/A	N/A	N/A
	234	Market Comparable Companies	EBITDA Multiple	6.2x - 8.0x	6.2x

Assets of Consolidated CLO Vehicles	615,414	Third Party Pricing	N/A	N/A	N/A
	293,382	Market Comparable Companies	EBITDA Multiple	3.5x - 11.3x	7.3x
	57,936	Discounted Cash Flows	Discount Rate	7.0% - 14.0%	7.8%
			Revenue CAGR	4.2%	N/A
			Exit Multiple - EBITDA	8.0x	N/A
	80	Transaction Price	N/A	N/A	N/A
Total Investments of Consolidated Blackstone Funds	3,358,752				

34

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Blackstone s Treasury Cash Management Strategies	$ 17,040	Discounted Cash Flows	Default Rate	2.0%	N/A
			Recovery Rate	30.0% - 70.0%	66.0%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
			Discount Rate	6.0% - 8.6%	6.6%
	16,993	Third Party Pricing	N/A	N/A	N/A
	10,099	NAV as Fair Value	N/A	N/A	N/A
Loans and Receivables	137,788	Discounted Cash Flows	Discount Rate	11.0% - 14.8%	12.6%
Other Investments	7,927	Transaction Price	N/A	N/A	N/A
	3,725	NAV as Fair Value	N/A	N/A	N/A
	2,814	Discounted Cash Flows	Discount Rate	12.5%	N/A
Total	$ 3,555,138				
Financial Liabilities					
Liabilities of Consolidated CLO Vehicles	$ 8,913,007	Discounted Cash Flows	Default Rate	2.0% - 3.0%	2.1%
			Recovery Rate	30.0% - 70.0%	66.0%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	5.0% - 20.0%	18.0%
			Discount Rate	0.4% - 24.2%	2.6%
			Reinvestment Rate	LIBOR + 400 bps	N/A

N/A	Not applicable.
CAGR	Compound annual growth rate.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
Exit Multiple	Ranges include the last twelve months EBITDA, forward EBITDA and price/earnings exit multiples.
(a)	Unobservable inputs were weighted based on the fair value of the investments included in the range.

The significant unobservable inputs used in the fair value measurement of the assets, Blackstone s Treasury Cash Management Strategies, debt instruments and obligations of consolidated CLO vehicles are discount rates, default rates, recovery rates, recovery lag, pre-payment rates and reinvestment rates. Increases (decreases) in any of the discount rates, default rates, recovery lag and pre-payment rates in isolation would result in a lower (higher) fair value measurement. Increases (decreases) in any of the recovery rates and reinvestment rates in isolation would result in a higher (lower) fair value measurement. Generally, a change in the assumption used for default rates may be accompanied by a directionally similar change in the assumption used for recovery lag and a directionally opposite change in the assumption used for recovery rates and pre-payment rates.

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

Since December 31, 2013, there have been no changes in valuation techniques within Level II and Level III that have had a material impact on the valuation of financial instruments.

35

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

The following tables summarize the changes in financial assets and liabilities measured at fair value for which the Partnership has used Level III inputs to determine fair value and does not include gains or losses that were reported in Level III in prior years or for instruments that were transferred out of Level III prior to the end of the respective reporting period. Total realized and unrealized gains and losses recorded for Level III investments are reported in Investment Income and Net Gains from Fund Investment Activities in the Condensed Consolidated Statements of Operations.

	Level III Financial Assets at Fair Value Three Months Ended March 31,							
	2014				2013			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments (c)	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments (c)	Total
Balance, Beginning of Period	$ 3,358,752	$ 137,788	$ 58,598	$ 3,555,138	$ 3,017,699	$ 30,663	$ 28,104	$ 3,076,466
Transfer In Due to Consolidation and Acquisition (a)	276,806			276,806				
Transfer In (Out) Due to Deconsolidation	(83,867)			(83,867)	(98,559)		11,960	(86,599)
Transfer In to Level III (b)	195,607		3,679	199,286	207,476			207,476
Transfer Out of Level III (b)	(244,308)		(1,009)	(245,317)	(322,764)			(322,764)
Purchases	159,613	81,241	77,637	318,491	172,968	2,873	62,774	238,615
Sales	(290,782)	(156,719)	(4,067)	(451,568)	(129,725)	(29,462)	(39,462)	(198,649)
Settlements		(1,170)	(155)	(1,325)		(332)	(1,559)	(1,891)
Realized Gains, Net	17,015		102	17,117	8,042	43	849	8,934
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at the Reporting Date	23,986	433	2,126	26,545	82,160	82	383	82,625
Balance, End of Period	$ 3,412,822	$ 61,573	$ 136,911	$ 3,611,306	$ 2,937,297	$ 3,867	$ 63,049	$ 3,004,213

	Level III Financial Liabilities at Fair Value Three Months Ended March 31,					
	2014			2013		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	$ 8,302,572	$ 610,435	$ 8,913,007	$ 10,695,136	$ 846,471	$ 11,541,607
Transfer In Due to Consolidation and Acquisition (a)	472,019	86,182	558,201			
Transfer Out Due to Deconsolidation	(639,091)	(39,798)	(678,889)	(757,450)	(83,296)	(840,746)
Issuances				1,063	781	1,844

Settlements	(388,987)	(110)	(389,097)	(404,392)	(349)	(404,741)
Realized Losses, Net	2,538		2,538			
Changes in Unrealized (Gains) Losses Included in Earnings Related to Liabilities Still Held at the Reporting Date	46,472	(37,521)	8,951	100,390	(43,055)	57,335
Balance, End of Period	$ 7,795,523	$ 619,188	$ 8,414,711	$ 9,634,747	$ 720,552	$ 10,355,299

36

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

(a) Represents the transfer into Level III of financial assets and liabilities as a result of the consolidation of certain fund entities.
(b) Transfers in and out of Level III financial assets and liabilities were due to changes in the observability of inputs used in the valuation of such assets and liabilities.
(c) Represents Blackstone s Treasury Cash Management Strategies and Other Investments.

9. VARIABLE INTEREST ENTITIES

Pursuant to GAAP consolidation guidance, the Partnership consolidates certain VIEs in which it is determined that the Partnership is the primary beneficiary either directly or indirectly, through a consolidated entity or affiliate. VIEs include certain private equity, real estate, credit-focused or funds of hedge funds entities and CLO vehicles. The purpose of such VIEs is to provide strategy specific investment opportunities for investors in exchange for management and performance based fees. The investment strategies of the Blackstone Funds differ by product; however, the fundamental risks of the Blackstone Funds have similar characteristics, including loss of invested capital and loss of management fees and performance based fees. In Blackstone s role as general partner, collateral manager or investment adviser, it generally considers itself the sponsor of the applicable Blackstone Fund. The Partnership does not provide performance guarantees and has no other financial obligation to provide funding to consolidated VIEs other than its own capital commitments.

The assets of consolidated variable interest entities may only be used to settle obligations of these consolidated Blackstone Funds. In addition, there is no recourse to the Partnership for the consolidated VIEs liabilities including the liabilities of the consolidated CLO vehicles.

The Partnership holds variable interests in certain VIEs which are not consolidated as it is determined that the Partnership is not the primary beneficiary. The Partnership s involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by Blackstone relating to non-consolidated entities, any amounts due to non-consolidated entities and any clawback obligation relating to previously distributed Carried Interest. The assets and liabilities recognized in the Partnership s Condensed Consolidated Statements of Financial Condition related to the Partnership s interest in these non-consolidated VIEs and the Partnership s maximum exposure to loss relating to non-consolidated VIEs were as follows:

	March 31, 2014	December 31, 2013
Investments	$ 901,243	$ 758,304
Accounts Receivable	78,013	166,908
Due from Affiliates	35,483	86,246
Total VIE Assets	1,014,739	1,011,458
Due to Affiliates	172	397
Accounts Payable, Accrued Expenses and Other Liabilities		2
Potential Clawback Obligation	63,392	63,290
Maximum Exposure to Loss	$ 1,078,303	$ 1,075,147

10. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

At March 31, 2014, the Partnership received securities, primarily U.S. and non-U.S. government and agency securities, asset-backed securities and corporate debt, with a fair value of $162.5 million and cash as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

$162.5 million were used to cover Securities Sold, Not Yet Purchased. The Partnership also pledged securities with a carrying value of $239.2 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

At December 31, 2013, the Partnership received securities, primarily U.S. and non-U.S. government and agency securities, asset-backed securities and corporate debt, with a fair value of $148.4 million and cash as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of $148.4 million were used to cover Securities Sold, Not Yet Purchased and Repurchase Agreements. The Partnership also pledged securities with a carrying value of $316.6 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

11. OFFSETTING OF ASSETS AND LIABILITIES

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

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Received	Net Amount
Assets				
Freestanding Derivatives	$ 5,680	$ 1,983	$ 478	$ 3,219
Reverse Repurchase Agreements	162,708	162,513		195
Total	$ 168,388	$ 164,496	$ 478	$ 3,414

	Gross and Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Pledged	Net Amount
Liabilities				
Freestanding Derivatives	$ 12,957	$ 1,983	$ 10,739	$ 235
Repurchase Agreements	216,861	216,252	609	
Total	$ 229,818	$ 218,235	$ 11,348	$ 235

The following tables present the offsetting of assets and liabilities as of December 31, 2013:

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Received	Net Amount
Assets				
Freestanding Derivatives	$ 10,343	$ 3,025	$ 582	$ 6,736
Reverse Repurchase Agreements	148,984	148,394		590
Total	$ 159,327	$ 151,419	$ 582	$ 7,326

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

	Gross and Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Pledged	Net Amount
Liabilities				
Freestanding Derivatives	$ 4,282	$ 3,025	$ 1,257	$
Repurchase Agreements	316,352	316,352		
Total	$ 320,634	$ 319,377	$ 1,257	$

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

	March 31, 2014	December 31, 2013
Furniture, Equipment and Leasehold Improvements, Net	$ 131,715	$ 137,088
Prepaid Expenses	145,098	61,226
Other Assets	65,882	75,815
Freestanding Derivatives	5,680	10,343
	$ 348,375	$ 284,472

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

12. BORROWINGS

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

	March 31, 2014		December 31, 2013	
	Carrying Value	Fair Value (a)	Carrying Value	Fair Value (a)
Blackstone Issued 6.625%, $600 Million Par, Notes Due 8/15/2019 (b)	$ 630,914	$ 686,673	$ 632,823	$ 684,860
Blackstone Issued 5.875%, $400 Million Par, Notes Due 3/15/2021	$ 398,584	$ 457,240	$ 398,543	$ 447,120
Blackstone Issued 4.750%, $400 Million Par, Notes Due 2/15/2023	$ 393,350	$ 425,760	$ 393,202	$ 415,760
Blackstone Issued 6.250%, $250 Million Par, Notes Due 8/15/2042	$ 239,768	$ 300,475	$ 239,738	$ 278,550

(a) Fair value is determined by broker quote and these notes would be classified as Level II within the fair value hierarchy.
(b) The carrying and fair values are determined using the original $600 million par amount less $15 million attributable to these notes which were acquired but not retired by Blackstone during 2012.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

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

	March 31, 2014			December 31, 2013		
	Borrowing Outstanding	Weighted-Average Interest Rate	Weighted-Average Remaining Maturity in Years	Borrowing Outstanding	Weighted-Average Interest Rate	Weighted-Average Remaining Maturity in Years
Senior Secured Notes	$ 8,104,418	1.05%	3.9	$ 8,605,553	1.09%	4.1
Subordinated Notes	1,159,366	(a)	N/A	1,221,068	(a)	N/A
	$ 9,263,784			$ 9,826,621		

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

Senior Secured Notes and Subordinated Notes comprise the following amounts:

	March 31, 2014			December 31, 2013		
		Amounts Due to Non-Consolidated Affiliates			Amounts Due to Non-Consolidated Affiliates	
	Fair Value	Borrowing Outstanding	Fair Value	Fair Value	Borrowing Outstanding	Fair Value
Senior Secured Notes	$ 7,795,523	$ 14,500	$ 13,730	$ 8,302,572	$ 14,500	$ 13,732
Subordinated Notes	$ 619,188	$ 183,742	$ 85,086	$ 610,435	$ 224,444	$ 110,197

The Loans Payable of the consolidated CLO vehicles are collateralized by assets held by each respective CLO vehicle and assets of one vehicle may not be used to satisfy the liabilities of another. As of March 31, 2014 and December 31, 2013, the fair value of the consolidated CLO assets was $9.3 billion and $9.5 billion, respectively. This collateral consisted of Cash, Corporate Loans, Corporate Bonds and other securities.

Scheduled principal payments for borrowings as of March 31, 2014 were as follows:

	Operating Borrowings	Blackstone Fund Facilities/CLO Vehicles	Total Borrowings
2014	$	$ 3,762	$ 3,762
2015		5,030	5,030
2016		350,000	350,000
2017		240,000	240,000

After 2018	1,635,000	8,673,784	10,308,784
Total	$ 1,635,000	$ 9,272,576	$ 10,907,576

13. INCOME TAXES

Blackstone s effective tax rate was 7.6% and 10.7% for the three months ended March 31, 2014 and 2013, respectively. Blackstone s income tax provision was $54.1 million and $51.0 million for the three months ended March 31, 2014 and 2013, respectively.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Blackstone s effective tax rate for the three months ended March 31, 2014 and 2013 was substantially due to the following: (a) certain corporate subsidiaries are subject to federal, state, local and foreign income taxes as applicable and other subsidiaries are subject to New York City unincorporated business taxes, and (b) a portion of compensation charges are not deductible for tax purposes.

14. NET INCOME PER COMMON UNIT

Basic and diluted net income per common unit for the three months ended March 31, 2014 and March 31, 2013 was calculated as follows:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Net Income Attributable to The Blackstone Group L.P.	$ 265,617	$ 167,635
Basic Net Income Per Common Unit		
Weighted-Average Common Units Outstanding	601,527,299	582,322,183
Basic Net Income Per Common Unit	$ 0.44	$ 0.29
Diluted Net Income Per Common Unit		
Weighted-Average Common Units Outstanding	601,527,299	582,322,183
Weighted-Average Unvested Deferred Restricted Common Units	4,141,865	3,377,716
Weighted-Average Diluted Common Units Outstanding	605,669,164	585,699,899
Diluted Net Income Per Common Unit	$ 0.44	$ 0.29

The following table summarizes the anti-dilutive securities for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Weighted-Average Blackstone Holdings Partnership Units	549,327,240	557,463,170

Unit Repurchase Program

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

During the three months ended March 31, 2014, no units were repurchased. As of March 31, 2014, the amount remaining available for repurchases under this program was $335.8 million.

During the three months ended March 31, 2013, no units were repurchased.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

15. EQUITY-BASED COMPENSATION

The Partnership has granted equity-based compensation awards to Blackstone s senior managing directors, non-partner professionals, non-professionals and selected external advisers under the Partnership s 2007 Equity Incentive Plan (the Equity Plan), the majority of which to date were granted in connection with Blackstone s initial public offering (IPO). The Equity Plan allows for the granting of options, unit appreciation rights or other unit-based awards (units, restricted units, restricted common units, deferred restricted common units, phantom restricted common units or other unit-based awards based in whole or in part on the fair value of the Blackstone common units or Blackstone Holdings Partnership Units) which may contain certain service or performance requirements. As of January 1, 2014, the Partnership had the ability to grant 164,224,426 units under the Equity Plan.

For the three months ended March 31, 2014 and March 31, 2013, the Partnership recorded compensation expense of $194.6 million and $195.3 million, respectively, in relation to its equity-based awards with corresponding tax benefits of $7.2 million and $5.5 million, respectively. As of March 31, 2014, there was $1.1 billion of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 1.7 years.

Total vested and unvested outstanding units, including Blackstone common units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,154,116,384 as of March 31, 2014. Total outstanding unvested phantom units were 146,294 as of March 31, 2014.

A summary of the status of the Partnership s unvested equity-based awards as of March 31, 2014 and of changes during the period January 1, 2014 through March 31, 2014 is presented below:

	Blackstone Holdings		The Blackstone Group L.P.			
			Equity Settled Awards		Cash Settled Awards	
Unvested Units	Partnership Units	Weighted-Average Grant Date Fair Value	Deferred Restricted Common Units and Options	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, December 31, 2013	48,057,816	$ 26.64	20,004,139	$ 15.57	147,169	$ 12.00
Granted	555,917	31.48	760,880	26.72	461	28.05
Vested	(1,644,757)	19.23	(1,539,627)	14.50	(766)	33.46
Forfeited	(65,425)	23.63	(198,821)	13.18	(570)	33.41
Balance, March 31, 2014	46,903,551	$ 26.96	19,026,571	$ 16.13	146,294	$ 11.95

Units Expected to Vest

The following unvested units, after expected forfeitures, as of March 31, 2014, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	43,437,445	1.7
Deferred Restricted Blackstone Common Units	16,159,235	2.3

Total Equity-Based Awards	59,596,680	1.8
Phantom Units	147,319	0.03

42

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Equity-Based Awards with Performance Conditions

The Partnership has also granted certain equity-based awards with performance requirements. These awards are based on the performance of certain businesses over a three to five year period beginning January 2012, relative to a predetermined threshold. Blackstone has determined that it is probable that the relevant performance thresholds will be exceeded in future periods and, therefore, has recorded compensation expense since the beginning of the performance period of $68.4 million.

16. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

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

	March 31, 2014	December 31, 2013
Due from Affiliates		
Accrual for Potential Clawback of Previously Distributed Carried Interest	$ 1,417	$ 1,561
Primarily Interest Bearing Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees for Investments in Blackstone Funds	198,044	151,493
Amounts Due from Portfolio Companies and Funds	236,638	307,926
Investments Redeemed in Non-Consolidated Funds of Hedge Funds	44,479	259,787
Management and Performance Fees Due from Non-Consolidated Funds	308,508	325,389
Payments Made on Behalf of Non-Consolidated Entities	151,853	133,790
Advances Made to Certain Non-Controlling Interest Holders and Blackstone Employees	15,510	12,098
	$ 956,449	$ 1,192,044

	March 31, 2014	December 31, 2013
Due to Affiliates		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreements	$ 1,188,917	$ 1,235,168
Accrual for Potential Repayment of Previously Received Performance Fees	4,130	4,270
Due to Note Holders of Consolidated CLO Vehicles	98,815	123,929
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	16,603	11,293
Payable to Affiliates for Consolidated Funds	24,905	29,803
Distributions Received on Behalf of Blackstone Entities	20,942	22,815
Payments Made by Non-Consolidated Entities	11,740	9,581
	$ 1,366,052	$ 1,436,859

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

The founder, senior managing directors, employees and certain other related parties invest on a discretionary basis in the consolidated Blackstone Funds both directly and through consolidated entities. These investments generally are subject to preferential management fee and performance fee arrangements. As of March 31, 2014 and December 31, 2013, such investments aggregated $1.0 billion and $1.0 billion, respectively. Their share of the Net

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Income Attributable to Redeemable Non-Controlling and Non-Controlling Interests in Consolidated Entities aggregated $44.9 million and $50.5 million for the three months ended March 31, 2014 and 2013, respectively.

