

Blackstone Group L.P.
Form 10-Q
May 05, 2016
Table of Contents

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, 2016**
OR

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

The Blackstone Group L.P.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-8875684
(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)

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

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

Indicate by check mark 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

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

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

The number of the Registrant's voting common units representing limited partner interests outstanding as of April 29, 2016 was 565,579,839.

The number of the Registrant's non-voting common units representing limited partner interests outstanding as of April 29, 2016 was 59,083,468.

Table of Contents

TABLE OF CONTENTS

	Page
PART I. <u>FINANCIAL INFORMATION</u>	
ITEM 1. <u>FINANCIAL STATEMENTS</u>	5
Unaudited Condensed Consolidated Financial Statements – March 31, 2016 and 2015:	
<u>Condensed Consolidated Statements of Financial Condition as of March 31, 2016 and December 31, 2015</u>	5
<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2016 and 2015</u>	7
<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2016 and 2015</u>	8
<u>Condensed Consolidated Statements of Changes in Partners’ Capital for the Three Months Ended March 31, 2016 and 2015</u>	9
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2016 and 2015</u>	11
<u>Notes to Condensed Consolidated Financial Statements</u>	13
ITEM 1A. <u>UNAUDITED SUPPLEMENTAL PRESENTATION OF STATEMENTS OF FINANCIAL CONDITION</u>	53
ITEM 2. <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	55
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	115
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	118
PART II. <u>OTHER INFORMATION</u>	
ITEM 1. <u>LEGAL PROCEEDINGS</u>	119
ITEM 1A. <u>RISK FACTORS</u>	119
ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	119
ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	120
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	120
ITEM 5. <u>OTHER INFORMATION</u>	120
ITEM 6. <u>EXHIBITS</u>	120
<u>SIGNATURES</u>	122

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, indicator, believes, expects, potential, continues, will, should, seeks, approximately, predicts, intends, plans, estimates, anticipates or the negative version of these words or other words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015 and in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (SEC), which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this report, and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Website and Social Media Disclosure

We use our website (www.blackstone.com), Facebook page (www.facebook.com/blackstone), Twitter (www.twitter.com/blackstone), LinkedIn (www.linkedin.com/company/the-blackstone-group), Instagram (instagram.com/Blackstone) and YouTube (www.youtube.com/user/blackstonegroup) accounts as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about Blackstone when you enroll your e-mail address by visiting the Contact Us/Email Alerts section of our website at <http://ir.blackstone.com>. The contents of our website, any alerts and social media channels are not, however, a part of this report.

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

Blackstone Funds, our funds and our investment funds refer to the private equity funds, real estate funds, funds of hedge funds, credit-focused funds, collateralized loan obligation (CLO) and collateralized debt obligation (CDO) vehicles, real estate investment trusts and registered investment companies that are managed by Blackstone. Our carry funds refers to the private equity funds, real estate funds and certain of the credit-focused funds (with multi-year drawdown, commitment-based structures that only pay carry on the realization of an investment) that are managed by Blackstone. Blackstone's Private Equity segment comprises its management of corporate private equity funds (including our sector and regional focused funds), which we refer to collectively as our Blackstone Capital Partners (BCP) funds, our Blackstone Core Equity Partners (BCEP) fund, our opportunistic investment platform that invests globally across asset classes, industries and geographies, which we collectively refer to as Blackstone Tactical Opportunities (Tactical Opportunities), and Strategic Partners Fund Solutions (Strategic Partners), a secondary private fund of funds business. We refer to our real estate opportunistic funds as our Blackstone Real Estate Partners (BREP) funds and our real estate debt investment funds as our Blackstone Real Estate Debt Strategies (BREDS) funds. We refer to our core+ real estate funds, which target substantially stabilized assets generating relatively stable cash flow, as Blackstone Property Partners (BPP) funds. We refer to our listed real estate investment trusts as REITs. Our hedge funds refers to our funds of hedge funds, certain of our real estate debt investment funds, including a registered investment company, and certain other credit-focused funds which are managed by Blackstone.

Table of Contents

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

- (a) the fair value of the investments held by our carry funds and our side-by-side and co-investment entities managed by us, plus the capital that we are entitled to call from investors in those funds and entities pursuant to the terms of their respective capital commitments, including capital commitments to funds that have yet to commence their investment periods,
- (b) the net asset value of our funds of hedge funds, hedge funds and certain registered investment companies,
- (c) the invested capital or fair value of assets we manage pursuant to separately managed accounts,
- (d) the amount of debt and equity outstanding for our CLOs and CDOs during the reinvestment period,
- (e) the aggregate par amount of collateral assets, including principal cash, for our CLOs and CDOs after the reinvestment period,
- (f) the gross amount of assets (including leverage) for certain of our credit-focused registered investment companies, and
- (g) the fair value of common stock, preferred stock, convertible debt, or similar instruments issued by our public REIT.

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

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

- (a) for our Private Equity segment funds and Real Estate segment carry funds including certain real estate debt investment funds and certain of our Hedge Fund Solutions funds, the amount of capital commitments, remaining invested capital, fair value or par value of assets held, depending on the fee terms of the fund,
- (b) for our credit-focused carry funds, the amount of remaining invested capital (which may include leverage) or net asset value, depending on the fee terms of the fund,
- (c) the remaining invested capital of co-investments managed by us on which we receive fees,
- (d) the net asset value of our funds of hedge funds, hedge funds and certain registered investment companies,
- (e) the invested capital, fair value of assets or the net asset value we manage pursuant to separately managed accounts,

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- (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, CDOs, and certain credit-focused separately managed accounts, and
- (h) the gross amount of assets (including leverage) or the net assets (plus leverage where applicable) 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

Table of Contents

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, 2016	December 31, 2015
Assets		
Cash and Cash Equivalents	\$ 1,372,552	\$ 1,837,324
Cash Held by Blackstone Funds and Other	548,591	587,132
Investments (including assets pledged of \$75,668 and \$64,535 at March 31, 2016 and December 31, 2015, respectively)	14,625,032	14,324,097
Accounts Receivable	660,853	613,153
Reverse Repurchase Agreements	45,301	204,893
Due from Affiliates	1,139,526	1,240,797
Intangible Assets, Net	322,719	345,547
Goodwill	1,718,519	1,718,519
Other Assets	316,196	377,189
Deferred Tax Assets	1,301,615	1,277,429
Total Assets	\$ 22,050,904	\$ 22,526,080
Liabilities and Partners' Capital		
Loans Payable	\$ 6,357,782	\$ 6,116,747
Due to Affiliates	1,219,184	1,282,700
Accrued Compensation and Benefits	1,846,059	2,029,918
Securities Sold, Not Yet Purchased	105,857	176,667
Repurchase Agreements	49,540	40,929
Accounts Payable, Accrued Expenses and Other Liabilities	561,402	648,662
Total Liabilities	10,139,824	10,295,623
Commitments and Contingencies		
Redeemable Non-Controlling Interests in Consolidated Entities	177,054	183,459
Partners' Capital		
The Blackstone Group L.P. Partners' Capital		
Partners' Capital (common units: 631,548,955 issued and outstanding as of March 31, 2016; 624,450,162 issued and outstanding as of December 31, 2015)	6,136,475	6,322,307
Accumulated Other Comprehensive Loss	(46,064)	(52,519)
Total The Blackstone Group L.P. Partners' Capital	6,090,411	6,269,788
Non-Controlling Interests in Consolidated Entities	2,480,358	2,408,701
Non-Controlling Interests in Blackstone Holdings	3,163,257	3,368,509
Total Partners' Capital	11,734,026	12,046,998

Total Liabilities and Partners' Capital	\$ 22,050,904	\$ 22,526,080
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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)**

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, 2016	December 31, 2015
Assets		
Cash Held by Blackstone Funds and Other	\$ 305,421	\$ 435,775
Investments	4,846,561	4,558,216
Accounts Receivable	129,634	122,077
Due from Affiliates	25,153	25,561
Other Assets	6,338	12,693
Total Assets	\$ 5,313,107	\$ 5,154,322
Liabilities		
Loans Payable	\$ 3,550,109	\$ 3,319,656
Due to Affiliates	40,511	39,532
Accounts Payable, Accrued Expenses and Other	267,262	316,498
Total Liabilities	\$ 3,857,882	\$ 3,675,686

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,	
	2016	2015
Revenues		
Management and Advisory Fees, Net	\$ 608,906	\$ 616,768
Performance Fees		
Realized		
Carried Interest	230,909	1,207,594
Incentive Fees	28,419	29,638
Unrealized		
Carried Interest	47,586	373,840
Incentive Fees	7,579	62,036
Total Performance Fees	314,493	1,673,108
Investment Income (Loss)		
Realized	(12,001)	187,930
Unrealized	3,493	18,273
Total Investment Income (Loss)	(8,508)	206,203
Interest and Dividend Revenue		
Other	23,075	21,920
	(5,612)	(5,641)
Total Revenues	932,354	2,512,358
Expenses		
Compensation and Benefits		
Compensation	346,003	559,559
Performance Fee Compensation		
Realized		
Carried Interest	58,504	292,248
Incentive Fees	14,124	12,227
Unrealized		
Carried Interest	30,001	74,380
Incentive Fees	3,448	24,961
Total Compensation and Benefits	452,080	963,375
General, Administrative and Other	123,045	130,973
Interest Expense	37,356	31,370
Fund Expenses	5,229	16,850
Total Expenses	617,710	1,142,568
Other Income		
Net Gains from Fund Investment Activities	19,142	93,555
Income Before Provision for Taxes	333,786	1,463,345
Provision for Taxes	18,866	99,344

