PNC FINANCIAL SERVICES GROUP INC
Form 424B3
November 24, 2008

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-155248

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

On October 24, 2008, The PNC Financial Services Group, Inc. and National City Corporation announced a strategic business combination in which National City will merge with and into PNC. If the merger is completed, holders of National City common stock will have a right to receive 0.0392 of a share of PNC common stock for each share of National City common stock held immediately prior to the merger. In connection with the merger, and based on the assumptions described in more detail in this document, PNC expects to issue approximately 93.0 million shares of PNC common stock and 1,500 shares of PNC preferred stock (the terms of which are described starting on page 91).

The number of shares of PNC common stock that National City stockholders will receive in the merger for each share of National City common stock is fixed. The dollar value of the consideration National City stockholders will receive in the merger will change depending on changes in the market price of PNC common stock and will not be known at the time you vote on the merger. The following table shows the closing sale prices of PNC common stock and National City common stock as reported on the New York Stock Exchange on October 23, 2008, the last trading day before public announcement of the merger, and on November 20, 2008, the last practicable trading day before the distribution of this document. This table also shows the implied value of the merger consideration proposed for each share of National City common stock, which we calculated by multiplying the closing price of PNC common stock on those dates by 0.0392, the exchange ratio.

	PNC Common Stock	National City Common Stock	Implied Value of One Share of National City Common Stock
At October 23, 2008	$ 56.88	$ 2.75	$ 2.23
At November 20, 2008	$ 44.77	$ 1.59	$ 1.75

The merger is intended to be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and holders of National City common stock are not expected to recognize any gain or loss for United States federal income tax purposes on the exchange of shares of National City common stock for shares of PNC common stock in the merger, except with respect to any cash received instead of fractional shares of PNC common stock.

The market prices of both PNC common stock and National City common stock will fluctuate before the merger. You should obtain current stock price quotations for PNC common stock and National City common stock before you vote. PNC common stock is quoted on the NYSE under the symbol PNC. National City common stock is quoted on the NYSE under the symbol NCC.

At a special meeting of PNC shareholders, PNC shareholders will be asked to vote on the issuance of PNC common stock in the merger and certain other matters. The stock issuance proposal requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon in favor of such proposal.

At a special meeting of National City stockholders, holders of National City common stock will be asked to vote on the adoption of the merger agreement and certain other matters. Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of National City common stock entitled to vote.

Holders of National City preferred stock and holders of depositary shares representing National City preferred stock are not entitled to and are not being requested to vote at the National City special meeting.

The PNC board of directors recommends that PNC shareholders vote FOR the proposal to issue shares of PNC common stock in the merger.

The National City board of directors recommends that National City common stockholders vote FOR adoption of the merger agreement.

This document describes the special meetings, the merger, the documents related to the merger and other related matters. **Please carefully read this entire document, including Risk Factors beginning on page 14 for a discussion of the risks relating to the proposed merger and owning PNC common stock after the merger.** You also can obtain information about our companies from documents that each of us has filed with the Securities and Exchange Commission.

JAMES E. ROHR
Chairman and Chief Executive Officer
The PNC Financial Services Group, Inc.

PETER E. RASKIND
Chairman, President and Chief Executive Officer
National City Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the PNC common stock or preferred stock to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings and deposit accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this document is November 21, 2008, and it is first being mailed or otherwise delivered to PNC shareholders and National City stockholders on or about November 24, 2008.

Table of Contents

November 21, 2008

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

to be held on December 23, 2008

The PNC Financial Services Group, Inc., or PNC, will hold a special meeting of shareholders in Pittsburgh, Pennsylvania on the 15th Floor of One PNC Plaza, 249 Fifth Avenue, at 9:30 a.m., local time, on December 23, 2008 to consider and vote upon the following matters:

a proposal to approve the issuance of shares of PNC common stock as contemplated by the Agreement and Plan of Merger, dated as of October 24, 2008, by and between The PNC Financial Services Group, Inc. and National City Corporation, as such agreement may be amended from time to time;

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal.

The PNC board of directors has fixed the close of business on November 14, 2008, as the record date for the special meeting. Only PNC shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting. Holders of PNC common stock, $1.80 Cumulative Convertible Preferred Stock, Series A, referred to as Series A Preferred Stock, $1.80 Cumulative Convertible Preferred Stock, Series B, referred to as Series B Preferred Stock, $1.60 Cumulative Convertible Preferred Stock, Series C, referred to as Series C Preferred Stock, and $1.80 Cumulative Convertible Preferred Stock, Series D, referred to as Series D Preferred Stock, vote together without regard to class and will be entitled to vote at the special meeting. In this document, we refer to the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock collectively as the Voting Preferred Stock . Approval of the issuance of PNC common stock requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon, assuming a quorum.

Whether or not you plan to attend the special meeting, please submit your proxy with voting instructions. Please vote as soon as possible by accessing the internet site listed on the PNC proxy card, by calling the toll-free number listed on the PNC proxy card, or by submitting your proxy card by mail. To submit your proxy by mail, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed, stamped envelope. This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of PNC common stock who is present at the special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before the special meeting in the manner described in the accompanying document.

The PNC board of directors has approved the merger and the merger agreement and recommends that PNC shareholders vote FOR approval of the issuance of common stock in the merger and FOR the adjournment of the PNC special meeting if necessary or appropriate to permit further solicitation of proxies.

BY ORDER OF THE BOARD OF DIRECTORS,

George P. Long, III
Corporate Secretary

YOUR VOTE IS IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING.

Table of Contents

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

National City Corporation, or National City, will hold a special meeting of stockholders at National City s offices, 1900 East Ninth Street, Cleveland, Ohio 44114 at 10:00 a.m., Eastern time, on December 23, 2008 to consider and vote upon the following matters:

a proposal to adopt the Agreement and Plan of Merger, dated as of October 24, 2008, by and between The PNC Financial Services Group, Inc. and National City Corporation, as such agreement may be amended from time to time, pursuant to which National City will merge with and into PNC, with PNC surviving the merger; and

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to adopt the foregoing proposal.

If the merger is completed, holders of National City common stock will receive 0.0392 of a share of PNC common stock for each share of National City common stock held immediately prior to the merger. Upon completion of the merger, each share of National City preferred stock issued and outstanding immediately prior to completion of the merger will be automatically converted into a share of PNC preferred stock having terms substantially identical to the terms of the relevant series of National City preferred stock. A copy of the merger agreement is included as **Appendix A** to the enclosed document and incorporated therein by reference.

The National City board of directors has fixed the close of business on November 14, 2008 as the record date for the special meeting. Only National City common shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting. In order for the merger to be approved, the holders of at least a majority of the National City common shares outstanding and entitled to vote thereon must vote in favor of adoption of the merger agreement.

Regardless of whether you plan to attend the special meeting, please submit your proxy with voting instructions. Please vote as soon as possible by accessing the internet site listed on the National City proxy card, by calling the toll-free number listed on the National City proxy card or by submitting your proxy card by mail. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instruction form included with these materials and forwarded to you by your bank or broker. This voting instruction form provides instructions on voting by mail, telephone or the internet at www.cesvote.com. This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of National City common stock who is present at the special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before the special meeting in the manner described in the accompanying document.

Holders of National City preferred stock and holders of depositary shares representing National City preferred stock are not entitled to and are not being requested to vote at the special meeting.

The National City board of directors, at a meeting duly called, approved the merger and the merger agreement and recommends that National City common shareholders vote FOR adoption of the merger agreement and FOR the adjournment of the National City special meeting if necessary or appropriate to permit further solicitation of proxies.

Please do not send any stock certificates at this time.

BY ORDER OF THE BOARD OF DIRECTORS,

David L. Zoeller
Secretary

November 21, 2008

YOUR VOTE IS IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING.

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This document incorporates by reference important business and financial information about PNC and National City from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document, other than certain exhibits to those documents, free of charge through the Securities and Exchange Commission website (http://www.sec.gov) or by requesting them in writing or by telephone from the appropriate company at the following addresses:

The PNC Financial Services Group, Inc.
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
Attention: Investor Relations
(800) 843-2206
Email: investor.relations@pnc.com

National City Corporation
1900 East Ninth Street, Locator 01-2229
Cleveland, Ohio 44114
Attention: Investor Relations
Telephone: (800) 622-4204

You will not be charged for any of these documents that you request. National City stockholders and PNC shareholders requesting documents should do so by December 16, 2008, in order to receive them before their respective special meetings.

You should rely only on the information contained or incorporated by reference into this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated November 21, 2008, and you should assume that the information in this document is accurate only as of such date. You should assume that the information incorporated by reference into this document is accurate as of the date of such document. Neither the mailing of this document to National City stockholders or PNC shareholders nor the issuance by PNC of shares of PNC common stock in connection with the merger will create any implication to the contrary.

Information on the websites of PNC or National City, or any subsidiary of PNC or National City, is not part of this document. You should not rely on that information in deciding how to vote.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this document regarding National City has been provided by National City and information contained in this document regarding PNC has been provided by PNC.

See Where You Can Find More Information on page 110.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Page

APPENDICES

Table of Contents

QUESTIONS AND ANSWERS

The following are answers to certain questions that you may have regarding the special meeting. We urge you to read carefully the remainder of this document because the information in this section may not provide all that might be important to you in determining how to vote. Additional important information is also contained in the appendices to, and the documents incorporated by reference in, this document.

Q: What are holders of National City common stock being asked to vote on?

A: Holders of National City common stock are being asked to vote on the adoption of the merger agreement and to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of adoption of the merger agreement.

Q: What are holders of PNC common stock being asked to vote on?

A: PNC shareholders are being asked to vote on the issuance of shares of PNC common stock in the merger and to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the issuance of shares of PNC common stock in the merger.

Q: What do holders of National City common stock need to do now?

A: After you have carefully read this document and have decided how you wish to vote your shares, please vote your shares promptly. Please vote as soon as possible by accessing the internet site listed on the National City proxy card, by calling the toll-free number listed on the National City proxy card or by mailing your proxy card. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instruction form included with these materials and forwarded to you by your bank or broker. This voting instruction form provides instructions on voting by mail, telephone or the internet at www.cesvote.com. Submitting your proxy by internet, telephone or mail or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the National City special meeting. If you would like to attend the National City special meeting, see *Can I attend the National City special meeting and vote my shares in person?*

Q: What do PNC shareholders need to do now?

A: After you have carefully read this document and have decided how you wish to vote your shares, please vote promptly by accessing the internet site listed on your proxy card, by calling the toll-free number listed on your proxy card or by submitting your proxy card by mail. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy by internet, telephone or mail or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the PNC special meeting; see *Can I attend the PNC special meeting and vote my shares in person?*

Q: Why is my vote as a holder of National City common stock important?

A: If you do not vote by proxy, telephone or internet or vote in person at the National City special meeting, it will be more difficult for National City to obtain the necessary quorum to hold its special meeting. In addition, your failure to vote, by proxy, telephone, internet or in person, will have the same effect as a vote against adoption of

the merger agreement. The merger agreement must be adopted by the holders of a majority of the outstanding shares of National City common stock entitled to vote at the special meeting. **The National City board of directors recommends that you vote to adopt the merger agreement.**

Q: Why is my vote as a PNC shareholder important?

A: If you do not vote by proxy, telephone or internet or vote in person at the PNC special meeting, it will be more difficult for PNC to obtain the necessary quorum to hold its special meeting. In addition, the proposal to issue PNC common stock in the merger requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon, assuming a quorum. **The PNC board of directors recommends that you vote to approve the issuance of the common stock in the merger.**

Table of Contents

Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?

A: *No.* Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker. Without instructions, your shares will not be voted, which will have the effect described below.

Q: What if I abstain from voting or fail to instruct my broker?

A: If you are a holder of National City common stock and you abstain from voting or fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, referred to as a broker non-vote, the abstention or broker non-vote will be counted toward a quorum at the National City special meeting, but it will have the same effect as a vote against adoption of the merger agreement. With respect to the proposal to adjourn the special meeting if necessary or appropriate in order to solicit additional proxies, an abstention will have the same effect as a vote against the proposal. If you fail to instruct your broker to vote your shares your broker may vote your shares in its discretion on this proposal.

If you are a PNC shareholder, an abstention or broker non-vote will be counted toward a quorum at the PNC special meeting. Abstentions from voting, as well as broker non-votes, are not treated as votes cast and, therefore, will have no effect on the proposal to approve the issuance of shares of PNC common stock in the merger, assuming a quorum.

Q: Can I attend the National City special meeting and vote my shares in person?

A: *Yes.* All holders of National City common stock, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the National City special meeting. Holders of record of National City common stock as of the record date can vote in person at the National City special meeting. If you are not a stockholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the National City special meeting. If you plan to attend the National City special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. National City reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification.

Q: Can I attend the PNC special meeting and vote my shares in person?

A: *Yes.* All holders of PNC common stock, $1.80 Cumulative Convertible Preferred Stock, Series A, or Series A Preferred Stock, $1.80 Cumulative Convertible Preferred Stock, Series B, or Series B Preferred Stock, $1.60 Cumulative Convertible Preferred Stock, Series C, or Series C Preferred Stock, and $1.80 Cumulative Convertible Preferred Stock, Series D, or Series D Preferred Stock, the preferred stock known collectively in this document as the Voting Preferred Stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the PNC special meeting. Holders of PNC common stock and Voting Preferred Stock can vote in person at the PNC special meeting. Please detach the attached admission ticket from your proxy card and bring it to the special meeting. The ticket will admit you and one other person. If you hold your PNC shares in an account at a brokerage firm or bank, your name will not appear on our shareholder list. Please bring an account statement or a letter from your broker showing your PNC shareholdings. Please show this documentation at the meeting registration desk to attend the meeting. Everyone who attends the special meeting must abide by the rules for the conduct of the meeting. These

rules will be printed on the meeting agenda.

Q: Will National City be required to submit the merger agreement to its stockholders even if the National City board of directors has withdrawn, modified or qualified its recommendation?

A: *Yes.* Unless the merger agreement is terminated before the National City special meeting, National City is required to submit the merger agreement to its stockholders even if the National City board of directors

has withdrawn, modified or qualified its recommendation, consistent with the terms of the merger agreement.

Q: Will PNC be required to submit the proposal to issue shares of PNC common stock in the merger to its shareholders even if the PNC board of directors has withdrawn, modified or qualified its recommendation?

A: *Yes*. Unless the merger agreement is terminated before the PNC special meeting, PNC is required to submit the proposal to issue shares of PNC common stock in the merger to its shareholders even if the PNC board of directors has withdrawn, modified or qualified its recommendation, consistent with the terms of the merger agreement.

Q: Is the merger expected to be taxable to National City stockholders?

A: *Generally, no*. The merger is intended to be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and holders of National City common stock are not expected to recognize any gain or loss for United States federal income tax purposes on the exchange of shares of National City common stock for shares of PNC common stock in the merger, except with respect to cash received instead of fractional shares of PNC common stock. You should read *United States Federal Income Tax Consequences of the Merger* beginning on page 98 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. **You should consult your tax advisor to determine the tax consequences of the merger to you.**

Q: If I am a holder of National City common stock, can I change or revoke my vote?

A: *Yes.* Regardless of the method you used to cast your vote, if you are a holder of record, you may change your vote by signing and returning a new proxy card with a later date, by calling the toll-free number listed on the National City proxy card or by accessing the internet site listed on the National City proxy card by 6:00 a.m. Eastern time on December 23, 2008 or by attending the National City special meeting and voting by ballot at the special meeting.

If you are a National City stockholder of record and wish to revoke rather than change your vote, you must send written, signed revocation to National City s Secretary, which must be received by 6:00 a.m. Eastern time on December 23, 2008. You must include your control number.

If you hold your shares in street name, and wish to change or revoke your vote, please refer to the information on the voting instruction form included with these materials and forwarded to you by your bank, broker or other holder of record to see your voting options.

Any holder of National City common stock entitled to vote in person at the National City special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Q: If I am a PNC shareholder, can I change my vote?

A: *Yes.* You may revoke any proxy at any time before it is voted by signing and returning a proxy card with a later date, delivering a written revocation letter pursuant to the instructions below, or by attending the PNC special meeting in person, notifying the Corporate Secretary and voting by ballot at the special meeting. PNC shareholders may send their written revocation letter to The PNC Financial Services Group, Inc., Attention:

Corporate Secretary, One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707. If you have voted your shares by telephone or through the internet, you may revoke your prior telephone or internet vote by recording a different vote using telephone or internet voting, or by signing and returning a proxy card dated as of a date that is later than your last telephone or internet vote.

Any shareholder entitled to vote in person at the PNC special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying the Corporate

Table of Contents

Secretary of PNC) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Q: If I am a holder of National City common stock with shares represented by stock certificates, should I send in my National City stock certificates now?

A: *No.* You should not send in your National City stock certificates at this time. After completion of the merger, PNC will send you instructions for exchanging National City stock certificates for the merger consideration. The shares of PNC stock National City stockholders receive in the merger will be issued in book-entry form. Please do not send in your stock certificates with your proxy card.

Q: What should I do if I hold my shares of National City common stock in book-entry form?

A You are not required to take any specific actions if your shares of National City common stock are held in book-entry form. After the completion of the merger, shares of National City common stock held in book-entry form will automatically be exchanged for shares of PNC common stock in book-entry form and cash to be paid instead of fractional shares of PNC common stock.

Q: When do you expect to complete the merger?

A We currently expect to complete the merger on December 31, 2008. However, we cannot assure you when or if the merger will occur. We must first obtain the approvals of National City stockholders and PNC shareholders at the special meetings and the required regulatory approvals described below in *Regulatory Approvals Required for the Merger.*

Q: Whom should I call with questions?

A: National City stockholders should call National City Investor Relations toll-free at (800) 622-4204 or Georgeson Inc., National City s proxy solicitor, toll-free at (800) 903-4377 (Banks and Brokers call: (212) 440-9800) about the merger and related transactions. PNC shareholders should call D.F. King & Co., PNC s proxy solicitor, toll-free at (888) 628-1041 or collect at (212) 269-5550.

Table of Contents

SUMMARY

This summary highlights the material information from this document. It may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer in order to fully understand the merger and the related transactions. See Where You Can Find More Information on page 110. Each item in this summary refers to the page of this document on which that subject is discussed in more detail. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

In the Merger, National City Stockholders Will Have a Right to Receive 0.0392 of a Share of PNC Common Stock per Share of National City Common Stock (page 76)

We are proposing the merger of National City with PNC. If the merger is completed, National City will merge into PNC, with PNC being the surviving company and National City common stock will no longer be publicly traded. Under the terms of the merger agreement, holders of National City common stock will have a right to receive 0.0392 of a share of PNC common stock for each share of National City common stock held immediately prior to the merger. PNC will not issue any fractional shares of PNC common stock in the merger. Instead, a holder of National City common stock who otherwise would have received a fraction of a share of PNC common stock will receive an amount in cash rounded to the nearest cent. This cash amount will be determined by multiplying the fraction of a share of PNC common stock to which the holder would otherwise be entitled by the average of the closing sale prices of PNC common stock on the New York Stock Exchange, or NYSE, for the five trading days immediately prior to the date on which the merger is completed.

Example: If you hold 1,000 shares of National City common stock, you will have a right to receive 39 shares of PNC common stock and a cash payment instead of the 0.2 shares of PNC common stock that you otherwise would have received.

The merger agreement between PNC and National City governs the merger. The merger agreement is included in this document as **Appendix A**. Please read the merger agreement carefully. All descriptions in this summary and elsewhere in this document of the terms and conditions of the merger are qualified by reference to the merger agreement.

What Holders of National City Stock Options, Restricted Shares, Deferred Shares and Other Equity-Based Awards Will Receive (page 76)

At the effective time of the merger, each option to purchase National City common stock granted by National City that is then outstanding will vest and be converted automatically into an option for shares of PNC common stock, subject to, and in accordance with, the same terms and conditions that applied to the National City option before the effective time of the merger, except that the number of shares of PNC common stock subject to each such converted option will be equal to the product, rounded down to the nearest whole number of shares of PNC common stock, of (x) the number of shares of National City common stock subject to the corresponding National City stock option and (y) the exchange ratio of 0.0392. The exercise price for converted options will equal the applicable per share exercise price for the shares of National City common stock divided by the exchange ratio (rounded up to the nearest cent).

At the time of the merger, other stock-based awards of National City will be converted into a similar award of PNC with respect to PNC common stock generally on the same terms that applied to the National City award except the number of shares of PNC common stock subject to the new PNC award will equal the number of shares of National

City common stock subject to the award multiplied by the exchange ratio, rounded up to the nearest whole share.

At the time of the merger, each outstanding restricted share of National City common stock will vest and become free of restrictions and be converted into the right to receive the merger consideration and each outstanding deferred share of National City common stock will vest and be converted into the right to receive the merger consideration.

Table of Contents

Treatment of National City Preferred Stock and Warrants in the Merger (page 77)

Upon completion of the merger, each share of National City preferred stock issued and outstanding immediately prior to completion of the merger will be automatically converted into a share of PNC preferred stock having terms substantially identical to the terms of the relevant series of National City preferred stock. We sometimes refer to the new PNC preferred stock to be issued or reserved for in the merger as the New PNC Preferred Stock.

Each outstanding share of National City 9.875% Fixed-To-Floating Rate Non-Cumulative Preferred Stock, Series F, is represented by depositary shares that are listed on the NYSE. Each depositary share represents a 1/4000th interest in a share of National City Series F Preferred Stock. Upon completion of the merger, PNC will assume the obligations of National City under the Deposit Agreement, dated as of January 30, 2008, between National City, Wilmington Trust Company as depositary, National City Bank as transfer agent and register and the holders from time to time of depositary shares. PNC will instruct Wilmington Trust Company as depositary under the deposit agreement referred to as the Series F Deposit Agreement, to treat the shares of New PNC Preferred Stock received by it in exchange for shares of National City Series F Preferred Stock as newly deposited securities under the Series F Deposit Agreement. In accordance with the terms of the Series F Deposit Agreement, the National City depositary shares will thereafter represent shares of PNC Preferred Stock. Such depositary shares will continue to be listed on the NYSE upon completion of the merger under a new name and traded under a new symbol.

Certain investors that acquired shares of National City common stock and warrants to purchase shares of National City common stock in a private placement in April 2008 will receive additional shares of National City common stock and cash payments in connection with the completion of the merger. Assuming the trading price per share of National City common stock on the trading day immediately prior to the completion of the merger is equal to or greater than $2.07, the closing price of National City common stock on October 24, 2008, these investors will be issued an aggregate of approximately 328 million additional shares of National City common stock immediately prior to the completion of the merger under the terms of their investment agreements, and will receive in exchange for their warrants an aggregate cash payment of approximately $384 million (assuming all warrant holders exercise their respective put rights), in each case contingent upon the completion of the merger. If the trading price per share of National City common stock on the trading day immediately prior to the completion of the merger is less than $2.07, these investors will receive additional shares of National City common stock under the terms of their investment agreements. Holders of National City warrants, as such, are not entitled to vote on the adoption of the merger agreement or otherwise at the special meeting. These investors will receive 0.0392 of a share of PNC common stock for each share of National City common stock held at the time of completion of the merger.

The Merger Is Intended to Be Tax-Free to National City Stockholders as to the Shares of PNC Common Stock They Receive (page 98)

The merger is intended to be treated as a reorganization within the meaning of Section 368(a) of the Code, and it is a condition to our respective obligations to complete the merger that each of PNC and National City receive a legal opinion to that effect. Accordingly, the merger generally will be tax-free to you for United States federal income tax purposes as to the shares of PNC common stock you receive in the merger, except for any gain or loss that may result from the receipt of cash instead of fractional shares of PNC common stock that you would otherwise be entitled to receive.

The United States federal income tax consequences described above may not apply to all holders of National City common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Comparative Market Prices and Share Information (pages 13 and 107)

PNC common stock is quoted on the NYSE under the symbol PNC. National City common stock is quoted on the NYSE under the symbol NCC. The following table shows the closing sale prices of PNC common stock and National City common stock as reported on the NYSE on October 23, 2008, the last trading day before we announced the merger, and on November 20, 2008, the last practicable trading day

Table of Contents

before the distribution of this document. This table also shows the implied value of the merger consideration proposed for each share of National City common stock, which we calculated by multiplying the closing price of PNC common stock on those dates by the exchange ratio of 0.0392.

	PNC Common Stock	National City Common Stock	Implied Value of One Share of National City Common Stock
At October 23, 2008	$ 56.88	$ 2.75	$ 2.23
At November 20, 2008	$ 44.77	$ 1.59	$ 1.75

The market price of PNC common stock and National City common stock will fluctuate prior to the merger. National City stockholders and PNC shareholders are urged to obtain current market quotations for the shares prior to making any decision with respect to the merger.

Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. Have Each Provided an Opinion to the PNC Board of Directors Regarding the Aggregate Consideration

Citigroup Global Markets Inc. (page 55)

Citigroup Global Markets rendered an opinion to the PNC board of directors on October 31, 2008 to the effect that, based upon and subject to the considerations and limitations set forth in the opinion, Citigroup Global Markets work described herein and other factors it deemed relevant, the aggregate consideration (consisting of the issuance of shares of PNC common stock at an exchange ratio of 0.0392 shares of PNC common stock for each outstanding share of National City common stock, plus the payment of a cash amount of approximately $384 million to certain National City warrant holders) to be paid by PNC in connection with the merger was fair as of October 24, 2008, from a financial point of view, to PNC. We have attached the full text of Citigroup Global Markets opinion to this document as **Appendix D**, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken by Citigroup Global Markets in connection with its opinion. We urge you to read the opinion carefully and in its entirety. The opinion of Citigroup Global Markets is addressed to the PNC board of directors and is limited to the fairness as of October 24, 2008, from a financial point of view, to PNC of the aggregate consideration to be paid by PNC in connection with the merger and does not address the underlying business decision of PNC to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for PNC or the effect of any other transaction in which PNC might engage. The opinion of Citigroup Global Markets is not intended to be and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act on any matters relating to the merger. Pursuant to a letter agreement between PNC and Citigroup Global Markets, PNC has paid $2.5 million in fees to Citigroup Global Markets and has agreed to pay Citigroup Global Markets an additional $7.5 million in fees upon the consummation of the merger.