Revenues Earned from Affiliates

Management and Advisory Fees, Net earned from affiliates totaled $74.0 million and $39.4 million for the three months ended March 31, 2014 and 2013, respectively. Fees relate primarily to transaction and monitoring fees which are negotiated in the ordinary course of fundraising and investment activities.

Loans to Affiliates

Loans to affiliates consist of interest-bearing advances to certain Blackstone individuals to finance their investments in certain Blackstone Funds. These loans earn interest at Blackstone s cost of borrowing and such interest totaled $0.1 million and $1.0 million for the three months ended March 31, 2014 and 2013, respectively.

Contingent Repayment Guarantee

Blackstone and its personnel who have received Carried Interest distributions have guaranteed payment on a several basis (subject to a cap) to the Carry Funds of any clawback obligation with respect to the excess Carried Interest allocated to the general partners of such funds and indirectly received thereby to the extent that either Blackstone or its personnel fails to fulfill its clawback obligation, if any. The Accrual for Potential Repayment of Previously Received Performance Fees represents amounts previously paid to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Carry Funds were to be liquidated based on the fair value of their underlying investments as of March 31, 2014. See Note 17. Commitments and Contingencies Contingencies Contingent Obligations (Clawback) .

Aircraft and Other Services

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

In addition, on occasion, Mr. Schwarzman and his family have made use of an aircraft in which Blackstone owns a fractional interest, as well as other assets of Blackstone. Mr. Schwarzman is charged for his and his family s personal use of Blackstone assets based on market rates and usage. Personal use of Blackstone resources is also reimbursed to Blackstone at market rates.

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

Tax Receivable Agreements

Blackstone used a portion of the proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to purchase interests in the predecessor businesses from the predecessor owners. In addition,

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

holders of Blackstone Holdings Partnership Units may exchange their Blackstone Holdings Partnership Units for Blackstone common units on a one-for-one basis. The purchase and subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings and therefore reduce the amount of tax that Blackstone s wholly owned subsidiaries would otherwise be required to pay in the future.

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

Assuming no material changes in the relevant tax law and that the corporate taxpayers earn sufficient taxable income to realize the full tax benefit of the increased amortization of the assets, the expected future payments under the tax receivable agreements (which are taxable to the recipients) will aggregate $1.2 billion over the next 15 years. The after-tax net present value of these estimated payments totals $365.6 million assuming a 15% discount rate and using Blackstone s most recent projections relating to the estimated timing of the benefit to be received. Future payments under the tax receivable agreements in respect of subsequent exchanges would be in addition to these amounts. The payments under the tax receivable agreements are not conditioned upon continued ownership of Blackstone equity interests by the pre-IPO owners and the others mentioned above.

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

Other

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

17. COMMITMENTS AND CONTINGENCIES

Commitments

Investment Commitments

Blackstone had $1.4 billion of investment commitments as of March 31, 2014 representing general partner capital funding commitments to the Blackstone Funds, limited partner capital funding to other funds and Blackstone principal investment commitments. The consolidated Blackstone Funds had signed investment commitments of $36.1 million as of March 31, 2014 which includes $20.9 million of signed investment commitments for portfolio company acquisitions in the process of closing.

45

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Contingencies

Guarantees

Certain of Blackstone s consolidated real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. There is no direct recourse to the Partnership to fulfill such obligations. To the extent that underlying funds are required to fulfill guarantee obligations, the Partnership s invested capital in such funds is at risk. Total investments at risk in respect of guarantees extended by consolidated real estate funds was $5.4 million as of March 31, 2014.

On March 28, 2012, the Blackstone Holdings Partnerships entered into a guaranty agreement with a lending institution in which the Holdings Partnerships guarantee certain loans held by employees for investment in Blackstone Funds. The amount guaranteed as of March 31, 2014 was $57.9 million.

Litigation

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

Contingent Obligations (Clawback)

Carried Interest is subject to clawback to the extent that the Carried Interest received to date with respect to a fund exceeds the amount due to Blackstone based on cumulative results of that fund. The actual clawback liability, however, generally does not become realized until the end of a fund s life except for certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability. The lives of the carry funds with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at various points through 2016. Further extensions of such terms may be implemented under given circumstances.

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

The following table presents the clawback obligations by segment:

	March 31, 2014			December 31, 2013		
Segment	Blackstone Holdings	Current and Former Personnel	Total	Blackstone Holdings	Current and Former Personnel	Total
Private Equity	$	$	$	$ (5)	$ 151	$ 146
Real Estate	1,502	523	2,025	1,501	518	2,019
Credit	1,211	894	2,105	1,213	892	2,105
Total	$ 2,713	$ 1,417	$ 4,130	$ 2,709	$ 1,561	$ 4,270

A portion of the Carried Interest paid to current and former Blackstone personnel is held in segregated accounts in the event of a cash clawback obligation. These segregated accounts are not included in the Condensed Consolidated

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

Financial Statements of the Partnership, except to the extent a portion of the assets held in the segregated accounts may be allocated to a consolidated Blackstone fund of hedge funds. At March 31, 2014, $434.7 million was held in segregated accounts for the purpose of meeting any clawback obligations of current and former personnel if such payments are required.

18. SEGMENT REPORTING

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

Blackstone conducts its alternative asset management and financial advisory businesses through five segments:

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

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

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

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

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

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

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

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

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

The following table presents the financial data for Blackstone s five segments as of and for the three months ended March 31, 2014 and 2013:

	March 31, 2014 and the Three Months Then Ended					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	$ 98,584	$ 159,336	$ 113,384	$ 105,574	$	$ 476,878
Advisory Fees					69,963	69,963
Transaction and Other Fees, Net	42,847	13,564	93	3,344	62	59,910
Management Fee Offsets	(1,713)	(9,224)	(1,455)	(4,252)		(16,644)
Total Management and Advisory Fees, Net	139,718	163,676	112,022	104,666	70,025	590,107
Performance Fees						
Realized						
Carried Interest	119,805	194,658		19,160		333,623
Incentive Fees		(26)	39,845	14,018		53,837
Unrealized						
Carried Interest	167,065	140,237		22,986		330,288
Incentive Fees		2,737	18,085	40,444		61,266
Total Performance Fees	286,870	337,606	57,930	96,608		779,014
Investment Income (Loss)						
Realized	60,535	31,357	16,820	3,071	134	111,917
Unrealized	(9,033)	5,379	4,431	3,079	694	4,550
Total Investment Income	51,502	36,736	21,251	6,150	828	116,467
Interest and Dividend Revenue	5,228	6,110	2,661	5,861	2,502	22,362
Other	864	317	122	(259)	(175)	869
Total Revenues	484,182	544,445	193,986	213,026	73,180	1,508,819
Expenses						
Compensation and Benefits						
Compensation	73,307	80,233	40,571	50,752	61,682	306,545
Performance Fee Compensation						
Realized						
Carried Interest	85,771	51,833		11,794		149,398
Incentive Fees		(16)	13,271	10,380		23,635
Unrealized						
Carried Interest	(27,148)	56,985		10,853		40,690
Incentive Fees		1,382	6,761	15,388		23,531

Total Compensation and Benefits	131,930	190,417	60,603	99,167	61,682	543,799
Other Operating Expenses	33,006	33,107	19,480	32,839	21,342	139,774
Total Expenses	164,936	223,524	80,083	132,006	83,024	683,573
Economic Income (Loss)	$ 319,246	$ 320,921	$ 113,903	$ 81,020	$ (9,844)	$ 825,246
Segment Assets	$ 4,707,694	$ 7,449,271	$ 1,280,344	$ 2,337,262	$ 683,770	$ 16,458,341

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

	Three Months Ended March 31, 2013					
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Financial Advisory	Total Segments
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	$ 86,246	$ 138,346	$ 92,791	$ 91,364	$	$ 408,747
Advisory Fees					67,020	67,020
Transaction and Other Fees, Net	24,453	9,140	4	4,374	3	37,974
Management Fee Offsets	(480)	(7,286)	(324)	(1,572)		(9,662)
Total Management and Advisory Fees, Net	110,219	140,200	92,471	94,166	67,023	504,079
Performance Fees						
Realized						
Carried Interest	139,892	68,773		85,505		294,170
Incentive Fees		3,092	13,709	7,926		24,727
Unrealized						
Carried Interest	(83,954)	280,076		(18,775)		177,347
Incentive Fees		2,400	55,501	49,854		107,755
Total Performance Fees	55,938	354,341	69,210	124,510		603,999
Investment Income (Loss)						
Realized	24,162	9,534	852	3,328	234	38,110
Unrealized	31,711	60,303	3,913	1,093	(359)	96,661
Total Investment Income (Loss)	55,873	69,837	4,765	4,421	(125)	134,771
Interest and Dividend Revenue	2,984	4,298	1,216	4,547	1,616	14,661
Other	424	(133)	85	1,828	(61)	2,143
Total Revenues	225,438	568,543	167,747	229,472	68,453	1,259,653
Expenses						
Compensation and Benefits						
Compensation	60,203	69,459	33,868	45,521	57,926	266,977
Performance Fee Compensation						
Realized						
Carried Interest	16,246	25,863		47,328		89,437
Incentive Fees		1,724	5,022	3,762		10,508
Unrealized						
Carried Interest	16,619	89,057		(10,204)		95,472
Incentive Fees		1,034	19,836	23,608		44,478
Total Compensation and Benefits	93,068	187,137	58,726	110,015	57,926	506,872
Other Operating Expenses	29,168	28,462	15,159	20,962	20,693	114,444
Total Expenses	122,236	215,599	73,885	130,977	78,619	621,316

Economic Income (Loss)	$ 103,202	$ 352,944	$ 93,862	$ 98,495	$ (10,166)	$ 638,337

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

The following table reconciles the Total Segments to Blackstone s Income Before Provision for Taxes and Total Assets as of and for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	$ 1,508,819	$ 17,849(a)	$ 1,526,668	$ 1,259,653	$ (13,180)(a)	$ 1,246,473
Expenses	$ 683,573	$ 204,278(b)	$ 887,851	$ 621,316	$ 213,785(b)	$ 835,101
Other Income	$	$ 70,155(c)	$ 70,155	$	$ 67,210(c)	$ 67,210
Economic Income	$ 825,246	$ (116,274)(d)	$ 708,972	$ 638,337	$ (159,755)(d)	$ 478,582
Total Assets	$ 16,458,341	$ 13,570,204(e)	$ 30,028,545			

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

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

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

	Three Months Ended March 31, 2014	2013
Fund Management Fees and Performance Fees Eliminated in Consolidation and Transactional Investment Loss	$ (17,878)	$ 13,020
Fund Expenses Added in Consolidation	(746)	8,401
Non-Controlling Interests in Income of Consolidated Entities	89,753	52,864
Transaction-Related Other Loss	(974)	(7,075)
Total Consolidation Adjustments and Reconciling Items	$ 70,155	$ 67,210

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

	Three Months Ended March 31, 2014	2013
Economic Income	$ 825,246	$ 638,337
Adjustments		

Amortization of Intangibles	(29,003)	(25,657)
IPO and Acquisition-Related Charges	(177,024)	(186,962)
Non-Controlling Interests in Income of Consolidated Entities	89,753	52,864
Total Consolidation Adjustments and Reconciling Items	(116,274)	(159,755)
Income Before Provision for Taxes	$ 708,972	$ 478,582

(e) The Total Assets adjustment represents the addition of assets of the consolidated Blackstone Funds to the Blackstone unconsolidated assets to arrive at Blackstone consolidated assets.

Table of Contents

THE BLACKSTONE GROUP L.P.

Notes to Condensed Consolidated Financial Statements Continued

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

19. SUBSEQUENT EVENTS

On April 7, 2014, Blackstone Holdings Finance Co. L.L.C., an indirect subsidiary of the Partnership, issued $500 million in aggregate principal amount of 5.000% senior notes which will mature on June 15, 2044.

Table of Contents

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

Unaudited Consolidating Statements of Financial Condition

(Dollars in Thousands)

	March 31, 2014			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 787,521	$	$	$ 787,521
Cash Held by Blackstone Funds and Other	264,980	945,606		1,210,586
Investments	10,052,436	12,489,059	(635,645)	21,905,850
Accounts Receivable	390,615	718,233		1,108,848
Reverse Repurchase Agreements	162,708			162,708
Due from Affiliates	969,351	44,965	(57,867)	956,449
Intangible Assets, Net	534,490			534,490
Goodwill	1,787,392			1,787,392
Other Assets	282,522	65,853		348,375
Deferred Tax Assets	1,226,326			1,226,326
Total Assets	$ 16,458,341	$ 14,263,716	$ (693,512)	$ 30,028,545
Liabilities and Partners Capital				
Loans Payable	$ 1,662,615	$ 8,324,689	$	$ 9,987,304
Due to Affiliates	1,220,054	238,293	(92,295)	1,366,052
Accrued Compensation and Benefits	1,971,434			1,971,434
Securities Sold, Not Yet Purchased	148,227	148,207		296,434
Repurchase Agreements	177,621	39,240		216,861
Accounts Payable, Accrued Expenses and Other Liabilities	342,518	1,076,181		1,418,699
Total Liabilities	5,522,469	9,826,610	(92,295)	15,256,784
Redeemable Non-Controlling Interests in Consolidated Entities		2,176,354		2,176,354
Partners Capital				
Partners Capital	6,108,525	601,217	(601,217)	6,108,525
Appropriated Partners Capital		234,509		234,509
Accumulated Other Comprehensive Income	1,558	860		2,418
Non-Controlling Interests in Consolidated Entities	1,138,980	1,424,166		2,563,146
Non-Controlling Interests in Blackstone Holdings	3,686,809			3,686,809
Total Partners Capital	10,935,872	2,260,752	(601,217)	12,595,407
Total Liabilities and Partners Capital	$ 16,458,341	$ 14,263,716	$ (693,512)	$ 30,028,545

Table of Contents

THE BLACKSTONE GROUP L.P.

Unaudited Consolidating Statements of Financial Condition Continued

(Dollars in Thousands)

	December 31, 2013			
	Consolidated Operating Partnerships	Consolidated Blackstone Funds (a)	Reclasses and Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	$ 831,998	$	$	$ 831,998
Cash Held by Blackstone Funds and Other	251,554	794,328		1,045,882
Investments	9,739,140	12,493,961	(503,578)	21,729,523
Accounts Receivable	507,612	380,744		888,356
Reverse Repurchase Agreements	148,984			148,984
Due from Affiliates	1,138,002	108,131	(54,089)	1,192,044
Intangible Assets, Net	560,748			560,748
Goodwill	1,787,392			1,787,392
Other Assets	254,884	29,588		284,472
Deferred Tax Assets	1,209,207			1,209,207
Total Assets	$ 16,429,521	$ 13,806,752	$ (557,667)	$ 29,678,606
Liabilities and Partners Capital				
Loans Payable	$ 1,664,305	$ 8,802,199	$	$ 10,466,504
Due to Affiliates	1,261,562	249,702	(74,405)	1,436,859
Accrued Compensation and Benefits	2,132,939			2,132,939
Securities Sold, Not Yet Purchased	76,195			76,195
Repurchase Agreements	316,352			316,352
Accounts Payable, Accrued Expenses and Other Liabilities	299,813	572,273		872,086
Total Liabilities	5,751,166	9,624,174	(74,405)	15,300,935
Redeemable Non-Controlling Interests in Consolidated Entities		1,950,442		1,950,442
Partners Capital				
Partners Capital	6,002,592	495,229	(495,229)	6,002,592
Appropriated Partners Capital		300,708		300,708
Accumulated Other Comprehensive Income	1,230	2,236		3,466
Non-Controlling Interests in Consolidated Entities	1,018,117	1,433,963	11,967	2,464,047
Non-Controlling Interests in Blackstone Holdings	3,656,416			3,656,416
Total Partners Capital	10,678,355	2,232,136	(483,262)	12,427,229
Total Liabilities and Partners Capital	$ 16,429,521	$ 13,806,752	$ (557,667)	$ 29,678,606

(a) The Consolidated Blackstone Funds consisted of the following:
Blackstone Distressed Securities Fund L.P.

Blackstone Market Opportunities Fund L.P.

Blackstone Real Estate Partners VI.C ESH L.P.*

Blackstone Real Estate Special Situations Fund L.P.*

Blackstone Real Estate Special Situations Offshore Fund Ltd.*

Blackstone Strategic Alliance Fund II L.P.

Blackstone Strategic Alliance Fund L.P.

Blackstone Strategic Capital Holdings B L.P.*

53

Table of Contents

Blackstone Strategic Capital Holdings L.P.*

Blackstone Strategic Equity Fund L.P.

Blackstone Value Recovery Fund L.P.

Blackstone/GSO Secured Trust Ltd.

BREP Edens Investment Partners L.P.

BSSF I AIV L.P.*

BTD CP Holdings, LP

GSO Legacy Associates II LLC

GSO Legacy Associates LLC

Shanghai Blackstone Equity Investment Partnership L.P.

Private equity side-by-side investment vehicles

Real estate side-by-side investment vehicles

Mezzanine side-by-side investment vehicles

Collateralized loan obligation vehicles

* Consolidated as of March 31, 2014 only.

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

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

Our Business

Blackstone is one of the largest independent managers of private capital in the world. We also provide a wide range of financial advisory services, including financial advisory, restructuring and reorganization advisory and fund placement services.

Our business is organized into five business segments:

Private Equity. We are a world leader in private equity investing, having managed six general private equity funds, as well as two sector focused funds, since we established this business in 1987. We refer to these managed corporate private equity funds collectively as our Blackstone Capital Partners (BCP) funds. We also manage the Blackstone Tactical Opportunities Accounts (Tactical Opportunities), which are multi-asset class investment accounts, and Strategic Partners Fund Solutions (Strategic Partners), a secondary private fund of funds business acquired on August 5, 2013. Through our private equity funds we pursue transactions throughout the world, including leveraged buyout acquisitions of seasoned companies, transactions involving growth equity or start-up businesses in established industries, minority investments, corporate partnerships, distressed debt, structured securities and industry consolidations, in all cases in strictly friendly transactions.

Real Estate. We are a world leader in real estate investing since launching our first real estate fund in 1994. We have managed or continue to manage a number of global, European and Asian focused opportunistic real estate funds, several real estate debt investment funds, core plus real estate investments and a publicly traded real estate investment trust (REIT) (BXMT). Our real estate opportunity funds are diversified geographically and have made significant investments in lodging, major urban office buildings, shopping centers, residential and a variety of real estate operating companies. Our debt investment funds target high yield real estate debt related investment opportunities in the public and private markets, primarily in the United States and Europe. We refer to our real estate opportunistic funds as our Blackstone Real Estate Partners (BREP) funds and our real estate debt investment funds as our Blackstone Real Estate Debt Strategies (BREDS) funds.