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Net Income	314,920	1,364,001
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(6,401)	7,527
Net Income Attributable to Non-Controlling Interests in Consolidated Entities	40,086	81,796
Net Income Attributable to Non-Controlling Interests in Blackstone Holdings	131,202	645,230
Net Income Attributable to The Blackstone Group L.P.	\$ 150,033	\$ 629,448
Distributions Declared Per Common Unit	\$ 0.61	\$ 0.78
Net Income Per Common Unit		
Common Units, Basic	\$ 0.23	\$ 1.01
Common Units, Diluted	\$ 0.23	\$ 1.00
Weighted-Average Common Units Outstanding		
Common Units, Basic	644,897,849	625,276,969
Common Units, Diluted	1,194,570,331	631,232,041
Revenues Earned from Affiliates		
Management and Advisory Fees, Net	\$ 56,675	\$ 48,112

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,	
	2016	2015
Net Income	\$ 314,920	\$ 1,364,001
Other Comprehensive Income (Loss), Net of Tax Currency Translation Adjustment	17,612	(47,788)
Comprehensive Income	332,532	1,316,213
Less:		
Comprehensive Income (Loss) Attributable to Redeemable Non-Controlling Interests in Consolidated Entities	(6,401)	7,527
Comprehensive Income Attributable to Non-Controlling Interests in Consolidated Entities	51,243	55,158
Comprehensive Income Attributable to Non-Controlling Interests in Blackstone Holdings	131,202	645,230
Comprehensive Income Attributable to The Blackstone Group L.P.	\$ 156,488	\$ 608,298

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. Accumulated				Non- Controlling Interests in Consolidated Entities	Non- Controlling Interests in Blackstone Holdings	Total Partners Capital	Redeemable Non- Controlling Interests in Consolidated Entities
	Common Units	Partners Capital	Other Compre- hensive Income (Loss)	Total				
Balance at December 31, 2015	624,450,162	\$ 6,322,307	\$ (52,519)	\$ 6,269,788	\$ 2,408,701	\$ 3,368,509	\$ 12,046,998	\$ 183,459
Net Income (Loss)		150,033		150,033	40,086	131,202	321,321	(6,401)
Currency Translation Adjustment			6,455	6,455	11,157		17,612	
Capital Contributions					94,418		94,418	
Capital Distributions		(389,780)		(389,780)	(68,692)	(355,360)	(813,832)	(4)
Transfer of Non-Controlling Interests in Consolidated Entities					(5,312)		(5,312)	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non-Controlling Interest Holders		(1,145)		(1,145)			(1,145)	
Equity-Based Compensation		36,053		36,053		41,455	77,508	
Net Delivery of Vested Blackstone Holdings Partnership Units and Blackstone Common Units	4,025,507	(13,262)		(13,262)			(13,262)	
Excess Tax Benefits Related to Equity-Based Compensation, Net Change in The Blackstone Group L.P.'s Ownership Interest		9,720		9,720			9,720	
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	3,073,286	18,931		18,931		(18,931)		
Balance at March 31, 2016	631,548,955	\$ 6,136,475	\$ (46,064)	\$ 6,090,411	\$ 2,480,358	\$ 3,163,257	\$ 11,734,026	\$ 177,054

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. Accumulated				Total	Non- Controlling Interests in Consolidated Entities	Non- Controlling Interests in Blackstone Holdings	Total Partners Capital	Redeemable Non- Controlling Interests in Consolidated Entities
	Common Units	Partners Capital	Appro- priated Partners Capital	Other Compre- hensive (Loss)					
Balance at December 31, 2014	595,624,855	\$ 6,999,830	\$ 81,301	\$ (20,864)	\$ 7,060,267	\$ 3,415,356	\$ 4,416,070	\$ 14,891,693	\$ 2,441,854
Deconsolidation of CLOs and Funds on Adoption of ASU 2015-02			(90,928)		(90,928)	(1,002,728)		(1,093,656)	(2,258,289)
Adjustment to Appropriated Partners Capital on Adoption of ASU 2014-13			9,627		9,627			9,627	
Net Income		629,448			629,448	81,796	645,230	1,356,474	7,527
Currency Translation Adjustment				(22,178)	(22,178)	(48,530)		(70,708)	
Capital Contributions						63,910		63,910	2,000
Capital Distributions		(482,249)			(482,249)	(228,800)	(488,711)	(1,199,760)	(440)
Transfer of Non-Controlling Interests in Consolidated Entities						(10,163)		(10,163)	
Deferred Tax Effects Resulting from Acquisition of Ownership Interests from Non- Controlling Interest Holders		9,113			9,113			9,113	
Equity-Based Compensation		130,134			130,134		122,236	252,370	
Net Delivery of Vested Blackstone Holdings Partnership Units and Blackstone Common Units	7,956,871	(27,632)			(27,632)			(27,632)	
Excess Tax Benefits Related to Equity-Based Compensation, Net		23,834			23,834			23,834	
Change in The Blackstone Group L.P.'s Ownership Interest		68,361			68,361		(68,361)		
Conversion of Blackstone Holdings Partnership Units to Blackstone Common Units	5,603,820	46,123			46,123		(46,123)		
Balance at March 31, 2015	609,185,546	\$ 7,396,962	\$	\$ (43,042)	\$ 7,353,920	\$ 2,270,841	\$ 4,580,341	\$ 14,205,102	\$ 192,652

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,	
	2016	2015
Operating Activities		
Net Income	\$ 314,920	\$ 1,364,001
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	(35,684)	(87,529)
Net Realized Gains on Investments	(253,857)	(1,479,010)
Changes in Unrealized (Gains) Losses on Investments Allocable to The Blackstone Group L.P.	17,363	(61,239)
Non-Cash Performance Fees	(15,077)	(315,065)
Non-Cash Performance Fee Compensation	106,076	403,816
Equity-Based Compensation Expense	79,840	272,335
Excess Tax Benefits Related to Equity-Based Compensation	(11,690)	(23,834)
Amortization of Intangibles	22,828	24,800
Other Non-Cash Amounts Included in Net Income	17,372	107,020
Cash Flows Due to Changes in Operating Assets and Liabilities		
Cash Held by Blackstone Funds and Other	51,134	350,505
Cash Relinquished in Deconsolidation and Liquidation of Partnership		(442,370)
Accounts Receivable	(21,063)	(47,474)
Reverse Repurchase Agreements	159,592	(79,628)
Due from Affiliates	124,519	(1,928)
Other Assets	52,381	(109,651)
Accrued Compensation and Benefits	(289,532)	(436,354)
Securities Sold, Not Yet Purchased	(76,620)	76,698
Accounts Payable, Accrued Expenses and Other Liabilities	(264,198)	(528,826)
Repurchase Agreements	8,620	57,152
Due to Affiliates	(3,642)	(90,700)
Treasury Cash Management Strategies		
Investments Purchased	(590,772)	(1,063,714)
Cash Proceeds from Sale of Investments	590,649	1,120,428
Blackstone Funds Related		
Investments Purchased	(742,280)	(195,719)
Cash Proceeds from Sale or Pay Down of Investments	967,652	1,665,572
Net Cash Provided by Operating Activities	208,531	479,286
Investing Activities		
Purchase of Furniture, Equipment and Leasehold Improvements	(9,934)	(3,275)
Changes in Restricted Cash	5,843	5,843
Net Cash Provided by (Used in) Investing Activities	(4,091)	2,568

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See notes to condensed consolidated financial statements.

Table of Contents**THE BLACKSTONE GROUP L.P.****Condensed Consolidated Statements of Cash Flows (Unaudited) Continued**

(Dollars in Thousands)

	Three Months Ended March 31,	
	2016	2015
Financing Activities		
Distributions to Non-Controlling Interest Holders in Consolidated Entities	\$ (68,696)	\$ (229,240)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	88,079	55,274
Payments Under Tax Receivable Agreement	(78,985)	(82,830)
Net Settlement of Vested Common Units and Repurchase of Common and Blackstone Holdings Partnership Units	(13,262)	(27,632)
Excess Tax Benefits Related to Equity-Based Compensation	11,690	23,834
Proceeds from Loans Payable		23
Repayment and Repurchase of Loans Payable		(2,410)
Distributions to Unitholders	(745,140)	(970,960)
Blackstone Funds Related		
Proceeds from Loans Payable	158,456	507,832
Repayment of Loans Payable	(21,327)	(32,805)
Net Cash Used in Financing Activities	(669,185)	(758,914)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(27)	60
Net Decrease in Cash and Cash Equivalents	(464,772)	(277,000)
Cash and Cash Equivalents, Beginning of Period	1,837,324	1,412,472
Cash and Cash Equivalents, End of Period	\$ 1,372,552	\$ 1,135,472
Supplemental Disclosure of Cash Flows Information		
Payments for Interest	\$ 60,907	\$ 49,484
Payments for Income Taxes	\$ 6,995	\$ 70,609
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Non-Cash Contributions from Non-Controlling Interest Holders	\$ 967	\$ 601
Transfer of Interests to Non-Controlling Interest Holders	\$ (5,312)	\$ (10,163)
Change in The Blackstone Group L.P.'s Ownership Interest	\$ 3,618	\$ 68,361
Net Settlement of Vested Common Units	\$ 59,605	\$ 51,228
Conversion of Blackstone Holdings Partnership Units to Common Units	\$ 18,931	\$ 46,123
Acquisition of Ownership Interests from Non-Controlling Interest Holders		
Deferred Tax Asset	\$ (14,427)	\$ (54,313)
Due to Affiliates	\$ 15,572	\$ 45,200

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Partners Capital

\$ (1,145) \$ 9,113

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. The alternative asset management business includes the management of private equity funds, real estate funds, real estate investment trusts (REITs), funds of hedge funds, hedge funds, credit-focused funds, collateralized loan obligation (CLO) vehicles, collateralized debt obligation (CDO) vehicles, separately managed accounts and registered investment companies (collectively referred to as the Blackstone Funds). Blackstone s business is organized into four segments: private equity, real estate, hedge fund solutions and credit.