J.P. Morgan Securities Inc. (page 63)

J.P. Morgan Securities Inc., referred to as JPMorgan, has provided its written opinion to the PNC board of directors, dated as of October 31, 2008, that, as of October 24, 2008 and based upon and subject to the factors and assumptions set forth in its opinion, the aggregate consideration (consisting of the issuance of shares of PNC common stock at an exchange ratio of 0.0392 shares of PNC common stock for each outstanding share of National City common stock, plus the payment of a cash amount of approximately $384 million in the aggregate to certain National City warrant

holders) to be paid by PNC in connection with the merger with National City was fair, from a financial point of view, to PNC. We have attached the full text of JPMorgan s opinion to this document as **Appendix E**, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by JPMorgan in connection with the opinion. We urge you to read the opinion carefully in its entirety. The opinion of JPMorgan is addressed to the PNC board of directors and is directed only to the aggregate consideration to be paid in connection with the merger and does not address the underlying decision by PNC to engage in the merger or constitute a recommendation to any stockholder of PNC as to how that stockholder should vote at the PNC special meeting or act on any matter relating to the merger. Pursuant to an

Table of Contents

engagement letter between PNC and JPMorgan, PNC has paid $2.5 million in fees to JPMorgan and has agreed to pay JPMorgan an additional $7.5 million in fees upon the consummation of the merger.

Goldman, Sachs & Co. Has Provided an Opinion to the National City Board of Directors Regarding the Exchange Ratio Pursuant to the Merger Agreement (page 50)

National City s financial advisor, Goldman, Sachs & Co., referred to as Goldman Sachs, rendered an opinion dated October 24, 2008, to the National City board of directors, that, as of such date, and based upon and subject to the factors, limitations and assumptions set forth in its written opinion, as well as the extraordinary circumstances facing National City referred to in such written opinion, the exchange ratio of 0.0392 of a share of PNC common stock to be received in respect of each share of National City common stock pursuant to the merger agreement was fair from a financial point of view to the holders of National City common stock other than PNC and its affiliates.

The full text of the written opinion of Goldman Sachs, which sets forth the factors considered, assumptions made, procedures followed and limitations that apply in connection therewith, is attached to this document as **Appendix C**. The opinion of Goldman Sachs was provided for the information and assistance of the National City board of directors in connection with its consideration of the merger and does not constitute a recommendation as to how any holder of shares of National City common stock should vote or otherwise act with respect to the merger or any other matter.

Pursuant to an engagement letter dated September 30, 2008, Goldman Sachs is entitled to receive a transaction fee of $25 million for its services in connection with the merger, of which $22 million is contingent upon consummation of the merger.

The National City Board of Directors Recommends that Holders of National City Common Stock Vote FOR Adoption of the Merger Agreement (page 46)

The National City board of directors believes that the merger is in the best interests of National City and its stockholders and has approved the merger and the merger agreement. The National City board of directors recommends that holders of National City common stock vote FOR adoption of the merger agreement. For the factors considered by National City s board in deciding to approve the merger agreement, see The Merger National City s Reasons for the Merger; Recommendation of the National City Board of Directors on page 46.

The PNC Board of Directors Recommends that PNC Shareholders Vote FOR the Approval of the Issuance of Shares of PNC Common Stock in the Merger (page 48)

The PNC board of directors believes that the merger is in the best interests of PNC and its shareholders and has approved the merger and the merger agreement. The PNC board of directors recommends that PNC shareholders vote FOR the proposal to issue shares of PNC common stock in the merger. For the factors considered by PNC s board in deciding to approve the merger agreement, see The Merger PNC s Reasons for the Merger; Recommendation of the PNC Board of Directors.

National City s Directors and Executive Officers May Receive Additional Benefits from the Merger (page 73)

Certain of National City s executive officers and directors have interests in the merger as individuals that are different from, or in addition to, the interests of National City stockholders generally.

National City s stock incentive plans provide for the vesting of outstanding equity-based awards. Assuming that the merger is completed on December 31, 2008, and a PNC common stock price of $59.19 (the closing price of PNC common stock on November 17, 2008), the aggregate cash value of the stock-based awards (which amounts attribute

no value to any unvested National City stock options, since all such stock options have exercise prices greater than the market price based on the November 17, 2008 closing price of PNC common stock, as adjusted by the exchange ratio) that are held by National City s 14 executive officers, that would vest

Table of Contents

solely due to the completion of the merger, is approximately $2,665,533, as a group. In addition, certain executives have severance agreements with National City that provide for severance payments in connection with a qualifying termination of employment following a change in control. Assuming that the merger is completed on December 31, 2008 and all National City executive officers who have employment agreements experience a qualifying termination of employment immediately thereafter, the 14 executive officers as a group would be entitled to receive an aggregate cash amount of approximately $49.49 million, as severance payments.

National City s executive officers and directors also have rights to indemnification and directors and officers liability insurance that will survive completion of the merger. Please see The Merger Interests of Certain National City Directors and Executive Officers in the Merger on page 73 for further information on these interests.

Holders of National City Common Stock and Preferred Stock Do Not Have Appraisal Rights (page 71)

Appraisal rights are statutory rights that, if applicable under law, enable stockholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to stockholders in connection with the extraordinary transaction. Appraisal rights are not available in all circumstances, and exceptions to these rights are provided under the Delaware General Corporation Law (referred to as the DGCL). As a result of one of these exceptions, the holders of National City common stock and preferred stock are not entitled to appraisal rights in the merger.

Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 85)

Currently, we expect to complete the merger on December 31, 2008. As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, receipt of the requisite approvals of each company s shareholders, the receipt of all required regulatory approvals (including approval by the Board of Governors of the Federal Reserve System), and the receipt of legal opinions by each company regarding the United States federal income tax treatment of the merger.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement (page 86)

National City and PNC may mutually agree to terminate the merger agreement before completing the merger, even after National City stockholders approval and/or PNC shareholder approval, as long as the termination is approved by each of the National City and PNC boards of directors.

In addition, either National City or PNC may decide to terminate the merger agreement, even after National City stockholder approval and/or PNC shareholder approval,

- if any of the required regulatory approvals are denied or completion of the merger has been prohibited or made illegal by a court or other governmental entity (and the denial or prohibition is final and nonappealable);

- if the merger has not been completed by October 24, 2009, unless the failure to complete the merger by that date is due to the terminating party s failure to abide by the merger agreement;

if there is a breach by the other party that would cause the failure of conditions to the terminating party s obligation to close described above, unless the breach is capable of being, and is, cured within 60 days of notice of the breach (provided that the terminating party is not then in material breach of the merger agreement); or

if the other party has failed to obtain the requisite vote of its shareholders required for the consummation of the transactions contemplated by this Agreement at a duly held meeting of its shareholders or at any adjournment or postponement thereof, and the terminating party s board of directors determines in good faith by a majority vote that the other party has substantially engaged in

Table of Contents

bad faith in breach of its obligation to use its reasonable best efforts to negotiate a restructuring of the merger and to resubmit the transaction to its shareholders for approval.

In addition, PNC may terminate the merger agreement if National City s board of directors (1) submits the merger agreement to its stockholders without a recommendation for approval, or otherwise withdraws or materially and adversely modifies (or discloses its intention to withdraw or materially and adversely modify) its recommendation, or (2) recommends to its stockholders certain business combination proposals other than the merger with PNC as contemplated by the merger agreement.

The stock option agreement remains in effect if the merger agreement is terminated. For a description of the stock option agreement, please refer to Stock Option Agreement, beginning on page 88.

Stock Option Agreement (page 88)

To induce PNC to enter into the merger agreement, National City granted PNC an option to purchase up to 405,163,602 shares of National City common stock at a price per share of $2.75; however, in no case may PNC acquire more than 19.9% of the outstanding shares of National City common stock under this stock option agreement. PNC cannot exercise the option unless the merger is not completed and specified triggering events occur. These events generally relate to business combinations or acquisition transactions involving National City and a third party. We do not know of any event that has occurred as of the date of this document that would allow PNC to exercise the option. The option will expire upon completion of the merger.

The option could have the effect of discouraging a company from trying to acquire National City prior to completion of the merger or termination of the merger agreement. Upon the occurrence of certain triggering events, National City may be required to repurchase the option and any shares of National City common stock purchased under the option at a predetermined price, or PNC may choose to surrender the option to National City for a cash payment of $168,000,000. In no event will the total profit received by PNC with respect to this option exceed $224,000,000. The Stock Option Agreement is attached to this document as **Appendix B**.

Regulatory Approvals Required for the Merger (page 71)

National City and PNC have agreed to use their reasonable best efforts to obtain all regulatory approvals, including all antitrust clearances, required to complete the transactions contemplated by the merger agreement. These approvals include approval from or notices to the Board of Governors of the Federal Reserve System, or Federal Reserve, foreign and state securities authorities, various other federal, state and foreign antitrust and regulatory authorities and self-regulatory organizations, the Department of Justice, or DOJ, and the Federal Trade Commission, or FTC. PNC and National City have completed, or will complete promptly following the date of this document, the filing of applications and notifications to obtain the required regulatory approvals.

Although we do not know of any reason why we cannot obtain the remaining regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

Litigation Related to the Merger (page 72)

Certain litigation is pending in connection with the merger. See The Merger Litigation Related to the Merger beginning on page 72.

PNC Board of Directors following Completion of the Merger (page 70)

Upon completion of the merger, the PNC board of directors will consist of those directors serving immediately prior to the completion of the merger and one director from among the directors of National City immediately prior to the completion of the merger.

The Rights of National City Stockholders will Change as a Result of the Merger (page 100)

The rights of National City stockholders are governed by Delaware law, as well as National City s restated certificate of incorporation, as amended, and bylaws. After completion of the merger, the rights of

Table of Contents

former National City stockholders who receive PNC common stock or preferred stock in the merger will be governed by Pennsylvania law and PNC s amended and restated articles of incorporation and bylaws. This document contains descriptions of the material differences in shareholder rights beginning on page 100.

PNC will Hold its Special Meeting on December 23, 2008 (page 19)

The PNC special meeting will be held on December 23, 2008, at 9:30 a.m., local time, in Pittsburgh, Pennsylvania on the 15th Floor of One PNC Plaza, 249 Fifth Avenue. At the special meeting, PNC shareholders will be asked to:

approve the issuance of PNC common stock to the stockholders of National City in the merger; and

approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal.

Record Date. Only holders of record at the close of business on November 14, 2008 will be entitled to vote at the special meeting. Each share of PNC common stock is entitled to one vote. Each share of Voting Preferred Stock is entitled to the number of votes described under the heading The PNC Special Meeting Record Date on page 20. Holders of common stock and Voting Preferred Stock vote together without regard to class. As of the record date of November 14, 2008, there were 347,960,466 shares of PNC common stock, 6,540 shares of Series A Preferred Stock, 1,137 shares of Series B Preferred Stock, 119,126 shares of Series C Preferred Stock and 170,761 shares of Series D Preferred Stock entitled to vote at the special meeting.

Required Vote. Approval of the issuance of shares of PNC common stock in the merger requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon, assuming a quorum. Because the required vote is based on the votes cast on such proposal, your failure to vote, a broker non-vote or an abstention will not be treated as a vote cast and, therefore, will have no effect on the proposal, assuming a quorum.

If there is a quorum, approval of any necessary or appropriate adjournment of the special meeting requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon. In the absence of a quorum, the special meeting may be adjourned by the approval of the majority of the voting power of the outstanding shares present and entitled to vote at the special meeting.

As of the record date, directors and executive officers of PNC and their affiliates had the right to vote approximately 1,180,202 shares of PNC common stock and no shares of Voting Preferred Stock, or approximately 0.3% of the outstanding PNC shares entitled to be voted at the special meeting. We currently expect that each of these individuals will vote their shares of PNC common stock in favor of the proposals to be presented at the special meeting.

National City will Hold its Special Meeting on December 23, 2008 (page 22)

The National City special meeting will be held on December 23, 2008, at 10:00 a.m., Eastern time, at National City s offices, 1900 East Ninth Street, Cleveland, Ohio 44114. At the special meeting, National City stockholders will be asked to:

adopt the merger agreement; and

approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal.

Record Date. Only holders of record at the close of business on November 14, 2008 will be entitled to vote at the special meeting. Each share of National City common stock is entitled to one vote. As of the record date, there were 2,043,425,441 shares of National City common stock entitled to vote at the special meeting.

Required Vote. Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of National City common stock entitled to vote. Because approval is based

Table of Contents

on the affirmative vote of a majority of shares outstanding, a National City stockholder s failure to vote, a broker non-vote or an abstention will have the same effect as a vote against adoption of the merger agreement.

Approval of any necessary adjournment of the special meeting may be obtained by the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the special meeting. Because approval of such adjournment is based on the affirmative vote of a majority of shares present or represented, abstentions will have the same effect as a vote against this proposal. If you are a registered holder, failure to vote by proxy or in person will have the same effect as a vote against this proposal. If you hold in street name, your broker may vote your shares in its discretion on this proposal.

As of the record date, directors and executive officers of National City had the right to vote 3,802,900 shares of National City common stock, or approximately 0.2% of the outstanding National City common stock entitled to be voted at the special meeting. We currently expect that each of these individuals will vote their shares of National City common stock in favor of the proposals to be presented at the special meeting.

Affiliates of Corsair Capital LLC, or Corsair, entered into a voting agreement with PNC in which Corsair agreed to vote or cause to be voted all shares of National City common stock it or its affiliates own and have the ability to direct the vote in favor of the merger and against any competing acquisition proposal.

Information about the Companies (page 25)

The PNC Financial Services Group, Inc.

The PNC Financial Services Group, Inc. is a Pennsylvania corporation, a bank holding company and a financial holding company under U.S. federal law. PNC is one of the largest diversified financial services companies in the United States based on assets, with businesses engaged in retail banking, corporate and institutional banking, asset management and global investment servicing. PNC provides many of its products and services nationally and others in PNC s primary geographic markets located in Pennsylvania; New Jersey; Washington, DC; Maryland; Virginia; Ohio; Kentucky; and Delaware. PNC also provides certain investment servicing internationally. PNC stock is listed on the NYSE under the symbol PNC. As of September 30, 2008, PNC had total consolidated assets of approximately $145.6 billion, total consolidated deposits of approximately $85.0 billion and total consolidated shareholders equity of approximately $14.2 billion. The principal executive offices of PNC are located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, and its telephone number is (412) 762-2000.

Additional information about PNC and its subsidiaries is included in documents incorporated by reference in this document. See Where You Can Find More Information on page 110.

National City Corporation

National City Corporation is a financial holding company headquartered in Cleveland, Ohio. National City operates through an extensive network in Ohio, Florida, Illinois, Indiana, Kentucky, Michigan, Missouri, Pennsylvania and Wisconsin and also conducts selected consumer lending businesses and other financial services on a nationwide basis. National City s primary businesses include commercial and retail banking, mortgage financing and servicing, consumer finance and asset management. Operations are primarily conducted through more than 1,400 branch banking offices located within a nine-state footprint and over 350 retail mortgage offices located throughout the United States. As of September 30, 2008, National City s consolidated total assets were approximately $143.7 billion and its total stockholders equity was approximately $15.8 billion. Based on asset size, National City is one of the largest commercial banking organizations in the United States. The principal executive offices of National City are located at 1900 East Ninth Street, Cleveland, Ohio 44114, and its telephone number is 216-222-2000.

Additional information about National City and its subsidiaries is included in documents incorporated by reference in this document. See Where You Can Find More Information on page 110.

Table of Contents

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF PNC

Set forth below are highlights from PNC s consolidated financial data as of and for the years ended December 31, 2003 through 2007 and as of and for the nine months ended September 30, 2007 and 2008. The results of operations for the nine months ended September 30, 2007 and 2008 are not necessarily indicative of the results of operations for the full year or any other interim period. PNC management prepared the unaudited information on the same basis as it prepared PNC s audited consolidated financial statements. In the opinion of PNC management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with PNC s consolidated financial statements and related notes included in PNC s Annual Report on Form 10-K for the year ended December 31, 2007 and PNC s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which are incorporated by reference in this document and from which this information is derived. See Where You Can Find More Information on page 110.

PNC Summary of Consolidated Financial Data

	Nine Months Ended September 30,		Year Ended December 31,				
	2008	2007	2007	2006(a)	2005	2004	2003
Earnings (in millions)							
Net interest income	$ 2,831	$ 2,122	$ 2,915	$ 2,245	$ 2,154	$ 1,969	$ 1,996
Noninterest income	2,683	2,956	3,790	6,327	4,173	3,572	3,263
Total revenue	5,514	5,078	6,705	8,572	6,327	5,541	5,259
Provision for credit losses	527	127	315	124	21	52	177
Noninterest expense	3,299	3,083	4,296	4,443	4,306	3,712	3,467
Income before minority interest and income taxes	1,688	1,868	2,094	4,005	2,000	1,777	1,615
Minority interest in income of BlackRock				47	71	42	47
Income taxes	558	579	627	1,363	604	538	539
Income from continuing operations	1,130	1,289	1,467	2,595	1,325	1,197	1,029
Cumulative effect of accounting change, net of tax							(28)
Net income	$ 1,130	$ 1,289	$ 1,467	$ 2,595	$ 1,325	$ 1,197	$ 1,001
Per common share data							
Basic earnings (loss)							
Continuing operations	$ 3.30	$ 3.92	$ 4.43	$ 8.89	$ 4.63	$ 4.25	$ 3.68
Cumulative effect of accounting change							(0.10)

Net income	$ 3.30	$ 3.92	$ 4.43	$ 8.89	$ 4.63	$ 4.25	$ 3.58
Diluted earnings (loss)							
Continuing operations	$ 3.24	$ 3.85	$ 4.35	$ 8.73	$ 4.55	$ 4.21	$ 3.65
Cumulative effect of accounting change							(0.10)
Net income	$ 3.24	$ 3.85	$ 4.35	$ 8.73	$ 4.55	$ 4.21	$ 3.55
Cash dividends declared	$ 1.95	$ 1.81	$ 2.44	$ 2.15	$ 2.00	$ 2.00	$ 1.94

Table of Contents

	Nine Months Ended September 30,		Year Ended December 31,				
	2008	2007	2007	2006(a)	2005	2004	2003
Period end balances (in millions)							
Total assets	$ 145,610	$ 131,366	$ 138,920	$ 101,820	$ 91,954	$ 79,723	$ 68,168
Total deposits	84,984	78,409	82,696	66,301	60,275	53,269	45,241
Total borrowed funds	32,139	27,453	30,931	15,028	16,897	11,964	11,453
Total shareholders equity	14,218	14,539	14,854	10,788	8,563	7,473	6,645

(a) Noninterest income for 2006 included the pretax impact of the following: gain on BlackRock/Merrill Lynch Investment Managers (MLIM) transaction of $2.1 billion; securities portfolio rebalancing loss of $196 million; and mortgage loan portfolio repositioning loss of $48 million. Noninterest expense for 2006 included the pretax impact of BlackRock/MLIM transaction integration costs of $91 million. An additional $10 million of integration costs, recognized in the fourth quarter of 2006, were included in noninterest income as a negative component of the asset management line. The after-tax impact of these items was as follows: BlackRock/MLIM transaction gain $1.3 billion; securities portfolio rebalancing loss $127 million; mortgage loan portfolio repositioning loss - $31 million; and BlackRock/MLIM transaction integration costs $47 million. Due to significant one-time items for PNC during 2006, the results for that year may not be typical.

Table of Contents

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF NATIONAL CITY

Set forth below are highlights from National City s consolidated financial data as of and for the years ended December 31, 2003 through 2007 and as of and for the nine months ended September 30, 2007 and 2008. The results of operations for the nine months ended September 30, 2007 and 2008 are not necessarily indicative of the results of operations for the full year or any other interim period. National City management prepared the unaudited information on the same basis as it prepared National City s audited consolidated financial statements. In the opinion of National City management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with National City s consolidated financial statements and related notes included in National City s Annual Report on Form 10-K for the year ended December 31, 2007 and National City s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which are incorporated by reference in this document and from which this information is derived. See Where You Can Find More Information on page 110.

National City Summary of Consolidated Financial Data

	Nine Months Ended September 30,		Year Ended December 31,				
	2008	2007	2007(a)	2006(b)	2005	2004(c)	2003
Earnings (in millions)							
Net interest income	$ 3,088	$ 3,294	$ 4,396	$ 4,604	$ 4,696	$ 4,433	$ 4,335
Noninterest income	1,955	2,009	2,606	4,019	3,304	4,440	3,593
Total revenue	5,043	5,303	7,002	8,623	8,000	8,873	7,928
Provision for credit losses	4,169	635	1,326	489	300	339	628
Noninterest expense	5,968	3,738	5,305	4,711	4,735	4,456	4,063
Income (loss) before income taxes	(5,094)	930	371	3,423	2,965	4,078	3,237
Income (benefit) taxes	(1,093)	283	57	1,123	980	1,298	1,120
Net (loss) income	$ (4,001)	$ 647	$ 314	$ 2,300	$ 1,985	$ 2,780	$ 2,117
Per common share data							
Basic earnings (loss)							
Net (loss) income	$ (11.32)	$ 1.08	$ 0.51	$ 3.77	$ 3.13	$ 4.37	$ 3.46
Diluted earnings (loss)							
Net (loss) income	$ (11.32)	$ 1.07	$ 0.51	$ 3.72	$ 3.09	$ 4.31	$ 3.43

Cash dividends declared	$ 0.23	$ 1.19	$ 1.60	$ 1.52	$ 1.44	$ 1.34	$ 1.25
Period end balances (in millions)							
Total assets	$ 143,691	$ 154,166	$ 149,852	$ 140,191	$ 142,397	$ 139,414	$ 114,102
Total deposits	95,582	98,249	97,310	87,234	83,986	85,955	63,930
Total borrowed funds	28,774	37,394	35,047	33,289	40,986	36,624	36,976
Total shareholders equity	15,838	13,843	13,408	14,581	12,613	12,804	9,329

(a) Results for 2007 include the acquisitions of Fidelity Bancshares, Inc. and MAF Bancorp, Inc.

(b) Results for 2006 include the acquisitions of Forbes First Financial Corporation and Harbor Florida Bancshares, Inc. and the sale of First Franklin.

(c) Results for 2004 include the acquisitions of Allegiant Bancorp Inc., Provident Financial Group Inc. and Wayne Bancorp, and the sale of National Processing, Inc.

Table of Contents

UNAUDITED SELECTED PRO FORMA COMBINED FINANCIAL INFORMATION

The following table shows unaudited pro forma combined financial information about the financial condition and results of operations, including per share data and financial ratios, after giving effect to the merger and the planned issuance of $7.7 billion of preferred securities and warrants to purchase 17.2 million shares of PNC common stock to the United States Treasury, or Treasury Department, under the TARP Capital Purchase Program. The unaudited pro forma financial information assumes that the merger is accounted for under the purchase method of accounting with PNC treated as the acquirer. Under the purchase method of accounting, the assets and liabilities of National City will be recorded by PNC at their respective fair values as of the date the merger is completed. The unaudited pro forma condensed combined balance sheet gives effect to the transactions as if the transactions had occurred on September 30, 2008. The unaudited pro forma condensed combined income statements for the nine months ended September 30, 2008 and the year ended December 31, 2007, give effect to the transactions as if the transactions had become effective at January 1, 2007. The unaudited selected pro forma combined financial information has been derived from and should be read in conjunction with the consolidated financial statements and the related notes of both PNC and National City, which are incorporated in this document by reference and more detailed unaudited pro forma condensed combined financial information, including the notes thereto, appearing elsewhere in this document. See Where You Can Find More Information on page 110 and Unaudited Pro Forma Condensed Combined Financial Information on page 27.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined companies had the companies actually been combined at the beginning of each period presented, nor the impact of possible business model changes. The unaudited pro forma condensed combined financial information also does not consider any potential impacts of current market conditions on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information, the preliminary allocation of the pro forma purchase price reflected in the unaudited pro forma condensed combined financial information is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded upon completion of the merger.

	Nine Months Ended September 30, 2008	Twelve Months Ended December 31, 2007
	(In millions)	
Income Statement		
Net interest income	$ 6,362	$ 8,039
Noninterest income	4,609	6,357
Total revenue	10,971	14,396
Provision for credit losses	4,696	1,641
Noninterest expense	9,377	9,776
Income (loss) before income taxes	(3,102)	2,979
Income taxes (benefit)	(422)	875

Net income (loss)	$	(2,680)	$	2,104
Balance Sheet				
Cash and due from banks	$	7,301		N/M
Net loans		169,617		N/M
Total assets		279,184		N/M
Total deposits		181,109		N/M
Total borrowed funds		52,016		N/M
Total shareholders equity		27,547		N/M

Table of Contents

COMPARATIVE PER SHARE DATA

The following table sets forth for PNC common stock and National City common stock certain historical, pro forma and pro forma-equivalent per share financial information. The pro forma and pro forma-equivalent per share information gives effect to the merger and the planned issuance of $7.7 billion of preferred securities and warrants to purchase 17.2 million shares of PNC common stock to the Treasury Department under the TARP Capital Purchase Program as if the transactions had been effective on the dates presented, in the case of the book value data, and as if the transactions had become effective on January 1, 2007, in the case of the net income and dividends declared data. The unaudited pro forma data in the tables assume that the merger is accounted for using the purchase method of accounting and represents a current estimate based on available information of the combined company s results of operations. The pro forma financial adjustments record the assets and liabilities of National City at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analyses are performed. See Unaudited Pro Forma Condensed Combined Financial Information on page 27. The information in the following table is based on, and should be read together with, the historical financial information that we have presented in our prior filings with the SEC. See Where You Can Find More Information on page 110.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and revenue enhancement opportunities. The unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible business model changes as a result of current market conditions which may impact revenues, expense efficiencies, asset dispositions, share repurchases and other factors. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods nor is it indicative of the results of operations in future periods or the future financial position of the combined company. The Comparative Per Share Data Table for the nine months ended September 30, 2008 and the year ended December 31, 2007 combines the historical income per share data of PNC and subsidiaries and National City and subsidiaries giving effect to the transactions as if the merger, using the purchase method of accounting, and the planned capital issuance to the Treasury Department had become effective on January 1, 2007. The pro forma adjustments are based upon available information and certain assumptions that the PNC management believes are reasonable. Upon completion of the merger, the operating results of National City will be reflected in the consolidated financial statements of PNC on a prospective basis.