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

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

Financial Advisory. Our Financial Advisory segment serves a diverse and global group of clients with financial and strategic advisory services, restructuring and reorganization advisory services, capital markets services and fund placement services for alternative investment funds.

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

Business Environment

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

World equity and debt markets were mixed in the first quarter following sharp increases in 2013. In equities, volatility rose due primarily to rising geopolitical tensions and softening economic data in certain regions of the world. The MSCI All Country Index rose 1.2% for the quarter, with sharp declines in January offset by gains later in the quarter. Performance was varied across regions. Emerging markets and Asia generally underperformed, while Europe was mixed.

In the U.S., the S&P 500 Index rose 1.3% during the quarter, despite a weak January performance, reaching then-record high levels late in the quarter. Unemployment and other economic metrics continued to generally improve, although markets were briefly impacted by concerns of an earlier-than-expected increase in interest rates by the Federal Reserve, which quickly abated. Equity capital markets remained open in the quarter, supportive of initial public offerings and secondary offerings, despite heightened volatility.

Credit indices rose in the quarter with the high yield index up 3.1% and the leveraged loan index up 1.3%. Benchmark rates declined in the quarter, with the U.S. 10-year Treasury down 30 basis points to 2.7%, and high yield spreads moderately tightened.

Real estate operating fundamentals continue to improve, driven by a lack of new supply and growth in demand. In the U.S., overall vacancy levels have declined 60 basis points to 14.8% and 20 basis points to 10.4% within the office and retail sectors, respectively compared to the first quarter of 2013. In the U.S. hospitality sector, new construction remains significantly below historical levels and supply/demand fundamentals continue to support RevPAR (Revenue per Available Room) growth of 6.8% for the quarter. On a national level, home prices have increased 12.9% over the past twelve months through February 2014.

Table of Contents

Significant Transaction

On April 7, 2014, Blackstone issued $500 million in aggregate principal amount of 5.000% senior notes, which will mature on June 15, 2044.

Organizational Structure

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

Key Financial Measures and Indicators

We manage our business using traditional financial measures and key operating metrics since we believe these metrics measure the productivity of our investment activities. Our key financial measures and indicators are discussed below.

Revenues

Revenues primarily consist of management and advisory fees, performance fees, investment income, interest and dividend revenue and other. Please refer to Part I. Item 1. Business Incentive Arrangements / Fee Structure and Part I. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Revenue Recognition in our 2013 Annual Report on Form 10-K for additional information regarding the manner in which Base Management Fees and Performance Fees are generated.

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

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

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

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

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

Accrued but unpaid Management and Advisory Fees, net of management fee reductions and management fee offsets, as of the reporting date, are included in Accounts Receivable or Due from Affiliates in the Condensed Consolidated Statements of Financial Condition. Management fees paid by limited partners to the Blackstone Funds and passed on to Blackstone are not considered affiliate revenues.

Performance Fees Performance Fees earned on the performance of Blackstone s hedge fund structures (Incentive Fees) are recognized based on fund performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each hedge fund s governing agreements. Accrued but unpaid Incentive Fees charged directly to investors in Blackstone s offshore hedge funds as of the reporting date are recorded within Due from Affiliates in the Condensed Consolidated Statements of Financial Condition. Accrued but unpaid Incentive Fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition. Incentive Fees are realized at the end of a measurement period, typically annually. Once realized, such fees are not subject to clawback or reversal.

In certain fund structures, specifically in private equity, real estate and certain Hedge Fund Solutions and credit-focused funds (Carry Funds), performance fees (Carried Interest) are allocated to the general partner based on cumulative fund performance to date, subject to a preferred return to limited partners. At the end of each reporting period, the Partnership calculates the Carried Interest that would be due to the Partnership for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as Carried Interest to reflect either (a) positive performance resulting in an increase in the Carried Interest allocated to the general partner or (b) negative performance that would cause the amount due to the Partnership to be less than the amount previously recognized as revenue, resulting in a negative adjustment to Carried Interest allocated to the general partner. In each scenario, it is necessary to calculate the Carried Interest on cumulative results compared to the Carried Interest recorded to date and make the required positive or negative adjustments. The Partnership ceases to record negative Carried Interest allocations once previously recognized Carried Interest allocations for such fund have been fully reversed. The Partnership is not obligated to pay guaranteed returns or hurdles, and therefore, cannot have negative Carried Interest over the life of a fund. Accrued but unpaid Carried Interest as of the reporting date is reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

Carried Interest is realized when an underlying investment is profitably disposed of and the fund s cumulative returns are in excess of the preferred return or, in limited instances, after certain thresholds for return of capital are met. Carried Interest is subject to clawback to the extent that the Carried Interest received to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received Carried Interest, which is a component of Due to Affiliates, represents all amounts previously distributed to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Blackstone Carry Funds were to be liquidated based on the current fair value of the underlying funds investments as of the reporting date. The actual clawback liability, however, generally does not become realized until the end of a fund s life except for certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability.

Investment Income (Loss) Investment Income (Loss) represents the unrealized and realized gains and losses on the Partnership s principal investments, including its investments in Blackstone Funds that are not consolidated, its equity method investments and other principal investments. Investment Income (Loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives cash income, such as dividends or distributions. Unrealized Investment Income (Loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

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

Other Revenue Other Revenue consists of miscellaneous income and foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars.

Expenses

Compensation and Benefits Compensation Compensation and Benefits consists of (a) employee compensation, comprising salary and bonus, and benefits paid and payable to employees and senior managing directors and (b) equity-based compensation associated with the grants of equity-based awards to employees and senior managing directors. Compensation cost relating to the issuance of equity-based awards to senior managing directors and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight-line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

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

Other Operating Expenses Other Operating Expenses represents general and administrative expenses including interest expense, occupancy and equipment expenses and other expenses, which consist principally of professional fees, public company costs, travel and related expenses, communications and information services and depreciation and amortization.

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

Non-Controlling Interests in Consolidated Entities

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

Redeemable Non-Controlling Interests in Consolidated Entities

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

Non-Controlling Interests in Blackstone Holdings

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

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

Income Taxes

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

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

Table of Contents

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

Blackstone analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. Blackstone records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. Blackstone recognizes accrued interest and penalties related to uncertain tax positions in General, Administrative and Other expenses within the Condensed Consolidated Statements of Operations.

There remains some uncertainty regarding Blackstone s future taxation levels. Over the past several years, a number of legislative and administrative proposals to change the taxation of Carried Interest have been introduced and, in certain cases, have been passed by the U.S. House of Representatives that would have, in general, treated income and gains, including gain on sale, attributable to an investment services partnership interest, or ISPI , as income subject to a new blended tax rate that is higher than the capital gains rate applicable to such income under current law, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. Our common units and the interests that we hold in entities that are entitled to receive Carried Interest would likely have been classified as ISPIs for purposes of this legislation. It is unclear whether or when the U.S. Congress will pass such legislation or what provisions will be included in any final legislation if enacted.

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

The Obama administration has proposed to Congress similar changes that would tax income and gain, including gain on sale, attributable to an ISPI at ordinary rates, with an exception for certain qualified capital interests. The proposals would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the tax rules applicable to publicly traded partnerships after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. In its published revenue proposals for 2015, as well as for prior years, the Obama administration proposed similar changes.

Earlier this year, Representative Dave Camp, Chairman of the House Ways and Means Committee, released a discussion draft of proposed legislation that would introduce major changes to the U.S. federal income tax system (the 2014 Camp Proposal). It would, among other things (a) generally treat publicly traded partnerships (other than those deriving 90 percent of their income from activities relating to mining and natural resources) as taxable corporations for tax years beginning after 2016 and (b) recharacterize a portion of capital gain from certain partnership interests held in connection with the performance of services as ordinary income for tax years beginning after 2014.

States and other jurisdictions have also considered legislation to increase taxes with respect to Carried Interest. For example, in 2010, the New York State Assembly passed a bill, which could have caused a non-resident of New York who holds our common units to be subject to New York state income tax on carried interest earned by entities in which we hold an indirect interest, thereby requiring the non-resident to file a New York state income tax return reporting such carried interest income. This legislation would have been retroactive to January 1, 2010. It is unclear whether or when similar legislation will be enacted. Finally, several state and local jurisdictions are evaluating ways to subject partnerships to entity level taxation through the imposition of state or local income, franchise or other forms of taxation or to increase the amount of such taxation.

Table of Contents

If we were taxed as a corporation or were forced to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations, our effective tax rate could increase significantly. The federal statutory rate for corporations is currently 35%, and the state and local tax rates, net of the federal benefit, aggregate approximately 5%. If a variation of the above described legislation or any other change in the tax laws, rules, regulations or interpretations preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules or force us to hold interests in entities earning income from Carried Interest through taxable subsidiary corporations, this could materially increase our tax liability, and could well result in a reduction in the market price of our common units.

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

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

The 2014 Camp Proposal, in addition to the proposed changes discussed above relating to publicly traded partnerships and carried interest, includes proposed provisions for the migration of the United States from a worldwide system of taxation, pursuant to which U.S. corporations are taxed on their worldwide income, to a territorial system where U.S. corporations are taxed only on their U.S. source income (subject to certain exceptions for income derived in low-tax jurisdictions from the exploitation of tangible assets) at a top corporate tax rate that would be 25%. The 2014 Camp Proposal includes numerous revenue raisers to offset the reduction in the tax rate and base which may or may not be detrimental to us, including changes to the rules for depreciating or amortizing assets, including goodwill, and changes to rules affecting real estate investment trusts, partnerships and tax-exempt entities. Senator Baucus recently proposed a similar territorial U.S. tax system, but with more expansive U.S. taxation of the foreign profits of non-U.S. subsidiaries of U.S. corporations. The Baucus proposal would also eliminate the withholding tax exemption on portfolio interest debt obligations for investors residing in non-treaty jurisdictions. Whether these proposals will be enacted by the government and in what form is unknown, as are the ultimate consequences of the proposed legislation.

Economic Income

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

Fee Related Earnings

Blackstone uses Fee Related Earnings (FRE), which is derived from EI, as a measure to highlight earnings from operations excluding: (a) the income related to performance fees and related performance fee compensation costs, (b) income earned from Blackstone s investments in the Blackstone Funds, and (c) realized and unrealized gains (losses) from other investments except for such gains (losses) from Blackstone s Treasury Cash Management Strategies. Management uses FRE as a measure to assess whether recurring revenue from our businesses is sufficient to adequately cover all of our operating expenses and generate profits. FRE equals contractual fee revenues, investment income from Blackstone s Treasury Cash Management Strategies and interest income, less (a) compensation expenses (which includes amortization of non-IPO and non-acquisition-related equity-based awards, but excludes amortization of IPO and acquisition-related equity-based awards, Carried Interest and incentive fee compensation) and (b) other operating expenses. See Liquidity and Capital Resources Sources of Liquidity below for our discussion of Fee Related Earnings.

Distributable Earnings

Distributable Earnings, which is derived from our segment reported results, is a supplemental measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships. Distributable Earnings, which is a measure not prepared under accounting principles generally accepted in the United States of America (a non-GAAP measure), is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. See Liquidity and Capital Resources Sources of Liquidity below for our discussion of Distributable Earnings.

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

Adjusted Earnings Before Interest, Taxes and Depreciation and Amortization

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

Table of Contents

Summary Walkdown of GAAP to Non-GAAP Financial Metrics

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

Operating Metrics

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

Table of Contents

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

(a) the fair value of the investments held by our carry funds and our side-by-side and co-investment entities managed by us, plus the capital that we are entitled to call from investors in those funds and entities pursuant to the terms of their respective capital commitments, including capital commitments to funds that have yet to commence their investment periods,

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

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

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

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

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

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

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

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

(a) for our Private Equity segment funds and Real Estate segment carry funds including certain real estate debt investment funds and certain of our Hedge Fund Solutions funds, the amount of capital commitments, remaining invested capital, fair value or par value of assets held, depending on the fee terms of the fund,

(b) for our credit-focused carry funds, the amount of remaining invested capital (which may include leverage) or net asset value, depending on the fee terms of the fund,

(c) the remaining invested capital of co-investments managed by us on which we receive fees,

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

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

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

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

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

Our calculations of assets under management and fee-earning assets under management may differ from the calculations of other asset managers, and as a result this measure may not be comparable to similar measures

Table of Contents

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

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

Limited Partner Capital Invested. Limited Partner Capital Invested represents the amount of Limited Partner capital commitments which were invested by our carry and drawdown funds during each period presented, plus the capital invested through co-investments arranged by us that were made by limited partners in investments of our carry funds on which we receive fees or a Carried Interest allocation or Incentive Fee.

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

Table of Contents

Consolidated Results of Operations

Following is a discussion of our consolidated results of operations for the three months ended March 31, 2014 and 2013. For a more detailed discussion of the factors that affected the results of our five business segments (which are presented on a basis that deconsolidates the investment funds we manage) in these periods, see Segment Analysis below.

	Three Months Ended March 31,		2014 vs. 2013	
	2014	2013	$	%
Revenues				
Management and Advisory Fees, Net	$ 573,160	$ 482,133	$ 91,027	19%
Performance Fees				
Realized				
Carried Interest	333,623	294,170	39,453	13%
Incentive Fees	43,794	23,741	20,053	84%
Unrealized				
Carried Interest	330,394	177,347	153,047	86%
Incentive Fees	64,233	105,798	(41,565)	-39%
Total Performance Fees	772,044	601,056	170,988	28%
Investment Income				
Realized	153,026	42,353	110,673	261%
Unrealized	13,500	106,230	(92,730)	-87%
Total Investment Income	166,526	148,583	17,943	12%
Interest and Dividend Revenue	14,069	12,557	1,512	12%
Other	869	2,144	(1,275)	-59%
Total Revenues	1,526,668	1,246,473	280,195	22%
Expenses				
Compensation and Benefits				
Compensation	485,351	451,430	33,921	8%
Performance Fee Compensation				
Realized				
Carried Interest	149,398	89,437	59,961	67%
Incentive Fees	23,635	10,508	13,127	125%
Unrealized				
Carried Interest	40,730	95,472	(54,742)	-57%
Incentive Fees	23,531	44,478	(20,947)	-47%
Total Compensation and Benefits	722,645	691,325	31,320	5%
General, Administrative and Other	135,554	109,306	26,248	24%
Interest Expense	24,667	27,062	(2,395)	-9%
Fund Expenses	4,985	7,408	(2,423)	-33%
Total Expenses	887,851	835,101	52,750	6%
Other Income				
Net Gains from Fund Investment Activities	70,155	67,210	2,945	4%

Income Before Provision for Taxes	708,972	478,582	230,390	48%
Provision for Taxes	54,097	50,993	3,104	6%
Net Income	654,875	427,589	227,286	53%
Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	45,792	62,316	(16,524)	-27%
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	43,961	(9,452)	53,413	N/M
Net Income Attributable to Non-Controlling Interests in Blackstone Holdings	299,505	207,090	92,415	45%
Net Income Attributable to The Blackstone Group L.P.	$ 265,617	$ 167,635	$ 97,982	58%

N/M Not meaningful.

Table of Contents

Revenues

Total Revenues were $1.5 billion for the three months ended March 31, 2014, an increase of $280.2 million compared to Total Revenues for the three months ended March 31, 2013 of $1.2 billion. The increase in revenues was primarily attributable to increases in Performance Fees and Management and Advisory Fees, Net of $171.0 million and $91.0 million, respectively.

The increase in Performance Fees was primarily attributable to an increase of $230.9 million in our Private Equity segment. This increase was principally due to the strong performance of our private holdings in the services and energy sectors as well as our public portfolio. Also contributing to the increase were realizations in several investments across our energy portfolio including GeoSouthern, Cheniere, PBF Energy and Royal Resources, and other strategic and public exits across the remaining private equity portfolio.

The increase in Management and Advisory Fees, Net was due to increases in our Private Equity, Real Estate, Hedge Fund Solutions and Credit segments of $29.5 million, $23.5 million, $19.6 million and $10.5 million, respectively. The increase in our Private Equity segment was driven primarily by increases in Transaction and Other Fees and Base Management Fees. The increase in Transaction and Other Fees was principally as a result of several new portfolio investments that closed during the quarter and a monitoring agreement termination fee associated with an investment disposition. The increase in Base Management Fees was primarily due to the addition of the Strategic Partners secondary private fund of funds business as well as the increase in funds raised for our Tactical Opportunities investment vehicles. The increase in our Real Estate segment was primarily due to fees generated from fundraising within BREP Europe IV and our first Asian funds. The increase in our Hedge Fund Solutions segment was primarily due to an increase in Fee-Earning Assets Under Management. The increase in our Credit segment was primarily due to an increase in Fee-Earning Assets Under Management.

Expenses

Expenses were $887.9 million for the three months ended March 31, 2014, an increase of $52.8 million compared to $835.1 million for the three months ended March 31, 2013. The increase in expenses was primarily attributable to increases in Compensation and General, Administrative and Other of $33.9 million and $26.2 million, respectively. The increase in Compensation was primarily attributable to an increase in headcount to support the growth of the business and overall increase in revenue, on which a portion of compensation is based. General, Administrative and Other expenses were $135.6 million for the three months ended March 31, 2014, an increase of $26.2 million, driven primarily by a non-recurring placement fee expense in our Credit segment and overall increases in depreciation, amortization and professional expenses.

Other Income

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

Other Income Net Gains from Fund Investment Activities was $70.2 million for the three months ended March 31, 2014, an increase of $2.9 million compared to $67.2 million for the three months ended March 31, 2013. The increase was comprised of a $32.4 million increase in our Credit segment mostly offset by decreases in our Real Estate, Private Equity and Hedge Fund Solutions segments of $16.7 million, $7.3 million and $5.4 million, respectively. The increase in our Credit segment was principally driven by lower valuations on the liabilities of the consolidated CLO vehicles, which led to increases in unrealized gains. The decreases in our Real Estate, Private Equity and Hedge Fund Solutions segments were primarily driven by the year over year net decrease in the appreciation of investments across our funds.

Provision for Taxes

Blackstone s Provision for Taxes for the three months ended March 31, 2014 and 2013 was $54.1 million and $51.0 million, respectively. This resulted in an effective tax rate of 7.6% and 10.7%, respectively, based on our Income Before Provision for Taxes of $709.0 million and $478.6 million, respectively.

One principal factor contributed to the 3.1% decrease in the effective tax rate for the three months ended March 31, 2014 compared to the three months ended March 31, 2013. Pre-tax income of $567.8 million and $343.9 million for the three month periods ended March 31, 2014 and the three months ended March 31, 2013, respectively, that was passed through to common unitholders was not taxable to the Partnership and its subsidiaries. The change in these amounts resulted in a 2.9% decrease in the effective tax rate between the respective three month periods.