On October 1, 2015, Blackstone completed the spin-off of the operations that historically constituted Blackstone s Financial Advisory segment, other than Blackstone s capital markets services business. Blackstone s capital markets services business was retained and was not part of the spin-off. These historical operations included various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. As of October 1, 2015, Blackstone no longer reported a Financial Advisory segment.

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 AI 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 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 from each of the 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, 2015 filed with the Securities and Exchange Commission. As disclosed in the audited consolidated financial statements, the Partnership adopted certain accounting guidance for the quarter ended June 30, 2015 and applied a modified retrospective approach as of January 1, 2015. As such, the condensed consolidated financial statements for the three months ended March 31, 2015 were recast from the amounts originally reported in the Partnership s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

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 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 has a controlling financial interest.

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.

Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partner has a controlling financial interest. The Partnership has a controlling interest in Blackstone Holdings because the limited partners do not have the right to dissolve the partnerships or have substantive kick out rights or participating rights 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.

The Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a variable interest entity and reconsiders that conclusion continually. In evaluating whether the Partnership is the primary beneficiary, Blackstone evaluates its economic interests in the entity held either directly or indirectly by the Partnership. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Partnership, affiliates of the Partnership or third parties) or amendments to the governing documents of the respective Blackstone Funds could affect an entity's status as a VIE or the determination of the primary beneficiary. At each reporting date, the Partnership assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

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

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

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)

number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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

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

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans, including corporate bonds and loans held within CLO vehicles, government and agency securities, less liquid and restricted equity securities, and certain over-the-counter derivatives where the fair value is based on observable inputs. Senior and subordinated notes issued by CLO vehicles are classified within Level II of the fair value hierarchy.

Level III Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include general and limited partnership interests in private equity and real estate funds, credit-focused funds, distressed debt and non-investment grade residual interests in securitizations, certain corporate bonds and loans held within CLO vehicles, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

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

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

Level II Valuation Techniques

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

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

Debt Instruments and Equity Securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such

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)

investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments. The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Freestanding Derivatives are valued using contractual cash flows and observable inputs comprising yield curves, foreign currency rates and credit spreads.

Senior and subordinate notes issued by CLO vehicles are classified based on the more observable fair value of CLO assets less (a) the fair value of any beneficial interests held by Blackstone, and (b) the carrying value of any beneficial interests that represent compensation for services.

Level III Valuation Techniques

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

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

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

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

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)

Level III Valuation Process

Investments classified within Level III of the fair value hierarchy are valued on a quarterly basis, taking into consideration factors including 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 chaired by Blackstone's Vice Chairman and includes senior heads of each of Blackstone's businesses, as well as representatives of legal and finance. Each quarter, the valuations of Blackstone's investments are also reviewed by the Audit Committee in a meeting attended by the chairman of the valuation committee. The valuations are further tested by comparison to actual sales prices obtained on disposition of the investments.

Investments, at Fair Value

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

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

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

In addition, the Partnership has elected the fair value option for the assets and liabilities of CLO vehicles that are consolidated as of January 1, 2010, as a result of the initial adoption of variable interest entity consolidation guidance. The Partnership has also elected the fair value option for CLO vehicles consolidated as a result of the acquisitions of CLO management contracts or the acquisition of the share capital of CLO managers. Historically, the adjustment resulting from the difference between the fair value of assets and liabilities for each of these events was presented as a transition and acquisition adjustment to Appropriated Partners' Capital. Assets of the consolidated

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)

CLOs are presented within Investments within the Condensed Consolidated Statements of Financial Condition and Liabilities within Loans Payable for the amounts due to unaffiliated third parties and Due to Affiliates for the amounts held by non-consolidated affiliates. Changes in the fair value of consolidated CLO assets and liabilities and related interest, dividend and other income subsequent to adoption and acquisition are presented within Net Gains (Losses) from Fund Investment Activities. Expenses of consolidated CLO vehicles are presented in Fund Expenses. Historically, amounts attributable to Non-Controlling Interests in Consolidated Entities had a corresponding adjustment to Appropriated Partners Capital. On the adoption of the new CLO measurement guidance, there is no attribution of amounts to Non-Controlling Interests and no corresponding adjustments to Appropriated Partners Capital.

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

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

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

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

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

Equity Method Investments

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

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)

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

The Partnership takes possession of securities purchased under reverse repurchase agreements and is permitted to repledge, deliver or otherwise use such securities. The Partnership also pledges its financial instruments to counterparties to collateralize repurchase agreements. Financial instruments pledged that can be repledged, delivered or otherwise used by the counterparty are recorded in Investments in the Condensed Consolidated Statements of Financial Condition. Additional disclosures relating to reverse repurchase and repurchase agreements are discussed in Note 10. Reverse Repurchase and Repurchase Agreements .

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

Securities Sold, Not Yet Purchased

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

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

Derivative Instruments

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

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)

are excluded from the assessment of hedge effectiveness, are recognized in current period earnings. Gains or losses on a derivative instrument that is designated as, and is effective as, an economic hedge of a net investment in a foreign operation are reported in the cumulative translation adjustment section of other comprehensive income to the extent it is effective as a hedge. The ineffective portion of a net investment hedge is recognized in current period earnings.

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

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

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

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

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

Affiliates

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

Distributions

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

Recent Accounting Developments

In June 2014, the Financial Accounting Standards Board (FASB) issued amended guidance on revenue from contracts with customers. The guidance requires that an entity should recognize revenue to depict the transfer of

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)

promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The guidance introduces new qualitative and quantitative disclosure requirements about contracts with customers including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations. Information is required about significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and determining the transaction price and amounts allocated to performance obligations. Additional disclosures are required about assets recognized from the costs to obtain or fulfill a contract.

In August 2015, the FASB issued new guidance deferring the effective date of the new revenue recognition standard by one year. The new guidance should be applied for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period.

The new revenue guidance may have a material impact on Blackstone's consolidated financial statements if it is determined that both performance fees and carried interest are forms of variable consideration that may not be included in the transaction price. This may significantly delay the recognition of carried interest income and performance fees.

In February 2016, the FASB issued amended guidance on the accounting for leases. The guidance requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The guidance retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under previous GAAP. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly from previous GAAP.

For operating leases, a lessee is required to do the following: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the Statement of Financial Condition, (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, and (c) classify all cash payments within operating activities in the statement of cash flows.

The guidance is effective for fiscal periods beginning after December 15, 2018. Early application is permitted. Blackstone is evaluating the impact of the amended guidance on the Consolidated Statement of Financial Condition. It is not expected to have a material impact on the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows.

In March 2016, the FASB issued amended guidance on stock compensation. The amendments simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, accounting for forfeitures, and classification of excess tax benefits and employee taxes paid on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. The guidance is not expected to have a material impact on Blackstone's financial statements.

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)

3. INTANGIBLE ASSETS

Intangible Assets, Net consists of the following:

	March 31, 2016	December 31, 2015
Finite-Lived Intangible Assets/Contractual Rights	\$ 1,424,226	\$ 1,424,226
Accumulated Amortization	(1,101,507)	(1,078,679)
Intangible Assets, Net	\$ 322,719	\$ 345,547

Amortization expense associated with Blackstone's intangible assets was \$22.8 million for the three months ended March 31, 2016 and \$24.8 million for the three months ended March 31, 2015.

Amortization of Intangible Assets held at March 31, 2016 is expected to be \$82.9 million, \$43.9 million, \$43.8 million, \$43.8 million, and \$43.8 million for each of the years ending December 31, 2016, 2017, 2018, 2019, and 2020, respectively. Blackstone's intangible assets as of March 31, 2016 are expected to amortize over a weighted-average period of 6.3 years.

4. INVESTMENTS

Investments consist of the following:

	March 31, 2016	December 31, 2015
Investments of Consolidated Blackstone Funds	\$ 4,885,584	\$ 4,613,944
Equity Method Investments	3,116,125	3,110,810
Blackstone's Treasury Cash Management Strategies	1,588,194	1,682,259
Performance Fees	4,782,046	4,757,932
Other Investments	253,083	159,152
	\$ 14,625,032	\$ 14,324,097

Blackstone's share of Investments of Consolidated Blackstone Funds totaled \$405.9 million and \$451.9 million at March 31, 2016 and December 31, 2015, respectively.