	PNC Historical	National City Historical	Pro Forma Combined	Per Equivalent National City Share(1)
Income from continuing operations for the twelve months ended December 31, 2007:				
Basic	$ 4.43	$ 0.51	$ 3.84	$ 0.15
Diluted	4.35	0.51	3.77	0.15
Income (loss) from continuing operations for the nine months ended September 30, 2008:				
Basic	$ 3.30	$ (11.32)	$ (6.99)	$ (0.27)
Diluted	3.24	(11.32)	(7.00)	(0.27)
Dividends Paid:				

For the twelve months ended December 31, 2007	$ 2.44	$ 1.60	$ 2.44	$ 0.10
For the nine months ended September 30, 2008	1.95	0.23	1.95	0.08
Book Value:				
As of December 31, 2007	$ 43.60	$ 21.15	$ 48.13	$ 1.89
As of September 30, 2008	39.44	7.71	44.77	1.75

(1) Reflects National City shares at the exchange ratio of 0.0392.

Table of Contents

RISK FACTORS

In addition to the other information included and incorporated by reference in this document, shareholders should consider the matters described below in determining whether to adopt the merger agreement in the case of National City stockholders, and approve the issuance of PNC common stock in the merger in the case of PNC shareholders.

Because the market price of PNC common stock will fluctuate, National City stockholders cannot be sure of the market value of the merger consideration they will receive.

Upon completion of the merger, each share of National City common stock will be converted into merger consideration consisting of 0.0392 of a share of PNC common stock. The market value of the merger consideration may vary from the closing price of PNC common stock on the date we announced the merger, on the date that this document was mailed to National City stockholders, on the date of the special meeting of the National City stockholders and on the date we complete the merger and thereafter. Any change in the market price of PNC common stock prior to completion of the merger will affect the market value of the merger consideration that National City stockholders will receive upon completion of the merger. Accordingly, at the time of the special meeting, National City stockholders will not know or be able to calculate the market value of the merger consideration they would receive upon completion of the merger. Neither company is permitted to terminate the merger agreement or resolicit the vote of National City stockholders solely because of changes in the market prices of either company s stock. There will be no adjustment to the merger consideration for changes in the market price of either shares of PNC common stock or shares of National City common stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. You should obtain current market quotations for shares of PNC common stock and for shares of National City common stock before you vote.

We may fail to realize all of the anticipated benefits of the merger.

The success of the merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of PNC and National City. However, to realize these anticipated benefits and cost savings, we must successfully combine the businesses of PNC and National City. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected.

PNC and National City have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of National City and PNC during the pre-merger transition period and for an undetermined period after consummation of the merger.

The market price of PNC common stock after the merger may be affected by factors different from those affecting the shares of National City or PNC currently.

The businesses of PNC and National City differ in important respects and, accordingly, the results of operations of the combined company and the market price of the combined company s shares of common stock may be affected by factors different from those currently affecting the independent results of operations of PNC and National City. For a

discussion of the businesses of PNC and National City and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this document and referred to under Where You Can Find More Information beginning on page 110.

Table of Contents

National City stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

National City s stockholders currently have the right to vote in the election of the National City board of directors and on other matters affecting National City. When the merger occurs, each National City stockholder that receives shares of PNC common stock will become a shareholder of PNC with a percentage ownership of the combined organization that is much smaller than the stockholder s percentage ownership of National City. Because of this, National City s stockholders will have less influence on the management and policies of PNC than they now have on the management and policies of National City.

Termination of the merger agreement could negatively impact National City.

If the merger agreement is terminated, there may be various consequences including:

National City s businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger; and

the market price of National City common stock might decline to the extent that the current market price reflects a market assumption that the merger will be completed.

If the merger agreement is terminated and National City s board of directors seeks another merger or business combination, National City stockholders cannot be certain that National City will be able to find a party willing to pay an equivalent or more attractive price than the price PNC has agreed to pay in the merger.

The opinion of National City s financial advisor will not reflect changes in circumstances between signing the merger agreement and the merger.

National City s financial advisor, Goldman Sachs, rendered an opinion dated October 24, 2008, to the National City board of directors, that, as of such date, and based upon and subject to the factors, limitations and assumptions set forth in its written opinion, as well as the extraordinary circumstances facing National City referred to in such written opinion, the exchange ratio of 0.0392 of a share of PNC common stock to be received in respect of each share of National City common stock pursuant to the merger agreement was fair from a financial point of view to the holders of National City common stock other than PNC and its affiliates. The opinion of Goldman Sachs was based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date thereof, including the ongoing crisis in the capital markets, the condition of the mortgage market and the extraordinary financial and economic environment at the time and the related uncertainty regarding the extent and duration of those conditions. Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date thereof.

Changes in the operations and prospects of PNC or National City, general market and economic conditions and other factors on which National City s financial advisor s opinion was based, may significantly alter the value of PNC or National City or the prices of shares of PNC common stock or National City common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. The National City board of directors recommendation that holders of National City common stock vote FOR adoption of the merger agreement, however, is as of the date of this document. For a description of the opinion that National City received from its financial advisor, please refer to The Merger Opinion of National City s Financial Advisor . For a description of the other factors considered by National City s board of directors in determining to approve the merger, please refer to The Merger National City s Reasons for the Merger;

Recommendation of the National City Board of Directors .

Table of Contents

The merger agreement limits National City s ability to pursue alternatives to the merger.

The merger agreement contains no shop provisions that, subject to limited exceptions, limit National City s ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of National City. In addition, National City has granted to PNC an option to acquire up to 405,163,602 shares of National City common stock, or an equivalent number of shares of the stock of any company that acquires National City, under the circumstances and for the payments described in the option agreement. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of National City from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger, or might result in a potential competing acquiror s proposing to pay a lower per share price to acquire National City than it might otherwise have proposed to pay. National City can consider and participate in discussions and negotiations with respect to an alternative proposal so long as the National City board of directors determines in good faith (after consultation with legal counsel) that failure to do so would be reasonably likely to result in a violation of its fiduciary duties to National City stockholders under applicable law.

The merger is subject to the receipt of consents and approvals from government entities that may impose conditions that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, various approvals or consents must be obtained from the Federal Reserve Board and various domestic and foreign bank regulatory, securities, antitrust, insurance and other authorities. These government entities, including the Federal Reserve Board, may impose conditions on the completion of the merger or require changes to the terms of the merger. Although PNC and National City do not currently expect that any such material conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of PNC following the merger, any of which might have a material adverse effect on PNC following the merger.

The merger is subject to closing conditions, including shareholder approval, that, if not satisfied or waived, will result in the merger not being completed, which may result in material adverse consequences to National City s business and operations.

The merger is subject to closing conditions, including the approval of National City stockholders and PNC shareholders that, if not satisfied, will prevent the merger from being completed. The closing condition that National City stockholders adopt the merger agreement, and the closing condition that PNC shareholders approve the issuance of PNC common stock in the merger, may not be waived under applicable law and must be satisfied for the merger to be completed. National City currently expects that all directors and executive officers of National City will vote their shares of National City common stock in favor of the proposals presented at the special meeting. PNC currently expects that all directors and officers of PNC will vote their shares of PNC common stock in favor of the proposals presented at the special meeting. If National City s stockholders do not adopt the merger agreement or if PNC s shareholders do not approve the issuance of PNC common stock in the merger and the merger is not completed, the resulting failure of the merger could have a material adverse impact on National City s business and operations. In addition to the required approvals and consents from governmental entities and the approval of National City stockholders and PNC shareholders, the merger is subject to other conditions beyond PNC s and National City s control that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether and when these other conditions will be satisfied. See The Merger Agreement Conditions to the Merger beginning on page 85.

The shares of PNC common stock to be received by National City stockholders as a result of the merger will have different rights from the shares of National City common stock.

Upon completion of the merger, National City stockholders will become PNC shareholders and their rights as shareholders will be governed by the amended and restated articles of incorporation and bylaws of PNC. The rights associated with National City common stock are different from the rights associated with

Table of Contents

PNC common stock. Please see Comparison of Shareholders Rights beginning on page 100 for a discussion of the different rights associated with PNC common stock.

Current disruption and volatility in global financial markets might continue and governments may take measures to intervene.

Over the last year global financial markets have experienced extraordinary disruption and volatility following adverse changes in the global credit markets. Governments have taken highly significant measures in response to such events, including enactment of the Emergency Economic Stabilization Act of 2008 in the United States. Such dislocation and instability, and potential government responses thereto, may continue before and after completion of the merger and could negatively impact the operations of National City and PNC and the value of the PNC common stock National City stockholders receive in the merger.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains or incorporates by reference a number of forward-looking statements, including statements about the financial conditions, results of operations, earnings outlook and prospects of PNC, National City and the potential combined company and may include statements for the period following the completion of the merger. You can find many of these statements by looking for words such as plan, believe, expect, intend, anticipate, estima project, potential, possible or other similar expressions.

The forward-looking statements involve certain risks and uncertainties. The ability of either PNC or National City to predict results or the actual effects of its plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth on page 14 under Risk Factors, as well as, among others, the following:

- those discussed and identified in public filings with the SEC made by PNC or National City;
- completion of the merger is dependent on, among other things, receipt of shareholder and regulatory approvals, the timing of which cannot be predicted with precision and which may not be received at all. The impact of the completion of the transaction on PNC s financial statements will be affected by the timing of the transaction, including in particular the ability to complete the acquisition in the fourth quarter of 2008;
- the extent and duration of continued economic and market disruptions and governmental regulatory proposals to address these disruptions;
- the incurrence of more credit losses from National City s loan portfolio than expected and deposit attrition may be greater than expected;
- the merger may be more expensive to complete (including the integration of National City s businesses) and the anticipated benefits, including anticipated cost savings and strategic gains, may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events;
- the integration of National City s business and operations with those of PNC, which will include conversion of National City s different systems and procedures, may take longer than anticipated, may be more costly than anticipated and may have unanticipated adverse results relating to National City s or PNC s existing businesses. PNC s ability to integrate National City successfully may be adversely affected by the fact that this transaction will result in PNC entering several markets where PNC does not currently have any meaningful presence;
- the anticipated cost savings and other synergies of the merger may take longer to be realized or may not be achieved in their entirety, and attrition in key client, partner and other relationships relating to the merger may be greater than expected;
- decisions to restructure, divest or eliminate business units or otherwise change the business mix of either company;
- the risk of new and changing regulation and/or regulatory actions in the U.S. and internationally; and

the exposure to government investigations and litigation currently pending against National City, as well as others that may be filed or commenced as a result of the merger or otherwise, which could delay or impede the completion of the merger or impact the timing or realization of anticipated benefits to PNC or otherwise adversely impact PNC s results.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document or the date of any document incorporated by reference in this document.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this document and attributable to PNC or National City or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document. Except to the extent required by applicable law or regulation, PNC and National City undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Table of Contents

THE PNC SPECIAL MEETING

This section contains information about the special meeting of PNC shareholders that has been called to consider and approve the issuance of shares of PNC common stock in the merger.

Together with this document, PNC is also sending you a notice of the special meeting and a form of proxy that is solicited by the PNC board of directors. The special meeting will be held on December 23, 2008, at 9:30 a.m., local time, in Pittsburgh, Pennsylvania on the 15th Floor of One PNC Plaza, 249 Fifth Avenue.

Matters to Be Considered

The purpose of the special meeting is to vote on:

a proposal for approval of the issuance of shares of PNC common stock to the stockholders of National City in the merger; and

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal.

Proxies

Each copy of this document mailed to holders of PNC common stock and Voting Preferred Stock is accompanied by a form of proxy with instructions for voting by mail, by telephone or through the internet. If you hold stock in your name as a shareholder of record and are voting by mail, you should complete and return the proxy card accompanying this document to ensure that your vote is counted at the special meeting, or at any adjournment or postponement of the special meeting, regardless of whether you plan to attend the special meeting. You may also vote your shares by telephone or through the internet. Information and applicable deadlines for voting by telephone or through the internet are set forth in the enclosed proxy card instructions.

If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by signing and returning a proxy card with a later date, delivering a written revocation letter to PNC s Corporate Secretary, or by attending the special meeting in person, notifying the Corporate Secretary, and voting by ballot at the special meeting. If you have voted your shares by telephone or through the internet, you may revoke your prior telephone or internet vote by recording a different vote, or by signing and returning a proxy card dated as of a date that is later than your last telephone or internet vote.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying the Corporate Secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

The PNC Financial Services Group, Inc.

One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
Attention: George P. Long, III
Corporate Secretary

If your shares are held in street name by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card or as instructed via internet or telephone.

Table of Contents

If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR approval of the issuance of shares of PNC common stock in the merger and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies. According to the PNC amended and restated bylaws, business to be conducted at a special meeting of shareholders may only be brought before the meeting by means of PNC s notice of the meeting or otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the PNC board of directors. No matters other than the matters described in this document are anticipated to be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

Solicitation of Proxies

PNC will bear the entire cost of soliciting proxies from its shareholders. In addition to solicitation of proxies by mail, PNC will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of PNC common stock and Voting Preferred Stock and secure their voting instructions. PNC will reimburse the record holders for their reasonable expenses in taking those actions. PNC has also made arrangements with D.F. King & Co. to assist it in soliciting proxies and has agreed to pay them $17,500, plus reasonable expenses for these services. If necessary, PNC may use several of its regular employees, who will not be specially compensated, to solicit proxies from PNC shareholders, either personally or by telephone, facsimile, letter or other electronic means.

Record Date

The close of business on November 14, 2008 has been fixed as the record date for determining the PNC shareholders entitled to receive notice of and to vote at the special meeting. This table shows the number of issued and outstanding shares of our common and preferred stock on the record date. The table also shows the number of votes for each share. (The number of votes shown for each share of Voting Preferred Stock equals the number of full shares of PNC common stock that can be acquired upon the conversion of a share of preferred stock.)

Class	Shares Issued and Outstanding	Votes per Share
Common	347,960,466	1
Series A Preferred	6,540	8
Series B Preferred	1,137	8
Series C Preferred	119,126	4 for each 2.4 shares
Series D Preferred	170,761	4 for each 2.4 shares

Quorum

In order to conduct voting at the special meeting, there must be a quorum. A quorum is the number of shares that must be present at the meeting either in person or by proxy. To have a quorum at the special meeting requires the presence of shareholders or their proxies who are entitled to cast at least a majority of the votes that all shareholders are entitled to cast. Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present. At the meeting, holders of PNC common stock and Voting Preferred Stock will vote together as a single class.

Vote Required

Approval of the issuance of shares of PNC common stock in the merger requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon, assuming a quorum. Because the required vote is based on

the votes cast, your failure to vote, a broker non-vote or an abstention will not be treated as a vote cast and, therefore, will have no effect on these proposals, assuming a quorum.

If there is a quorum, approval of any necessary or appropriate adjournment of the special meeting requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon. In the

Table of Contents

absence of a quorum, the special meeting may be adjourned by the approval of the majority of the voting power of the outstanding shares present and entitled to vote at the special meeting.

The PNC board of directors urges PNC shareholders to promptly vote by: accessing the internet site listed in the proxy card instructions if voting through the internet; calling the toll-free number listed in the proxy card instructions if voting by telephone; or completing, dating, and signing the accompanying proxy card and to return it promptly in the enclosed postage-paid envelope. If you hold your stock in street name through a bank or broker, please vote by following the voting instructions of your bank or broker.

Shareholders will vote at the meeting by ballot. Votes cast at the meeting, in person or by proxy, will be tallied by PNC s Inspector of Election.

As of the record date, directors and executive officers of PNC had the right to vote approximately 1,180,202 shares of PNC common stock and no shares of Voting Preferred Stock, or approximately 0.3% of the outstanding PNC shares entitled to vote at the special meeting. We currently expect that each of these individuals will vote their shares of PNC common stock in favor of the proposals to be presented at the special meeting.

Participants in a PNC 401(k) Plan

Shares of PNC common stock held in a 401(k) plan sponsored by PNC, PNC Global Investment Servicing (U.S.) Inc. or any other affiliate will be voted solely by the Trustee of such plan pursuant to the terms of such plan and the instructions received by the Trustee (via PNC s transfer agent, Computershare) from plan participants to vote shares credited to plan participants accounts. Active employees whose shares of PNC common stock are held exclusively in such a 401(k) plan will receive a separate correspondence from the transfer agent that will include separate voting instructions. Neither the Trustee nor Computershare will disclose the confidential voting instructions of any plan participant.

Recommendation of the PNC Board of Directors

The PNC board of directors has approved and adopted the merger agreement and the transactions it contemplates, including the merger. The PNC board of directors determined that the merger, merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of PNC and its shareholders and recommends that you vote FOR approval of the issuance of shares of PNC common stock in the merger. See The Merger PNC s Reasons for the Merger; Recommendation of the PNC Board of Directors on page 48 for a more detailed discussion of the PNC board of directors recommendation.

Attending the Meeting

All holders of PNC common stock and Voting Preferred Stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Please detach the attached admission ticket from the proxy card and bring it to the special meeting. The ticket will admit you and one other person. If you hold your PNC shares in an account at a brokerage firm or bank, your name will not appear on our shareholder list. Please bring an account statement or a letter from your broker showing your PNC shareholdings. Please show this documentation at the meeting registration desk to attend the meeting. Everyone who attends the special meeting must abide by the rules for the conduct of the meeting. These rules will be printed on the meeting agenda.

Table of Contents

THE NATIONAL CITY SPECIAL MEETING

This section contains information about the special meeting of National City stockholders that has been called to consider and adopt the merger agreement.

Together with this document, National City is also sending you a notice of the special meeting and a form of proxy that is solicited by the National City board of directors. The special meeting will be held on December 23, 2008, at 10:00 a.m., Eastern time, at National City s offices, 1900 East Ninth Street, Cleveland, Ohio 44114.

Matters to Be Considered

The purpose of the special meeting is to vote on:

- a proposal for adoption of the merger agreement; and
- a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal.

Proxies

Each copy of this document mailed to holders of National City common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a stockholder of record, you may complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible, vote by telephone by calling the toll-free number listed on the National City proxy card, vote by accessing the internet site listed on the National City proxy card or vote in person at the National City special meeting. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instruction form included with these materials and forwarded to you by your bank or broker. This voting instruction form provides instructions on voting by mail, telephone or the internet. To vote using the proxy card you must sign, date and return it in the enclosed postage-paid envelope. Instructions on how to vote by telephone or by the internet are included with your proxy card.

If you are a holder of record, to change your vote, you must:

- mail a new signed proxy card with a later date to National City Bank, P.O. Box 535600, Pittsburgh, Pennsylvania 15253-9931, which must be received by 6:00 a.m. Eastern time on December 23, 2008;
- Vote by calling the toll-free number listed on the National City proxy card or accessing the internet site listed on the National City proxy card by 6:00 a.m. Eastern time on December 23, 2008; or
- attend the special meeting and vote in person.

If you wish to revoke rather than change your vote, you must send written, signed revocation to National City Corporation, 1900 East Ninth Street, Cleveland, Ohio 44114, Attn: Secretary, which must be received by 6:00 a.m. Eastern time on December 23, 2008. You must include your control number.

If you hold shares in street name, and wish to change or revoke your vote, please refer to the information on the voting instruction form included with these materials and forwarded to you by your bank, broker or other holder of record to

see your voting options.

All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR adoption of the merger agreement and FOR approval of the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

According to the National City restated bylaws, business to be conducted at a special meeting of stockholders may only be brought before the meeting by means of National City s notice of the meeting or

Table of Contents

otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the board of directors. No matters other than the matters described in this document are anticipated to be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

National City stockholders with shares represented by stock certificates should not send National City stock certificates with their proxy cards. After the merger is completed, holders of National City common stock certificates will be mailed a transmittal form with instructions on how to exchange their National City stock certificates for the merger consideration. Shares of National City common stock held in book-entry form will automatically be exchanged for the merger consideration.

Solicitation of Proxies

National City will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, National City will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of National City common stock and secure their voting instructions. National City will reimburse the record holders for their reasonable expenses in taking those actions. National City has also made arrangements with Georgeson Inc. to assist it in soliciting proxies and has agreed to pay them approximately $20,000 plus reasonable expenses for these services. If necessary, National City may use several of its regular employees, who will not be specially compensated, to solicit proxies from National City stockholders, either personally or by telephone, facsimile, letter or other electronic means.

Record Date

The close of business on November 14, 2008 has been fixed as the record date for determining the National City stockholders entitled to receive notice of and to vote at the special meeting. At that time, 2,043,425,441 shares of National City common stock were outstanding, held by approximately 59,596 holders of record.

Voting Rights and Vote Required

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of National City common stock entitled to vote is necessary to constitute a quorum at the special meeting. Abstentions will be counted for the purpose of determining whether a quorum is present.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of National City common stock entitled to vote at the special meeting. You are entitled to one vote for each share of National City common stock you held as of the record date. Holders of shares of National City preferred stock and holders of depositary shares representing National City preferred stock are not entitled to vote on the adoption of the merger agreement or otherwise at the special meeting.

Because the affirmative vote of the holders of a majority of the outstanding shares of National City common stock entitled to vote at the special meeting is needed for us to proceed with the merger, the failure to vote by proxy or in person will have the same effect as a vote against the merger. Abstentions also will have the same effect as a vote against the merger. **Accordingly, the National City board of directors urges National City stockholders to promptly vote by completing, dating, and signing the accompanying proxy card and to return it promptly in the enclosed postage-paid envelope, or, if you hold your stock in street name through a bank or broker, by following the voting instructions of your bank or broker.** If you hold stock in your name as a stockholder of record, you may complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible, vote by calling the toll-free number listed on the National City proxy card, vote by accessing the internet site listed on the National City proxy card or vote in person at the National City special meeting. If you hold your stock in

street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instruction form included with these materials and forwarded to you by your bank or broker. This voting instruction form provides instructions on voting by mail, telephone or on the internet.

Table of Contents

Approval of the proposal to adjourn or postpone the meeting, if necessary or appropriate, for the purpose of soliciting additional proxies requires the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the special meeting. Because approval of this proposal requires the affirmative vote of a majority of shares present or represented, abstentions will have the same effect as a vote against this proposal. If you are a registered holder, failure to vote by proxy or in person will have the same effect as a vote against this proposal. If you hold in street name, your broker may vote your shares in its discretion on this proposal.

Holders of National City common stock will vote at the meeting by ballot. Votes cast at the meeting, in person or by proxy, will be tallied by National City s tabulator and certified by its inspector of election.

As of the record date, directors and executive officers of National City had the right to vote 3,802,900 shares of National City common stock, or approximately 0.2% of the outstanding National City common stock at that date. We currently expect that each of these individuals will vote their shares of National City common stock in favor of the proposals to be presented at the special meeting.

Affiliates of Corsair entered into a voting agreement with PNC in which Corsair agreed to vote or cause to be voted all shares of National City common stock it owns and has the ability to direct the vote in favor of the merger and against any competing acquisition proposal.

Participants in the National City Savings and Investment Plan

Shares of National City common stock held in the National City Corporation Stock Fund under the National City Savings and Investment Plan will be voted solely by the named fiduciary and investment manager of the National City Corporation Stock Fund pursuant to the terms of the Savings and Investment Plan and the instructions received by the named fiduciary and investment manager from plan participants. The named fiduciary and investment manager of the National City Corporation Stock Fund will not disclose the confidential voting directions of any individual participant or beneficiary to National City. If a portion of your Savings and Investment Plan account is invested in the National City Corporation Stock Fund, you will be receiving a separate letter from the named fiduciary and investment manager explaining the voting process with respect to your proportionate interest in the National City Corporation Stock Fund and you will be provided with separate voting instructions.

Recommendation of the National City Board of Directors

The National City board of directors has approved the merger agreement and the transactions it contemplates, including the merger. The National City board of directors determined that the merger, merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of National City and its stockholders and recommends that you vote FOR adoption of the merger agreement. See The Merger National City s Reasons for the Merger; Recommendation of the National City Board of Directors on page 46 for a more detailed discussion of the National City board of directors recommendation.

Attending the Meeting

All holders of National City common stock, including holders of record and stockholders who hold their stock through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Only stockholders of record on the record date can vote in person at the special meeting. If you are not a stockholder of record, you must obtain a proxy executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. National City reserves the right to

refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

Table of Contents

INFORMATION ABOUT THE COMPANIES

The PNC Financial Services Group, Inc.

The PNC Financial Services Group, Inc. is a Pennsylvania corporation, a bank holding company and a financial holding company under U.S. federal law. PNC is one of the largest diversified financial services companies in the United States based on assets, with businesses engaged in retail banking, corporate and institutional banking, asset management and global investment servicing. PNC provides many of its products and services nationally and others in PNC s primary geographic markets located in Pennsylvania; New Jersey; Washington, DC; Maryland; Virginia; Ohio; Kentucky; and Delaware. PNC also provides certain investment servicing internationally. PNC stock is listed on the NYSE under the symbol PNC. As of September 30, 2008, PNC had total consolidated assets of approximately $145.6 billion, total consolidated deposits of approximately $85.0 billion and total consolidated shareholders equity of approximately $14.2 billion. The principal executive offices of PNC are located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, and its telephone number is (412) 762-2000.

Additional information about PNC and its subsidiaries is included in documents incorporated by reference in this document. See Where You Can Find More Information on page 110.