Non-Controlling Interests in Consolidated Entities

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

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

For the three months ended March 31, 2014 and 2013, the net income before taxes allocated to Blackstone Holdings was 48.5% and 49.7%, respectively. The decrease of 1.2% was primarily due to conversions of Blackstone Holdings Partnership Units to Blackstone common units and the vesting of common units.

Table of Contents

Operating Metrics

The following graph summarizes the Fee-Earning Assets Under Management by Segment and Total Assets Under Management by Segment, followed by a rollforward of activity for the three months ended March 31, 2014 and 2013. For a description of how Assets Under Management and Fee-Earning Assets Under Management are determined, please see Key Financial Measures and Indicators Operating Metrics Assets Under Management and Fee-Earning Assets Under Management :

Assets Under Management by Segment

(Dollars in Billions)

Fee-Earning **Total**

69

Table of Contents

	Three Months Ended									
	March 31, 2014					March 31, 2013				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
					(Dollars in Thousands)					
Earning ets Under agement										
ance, inning of od	$ 42,600,515	$ 50,792,803	$ 52,865,837	$ 51,722,584	$ 197,981,739	$ 37,050,167	$ 41,931,339	$ 43,478,791	$ 45,420,143	$ 167,880,44
ows, including nmitments (a)	382,705	3,306,774	2,367,630	3,830,198	9,887,307	470,135	752,334	1,208,915	3,902,831	6,334,21
flows, uding ributions (b)	(342,462)	(91,340)	(607,622)	(870,802)	(1,912,226)		(8,058)	(276,408)	(486,465)	(770,93
izations (c)	(1,579,072)	(572,763)	(187,564)	(1,648,271)	(3,987,670)	(719,955)	(408,232)	(47,933)	(2,515,456)	(3,691,57
Inflows tflows)	(1,538,829)	2,642,671	1,572,444	1,311,125	3,987,411	(249,820)	336,044	884,574	900,910	1,871,70
ket reciation preciation) (d)	89,042	55,360	1,133,076	352,976	1,630,454	(14,577)	(126,876)	1,222,089	116,563	1,197,19
ance, End of od (e)	$ 41,150,728	$ 53,490,834	$ 55,571,357	$ 53,386,685	$ 203,599,604	$ 36,785,770	$ 42,140,507	$ 45,585,454	$ 46,437,616	$ 170,949,34
ease crease)	$ (1,449,787)	$ 2,698,031	$ 2,705,520	$ 1,664,101	$ 5,617,865	$ (264,397)	$ 209,168	$ 2,106,663	$ 1,017,473	$ 3,068,90
ease crease)	-3%	5%	5%	3%	3%	-1%	0%	5%	2%	

	Three Months Ended									
	March 31, 2014					March 31, 2013				
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Total
					(Dollars in Thousands)					
otal Assets nder anagement										
alance, eginning of riod	$ 65,675,031	$ 79,410,788	$ 55,657,463	$ 65,014,348	$ 265,757,630	$ 51,002,973	$ 56,695,645	$ 46,092,505	$ 56,428,837	$ 210,219,960
flows, cluding ommitments)	2,105,664	2,406,802	2,287,010	3,395,901	10,195,377	982,634	1,517,226	1,215,331	4,757,044	8,472,235
utflows, cluding stributions)	(167,798)	(579,900)	(612,259)	(901,672)	(2,261,629)	(385,338)	(55,728)	(359,070)	(610,823)	(1,410,959)
ealizations)	(4,682,235)	(2,046,265)	(275,888)	(2,271,798)	(9,276,186)	(1,961,239)	(1,022,105)	(62,569)	(3,049,060)	(6,094,973)
et Inflows utflows)	(2,744,369)	(219,363)	1,398,863	222,431	(1,342,438)	(1,363,943)	439,393	793,692	1,097,161	966,303
arket ppreciation)	3,212,283	2,142,137	1,206,333	769,638	7,330,391	2,852,781	2,340,177	1,301,668	529,783	7,024,409
alance, End Period (e)	$ 66,142,945	$ 81,333,562	$ 58,262,659	$ 66,006,417	$ 271,745,583	$ 52,491,811	$ 59,475,215	$ 48,187,865	$ 58,055,781	$ 218,210,672

crease	$ 467,914	$ 1,922,774	$ 2,605,196	$ 992,069	$ 5,987,953	$ 1,488,838	$ 2,779,570	$ 2,095,360	$ 1,626,944	$ 7,990,712
crease	1%	2%	5%	2%	2%	3%	5%	5%	3%	4

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

(b) Outflows represent redemptions in our hedge funds and closed-end mutual funds, client withdrawals from our separately managed account programs and decreases in available capital for our carry funds (expired capital, expense drawdowns and decreased side-by-side commitments). Also included is the distribution of funds associated with the discontinuation of our proprietary single manager hedge funds.

(c) Realizations represent realizations from the disposition of assets, capital returned to investors from CLOs and the effect of changes in the definition of Total Assets Under Management.

(d) Market appreciation (depreciation) includes realized and unrealized gains (losses) on portfolio investments and the impact of foreign exchange rate fluctuations.

Table of Contents

(e) Fee-Earning Assets Under Management and Total Assets Under Management as of March 31, 2014 included \$277.9 million and \$329.4 million, respectively, from a joint venture in which we are the minority interest holder.

Fee-Earning Assets Under Management

Fee-Earning Assets Under Management were \$203.6 billion at March 31, 2014, an increase of \$5.6 billion, compared to \$198.0 billion at December 31, 2013. The net increase was due to:

- Inflows of \$9.9 billion related to:
  - \$3.8 billion in our Credit segment principally related to \$1.1 billion raised in our Hedge Fund Strategies funds, \$859.5 million of capital raised for our business development companies (BDCs) and \$812.0 million raised due to the closing of a new European CLO,
  - \$3.3 billion in our Real Estate segment primarily related to \$1.3 billion raised for BREP Europe IV, \$916.4 million raised and/or invested across our BREDS funds and \$245.0 million raised for our first Asian fund,
  - \$2.4 billion in our Hedge Fund Solutions segment mainly related to growth in its commingled products and customized products,
  - \$382.7 million in our Private Equity segment primarily due to the inclusion of additional fee generating assets for our Tactical Opportunities accounts.
- Market appreciation of \$1.6 billion principally due to solid returns from core funds in our Hedge Fund Solutions segment.

Offsetting these increases were:

- Realizations of \$4.0 billion driven by:
  - \$1.6 billion in our Credit segment primarily due to \$1.1 billion of capital returned to CLO investors from CLOs that are post their re-investment periods and \$559.5 million returned across our Mezzanine and Rescue Lending funds,
  - \$1.6 billion in our Private Equity segment that were primarily from our BCP V fund, including three public market dispositions and three strategic sales, and
  - \$572.8 million in our Real Estate segment primarily from sales of office assets in BREP.
- Outflows of \$1.9 billion primarily attributable to:
  - \$870.8 million in our Credit segment primarily from our BDCs and separately managed accounts.

$607.6 million in our Hedge Fund Solutions segment as a result of, in general, the liquidity needs of limited partners. BAAM had net inflows of $1.3 billion from April 1 through May 1, 2014.

Fee-Earning Assets Under Management were $170.9 billion at March 31, 2013, an increase of $3.1 billion, compared to $167.9 billion at December 31, 2012. The net increase was due to:

Inflows of $6.3 billion related to:

$3.9 billion in our Credit segment principally from inflows across our long-only platform and the pricing of two new CLOs,

$1.2 billion in our Hedge Fund Solutions segment mainly related to growth in its customized products and co-investment platform,

$752.3 million in our Real Estate segment primarily related to co-investment capital raised, and

Table of Contents

$470.1 million in our Private Equity segment primarily due to additional capital raised for our Tactical Opportunities accounts.

Market appreciation of $1.2 billion principally due to solid returns from core funds in our Hedge Fund Solutions segment.
Offsetting these increases were:

Realizations of $3.7 billion driven by:

$2.5 billion in our Credit segment primarily due to capital returned to CLO investors from CLOs that are post their re-investment periods and realizations in our carry funds,

$720.0 million in our Private Equity segment that were primarily attributable to dispositions of investments in funds which earn fees based on remaining invested capital, and

$408.2 million in our Real Estate segment primarily due to realizations from various investments across the segment.

Outflows of $770.9 million primarily attributable to:

$486.5 million in our Credit segment primarily from our long-only platform and funds.

$276.4 million in our Hedge Fund Solutions segment as a result of, in general, the liquidity needs of limited partners.

Total Assets Under Management

Total Assets Under Management were $271.7 billion at March 31, 2014, an increase of $6.0 billion, compared to $265.8 billion at December 31, 2013. The net increase was due to:

Inflows of $10.2 billion primarily related to:

$3.4 billion in our Credit segment primarily due to the same reasons in Fee-Earning Assets Under Management above,

$2.4 billion in our Real Estate segment primarily due to the same reasons in Fee-Earning Assets Under Management above,

$2.3 billion in our Hedge Fund Solutions segment, which primarily related to growth in its commingled products and customized products and a second close on the general partner interests vehicle ($1.4 billion of total commitments through March 31, 2014), and

$2.1 billion in our Private Equity segment primarily related to $853.5 million raised for Strategic Partners and $510.0 million for our Tactical Opportunities investment vehicles.

Market appreciation of $7.3 billion primarily due to:

$3.2 billion in our Private Equity segment primarily due to strong fund performance, with a 7.0% overall increase in carrying value, including 12.5% in BCP VI and 5.6% in BCP V,

$2.1 billion in our Real Estate segment due to a carrying value increase of 3.8% driven by improving fundamentals in the private portfolio (4.4%, $1.5 billion) and public portfolio appreciation (2.9%, $579.8 million),

$1.2 billion in our Hedge Fund Solutions segment due to BAAM s Principal Solutions Composite up 1.8% gross (1.6% net), and

$769.6 million in our Credit segment due to $433.3 million of appreciation in Hedge Fund Strategies and BDCs and $333.2 million of appreciation in carry funds.

Table of Contents

Offsetting these increases were:

- Realizations of $9.3 billion driven by:
  - $4.7 billion in our Private Equity segment primarily due to continued disposition activity across the segment, mainly from our BCP V fund,
  - $2.3 billion in our Credit segment primarily due to the same reasons in Fee-Earning Assets Under Management above, and
  - $2.0 billion in our Real Estate segment primarily due to the same reasons in Fee-Earning Assets Under Management above.
- Outflows of $2.3 billion primarily attributable to:
  - $901.7 million in our Credit segment primarily due to the same reasons in Fee-Earning Assets Under Management above,
  - $612.3 million in our Hedge Fund Solutions segment primarily due to the same reasons in Fee-Earning Assets Under Management above, and
  - $579.9 million in our Real Estate segment primarily from redemptions from our real estate hedge funds and a decrease in available capital resulting from the expiration of the investment period for certain BREDS funds.

Total Assets Under Management were $218.2 billion at March 31, 2013, an increase of $8.0 billion, compared to $210.2 billion at December 31, 2012. The net increase was due to:

- Inflows of $8.5 billion primarily related to:
  - $4.8 billion in our Credit segment primarily from inflows across our long-only platform, the pricing of two new CLOs and the first close of our second rescue lending fund,
  - $1.5 billion in our Real Estate segment attributable to co-investment capital raised,
  - $1.2 billion in our Hedge Fund Solutions segment, which was primarily from BAAM s customized products and co-investment platform, and
  - $982.6 million in our Private Equity segment primarily related to fundraising for Tactical Opportunities.
- Market appreciation of $7.0 billion primarily due to:

$2.9 billion in our Private Equity segment primarily due to appreciation of our publicly traded holdings,

$2.3 billion in our Real Estate segment due to the appreciation of the underlying investments resulting from increasingly favorable real estate operating fundamentals,

$1.3 billion in our Hedge Fund Solutions segment due to solid returns from core funds, and

$529.8 million in our Credit segment due to appreciation of the underlying assets in our carry funds and hedge funds.

Outflows of $1.4 billion and realizations of $6.1 billion across the segments due to the same reasons noted in Fee-Earning Assets Under Management above.

Table of Contents

Limited Partner Capital Invested

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

Limited Partner Capital Invested

(Dollars in Billions, Except Title)

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2014	2014 vs. 2013 $	2014 vs. 2013 %
	(Dollars in Thousands)			
Limited Partner Capital Invested				
Private Equity	$ 276,987	$ 2,029,019	$ 1,752,032	633%
Real Estate	1,175,775	1,692,232	516,457	44%
Hedge Fund Solutions	55,849	167,170	111,321	199%
Credit	275,852	580,106	304,254	110%
Total	$ 1,784,463	$ 4,468,527	$ 2,684,064	150%

Limited Partner Capital Invested was $4.5 billion for the three months ended March 31, 2014, an increase of $2.7 billion, or 150%, from $1.8 billion for the three months ended March 31, 2013. The amount of Limited Partner Capital Invested is a function of finding opportunistic investments that fit our investment philosophy and strategy in each of our segments as well as the relative size and timing of investment closings within those segments. Our Private Equity segment deployed capital at a faster rate during the three months ended March 31, 2014 than in the three months ended March 31, 2013 as market conditions were more conducive to finding opportunities that fit within our investment philosophy. Our Real Estate segment deployed capital at a faster rate during the three months ended March 31, 2014 than during the three months ended March 31, 2013. Our Hedge Fund Solutions segment is investing capital based on the relative investment opportunities from the hedge fund manager seeding platform and general partner interests vehicle. In our Credit segment, capital deployed for the three months ended March 31, 2014 was higher than for the three months ended March 31, 2013 due to greater opportunities to deploy capital.

Table of Contents

The following presents the committed undrawn capital available for investment (dry powder) as of March 31, 2013 and 2014:

Dry Powder[a]

(Dollars in Billions, Except Title)

Note: Totals may not add due to rounding. Amounts are as of March 31 for each of the periods indicated.

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

Table of Contents

Net Accrued Performance Fees

The following table presents the accrued performance fees, net of performance fee compensation, of the Blackstone Funds as of March 31, 2014 and 2013. Net accrued performance fees presented do not include clawback amounts, if any, which are disclosed in Note 17. Commitments and Contingencies Contingencies Contingent Obligations (Clawback) in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing.

	March 31, 2014	March 31, 2013
	(Dollars in Millions)	
Private Equity		
BCP IV Carried Interest	$ 437	$ 448
BCP V Carried Interest	141	
BCP VI Carried Interest	173	40
BEP Carried Interest	58	55
Tactical Opportunities Carried Interest	10	2
Strategic Partners V Carried Interest	1	
Total Private Equity (a)	820	545
Real Estate		
BREP IV Carried Interest	2	
BREP V Carried Interest	623	490
BREP VI Carried Interest	1,284	681
BREP VII Carried Interest	358	133
BREP International I Carried Interest	2	2
BREP Europe III Carried Interest	117	93
BREP Europe IV Carried Interest	3	
BREP Asia Carried Interest	8	
BREDS Carried Interest	15	20
BREDS Incentive Fees	3	7
Asia Platform Incentive Fees	9	20
Total Real Estate (a)	2,424	1,446
Hedge Fund Solutions		
Incentive Fees	56	60
Total Hedge Fund Solutions	56	60
Credit		
Carried Interest	185	143
Incentive Fees	61	67
Total Credit	246	210
Total Blackstone		
Carried Interest	3,417	2,107
Incentive Fees	129	154
Net Accrued Performance Fees	$ 3,546	$ 2,261

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

Table of Contents

Performance Fee Eligible Assets Under Management

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

Note: Totals may not add due to rounding. Amounts are as of March 31, 2014.

(a) Represents invested and to be invested capital at fair value, including closed commitments for funds whose investment period has not yet commenced, on which performance fees could be earned if certain hurdles are met.

(b) Represents dry powder exclusive of non-fee earning general partner and employee commitments.

Investment Record

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

Table of Contents

The following table presents the investment record of our significant drawdown funds from inception through March 31, 2014:

			Unrealized Investments			Realized Investments		Total Investments		Net IRR (c)	
Fund (Investment Period)	Committed Capital	Available Capital (a)	Value	MOIC (b)	% Public	Value	MOIC (b)	Value	MOIC (b)	Realized	Total
			(Dollars in Thousands, Except Where Noted)								
Private Equity											
BCP I (Oct 1987 /Oct 1993)	$ 859,081	$	$	N/A		$ 1,741,738	2.6x	$ 1,741,738	2.6x	19%	19%
BCP II (Oct 1993 / Aug 1997)	1,361,100			N/A		3,256,819	2.5x	3,256,819	2.5x	32%	32%
BCP III (Aug 1997 / Nov 2002)	3,967,422			N/A		9,184,688	2.3x	9,184,688	2.3x	14%	14%
BCOM (Jun 2000 / Jun 2006)	2,137,330	199,298	247,105	1.2x		2,619,040	1.4x	2,866,145	1.3x	7%	6%
BCP IV (Nov 2002 / Dec 2005)	6,773,138	230,235	4,223,212	2.1x	66%	17,166,888	3.1x	21,390,100	2.8x	46%	37%
BCP V (Dec 2005 / Jan 2011)	21,030,451	1,717,290	20,040,553	1.6x	48%	10,836,203	1.5x	30,876,756	1.5x	8%	7%
BCP VI (Jan 2011 / Jan 2017)	15,181,593	9,462,410	6,976,180	1.4x	19%	1,003,118	1.6x	7,979,298	1.4x	24%	17%
BEP (Aug 2011 / Aug 2017)	2,438,077	1,342,695	1,469,729	1.7x	39%	631,832	1.5x	2,101,561	1.6x	46%	49%
Total Corporate Private Equity	53,748,192	12,951,928	32,956,779	1.6x	44%	46,440,326	2.1x	79,397,105	1.9x	20%	16%
Tactical Opportunities	5,415,867	3,852,911	1,740,034	1.1x	7%	155,722	1.0x	1,895,756	1.1x	12%	13%
Strategic Partners	13,933,728	4,106,594	6,138,402	1.7x	N/A	10,029,354	1.3x	16,167,756	1.5x	N/A	14%
Other Funds and Co-Invest (d)	1,201,226	37,082	651,966	0.8x	60%	20,890	1.0x	672,856	0.8x	N/M	N/M
Total Private Equity	$ 74,299,013	$ 20,948,515	$ 41,487,181	1.5x	42%	$ 56,646,292	1.9x	$ 98,133,473	1.7x	20%	15%
Real Estate											
Dollar											
Pre-BREP	$ 140,714	$	$	N/A		$ 345,190	2.5x	$ 345,190	2.5x	33%	33%
BREP I (Sep 1994 / Oct 1996)	380,708			N/A		1,327,708	2.8x	1,327,708	2.8x	40%	40%
BREP II (Oct 1996 / Mar 1999)	1,198,339			N/A		2,531,613	2.1x	2,531,613	2.1x	19%	19%
BREP III (Apr 1999 / Apr 2003)	1,522,708		2,161	0.1x		3,325,133	2.4x	3,327,294	2.4x	22%	21%
BREP IV (Apr 2003 / Dec 2005)	2,198,694		1,445,458	1.0x		3,092,653	2.4x	4,538,111	1.7x	66%	14%
BREP V (Dec 2005 / Feb 2007)	5,538,579		7,002,575	1.8x		3,928,514	2.0x	10,931,089	1.9x	25%	10%
BREP VI (Feb 2007 / Aug 2011)	11,057,280	656,849	18,762,958	2.1x	62%	3,859,420	2.1x	22,622,378	2.1x	24%	13%
BREP VII (Aug 2011 / Feb 2017)	13,432,352	5,263,381	11,822,984	1.4x	4%	1,682,063	1.6x	13,505,047	1.4x	39%	28%
Total Global Real Estate Funds	$ 35,469,374	$ 5,920,230	$ 39,036,136	1.7x	31%	$ 20,092,294	2.2x	$ 59,128,430	1.9x	27%	17%
Euro											
BREP Int l (Jan 2001 / Sep 2005)	824,172		120,660	1.5x		1,238,480	2.2x	1,359,140	2.1x	25%	23%
BREP Int l II (Sep 2005 / Jun 2008)	1,627,954	80,124	1,503,865	1.3x	45%	203,180	1.2x	1,707,045	1.2x	3%	2%