Investments of Consolidated Blackstone Funds

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

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	Three Months Ended March 31,	
	2016	2015
Realized Gains	\$ 13,382	\$ 67,039
Net Change in Unrealized Gains (Losses)	(25,241)	3,933
Realized and Net Change in Unrealized Gains (Losses) from Consolidated Blackstone Funds	(11,859)	70,972
Interest and Dividend Revenue Attributable to Consolidated Blackstone Funds	31,001	22,583
Other Income Net Gains from Fund Investment Activities	\$ 19,142	\$ 93,555

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 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, 2016 and 2015, no individual equity method investment held by Blackstone met the significance criteria. As such, Blackstone is not required to present separate financial statements for any of its equity method investments.

The Partnership recognized net gains related to its equity method investments of \$17.6 million and \$162.1 million for the three months ended March 31, 2016 and 2015, 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 into primarily fixed income securities, mutual fund interests, and other fund interests. These strategies are managed by a combination of Blackstone personnel and third party advisers. 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,	
	2016	2015
Realized Losses	\$ (18,609)	\$ (161)
Net Change in Unrealized Gains	1,783	11,111
	\$ (16,826)	\$ 10,950

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, 2015	\$ 1,479,443	\$ 3,101,688	\$ 9,747	\$ 167,054	\$ 4,757,932
Performance Fees Allocated as a Result of Changes in Fund Fair Values	104,602	179,842	(891)	(4)	283,549
Foreign Exchange Gain		18,631			18,631
Fund Distributions	(29,345)	(222,978)	(6,363)	(19,380)	(278,066)
Performance Fees, March 31, 2016	\$ 1,554,700	\$ 3,077,183	\$ 2,493	\$ 147,670	\$ 4,782,046

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)

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,	
	2016	2015
Realized Gains	\$ 4,733	\$ 22
Net Change in Unrealized Gains (Losses)	(6,235)	371
	\$ (1,502)	\$ 393

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, 2016 is presented below:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Instruments	\$ 153,867	\$ 142	(a)	(a)
Credit Driven	257,775	268	(b)	(b)
Event Driven	64,773		(c)	(c)
Equity	227		(d)	(d)
Commodities	1,977		(e)	(e)
	\$ 478,619	\$ 410		

- (a) Diversified Instruments include investments in funds that invest across multiple strategies. Investments representing 4% of the fair value of the investments in this category may not be redeemed at, or within three months of, the reporting date. The remaining 96% of investments in this category are redeemable as of the reporting date.
- (b) The Credit Driven category includes investments in hedge funds that invest primarily in domestic and international bonds. Investments representing 32% 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 64% of the fair value of the investments in this category are redeemable as of the reporting date. Investments representing 4% of the total fair value in the credit driven category are subject to redemption restrictions such as the investee fund manager's ability to limit the amount of redemptions.
- (c) The Event Driven category includes investments in hedge funds whose primary investing strategy is to identify certain event-driven investments. Withdrawals are generally not permitted for the investments in this category. Distributions will be received as the underlying investments are liquidated.

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

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)

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

Net Investment Hedges

To manage the potential exposure from adverse changes in currency exchange rates arising from Blackstone's net investment in foreign operations, during December 2014, Blackstone entered into several foreign currency forward contracts to hedge a portion of the net investment in Blackstone's non-U.S. dollar denominated foreign operations.

Blackstone uses foreign currency forward contracts to hedge portions of Blackstone's net investments in foreign operations. The gains and losses due to change in fair value attributable to changes in spot exchange rates on foreign currency derivatives designated as net investment hedges were recognized in Other Comprehensive Income (Loss), Net of Tax - Currency Translation Adjustment. For the three months ended March 31, 2016 the resulting loss was \$2.1 million.

Freestanding Derivatives

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

In June 2012, Blackstone removed the fair value hedge designation of its interest rate swaps that were previously used to hedge a portion of the interest rate risk on the Partnership's fixed rate borrowings. Changes in the fair value of the interest rate swaps subsequent to the date of de-designation are reflected within Freestanding Derivatives within Interest Rate Contracts in the table below.

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, 2016				December 31, 2015			
	Assets		Liabilities		Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Net Investment Hedges								
Foreign Currency Contracts	\$ 6,087	\$ 9	\$ 53,191	\$ 1,677	\$ 53,627	\$ 319	\$ 138	\$ 1
Freestanding Derivatives								
Blackstone								
Interest Rate Contracts	603,327	900	724,087	5,765	1,681,533	2,212	1,054,465	4,288
Foreign Currency Contracts	163,031	2,902	127,891	1,063	158,684	2,088	271,891	2,042
Credit Default Swaps	2,275	12					19,250	2,411
Investments of Consolidated Blackstone Funds								
Foreign Currency Contracts	197,087	11,562	26,253	2,846	124,595	1,400	92,094	6,490
Credit Default Swaps			122,682	7,647			108,786	6,275
	965,720	15,376	1,000,913	17,321	1,964,812	5,700	1,546,486	21,506
Total	\$ 971,807	\$ 15,385	\$ 1,054,104	\$ 18,998	\$ 2,018,439	\$ 6,019	\$ 1,546,624	\$ 21,507

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

	Three Months Ended March 31,	
	2016	2015
Net Investment Hedges Foreign Currency Contracts		
Hedge Ineffectiveness	\$ 129	\$ 240
Freestanding Derivatives		
Realized Gains (Losses)		
Interest Rate Contracts	\$ (7,358)	\$ (3,735)
Foreign Currency Contracts	(4,310)	12,064
Credit Default Swaps	(3,811)	1,826
Total	\$ (15,479)	\$ 10,155
Freestanding Derivatives		
Net Change in Unrealized Gains (Losses)		
Interest Rate Contracts	\$ (2,666)	\$ (746)

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Foreign Currency Contracts	15,322	(11,024)
Credit Default Swaps	(4,276)	(2,922)
Total	\$ 8,380	\$ (14,692)

As of March 31, 2016 and December 31, 2015, the Partnership had not designated any derivatives as cash flow hedges.

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, 2016	December 31, 2015
Assets		
Loans and Receivables	\$ 287,858	\$ 261,994
Equity and Preferred Securities	280,028	280,879
Debt Securities	14,487	15,176
Assets of Consolidated CLO Vehicles		
Corporate Loans	3,363,794	3,087,563
Corporate Bonds	412,073	379,000
	\$ 4,358,240	\$ 4,024,612
Liabilities		
Liabilities of Consolidated CLO Vehicles		
Senior Secured Notes	\$ 3,467,956	\$ 3,225,064
Subordinated Notes	86,063	98,371
	\$ 3,554,019	\$ 3,323,435

The following table presents the Realized and Net Change in Unrealized Gains (Losses) on financial instruments on which the fair value option was elected:

	2016		Three Months Ended March 31, 2015	
	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)	Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Assets				
Loans and Receivables	\$	\$ (3,778)	\$	\$ (1,875)
Equity and Preferred Securities	3	(3,832)	(185)	(2,828)
Debt Securities		(689)		
Assets of Consolidated CLO Vehicles				
Corporate Loans	(13,707)	957	(7,208)	22,557
Corporate Bonds	190	271	30	1,135
Other	178		1,955	(2,491)
	\$ (13,336)	\$ (7,071)	\$ (5,408)	\$ 16,498

Liabilities

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Liabilities of Consolidated CLO Vehicles				
Senior Secured Notes	\$	\$	\$	\$ (3,794)
Subordinated Notes		12,413		754
	\$	\$	12,413	\$ (3,040)

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, 2016			December 31, 2015		
	For Financial Assets Past Due (a)			For Financial Assets Past Due (a)		
	(Deficiency) of Fair Value Over Principal	Fair Value	(Deficiency) of Fair Value Over Principal	(Deficiency) of Fair Value Over Principal	Fair Value	(Deficiency) of Fair Value Over Principal
Loans and Receivables	\$ (13,806)	\$	\$	\$ (8,845)	\$	\$
Debt Securities	(1,115)			(426)		
Assets of Consolidated CLO Vehicles						
Corporate Loans	(71,562)		(1,784)	(77,900)	1,088	(5,620)
Corporate Bonds	(6,588)			(6,046)		
	\$ (93,071)	\$	\$ (1,784)	\$ (93,217)	\$ 1,088	\$ (5,620)

(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, 2015, no Loans and Receivables for which the fair value option was elected were past due or in non-accrual status. As of March 31, 2016 and December 31, 2015, 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:

	Level I	Level II	March 31, 2016 Level III	NAV	Total
Assets					
Investments of Consolidated Blackstone Funds (a)					
Investment Funds	\$	\$	\$	\$ 149,071	\$ 149,071
Equity Securities	71,851	53,317	82,724		207,892
Partnership and LLC Interests	32,642	75,005	445,697		553,344
Debt Instruments		168,597	19,251		187,848
Assets of Consolidated CLO Vehicles					
Corporate Loans		3,174,768	189,026		3,363,794
Corporate Bonds		412,073			412,073
Freestanding Derivatives - Foreign					
Currency Contracts		11,562			11,562
Total Investments of Consolidated Blackstone Funds	104,493	3,895,322	736,698	149,071	4,885,584
Blackstone's Treasury Cash Management Strategies					
Equity Securities	143,882				143,882
Debt Instruments		1,101,627	30,855	116,544	1,249,026
Other				195,286	195,286
Total Blackstone's Treasury Cash					
Management Strategies	143,882	1,101,627	30,855	311,830	1,588,194
Money Market Funds	170,680				170,680
Net Investment Hedges - Foreign Currency Contracts		9			9
Freestanding Derivatives					
Interest Rate Contracts	452	448			900
Foreign Currency Contracts		2,902			2,902
Credit Default Swaps		12			12
Loans and Receivables			287,858		287,858
Other Investments	135,956		99,409	17,718	253,083
	\$ 555,463	\$ 5,000,320	\$ 1,154,820	\$ 478,619	\$ 7,189,222