National City Corporation

National City is a financial holding company headquartered in Cleveland, Ohio. National City operates through an extensive network in Ohio, Florida, Illinois, Indiana, Kentucky, Michigan, Missouri, Pennsylvania and Wisconsin and also conducts selected consumer lending businesses and other financial services on a nationwide basis. National City s primary businesses include commercial and retail banking, mortgage financing and servicing, consumer finance and asset management. Operations are primarily conducted through more than 1,400 branch banking offices located within a nine-state footprint and over 350 retail mortgage offices located throughout the United States. As of September 30, 2008, National City s consolidated total assets were approximately $143.7 billion and its total stockholders equity was approximately $15.8 billion. Based on asset size, National City is one of the largest commercial banking organizations in the United States. The principal executive offices of National City are located at 1900 East Ninth Street, Cleveland, Ohio 44114, and its telephone number is 216-222-2000.

Additional information about National City and its subsidiaries is included in documents incorporated by reference in this document. See Where You Can Find More Information on page 110.

Table of Contents

RECENT DEVELOPMENTS

TARP Capital Purchase Program

The Emergency Economic Stabilization Act of 2008, or EESA, authorizes the Treasury Department to use appropriated funds to restore liquidity and stability to the U.S. financial system. On October 24, 2008, PNC announced that it plans to participate in the Treasury Department s TARP Capital Purchase Program. PNC has received approval from the Treasury Department to issue to the Treasury Department $7.7 billion of preferred stock ($4.2 billion of which is to be issued upon completion of the merger) together with a related warrant to purchase approximately $1.1 billion of PNC common stock (calculated assuming the issuance of the $4.2 billion of preferred stock associated with the merger) subject to the standard terms and conditions of the TARP Capital Purchase Program. While as of the date of this document PNC has not entered into a definitive agreement with the Treasury Department, the terms of the transaction can be derived from the standard terms of the TARP Capital Purchase Program. The number of shares of PNC common stock issuable upon exercise of the warrant will be calculated based on a price per share equal to the average market price of PNC common stock for the 20 trading days preceding approval of the issuance on October 23, 2008 (which will also be the exercise price of the warrant). PNC plans to issue the preferred stock and warrants no later than the closing date of the merger. The preferred stock to be issued to the Treasury Department pursuant to the program will pay cumulative dividends at a rate of 5% per year for the first five years and thereafter at a rate of 9% per year. PNC will not be permitted to redeem the preferred stock during the first three years following the issuance except with the proceeds from a qualified equity offering. Three years after the issuance, PNC may, at its option, redeem the preferred stock at par value plus accrued and unpaid dividends. The preferred stock will have limited voting rights. During the first three years following the issuance date, unless PNC has redeemed all of the preferred stock or the Treasury has transferred all of the preferred stock to a party not affiliated with the Treasury Department, the consent of the Treasury will be required for PNC to increase its common stock dividend or repurchase shares of PNC common stock or other capital stock or equity securities, other than repurchases in connection with benefit plans consistent with past practice and certain other circumstances as may be specified in the securities purchase agreement relating to the issuance. One consequence of participating in the TARP Capital Purchase Program is that PNC will be limited in the tax deductibility of compensation it pays to certain executive management. The number of shares of PNC common stock issuable upon exercise of the warrant will be reduced by 50% if PNC receives $7.7 billion of proceeds from qualified equity offerings on or prior to December 31, 2009. PNC s issuance of common stock in the merger will not constitute a qualified equity offering. The warrant will provide for the adjustment of the exercise price and the number of shares of PNC common stock issuable upon exercise pursuant to customary anti-dilution provisions, such as upon stock splits or distributions of securities or other assets to holders of PNC common stock, and upon certain issuances of PNC common stock at or below a specified price relative to the initial exercise price and will expire ten years from the issuance date. Both the preferred stock and the warrant will be accounted for as components of Tier 1 capital. The TARP Capital Purchase Program investment will be dilutive to PNC common stockholders because of the dilutive impact of the warrants in the weighted average dilutive share calculation and because the dividend rate and accretion are greater than the earnings rate assumed on the cash proceeds. The extent of the dilution will be dependent on the combined company earnings, the use of cash proceeds and the ongoing PNC average share price used in the treasury stock method to determine the number of dilutive shares associated with the warrants.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information combines the historical consolidated financial position and results of operations of PNC and its subsidiaries and of National City and its subsidiaries, as an acquisition by PNC of National City using the purchase method of accounting and giving effect to the related pro forma adjustments described in the accompanying notes. Under the purchase method of accounting, the assets and liabilities of National City will be recorded by PNC at their respective fair values as of the date the merger is completed. The unaudited condensed combined financial data also reflects the receipt of $7.7 billion from the planned sale of preferred securities and issuance of warrants to purchase 17.2 million shares of PNC common stock under the TARP Capital Purchase Program. The unaudited pro forma condensed combined balance sheet gives effect to the merger and the issuance of the preferred securities and warrants to purchase shares of PNC common stock to the Treasury Department as if the transactions had occurred on September 30, 2008. The unaudited pro forma condensed combined income statements for the nine months ended September 30, 2008 and the year ended December 31, 2007, give effect to the merger and the issuance of the preferred securities and warrants to purchase shares of PNC common stock to the Treasury Department as if the transactions had become effective at January 1, 2007.

The merger agreement was announced on October 24, 2008, and provides for each outstanding share of National City common stock other than shares beneficially owned by National City and PNC to be converted into the right to receive 0.0392 of a share of PNC common stock. Shares of National City preferred stock will be converted on a one-for-one basis into PNC preferred stock having the same terms (to the fullest extent possible) as the corresponding National City preferred stock. The unaudited pro forma condensed combined financial information has been derived from and should be read in conjunction with the historical consolidated combined financial statements and the related notes of both PNC and National City, which are incorporated in the document by reference. See Where You Can Find More Information on page 110.

The unaudited pro forma condensed combined financial statements included herein are presented for informational purposes only and do not necessarily reflect the financial results of the combined companies had the companies actually been combined at the beginning of each period presented. The adjustments included in these unaudited pro forma condensed financial statements are preliminary and may be revised. This information also does not reflect the benefits of the expected cost savings and expense efficiencies, opportunities to earn additional revenue, potential impacts of current market conditions on revenues, or asset dispositions, among other factors, and includes various preliminary estimates and may not necessarily be indicative of the financial position or results of operations that would have occurred if the merger had been consummated on the date or at the beginning of the period indicated or which may be attained in the future. The unaudited pro forma condensed combined financial statements and accompanying notes should be read in conjunction with and are qualified in their entirety by reference to the historical consolidated financial statements and related notes thereto of PNC and its subsidiaries and of National City and its subsidiaries, such information and notes thereto are incorporated by reference herein.

Table of Contents

THE PNC FINANCIAL SERVICES GROUP, INC.

Pro Forma Condensed Combined Balance Sheet
At September 30, 2008

In millions Unaudited	PNC as Reported(a)	NCC as Reported(b)	Pro Forma Adjustments	Ref	Pro Forma Combined	TARP	Ref	Pro Forma with TARP
Assets								
Cash and due from banks	$ 3,060	$ 4,241			$ 7,301			$ 7,301
Federal funds sold and resale agreements	1,826	2,156			3,982			3,982
Trading securities and other short-term investments	2,866	1,736			4,602			4,602
Loans held for sale	1,922	3,246	$ (136)	A	5,032			5,032
Securities available for sale	31,031	8,826			39,857			39,857
Loans, net of unearned income	75,184	110,462	(13,379)	A	172,267			172,267
Allowance for loan and lease losses	(1,053)	(3,752)	2,155	B	(2,650)			(2,650)
Net loans	74,131	106,710	(11,224)		169,617			169,617
Goodwill	8,829	3,000	(3,000)	C	8,829			8,829
Other intangible assets	1,092	2,593	1,537	D	5,222			5,222
Equity investments	6,735	1,689			8,424			8,424
Other	14,118	9,494	2,706	E	26,318			26,318
Total assets	$ 145,610	$ 143,691	$ (10,117)		$ 279,184			$ 279,184
Liabilities								
Deposits								
Noninterest-bearing	$ 19,255	$ 15,251			$ 34,506			$ 34,506
Interest-bearing	65,729	80,331	$ 543	F	146,603			146,603
Total deposits	84,984	95,582	543		181,109			181,109
Borrowed funds								
Federal funds purchased and repurchase agreements	7,448	3,248			10,696	$ (7,700)	J	2,996
Other borrowings	24,691	25,526	(1,197)	G	49,020			49,020

Total borrowed funds	32,139	28,774	(1,197)		59,716	(7,700)	52,016
Accrued expenses and other	12,199	3,342	746	H	16,287		16,287
Total liabilities	129,322	127,698	92		257,112	(7,700)	249,412
Minority and noncontrolling interests in consolidated entities	2,070	155			2,225		2,225
Shareholders Equity							
Total shareholders equity	14,218	15,838	(10,209)	I	19,847	7,700 J	27,547
Total liabilities, minority and noncontrolling interests, and shareholders equity	$ 145,610	$ 143,691	$ (10,117)		$ 279,184		$ 279,184

(a) Amounts derived from PNC s unaudited interim consolidated financial statements, as of, and for the nine months ended, September 30, 2008.

(b) Amounts derived from National City s unaudited interim consolidated financial statements, as of, and for the nine months ended, September 30, 2008.

See accompanying Notes To Consolidated Financial Statements.

Table of Contents

THE PNC FINANCIAL SERVICES GROUP, INC.

Pro Forma Condensed Combined Income Statement
Nine months ended September 30, 2008

In millions, except per share data Unaudited	PNC as Reported(a)	NCC as Reported(b)	Pro Forma Adjustments	Ref	Pro Forma Combined	TARP	Ref	Pro Forma with TARP
Interest Income								
Loans	$ 3,145	$ 5,235	$ 389	K	$ 8,769			$ 8,769
Securities available for sale(c)	1,270	363			1,633			1,633
Other(d)	355	247			602			602
Total interest income	4,770	5,845	389		11,004	0		11,004
Interest Expense								
Deposits	1,152	1,823	(123)	L	2,852			2,852
Borrowed funds	787	934	193	M	1,914	(124)	R	1,790
Total interest expense	1,939	2,757	70		4,766	(124)		4,642
Net interest income	2,831	3,088	319		6,238	124		6,362
Noninterest Income								
Fund servicing	695				695			695
Asset management(e)	589	232			821			821
Consumer services(f)	472	417			889			889
Corporate services(g)	547	(106)	(29)	N	412			412
Service charges on deposits	271	763			1,034			1,034
Net securities gains (losses)	(34)	427			393			393
Other(h)	143	222			365			365
Total noninterest income	2,683	1,955	(29)		4,609	0		4,609
Total revenue	5,514	5,043	290		10,847	124		10,971
Provision for credit losses	527	4,169			4.696			4,696
Noninterest Expense								
Personnel	1,660	1,841			3,501			3,501
Occupancy	274	255	(7)	O	522			522
Equipment(i)	267	306	(7)	O	566			566
Marketing	94	109			203			203
Other(j)	1,004	3,457	124	P	4,585			4,585
Total noninterest expense	3,299	5,968	110		9,377	0		9,377

Income (loss) before income taxes	1,688	(5,094)	180		(3,226)	124		(3,102)
Income tax expense (benefit)	558	(1,093)	67	Q	(468)	46	Q	(422)
Net income (loss)	$ 1,130	$ (4,001)	$ 113		$ (2,758)	$ 78		$ (2,680)
Earnings (Loss) Per Common Share								
Basic	$ 3.30	$ (11.32)			$ (6.33)			$ (6.99)
Diluted	$ 3.24	$ (11.32)			$ (6.35)			$ (7.00)
Average Common Shares Outstanding								
Basic	343	745	(652)		436			436
Diluted	346	745	(655)		436			436

(a) Amounts derived from PNC s unaudited interim consolidated financial statements as of, and for the nine months ended, September 30, 2008

(b) Amounts from National City s unaudited interim consolidated financial statements, as of, and for the nine months ended, September 30, 2008.

(c) Includes the following National City Interest Income from Securities line items: Taxable and Exempt from Federal income taxes.

(d) Includes National City s Interest Income from Trading assets and Other.

(e) Includes National City s Trust and Investment Management fees line item.

(f) Includes National City s Insurance revenue, Card-related fees, Brokerage revenue, and Other service fees line items.

(g) Includes National City s Loan servicing revenue line item.

(h) Includes National City s Leasing revenue, Loan sale revenue, and Other line items.

(i) Includes National City s Equipment line item and $70 million of leasing expense.

(j) Includes National City s Impairment fraud and other losses, Foreclosure costs, Third party services, Supplies and postage and Other line items, less $70 million of leasing expense.

See accompanying Notes to Pro Forma Condensed Financial Statements.

Table of Contents

THE PNC FINANCIAL SERVICES GROUP, INC.

Pro Forma Condensed Combined Income Statement
Year Ended December 31, 2007

In millions, except per share data Unaudited	PNC as Reported(a)	NCC as Reported(b)	Pro Forma Adjustments	Ref	Pro Forma Combined	TARP	Ref	Pro Forma with TARP
Interest Income								
Loans	$ 4,232	$ 8,570	$ 519	K	$ 13,321			$ 13,321
Securities available for sale(c)	1,429	419			1,848			1,848
Other(d)	505	196			701			701
Total interest income	6,166	9,185	519		15,870	0		15,870
Interest Expense								
Deposits	2,053	2,991	(181)	L	4,863			4,863
Borrowed funds	1,198	1,798	338	M	3,334	(366)	R	2,968
Total interest expense	3,251	4,789	157		8,197	(366)		7,831
Net interest income	2,915	4,396	362		7,673	366		8,039
Noninterest Income								
Fund servicing	835				835			835
Asset management(e)	784	318			1,102			1,102
Consumer services(f)	692	590			1,282			1,282
Corporate services(g)	713	402	(39)	N	1,076			1,076
Service charges on deposits	348	905			1,253			1,253
Net securities gains (losses)	(5)	22			17			17
Other(h)	423	369			792			792
Total noninterest income	3,790	2,606	(39)		6,357	0		6,357
Total revenue	6,705	7,002	323		14,030	366		14,396
Provision for credit losses	315	1,326			1,641			1,641
Noninterest Expense								
Personnel	2,140	2,580			4,720			4,720
Occupancy	350	315	(10)	O	655			655
Equipment(i)	311	455	(9)	O	757			757
Marketing	115	157			272			272
Other(j)	1,380	1,798	194	P	3,372			3,372
Total noninterest expense	4,296	5,305	175		9,776	0		9,776

Income before income taxes	2,094	371	148		2,613	366		2,979
Income tax expense	627	57	55	Q	739	136	Q	875
Net income	$ 1,467	$ 314	$ 93		$ 1,874	$ 230		$ 2,104
Earnings Per Common Share								
Basic	$ 4.43	$ .51			$ 4.42			$ 3.84
Diluted	$ 4.35	$ .51			$ 4.36			$ 3.77
Average Common Shares Outstanding								
Basic	331	606	(513)		424			424
Diluted	335	612	(519)		428	1		429

(a) Amounts derived from PNC s audited consolidated financial statements as of, and for the year ended, December 31, 2007.

(b) Amounts derived from National City s audited consolidated financial statements as of, and for the year ended, December 31, 2007.

(c) Includes National City s Interest Income from Securities line items: Taxable, Exempt from Federal income taxes, and Dividends.

(d) Includes National City s Interest Income from Federal funds sold and security resale agreements and Other investments.

(e) Includes National City s Trust and Investment Management fee line item.

(f) Includes National City s Insurance revenue, Card-related fees, Brokerage revenue, and Other service fees line items.

(g) Includes National City s Loan servicing revenue line item.

(h) Includes National City s Loan sale (loss) revenue, Leasing revenue, Gain on divestitures, and Other line items.

(i) Includes National City s Equipment and Leasing expense line items.

(j) Includes National City s Impairment fraud and other losses, Third party services and Other line items.

See accompanying Notes to Pro Forma Condensed Financial Statements.

Table of Contents

Note 1 Basis of Presentation:

The unaudited pro forma condensed combined financial information has been prepared using the purchase method of accounting, giving effect to the merger involving PNC and National City and the issuance of the preferred securities and warrants to purchase shares of PNC common stock to the Treasury Department as if the transactions had occurred as of the beginning of the earliest period presented. The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial position had the merger and the issuance of the preferred securities and warrants to purchase shares of PNC common stock to the Treasury Department been consummated at January 1, 2007, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined entities. Certain historical financial information has been reclassified to conform to the current presentation. The merger, which is currently expected to be completed on December 31, 2008, provides for the issuance of 0.0392 of a share of PNC common stock for each share of outstanding National City common stock, the issuance of an aggregate of approximately 328 million additional shares of National City common stock to certain investors immediately prior to the completion of the merger under the terms of their investment agreements (assuming the trading price per share of National City common stock on the trading day immediately prior to the completion of the merger is equal to or greater than $2.07, the closing price of National City common stock on October 24, 2008) and a payment of $384 million, payable in cash to certain National City warrant holders based on the terms, including the downside protection provisions, of the warrants (as described in more detail under The Merger Agreement Treatment of National City Preferred Stock and Warrants beginning on page 77), and is subject to shareholder approval. Each outstanding share of National City preferred stock will be converted into a share of a corresponding series of PNC preferred stock having terms substantially identical to that series of National City preferred stock. Each National City option will be converted into PNC options with the same terms and conditions, adjusted to reflect the exchange ratio.

The merger will be accounted for as an acquisition by PNC of National City using the purchase method of accounting. Accordingly, the assets and liabilities of National City will be recorded at their respective fair values on the date the merger is completed. The share value of PNC common stock issued to effect the merger has been estimated at $59.09 per share. This amount was determined by averaging the price of shares of PNC common stock for a period beginning two trading days before the announcement of the merger and ending two trading days after the merger agreement (which includes the day of announcement).

The pro forma financial information includes estimated adjustments to record assets and liabilities of National City at their respective fair values and represents management s estimates based on available information. The pro forma adjustments included herein are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair value of National City s tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the estimated fair values of the net assets, commitments, executory contracts and other items of National City as compared with the information shown in the unaudited pro forma condensed combined financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact the statement of income due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to National City s shareholders equity including results of operations from October 1, 2008 through the date the merger is completed will also change the purchase price allocation, which may include the recording of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

As described in Recent Developments, PNC has received approval from the Treasury Department to issue $7.7 billion of preferred securities and warrants to purchase 17.2 million shares of PNC common stock no later than the closing date, subject to standard closing requirements. The pro forma financial information gives effect to the planned

issuance of the preferred securities and warrants to the Treasury Department. The estimated proceeds from the Treasury Department are allocated based on the relative fair value of the warrants as compared to the fair value of the preferred securities. The fair value of the warrants is determined using a

Table of Contents

Black Scholes model. The model includes assumptions regarding PNC s common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. The lower the value of the warrants, the less negative impact on net income and earnings per share available to common shareholders. The fair value of the preferred securities is determined based on assumptions regarding the discount rate (market rate) on the preferred securities (currently estimated at 13%). The lower the discount rate, the less negative impact on net income and earnings per share available to common shareholders. If the merger with National City is not completed, PNC would issue $3.5 billion of preferred securities and warrants to purchase 7.8 million shares of PNC common stock assuming a purchase price of $67.33 per share (trailing 20-day PNC average closing stock price as of October 22, 2008).

The unaudited pro forma condensed combined financial statements assume that the merger will close in the fourth quarter of 2008. However, if the merger is consummated on or after January 1, 2009, the merger will be accounted for under Statement of Financial Accounting Standards (revised 2007), Business Combinations (SFAS 141R). SFAS 141R would require that the purchase price be determined based on PNC s closing stock price on the date the merger is consummated, that the loan portfolio consisting of both impaired loans, as defined, and nonimpaired loans, be recorded at fair value, with no carry-over of the allowance for credit losses, and that contingent assets and liabilities be recorded at fair value. Further SFAS 141R would require that merger related exit and termination charges be recorded to expense as incurred.

Note 2 Accounting Policies and Financial Statement Classifications:

The accounting policies of both PNC and National City are in the process of being reviewed in detail. Upon completion of such review, conforming adjustments or financial statement reclassifications may be determined.

Note 3 Merger and Integration Costs:

In connection with the merger, the plan to integrate PNC and National City s operations is still being developed. Over the next several months, the specific details of these plans will continue to be refined. PNC and National City are currently in the process of assessing the two companies personnel, benefit plans, premises, equipment, computer systems, supply chain methodologies and service contracts to determine where they may take advantage of redundancies or where it will be beneficial or necessary to convert to one system. Certain decisions arising from these assessments may involve involuntary termination of National City s employees, vacating National City s leased premises, changing information systems, canceling contracts between National City and certain service providers and selling or otherwise disposing of certain premises, furniture and equipment owned by National City. Additionally, as part of our formulation of the integration plan, certain actions regarding existing PNC information systems, premises, equipment, benefit plans, supply chain methodologies, supplier contracts and involuntary termination of personnel may be taken. PNC also expects to incur merger-related expenses including system conversion costs, employee retention agreements, communications to customers and others. To the extent there are costs associated with these actions, the costs will be recorded based on the nature and timing of these integration actions. We expect that such decisions will be completed after the merger.

The estimated pretax costs associated with employee displacement, lease terminations and disposal of premises, furniture and equipment has been estimated at $0.5 billion and will be recorded as purchase accounting adjustments, which have the effect of increasing the amount of the purchase price allocable to goodwill. The pro forma condensed combined balance sheet does not include the preliminary estimate of these costs since the costs are not indicative of what the historical results of PNC would have been had PNC and National City actually been combined during the periods presented. See Note 6 footnote H for additional purchase accounting adjustments included in the pro forma condensed combined balance sheet.

The estimated merger-related integration costs total $0.5 billion. These costs include an estimated $228 million for branch and operational conversions, $63 million for personnel changes, $48 million for technology and $44 million for facilities. We also expect to record a conforming credit allowance adjustment reflecting PNC s estimate, subject to the outcome of additional loan portfolio reviews and changes in

Table of Contents

economic conditions, of additional incurred loss reserves required at closing on the National City performing loan portfolio. This adjustment will take into account differences between PNC s and National City s reserve process and underlying model estimates and assumptions. These differences include (a) PNC s loss given default factors based on collateral types with defined recovery values compared with National City s based on borrower enterprise values, (b) PNC s lower (more adverse) risk ratings for National City borrowers in industries demonstrating more stress in the current economic environment, and (c) PNC s lower (more adverse) risk ratings for common credit exposures. The credit adjustment and certain integration costs will be provided for or expensed as incurred in PNC s fourth quarter 2008 results of operations. The remaining integration costs will be expensed in the combined company results of operations in 2009 and 2010. Accordingly, these charges are not included in the pro forma condensed combined income statement.

Note 4 Estimated Annual Cost Savings:

PNC expects to realize approximately $1.2 billion in pretax cost savings following the merger, which PNC expects to be phased in over a 26-month period. These cost savings are not reflected in the pro forma financial information. Although management anticipates such synergies and cost savings to occur, there can be no assurance these synergies and cost savings will be achieved.

Note 5 Capital Issuance:

PNC places great emphasis on maintaining a strong capital base and continues to exceed regulatory capital requirements for well capitalized financial institutions. Management is committed to maintaining a capital level sufficient to assure shareholders, customers and regulators that PNC is financially sound.

As described in Recent Developments, PNC has received approval from the Treasury Department to issue preferred securities and warrants to purchase PNC common stock no later than the closing date, subject to the signing of definitive documents and certain closing requirements, as part of the Treasury Department s TARP Capital Purchase Program. The securities issued to the Treasury Department consist of preferred securities and common stock warrants, all of which are classified as Tier 1 capital for regulatory purposes. The Treasury Department would receive warrants to purchase a number of shares of common stock having an aggregate market price equal to 15% of the proceeds on the date of issuance with a strike price equal to the trailing twenty day trading average leading up to the closing date.

The unaudited condensed combined balance sheet data and selected capital ratios are presented as of September 30, 2008 and the unaudited condensed combined income statements are presented for the year ended December 31, 2007 and the nine months ended September 30, 2008, reflecting the receipt of $7.7 billion from the planned sale of preferred securities and the issuance of warrants to purchase 17.2 million shares of PNC common stock assuming a purchase price of $67.33 per share (trailing 20-day PNC average closing stock price as of October 22, 2008). However, there is no guarantee that the estimated proceeds will ultimately be received. The pro forma financial data may change materially based on the actual proceeds received under the TARP Capital Purchase Program, the timing and utilization of the proceeds as well as certain other factors including the strike price of the warrants, any subsequent changes in PNC s common stock price and the discount rate used to determine the fair value of the preferred securities.

Following are the pro forma capital ratios based on the merger and the TARP issuance:

	September 30, 2008	
PNC	**Pro Forma Combined**	**Pro Forma**

	As Reported(a)		with TARP(b)
Pro Forma Combined Capital Ratios:			
Tier 1 risk based	8.2%	6.0%	9.2%
Total risk based	11.9%	10.0%	13.2%
Leverage	7.2%	5.3%	8.1%
Tangible common equity ratio	3.6%	3.5%	3.7%
Common shareholders equity to assets	9.4%	6.9%	7.1%

Table of Contents

(a) Amounts derived from PNC s unaudited interim consolidated financial statements as of, and for the nine months ended, September 30, 2008.

(b) Pro forma impact assuming proceeds from the planned issuance of preferred securities ($7.7 billion).

Note 6 Pro Forma Adjustments:

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined financial information. All adjustments are based on current assumptions and valuations, which are subject to change.