BREP Europe III (Jun 2008 / Dec 2013)	3,203,890	622,720	3,350,843	1.4x	13%	898,961	2.4x	4,249,804	1.5x	33%	17%
BREP Europe IV (Sep 2013 / Mar 2019)	5,124,904	4,453,354	776,510	1.1x		26,640	1.1x	803,150	1.1x	47%	14%
Total Euro Real Estate Funds	10,780,920	5,156,198	5,751,878	1.3x	19%	2,367,261	2.1x	8,119,139	1.5x	25%	11%
BREP Co-Investment (e)	$ 5,160,385	$	$ 8,794,315	1.9x	81%	$ 711,502	1.5x	$ 9,505,817	1.8x	13%	17%
BREP Asia (Jun 2013 / Dec 2017)	3,493,216	2,919,108	732,390	1.2x		4,400	1.0x	736,790	1.2x	N/A	31%
Total Real Estate	$ 58,198,272	$ 15,944,065	$ 56,264,684	1.7x	37%	$ 23,915,191	2.1x	$ 80,179,875	1.8x	26%	16%
Core Plus	$ 1,194,180	$ 233,500	$ 960,680	N/A		$	N/A	$ 960,680	N/A	N/A	N/A
BREDS (f)	$ 6,477,635	$ 2,677,962	$ 3,085,249	N/A		$ 2,575,404	N/A	$ 5,660,653	N/A	15%	12%
Credit (g)											
Mezzanine I	$ 2,000,000	$ 139,685	$ 1,341,214	1.5x		$ 3,397,867	1.6x	$ 4,739,081	1.6x	N/A	18%
Mezzanine II	4,120,000	2,893,249	1,557,619	1.3x		823,420	1.4x	2,381,039	1.3x	N/A	24%
Rescue Lending I	3,253,143	474,384	3,540,076	1.5x		2,250,056	1.4x	5,790,132	1.4x	N/A	17%
Rescue Lending II	5,125,000	4,341,551	831,740	1.1x		3,795	1.0x	835,535	1.1x	N/A	N/M
Total Credit	$ 14,498,143	$ 7,848,869	$ 7,270,649	1.4x		$ 6,475,138	1.5x	$ 13,745,787	1.4x		

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

N/M Not meaningful.
N/A Not applicable.
(a) Available Capital represents total investable capital commitments, including side-by-side, adjusted for certain expenses and expired or recallable capital, less invested capital. This amount is not reduced by outstanding commitments to investments.
(b) Multiple of Invested Capital (MOIC) represents carrying value, before management fees, expenses and Carried Interest, divided by invested capital.
(c) Net Internal Rate of Return (IRR) represents the annualized inception to March 31, 2014 IRR on total invested capital based on realized proceeds and unrealized value, as applicable, after management fees, expenses and Carried Interest. Net IRRs for BREP Europe IV, BREP Asia and BREDS II are calculated from commencement of their respective investment periods which, being less than one year, are not annualized.
(d) Returns for Other Funds and Co-Invest are not meaningful as these funds have no or little realizations.
(e) BREP Co-Investment represents co-investment capital raised for various BREP investments. The Net IRR reflected is calculated by aggregating each co-investment s realized proceeds and unrealized value, as applicable, after management fees, expenses and Carried Interest.
(f) Excludes Capital Trust drawdown funds.
(g) The Total Investments MOIC for Mezzanine I, Mezzanine II, Rescue Lending I and Rescue Lending II Funds, excluding recycled capital during the investment period, was 2.0x, 1.7x, 1.6x and 1.1x, respectively. Funds presented represent the flagship credit drawdown funds only.

Segment Analysis

Discussed below is our EI for each of our segments. This information is reflected in the manner utilized by our senior management to make operating decisions, assess performance and allocate resources. References to our sectors or investments may also refer to portfolio companies and investments of the underlying funds that we manage.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates the investment funds we manage. As a result, segment revenues are greater than those presented on a consolidated GAAP basis because fund management fees recognized in certain segments are received from the Blackstone Funds and eliminated in consolidation when presented on a consolidated GAAP basis. Furthermore, segment expenses are lower than related amounts presented on a consolidated GAAP basis due to the exclusion of fund expenses that are paid by Limited Partners and the elimination of non-controlling interests.

Table of Contents

Private Equity

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

	Three Months Ended March 31,		2014 vs. 2013	
	2014	2013	$	%
	(Dollars in Thousands)			
Segment Revenues				
Management Fees, Net				
Base Management Fees	$ 98,584	$ 86,246	$ 12,338	14%
Transaction and Other Fees, Net	42,847	24,453	18,394	75%
Management Fee Offsets	(1,713)	(480)	(1,233)	-257%
Total Management Fees, Net	139,718	110,219	29,499	27%
Performance Fees				
Realized				
Carried Interest	119,805	139,892	(20,087)	-14%
Unrealized				
Carried Interest	167,065	(83,954)	251,019	N/M
Total Performance Fees	286,870	55,938	230,932	413%
Investment Income (Loss)				
Realized	60,535	24,162	36,373	151%
Unrealized	(9,033)	31,711	(40,744)	N/M
Total Investment Income	51,502	55,873	(4,371)	-8%
Interest and Dividend Revenue	5,228	2,984	2,244	75%
Other	864	424	440	104%
Total Revenues	484,182	225,438	258,744	115%
Expenses				
Compensation and Benefits				
Compensation	73,307	60,203	13,104	22%
Performance Fee Compensation				
Realized				
Carried Interest	85,771	16,246	69,525	428%
Unrealized				
Carried Interest	(27,148)	16,619	(43,767)	N/M
Total Compensation and Benefits	131,930	93,068	38,862	42%
Other Operating Expenses	33,006	29,168	3,838	13%
Total Expenses	164,936	122,236	42,700	35%
Economic Income	$ 319,246	$ 103,202	$ 216,044	209%

N/M Not meaningful.

Revenues

Revenues were $484.2 million for the three months ended March 31, 2014, an increase of $258.7 million compared to $225.4 million for the three months ended March 31, 2013. The increase in revenues was primarily attributable to increases in Performance Fees and Total Management Fees of $230.9 million and $29.5 million, respectively.

Performance Fees, which are determined on a fund by fund basis, were $286.9 million for the three months ended March 31, 2014, an increase of $230.9 million, compared to $55.9 million for the three months ended

Table of Contents

March 31, 2013, as all corporate private equity funds appreciated during the quarter, mainly BCP VI and BCP V, which generated respective net returns of 11% and 5% for the quarter. The performance of the funds was a result of the strong performance of our private holdings in the services and energy sectors as well as our public portfolio. Realized Performance Fees of $119.8 million during the quarter were driven by realizations in several investments in our energy portfolio including GeoSouthern, Cheniere, PBF Energy and Royal Resources, as well as other strategic and public exits across the remaining private equity portfolio.

Total Management Fees were $139.7 million for the three months ended March 31, 2014, an increase of $29.5 million compared to $110.2 million for the three months ended March 31, 2013, driven primarily by increases in Transaction and Other Fees and Base Management Fees. Transaction and Other Fees were $42.8 million for the three months ended March 31, 2014, an increase of $18.4 million compared to $24.5 million for the three months ended March 31, 2013, principally as a result of several new portfolio investments that closed during the quarter and a monitoring agreement termination fee associated with an investment disposition. Base Management Fees were $98.6 million for the three months ended March 31, 2014, an increase of $12.3 million, compared to $86.2 million for the three months ended March 31, 2013, primarily due to the addition of the Strategic Partners secondary private fund of funds business that closed during 2013 as well as the increase in funds raised for our Tactical Opportunities investment vehicles.

Expenses

Expenses were $164.9 million for the three months ended March 31, 2014, an increase of $42.7 million, compared to $122.2 million for the three months ended March 31, 2013. The increase was attributable to a $25.8 million increase in Performance Fee Compensation and a $13.1 million increase in Compensation. The increase in Performance Fee Compensation was driven by the increase in Performance Fees Revenue. Compensation increased primarily due to the acquisition of Strategic Partners as well as an increase in Total Management Fees, on which a portion of compensation is based.

Fund Returns

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

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

	Three Months Ended March 31,				**March 31, 2014 Inception to Date**			
	2014		**2013 (a)**		**Realized**		**Total**	
Fund (b)	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
BCP IV	3%	3%	-2%	-2%	60%	46%	50%	37%
BCP V	6%	5%	11%	11%	10%	8%	8%	7%
BCP VI	13%	11%	4%	1%	52%	24%	24%	17%
BEP	5%	5%	18%	18%	48%	46%	39%	49%
Tactical Opportunities	3%	3%	4%	1%	12%	12%	18%	13%
Strategic Partners	7%	6%	N/A	N/A	N/A	N/A	17%	14%

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

N/A Not applicable.

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

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

The corporate private equity funds within the Private Equity segment have three contributed funds with closed investment periods: BCP IV, BCP V and BCOM. As of March 31, 2014, BCP IV was above its Carried Interest threshold (i.e., the preferred return payable to its limited partners before the general partner is eligible to receive Carried Interest) and would still be above its Carried Interest threshold even if all remaining investments were valued at zero. BCP V is comprised of two fund classes based on the timings of fund closings, the BCP V main fund and BCP V-AC fund. Within these fund classes, the general partner (GP) is subject to equalization such that (a) the GP accrues Carried Interest when the total Carried Interest for the combined fund classes is positive and (b) the GP realizes Carried Interest so long as clawback obligations, if any, for the combined fund classes are fully satisfied. BCOM is currently above its Carried Interest threshold and has generated inception to date positive returns. We are entitled to retain previously realized Carried Interest up to 20% of BCOM s net gains. As a result, Performance Fees are recognized from BCOM on current period gains and losses.

The following table presents the Carried Interest status of our private equity funds out of their investment period which are currently not generating performance fees as of March 31, 2014:

	Gain to Cross Carried Interest Threshold (a)		
Funds out of the Investment Period	Amount (Dollars in Millions)	% Change in Total Enterprise Value (b)	% Change in Equity Value
BCP V (Dec 2005 / Jan 2011)	$ 916	3%	6%
BCP V-AC (c)	(441)	-12%	-24%

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

(b) Total Enterprise Value is the respective fund s pro rata ownership of the portfolio companies Enterprise Value at the reporting date.

(c) The BCP V main fund is currently below its Carried Interest threshold while the BCP V-AC fund is above its Carried Interest threshold. BCP V s two fund classes, in total, are accruing Carried Interest.

Table of Contents

Real Estate

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

	Three Months Ended March 31, 2014	2013	2014 vs. 2013 $	%
	(Dollars in Thousands)			
Segment Revenues				
Management Fees, Net				
Base Management Fees	$ 159,336	$ 138,346	$ 20,990	15%
Transaction and Other Fees, Net	13,564	9,140	4,424	48%
Management Fee Offsets	(9,224)	(7,286)	(1,938)	-27%
Total Management Fees, Net	163,676	140,200	23,476	17%
Performance Fees				
Realized				
Carried Interest	194,658	68,773	125,885	183%
Incentive Fees	(26)	3,092	(3,118)	N/M
Unrealized				
Carried Interest	140,237	280,076	(139,839)	-50%
Incentive Fees	2,737	2,400	337	14%
Total Performance Fees	337,606	354,341	(16,735)	-5%
Investment Income				
Realized	31,357	9,534	21,823	229%
Unrealized	5,379	60,303	(54,924)	-91%
Total Investment Income	36,736	69,837	(33,101)	-47%
Interest and Dividend Revenue	6,110	4,298	1,812	42%
Other	317	(133)	450	N/M
Total Revenues	544,445	568,543	(24,098)	-4%
Expenses				
Compensation and Benefits				
Compensation	80,233	69,459	10,774	16%
Performance Fee Compensation				
Realized				
Carried Interest	51,833	25,863	25,970	100%
Incentive Fees	(16)	1,724	(1,740)	N/M
Unrealized				
Carried Interest	56,985	89,057	(32,072)	-36%
Incentive Fees	1,382	1,034	348	34%
Total Compensation and Benefits	190,417	187,137	3,280	2%
Other Operating Expenses	33,107	28,462	4,645	16%
Total Expenses	223,524	215,599	7,925	4%
Economic Income	$ 320,921	$ 352,944	$ (32,023)	-9%

N/M Not meaningful.

Revenues

Revenues were $544.4 million for the three months ended March 31, 2014, a decrease of $24.1 million compared to $568.5 million for the three months ended March 31, 2013. The decrease in revenues was primarily attributable to decreases of $33.1 million in Investment Income and $16.7 million in Performance Fees, partially offset by an increase of $23.5 million in Total Management Fees.

Table of Contents

Investment Income was $36.7 million for the three months ended March 31, 2014, a decrease of $33.1 million compared to $69.8 million for the three months ended March 31, 2013. The decrease in Investment Income was primarily driven by the year over year net decrease in the appreciation of investments across our global Real Estate funds.

Performance Fees, which are determined on a fund by fund basis, were $337.6 million for the three months ended March 31, 2014, a decrease of $16.7 million compared to $354.3 million for the three months ended March 31, 2013. Performance Fees decreased due to the decrease in the net appreciation of investments from our BREP carry funds. For the three months ended March 31, 2014, the carrying value of assets for Blackstone s contributed Real Estate funds, including fee-paying co-investments, increased 3.8% driven by improving fundamentals in the private portfolio (4.4%, $1.5 billion) and public portfolio appreciation (2.9%, $579.8 million). Our BREDS drawdown and real estate hedge funds appreciated 1.7% and 2.8%, respectively.

Total Management Fees were $163.7 million for the three months ended March 31, 2014, an increase of $23.5 million compared to $140.2 million for the three months ended March 31, 2013, primarily attributable to an increase in Base Management Fees. Base Management Fees were $159.3 million for the three months ended March 31, 2014, an increase of $21.0 million compared to $138.3 million for the three months ended March 31, 2013. The increase was primarily due to fees generated from fundraising within BREP Europe IV and our first Asia funds.

Expenses

Expenses were $223.5 million for the three months ended March 31, 2014, an increase of $7.9 million, compared to $215.6 million for the three months ended March 31, 2013. The increase was primarily attributable to a $10.8 million increase in Compensation due to an increase in headcount to support the growth of the business as well as an increase in Total Management Fees, on which a portion of compensation is based. The increase in expenses was partially offset by a $7.5 million decrease in Performance Fee Compensation due to the decrease in Performance Fees Revenue.

Fund Returns

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

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

	Three Months Ended March 31,				March 31, 2014 Inception to Date			
	2014		2013		Realized		Total	
Fund (a)	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BREP International (b)	46%	36%	0%	0%	35%	25%	33%	23%
BREP IV	4%	3%	2%	2%	98%	66%	24%	14%
BREP V	4%	4%	4%	3%	33%	25%	14%	10%
BREP International II (b)	3%	3%	10%	10%	8%	3%	4%	2%
BREP VI	2%	1%	6%	5%	29%	24%	18%	13%
BREP Europe III (b)	5%	4%	6%	4%	44%	33%	30%	17%
BREP VII	6%	5%	11%	7%	57%	39%	41%	28%
BREP Asia	7%	4%	N/A	N/A	N/A	N/A	54%	31%
BREP Europe IV (b)	8%	4%	N/A	N/A	71%	47%	36%	14%
BREDS	2%	1%	3%	2%	19%	15%	17%	12%
BSSF I	3%	2%	5%	4%	N/A	N/A	15%	11%
CMBS	3%	2%	4%	3%	N/A	N/A	17%	12%
BREP Co-Investment	5%	4%	8%	7%	14%	13%	19%	17%

84

Table of Contents

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

N/A Not applicable.
N/M Not meaningful.
(a) Net returns are based on the change in carrying value (realized and unrealized) after management fees, expenses and performance fee allocations.
(b) Euro-based internal rates of return.

The following table presents the Carried Interest status of our real estate carry funds with expired investment periods which are currently not generating performance fees as of March 31, 2014:

	Gain to Cross Carried Interest Threshold (a)		
Fully Invested Funds	Amount (Amounts in Millions)	% Change in Total Enterprise Value (b)	% Change in Equity Value
BREP Int l II (Sep 2005 / Jun 2008)	893	21%	66%

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

The Real Estate segment has six funds in their investment period, which were above their respective Carried Interest thresholds as of March 31, 2014: BREP VII, BREP Asia, BREP Europe IV, one fund within BREDS I and two funds within BREDS II.

Table of Contents

Hedge Fund Solutions

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

	Three Months Ended March 31,		2014 vs. 2013	
	2014	2013	$	%
	(Dollars in Thousands)			
Segment Revenues				
Management Fees, Net				
Base Management Fees	$ 113,384	$ 92,791	$ 20,593	22%
Transaction and Other Fees, Net	93	4	89	N/M
Management Fee Offsets	(1,455)	(324)	(1,131)	-349%
Total Management Fees, Net	112,022	92,471	19,551	21%
Performance Fees				
Realized				
Incentive Fees	39,845	13,709	26,136	191%
Unrealized				
Incentive Fees	18,085	55,501	(37,416)	-67%
Total Performance Fees	57,930	69,210	(11,280)	-16%
Investment Income				
Realized	16,820	852	15,968	N/M
Unrealized	4,431	3,913	518	13%
Total Investment Income	21,251	4,765	16,486	346%
Interest and Dividend Revenue	2,661	1,216	1,445	119%
Other	122	85	37	44%
Total Revenues	193,986	167,747	26,239	16%
Expenses				
Compensation and Benefits				
Compensation	40,571	33,868	6,703	20%
Performance Fee Compensation				
Realized				
Incentive Fees	13,271	5,022	8,249	164%
Unrealized				
Incentive Fees	6,761	19,836	(13,075)	-66%
Total Compensation and Benefits	60,603	58,726	1,877	3%
Other Operating Expenses	19,480	15,159	4,321	29%
Total Expenses	80,083	73,885	6,198	8%
Economic Income	$ 113,903	$ 93,862	$ 20,041	21%

N/M Not meaningful.