	Level I	Level II	March 31, 2016 Level III	Total
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes (b)	\$	\$ 3,467,956	\$	\$ 3,467,956
Subordinated Notes (b)		86,063		86,063

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Freestanding Derivatives	Foreign Currency Contracts		2,846		2,846
Freestanding Derivatives	Credit Default Swaps		7,647		7,647
Net Investment Hedges	Foreign Currency Contracts		1,677		1,677
Freestanding Derivatives					
Interest Rate Contracts		1,899	3,866		5,765
Foreign Currency Contracts			1,063		1,063
Securities Sold, Not Yet Purchased			105,857		105,857
				\$ 1,899	\$ 3,676,975
				\$	\$ 3,678,874

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)

	Level I	Level II	December 31, 2015 Level III	NAV	Total
Assets					
Investments of Consolidated Blackstone Funds (a)					
Investment Funds	\$	\$	\$	\$ 155,512	\$ 155,512
Equity Securities	82,734	53,250	80,849		216,833
Partnership and LLC Interests		101,399	472,391		573,790
Debt Instruments		179,465	20,381		199,846
Assets of Consolidated CLO Vehicles					
Corporate Loans		2,886,792	200,771		3,087,563
Corporate Bonds		379,000			379,000
Freestanding Derivatives Foreign Currency Contracts		1,400			1,400
Total Investments of Consolidated Blackstone Funds	82,734	3,601,306	774,392	155,512	4,613,944
Blackstone's Treasury Cash Management Strategies					
Equity Securities	240,464				240,464
Debt Instruments		1,069,915	54,657	115,657	1,240,229
Other				201,566	201,566
Total Blackstone's Treasury Cash Management Strategies	240,464	1,069,915	54,657	317,223	1,682,259
Money Market Funds	460,233				460,233
Net Investment Hedges Foreign Currency Contracts		319			319
Freestanding Derivatives					
Interest Rate Contracts	1,806	406			2,212
Foreign Currency Contracts		2,088			2,088
Loans and Receivables			261,994		261,994
Other Investments	40,261		101,184	17,707	159,152
	\$ 825,498	\$ 4,674,034	\$ 1,192,227	\$ 490,442	\$ 7,182,201

	Level I	December 31, 2015 Level II	Level III	Total
Liabilities				
Liabilities of Consolidated CLO Vehicles (a)				
Senior Secured Notes (b)		\$ 3,225,064	\$	\$ 3,225,064
Subordinated Notes (b)		98,371		98,371
Freestanding Derivatives Foreign Currency Contracts		6,490		6,490
Freestanding Derivatives Credit Default Swaps		6,275		6,275
Net Investment Hedges Foreign Currency Contracts		1		1
Freestanding Derivatives				
Interest Rate Contracts	835	3,453		4,288
Foreign Currency Contracts		2,042		2,042
Credit Default Swaps		2,411		2,411
Securities Sold, Not Yet Purchased		176,667		176,667

\$ 835 \$ 3,520,774 \$ \$ 3,521,609

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) 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, has a controlling financial interest. While the Partnership is required to consolidate certain funds, including CLO vehicles, for GAAP purposes, the Partnership has no ability to utilize the assets of these funds and there is no recourse to the Partnership for their liabilities since these are client assets and liabilities.
- (b) Senior and subordinate notes issued by CLO vehicles are classified based on the more observable fair value of CLO assets less (a) the fair value of any beneficial interests held by Blackstone, and (b) the carrying value of any beneficial interests that represent compensation for services.

The following table summarizes the fair value transfers between Level I and Level II for positions that existed as of March 31, 2016 and 2015, respectively:

	Three Months Ended	
	March 31,	
	2016	2015
Transfers from Level I into Level II (a)	\$ 2,114	\$
Transfers from Level II into Level I (b)	\$ 28,346	\$ 5,688

- (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, 2016:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted-Average (a)
Financial Assets					
Investments of Consolidated Blackstone Funds					
Equity Securities	\$ 69,289	Discounted Cash Flows	Discount Rate	7.4% - 25.0%	13.1%
			Revenue CAGR	-1.5% - 20.2%	8.1%
			Exit Multiple - EBITDA	4.0x - 18.2x	9.6x
			Exit Multiple - P/E	10.5x - 17.0x	11.3x
			Exit Capitalization Rate	5.5% - 11.4%	8.9%
	5,878	Other	N/A	N/A	N/A
	5,869	Transaction Price	N/A	N/A	N/A
	1,661	Market Comparable Companies	EBITDA Multiple	6.1x	N/A
			Book Value Multiple	0.9x	N/A
	27	Third Party Pricing	N/A	N/A	N/A
Partnership and LLC Interests	413,719	Discounted Cash Flows	Discount Rate	2.1% - 29.2%	9.5%
			Revenue CAGR	-13.8% - 67.1%	8.4%
			Exit Multiple - EBITDA	0.1x - 23.5x	10.3x
			Exit Multiple - P/E	9.3x	N/A
			Exit Capitalization Rate	3.0% - 12.1%	6.4%
	14,342	Third Party Pricing	N/A	N/A	N/A
	9,671	Transaction Price	N/A	N/A	N/A
	7,965	Other	N/A	N/A	N/A
Debt Instruments	14,794	Third Party Pricing	N/A	N/A	N/A
	4,071	Discounted Cash Flows	Discount Rate	8.3% - 52.7%	14.4%
			Revenue CAGR	6.8%	N/A
			Exit Multiple - EBITDA	12.0x	N/A
			Exit Capitalization Rate	1.0% - 8.3%	5.3%
	386	Transaction Pricing	N/A	N/A	N/A
Assets of Consolidated CLO					
Vehicles	172,442	Third Party Pricing	N/A	N/A	N/A
	16,584	Market Comparable Companies	EBITDA Multiple	4.0x - 15.0x	7.2x
Total Investments of Consolidated Blackstone Funds					
	736,698				

continued

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	\$ 15,663	Discounted Cash Flows	Default Rate	1.0% - 2.0%	1.9%
			Recovery Rate	30.0% - 70.0%	69.4%
			Recovery Lag	12 Months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 350 bps LIBOR + 400 bps	LIBOR + 394 bps
			Discount Rate	8.4% - 13.5%	9.5%
	15,192	Third Party Pricing	N/A	N/A	N/A
Loans and Receivables	222,726	Discounted Cash Flows	Discount Rate	6.8% - 24.8%	12.2%
			Transaction Price	N/A	N/A
			Third Party Pricing	N/A	N/A
Other Investments	83,210	Discounted Cash Flows	Discount Rate	1.7% - 19.7%	3.9%
			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
	16,199	Transaction Price	N/A	N/A	N/A
Total	\$ 1,154,820				

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, 2015:

	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average (a)		
Financial Assets							
Investments of Consolidated Blackstone Funds							
Equity Securities	\$ 66,962	Discounted Cash Flows	Discount Rate	7.8% - 25.0%	13.6%		
			Revenue CAGR	-5.0% - 61.5%	10.2%		
			Exit Multiple - EBITDA	5.0x - 18.2x	9.6x		
			Exit Multiple - P/E	10.5x - 17.0x	11.2x		
			Exit Capitalization Rate	5.5% - 11.4%	9%		
			5,426	Other	N/A	N/A	N/A
			6,722	Transaction Price	N/A	N/A	N/A
			1,710	Market Comparable Companies	EBITDA Multiple	6.5x - 8.0x	6.6x
		Book Value Multiple	0.9x	N/A			
	29	Third Party Pricing	N/A	N/A	N/A		
Partnership and LLC Interests	423,588	Discounted Cash Flows	Discount Rate	2.1% - 25.8%	9.3%		
			Revenue CAGR	-24.1% - 31.8%	8.6%		
			Exit Multiple - EBITDA	0.1x - 23.8x	9.8x		
			Exit Multiple - P/E	9.3x	N/A		
			Exit Capitalization Rate	2.7% - 12.1%	6.3%		
	30,437	Transaction Price	N/A	N/A	N/A		

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16,963	Third Party Pricing	N/A	N/A	N/A
1,403	Other	N/A	N/A	N/A

33

continued ...

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)
Debt Instruments	\$ 16,217	Third Party Pricing	N/A	N/A	N/A
	4,086	Discounted Cash Flows	Discount Rate	6.5% - 52.7%	14.1%
			Revenue CAGR	16.8%	N/A
			Exit Multiple - EBITDA	12.0x	N/A
			Exit Capitalization Rate	1.0% - 8.3%	5.8%
	78	Transaction Price	N/A	N/A	N/A
Assets of Consolidated CLO Vehicles	180,988	Third Party Pricing	N/A	N/A	N/A
	19,783	Market Comparable Companies	EBITDA Multiple	4.5x - 7.0x	6.5x
Total Investments of Consolidated Blackstone Funds	774,392				
Blackstone's Treasury Cash Management Strategies	32,004	Discounted Cash Flows	Default Rate	1.0% - 2.0%	1.9%
			Recovery Rate	30.0% - 70.0%	67.0%
			Recovery Lag	12 months	N/A
			Pre-payment Rate	20.0%	N/A
			Reinvestment Rate	LIBOR + 400 bps	N/A
	22,653	Third Party Pricing	Discount Rate	5.8% - 14.0%	8.6%
			N/A	N/A	N/A
Loans and Receivables	241,897	Discounted Cash Flows	Discount Rate	6.7% - 20.6%	11.0%
	20,097	Third Party Pricing	N/A	N/A	N/A
Other Investments	81,984	Discounted Cash Flows	Discount Rate	1.4% - 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
	19,200	Transaction Price	N/A	N/A	N/A
Total	\$ 1,192,227				

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.
Third Party Pricing Third Party Pricing is generally determined on the basis of prices between market participants provided by reputable dealers or pricing services.