A Loans and loans held for sale were adjusted by $13.5 billion, to recognize (i) $10.3 billion of credit losses related to loans within the scope of AICPA Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3), based on managements current estimate of expected cash flows, (ii) to adjust all loans by $3.2 billion to reflect current fair value based on current market interest rates and spreads, and (iii) reverse $23 million of prior purchase accounting adjustments recorded by National City. The SOP 03-3 loans were determined by management with consideration given to the segregated liquidating loan portfolio identified by National City totaling $19.0 billion as well as the commercial residential construction portfolio totaling $3.5 billion. The total SOP 03-3 loan portfolio is estimated at $22.5 billion. The estimated amount of accretable yield for loans under SOP 03-3 is $1.1 billion. The difference between the SOP 03-3 adjustment and the National City allowance for loan losses subject to SOP 03-3 reflects management s assumption that the National City allowance for loan losses was calculated under the incurred loss to date methodology and not under an approach that estimates expected cash flows over the life of the loan portfolio, as well as, does not include interest rate market adjustments. The adjustment to reflect current interest rates and spreads gave consideration, by loan type, to the incremental required spread necessary in the current interest rate environment, the existing yield and duration/weighted average life of the loan portfolio. These adjustments result in the loans being recorded at fair value.

B Allowance for loan losses was adjusted by $2.2 billion, to reflect the reduction of National City s existing allowance for loan losses for loans subject to SOP 03-3. The adjustment was based on National City s allowance for loan losses allocation for each portfolio provided in its Credit Risk Reports. This adjustment has not been reflected in the pro forma income statement.

C Goodwill was adjusted by $3.0 billion to reflect the write-off of National City s historical goodwill. Note: National City has recorded $2.4 billion of goodwill impairment charges in 2008. These charges would not have been recorded had the companies combined at the earliest period presented.

D Other intangibles were adjusted by $1.5 billion to reflect the write-off of National City s historical other intangibles of $0.3 billion and establish identifiable intangibles (net of a pro rata reduction to eliminate excess net asset value over purchase price paid) of $1.4 billion for estimated core deposit and other relationship intangibles, including asset management, and to reflect fair market value adjustments on MSRs of $0.4 billion. Core deposits are defined as noninterest and interest bearing demand accounts, savings and money market accounts. The core deposit intangible (CDI) is amortized over 9 years using an accelerated method, other relationship intangibles are amortized over 10 years, and the fair market value adjustments on MSRs are amortized over 10 years.

E Other assets were adjusted to record deferred tax assets of $3.8 billion reflecting a 37% combined federal and state tax rate on balance sheet adjustments (See Note 7), including, but not limited to, identifiable intangibles recorded and loan, deposit and borrowing fair value adjustments and fair value adjustments to other assets

totaling $0.1 billion offset by a $0.2 billion pro rata reduction of PP&E to eliminate excess net asset value over purchase price paid and reclassification of $1.0 billion of PNC and existing National City net deferred tax liabilities.

F Interest bearing time deposits were adjusted by $0.5 billion to reflect current interest rates and spreads and to reverse $48 million of prior purchase accounting adjustments recorded by National City. The

Table of Contents

adjustment to reflect current interest rates and spreads on time deposits was based on discounted cash flows of contractual maturities assuming the forward LIBOR curve on the valuation date adjusted for a servicing spread. These adjustments result in the deposits being recorded at fair value.

G Borrowings were adjusted by $1.6 billion to reflect current interest rates and spreads and to reverse a $6 million prior purchase accounting adjustment recorded by National City. The adjustment to reflect the current interest rates and spreads on borrowings was based on secondary market prices for public debt based on PNC s credit rating and discounted cash flows of contractual maturities/rates paid for FHLB borrowings assuming the forward LIBOR curve on the valuation date adjusted to reflect current pricing on similar borrowings. These adjustments result in the borrowings being recorded at fair value. Borrowings also include the cash payment to certain warrant holders of $384 million (financing costs assumed at 4.0% pretax) based on the terms, including the downside protection provisions, of the warrants (as described in more detail under The Merger Agreement Treatment of National City Preferred Stock and Warrants beginning on page 77).

H Other liabilities were adjusted by $0.7 billion, to record reserves and employee benefit adjustments of $1.5 billion, change in control payouts of $0.2 billion, $55 million of transaction costs and for the reclassification of $1.0 billion of PNC and existing National City net deferred tax liabilities to other assets.

I (1) Historical shareholders equity of National City has been eliminated, (2) consolidated shareholders equity has been adjusted to reflect PNC s capitalization of National City reflecting total consideration (See note 7) and (3) issuance of preferred securities and related warrants to the Treasury Department (See Note 5 and J below).

In millions Unaudited	PNC As Reported	NCC As Reported	Pro Forma Adjustments	Ref	Pro Forma Combined	TARP	Ref	Pro Forma with TARP
Shareholders Equity								
Preferred stock						$ 7,175	(3)	$ 7,175
Common stock	$ 1,787	$ 8,144	$ (8,144)	(1)	$ 2,251			2,251
			$ 464	(2)				
Capital surplus	3,377	11,848	(11,848)	(1)	8,542	525	(3)	9,067
			5,013	(2)				
			2	(2)				
			150	(2)				
Retained earnings (deficit)	11,959	(4,170)	4,170	(1)	11,959			11,959
Accumulated other comprehensive (loss) income	(2,230)	16	(16)	(1)	(2,230)			(2,230)
Common stock held in treasury at cost	(675)				(675)			(675)
Total shareholders equity	$ 14,218	$ 15,838	$ (10,209)		$ 19,847	7,700		$ 27,547

J Reflects the estimated proceeds from Treasury Department are used to reduce short-term borrowings (federal funds and repurchase agreements). The estimated proceeds are allocated based on the relative fair value of the warrants as compared to the fair value of the preferred securities. The fair value of the warrants is determined using a Black Scholes model. The model includes assumptions regarding PNC s common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. The lower the value of the warrants, the less negative impact on net income and earnings per share available to common shareholders. The fair value of the preferred securities is determined based on assumptions regarding the discount rate (market rate) on the preferred securities (currently estimated at 13%). The lower the discount rate, the less negative impact on net income and earnings per share available to common shareholders.

K Interest income from loans has been adjusted to estimate the accretion of the purchase accounting adjustment related to current interest rates over the estimated remaining life of the loan portfolio of approximately 6 years.

Table of Contents

L Interest expense from deposits has been adjusted to estimate the amortization of the purchase accounting adjustment for time deposits related to current interest rates over the estimated life of the related time deposit liabilities of approximately 3 years.

M Interest expense from borrowings has been adjusted by $0.3 billion and $0.2 billion to estimate the accretion of the purchase accounting adjustment related to current interest rates over the estimated remaining term of the borrowings of approximately 4 years for the year ended December 31, 2007 and nine months ended September 30, 2008, respectively, and for the financing costs on the cash payment to National City warrant holders of $15 million and $12 million for the year ended December 31, 2007 and nine months ended September 30, 2008, respectively, assuming a rate of 4.0% pretax. The 4.0% reflects PNC s historical borrowing cost on subordinated debt.

N Other adjustments to amortize the MSR purchase accounting adjustments over the estimated remaining lives of 10 years.

O Reduce depreciation expense for pro rata reduction in PP&E to eliminate net asset value in excess of purchase price paid.

P Intangible amortization expense has been adjusted to estimate the amortization of incremental identifiable intangible assets recognized (CDI amortized over 9 years using an accelerated method and other intangibles amortized over 10 years on a straight-line basis) and eliminate the historical amortization of National City.

Q Income tax expense reflects the net tax on adjustments at a tax rate of 37% (35% federal statutory rate plus 2% state tax rate). The primary reasons for the difference between our consolidated effective tax rate and the statutory federal income tax rate are non-deductible goodwill charges, tax exempt interest, earnings on life insurance policies, and tax credits.

R Reflects the proceeds are used to reduce short-term borrowings (federal funds purchased and repurchase agreements). The reduction in interest expense is based on the average historical borrowing rates for federal funds purchased and repurchase agreements of 4.76% for the full year ended December 31, 2007, and 2.14% for the nine months ended September 30, 2008. The actual impact to net interest income may be different as management anticipates that the cash proceeds may be used to fund future loan growth. However, the net impact to fully diluted common shareholders will be dependent on the ultimate use of the proceeds, including the interest rate environment and timing of the use of the proceeds.

Note 7 Preliminary Purchase Accounting Allocation:

The pro forma financial information reflects the right of each National City stockholder to receive a number of shares of PNC common stock equal to the product of 0.0392 times the number of shares of National City stock held on the record date, and the right of certain warrant holders to receive an amount of cash equal to $384 million based on the terms, including the downside protection provisions, of the warrants (as described in more detail under The Merger Agreement Treatment of National City Preferred Stock and Warrants beginning on page 77). Each outstanding share of National City preferred stock will be converted into a share of a corresponding series of PNC preferred stock having terms substantially identical to that series of National City preferred stock. The preferred stock has a liquidation value of $150 million. Each option outstanding will be exchanged for PNC options. Because the exercise price of the converted options was higher than the market price, a value of $2 million was assigned to the options based on a Black Scholes Option Pricing Model. The merger will be accounted for using the purchase method of accounting; accordingly PNC s cost to acquire National City will be allocated to the assets (including identifiable

intangible assets) and liabilities of National City at their respective estimated fair values as of the merger date. Accordingly, the preliminary allocation of the purchase price to the net assets acquired at September 30, 2008,

Table of Contents

is summarized below and includes a pro rata reduction of PP&E and identifiable intangibles created to eliminate excess net asset value over purchase price paid:

	As of September 30, 2008 (In millions, except per share data)		
Pro Forma Purchase Price			
National City common shares outstanding	2,036		
Incremental shares to be issued	328		
Total common shares for conversion	2,364		
Exchange ratio	0.0392		
PNC common stock issued	92.69		
Average PNC share price over days surrounding announcement	$ 59.09		
Purchase price per National City common shares outstanding		$	5,477
National City preferred stock converted to PNC preferred stock			150
Value of National City options converted to PNC options			2
Cash payment to certain warrant holders			384
Total Pro Forma Purchase Price		$	6,013
Preliminary Allocation of the Pro Forma Purchase Price			
National City stockholders equity	$ 15,838		
National City goodwill and other intangibles	3,297		12,541
Estimated Adjustments to Reflect Fair Value of Net Assets Acquired			
Loans	(11,360)		
Other assets	(136)		
Other intangibles	1,834		
Deposits	(543)		
Debt	1,581		
Accrued expenses and other	(1,738)		
Subtotal	(10,362)		
Tax Rate	37%		
Deferred taxes	3,834		(6,528)
Fair value of net assets acquired		$	6,013
Preliminary Pro Forma Goodwill Resulting From the Merger		$	

Table of Contents

Note 8 Pro Forma Earnings Per Share:

The pro forma combined earnings and diluted earnings per share for the respective periods presented are based on the combined weighted average number of shares of common and diluted potential common shares of PNC and National City. The number of weighted average common shares, including all diluted potential common shares, reflects the exchange of 0.0392 of a share of PNC common stock for each share of National City common stock. Amounts used in the determination of the pro forma basic and diluted earnings per share are as follows:

(In millions, except per share amounts)		**Nine Months Ended 09/30/08**	**Year Ended 12/31/07**
Calculation of Basic Earnings (Loss) per Common Share			
Pro forma net income (loss)		$ (2,758)	$ 1,874
Less: Preferred stock dividends(a)		1	2
Net income (loss) applicable to basic earnings per common share		$ (2,759)	$ 1,872
Plus: After tax earnings on TARP proceeds		78	230
Less: Preferred stock dividends on TARP(b)		$ 362	$ 477
Net income (loss) applicable to basic earnings per common share	with TARP	$ (3,043)	$ 1,625
Basic weighted average common shares outstanding (000s)		436	424
Basic earnings (loss) per common share		**$ (6.33)**	**$ 4.42**
Basic earnings (loss) per common share	**with TARP**	**$ (6.99)**	**$ 3.84**
Calculation of Diluted Earnings (Loss) per Common Share			
Pro forma net income (loss)		$ (2,758)	$ 1,874
Less: Preferred stock dividends(a)		1	2
Less: BlackRock adjustment for common stock equivalents		8	8
Net income (loss) applicable to basic earnings per common share		$ (2,767)	$ 1,864
Plus: After tax earnings on TARP proceeds		78	230
Less: Preferred stock dividends on TARP(b)		$ 362	$ 477
Net income (loss) applicable to basic earnings per common share	with TARP	$ (3,051)	$ 1,617
Basic weighted average common shares outstanding		436	424
Conversion shares		(d)	4
Diluted weighted average common shares outstanding		436	428
Diluted shares from warrants(c)			1
Diluted weighted average common shares outstanding	with TARP	436	429
Diluted earnings (loss) per common share		**$ (6.35)**	**$ 4.36**
Diluted earnings (loss) per common share	**with TARP**	**$ (7.00)**	**$ 3.77**

Note: National City options converted to PNC options were not included in the calculation of diluted earnings per common share because the exercise price was higher than the market price (antidilutive).

(a) 2008 preferred dividends on National City Preferred Stock Series G, which was converted to common shares in September 2008, were excluded from this calculation as it has been assumed that the conversion to common shares was completed at the beginning of the period presented.

Table of Contents

(b) Consists of dividends on preferred securities at a 5% annual rate as well as accretion of discount on preferred securities upon issuance. The discount is determined based on the value that is allocated to the warrants upon issuance. The discount is accreted back to par value on a constant effective yield method (approximately 7%) over a five-year term, which is the expected life of the preferred securities upon issuance. The estimated accretion is based on a number of assumptions, which are subject to change. These assumptions include the discount (market rate at issuance) rate on the preferred securities, and assumptions underlying the value of the warrants. The estimated proceeds are allocated based on the relative fair value of the warrants as compared to the fair value of the preferred securities. The fair value of the warrants is determined using a Black Scholes model. The model includes assumptions regarding PNC s common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. The lower the value of the warrants, the less negative impact on net income and earnings per share available to common shareholders. The fair value of the preferred securities is determined based on assumptions regarding the discount rate (market rate) on the preferred securities (currently estimated at 13%). The lower the discount rate, the less negative impact on net income and earnings per share available to common shareholders.

(c) The pro forma adjustment shows the increase in diluted shares outstanding assuming that the warrants had been issued on January 1, 2007 at a strike price of $67.33 per share (based on the trailing 20-day PNC average closing stock price as of October 22, 2008) and remained outstanding for the entire period presented. The treasury stock method was utilized to determine the dilution of warrants for the periods presented. The strike price was compared to PNC s average stock price. The warrants issued to the Treasury Department were not included in the calculation of diluted earnings per common share in 2008 because the warrants are antidilutive due to the net loss in the period.

(d) PNC historical diluted earnings per share calculation included 3 million common stock equivalents which were dilutive in the historical results. However, as a result of the combined net loss for purposes of this pro forma, these same common stock equivalents would be antidilutive and have been excluded for purposes of calculating the pro forma loss per share.

Table of Contents

THE MERGER

Background of the Merger

Beginning in 2007 and continuing into 2008, the markets for home equity loans and other residential real estate related loans experienced severe disruption, resulting in National City being forced to retain billions of dollars of such loans that it had originated with intent to sell. At the same time, housing prices began to deteriorate rapidly, and National City s non-performing loans and credit losses relating to residential real estate increased sharply. For the fourth quarter of 2007, National City reported a net loss of $333 million, compared to net income of $842 million for the fourth quarter of 2006. In January 2008, in order to address the disruption in the housing and credit markets, National City announced the following actions, which were intended to bolster its capital and liquidity: a 49% cut in its quarterly dividend, a $650 million raise of capital and a $1.4 billion sale of convertible notes. In February 2008, the National City board of directors and management began to consider additional alternative strategies designed to enable National City to address its asset quality issues and liquidity challenges posed by these conditions. In mid-March, coincident with the failure of Bear Stearns, a review for a ratings downgrade by Moody s, significant declines in the market price of National City stock, and associated media stories, National City experienced meaningful, albeit short-lived, deposit outflows and reductions of trading lines extended by financial counterparties.

Accordingly, National City and its financial advisor began exploring both possible strategic and capital raise transaction options, including by contacting a number of parties (both other financial institutions and private equity firms) to assess their interest in a potential strategic transaction with National City. Following these initial contacts, several interested parties, including PNC, commenced preliminary discussions with National City. PNC and other potential parties conducted extensive due diligence investigations of, and engaged in discussions with, National City. Ultimately, no viable strategic transaction options emerged with PNC or any other potential merger partner, and National City s board of directors and management determined to proceed with a $7 billion capital infusion led by Corsair.

In late April and early May 2008, National City completed the Corsair-led capital infusion through the issuance of a combination of common stock, convertible preferred stock and warrants. As a condition to entering into the capital infusion transactions, Corsair and two other investors negotiated downside protection, similar to that present in then-recent transactions, whereby Corsair and the other two investors would be compensated in the event that National City issued common stock or consummated a merger transaction in which the price paid for shares in the issuance, or the implied price in the merger, was less than $5.00 per share the per share price paid by such investors in the capital infusion subject to certain exceptions and limitations. Other investors participating in the capital infusion transactions declined the downside protection and associated warrants in order to be free from, among other things, associated transfer restrictions on their shares of National City stock. On September 15, National City s stockholders approved, among other things, the authorization of the shares necessary to enable the conversion of the preferred stock issued in the capital raise transactions into common stock. Upon the issuance of the common stock and preferred stock in the capital raise transactions, National City s regulatory capital ratios were among the highest of large U.S. banks and its liquidity issues stabilized.

Throughout the second and third quarters of 2008, economic conditions in general, and the housing market in particular, continued to deteriorate. As a consequence of this deterioration on the performance of National City s liquidating portfolio of home equity, nonprime mortgage, and construction loans, which drove a significant increase in the provision for loan losses, as well as goodwill impairments and other charges, National City reported a net loss in the second quarter of 2008 of approximately $1.8 billion, compared with net income of approximately $347 million in the second quarter of 2007, and reported a net loss in the third quarter of 2008 of approximately $729 million, revised

to $2.1 billion subsequent to and due to the announcement of the merger, compared with a net loss of approximately $19 million in the third quarter of 2007.

During the second and third quarters of 2008, National City s management conducted a review of its operations and determined to take steps to reduce its expense base, sell certain non-core assets and reduce its

Table of Contents

liquidating asset portfolios. National City engaged the services of several consultants, including Morgan Stanley, to assist it with asset dispositions. In addition, National City reduced its quarterly dividend to one cent per share starting in April. From time to time during this period, despite its high regulatory capital ratios, National City continued to face periodic liquidity challenges, generally associated with adverse industry developments such as the failure of IndyMac Bank, as well as negative publicity about National City. Throughout this period, National City s management was in regular communication with National City s regulators. In June, in response to a publicized information leak, National City confirmed publicly that it had previously entered into Memoranda of Understanding with each of the Office of the Comptroller of the Currency, or OCC, and the Federal Reserve Bank of Cleveland, or Federal Reserve, that addressed issues of capital management, risk management, asset quality and liquidity management.

In September 2008, the occurrence in rapid succession of a series of unprecedented events in the financial services industry increased the uncertainty and stress in the financial markets in general and liquidity pressures on National City in particular. These events included the conservatorships of Fannie Mae and Freddie Mac announced on September 7, 2008, the bankruptcy of Lehman Brothers Holdings and the pending acquisition of Merrill Lynch & Co. by Bank of America announced on September 15, 2008, along with growing concern about the viability of American International Group, which culminated in a transaction in which the Federal government acquired most of American International Group s equity. On the evening of September 21, Morgan Stanley and Goldman Sachs announced that they had been approved to convert from independent investment banks to bank holding companies subject to regulation by the Federal Reserve. On September 25, 2008, Washington Mutual Bank the principal subsidiary of Washington Mutual, Inc. and the country s largest thrift institution and sixth largest depository institution at the time was seized by the Office of Thrift Supervision, placed into receivership by the FDIC and sold to JPMorgan Chase in a transaction in which JPMorgan Chase did not assume any of the holding company s liabilities or the subordinated or senior debt of Washington Mutual Bank. Washington Mutual filed for bankruptcy the next day, and it was reported that its shareholders and debtholders were unlikely to receive any payments or distributions in respect of their securities. In connection with these events, there was market speculation about the viability of Wachovia Corporation the country s fourth largest banking organization and National City, followed by a series of events, temporarily involving a proposal for parts of Wachovia to be acquired in an FDIC-assisted transaction, that ultimately led to Wachovia agreeing to be acquired by Wells Fargo & Company on October 3. These developments and the circumstances surrounding them exacerbated the already significant pressures on National City and other United States banking institutions.

On September 19, the Treasury Department announced the Troubled Asset Relief Program, or TARP, a $700 billion plan by which the Federal government would purchase certain assets and securities directly from financial institutions, and legislation was introduced in Congress to implement the TARP. National City s management began analyzing National City s potential participation in the TARP with Morgan Stanley. On September 29, the House of Representatives voted on but did not approve the Emergency Economic Stabilization Act of 2008, or EESA, and its provision for the TARP. The financial markets subsequently dropped precipitously and credit markets tightened even further.

These events created significant turmoil in the markets and for market participants, including National City. The losses suffered by securityholders and, in the case of Lehman, counterparties at other institutions, the degradation of the credit markets and increase in the costs of borrowing, the deteriorating condition of the United States economy and housing market, market perceptions and rating agency outlooks, together with the uncertainty and timing of the TARP, all led to further pressure on National City s stock price, liquidity and relationships with counterparties. On September 29, National City s common stock price closed at an all-time low of $1.36 per share, and closed at $1.75 per share on September 30. Counterparties began to demand that National City post collateral for or prepay ordinary course transactions, and in some cases refused to conduct business with National City. Deposit levels, particularly in business transaction accounts and other accounts in excess of the FDIC insurance limit, declined. In addition, on September 3, Standard & Poor s had downgraded National City s credit ratings and placed it on negative outlook. On

September 30, National City was placed on review for downgrade by Moody s, and on October 3 it was downgraded by Fitch. These factors led National City s management, with the assistance of Goldman Sachs, to commence an analysis of potential

Table of Contents

strategic alternatives. Through much of this period, National City s management had almost daily (and sometimes multiple times per day) conversations with senior officials from the OCC and Federal Reserve about National City s financial condition and regulatory status. In addition, the FDIC began to gather information about National City Bank s loan and deposit base.

At an October 2 meeting of the National City board of directors, there was extensive discussion of management s review of strategic alternatives in light of risks facing National City. Management indicated that one of the alternatives was participation in the TARP, but that there was no assurance that the legislation would be enacted or implemented on a timely basis, that National City would be eligible or that the terms of participation would be consistent with National City s objectives. Management also indicated that it had reviewed alternatives for a strategic transaction, and described its review and the potential strategic partners that had been identified by management and Goldman Sachs. The board of directors determined that management should pursue both the TARP alternative and, in light of the uncertainty of the TARP, strategic alternatives. The board also determined to engage formally Goldman Sachs for financial and strategic advice on National City s alternatives.

On October 3, the Congress passed EESA and the President signed the legislation into law. On October 4, management, with the assistance of Morgan Stanley, submitted information to the Treasury Department concerning National City s potential participation in the TARP. The information, among other things, contemplated the direct purchase by the Federal government of National City s liquidating loan portfolio at a significant loss.

During the week of October 6, National City s management continued to keep in close communication with the Federal Reserve and OCC, and had several conversations with the OCC about the potential for National City to participate in the TARP. Management also reached out to several financial institutions, including PNC, to gauge interest in a potential transaction with National City. PNC retained Wachtell, Lipton, Rosen & Katz to provide legal advice and sought financial advice from Citigroup Global Markets, JPMorgan and Sandler O Neill & Partners, L.P. in connection with a possible transaction involving National City.

Some of the potential transaction partners contacted by National City, including PNC, had expressed a preliminary interest in engaging in a combination transaction with National City in March and April of 2008 and in most cases had conducted due diligence at that time. Each institution proceeded to update its due diligence throughout the week. Sullivan & Cromwell LLP and Jones Day, counsel to National City, prepared transaction documentation for delivery to certain of the interested parties. The board of directors began having update calls with management each weekday, which covered, among other things, National City s liquidity position, discussions with regulators and potential strategic partners.

Beginning Sunday, October 5, and continuing over the next several days, PNC again commenced preliminary discussions with National City regarding a potential transaction. PNC and its advisors also conducted a due diligence investigation of National City, including by updating PNC s findings from several months earlier. In light of general market conditions and the evolving regulatory situation in the financial services industry, and following discussion with its board of directors, PNC determined that it was not then prepared to pursue a strategic transaction with National City. By Sunday, October 12, one of the other potential transaction partners also terminated discussions. Although the remaining potential transaction partner had not formally terminated discussions, management believed that there was not a realistic prospect that it would proceed at that time.

At a Sunday, October 12, meeting of the National City board of directors, management reviewed the current situation, including the fact that none of the potential transaction partners appeared to remain interested in pursuing a strategic transaction with National City at that time. The board of directors discussed the continuing uncertainty of National City s participation in the TARP and the terms and timing of the TARP generally, as well as the possibility and timing of private sales of high-risk real estate assets coupled with raising new capital and other deleveraging transactions,

which we refer to as the stand-alone proposals. The board of directors instructed management to continue to pursue discussions with the Federal government about National City s potential participation in the TARP and to explore the possibility of private asset sales. The

Table of Contents

board of directors also determined to engage the services of Cravath, Swaine & Moore LLP to act as counsel to the board of directors in evaluating National City s strategic alternatives.

On Tuesday, October 14, the Treasury Department announced the Capital Purchase Program, or CPP, under the TARP. Under this program, the Treasury Department would, subject to certain terms and limits, make direct capital investments in selected financial institutions in the form of the issuance of Tier 1 nonvoting preferred stock and warrants exercisable for common stock. In addition, the FDIC announced two new programs, the first to insure, without limit, certain non-interest-bearing transaction accounts and the second to guarantee certain debt issuances by banking institutions. National City management promptly contacted Federal regulators to express interest in participating in the CPP and the liability guarantee program, and was advised by the regulators that National City s access to the CPP and the FDIC liability guarantee with respect to senior holding company and bank debt was uncertain. Moreover, based on government focus on the CPP and taking into account discussions with the OCC, management believed that the period of time required to implement the TARP s asset purchase program could be lengthy and that as a result National City was unlikely to be able to avail itself of that program, if at all, on a timely basis.