Revenues

Revenues were $194.0 million for the three months ended March 31, 2014, an increase of $26.2 million compared to $167.7 million for the three months ended March 31, 2013. The increase in revenues was primarily attributable to increases of $19.6 million in Total Management Fees and $16.5 million in Investment Income, partially offset by a decrease of $11.3 million in Performance Fees.

Total Management Fees were $112.0 million for the three months ended March 31, 2014, an increase of $19.6 million compared to $92.5 million for the three months ended March 31, 2013, primarily due to an increase in

Table of Contents

Base Management Fees. Base Management Fees were $113.4 million for the three months ended March 31, 2014, an increase of $20.6 million compared to the three months ended March 31, 2013, driven by an increase in Fee-Earning Assets Under Management of 22% from the prior year, which was from net inflows and market appreciation.

Investment Income was $21.3 million for the three months ended March 31, 2014, an increase of $16.5 million compared to $4.8 million for the three months ended March 31, 2013. The increase was primarily driven by the year over year increase in the net appreciation of investments of which Blackstone owns a share.

Performance Fees were $57.9 million for the three months ended March 31, 2014, a decrease of $11.3 million compared to $69.2 million for the three months ended March 31, 2013, primarily due to lower returns. The net returns of the underlying assets within BAAM s Principal Solutions Composite funds were 1.6% during the three months ended March 31, 2014 compared to 4.0% during the three months ended March 31, 2013.

Expenses

Expenses were $80.1 million for the three months ended March 31, 2014, an increase of $6.2 million compared to the three months ended March 31, 2013. The increase in expenses was primarily attributable to a $6.7 million increase in Compensation and a $4.3 million increase in Other Operating Expenses offset by a decrease of $4.8 million in Performance Fee Compensation. Compensation was $40.6 million for the three months ended March 31, 2014, an increase of $6.7 million, compared to $33.9 million for the three months ended March 31, 2013, primarily due to an increase in headcount to support the growth of the business and an increase in Total Management Fees, on which a portion of compensation is based. Other Operating Expenses increased $4.3 million to $19.5 million for the three months ended March 31, 2014, compared to $15.2 million for the three months ended March 31, 2013, primarily resulting from increases in professional fees and interest expense. Performance Fee Compensation was $20.0 million for the three months ended March 31, 2014, a decrease of $4.8 million, compared to $24.9 million for the three months ended March 31, 2013, primarily due to the decrease in Performance Fees Revenue.

Operating Metrics

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

Incentive Fee-Earning Assets Under Management

(Dollars in Billions)

Table of Contents

	Fee-Earning Assets Under Management Eligible for Incentive Fees As of March 31, 2013	2014	Estimated % Above High Water Mark and/or Hurdle (a) As of March 31, 2013	2014
	(Dollars in Thousands)			
BAAM Managed Funds (b)	$ 25,028,428	$ 29,279,855	94%	92%

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

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

(b) For the BAAM managed funds, at March 31, 2014 the incremental appreciation needed for the 8% of Fee-Earning Assets Under Management below their respective High Water Marks and/or Hurdle to reach their respective High Water Marks and/or Hurdle was $56.3 million, a decrease of $19.7 million, or 25.9%, compared to $76.0 million at March 31, 2013. Of the Fee-Earning Assets Under Management below their respective High Water Marks and/or Hurdle as of March 31, 2014, 88% were within 5% of reaching their respective High Water Mark and/or Hurdle.

Composite Returns

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

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

	Three Months Ended March 31,				Average Annual Returns (a) Periods Ended March 31, 2014							
	2014		2013		One Year		Three Year		Five Year		Historical	
Composite	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
BAAM Managed Funds, BAAM Principal Solutions Composite (b)	2%	2%	4%	4%	10%	9%	7%	6%	10%	8%	8%	7%

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

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

(b) BAAM s Principal Solutions Composite, formerly known as BAAM s Core Funds Composite, covers the period from January 2000 to present, although BAAM s inception date is September 1990. BAAM s Principal Solutions Composite does not include BAAM s long-only equity, long-biased commodities, seed, strategic opportunities (external investments) and advisory platforms.

Table of Contents

Credit

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	2014 vs. 2013 $	2014 vs. 2013 %
	(Dollars in Thousands)			
Segment Revenues				
Management Fees, Net				
Base Management Fees	$ 105,574	$ 91,364	$ 14,210	16%
Transaction and Other Fees, Net	3,344	4,374	(1,030)	-24%
Management Fee Offsets	(4,252)	(1,572)	(2,680)	-170%
Total Management Fees, Net	104,666	94,166	10,500	11%
Performance Fees				
Realized				
Carried Interest	19,160	85,505	(66,345)	-78%
Incentive Fees	14,018	7,926	6,092	77%
Unrealized				
Carried Interest	22,986	(18,775)	41,761	N/M
Incentive Fees	40,444	49,854	(9,410)	-19%
Total Performance Fees	96,608	124,510	(27,902)	-22%
Investment Income				
Realized	3,071	3,328	(257)	-8%
Unrealized	3,079	1,093	1,986	182%
Total Investment Income	6,150	4,421	1,729	39%
Interest and Dividend Revenue	5,861	4,547	1,314	29%
Other	(259)	1,828	(2,087)	N/M
Total Revenues	213,026	229,472	(16,446)	-7%
Expenses				
Compensation and Benefits Compensation	50,752	45,521	5,231	11%
Performance Fee Compensation				
Realized				
Carried Interest	11,794	47,328	(35,534)	-75%
Incentive Fees	10,380	3,762	6,618	176%
Unrealized				
Carried Interest	10,853	(10,204)	21,057	N/M
Incentive Fees	15,388	23,608	(8,220)	-35%
Total Compensation and Benefits	99,167	110,015	(10,848)	-10%
Other Operating Expenses	32,839	20,962	11,877	57%
Total Expenses	132,006	130,977	1,029	1%
Economic Income	$ 81,020	$ 98,495	$ (17,475)	-18%

N/M Not meaningful.

Revenues

Revenues were $213.0 million for the three months ended March 31, 2014, a decrease of $16.4 million compared to the three months ended March 31, 2013. The decrease in revenues was primarily attributable to a decrease of $27.9 million in Performance Fees, partially offset by an increase of $10.5 million in Total Management Fees.

Table of Contents

Performance Fees were $96.6 million for the three months ended March 31, 2014, a decrease of $27.9 million from the three months ended March 31, 2013. This change was primarily attributable to lower returns in our hedge fund strategies funds and a slower, yet still strong, pace of appreciation in value of the portfolios of our carry funds. The net returns of Blackstone s Credit segment funds were 2.9% for the hedge funds, 3.2% for the mezzanine funds and 3.9% for the rescue lending funds for the three months ended March 31, 2014.

Total Management Fees were $104.7 million for the three months ended March 31, 2014, an increase of $10.5 million from the three months ended March 31, 2013, primarily due to an increase in Base Management Fees. Base Management Fees were $105.6 million for the three months ended March 31, 2014, an increase of $14.2 million compared to the three months ended March 31, 2013, primarily due to an increase in Fee-Earning Assets Under Management.

Expenses

Expenses were $132.0 million for the three months ended March 31, 2014, an increase of $1.0 million compared to the three months ended March 31, 2013. The increase in expenses was attributable to an increase of $11.9 million in Other Operating Expenses primarily due to a non-recurring operating expense related to fundraising recorded during the three months ended March 31, 2014 and an increase of $5.2 million in Compensation due to an increase in Total Management Fees, on which a portion of compensation is based. The increase in expenses was partially offset by a decrease of $16.1 million in Performance Fee Compensation due to the decrease in Performance Fees Revenue.

Fund Returns

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

The following table presents the return information of the segment s Flagship Hedge Funds:

	Three Months Ended March 31,				Average Annual Returns (a) Periods Ended March 31, 2014							
	2014		2013		One Year		Three Year		Five Year		Historical	
Fund	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Flagship Hedge Funds (b)	4%	3%	6%	5%	22%	16%	15%	11%	22%	17%	13%	9%

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

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

(b) The Flagship Hedge Funds returns represent the weighted-average return for U.S. domestic and offshore funds included in this return. The historical return is from August 1, 2005, which is before Blackstone s acquisition of GSO in March 2008.

Table of Contents

The following table presents the internal rates of return of our significant Credit drawdown funds:

	Three Months Ended March 31,				March 31, 2014	
	2014		2013		Inception to Date	
Fund (a)	Gross	Net	Gross	Net	Gross	Net
Mezzanine Funds (b)	4%	3%	8%	7%	26%	19%
Rescue Lending Funds (c)	5%	4%	6%	5%	24%	18%

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

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

(b) The Mezzanine Funds returns represent the weighted-average return for the U.S. domestic and offshore funds, as applicable, for the significant mezzanine funds. The inception to date return is from July 16, 2007, which is before Blackstone s acquisition of GSO in March 2008.

(c) The Rescue Lending Funds returns represent the weighted-average return for the U.S. domestic and offshore funds included in this return. The inception to date returns are from September 29, 2009, which is when the funds commenced investing.

As of March 31, 2014, the significant Credit drawdown funds were above their respective Carried Interest thresholds.

Financial Advisory

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

	Three Months Ended March 31,		2014 vs. 2013	
	2014	2013	$	%
	(Dollars in Thousands)			
Segment Revenues				
Advisory Fees	$ 69,963	$ 67,020	$ 2,943	4%
Transaction and Other Fees, Net	62	3	59	N/M
Total Advisory and Transaction Fees	70,025	67,023	3,002	4%
Investment Income (Loss)				
Realized	134	234	(100)	-43%
Unrealized	694	(359)	1,053	N/M
Total Investment Income (Loss)	828	(125)	953	N/M
Interest and Dividend Revenue	2,502	1,616	886	55%
Other	(175)	(61)	(114)	-187%
Total Revenues	73,180	68,453	4,727	7%
Expenses				
Compensation and Benefits				
Compensation	61,682	57,926	3,756	6%
Other Operating Expenses	21,342	20,693	649	3%
Total Expenses	83,024	78,619	4,405	6%

Economic Loss	$ (9,844)	$ (10,166)	$ 322	3%

N/M Not meaningful.

Table of Contents

Revenues

Revenues were $73.2 million for the three months ended March 31, 2014, an increase of $4.7 million, compared to $68.5 million for the three months ended March 31, 2013. The increase in revenues was driven primarily by increases in Blackstone Advisory Partners (BAP) business and our capital markets business, partially offset by decreases in Blackstone s fund placement business and Restructuring and Reorganization. The increase in BAP s business was due to an increase in the number of transactions that closed compared to the prior year period. The pipeline for the BAP s business remains steady across a diverse group of industries. During the three months ended March 31, 2014, the capital markets business participated in a number of debt transactions including the offerings for Summit Materials, AlliedBarton and Cheniere. The decrease in fees earned by Blackstone s fund placement business was primarily due to a decrease in the number of transactions that closed in the Private Equity and Real Estate businesses during the period. The decrease in Restructuring and Reorganization was driven primarily by fewer deal closings relative to the prior year period. The pipeline for Restructuring and Reorganization remains steady across a diverse group of industries.

Expenses

Expenses were $83.0 million for the three months ended March 31, 2014, an increase of $4.4 million, compared to $78.6 million for the three months ended March 31, 2013. Compensation increased $3.8 million compared to the three months ended March 31, 2013, principally due to an overall increase in total revenue across the segment, on which a portion of compensation is based. Other Operating Expenses were relatively flat compared to the three months ended March 31, 2013.

Liquidity and Capital Resources

General

Blackstone s business model derives revenue primarily from third party assets under management and from advisory businesses. Blackstone is not a capital or balance sheet intensive business and targets operating expense levels such that total management and advisory fees exceed total operating expenses each period. As a result, we require limited capital resources to support the working capital or operating needs of our businesses. We draw primarily on the long-term committed capital of our limited partner investors to fund the investment requirements of the Blackstone Funds and use our own realizations and cash flows to invest in growth initiatives, make commitments to our own funds, where our minimum general partner commitments are generally less than 5% of the limited partner commitments of a fund, or pay distributions to unitholders.

Fluctuations in our statement of financial condition result primarily from activities of the Blackstone Funds which are consolidated as well as business transactions, such as the issuance of senior notes described below. The majority economic ownership interests of the Blackstone Funds are reflected as Redeemable Non-Controlling Interests in Consolidated Entities, Non-Controlling Interests in Consolidated Entities and Appropriated Partners Capital in the Condensed Consolidated Financial Statements. The consolidation of these Blackstone Funds has no net effect on the Partnership s Net Income or Partners Capital. Additionally, fluctuations in our statement of financial condition also include appreciation or depreciation in Blackstone investments in the Blackstone Funds, additional investments and redemptions of such interests in the Blackstone Funds and the collection of receivables related to management and advisory fees.

Total assets were $30.0 billion as of March 31, 2014, up slightly from December 31, 2013. Total liabilities were $15.3 billion as of March 31, 2014, down slightly from December 31, 2013.

For the three months ended March 31, 2014, we had Total Fee Related Revenues of $621.1 million and related expenses of $446.3 million, generating Fee Related Earnings of $174.8 million and Distributable Earnings of $485.1 million.

Sources of Liquidity

We have multiple sources of liquidity to meet our capital needs, including annual cash flows, accumulated earnings in the businesses, investments in our own Treasury and liquid funds and access to our debt capacity, including our $1.1 billion committed revolving credit facility and the proceeds from our 2009, 2010 and 2012 issuances of senior notes. As of March 31, 2014, Blackstone had $787.5 million in cash, $965.5 million invested in Blackstone s Treasury Cash Management Strategies, $146.9 million invested in liquid Blackstone Funds, $2.5 billion invested in illiquid Blackstone Funds and $243.7 million invested in other investments, against $1.6 billion in borrowings from our bond issuances, and no borrowings outstanding under our revolving credit facility.

On April 7, 2014, Blackstone issued $500 million in aggregate principal amount of 5.000% senior notes, which will mature on June 15, 2044.

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

We use Distributable Earnings, which is derived from our segment reported results, as a supplemental non-GAAP measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships. Distributable Earnings is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes. Distributable Earnings, which is a component of Economic Net Income, is the sum across all segments of: (a) Total Management and Advisory Fees, (b) Interest and Dividend Revenue, (c) Other Revenue, (d) Realized Performance Fees, and (e) Realized Investment Income (Loss); less (a) Compensation, excluding the expense of equity-based awards, (b) Realized Performance Fee Compensation, (c) Other Operating Expenses, and (d) Taxes and Related Payables including the Payable Under Tax Receivable Agreement.

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

(a) Represents the total segment amounts of the respective captions. See Note 18. Segment Reporting in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing.
(b) Detail on this amount is included in the table below.
(c) Represents the current tax provision calculated on Income Before Provision for Taxes and the Payable Under Tax Receivable Agreement.
(d) Represents equity-based award expense included in Economic Income.
(e) Represents tax-related payables including the Payable Under Tax Receivable Agreement.

94

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

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

(b) This adjustment represents the realized and unrealized gain on Blackstone s Treasury Cash Management Strategies which are a component of Investment Income (Loss) but included in Fee Related Earnings.

(c) Represents the elimination of Realized Investment Income (Loss) attributable to Blackstone s Treasury Cash Management Strategies, which is a component of both Fee Related Earnings and Realized Investment Income (Loss).

(d) Represents equity-based award expense included in Economic Income.

Table of Contents

(e) Taxes and Related Payables Including Payable Under Tax Receivable Agreement represent the current tax provision (benefit) calculated on Income (Loss) Before Provision (Benefit) for Taxes and the Payable Under Tax Receivable Agreement.

(f) Represents tax-related payables including the Payable Under Tax Receivable Agreement.

Table of Contents

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

(a) The adjustment adds back to Income Before Provision for Taxes amounts for Transaction-Related Charges which include principally equity-based compensation charges associated with Blackstone s initial public offering and long-term retention programs outside of annual deferred compensation and other corporate actions.

(b) This adjustment adds back to Income Before Provision for Taxes amounts for the Amortization of Intangibles which are associated with Blackstone s initial public offering and other corporate actions.

(c) This adjustment adds back to Income Before Provision for Taxes the amount of (Income) Loss Associated with Non-Controlling Interests in (Income) Loss of Consolidated Entities and includes the amount of Management Fee Revenues associated with Consolidated CLO Entities.

(d) Taxes represent the current tax provision calculated on Income Before Provision for Taxes.

(e) This adjustment removes from EI the total segment amount of Performance Fees.

(f) This adjustment removes from EI the total segment amount of Investment Income (Loss).

(g) This adjustment represents the realized and unrealized gain on Blackstone s Treasury Cash Management Strategies which are a component of Investment Income (Loss) but included in Fee Related Earnings.

(h) This adjustment removes from expenses the compensation and benefit amounts related to Blackstone s profit sharing plans related to Performance Fees.

(i) Represents the adjustment for realized Performance Fees net of corresponding actual amounts due under Blackstone s profit sharing plans related thereto.

(j) Represents the adjustment for Blackstone s Investment Income Realized.

(k) Represents the elimination of Realized Investment Income (Loss) attributable to Blackstone s Treasury Cash Management Strategies which is a component of both Fee Related Earnings and Realized Investment Income (Loss).

(l) Taxes and Related Payables Including Payable Under Tax Receivable Agreement represent the current tax provision calculated on Income Before Provision for Taxes and the Payable Under Tax Receivable Agreement.

(m) Represents equity-based award expense included in Economic Income.