(a) Unobservable inputs were weighted based on the fair value of the investments included in the range. The significant unobservable inputs used in the fair value measurement of the Blackstone's Treasury Cash Management Strategies, debt instruments and other investments 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

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)**

directionally similar change in the assumption used for recovery lag and a directionally opposite change in the assumption used for recovery rates and pre-payment rates.

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

Since December 31, 2015, there have been no changes in valuation techniques within Level II and Level III that have had a material impact on the valuation of financial instruments.

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

	Level III Financial Assets at Fair Value Three Months Ended March 31,							
	2016				2015			
	Investments of Consolidated Funds	Loans and Receivables	Other Investments (a)	Total	Investments of Consolidated Funds	Loans and Receivables	Other Investments (a)	Total
Balance, Beginning of Period	\$ 774,392	\$ 261,994	\$ 155,841	\$ 1,192,227	\$ 2,394,823	\$ 40,397	\$ 189,385	\$ 2,624,605
Transfer Out Due to Deconsolidation					(1,460,538)			(1,460,538)
Transfer In to Level III (b)	54,626		290	54,916	9,314		17,125	26,439
Transfer Out of Level III (b)	(61,879)		(4,005)	(65,884)	(12,353)		(22,684)	(35,037)
Purchases	63,932	298,381		362,313	83,503	6,186	24,933	114,622
Sales	(92,578)	(267,556)	(20,007)	(380,141)	(92,074)	(4,071)	(35,153)	(131,298)
Settlements		(4,294)	(140)	(4,434)		(1,144)	(103)	(1,247)
Changes in Gains (Losses) Included in Earnings and Other Comprehensive Income (Loss)	(1,795)	(667)	(1,715)	(4,177)	(2,227)	(677)	(9,705)	(12,609)
Balance, End of Period	\$ 736,698	\$ 287,858	\$ 130,264	\$ 1,154,820	\$ 920,448	\$ 40,691	\$ 163,798	\$ 1,124,937
Changes in Unrealized Gains (Losses) Included in Earnings Related to Investments Still Held at	\$ (18,484)	\$ (667)	\$ (1,300)	\$ (20,451)	\$ 6,352	\$ (806)	\$ 1,348	\$ 6,894

the Reporting Date

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)

	Level III Financial Liabilities at Fair Value Three Months Ended March 31, 2015 (c)		
	Collateralized Loan Obligations Senior Notes	Collateralized Loan Obligations Subordinated Notes	Total
Balance, Beginning of Period	\$ 6,448,352	\$ 348,752	\$ 6,797,104
Transfer Out Due to Deconsolidation	(4,168,405)	(261,934)	(4,430,339)
Transfer Out Due to Amended CLO Guidance (d)	(2,279,947)	(86,818)	(2,366,765)
Balance, End of Period	\$	\$	\$

- (a) Represents Blackstone's Treasury Cash Management Strategies and Other Investments.
- (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) There were no Level III financial liabilities as of and for the three months ended March 31, 2016. There were no changes in unrealized (gains) losses included in earnings related to liabilities still held at either March 31, 2016 or March 31, 2015.
- (d) Transfers out due to amended CLO measurement guidance represents the transfer out of Level III for liabilities of consolidated CLO vehicles for which fair value is based on the more observable fair value of CLO assets. Such liabilities are classified as Level II within the fair value hierarchy.

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.

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 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, 2016	December 31, 2015
Investments	\$ 517,284	\$ 466,651
Accounts Receivable	14,593	11,726
Due from Affiliates	45,314	51,029
Total VIE Assets	577,191	529,406
Due to Affiliates	652	586
Accounts Payable, Accrued Expenses and Other Liabilities	122	88
Potential Clawback Obligation	74,676	73,450
Maximum Exposure to Loss	\$ 652,641	\$ 603,530

10. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

At March 31, 2016, 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 \$45.2 million as collateral for reverse repurchase agreements that could be repledged, delivered or otherwise used. Securities with a fair value of \$32.1 million and cash were used to cover Securities Sold, Not Yet Purchased. The Partnership also pledged securities with a carrying value of \$75.7 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

At December 31, 2015, the Partnership pledged securities with a carrying value of \$64.5 million and cash to collateralize its repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty.

The following table provides information regarding the Partnership's Repurchase Agreements obligation by type of collateral pledged as of March 31, 2016:

	March 31, 2016				Total
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Remaining Contractual Maturity of the Agreements Greater than 90 days	
Repurchase Agreements					
Asset-Backed Securities	\$	\$ 5,148	\$ 40,260	\$ 4,132	\$ 49,540

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Gross Amount of Recognized Liabilities for Repurchase Agreements in Note 11. Offsetting of Assets and Liabilities	\$ 49,540
Amounts Related to Agreements Not Included in Offsetting Disclosure 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)

11. OFFSETTING OF ASSETS AND LIABILITIES

The following tables present the offsetting of assets and liabilities as of March 31, 2016:

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
		Financial Instruments	Cash Collateral Received	
Assets				
Net Investment Hedges	\$ 9	\$ 9	\$	\$
Freestanding Derivatives	3,814	1,215	1,174	1,425
Reverse Repurchase Agreements	45,301	45,151		150
Total	\$ 49,124	\$ 46,375	\$ 1,174	\$ 1,575

	Gross and Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
		Financial Instruments	Cash Collateral Pledged	
Liabilities				
Net Investment Hedges	\$ 1,677	\$ 9	\$	\$ 1,668
Freestanding Derivatives	14,475	1,215	12,909	351
Repurchase Agreements	49,540	46,573	2,967	
Total	\$ 65,692	\$ 47,797	\$ 15,876	\$ 2,019

The following tables present the offsetting of assets and liabilities as of December 31, 2015:

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
		Financial Instruments	Cash Collateral Received	
Assets				
Net Investment Hedges	\$ 319	\$ 1	\$	\$ 318
Freestanding Derivatives	4,300	2,149	1,310	841
Reverse Repurchase Agreements	204,893	203,938		955

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Total	\$	209,512	\$ 206,088	\$	1,310	\$	2,114
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	Gross and Net Amounts of Liabilities Presented in the Statement of		Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount			
	Financial Condition	Financial Instruments	Cash Collateral Pledged					
Liabilities								
Net Investment Hedges	\$	1	\$	1	\$			
Freestanding Derivatives		15,016		2,149		791		
Repurchase Agreements		40,929		40,259		670		
Total	\$	55,946	\$	42,409	\$	12,746	\$	791

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)

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, 2016	December 31, 2015
Furniture, Equipment and Leasehold Improvements, Net	\$ 139,318	\$ 135,543
Prepaid Expenses	144,887	190,241
Other Assets	28,168	46,786
Freestanding Derivatives	3,814	4,300
Net Investment Hedges	9	319
	\$ 316,196	\$ 377,189

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

Notional Pooling Arrangement

Blackstone has a notional cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals based upon aggregate cash balances on deposit at the same financial institution. Cash withdrawals cannot exceed aggregate cash balances on deposit. The net balance of cash on deposit and overdrafts is used as a basis for calculating net interest expense or income. As of March 31, 2016, the aggregate cash balance on deposit relating to the cash pooling arrangement was \$952.1 million, which was fully offset with an accompanying overdraft.

12. BORROWINGS

The following table presents the general characteristics of each of our Notes, as well as their carrying value and fair value. The Notes are included in Loans Payable within the Condensed Consolidated Statements of Financial Condition. All of the Notes were issued at a discount. All of the Notes accrue interest from the Issue Date and all pay interest in arrears on a semi-annual basis or annual basis.