Following the discussions with the regulators, management contacted three of the potential partners it had contacted previously, including PNC, to reassess the possibility of a transaction in light of the CPP and also contacted a fourth institution to gauge initial interest in a transaction. PNC did not make a proposal at that time. Another financial institution submitted an offer, which was delivered on Thursday, October 16, and involved the acquisition of National City at a price below the price offered by PNC the following week. Over the subsequent two days representatives of National City, including both management and outside advisors, engaged in extensive diligence and discussion sessions with this potential acquiror. In addition, during that weekend management held discussions with another financial institution, which proposed a complex combination transaction that involved a spinoff of National City s liquidating portfolio and other assets and required a significant amount of capital from the TARP. During this period, National City s management had numerous discussions with the OCC and the Federal Reserve regarding National City s possible participation in the CPP and FDIC liability guarantee program. The board of directors also continued its update calls with management each weekday.

On Sunday, October 19, management concluded that, taking into account the views of the Federal Reserve and OCC on National City s financial condition and other factors, it was likely that National City would not be permitted to participate in the CPP, that full access to the liability guarantee program with respect to National City s senior holding company and bank debt was uncertain, and that it must find a merger partner quickly in order to avoid further regulatory action against National City Bank. This conclusion was reviewed and discussed at length with the National City board of directors at a scheduled meeting in Cleveland the same day. Management reviewed the two strategic transaction options (the acquisition proposal and the combination proposal) and a standalone option with the board of directors. Goldman Sachs advised the board that it concurred with management s view that management had contacted all reasonably practicable candidates for a potential strategic transaction. The board engaged in extensive discussion of the various alternatives and the consequences of regulatory action for National City s stockholders. The board expressed serious concerns about not only the proposed pricing of the then current acquisition proposal, but also the execution and regulatory risks, capital requirements and potential timetable of the combination and stand-alone proposals. Taking into account advice from management, Goldman Sachs and legal counsel, the National City board of directors concluded that the acquisition proposal likely presented the least execution risk and highest probability of regulatory acceptance, and directed that management pursue a transaction with the potential acquiror subject to a meaningful improvement in price. The board also directed that management continue to explore with the potential combination partner whether the combination transaction could be accomplished on a timely basis with reasonable execution risk and whether such a transaction would satisfy the regulators.

On Monday, October 20, the potential acquiror revised its acquisition proposal and discussions continued, particularly about pricing and the form of consideration to be received by National City s stockholders. Discussions with the potential combination partner were terminated because management determined that the combination proposal would require significant time and presented significant execution risks, including the concurrence and forbearance of banking regulators. National City management was in continuous

communication with the OCC regarding the status of negotiations. The board of directors reconvened that evening and was updated on the status of each potential transaction and National City s liquidity position as well as management s discussions with the Federal regulators.

On Tuesday, October 21, discussions with the potential acquiror continued throughout the day, including with respect to price and structure. That evening, the board of directors reconvened and management reported on the status of negotiations. The board of directors and management also discussed the downside protection terms of the investment agreements and warrants that had been entered into by National City with Corsair Capital, National City s largest stockholder, and two other investors in the capital infusion transactions in April and May, and the impact on National City stockholders (both those entitled to the downside protection and all other stockholders) of these agreements and warrants in the context of a merger transaction in which National City s common stock would be priced below $5.00 per share. Following this discussion, Richard Thornburgh a Corsair-nominated director recused himself from the meeting, and the board of directors, management and its legal counsel discussed the investment agreements and warrants and possible alternative interpretations of some of the downside protection provisions in the warrants.

On Wednesday, October 22, counsel for the potential acquiror delivered a draft of the proposed transaction documentation to Sullivan & Cromwell. That evening, the board of directors reconvened and management reported on the status of negotiations and that the draft transaction documentation differed in a number of significant respects, particularly relating to greater conditionality, from certain other recent transactions. Management informed the board of directors that the potential acquiror had strongly urged that a transaction be announced prior to market-open on October 24, and that, in light of discussions with the OCC, management had concluded that meeting this schedule for announcement was critical. In particular, management understood from discussions with the OCC that the Treasury Department could be announcing new banks receiving capital in the very near future under the CPP, and management and the board were concerned about the market s interpretation of the absence of National City from that announcement. After extensive discussion of the proposed transaction and schedule, including the possible consequences of failing to meet the proposed schedule, the board of directors agreed that management should proceed to attempt to negotiate definitive documentation on the proposed schedule. The parties began negotiating the documentation in earnest, which continued throughout the night and into the evening of the next day.

Despite having concluded that circumstances had not been right for it to submit an acquisition proposal earlier in the month, PNC had continued to consider the possibility of a transaction and continued to refine and evaluate its due diligence findings with respect to National City and consider the potential opportunities presented by a combination. In light of this and of ongoing legal and regulatory developments and market conditions in the financial services industry, on Thursday, October 23, PNC determined it should renew discussions with National City regarding a potential acquisition.

That afternoon, the PNC board of directors met with members of PNC s senior management and its outside advisors to discuss a potential transaction with National City. PNC senior management reviewed with the PNC board of directors information regarding PNC, National City and the terms of the proposed transaction. PNC senior management presented the PNC board of directors with the findings of their due diligence investigations of National City and additional information, including financial information regarding the two companies and the proposed transaction. Citigroup Global Markets and JPMorgan discussed the potential combination with the PNC board of directors, including their respective views regarding the business and economic environment, potential opportunities and challenges presented by a combination with National City and other matters. Wachtell, Lipton discussed with the PNC board of directors the legal standards applicable to its decisions and actions with respect to the proposed transaction and reviewed the legal terms of the proposed merger. Following review and discussion among the members of the PNC board of directors, including consideration of the factors described under PNC s Reasons for the Merger; Recommendation of the PNC Board of Directors, the PNC board of directors determined that the transaction was in the best interests of PNC and its shareholders and authorized PNC management and PNC s outside advisors to pursue a

transaction with National City. Subsequent to the board meeting, Citigroup Global Markets and JPMorgan each delivered to the PNC board of directors its written opinion, dated October 31, that, as of October 24, 2008, and based upon and subject to the considerations and limitations set forth in their respective opinions

and other matters as each of them considered relevant, the aggregate consideration to be paid by PNC in connection with the merger was fair, from a financial point of view, to PNC.

Also during the day on Thursday, October 23, PNC worked with Wachtell, Lipton and with its financial advisors at Citigroup Global Markets, JPMorgan and Sandler O Neill to complete a combination proposal that it could deliver to National City. During the day PNC also engaged in discussions with its federal regulators regarding PNC s view that if it undertook a merger with National City its potential CPP investment should be based on the risk-weighted assets of the combined company. During the course of those discussions PNC was advised that the federal regulators were inclined towards approving a CPP application on that basis, and late that night, PNC was informed that it was approved for a CPP investment based on the combined risk-weighted assets of PNC and National City conditioned upon completing the National City merger.

At approximately 6:00 p.m. on October 23, PNC contacted National City regarding its interest in a potential transaction at a price that was significantly higher than that offered by the other potential acquiror. Management informed PNC that active discussions with another party were underway, that a National City board meeting had been scheduled for later that evening and that if PNC wanted to pursue a transaction it would have to quickly present a proposal with satisfactory transaction documentation so that the board of directors could properly evaluate the proposal. Sullivan & Cromwell then contacted Wachtell, Lipton to discuss the form of transaction documentation and transaction protection and to discuss whether there were any significant legal impediments to the proposed transaction. Based on its understanding of PNC s proposal, including the proposed terms of the proposed PNC merger agreement and transaction protection (in the form of a stock option agreement), management concluded that the PNC proposal was a bona fide proposal that presented better value, and terms that presented less closing risk, than the proposal from the other potential acquiror. Management then contacted the OCC to inform it of this development and then contacted the chief executive officer of the other potential acquiror to apprise him of the PNC proposal and provide an opportunity to improve its offer. The other potential acquiror immediately terminated negotiations and withdrew its pending offer.

Thereafter, Wachtell, Lipton, Sullivan & Cromwell and Cravath, Swaine & Moore began negotiating the terms of a merger agreement and stock option agreement. National City management had further discussions with PNC s management about the price, terms and structure of the PNC proposal.

At approximately 9:30 p.m., the National City board of directors reconvened and was advised of the PNC proposal and the termination of discussions with the other potential acquiror. Management advised the board that the price being offered by PNC to National City stockholders was substantially higher than that proposed by the other potential acquiror. Cravath, Swaine & Moore reviewed the legal duties of the directors with respect to the PNC proposal, as well as other relevant considerations. Sullivan & Cromwell described the proposed transaction documentation, and advised that it was more favorable to National City in a number of respects, in particular, certainty of closing, than that proposed by the other potential acquiror, and that the transaction protection provisions were less onerous to National City than those proposed by the other potential acquiror. Goldman Sachs reviewed and discussed the financial terms of the proposed merger with PNC, discussed financial information concerning PNC, compared the PNC proposal to other recent transactions and discussed its analysis as to the fairness, from a financial point of view to the holders of National City common stock (other than PNC and its affiliates), of the exchange ratio pursuant to the proposed merger agreement. Goldman Sachs indicated that, based on the circumstances and subject to completion of due diligence, final financial analysis and review of definitive documentation, it expected that it would be able to render an opinion that the exchange ratio pursuant to the PNC proposal was fair, from a financial point of view, to the holders of National City common stock (other than PNC and its affiliates). Management reported to the board of directors its understanding that the Federal Reserve and the OCC had informed PNC that they did not object to PNC making its proposal and that PNC expected to raise Tier 1 capital under the CPP based on both its risk-weighted assets as well as National City s risk-weighted assets. The board of directors also discussed the impact that the payments

required to be made under the terms of the downside protection agreements with Corsair and certain other investors would have on the amounts to be received by National City stockholders (both those entitled to downside protection and all other stockholders). Following this discussion, Richard Thornburgh a Corsair nominated director recused himself from the meeting, and the board

Table of Contents

discussed further with management and its legal advisors the downside protection provisions of the investment agreements and warrants. The board and its advisors discussed the application of those provisions under the terms of the PNC proposal, including possible alternative interpretations of some of those provisions in the warrants and the impact of those interpretations on the downside protection payments to the investors entitled to such payments and to the common stockholders. In view of management s understanding that PNC would require certainty regarding the appropriate calculation methodology under the downside protection provisions prior to signing the merger agreement, and in view of the possible alternative interpretations, including the interpretation advanced by Corsair (and likely to be advanced by the other investors), and the related uncertainties regarding those interpretations, the board determined to proceed in accordance with the interpretation advanced by Corsair (and likely to be advanced by the other investors). Following this discussion, Mr. Thornburgh rejoined the meeting, and the board of directors determined that management should seek to negotiate to improve the exchange ratio in the merger.

As a result of further discussions between National City management and PNC and consideration by PNC of National City s request, PNC increased the value to be received by National City stockholders. The board meeting reconvened following those discussions, at which time the board of directors discussed the revised PNC proposal and determined that National City should attempt to negotiate definitive transaction documentation with PNC in time for announcement of a merger by early morning.

Management, Sullivan & Cromwell and Cravath, Swaine & Moore negotiated with PNC and Wachtell, Lipton through the night. In addition, National City management and Goldman Sachs conducted due diligence on PNC. Representatives of PNC also negotiated a support agreement with Corsair pursuant to which Corsair would agree to support and vote for the merger.

At approximately 6:00 a.m. on October 24, the National City board reconvened. At the meeting, National City s management and counsel updated the board of directors on the status of the negotiations. Goldman Sachs further reviewed its due diligence findings with respect to PNC, and the expectations regarding the financial condition of PNC following completion of the merger. Sullivan & Cromwell described the terms of the PNC merger agreement, including the conditions to closing, and the stock option agreement and the support agreement to be entered into between PNC and Corsair. Goldman Sachs orally delivered its opinion that, as of that date, and based upon and subject to specified factors, limitations and assumptions described to the board, as well as the extraordinary circumstances facing National City, the exchange ratio pursuant to the PNC merger agreement was fair, from a financial point of view, to the holders of National City common stock (other than PNC and its affiliates), and discussed the financial analysis underlying its opinion. The board of directors engaged in extensive discussion with management and its advisors, focusing on the respective financial conditions of National City and PNC, the condition of the financial markets in general, the exhaustive search for other alternatives, management s view that it was highly doubtful that National City would be permitted to participate in the CPP, management s view that the TARP would not be implemented within a timeframe useful to National City, the substantial uncertainty of full access to the liability guarantee program with respect to National City s senior holding company and bank debt, the communications from the Federal regulators with respect to the merger, National City s prospects in the absence of announcing a transaction (including the potential for further regulatory action), and the fairness opinion rendered by Goldman Sachs. After consideration by the board of directors, on motion duly made and seconded, and with Richard Thornburgh a director appointed by Corsair indicating his full support for the merger but abstaining from the vote, the board resolved that the merger agreement is advisable, fair to and in the best interest of National City stockholders and voted to approve and adopt the merger agreement and the merger and recommend that National City stockholders adopt the merger agreement.

At approximately 8:45 a.m. on October 24, PNC and National City executed the merger agreement and stock option agreement, PNC and Corsair executed the support agreement, and the merger was announced.

National City s Reasons for the Merger; Recommendation of the National City Board of Directors

After careful consideration, the National City board of directors determined that the merger agreement and the transactions contemplated by the merger agreement were advisable and in the best

Table of Contents

interests of National City and its stockholders and approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. Accordingly, National City s board recommends that National City stockholders vote FOR adoption of the merger agreement at the National City special meeting.

In reaching its decision, the board of directors, with advice from its financial and legal advisors, considered a number of factors, including the following:

The limited strategic alternatives available to National City, notwithstanding the exhaustive search and evaluation of alternatives conducted by National City management with the assistance of its legal and financial advisors.

The likely unavailability to National City of the CPP, the uncertain timeframe for implementation of the TARP and the substantial uncertainty of full access to the liability guarantee program with respect to National City s senior holding company and bank debt, which could jeopardize National City s viability as an independent institution going forward.

The likelihood of regulatory action in the absence of a transaction and the consequences of such action to National City s stockholders.

National City s and PNC s respective businesses, operations, financial conditions, asset quality, earnings and prospects. In reviewing these factors, National City s board concluded that PNC s financial condition and asset quality appeared to be relatively sound, and that PNC s earnings and prospects should result in the combined company having superior future earnings and prospects compared to National City s earnings and prospects on a stand-alone basis.

The current and prospective environment in which National City operates, which reflects challenging and uncertain banking industry conditions and risks that are likely to persist, including the volatile valuations and illiquidity of certain financial assets and exposures and generally uncertain economic conditions. The board also considered the effect these factors could have on National City s liquidity position and funding capabilities.

The likelihood that National City s non-performing, classified and criticized loans would increase and the resulting impact of such increases on the views and actions of the regulators, rating agencies, liquidity sources and counterparties.

The inability of major financial institutions such as National City to withstand a loss of confidence of their liquidity sources and the speed with which such a loss can cause regulators to declare a financial institution insolvent.

The impact on stockholders, depositors, debtholders, employees and other constituencies if a depository institution experiences a loss of liquidity that leads to an FDIC receivership.

The prior recent occasions on which National City had experienced significant deposit outflows (and the risk that National City could experience, and the potential impact on National City of, additional significant deposit outflows).

The reputation and business practices and experience of PNC and its management as they might affect the business of National City and its subsidiaries.

The all stock and fixed exchange ratio aspects of the merger consideration, which would allow National City stockholders to participate in a portion of the future performance of the combined National City and PNC businesses and synergies resulting from the merger, and the value to National City stockholders represented by that consideration. The board of directors also considered the adequacy of the merger consideration, not only in relation to the current market price of National City s common stock, but also in relation to the historical, present and anticipated future operating results and financial position of National City and the value of National City in a liquidation scenario. The board of directors considered that PNC s proposal was substantially more valuable to National City stockholders than the proposal from the other potential acquiror, that the other potential acquiror had

Table of Contents

withdrawn its offer and terminated discussions, that no other potential transaction partners had emerged with a viable proposal, despite extensive efforts of management and National City s financial advisor, and that other factors were consistent with approval of PNC s proposal in relation to the other potential acquiror.

Closing certainty, price certainty, and time to closing, along with management s belief that National City s regulators would view the transaction favorably.

The terms of the merger agreement and stock option agreement, which were more favorable than those presented by the other potential acquiror.

The opinion, analyses and presentations of Goldman Sachs, including the oral opinion of Goldman Sachs (which subsequently was confirmed in writing), as described above. For more information, see Opinion of National City s Financial Advisor beginning on page 50.

In addition, National City s board of directors considered the following in connection with its decision to adopt the merger agreement:

the fact that PNC s shareholders would be required to vote on the issuance of shares in the merger;

the requirement that National City enter into the stock option agreement granting PNC an option on 19.9% of National City s common stock as transaction protection;

the possibility that divestitures may be required by regulatory authorities in certain markets in which National City and PNC compete;

that the exchange ratio represented a discount relative to the historic trading levels of National City common stock; and

that the merger, because the implied value represents consideration to stockholders of less than $5.00 per share, would entitle certain stockholders to payments under the downside protection provisions of their investment agreements and warrants.

National City s board concluded that the anticipated benefits of the merger would outweigh the preceding considerations.

The reasons set forth above are not intended to be exhaustive, but include material facts considered by the board of directors in approving the merger agreement. Although each member of National City s board individually considered these and other factors, the board did not collectively assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. The board collectively made its determination with respect to the merger based on the conclusion reached by its members, in light of the factors that each of them considered appropriate, that the merger is in the best interests of National City and its stockholders.

National City s board of directors realized there can be no assurance about future results, including results expected or considered in the factors listed above. However, the board concluded the potential positive factors outweighed the potential risks of completing the merger.

PNC s Reasons for the Merger; Recommendation of the PNC Board of Directors

The PNC board of directors consulted with PNC management as well as legal and financial advisors and determined that the merger is in the best interests of PNC and PNC shareholders. In reaching its conclusion to approve the merger agreement, the PNC board considered a number of factors, including the following material factors:

- its knowledge of the current and prospective environment in which PNC and National City operate, including economic and market conditions;

Table of Contents

its assessment of National City s businesses, prospects, franchises, core earnings generation ability, assets and liabilities and its view of the attractive growth and demographic characteristics of National City s existing markets and businesses;

the review by the PNC board of directors with its advisors of the structure of the merger and the financial and other terms of the merger;

its belief, based on management s discussions with federal regulators, that PNC would be eligible for a CPP investment based on the combined risk-weighted assets of PNC and National City, which PNC believed would help it maintain its regulatory capital ratios at appropriate levels following completion of the merger;

the fact that the combined company will have a deposit base of $180 billion, making PNC the fifth largest U.S. bank by deposits;

the fact that the combined company will have greater scale and scope, enhancing service to customers and communities and providing greater opportunities for its employees;

PNC s view of the value inherent in National City s banking and asset management businesses, including its strong customer service and community-oriented culture and the capabilities of its employees;

the unique opportunity presented by the chance to acquire a franchise of National City s quality, size and scope, its assessment of the pro forma capital position, financial condition and results of operations of the combined company, and the expectation that the transaction will be accretive to PNC s earnings per common share in the second year following the closing of the merger;

the potential expense saving opportunities, currently estimated by PNC s management to be approximately $1.2 billion per year on a pre-tax basis when fully realized;

the likelihood that the regulatory and shareholder approvals needed to complete the transaction will be obtained in a timely manner and that the regulatory approvals will be obtained without the imposition of adverse conditions;

the historical and current market prices of PNC common stock and National City common stock;

the respective views of Citigroup Global Markets and JPMorgan regarding the business and economic environment, potential opportunities and challenges presented by a combination with National City;

PNC s track record of integrating acquisitions of banks and its understanding of the opportunities and risks presented by an acquisition of a company with the size and other characteristics of National City.

The PNC board of directors considered all of these factors as a whole and, on balance, concluded that they supported a favorable determination to enter into the merger agreement.

The foregoing discussion of the information and factors considered by the PNC board of directors is not exhaustive, but includes all material factors considered by the PNC board of directors. In view of the wide variety of factors considered by the PNC board of directors in connection with its evaluation of the merger and the complexity of these matters, the PNC board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. The PNC board of directors

evaluated the factors described above and reached a consensus that the merger was advisable and in the best interests of PNC and its shareholders. In considering the factors described above, individual members of the PNC board of directors may have given different weights to different factors.

The PNC board of directors determined that the transaction was in the best interests of PNC and its shareholders, and the board voted unanimously to approve the merger agreement and recommends that PNC shareholders vote FOR the issuance of PNC common stock in the merger.

Table of Contents

Opinion of National City s Financial Advisor

On October 24, 2008, Goldman Sachs rendered its oral opinion to the National City board of directors that, as of that date, and based upon and subject to the factors, limitations and assumptions set forth in the written opinion of Goldman Sachs, as well as the extraordinary circumstances facing National City referred to in such written opinion, the exchange ratio of 0.0392 of a share of PNC common stock to be received in respect of each share of National City common stock pursuant to the merger agreement was fair from a financial point of view to the holders of National City common stock other than PNC and its affiliates.

The full text of the subsequently delivered written opinion of Goldman Sachs, dated October 24, 2008, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this document as **Appendix C**. The opinion of Goldman Sachs was provided for the information and assistance of the National City board of directors in connection with its consideration of the merger and does not constitute a recommendation as to how any holder of shares of National City common stock should vote or otherwise act with respect to the merger or any other matter.

In connection with rendering the opinion described above and performing its financial analysis, Goldman Sachs reviewed, among other things:

1. the merger agreement;

2. annual reports to stockholders and annual reports on Form 10-K of National City and PNC for the five fiscal years ended December 31, 2007;

3. certain interim reports to stockholders and quarterly reports on Form 10-Q of National City and PNC;

4. certain other communications from National City and PNC to their respective stockholders;

5. certain publicly available research analyst reports for National City and PNC;

6. certain internal financial analyses and forecasts for National City prepared by National City s management, and for PNC prepared by PNC s management, and approved by the National City board of directors for Goldman Sachs use in connection with rendering the opinion;

7. estimates by National City s management as to National City s liquidity, as well as certain analyses prepared by National City s management with respect to National City s leverage and capital adequacy;

8. a liquidation analysis (prepared by National City s management and approved by its board of directors for use in connection with the rendering of the opinion) as to the value, if any, that holders of National City common stock would be expected to receive with respect to the shares of common stock in a liquidation of National City; and

9. publicly announced credit ratings of National City and of certain other institutions that Goldman Sachs believed to be generally relevant.

Goldman Sachs also held discussions with members of the senior managements of National City and PNC regarding their assessment of the rationale for the merger, the past and current business operations, financial condition and

future prospects of their respective companies, and with the senior management of National City regarding their assessment of the fair market value of certain key asset categories of National City. In addition, Goldman Sachs reviewed the reported price and trading activity for shares of National City common stock, certain publicly traded debt instruments of National City and shares of PNC common stock, compared certain financial and stock market information for National City and PNC with similar information for certain other companies the securities of which are publicly traded and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

National City advised Goldman Sachs that National City had considerable exposure to risks related to the deteriorating credit performance and declining values of a significant portion of the loan and mortgage portfolios and related assets of National City and its subsidiaries, and that the business and prospects of National City were severely and negatively affected as a result thereof, as well as due to the crisis in the

Table of Contents

capital markets, the extraordinary economic, financial and regulatory environment then prevailing and the deteriorating financial condition of National City.

In particular, National City informed Goldman Sachs that:

- National City and its principal operating subsidiaries had limited liquidity and unencumbered assets available as collateral for financings from the capital markets that National City may have sought to obtain on an immediate basis;

- Based on communications National City had with United States banking regulators, National City did not expect to have, on a standalone basis, access to federal liquidity and funding arrangements necessary to address its short and long term liquidity needs. National City also did not expect to be able to raise funding through the capital markets in amounts sufficient to meet such liquidity needs, and absent a definitive transaction such as the merger, National City expected that its liquidity position would become severely strained due to a decline in customer and counterparty confidence and consequently, shortly thereafter, National City would have insufficient unrestricted cash on hand to meet such liquidity needs; and

- In light of the foregoing, absent entering into a definitive transaction (such as the merger) that would allow National City access to ongoing liquidity and funding or relieve National City of the need for such liquidity and funding, National City expected that it and its subsidiaries would face additional regulatory actions, including intervention by the United States federal banking regulators, and/or be required to seek protection under applicable bankruptcy laws in the very near future.

The National City board of directors advised Goldman Sachs that, as a result of the foregoing, National City and its board of directors were faced with a narrow set of alternatives, which, at the time, were limited to a transaction such as the merger or intervention by United States banking regulators and eventual liquidation of National City. Accordingly, Goldman Sachs also considered recent instances where concerns regarding the liquidity of a bank or financial institution triggered a rapid deterioration of the institution s financial condition, necessitating government intervention or bankruptcy protection, and as a result of which the common equity holders of the institution were likely to receive substantially diminished value, if any at all, for their equity. In light of the facts and circumstances, and in reliance on the liquidation analysis described above, Goldman Sachs assumed that if National City s banking assets were taken over by the United States federal banking regulators and National City s non-banking assets liquidated under applicable bankruptcy laws, holders of National City common stock would likely receive no material value for their shares of National City common stock.