Table of Contents

Liquidity Needs

We expect that our primary liquidity needs will be cash to (a) provide capital to facilitate the growth of our existing businesses which principally includes funding our general partner and co-investment commitments to our funds, (b) provide capital to facilitate our expansion into new businesses that are complementary, (c) pay operating expenses, including cash compensation to our employees and other obligations as they arise, (d) fund modest capital expenditures, (e) repay borrowings and related interest costs, (f) pay income taxes, and (g) make distributions to our unitholders and the holders of Blackstone Holdings Partnership Units. Our own capital commitments to our funds, the funds we invest in and our investment strategies as of March 31, 2014 consisted of the following:

	Blackstone and General Partner		Senior Managing Directors and Certain Other Professionals (a)	
Fund	**Original Commitment**	**Remaining Commitment**	**Original Commitment**	**Remaining Commitment**
	(Dollars in Thousands)			
Private Equity				
BCP VI	$ 719,718	$ 459,587	$ 250,000	$ 159,641
BCP V	629,356	70,745		
BEP	50,000	27,618		
Tactical Opportunities	106,931	73,902	21,420	12,712
Strategic Partners	33,180	32,087		
Other (b)	204,575	9,590		
Real Estate				
BREP VII	300,000	114,492	100,000	14,699
BREP VI	750,000	44,097	150,000	14,699
BREP Europe III	100,000	18,979	35,000	6,326
BREP Europe IV	100,000	82,066	33,333	27,355
BREP Asia	50,000	40,514	16,667	13,504
Edens	19,500	5,020		
BREDS II	51,508	27,294	16,667	8,678
CT Opportunity Partners I	25,000	21,697		
Other (b)	85,774	6,222		
Hedge Fund Solutions				
Strategic Alliance II	50,000	15,981		
Strategic Alliance	50,000	2,033		
BAAM Strategic Holdings LP	50,000	44,659		
Other (b)	300	300		
Credit				
Capital Opportunities Fund II L.P.	120,000	93,875	110,011	86,061
GSO Capital Solutions II	125,000	125,000	94,555	94,555
Blackstone/GSO Capital Solutions	50,000	9,670	27,666	5,351
Blackstone Credit Liquidity Partners	32,244	1,612		
BMezz II	17,692	3,085		
Other (b)	50,054	34,559	2,420	1,700
Other				
Treasury	82,698	47,203		
Total	$ 3,853,530	$ 1,411,887	$ 857,739	$ 445,281

(a) For some of the general partner commitments shown in the table above, we require our senior managing directors and certain other professionals to fund a portion of the commitment even though the ultimate obligation to fund the aggregate commitment is ours pursuant to the governing agreements of the respective funds. The amounts of the aggregate applicable general partner original and remaining commitment are shown

Table of Contents

in the table above. In addition, certain senior managing directors and other professionals are required to fund a de minimis amount of the commitment in the other private equity, real estate and credit-focused carry funds. We expect our commitments to be drawn down over time and to be funded by available cash and cash generated from operations and realizations. Taking into account prevailing market conditions and both the liquidity and cash or liquid investment balances, we believe that the sources of liquidity described above will be more than sufficient to fund our working capital requirements.

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

Blackstone, through indirect subsidiaries, has a $1.1 billion unsecured revolving credit facility (the Credit Facility) with Citibank, N.A., as Administrative Agent with a maturity date of July 13, 2017. Borrowings may also be made in U.K. sterling or euros, in each case subject to certain sub-limits. The Credit Facility contains customary representations, covenants and events of default. Financial covenants consist of a maximum net leverage ratio and a requirement to keep a minimum amount of fee-earning assets under management, each tested quarterly.

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

In April 2014, Blackstone Holdings Finance Co. L.L.C. issued $500 million in aggregate principal amount of 5.000% Senior Notes which will mature on June 15, 2044, unless earlier redeemed or repurchased.

In January 2008, the Board of Directors of our general partner, Blackstone Group Management L.L.C., authorized the repurchase of up to $500 million of our common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of Blackstone common units and Blackstone Holdings Partnership Units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three months ended March 31, 2014, no units were repurchased. As of March 31, 2014, the amount remaining under this program available for repurchases was $335.8 million.

Distributions

Distributable Earnings, which is derived from Blackstone s segment reported results, is a supplemental measure to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships. Distributable Earnings is intended to show the amount of net realized earnings without the effects of the consolidation of the Blackstone Funds. Distributable Earnings, which is a component of Economic Net Income, is the sum across all segments of: (a) Total Management and Advisory Fees, (b) Interest and Dividend Revenue, (c) Other Revenue,

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

Our current intention is to distribute to common unitholders each quarter substantially all of our Net Cash Available for Distribution to Common Unitholders, subject to a base quarterly distribution of $0.12 per unit. Net Cash Available for Distribution to Common Unitholders is The Blackstone Group L.P. s share of Distributable Earnings, less realized investment gains and returns of capital from investments and acquisitions, in excess of amounts determined by Blackstone s general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future cash requirements such as tax-related payments, clawback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter, taking into account both the extent of realized investment gains and returns of capital from investments and acquisitions, and the amounts determined by Blackstone s general partner to be necessary or appropriate as described in the preceding sentence.

In circumstances in which the Net Cash Available for Distribution to Common Unitholders for a quarter falls short of the amount necessary to support the base distribution of $0.12 per unit, Blackstone intends to correspondingly reduce subsequent quarterly distributions below the amounts supported by the Net Cash Available for Distribution to Common Unitholders by the amount of the shortfall, but not below $0.12 per unit.

All of the foregoing is subject to the qualification that the declaration and payment of any distributions are at the sole discretion of our general partner and our general partner may change our distribution policy at any time, including, without limitation, to reduce the quarterly distribution payable to our common unitholders to less than $0.12 per unit or even to eliminate such distributions entirely.

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

Table of Contents

The following chart shows fiscal quarterly and annual per common unitholder distributions for 2013 and 2014. Distributions are declared and paid in the quarter subsequent to the quarter in which they are earned.

With respect to fiscal year 2014, we have paid to common unitholders a distribution of $0.35 in respect of the first quarter. With respect to fiscal year 2013, we paid aggregate common unitholder distributions of $1.34 per common unit.

Leverage

We may under certain circumstances use leverage opportunistically and over time to create the most efficient capital structure for Blackstone and our public common unitholders. In addition to the borrowings from our bond issuances and our revolving credit facility, our Treasury Cash Management Strategies may use reverse repurchase agreements, repurchase agreements and securities sold, not yet purchased. All of these positions are held in a separately managed portfolio. Reverse repurchase agreements are entered into primarily to take advantage of opportunistic yields otherwise absent in the overnight markets and also to use the collateral received to cover securities sold, not yet purchased. Repurchase agreements are entered into primarily to opportunistically yield higher spreads on purchased securities. The balances held in these financial instruments fluctuate based on Blackstone s liquidity needs, market conditions and investment risk profiles.

Generally our private equity funds, real estate funds, funds of hedge funds and credit-focused funds have not utilized substantial leverage at the fund level other than for (a) short-term borrowings between the date of an investment and the receipt of capital from the investing fund s investors, and (b) long-term borrowings for certain investments in aggregate amounts which are generally 2% to 20% of the capital commitments of the respective fund. Our carry funds make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

Certain of our Real Estate debt hedge funds, Hedge Fund Solutions and Credit funds use leverage in order to obtain additional market exposure, enhance returns on invested capital and/or to bridge short-term cash needs. The forms of leverage primarily employed by these funds include purchasing securities on margin, utilizing collateralized financing and using derivative instruments.

Table of Contents

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

	Reverse Repurchase Agreements	Repurchase Agreements (a)	Securities Sold, Not Yet Purchased (a)
		(Dollars in Millions)	
Balance, March 31, 2014	$ 162.7	$ 216.9	$ 296.4
Balance, December 31, 2013	$ 149.0	$ 316.3	$ 76.2
Three Months Ended March 31, 2014			
Average Daily Balance	$ 129.8	$ 232.3	$ 123.9
Maximum Daily Balance	$ 197.0	$ 375.0	$ 296.4

(a) The balances presented as of March 31, 2014 include the consolidation of certain Blackstone Funds that occurred on March 31, 2014.

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations as of March 31, 2014 on a consolidated basis and on a basis deconsolidating the Blackstone Funds:

Contractual Obligations	April 1, 2014 to December 31, 2014	2015 2016	2017 2018	Thereafter	Total
			(Dollars in Thousands)		
Operating Lease Obligations (a)	$ 54,200	$ 129,628	$ 110,427	$ 541,558	$ 835,813
Purchase Obligations	12,585	9,222	152		21,959
Blackstone Issued Notes and Revolving Credit Facility (b)				1,635,000	1,635,000
Interest on Blackstone Issued Notes and Revolving Credit Facility (c)	72,668	193,762	193,762	523,634	983,826
Blackstone Funds and CLO Vehicles Debt Obligations Payable (d)	3,762	355,030	240,000	8,673,784	9,272,576
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (e)	73,071	192,264	175,555	258,684	699,574
Blackstone Funds Capital Commitments to Investee Funds (f)	36,059				36,059
Due to Certain Non-Controlling Interest Holders in Connection with Tax Receivable Agreements (g)		154,080	154,476	927,010	1,235,566
Unrecognized Tax Benefits, Including Interest and Penalties (h)	558	499			1,057
Blackstone Operating Entities Capital Commitments to Blackstone Funds and Other (i)	1,411,887				1,411,887
Consolidated Contractual Obligations	1,664,790	1,034,485	874,372	12,559,670	16,133,317
Blackstone Funds and CLO Vehicles Debt Obligations Payable (d)	(3,762)	(355,030)	(240,000)	(8,673,784)	(9,272,576)
Interest on Blackstone Funds and CLO Vehicles Debt Obligations Payable (e)	(73,071)	(192,264)	(175,555)	(258,684)	(699,574)
Blackstone Funds Capital Commitments to Investee Funds (f)	(36,059)				(36,059)
	$ 1,551,898	$ 487,191	$ 458,817	$ 3,627,202	$ 6,125,108

Blackstone Operating Entities Contractual Obligations

(a) We lease our primary office space under agreements that expire through 2032. In connection with certain lease agreements, we are responsible for escalation payments. The contractual obligation table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases for financial statement purposes and as such are not recorded as liabilities on the Condensed Consolidated Statements of Financial Condition. The amounts are presented net of contractual sublease commitments.

(b) Represents the principal amount due on the senior notes we issued. As of March 31, 2014, we had no outstanding borrowings under our revolver.

(c) Represents interest to be paid over the maturity of our senior notes and borrowings under our revolving credit facility which has been calculated assuming no pre-payments will be made and debt will be held until its final maturity date. These amounts exclude commitment fees for unutilized borrowings under our revolver.

(d) These obligations are those of the Blackstone Funds including the consolidated CLO vehicles.

(e) Represents interest to be paid over the maturity of the related consolidated Blackstone Funds and CLO vehicles debt obligations which has been calculated assuming no pre-payments will be made and debt will be held until its final maturity date. The future interest payments are calculated using variable rates in effect as of March 31, 2014, at spreads to market rates pursuant to the financing agreements, and range from 0.30% to 10.78%. The majority of the borrowings are due on demand and for purposes of this schedule are assumed to mature within one year. Interest on the majority of these borrowings rolls over into the principal balance at each reset date.

(f) These obligations represent commitments of the consolidated Blackstone Funds to make capital contributions to investee funds and portfolio companies. These amounts are generally due on demand and are therefore presented in the less than one year category.

(g) Represents obligations by the Partnership s corporate subsidiary to make payments under the Tax Receivable Agreements to certain non-controlling interest holders for the tax savings realized from the taxable purchases of their interests in connection with the reorganization at the time of Blackstone s initial public offering in 2007 and subsequent purchases. The obligation represents the amount of the payments currently expected to be made, which are dependent on the tax savings actually realized as determined annually without discounting for the timing of the payments. As required by GAAP, the amount of the obligation included in the Condensed Consolidated Financial Statements and shown in Note 16. Related Party Transactions (see Part I. Item 1. Financial Statements) differs to reflect the net present value of the payments due to certain non-controlling interest holders.

(h) The total represents gross unrecognized tax benefits of $0.3 million and interest and penalties of $0.7 million. In addition, Blackstone is not able to make a reasonably reliable estimate of the timing of payments in individual years in connection with gross unrecognized benefits of $19.5 million and interest of $5.8 million; therefore, such amounts are not included in the above contractual obligations table.

(i) These obligations represent commitments by us to provide general partner capital funding to the Blackstone Funds, limited partner capital funding to other funds and Blackstone principal investment commitments. These amounts are generally due on demand and are therefore presented in the less than one year category; however, a substantial amount of the capital commitments are expected to be called over the next three years. We expect to continue to make these general partner capital commitments as we raise additional amounts for our investment funds over time.

Guarantees

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

104

Indemnifications

In many of its service contracts, Blackstone agrees to indemnify the third party service provider under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our Condensed Consolidated Financial Statements as of March 31, 2014.

Clawback Obligations

Carried Interest is subject to clawback to the extent that the Carried Interest received to date with respect to a fund exceeds the amount due to Blackstone based on cumulative results of that fund. The actual clawback liability, however, generally does not become realized until the end of a fund s life except for certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability. The lives of the carry funds with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at various points through 2016. Further extensions of such terms may be implemented under given circumstances.

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

As of March 31, 2014, the total clawback obligations were $4.1 million, of which $2.7 million related to Blackstone Holdings and $1.4 million related to current and former Blackstone personnel. (See Note 16. Related Party Transactions and Note 17. Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing.)

Critical Accounting Policies

We prepare our Condensed Consolidated Financial Statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective. Actual results may be affected negatively based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. (See Note 2. Summary of Significant Accounting Policies in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing.)

Principles of Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner is presumed to have control. Although the Partnership has a non-controlling interest in the Blackstone Holdings Partnerships, the limited partners do not have the right to dissolve the partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by the Partnership. Accordingly, the Partnership consolidates Blackstone Holdings and records non-controlling interests to reflect the economic interests of the limited partners of Blackstone Holdings.

In addition, the Partnership consolidates all variable interest entities (VIE) in which it is the primary beneficiary. An enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity s economic performance, and (b) the obligation to absorb losses of the entity or the right to receive

Table of Contents

benefits from the entity that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (a) whether an entity in which the Partnership holds a variable interest is a VIE, and (b) whether the Partnership s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. VIEs qualify for the deferral of the consolidation guidance if all of the following conditions have been met:

The entity has all of the attributes of an investment company as defined in the American Institute of Certified Public Accountants Accounting and Auditing Guide, *Investment Companies* (Investment Company Guide), or does not have all the attributes of an investment company but it is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the Investment Company Guide,

The reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and

The entity is not a securitization or asset-backed financing entity or an entity that was formerly considered a qualifying special purpose entity.

Where the VIEs have qualified for the deferral of the current consolidation guidance as discussed in Note 2. Summary of Significant Accounting Policies in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements , the analysis is based on previous consolidation guidance. This guidance requires an analysis to determine (a) whether an entity in which the Partnership holds a variable interest is a variable interest entity and (b) whether the Partnership s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would be expected to absorb a majority of the variability of the entity. Under both guidelines, the Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a variable interest entity and reconsiders that conclusion continually. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly by the Partnership and its affiliates or indirectly through employees. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Funds could affect an entity s status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

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

Revenue Recognition

Revenues primarily consist of management and advisory fees, performance fees, investment income, interest and dividend revenue and other. Please refer to Part I. Item 1. Business Incentive Arrangements / Fee Structure in our 2013 Annual Report on Form 10-K for additional information regarding the manner in which Base Management Fees and Performance Fees are generated.

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

The Partnership earns base management fees from limited partners of funds in each of its managed funds, at a fixed percentage of assets under management, net asset value, total assets, committed capital or invested capital, or

Table of Contents

in some cases, a fixed fee. Base management fees are recognized based on contractual terms specified in the underlying investment advisory agreements. The range of management fee rates and the calculation base from which they are earned, generally, are as follows:

On private equity, real estate, and certain credit-focused funds:

- 0.30% to 1.50% of committed capital or invested capital during the investment period,
- 0.50% to 1.75% of invested capital or investment fair value subsequent to the investment period for private equity and real estate funds, and
- 1.00% to 1.50% of invested capital or net asset value for certain credit-focused funds.

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

- 1.50% to 2.00% of net asset value.

On credit-focused separately managed accounts:

- 0.30% to 1.35% of net asset value.

On real estate separately managed accounts:

- 0.75% to 2.00% of committed capital or net operating income.

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

- 0.50% to 1.25% of net asset value.

On CLO vehicles:

- 0.40% to 1.25% of total assets.

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

- 0.50% to 1.50% of fund assets or net asset value.

The investment adviser of BXMT receives annual management fees based upon 1.5% of BXMT s net proceeds received from equity offerings and accumulated core earnings (which is generally equal to its GAAP net income excluding certain non-cash and other items), subject to certain adjustments.

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

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

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

Table of Contents

Accrued but unpaid Management and Advisory Fees, net of management fee reductions and management fee offsets, as of the reporting date are included in Accounts Receivable or Due from Affiliates in the Condensed Consolidated Statements of Financial Condition. Management fees paid by limited partners to the Blackstone Funds and passed on to Blackstone are not considered affiliate revenues.

Performance Fees Performance Fees earned on the performance of Blackstone s hedge fund structures (Incentive Fees) are recognized based on fund performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each hedge fund s governing agreements. Accrued but unpaid Incentive Fees charged directly to investors in Blackstone s offshore hedge funds as of the reporting date are recorded within Due from Affiliates in the Condensed Consolidated Statements of Financial Condition. Accrued but unpaid Incentive Fees on onshore funds as of the reporting date are reflected in Investments in the Condensed Consolidated Statements of Financial Condition. Incentive Fees are realized at the end of a measurement period, typically annually. Once realized, such fees are not subject to clawback or reversal.

In certain fund structures, specifically in private equity, real estate and certain Hedge Fund Solutions and credit-focused funds (Carry Funds), performance fees (Carried Interest) are allocated to the general partner based on cumulative fund performance to date, subject to a preferred return to limited partners. At the end of each reporting period, the Partnership calculates the Carried Interest that would be due to the Partnership for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as Carried Interest to reflect either (a) positive performance resulting in an increase in the Carried Interest allocated to the general partner or (b) negative performance that would cause the amount due to the Partnership to be less than the amount previously recognized as revenue, resulting in a negative adjustment to Carried Interest allocated to the general partner. In each scenario, it is necessary to calculate the Carried Interest on cumulative results compared to the Carried Interest recorded to date and make the required positive or negative adjustments. The Partnership ceases to record negative Carried Interest allocations once previously recognized Carried Interest allocations for such fund have been fully reversed. The Partnership is not obligated to pay guaranteed returns or hurdles, and therefore, cannot have negative Carried Interest over the life of a fund. Accrued but unpaid Carried Interest as of the reporting date is reflected in Investments in the Condensed Consolidated Statements of Financial Condition.

Carried Interest is realized when an underlying investment is profitably disposed of and the fund s cumulative returns are in excess of the preferred return or, in limited instances, after certain thresholds for return of capital are met. Carried Interest is subject to clawback to the extent that the Carried Interest received to date exceeds the amount due to Blackstone based on cumulative results. As such, the accrual for potential repayment of previously received Carried Interest, which is a component of Due to Affiliates, represents all amounts previously distributed to Blackstone Holdings and non-controlling interest holders that would need to be repaid to the Blackstone Funds if the Blackstone Carry Funds were to be liquidated based on the current fair value of the underlying funds investments as of the reporting date. The actual clawback liability, however, generally does not become realized until the end of a fund s life except for certain Blackstone real estate funds, multi-asset class investment funds and credit-focused funds, which may have an interim clawback liability.