	March 31, 2016		December 31, 2015	
	Carrying Value	Fair Value (a)	Carrying Value	Fair Value (a)
Senior Notes				
6.625%, Due 8/15/2019 (b)	\$ 613,047	\$ 667,485	\$ 614,996	\$ 665,438
5.875%, Due 3/15/2021	\$ 397,814	\$ 459,880	\$ 397,720	\$ 458,680
4.750%, Due 2/15/2023	\$ 392,452	\$ 436,560	\$ 392,224	\$ 430,560
6.250%, Due 8/15/2042	\$ 237,692	\$ 297,200	\$ 237,648	\$ 297,575
5.000%, Due 6/15/2044	\$ 488,204	\$ 510,750	\$ 488,119	\$ 515,050
4.450%, Due 7/15/2045	\$ 343,737	\$ 330,365	\$ 343,689	\$ 332,640
2.000%, Due 5/19/2025	\$ 334,697	\$ 351,977	\$ 322,664	\$ 327,465

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- (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, 2016			December 31, 2015		
	Borrowing Outstanding	Weighted-Average Interest Rate	Weighted-Average Remaining Maturity in Years	Borrowing Outstanding	Weighted-Average Interest Rate	Weighted-Average Remaining Maturity in Years
Senior Secured Notes	\$ 3,786,464	1.94%	5.5	\$ 3,687,976	1.93%	5.4
Subordinated Notes	234,071	(a)	N/A	226,350	(a)	N/A
	\$ 4,020,535			\$ 3,914,326		

(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, 2016			December 31, 2015		
	Amounts Due to Non-Consolidated Affiliates			Amounts Due to Non-Consolidated Affiliates		
	Fair Value	Borrowing Outstanding	Fair Value	Fair Value	Borrowing Outstanding	Fair Value
Senior Secured Notes	\$ 3,467,956	\$	\$	\$ 3,225,064	\$	\$
Subordinated Notes	\$ 86,063	\$ 10,000	\$ 8,164	\$ 98,371	\$ 10,000	\$ 8,231

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, 2016 and December 31, 2015, the fair value of the consolidated CLO assets was \$4.1 billion and \$3.9 billion, respectively. This collateral consisted of Cash, Corporate Loans, Corporate Bonds, other securities and receivables.

Scheduled principal payments for borrowings as of March 31, 2016 were as follows:

	Operating Borrowings	Blackstone Fund Facilities/CLO Vehicles	Total Borrowings
2016	\$	\$ 4,253	\$ 4,253
2017		538,555	538,555
2018			
2019		585,000	585,000

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2020			
Thereafter	2,240,140	3,481,980	5,722,120
Total	\$ 2,825,140	\$ 4,024,788	\$ 6,849,928

13. INCOME TAXES

Blackstone's effective tax rate was 5.7% and 6.8% for the three months ended March 31, 2016 and 2015, respectively. Blackstone's income tax provision was \$18.9 million and \$99.3 million for the three months ended March 31, 2016 and 2015, 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)**

The Blackstone Group L.P. and certain of its 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. Blackstone's effective tax rate for the three months ended March 31, 2016 and 2015 was substantially due to the fact that 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.

14. NET INCOME PER COMMON UNIT

Basic and diluted net income per common unit for the three months ended March 31, 2016 and March 31, 2015 was calculated as follows:

	Three Months Ended March 31,	
	2016	2015
Net Income for Per Common Unit Calculation		
Net Income Attributable to The Blackstone Group L.P., Basic	\$ 150,033	\$ 629,448
Incremental Net Income from Assumed Exchange of Blackstone Holdings Partnership Units	119,594	
Net Income Attributable to The Blackstone Group L.P., Diluted	\$ 269,627	\$ 629,448
Units Outstanding		
Weighted-Average Common Units Outstanding, Basic	644,897,849	625,276,969
Weighted-Average Unvested Deferred Restricted Common Units	1,629,702	5,955,072
Weighted-Average Blackstone Holdings Partnership Units	548,042,780	
Weighted-Average Common Units Outstanding, Diluted	1,194,570,331	631,232,041
Net Income Per Common Unit, Basic	\$ 0.23	\$ 1.01
Net Income Per Common Unit, Diluted	\$ 0.23	\$ 1.00
Distributions Declared Per Common Unit (a)	\$ 0.61	\$ 0.78

(a) Distributions declared reflects the calendar date of the declaration for each distribution.

The following table summarizes the anti-dilutive securities for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Weighted-Average Blackstone Holdings Partnership Units		548,837,150
Unit Repurchase Program		

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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.

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)

During the three month periods ended March 31, 2016 and 2015, no units were repurchased. As of March 31, 2016, the amount remaining available for repurchases under this program was \$335.8 million.

15. EQUITY-BASED COMPENSATION

The Partnership has granted equity-based compensation awards to Blackstone's senior managing directors, non-partner professionals, non-professionals and selected external advisers under the Partnership's 2007 Equity Incentive Plan (the Equity Plan), the majority of which to date were granted in connection with Blackstone's initial public offering (IPO). The Equity Plan allows for the granting of options, unit appreciation rights or other unit-based awards (units, restricted units, restricted common units, deferred restricted common units, phantom restricted common units or other unit-based awards based in whole or in part on the fair value of the Blackstone common units or Blackstone Holdings Partnership Units) which may contain certain service or performance requirements. As of January 1, 2016, the Partnership had the ability to grant 168,600,140 units under the Equity Plan.

For the three months ended March 31, 2016 and March 31, 2015, the Partnership recorded compensation expense of \$79.8 million and \$272.3 million, respectively, in relation to its equity-based awards with corresponding tax benefits of \$8.3 million and \$23.6 million, respectively.

As of March 31, 2016, there was \$1.0 billion of estimated unrecognized compensation expense related to unvested awards. This cost is expected to be recognized over a weighted-average period of 4.9 years.

Total vested and unvested outstanding units, including Blackstone common units, Blackstone Holdings Partnership Units and deferred restricted common units, were 1,192,401,538 as of March 31, 2016. Total outstanding unvested phantom units were 35,844 as of March 31, 2016.

A summary of the status of the Partnership's unvested equity-based awards as of March 31, 2016 and of changes during the period January 1, 2016 through March 31, 2016 is presented below:

	Blackstone Holdings		The Blackstone Group L.P.			
	Partnership Units	Weighted-Average Grant Date Fair Value	Equity Settled Awards Deferred Restricted Common Units and Options	Weighted-Average Grant Date Fair Value	Cash Settled Awards Phantom Units	Weighted-Average Grant Date Fair Value
Unvested Units						
Balance, December 31, 2015	40,901,755	\$ 32.98	14,342,129	\$ 22.38	27,942	\$ 28.79
Granted	363,239	28.57	1,893,628	28.77	2,465	29.24
Vested	(4,089,498)	22.46	(2,600,563)	22.92	(529)	28.14
Forfeited	(164,898)	39.21	(271,587)	20.04		
Balance, March 31, 2016	37,010,598	\$ 34.07	13,363,607	\$ 23.23	29,878	\$ 28.84

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)

Units Expected to Vest

The following unvested units, after expected forfeitures, as of March 31, 2016, are expected to vest:

	Units	Weighted-Average Service Period in Years
Blackstone Holdings Partnership Units	29,122,600	4.4
Deferred Restricted Blackstone Common Units	11,561,529	2.0
Total Equity-Based Awards	40,684,129	3.7
Phantom Units	22,284	3.5

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 four year period beginning August 2013, 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 \$4.2 million.

16. RELATED PARTY TRANSACTIONS**Affiliate Receivables and Payables**

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

	March 31, 2016	December 31, 2015
Due from Affiliates		
Accrual for Potential Clawback of Previously Distributed Carried Interest	\$ 2,659	\$ 1,686
Advances Made on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees		
Principally for Investments in Blackstone Funds	293,701	331,558
Amounts Due from Portfolio Companies and Funds	295,718	319,758
Investments Redeemed in Non-Consolidated Funds of Hedge Funds	6,760	5,931
Management and Performance Fees Due from Non-Consolidated Funds	371,260	403,538
Payments Made on Behalf of Non-Consolidated Entities	169,428	178,326
	\$ 1,139,526	\$ 1,240,797

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)

	March 31, 2016	December 31, 2015
Due to Affiliates		
Due to Certain Non-Controlling Interest Holders in Connection with the Tax Receivable Agreements	\$ 1,145,207	\$ 1,201,543
Accrual for Potential Repayment of Previously Received Performance Fees	6,308	3,356
Due to Note Holders of Consolidated CLO Vehicles	8,164	8,231
Distributions Received on Behalf of Certain Non-Controlling Interest Holders and Blackstone Employees	17,262	26,593
Distributions Received on Behalf of Blackstone Entities	36,504	33,160
Payments Made by Non-Consolidated Entities	5,739	9,817
	\$ 1,219,184	\$ 1,282,700

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, 2016 and December 31, 2015, such investments aggregated \$732.1 million and \$746.3 million, respectively. Their share of the Net Income (Loss) Attributable to Redeemable Non-Controlling and Non-Controlling Interests in Consolidated Entities aggregated \$3.0 million and \$49.5 million for the three months ended March 31, 2016 and 2015, respectively.

Revenues Earned from Affiliates

Management and Advisory Fees, Net earned from affiliates totaled \$56.7 million and \$48.1 million for the three months ended March 31, 2016 and 2015, 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 \$0.2 million and \$2.0 million for the three months ended March 31, 2016 and 2015, 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, 2016. See Note 17. Commitments and Contingencies Contingencies Contingent Obligations (Clawback) .

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)

Aircraft and Other Services

In the normal course of business, Blackstone personnel make use of aircraft owned as personal assets by Stephen A. Schwarzman; 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; and an aircraft owned jointly as a personal asset by Bennett J. Goodman, Co-Founder of GSO Capital and a Director of Blackstone, and another senior managing director (each such aircraft, "Personal Aircraft"). Mr. Schwarzman paid for his purchases of his Personal Aircraft himself. Each of Mr. James and Mr. Gray paid for his respective interest in their jointly owned Personal Aircraft. Mr. Goodman paid for his interest in his jointly owned Personal Aircraft. Mr. Schwarzman, Mr. James, Mr. Gray and Mr. Goodman respectively bear operating, personnel and maintenance costs associated with the operation of such Personal Aircraft. Payment by Blackstone for the use of the Personal Aircraft by Blackstone employees is made based on market rates.