For purposes of rendering its opinion, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it. At the direction of the National City board of directors, Goldman Sachs (i) did not rely upon any financial forecasts relating to National City (except for the liquidation analysis described above) and (ii) did not perform certain analyses that it customarily would have prepared for National City in connection with a fairness opinion, because of the determination of National City that such forecasts and analyses were not meaningful as a result of the extraordinary circumstances of National City described in the opinion and herein. Goldman Sachs assumed with the consent of the National City board of directors that the forecasts for PNC, prepared by PNC s management and approved by the National City board of directors for Goldman Sachs use in connection with rendering its opinion, had been reasonably prepared and reflected the best currently available estimates and judgments of the management of National City. Goldman Sachs also assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement without any waiver or amendment of, or delay in the fulfillment of, any terms or conditions set forth in the merger agreement or any subsequent development related to the merger, that would have an adverse effect on National City or PNC or on the

expected benefits of the merger in any way meaningful to its analysis. Goldman Sachs opinion does not address any legal, regulatory, tax or accounting matters, as to which matters it understood that National City received such advice as it deemed necessary from qualified professionals. Goldman Sachs is not an expert in the evaluation of loan and mortgage portfolios or in assessing the adequacy of allowances for losses with respect thereto, and accordingly, it did not evaluate the same with respect to National City or PNC and

Table of Contents

assumed, with National City s consent, that PNC s allowances for such losses were adequate to cover all such losses. In addition, Goldman Sachs did not review individual credit files nor did it make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of National City or PNC or any of their respective subsidiaries, and it was not furnished with any such evaluation or appraisal (other than the liquidation analysis described above). In addition, Goldman Sachs did not evaluate the solvency or fair value of any party to the merger agreement under any state or federal laws relating to bankruptcy, insolvency or similar matters. Goldman Sachs did not express any opinion as to the value of any asset of National City, whether at current market prices or in the future. It noted however, that under the ownership of a company with adequate liquidity and capital, such as PNC, the value of National City and its subsidiaries could substantially improve, resulting in significant returns to PNC if the merger is consummated.

The opinion of Goldman Sachs did not address the underlying business decision of National City to engage in the merger, or the relative merits of the merger as compared to any strategic alternatives that may have been available to National City. The opinion of Goldman Sachs addressed only the fairness from a financial point of view to the holders of National City common stock (other than PNC and its affiliates), as of the date thereof, of the exchange ratio pursuant to the merger agreement. Goldman Sachs did not express any view on, and its opinion did not address, any other term or aspect of the merger agreement or the transaction contemplated thereby, including, without limitation, (i) the Option Agreement (as defined in the merger agreement), (ii) the rights of certain investors under the Investment Agreements (as defined in the merger agreement) and the Warrants (as defined in the merger agreement) issued pursuant to the Investment Agreements, (iii) the fairness of the transaction to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of National City or PNC other than holders of National City common stock (other than PNC and its affiliates) or (iv) the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of National City or PNC, or class of such persons in connection with the merger, whether relative to the 0.0392 of a share of PNC common stock to be paid for each share of National City common stock pursuant to the merger agreement or otherwise. Goldman Sachs did not express any opinion as to the prices at which shares of National City common stock or shares of PNC common stock would trade at any time. The opinion of Goldman Sachs was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date thereof, including the ongoing crisis in the capital markets, the condition of the mortgage market and the extraordinary financial and economic environment at the time and the related uncertainty regarding the extent and duration of those conditions. Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date thereof. The opinion of Goldman Sachs was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses conducted by Goldman Sachs in connection with rendering its opinion. The following summary does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of the analyses described herein represent relative importance or weight given them. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and alone are not a complete description of the financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 24, 2008, and is not necessarily indicative of current market conditions.

In view of National City s determination that traditional financial analyses were not meaningful with respect to National City under the extraordinary circumstances described above, Goldman Sachs considered the liquidation analyses described below, in addition to certain other analyses summarized below, but did not rely on the traditional analyses that it would customarily have performed in preparing a fairness opinion.

Liquidation Analysis. Goldman Sachs considered the liquidation analysis, prepared by National City s management and approved by the National City board of directors for use by Goldman Sachs in connection with the rendering of its opinion, in assessing the value, if any, that holders of National City common stock would be expected to receive in respect of such stock in the event that National City s banking assets were

Table of Contents

taken over by United States federal banking regulators and its non-banking assets liquidated under applicable bankruptcy laws. Goldman Sachs determined that such liquidation analysis was relevant with respect to National City in view of the extraordinary circumstances of National City described above. The liquidation analysis illustrated (i) the implied proceeds from a liquidation of National City s assets under two possible scenarios and (ii) the application of such proceeds first in satisfaction of National City s material outstanding obligations and liabilities in each scenario, thereby illustrating the implied proceeds that would be available to holders of National City common stock in each scenario. The illustrative liquidation proceeds were estimated by National City s management, in Case 1, assuming an immediate liquidation, and in Case 2, assuming a liquidation over a moderate (non-immediate) time frame.

Illustrative Proceeds:(1)

	Balance at 09/30/08	Implied Proceeds Case 1	Case 2
		(In billions)	
Portfolio Loans	$ 110	$ 73	$ 89
Other Assets	35	27	29
Total Assets	$ 145	$ 99	$ 118
Deposit Franchise	96	2	5
Total Implied Proceeds		$ 102	$ 123

(1) Source: National City management.

Illustrative Application of Proceeds:(1)

	Balance At 09/30/2008	Proceeds Received Case 1	Case 2
		(In billions, except per share values)	
Total Implied Proceeds		102	123
Secured Borrowings	10	(10)	(10)
Deposits	96	(92)	(96)
Other Liabilities	23	(0)	(18)
Liabilities	$ 128	$ (102)	$ (123)
Remaining Proceeds		0	0

Common Stock	17	0	0
Implied Equity Value per Share of National City Common Stock	$ 0	$ 0	

(1) Source: National City management.

Goldman Sachs compared the illustrative liquidation proceeds per share of National City common stock, as implied by the foregoing liquidation analysis with the $2.23 value per share of National City common stock implied by the exchange ratio on the basis of the closing price of PNC common stock on October 23, 2008.

Discounted Cash Flow Analysis of PNC. Goldman Sachs conducted an illustrative discounted cash flow analysis with respect to PNC (on a stand-alone basis, using estimates for earnings per share derived from publicly available equity research) and compared the implied value per share of PNC common stock with the closing price of PNC common stock on October 23, 2008. Goldman Sachs used discount rates ranging from 8%-12%, forecasts for PNC earnings per share based on median IBES estimates for the second half of 2008, 2009 and 2010, grown at the median IBES long-term growth rate of 7.3% thereafter, a Tier 1 capital ratio ranging from of 8% to 9% and terminal forward earnings multiples in the range of 11x to 13x applied to estimated earnings for the period from July 1, 2013 to June 30, 2014. This analysis resulted in an implied present value per share of PNC common stock in the range of $55.90 to $74.93, compared to the $56.88 closing price of PNC common stock on October 23, 2008.

Table of Contents

Comparative Analysis of PNC Trading Multiples. Goldman Sachs also reviewed certain historical trading multiples of PNC common stock in relation to the corresponding median trading multiples for selected national banks and regional banks:

	Median Multiple of Price to Next 12 Months Earnings Estimates Over Period Ending on October 23, 2008			
	YTD 2008	1 Year	3 Years	5 Years
PNC	12.2x	11.9x	12.7 x	12.5x
National Banks(1) Median	11.1	10.5	11.4	11.3
Regional Banks(2) Median	11.1	10.7	12.2	12.5

	Median Multiple of Price to Tangible Book Value Over Period Ending on October 23, 2008		
	1 Year	3 Years	5 Years
PNC	4.2x	4.1x	4.0x
National Banks(1) Median	2.5	3.2	3.2
Regional Banks(2) Median	1.8	2.6	2.6

(1) National Banks include Bank of America, JPMorgan Chase, Citigroup and Wells Fargo.

(2) Regional Banks include US Bancorp, BB&T, SunTrust, M&T Bank, Fifth Third, Regions, KeyCorp and Comerica.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole and the circumstances described above, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the circumstances described above and the results of all of its relevant analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering such circumstances and the results of all of its relevant analyses. No company or transaction used in Goldman Sachs analyses is directly comparable to National City, PNC or the merger.

As described above, the opinion of Goldman Sachs to the National City board of directors was one of many factors taken into consideration by the National City board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with its fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as **Appendix C** to this proxy statement/prospectus.

National City selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience relevant to the merger. Pursuant to an engagement letter dated

September 30, 2008, National City retained Goldman Sachs to act as financial advisor in connection with the possible sale of all or a portion of National City. Pursuant to the terms of the engagement letter, National City has agreed to pay Goldman Sachs a transaction fee of $25 million for its services in connection with the merger, of which $22 million is contingent upon consummation of the merger, to reimburse Goldman Sachs expenses incurred in connection with its engagement and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Goldman, Sachs and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman Sachs and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities)

Table of Contents

and financial instruments (including bank loans and other obligations) of National City, PNC and any of their respective affiliates or any currency or commodity that may be involved in the transaction contemplated by the merger agreement for their own account and for the accounts of their customers. Goldman Sachs has acted as financial advisor to National City in connection with, and has participated in certain of the negotiations leading to the merger agreement. In addition, Goldman Sachs has provided certain investment banking and other financial services to National City and its affiliates from time to time, including having acted as counterparty to a derivative transaction entered into by National City in December 2006; as financial advisor to National City in connection with the sale of the First Franklin mortgage origination franchise and related servicing platform in December 2006; as sole bookrunner in a convertible bond offering by National City (aggregate principal amount of approximately $1.4 billion) in January 2008 and hedging party and calculating agent for certain derivative transactions contemporaneous with such bond offering; as sole bookrunner in a multi-tranche preferred stock offering by National City in January 2008; as joint bookrunner, manager, co-manager and/or selling group member with respect to various investment grade debt issuances by National City and certain of its affiliates from 2005 to 2008; and as financial advisor to National City with respect to an approximately $7 billion equity issuance by National City in April 2008. From October 1, 2006 through November 15, 2008, Goldman Sachs received aggregate fees of approximately $228 million from National City and its affiliates for investment banking and other financial services unrelated to the merger. Goldman Sachs also has provided certain investment banking and other financial services to PNC and its affiliates from time to time, including having acted as lead manager, sole bookrunner and/or joint bookrunner with respect to investment grade debt issuances by PNC and/or its affiliates in an aggregate principal amount of approximately $3.3 billion from 2005 to 2008; as lead manager, sole manager and/or joint bookrunner with respect to issuances of preferred securities by PNC and/or its affiliates in an aggregate amount of approximately $1.75 billion from 2006 to 2008; provided individual asset management services to an affiliate of PNC in 2006; and acted as financial advisor to PNC with respect to the acquisition of Mercantile Bankshares Corporation in March 2007. Goldman Sachs also may provide investment banking and other financial services to National City, PNC and their respective affiliates in the future. In connection with the above-described services Goldman Sachs has received, and may receive, compensation.

Opinion of PNC s Financial Advisors to the PNC Board of Directors

Citigroup Global Markets

Citigroup Global Markets was retained to act as financial advisor to PNC in connection with a merger transaction with National City. Pursuant to Citigroup Global Markets letter agreement with PNC, dated October 23, 2008, Citigroup Global Markets delivered a written opinion to the PNC board of directors on October 31, 2008 to the effect that, based upon and subject to the considerations and limitations set forth in the opinion, Citigroup Global Markets work described below and other factors it deemed relevant, the aggregate consideration to be paid by PNC in connection with the merger was fair as of October 24, 2008, from a financial point of view, to PNC. As more fully described below, the aggregate consideration to be paid by PNC in connection with the merger consists of (i) the issuance of 0.0392 of a share of PNC common stock, par value $5.00 per share, for each outstanding share (with certain exceptions) of National City common stock, par value $4.00 per share and (ii) a payment to certain National City warrant holders of an amount in cash equal to approximately $384 million.

In connection with rendering its opinion, Citigroup Global Markets delivered a presentation to the PNC board of directors on October 31, 2008 with respect to the material analyses performed by Citigroup Global Markets in evaluating the fairness of the aggregate consideration to be paid by PNC in connection with the merger. Citigroup Global Markets noted that from a PNC shareholder perspective, the aggregate consideration to be paid in the transaction equates to a purchase price of $2.39 per share of National City common stock. In calculating the purchase price of $2.39 per share of National City common stock, Citigroup Global Markets noted that the total value of the aggregate consideration included an amount of approximately $5.3 billion payable in PNC common stock (determined by (A) multiplying the transaction exchange ratio of 0.0392x by PNC s closing price per common share as of

October 23, 2008 of $56.88, and then (B) multiplying the resulting amount from (A) by the adjusted number of shares of National City common stock outstanding of

Table of Contents

2,364 million shares) plus a cash amount of approximately $384 million payable to certain National City warrant holders, totaling an aggregate transaction value of approximately $5.7 billion. The aggregate transaction value of approximately $5.7 billion divided by 2,364 million adjusted shares of National City adjusted common stock outstanding equates to a per share price of National City common stock of $2.39.

The full text of Citigroup Global Markets opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as **Appendix D** to this document. The summary of Citigroup Global Markets opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **You are urged to read Citigroup Global Markets opinion carefully and in its entirety.**

In arriving at its opinion, Citigroup Global Markets reviewed the merger agreement and held discussions with certain senior officers, directors and other representatives and advisors of PNC and certain senior officers and other representatives and advisors of National City concerning, among other things, the business, operations and prospects of National City and PNC and the effects of the merger on the financial condition and future prospects of PNC. Citigroup Global Markets examined certain publicly available business and financial information relating to National City and PNC as well as certain financial forecasts and other information and data relating to National City and PNC which were provided to or discussed with it by the respective managements of National City and PNC, including information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by the management of PNC to result from the merger. Citigroup Global Markets reviewed the financial terms of the merger as set forth in the merger agreement in relation to, among other things: current and historical market prices and trading volumes of National City common stock and PNC common stock; the historical and projected earnings and other operating data of National City and PNC; and the capitalization and financial condition of National City and PNC.

Citigroup Global Markets considered, to the extent publicly available, the financial terms of certain other transactions effected which Citigroup Global Markets considered relevant in evaluating the merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup Global Markets considered relevant in evaluating those of National City and PNC. Citigroup Global Markets also analyzed certain internal forecasts provided by PNC and National City and evaluated certain potential pro forma financial effects of the merger on PNC. In addition to the foregoing, Citigroup Global Markets conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citigroup Global Markets deemed appropriate in arriving at its opinion. The issuance of Citigroup Global Markets opinion was authorized by its fairness opinion committee.

In rendering its opinion, Citigroup Global Markets assumed and relied upon, without independent verification, the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and upon the assurances of the management of PNC that they were not aware of any relevant information that had been omitted or that remained undisclosed to Citigroup Global Markets. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with Citigroup Global Markets relating to PNC and National City and, in the case of certain potential pro forma financial effects of, and strategic implications and operation benefits resulting from, the merger, Citigroup Global Markets was advised by the management of PNC that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of PNC as to the future financial performance of National City and PNC, such strategic implications and operational benefits (including amount, timing and achievability thereof) anticipated to result from the merger and the other matters covered thereby, and have assumed, with the consent of PNC, that the financial results (including the potential strategic implications and operational benefits anticipated to result from the merger) reflected in such forecasts and other information and data will be realized in the amounts and at the times projected.

Citigroup Global Markets assumed, with the consent of PNC, that the merger will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or

Table of Contents

agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on National City, PNC or the contemplated benefits of the merger. Citigroup Global Markets also assumed, with the consent of PNC, that the merger will be treated as a tax-free reorganization for federal income tax purposes and that the representations and warranties made by PNC and National City in the merger agreement were and will be true and correct in all respects material to its analysis. Citigroup Global Markets did not consider any potential deposit divestitures that may be required from a regulatory perspective in connection with the merger nor did it express any opinion as to whether any such deposit divestitures may or will be required. Finally, with the consent of PNC, Citigroup Global Markets relied upon the advice PNC received from its legal, rTH="17%" ALIGN="RIGHT">Energy United States 223 3,738Extended Stay America, Inc. 2004 Hotels United States 352(2) 3,921Southern Cross/NHP 2004 Care Homes Europe 324(2) 2,310

(1) Amount constitutes equity invested by our corporate private equity funds and does not include equity invested by co-investors.

(2) Excludes amounts invested by our real estate funds.

Investment Approach

We believe that our rigorous investment approach, extensive due diligence focus, global reach, substantial transaction and financing expertise and focus on operational oversight are all key reasons why corporate private equity funds have had attractive performance returns. The following are some of the core investment principles of our corporate private equity funds:

Large Capitalization Focus. Large-capitalization buyouts are often the most difficult transactions to analyze and execute, given their complexity and geographic scope and the size of the equity

investment required. Large-capitalization buyouts often involve more stable and higher quality companies, tend to attract more capable and deeper management teams and yield more options for growth, repositioning, cost reduction and exit. Given our global reach, our network of skilled former senior corporate executives, the size of our capital pool and the depth of our transaction and financing expertise, we believe that we are one of a limited number of firms favorably positioned to participate in this large-capitalization market, which has been the fastest growing segment of the buyout industry. These favorable competitive dynamics and our capabilities and organizational strengths make large-capitalization buyouts particularly compelling opportunities for us.

Corporate Partnerships. Corporate partnership transactions, transactions in which we invest capital alongside a major corporation, represent a signature form of private equity investing for us. As of March 1, 2007, we had invested $5.5 billion of equity capital, or approximately 28% of total corporate private equity capital invested by Blackstone since 1987, in 42 corporate partnership transactions. These have included partnerships with AT&T Inc., General Electric Company, Northrop Grumman Corporation, Sony Corporation, Time Warner Inc., Union Carbide Corporation, Union Pacific Corporation, USX Corporation and Vivendi SA. As corporations increasingly return to the mergers and acquisitions market, we believe this strategy will lead to a significant number of investment opportunities for our corporate private equity funds over the next several years. We believe that teaming up with corporate partners enables us to benefit from access to their knowledge base and anticipated synergies and to compete more effectively against other bidders.

Sector Expertise. Our corporate private equity investment professionals have expertise in all major industries. In addition, we have access to the sector expertise of a broad array of former senior corporate executives with whom we have established informal and formal proprietary advisory relationships and who work closely with our private equity professionals, helping us to source and analyze potential investment opportunities.

Out-of-Favor, Under-Appreciated Industries. We tend to be a contrarian private equity investor. We try to avoid being influenced by swings in conventional wisdom about the relative attractiveness of industries. Instead, we seek to identify out-of-favor, under-appreciated industries, and we have successfully invested in industries such as rural telephony, oil refining, commodity chemicals, coal and automotive parts among others when they were generally perceived to be out of favor with the markets. We also try to identify developing industry trends in order to take advantage of them before they become widely appreciated and to pursue opportunities to change the structure and profit potential of specific industry sectors through consolidation.

Global Scope. We believe that private equity investing outside the United States provides attractive opportunities, and we are therefore pursuing private equity opportunities throughout the world. In Europe, in addition to our hub office in London, we rely on senior advisors who reside in various European countries to assist our London-based private equity professionals. We plan on using a similar approach to expand our reach in the greater China region and other Asian countries with our new office in Hong Kong, as well as in India with our office in Mumbai. We believe we are one of a limited number of private equity firms with the advantage of access to a full range of cross-regional opportunities. Acquisitions involving non-U.S. companies represented approximately 39% of our corporate private equity funds' investments in the past three years ending December 31, 2006. We also believe our global reach helps us to better assist our portfolio companies in dealing with developments across various regions of the world, sourcing add-on acquisition opportunities, entering new markets and outsourcing operations to reduce costs.

Distressed Securities Investing. We believe that we have a competitive advantage in periods of weaker economic conditions or uncertainty in the debt or equity capital markets. Through our

restructuring and reorganization advisory business and our distressed securities hedge fund, we have access to investment opportunities and expertise regarding companies in financial distress that many of our competitors lack. We have often invested in distressed securities when those opportunities have presented themselves, including successful investments in securities of Adelphia Communications Inc., Charter Communications Inc. and three German cable television companies in the last five years.

Significant Number of Exclusive Opportunities. In recent years we have been able to consider and execute a number of transactions that were either presented exclusively to Blackstone or were offered to only a very limited number of private equity firms. We believe this principally resulted from our strong relationships with major investment banks and other financial intermediaries, our extensive network of senior advisors, our leading position in corporate partnership transactions, our ability to avail ourselves of the resources and relationships that reside in all of our firm's different businesses and our ability to arrange the acquisition of very large capitalization companies.

***Superior Financing Expertise*.** We believe that the broad expertise of all aspects of the capital markets debt, equity, real estate financing, derivatives and commodities that resides across all of our firm's businesses enables us to obtain a lower cost of capital for our portfolio companies, reduce risk and uncover hidden asset value. In the three years ended December 31, 2006, we estimate that an aggregate of approximately $98 billion of capital in debt and equity financings was raised by our portfolio companies.

***Operations Oversight*.** Our portfolio management group consists of professionals with significant operating experience who work with our portfolio companies on operating issues. After a portfolio company acquisition is consummated, our portfolio management group typically works with management of the portfolio company and outside advisors to implement a 100-day plan to enhance the company's operations. Each 100-day plan is reviewed and approved by our investment committee. As part of our portfolio company monitoring program, we enlist our senior advisors to assist our portfolio management group and work closely with portfolio companies to help them improve their operating performance. We believe that the experience of our senior advisors and our own portfolio management personnel, combined with the expertise of our investment professionals in assisting portfolio companies with add-on acquisitions, divestitures, financings and other capital markets transactions, help our portfolio companies enhance value. Our focus on assisting our portfolio companies with operational oversight, as well as our ability to attract, motivate and retain superior portfolio company management teams, are critical to the success of our private equity investments. The majority of our investment gains has resulted from increases in the EBITDA of our portfolio companies.

Cornerstone Purchasing Group. We seek to unlock incremental value in our portfolio companies through the use of efficiencies of scale. We have established a group purchasing organization called Cornerstone Purchasing Group. Cornerstone administers a procurement program in which our participating portfolio companies combine their purchasing power to purchase various goods and services at discounted prices to thereby achieve savings that they were previously unable to obtain on their own. We are expanding this program to cover additional types of goods and services, and over time we expect to expand it to include other operational areas such as outsourcing and information technology.

Real Estate Segment

Our real estate operation has managed six domestic and two non-U.S. real estate opportunity funds and has raised approximately $17.6 billion in capital since its formation in 1991. As of March 1, 2007, our real estate operation had approximately $17.7 billion of assets under management. We recently completed an initial fund-raising round for Blackstone Real Estate Partners VI L.P., or "BREP

VI." Taken together, BREP VI and Blackstone Real Estate Partners International II L.P., or "BREP Int'l II," the two real estate funds we are currently investing, would represent one of the the largest real estate opportunity funds ever raised with aggregate capital commitments of over $6.7 billion. Since its inception in 1991 through December 31, 2006, our real estate operation has achieved a combined gross annualized IRR of 38.2% and a combined net annualized IRR of 29.2% on realized and unrealized investments, as compared with an annualized return of 10.6% for the S&P 500 Index over the same period. Our real estate private equity operation has achieved an aggregate multiple of invested capital for realized and partially realized investments of 2.4x over the same time period. The S&P 500 is an unmanaged index and its returns assume reinvestment of dividends and do not reflect any fees or expenses. Each of our real estate opportunity funds has performed in the top quartile of its peers according to *Thomson Financial*. See " The Historical Investment Performance of Our Investment Funds" for more information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance. For the five years ended December 31, 2006, our real estate opportunity funds achieved aggregate realized and unrealized gains for investors of $6.7 billion.

The total enterprise value of the 212 transactions effected by our real estate operations from 1991 through March 1, 2007 was over $102 billion. The following table presents selected recent investments made by our real estate opportunity funds:

	Year of Investment	Region	Equity Invested ($MM)(1)	Transaction Value ($MM)
Equity Office Properties Trust	2007	United States	$ 3,501	$ 38,656
Trizec Properties, Inc.	2006	United States	625	9,252
Center Parcs UK	2006	Europe	204(2)	2,063
CarrAmerica Realty Corporation	2006	United States	778	5,798
MeriStar Hospitality Corporation.	2006	United States	196	2,296
LaQuinta Inns Inc	2006	United States	469	3,435
Southern Cross/NHP	2005	Europe	200(2)	2,205
Wyndham International, Inc.	2005	United States	505	3,305
Boca Resorts, Inc.	2004	United States	264	1,265
Prime Hospitality Corp.	2004	United States	145	869
Extended Stay America, Inc.	2004	United States	297(2)	3,383

(1) Amount constitutes equity invested by our real estate funds and does not include equity invested by co-investors.

(2) Excludes amounts invested by our corporate private equity funds.

Our real estate business is a global operation with 49 investment professionals and offices in New York, Chicago, Los Angeles, London, Paris and Mumbai.

Investment Approach

Our real estate operations' approach to investing is guided by some core investment principles, many of which are similar to our corporate private equity operation, including global scope, focus on large transactions, significant number of exclusive opportunities, superior financing expertise and operations oversight. In addition, our real estate investment approach includes:

Flexible Investment Strategy. Our real estate investments have been made in a variety of sectors, geographic locations and business climates and run the gamut from acquisitions of single assets to acquisitions of large, multi-asset public companies and from stable assets to assets that require repositioning or extensive overhaul. Our real estate opportunity funds have made a significant number of investments in lodging, major urban office buildings, residential properties,

distribution and warehousing centers and a variety of real estate operating companies. This broad investment mandate allows us to source and execute unique and complex transactions, including direct equity investments in real property, debt investments secured by real estate, privately placed real estate securities, joint ventures and real-estate operating companies.

Institutional Quality Assets with Temporary Flaws. We try to identify well-located institutional quality properties that suffer from temporary or correctable flaws in their tenancy, physical attributes, capital structures, market position and/or management. By exploiting the pricing and operating inefficiencies inherent in assets of this nature and employing intensive asset management to correct the identified flaws, we can reposition such assets for subsequent sale to institutional investors at attractive pricing.

Complex Situations Requiring Creative Solutions. We believe that our ability to source, evaluate and execute complex transactions within a short time frame is one of our competitive advantages. We focus on finding creative solutions to complex situations involving under-performing and/or improperly capitalized assets in an effort to both make investments at attractive valuations and to create incremental value in the investment.

Real Estate Asset Management Oversight. We have 11 professionals solely dedicated to real estate asset management. Regional asset management teams are deployed in various areas and industries such as a European hotel real estate team and a Scandinavian office buildings team. We use our asset management team extensively in our investment analysis process, and we specifically seek out investment opportunities where we can leverage the skills and expertise of our asset management professionals. We also seek to partner with real estate operators who have specific knowledge and insight into local real estate markets or asset classes. These partners not only provide us with hands-on operating knowledge and expertise, but are also a source of proprietary deal flow.