Investment Income (Loss) Investment Income (Loss) represents the unrealized and realized gains and losses on the Partnership s principal investments, including its investments in Blackstone Funds that are not consolidated, its equity method investments and other principal investments. Investment Income (Loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives cash income, such as dividends or distributions. Unrealized Investment Income (Loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

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

Table of Contents

Other Revenue Other Revenue consists of miscellaneous income and foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars.

Expenses

Our expenses include compensation and benefits expense and general and administrative expenses. Our accounting policies related thereto are as follows:

Compensation and Benefits Compensation Compensation and Benefits consists of (a) employee compensation, comprising salary and bonus, and benefits paid and payable to employees and senior managing directors and (b) equity-based compensation associated with the grants of equity-based awards to employees and senior managing directors. Compensation cost relating to the issuance of equity-based awards to senior managing directors and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight-line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

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

Fair Value of Financial Instruments

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I include listed equities, listed derivatives and mutual funds with quoted prices. The Partnership does not adjust the quoted price for these investments, even in situations where Blackstone holds a large position and a sale could reasonably impact the quoted price.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans, government and agency securities, less liquid and restricted equity securities, certain over-the-counter derivatives where the fair value is based on observable inputs, and certain funds of hedge funds and proprietary investments in which Blackstone has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.

Level III Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in

Table of Contents

this category generally include general and limited partnership interests in private equity and real estate funds, credit-focused funds, distressed debt and non-investment grade residual interests in securitizations, certain corporate bonds and loans held within CLO vehicles, certain over-the-counter derivatives where the fair value is based on unobservable inputs and certain funds of hedge funds that use net asset value per share to determine fair value in which Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date. Blackstone may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date if an investee fund manager has the ability to limit the amount of redemptions, and/or the ability to side pocket investments, irrespective of whether such ability has been exercised. Senior and subordinate notes issued by CLO vehicles are classified within Level III of the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Partnership s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Transfers between levels of the fair value hierarchy are recognized at the beginning of the reporting period.

Level II Valuation Techniques

Financial instruments classified within Level II of the fair value hierarchy comprise debt instruments, including corporate loans and bonds held by Blackstone s consolidated CLO vehicles, those held within Blackstone s Treasury Cash Management Strategies and debt securities sold, not yet purchased and interests in investment funds. Certain equity securities and derivative instruments valued using observable inputs are also classified as Level II.

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

Debt Instruments and Equity Securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments. The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Investment Funds held by the consolidated Blackstone Funds are valued using net asset value per share as described in Level III Valuation Techniques Funds of Hedge Funds. Certain investments in investment funds are classified within Level II of the fair value hierarchy as the investment can be redeemed at, or within three months of, the reporting date.

Freestanding Derivatives and Derivative Instruments Used in Fair Value Hedging Strategies are valued using contractual cash flows and observable inputs comprising yield curves, foreign currency rates and credit spreads.

Level III Valuation Techniques

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

Table of Contents

Private Equity Investments The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization (EBITDA), the discounted cash flow method, public market or private transactions, valuations for comparable companies and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (for example, multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Where a discounted cash flow method is used, a terminal value is derived by reference to EBITDA or price/earnings exit multiples.

Real Estate Investments The fair values of real estate investments are determined by considering projected operating cash flows, sales of comparable assets, if any, and replacement costs, among other measures. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rates (cap rates) analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or assets (for example, multiplying a key performance metric of the investee company or asset, such as EBITDA, by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Where a discounted cash flow method is used, a terminal value is derived by reference to an exit EBITDA multiple or capitalization rate. Additionally, where applicable, projected distributable cash flow through debt maturity will be considered in support of the investment s fair value.

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

Certain investments of Blackstone and of the consolidated Blackstone funds of hedge funds and credit-focused funds measure their investments in underlying funds at fair value using NAV per share without adjustment. The terms of the investee s investment generally provide for minimum holding periods or lock-ups, the institution of gates on redemptions or the suspension of redemptions or an ability to side pocket investments, at the discretion of the investee s fund manager, and as a result, investments may not be redeemable at, or within three months of, the reporting date. A side pocket is used by hedge funds and funds of hedge funds to separate investments that may lack a readily ascertainable value, are illiquid or are subject to liquidity restriction. Redemptions are generally not permitted until the investments within a side pocket are liquidated or it is deemed that the conditions existing at the time that required the investment to be included in the side pocket no longer exist. As the timing of either of these events is uncertain, the timing at which the Partnership may redeem an investment held in a side pocket cannot be estimated. Investments for which fair value is measured using NAV per share are reflected within the fair value hierarchy based on the existence of redemption restrictions, if any, as described above. Further disclosure on instruments for which fair value is measured using NAV per share is presented in Note 5. Net Asset Value as Fair Value in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing.

Credit-Focused Investments The fair values of credit-focused investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In some instances, Blackstone may utilize other valuation techniques, including the discounted cash flow method or a market approach.

Credit-Focused Liabilities Credit-focused liabilities comprise senior and subordinate loans issued by Blackstone s consolidated CLO vehicles. Such liabilities are valued using a discounted cash flow method.

Table of Contents

Level III Valuation Process

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

Investments, at Fair Value

The Blackstone Funds are accounted for as investment companies under the Investment Company Guide, and reflect their investments, including majority-owned and controlled investments (the Portfolio Companies), at fair value. Blackstone has retained the specialized accounting for the consolidated Blackstone Funds. Thus, such consolidated funds investments are reflected in Investments on the Condensed Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Fund Investment Activities in the Condensed Consolidated Statements of Operations. Fair value is the amount that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Blackstone s principal investments are presented at fair value with unrealized appreciation or depreciation and realized gains and losses recognized in the Condensed Consolidated Statements of Operations within Investment Income (Loss).

For certain instruments, the Partnership has elected the fair value option. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. The Partnership has applied the fair value option for certain loans and receivables that otherwise would not have been carried at fair value with gains and losses recorded in net income. Accounting for these financial instruments at fair value is consistent with how the Partnership accounts for its other principal investments. Loans extended to third parties are recorded within Accounts Receivable within the Condensed Consolidated Statements of Financial Condition. Debt securities for which the fair value option has been elected are recorded within Investments. The methodology for measuring the fair value of such investments is consistent with the methodology applied to private equity, real estate, credit-focused and funds of hedge funds investments. Changes in the fair value of such instruments are recognized in Investment Income (Loss) in the Condensed Consolidated Statements of Operations. Interest income on interest bearing loans and receivables on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest and Dividend Revenue.

In addition, the Partnership has elected the fair value option for the assets and liabilities of CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts or the acquisition of the share capital of CLO managers. The adjustment resulting from the difference between the fair value of assets and liabilities for each of these events is presented as a transition and acquisition adjustment to Appropriated Partners Capital. The recognition of the initial difference between the fair value of assets and liabilities of CLO vehicles consolidated as a result of the acquisition of management contracts or CLO managers subsequent to the initial adoption of revised accounting guidance effective January 1, 2010, as an adjustment to Appropriated Partners Capital, is currently under review by the Emerging Issues Task Force (EITF). Assets of the consolidated CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. The methodology for measuring the fair value of such assets and liabilities is consistent with the methodology applied to private equity, real estate and credit-focused investments. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption and acquisition are presented within Net Gains (Losses) from Fund Investment Activities. Expenses of consolidated CLO vehicles are presented in Fund Expenses. Amounts attributable to Non-Controlling Interests in Consolidated Entities have a corresponding adjustment to Appropriated Partners Capital.

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

Further disclosure on instruments for which the fair value option has been elected is presented in Note 7. Fair Value Option in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing.

Intangibles and Goodwill

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

Goodwill comprises goodwill arising from the contribution and reorganization of the Partnership s predecessor entities in 2007 immediately prior to its IPO, the acquisition of GSO in 2008 and the acquisition of Strategic Partners in 2013.

The carrying value of goodwill was $1.8 billion as of March 31, 2014 and December 31, 2013. Goodwill is reviewed for impairment at least annually, and more frequently if circumstances indicate impairment may have occurred. As of March 31, 2014 and December 31, 2013, we evaluated that it was not more likely than not that the fair value of the Partnership s operating segments was less than their respective carrying values.

We test goodwill for impairment at the operating segment level (the same as our segments). Management has organized the firm into five operating segments. All of the components in each segment have similar economic characteristics and management makes key operating decisions based on the performance of each segment. Therefore, we believe that operating segment is the appropriate reporting level for testing the impairment of goodwill. Blackstone performed a qualitative assessment as of March 31, 2014 and December 31, 2013 to determine if it was more likely than not that the fair value of its operating segments was less than their respective carrying values.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated drawdown funds. We do not have any off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in our funds.

Table of Contents

Further disclosure on our off-balance sheet arrangements is presented in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing as follows:

- Note 6. Derivative Financial Instruments ,
- Note 9. Variable Interest Entities , and
- Note 17. Commitments and Contingencies Commitments Investment Commitments and Contingencies Guarantees .

Recent Accounting Developments

Information regarding recent accounting developments and their impact on Blackstone can be found in Note 2. Summary of Significant Accounting Policies in the Notes to Condensed Consolidated Financial Statements in Part I. Item 1. Financial Statements of this filing.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Although the Blackstone Funds share many common themes, each of our alternative asset management operations runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy:

- The investment process of our carry funds involves a detailed analysis of potential investments, and asset management teams are assigned to oversee the operations, strategic development, financing and capital deployment decisions of each portfolio investment. Key investment decisions are subject to approval by the applicable investment committee, which is comprised of Blackstone senior managing directors and senior management.
- In our capacity as adviser to certain funds in our Hedge Fund Solutions and Credit segments, we continuously monitor a variety of markets for attractive trading opportunities, applying a number of traditional and customized risk management metrics to analyze risk related to specific assets or portfolios. In addition, we perform extensive credit and cash flow analyses of borrowers, credit-based assets and underlying hedge fund managers, and have extensive asset management teams that monitor covenant compliance by, and relevant financial data of, borrowers and other obligors, asset pool performance statistics, tracking of cash payments relating to investments and ongoing analysis of the credit status of investments.

Effect on Fund Management Fees

Our management fees are based on (a) third parties capital commitments to a Blackstone Fund, (b) third parties capital invested in a Blackstone Fund or (c) the net asset value, or NAV, of a Blackstone Fund, as described in our Condensed Consolidated Financial Statements. Management fees will only be directly affected by short-term changes in market conditions to the extent they are based on NAV or represent permanent impairments of value. These management fees will be increased (or reduced) in direct proportion to the effect of changes in the fair value of our investments in the related funds. The proportion of our management fees that are based on NAV is dependent on the number and types of Blackstone Funds in existence and the current stage of each fund s life cycle. For the three months ended March 31, 2014 and March 31, 2013, the approximate percentages of our fund management fees based on the NAV of the applicable funds or separately managed accounts, were as follows:

	Three Months Ended March 31, 2014	2013
Fund Management Fees Based on the NAV of the Applicable Funds or Separately Managed Accounts	33%	29%

Table of Contents

Market Risk

The Blackstone Funds hold investments which are reported at fair value. Based on the fair value as of March 31, 2014 and March 31, 2013, we estimate that a 10% decline in fair value of the investments would result in the following declines in Management Fees, Performance Fees, Net of Related Compensation Expense and Investment Income:

	March 31, 2014			March 31, 2013		
	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)
	(Dollars in Thousands)					
10% Decline in Fair Value of the Investments	$ 77,132	$ 881,054	$ 292,754	$ 54,093	$ 1,099,752	$ 263,460

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

Total Assets Under Management, excluding undrawn capital commitments and the amount of capital raised for our CLOs, by segment, and the percentage amount classified as Level III investments as defined within the fair value standards of GAAP, are as follows:

	March 31, 2014	
	Total Assets Under Management, Excluding Undrawn Capital Commitments and the Amount of Capital Raised for CLOs (Dollars in Thousands)	Percentage Amount Classified as Level III Investments
Private Equity	$ 44,345,526	63%
Real Estate	$ 62,637,825	63%
Hedge Fund Solutions	$ 57,025,979	67%
Credit	$ 35,983,500	43%

The fair value of our investments and securities can vary significantly based on a number of factors that take into consideration the diversity of the Blackstone Funds investment portfolio and on a number of factors and inputs such as similar transactions, financial metrics, and industry comparatives, among others. (See Part I. Item 1A. Risk Factors in our 2013 Annual Report on Form 10-K. Also see Part I. Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Investments, at Fair Value.) We believe these fair value amounts should be utilized with caution as our intent and strategy is to hold investments and securities until prevailing market conditions are beneficial for investment sales.

Investors in all of our carry funds (and certain of our credit-focused funds and funds of hedge funds) make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their related obligations when due, including management fees. We have not had investors fail to honor capital calls to any meaningful extent and any investor that did not fund a capital call would be subject to having a significant amount of its existing investment forfeited in that fund; however, if investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, those funds could be materially and adversely affected.

Table of Contents

Exchange Rate Risk

The Blackstone Funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. We estimate that as of March 31, 2014 and March 31, 2013, a 10% decline in the rate of exchange of all foreign currencies against the U.S. dollar would result in the following declines in Management Fees, Performance Fees, Net of Related Compensation Expense and Investment Income:

	March 31, 2014			March 31, 2013		
	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)	Management Fees (a)	Performance Fees, Net of Related Compensation Expense (b)	Investment Income (b)
	(Dollars in Thousands)					
10% Decline in the Rate of Exchange of All Foreign Currencies Against the U.S. Dollar	$ 20,918	$ 198,378	$ 43,117	$ 11,827	$ 126,759	$ 29,914

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

Interest Rate Risk

Blackstone has debt obligations payable that accrue interest at variable rates. Interest rate changes may therefore affect the amount of our interest payments, future earnings and cash flows. Based on our debt obligations payable as of March 31, 2014 and March 31, 2013, we estimate that interest expense relating to variable rates would increase on an annual basis, in the event interest rates were to increase by one percentage point, as follows:

	March 31, 2014	March 31, 2013
	(Dollars in Thousands)	
Annualized Increase in Interest Expense Due to a One Percentage Point Increase in Interest Rates	$ 88	$ 184

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

	March 31, 2014		March 31, 2013	
	Annualized Decrease in Investment Income	Annualized Increase in Interest Income from Floating Rate Assets	Annualized Decrease in Investment Income	Annualized Increase in Interest Income from Floating Rate Assets
	(Dollars in Thousands)			

One Percentage Point Increase in Interest Rates	$ 1,612(a)	$ 7,551	$ 20,311(a)	$ 6,867

(a) As of March 31, 2014 and 2013, this represents 0.1% and 1.0% of the Treasury Liquidity Portfolio, respectively.

Table of Contents

Credit Risk

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

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

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

	March 31,	
	2014	2013
	(Dollars in Thousands)	
Decrease in Annualized Investment Income Due to a One Percentage Point Increase in Credit Spreads (a)	$ 20,324	$ 25,452

(a) As of March 31, 2014 and 2013, this represents 1.2% of the Treasury Liquidity Portfolio.

Certain of our entities hold derivative instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. We minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as such term is defined in Rules 13a 15(f) and 15d 15(f) under the Exchange Act) occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. See Part I. Item 1A. Risk Factors in our 2013 Annual Report on Form 10-K. We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our consolidated financial statements. However, given the inherent unpredictability of these types of proceedings and the potentially large and/or indeterminate amounts that could be sought, it is possible that an adverse outcome in certain matters could have a material effect on Blackstone s financial results in any particular period.

In December 2007, a purported class of shareholders in public companies acquired by one or more private equity firms filed a lawsuit against a number of private equity firms and investment banks, including The Blackstone Group L.P., in the United States District Court in Massachusetts (*Kirk Dahl, et al. v. Bain Capital Partners, LLC, et al.*). The suit alleges that, from mid-2003 through 2007, eleven defendants violated the antitrust laws by allegedly conspiring to rig bids, restrict the supply of private equity financing, fix the prices for target companies at artificially low levels, and divide up an alleged market for private equity services for leveraged buyouts. After the conclusion of discovery, the plaintiffs filed an amended complaint in June 2012, in which the plaintiffs sought damages on behalf of public shareholders that tendered their shares in connection with 17 leveraged buyouts. In March 2013, the court denied defendants joint motion for summary judgment and all but one individual motion for summary judgment on plaintiffs overarching conspiracy claim but narrowed the scope of plaintiffs allegations. Consequently, the number of transactions for which plaintiffs are seeking damages has been reduced from 17 to eight transactions. The court has previously dismissed claims against Blackstone with respect to three of these eight transactions because Blackstone was released from any and all claims by the same shareholders in prior litigation. In July 2013, the court denied all but two defendants renewed individual motions for summary judgment, and in August 2013, the court granted another defendant s motion for reconsideration and ordered summary judgment in favor of that defendant. In July 2013, the court also denied the motion by Blackstone and three other defendants for summary judgment on plaintiffs claim of a conspiracy with respect to the Hospital Corporation of America (HCA). On October 21, 2013, plaintiffs filed a motion for class certification and defendants filed an opposition to that motion on January 24, 2014. On March 28, 2014, plaintiffs filed a reply in support of their motion for class certification. A hearing on plaintiffs class certification motion will take place after May 19, 2014. The Court has directed that new summary judgment motions be filed by August 1, 2014. Any trial of the action is scheduled to begin in early November 2014.

Blackstone believes that the foregoing suit is totally without merit and intends to defend it vigorously.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013 and in our subsequently filed Quarterly Reports on Form 10-Q, all of which are accessible on the Securities and Exchange Commission s website at www.sec.gov.

See Part I. Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Business Environment in this report for a discussion of the conditions in the financial markets and economic conditions affecting our businesses. This discussion updates, and should be read together with, the risk factor entitled Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital and reducing the volume of the transactions involving our financial advisory business, each of which could materially reduce our revenue and cash flow and adversely affect our financial condition in our Annual Report on Form 10-K for the year ended December 31, 2013.

Table of Contents

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

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

In January 2008, the Board of Directors of our general partner, Blackstone Group Management L.L.C., authorized the repurchase of up to $500 million of Blackstone common units and Blackstone Holdings Partnership Units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of Blackstone common units and Blackstone Holdings Partnership Units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. The unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three months ended March 31, 2014, no units were repurchased. As of March 31, 2014, the amount remaining available for repurchases was $335.8 million under this program. See Part I. Item 1. Financial Statements Notes to Condensed Consolidated Financial Statements Note 14. Net Income Per Common Unit and Part I. Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity Needs for further information regarding this unit repurchase program.

As permitted by our policies and procedures governing transactions in our securities by our directors, executive officers and other employees, from time to time some of these persons may establish plans or arrangements complying with Rule 10b5-1 under the Exchange Act, and similar plans and arrangements relating to our common units and Blackstone Holdings Partnership Units.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

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

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Section 13(r) Disclosure.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 8, 2014

The Blackstone Group L.P.

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

/s/ Laurence A. Tosi

Name: **Laurence A. Tosi**
Title: **Chief Financial Officer**
(Principal Financial Officer and Authorized Signatory)