In addition, on occasion, certain of Blackstone's executive officers and employee directors and their families may make use of aircraft owned by Blackstone or in which Blackstone owns a fractional interest, as well as other assets of Blackstone. Any such personal use of Blackstone assets is charged to the executive officer or employee director based on market rates and usage. Personal use of Blackstone resources is also reimbursed to Blackstone based on market rates.

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

Tax Receivable Agreements

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

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

Assuming no future 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 \$1.1 billion over the next 15 years. The after-tax net present value of these estimated payments totals \$360.8 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

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)

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.

Additionally, please see Note 17. Commitments and Contingencies - Contingencies - Guarantees for information regarding guarantees provided to a lending institution for certain loans held by employees.

17. COMMITMENTS AND CONTINGENCIES

Commitments

Investment Commitments

Blackstone had \$2.2 billion of investment commitments as of March 31, 2016 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 \$22.9 million as of March 31, 2016 which includes \$10.6 million of signed investment commitments for portfolio company acquisitions in the process of closing.

Contingencies

Guarantees

Certain of Blackstone's consolidated real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. There is no direct recourse to the Partnership to fulfill such obligations. To the extent that underlying funds are required to fulfill guarantee obligations, the Partnership's invested capital in such funds is at risk. Total investments at risk in respect of guarantees extended by consolidated real estate funds was \$6.3 million as of March 31, 2016.

The Blackstone Holdings Partnerships provided guarantees to a lending institution for certain loans held by employees either for investment in Blackstone Funds or for members' capital contributions to Blackstone International Partners LLP. The amount guaranteed as of March 31, 2016 was \$136.4 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.

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)***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, including available contemplated extensions, for which a liability for potential clawback obligations has been recorded for financial reporting purposes, are currently anticipated to expire at various points through 2028. 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:

Segment	Blackstone Holdings	March 31, 2016		Total	Blackstone Holdings	December 31, 2015	
		Current and Former Personnel				Current and Former Personnel	Total
Credit	\$ 3,649	\$ 2,659		\$ 6,308	\$ 1,670	\$ 1,686	\$ 3,356

A portion of the Carried Interest paid to current and former Blackstone personnel is held in segregated accounts in the event of a cash clawback obligation. These segregated accounts are not included in the Condensed Consolidated Financial Statements of the Partnership, except to the extent a portion of the assets held in the segregated accounts may be allocated to a consolidated Blackstone fund of hedge funds. At March 31, 2016, \$576.8 million was held in segregated accounts for the purpose of meeting any clawback obligations of current and former personnel if such payments are required.

If, at March 31, 2016, all of the investments held by the carry funds were deemed worthless, a possibility that management views as remote, the amount of Carried Interest subject to potential clawback would be \$4.6 billion, on an after tax basis where applicable, of which \$4.2 billion related to Blackstone Holdings and \$432.0 million related to current and former Blackstone personnel.

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 businesses through four segments:

Private Equity Blackstone's Private Equity segment comprises its management of private equity funds, certain opportunistic investment funds, a core private equity fund and secondary private funds of funds.

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Real Estate Blackstone's Real Estate segment primarily comprises its management of global, European focused and Asian focused opportunistic real estate funds as well as core+ 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.

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)

Hedge Fund Solutions Blackstone's Hedge Fund Solutions segment is comprised principally of Blackstone Alternative Asset Management (BAAM), which manages a broad range of commingled and customized hedge fund of fund solutions. The Hedge Fund Solutions business also includes investment platforms that seed new hedge fund talent, purchase ownership interests in more established hedge funds, invest in special situation opportunities, create alternative solutions in regulated structures and trade long and short public equities.

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

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 four 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.

Senior 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 four segments as of and for the three months ended March 31, 2016 and 2015. On October 1, 2015, Blackstone completed the spin-off of the operations that historically constituted Blackstone's Financial Advisory segment, other than Blackstone's capital markets services business. Blackstone's capital markets services business was retained and was not part of the spin-off. These historical operations included various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. As of October 1, 2015, Blackstone no longer reported a Financial Advisory segment. Results of the historical Financial Advisory segment are included herein for comparative purposes only. The results of Blackstone's capital markets services business were reclassified from the Financial Advisory segment to the Private Equity segment. All prior periods have been recast to reflect this reclassification.

	March 31, 2016 and the Three Months Then Ended				Total Segments
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	
Segment Revenues					
Management and Advisory Fees, Net					
Base Management Fees	\$ 130,648	\$ 199,907	\$ 130,158	\$ 125,990	\$ 586,703
Advisory Fees	481				481
Transaction and Other Fees, Net	8,439	35,794	543	1,342	46,118
Management Fee Offsets	(6,848)	(3,595)		(9,658)	(20,101)
Total Management and Advisory Fees, Net	132,720	232,106	130,701	117,674	613,201
Performance Fees					
Realized					
Carried Interest	30,282	200,627			230,909
Incentive Fees		4,069	2,684	21,697	28,450
Unrealized					
Carried Interest	73,875	(11,522)	32	(14,779)	47,606
Incentive Fees		9,765	(2,935)	270	7,100
Total Performance Fees	104,157	202,939	(219)	7,188	314,065
Investment Income (Loss)					
Realized					
Realized	(15,357)	12,975	(4,745)	(2,974)	(10,101)
Unrealized					
Unrealized	15,440	(2,137)	(12,291)	(17,561)	(16,549)
Total Investment Income (Loss)	83	10,838	(17,036)	(20,535)	(26,650)
Interest and Dividend Revenue	9,849	13,188	5,296	6,748	35,081
Other	(1,587)	(1,909)	(1,388)	(1,364)	(6,248)
Total Revenues	245,222	457,162	117,354	109,711	929,449
Expenses					
Compensation and Benefits Compensation					
Compensation and Benefits Compensation	80,274	100,578	54,169	52,382	287,403
Performance Fee Compensation					
Realized					
Carried Interest	15,427	43,076			58,503
Incentive Fees		2,133	1,863	10,127	14,123
Unrealized					

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Carried Interest	9,296	27,703		(6,998)	30,001
Incentive Fees		4,158	(1,195)	485	3,448
Total Compensation and Benefits	104,997	177,648	54,837	55,996	393,478
Other Operating Expenses	48,063	48,097	26,146	26,220	148,526
Total Expenses	153,060	225,745	80,983	82,216	542,004
Economic Income	\$ 92,162	\$ 231,417	\$ 36,371	\$ 27,495	\$ 387,445
Segment Assets	\$ 5,390,618	\$ 7,320,885	\$ 1,762,700	\$ 2,650,331	\$ 17,124,534

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, 2015					Total Segments
	Private Equity	Real Estate	Hedge Fund Solutions	Credit	Financial Advisory	
Segment Revenues						
Management and Advisory Fees, Net						
Base Management Fees	\$ 108,383	\$ 152,348	\$ 130,637	\$ 125,029	\$	\$ 516,397
Advisory Fees	2,429				81,809	84,238
Transaction and Other Fees, Net	20,359	15,216	25	1,457	16	37,073
Management Fee Offsets	(4,949)	(4,866)	(280)	(7,850)		(17,945)
Total Management and Advisory Fees, Net	126,222	162,698	130,382	118,636	81,825	619,763
Performance Fees						
Realized						
Carried Interest	382,978	811,249		13,367		1,207,594
Incentive Fees		723	10,516	18,431		29,670
Unrealized						
Carried Interest	566,822	(181,019)		(11,951)		373,852
Incentive Fees		6,069	47,427	9,124		62,620
Total Performance Fees	949,800	637,022	57,943	28,971		1,673,736
Investment Income (Loss)						
Realized						
Carried Interest	44,816	71,344	(10,375)	2,237	(230)	107,792
Incentive Fees	31,487	37,510	4,483	6,887	1,482	81,849
Unrealized						
Carried Interest	76,303	108,854	(5,892)	9,124	1,252	189,641
Interest and Dividend Revenue	7,618	9,997	3,949	5,651	3,236	30,451
Other	(1,825)	(3,977)	(1,607)	3,493	(956)	(4,872)
Total Investment Income (Loss)	126,399	148,738	(2,725)	18,104	3,303	173,717
Total Revenues	1,158,118	914,594	184,775	165,875	85,357	2,508,719
Expenses						
Compensation and Benefits Compensation						
Performance Fee Compensation						
Realized						
Carried Interest	39,482	246,496		6,270		292,248
Incentive Fees		356	3,470	8,401		12,227
Unrealized						
Carried Interest	178,120	(98,084)		(5,656)		74,380
Incentive Fees		2,575	15,651	6,735		24,961
Total Compensation and Benefits	288,674	236,177	75,225	65,627	67,951	733,654
Other Operating Expenses	38,875	40,143	21,206	21,836	21,222	143,282
Total Expenses	327,549	276,320	96,431	87,463	89,173	876,936

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Economic Income (Loss)	\$ 830,569	\$ 638,274	\$ 88,344	\$ 78,412	\$ (3,816)	\$ 1,631,783
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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, 2016 and 2015:

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated	Total Segments	Consolidation Adjustments and Reconciling Items	Blackstone Consolidated
Revenues	\$ 929,449	\$ 2,905(a)	\$ 932,354	\$ 2,508,719	\$ 3,639(a)	\$ 2,512,358
Expenses	\$ 5					