Joint Acquisitions with Corporate Private Equity. We believe that we benefit from the ability to combine the investment capabilities of our real estate opportunity funds with our corporate private equity funds when investing in operating companies that have significant real estate assets. Among the transactions in which the two operations have partnered are the acquisitions of Center Parcs Ltd., a U.K. leisure park business, Extended Stay America, Inc., a U.S. hotel business, Southern Cross/NHP, a U.K. care home business, and Spirit Group Ltd., a U.K. pubs business.

Theme-Oriented Investments. We regularly monitor real estate markets in an effort to identify and develop the most promising investment themes based on asset class, geography or targeted groups of sellers. We believe this allows us to develop expertise rapidly within special areas, to react quickly to potential opportunities and to develop relationships with key partners. We have often been able to anticipate promising new investment themes before they become generally appreciated. We were among the first to purchase assets from the Resolution Trust Corporation in the early 1990s, to execute large-scale investments in real estate companies and REITs, to identify the post-2001 recovery in lodging and to anticipate the recent appreciation of the value of central business district office buildings.

Public-to-Private Transactions. In the past three years our real estate opportunity funds have successfully completed a total of 12 going private acquisitions of publicly-traded real estate companies. While to date the majority of our public-to-private transactions have focused on hotel, residential property and industrial companies and office REITs, future targets may include other real estate intensive businesses (either alone or in partnership with our corporate private equity funds). We believe that overhead savings, wholesale to retail discounts, financing improvements, tax savings, revenue enhancements, operational efficiencies and unexploited land or assets can be found in many public real estate-related companies.

Hotel Repositionings. Over the last 15 years, our real estate opportunity funds have been among the largest buyers and sellers of hotels in the world, having acquired 1,420 hotels with approximately 209,000 rooms and a value of approximately $27.4 billion. These investments have included all segments of the lodging industry, from limited service to five-star, super-luxury hotels. We believe that a substantial portion of our success in the sector can be attributed to the operating platform that we have created to manage our hotel acquisitions. We provide in-house operating expertise in every facet of the business, including revenue enhancement and yield management initiatives, cost restructuring, redeployment of food and beverage operations, marketing, technology (particularly reservation systems and Internet-related functions), special amenities such as spas, health clubs and golf, and capital investments in renovations and building additional rooms. In addition, our real estate asset management team has combined numerous selected hotel properties acquired by our funds (either directly or through our acquisition of hotel companies) to form the LXR Luxury Resorts & Hotels chain of luxury hotels.

Global Opportunities. Our real estate business is a global operation that pursues real estate opportunities throughout the world. In Europe, we work from our operating base in London and an office in Paris and we deploy professionals throughout Europe. We have opened an office in Mumbai and we plan to open an office in Japan later this year. Approximately 17% of the $9.4 billion of aggregate capital invested by our real estate opportunity funds in the past three years ended March 1, 2007 has been invested outside the United States.

Marketable Alternative Asset Management Segment

Funds of Hedge Funds

We manage of a variety of funds of hedge funds. Our funds of hedge funds operation was founded in 1990 to manage the internal assets of both Blackstone and our senior managing directors through a diversified portfolio of hedge fund investments. Working with our clients over the past fifteen years, our fund of hedge fund group has developed into a leading manager of institutional funds of hedge funds with approximately 100 professionals and offices in New York, London and Hong Kong. Our funds of hedge funds operation had approximately $17.1 billion of assets under management as of March 1, 2007.

Our fund of hedge fund group's overall investment philosophy is to utilize leading non-traditional investment managers to achieve attractive risk-adjusted returns with relatively low volatility and low correlation to traditional asset classes. Diversification, risk management and a focus on downside protection are key tenets of our approach. Our fund of hedge fund professionals have constructed a broad range of products using sophisticated quantitative and qualitative analyses in an effort to identify the best fund managers and combine them to create products that have appropriate risk profiles and return objectives for investors in our funds of hedge funds. The funds managed by our fund of hedge fund group pursue differing strategies, including broadly diversified funds, strategy focused funds (for instance, funds focused on emerging markets), opportunistic funds (for instance, funds that invest in niche strategies or with activist managers) or client customized funds. Our funds of hedge funds operation manages a variety of fund of fund vehicles that are invested with approximately 170 hedge fund managers, a number of which refuse to accept new investors.

Unlike many other funds of hedge funds, we are focused on institutional investors. As of March 1, 2007, institutional investors consisting of corporate and public pension funds as well as insurance companies, industrial corporations, foundations and university endowments accounted for over 85% of our fund of hedge fund's asset base, and individual investors (excluding our senior managing directors and employees) represented only 5.2% of our fund of hedge fund assets. We believe that institutional investors provide a more stable base of investors than individual investors. Our fund of hedge fund group works with its institutional clients to meet their specific needs either with its broad product range or the creation of customized investment strategies.

Investment Approach

Depth of Investment Expertise. Our fund of hedge fund professionals have trading, operational, portfolio and risk management expertise and have designed a rigorous investment process to incorporate the quantitative, qualitative, legal and operational facets of fund analysis. From a top-down perspective, our fund of hedge fund investment professionals seek to position our funds of hedge funds to capitalize on market opportunities through focused research and allocation of resources. From a bottom-up perspective, they seek to build deep relationships with underlying hedge fund managers that are strengthened by our investment professionals' relevant experience in the financial markets, as well as our network of contacts in other alternative asset classes.

Discipline. Our fund of hedge fund operation focuses on diversification, risk management and downside protection. Each investment with an underlying hedge fund manager is subject to a rigorous investment decision process and incorporates sourcing new ideas, focusing on viable prospects, in-depth front and back office due diligence, manager approval and portfolio construction.

Innovation. Our fund of hedge fund operation seeks to leverage the intellectual capital within our organization and our strategy-focused investment teams to take advantage of synergies that exist within other areas of our firm to identify emerging trends, market anomalies and new investment technologies to facilitate the formation of new strategies, as well as to set the direction for fund of hedge fund's existing strategies.

Corporate Debt

Founded in 1999, our corporate debt operation, which comprises our mezzanine funds and our senior debt vehicles, has grown to become a major participant in the leveraged finance markets with approximately $8.4 billion of assets under management as of March 1, 2007. Our corporate debt operations' investment portfolio is comprised of securities spread across the capital structure including senior debt, subordinated debt, preferred stock and common equity. Our corporate debt operation has 27 investment professionals and offices in New York and London.

Our corporate debt operation manages funds investing primarily in mezzanine debt of middle-market companies arranged through privately negotiated transactions. It typically makes investments through direct negotiations with issuers and sponsors. Our corporate debt group investment professionals structure the fund's investments to earn current income through interest payment features and such investments may also include return enhancements including warrants or other equity securities. Our mezzanine funds had approximately $1.5 billion of assets under management as of March 1, 2007. Since their inception in 1999 through December 31, 2006, our mezzanine funds have achieved a combined gross annualized IRR of 16.0% and a combined net annualized IRR of 9.3% on realized and unrealized investments. See " The Historical Investment Performance of Our Investment Funds" for information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance. Over the last five years, our mezzanine funds achieved aggregate realized and unrealized gains for investors in these funds of approximately $400 million.

In 2002 we established our senior debt operation, which manages our senior debt vehicles, consisting of a series of structured vehicles investing primarily in senior secured loans. These investment vehicles are of the type commonly referred to as collateralized debt obligation funds.

As of March 1, 2007, we managed 10 different collateralized debt obligation funds having approximately $6.9 billion of assets under management. Since 2002, we have raised over $7.3 billion of capital for our senior debt vehicles. From inception through December 31, 2006, these vehicles experienced an annualized default rate of 0.26% of invested assets. Defaults are the primary cause of

losses in senior debt vehicles and the rate of defaults is one measure that may be used to estimate the level of risk in a senior debt vehicle and its overall performance.

Investment Approach

Integrated Corporate Debt Platform. The combination of our mezzanine funds and senior debt vehicles gives us the ability to participate in all significant leveraged finance markets. Given the diverse investment profiles of our corporate debt funds, our corporate debt funds are able to participate throughout a borrower's capital structure or elect to participate in the most attractive debt tranches. We believe that the ability to participate in multiple levels of the capital structure differentiates our corporate debt operations from many other providers of senior and subordinated debt capital. With our raising of three European-focused collateralized debt obligation funds in 2006, we have the ability to offer a broad range of debt products to both North American and European borrowers.

Credit Discipline. Over the past seven years, we have refined our processes for assessing the credit risk of each investment we consider. Credit risks are identified after reviewing the borrower's industry outlook, the borrower's relative position within its industry, the borrower's management team and equity sponsor, if any, and the merits of the borrower's capital structure. While yield is an important component of any investment decision, we believe the probability of loss is the most important factor to consider when assessing a potential debt investment. This credit discipline has enabled our senior debt vehicles to achieve an average default rate per year of approximately 0.26% since their inception in 2002.

Direct Investment and Origination Capabilities. The majority of the transactions completed by our mezzanine funds have been related to middle-market private equity transactions. In addition, such transactions are a significant source of investments for our senior debt vehicles. Our corporate debt operations have transaction development professionals who maintain direct relationships with approximately 150 private equity firms. This focus allows us to proactively approach this market. In addition, we have recently developed a senior loan origination and syndication function that, coupled with our existing capabilities, allows us to originate financings across the full range of a borrower's capital structure.

Relationships with Arrangers. Our corporate debt funds are a significant investor in senior and subordinated debt transactions arranged and syndicated by banks and investment banks. We believe that our corporate debt operations are able to leverage our firm's overall importance in the financial markets to gain access to invest in narrowly syndicated transactions and to receive our desired allocations in oversubscribed syndicated transactions. We also benefit from having the opportunity to participate on a priority basis in financings for our own private equity transactions.

Ability to Capitalize on Our Expertise. We have analysts specializing in various sectors of the economy. In addition to our analysts' expertise, our corporate debt operations benefit from the in-depth knowledge of companies and industries developed by our private equity operations and from having access to our private equity portfolio companies.

Proprietary Hedge Funds

In 2004, we commenced a strategy of sponsoring proprietary hedge funds managed by individuals affiliated with Blackstone. In 2005 we established our distressed securities hedge fund, which invests primarily in distressed and defaulted debt securities and related equities with an emphasis on smaller, less efficiently traded issues. As of March 1, 2007, our distressed securities hedge fund had approximately $1.2 billion of assets under management. From inception through December 31, 2006, our distressed securities hedge fund has achieved a gross annualized return of 11.5% and a net annualized return of 7.9% without the use of leverage. These returns have been achieved with a

volatility of 1.8%. Volatility is a measure of uncertainty related to the size of changes in a security's value. This compares to a return of 9.6% and a volatility of 2.8% for the JPMorgan Global High Yield Index over the same period. The JP Morgan Global High Yield Index is an unmanaged index and is not available for direct investment, so its performance is not an exact representation of any particular investment. Index returns assume reinvestment of dividends and do not reflect any fees or expenses. See " The Historical Investment Performance of Our Investment Funds" for more information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance.

In 2006 we established our equity hedge fund, which invests primarily in equity investments on a long and short basis. As of March 1, 2007, our equity hedge fund had approximately $1.3 billion of assets under management. From its inception on October 1, 2006 through December 31, 2006, our equity hedge fund has achieved a gross return of 11.6% and a net return of 8.9%, with a volatility of 6.7%. This compares to a return of 6.2% and a volatility of 7.3% for the S&P 500 Index over the same period. The S&P 500 is an unmanaged index and its returns assume reinvestment of dividends and do not reflect any fees or expenses. See " The Historical Investment Performance of Our Investment Funds" for information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance.

In addition to the investment experience and network of relationships of their investment teams, we believe that our proprietary hedge fund teams benefit considerably from Blackstone's relationships and resources. Blackstone's various businesses provide a "library" of in-house knowledge across a broad spectrum of industries and access to relationships, portfolio companies and operating executives that can augment the identification and evaluation of our funds' investment opportunities and otherwise support their investment activities. Our proprietary hedge funds also benefit in their fund-raising efforts from the assistance of Blackstone's fund placement capabilities and our firm's extensive network of investors. In addition, Blackstone's infrastructure provides our proprietary hedge fund teams with resources, staff and back office functions that would otherwise need to be developed separately and would therefore take time and resources away from their investment research initiatives. Our proprietary hedge funds also benefit from priority access to the trading desks and research of investment banking firms due to Blackstone's overall importance as a client of those firms.

We are regularly evaluating other new proprietary hedge fund ideas and opportunities, and we plan to add other new proprietary hedge funds over the next few years.

Distressed Securities Investment Approach

Our distressed securities hedge fund seeks to provide superior risk-adjusted returns on investments in the debt or equity of financially distressed companies and in other deep-value, catalyst-driven opportunities. The fund focuses primarily on financially distressed companies and seeks to invest in securities that, due to security specific and other complex circumstances, it believes are incorrectly valued. The following are some of the specific elements of the investment approach:

Smaller Capitalization Securities. Generally, the fund focuses on smaller capitalization debt securities (debt issuances under $750 million in size). We believe these smaller capitalization debt securities are often traded with less efficiency than larger capitalization credits and therefore may provide greater opportunity for returns.

Passive Investments. We generally opt to avoid joining creditors' committees, boards of directors and similar bodies to allow greater liquidity and investment flexibility.

Research. We seek to perform rigorous fundamental bottom-up research in an effort to obtain conservative, yet credible, assessments of business valuation, underlying tangible asset protection and cash flows.

Shorting Debt Securities. Our distressed securities hedge fund also seeks to generate returns through shorting high yield bonds and other debt instruments, seeking to generate returns throughout the credit cycle.

Capital Preservation. We seek to maintain a capital preservation focus and utilize hedging and diversification strategies, downside risk analysis and analysis of market technical factors in all investment decisions.

Maintain Flexibility. We employ a flexible approach designed to generate attractive returns in a variety of market conditions. This includes the ability to invest across the entire capital structure, employ intra-capital structure arbitrage, participate in debtor-in-possession loans and exit financings, engage in outright shorting and employ various hedging techniques.

Equity Hedge Fund Investment Approach

Our equity hedge fund seeks to provide superior risk-adjusted returns by investing in a global portfolio consisting primarily of long and short equity investments. It uses a fundamentally driven, research-intensive approach that is intended to identify and evaluate investments where there is an opportunity to take advantage of mispriced and misunderstood securities. The following are some of the specific elements of the investment approach:

Research. We perform intensive analysis of macro-level indicators such as economic growth, interest rates, commodity prices and inflation and perform rigorous bottom-up analysis of industry trends and company-specific fundamentals.

Capital Preservation and Risk Management. We execute hedging and portfolio diversification strategies to reduce exposure to macro-economic factors and general market performance. Our primary objective is not to be more than 50% net long or 10% net short in our overall portfolio. We believe that this conservative, heavily hedged investment strategy substantially reduces risk and volatility.

Leverage. We employ prudent leverage.

Closed-End Mutual Funds

In 2005, we were appointed the investment manager and adviser of two publicly-traded closed-end mutual funds. The India Fund, with $1.8 billion in assets under management as of March 1, 2007, trades on the New York Stock Exchange under the symbol "IFN." The India Fund is the largest India-focused closed-end mutual fund in the United States. The India Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Indian companies. Under normal market conditions, at least 80% of the fund's total assets are invested in equity securities of Indian companies. The Asia Tigers Fund, with $104 million in assets under management as of March 1, 2007, trades on the New York Stock Exchange under the symbol "GRR." The Asia Tigers Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Asian companies. At least 80% of the fund's total assets will typically be invested in equity securities of Asian companies. Both funds may invest in common and preferred stocks, ADRs, GDRs, convertible bonds, notes, debentures, equity interests in trusts, partnerships, joint ventures and common stock purchase warrants and rights.

Since December 5, 2005, when our subsidiary was appointed investment manager, through December 31, 2006, The India Fund has achieved a net annualized return of 43.9% and the Asia Tigers Fund has achieved a net annualized return of 42.5%. See " The Historical Investment Performance of Our Investment Funds" for information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance. Over this same period, the aggregate assets under management in these two funds grew from $1.2 billion to $2.0 billion (a 61% increase), due to both their investment performance and a $449 million rights offering effected by The India

Fund in August 2006. We believe that our closed-end mutual funds benefit from synergies with our corporate private equity and real estate operations in India as our India-based professionals are able to share insights and knowledge about industries, trends and companies in the region.

Other Marketable Alternative Asset Management Activities

In February 2007, we entered into a venture with India Infrastructure Finance Company Ltd., or "IDFC," to invest in infrastructure projects in India. The venture, which will be managed by IDFC, intends to deploy $5 billion in capital for infrastructure projects.

Financial Advisory Business Segment

Financial advisory services have been an important business of our firm from the day we were founded in 1985. We believe that our ability to view financial advisory client assignments from both the client's and an owner's perspective often provides unique insights into how best to maximize value while also achieving our clients' strategic objectives. We believe that the countercyclical nature of our restructuring and reorganization advisory business balances our mergers and acquisitions advisory operation. We also benefit from the fact that these two businesses can work together in a complementary fashion on assignments, such as disposition transactions involving troubled companies and their assets.

Our financial advisory business segment is a global business with approximately 164 employees and offices in New York, Atlanta, Boston and London. Our financial advisory business has grown revenues from $93.5 million for the year ended December 31, 2001 to $260.3 million for the year ended December 31, 2006, a compound annual growth rate of 22.7%. For the year ended December 31, 2006, our financial advisory segment generated income before taxes of $193.9 million.

Mergers and Acquisitions Advisory Services

Our mergers and acquisitions advisory operation has been an independent provider of financial and mergers and acquisitions advisory services for over 21 years. Professionals in this area have a wide array of specialized industry knowledge and experience and provide all types of financial and mergers and acquisitions advisory services with a wide range of transaction execution capability with respect to acquisitions, mergers, joint ventures, minority investments, asset swaps, divestitures, takeover defenses and distressed sales.

The services provided also include specialized advice in various areas, including special committee assignments, exclusive sales, demutualizations and conversions, structured products and financing advice. Since 1985, our mergers and acquisitions advisory services operation has advised on transactions with a total value of more than $250 billion. Some of the clients we have recently advised include Albertsons, Comcast Corporation, Fox Entertainment Group, Inc., Kinder Morgan, Microsoft Corporation, The Proctor & Gamble Company, Sony Corporation and Suez S.A. In 2006, we opened an office in London to expand our mergers and acquisitions service offerings beyond our U.S. base.

The success of our mergers and acquisitions advisory services has resulted from our core principles, including protecting client confidentiality, prioritizing our client's interests, avoidance of conflicts and giving each assignment senior-level attention. The 12 senior managing directors in our mergers and acquisitions services operation have an average of over 20 years of experience in providing financial and mergers and acquisitions advice.

Client-Driven Rather than Deal-Driven. We are not focused on market share or being all things to all people, but rather maintain a select number of assignments. Our emphasis is on long-term relationships and always giving objective advice to our clients, even if that requires us to advise against proceeding with a transaction.

Absence of Conflicts of Interest. We are not engaged in securities underwriting, research or many of the numerous other businesses conducted by large investment banks and commercial banks, which allows us to avoid potential conflicts of interest that may arise from these activities. We believe this makes us particularly well-suited to represent boards and special committees in the increasing number of situations where they are looking to retain a financial advisor who is devoid of such conflicts.

Unique Perspectives on Value Creation. Our firm's institutional knowledge includes experience not only as a financial and strategic advisor, but also as a principal investor and major financier. Our ability to view client assignments from both advisory and investor perspectives often helps to provide unique insights into how best to maximize value while also achieving clients' objectives.

Creative Solutions for Complex Issues. Our structured finance team focuses on customized merger and acquisition solutions as well as financing structures that enable clients to meet their strategic and corporate finance objectives. Our structured finance team has been providing innovative products and solutions to clients in many industries for over 20 years.

Long-Term Strategic Planning. In addition to providing traditional investment banking services, we are focused on helping solve long-term strategic issues for our clients, often incorporating aspects of strategic consulting into advisory assignments.

Ability to Capitalize on Other Blackstone Businesses. Our mergers and acquisitions advisory operation benefits from other areas of our firm. For example, we are able to offer debt financing to facilitate transactions with the aid of our corporate debt operation. In addition, we benefit from assignments generated by our corporate private equity and real estate opportunity funds and their portfolio companies (on market terms) as well as opportunities generated by our firm's extensive network of business relationships.

Restructuring and Reorganization Advisory Services

Our restructuring and reorganization advisory operation is one of the leading advisers to companies and creditors in restructurings and bankruptcies. Since 1991, we have advised in more than 150 distressed situations, both in and out of bankruptcy proceedings, involving more than $350 billion of total liabilities. Our restructuring and reorganization advisory services clients include companies, creditors, corporate parents, financial sponsors and acquirors of troubled companies. This operation is particularly active in large, complex and high-profile bankruptcies and restructurings. Some of the debtor clients that we have advised include Delta Airlines, Enron, Global Crossing, Mirant, W.R. Grace and Winn-Dixie Stores in their Chapter 11 reorganizations. In addition to restructuring advice, the group has provided general advice to such major companies as General Motors, Goodyear and Xerox. Our restructuring and reorganizing advisory operation has done work in the United States and Europe and in June 2007 we expect to open an office in London to expand our offerings abroad.

Senior-level attention and the ability to facilitate prompt resolutions are critical ingredients in our restructuring and reorganization advisory approach. We believe we have one of the most seasoned and

experienced restructuring and reorganization advisory operations on Wall Street, working on a significant share of all major restructuring assignments. Our six senior managing directors in this area have an average of 19 years of experience in restructuring assignments and employ the skills we feel are crucial to successful restructuring assignments.

Financial Acumen. Our restructuring and reorganization advisory services operation has expertise in corporate finance and business strategy. We help both companies and creditors develop and analyze strategic business plans, financial forecasts and restructuring alternatives as well as create innovative approaches to bring efficient resolution to restructuring assignments.

Broad Relationships. We maintain strong financial and industry relationships with issuers, lenders, distressed-debt investors, legal advisors and others, which are enhanced through contacts maintained by professionals in our other operations. We believe we have a superior record of bringing disparate parties together in multi-party negotiations and that our expertise allows us to negotiate restructuring agreements that satisfy the needs of all parties in large, complex assignments.

Swift Resolution. Our primary goal is to bring a restructuring to a consensual resolution without the expense and delay of major litigation. We believe that our expertise in restructuring assignments allows us to expediently narrow the focus to the key issues facing each constituency, helping to bring the restructuring to a quicker resolution.

Early Involvement To Increase Flexibility. To be fully effective, we strive to become involved before a bankruptcy filing becomes inevitable. We believe that the earlier we become involved, the higher the probability that a company can complete an out-of-court refinancing or restructuring and the greater the number of options that remain available.

Understanding Bankruptcy Processes. We believe that our restructuring specialists have a comprehensive understanding of Chapter 11 bankruptcy processes and a proven ability to manage these processes to maximize value for clients. Our professionals also have extensive experience providing expert witness testimony.

Park Hill Group

Park Hill Group provides fund placement services for corporate private equity funds, real estate funds, venture capital funds and hedge funds. Park Hill Group primarily provides placement services to unrelated third-party sponsored funds. It also assists us in raising capital for our own investment funds from time to time and providing insights into new alternative asset products and trends. Park Hill Group was formed in 2005 with a focus on corporate private equity, mezzanine and venture capital funds. In June 2006 we added a team focused on real estate funds, and a team specializing in hedge funds and related vehicles. Park Hill Group has approximately 50 employees and offices in New York, San Francisco, Chicago, Dallas and Los Angeles. Since it commenced operation in 2005, Park Hill Group has assisted 18 clients in raising an aggregate of $42.6 billion of capital. Park Hill Group and our investment funds each benefit from the others' relationships with both limited partners and other fund sponsors.

New Business and Other Growth Initiatives

Our management's principal operating strategy throughout our firm's 21-year history has been to seek to grow by expanding our existing businesses and entering into attractive new businesses. While most of our growth in recent years has come from the substantial growth of our core operations (primarily through substantial growth in the size and favorable investment results of our investment

funds), significant growth has also come from our entry into various new businesses. The following lists the various new businesses initiatives we have implemented since 1999:

1999

We entered the mezzanine debt business by raising a fund investing primarily in mezzanine debt of middle-market companies.

2000

We opened an office in London to build our corporate private equity and real estate opportunity activities in Europe.

We established Blackstone Communications Partners, a private equity fund concentrating on investment in companies in the communications field.

2001

BAAM opened a London office to grow its European capabilities.

2002

We entered the senior debt business by establishing the first of a series of structured vehicles investing primarily in senior secured loans.

We established Blackstone Real Estate Partners International L.P., a private equity fund focused on real estate investments outside the United States.

2004

Our real estate operation opened an office in Paris.

2005

We entered the fund placement business by establishing the Park Hill Group, to provide placement services to corporate private equity funds and venture capital funds.

We established our first proprietary hedge fund, the distressed securities hedge fund, which invests primarily in distressed and defaulted debt securities and related equities.

Our corporate private equity operation opened an office in Mumbai to focus on private equity opportunities in India.

Our corporate debt business opened an office in London to manage senior debt vehicles focused on European senior loans.

We entered the closed-end mutual fund business when we were appointed investment manager of two publicly-traded closed-end mutual funds.

Our senior debt operation was expanded when we were appointed investment manager of two CDO funds established by another asset manager.

2006

We expanded our fund placement business to provide placement services to real estate funds and hedge funds.

We established our second proprietary hedge fund which focuses on long and short investments primarily in equity securities.

BAAM opened an office in Hong Kong to enhance its Asian capabilities.

Our mergers and acquisitions advisory services operation opened an office in London to expand its European service offerings.

2007

Our real estate operation opened an office in Mumbai.

Our corporate private equity operation opened an office in Hong Kong to expand its scope in Asia.

We entered into a venture to invest in infrastructure projects in India.

Our restructuring and reorganization advisory services operation opened an office in London to expand its European service offerings.

We regularly explore new business opportunities that are complementary to our existing asset management and financial advisory businesses, that can benefit from being affiliated with us and that are expected to generate attractive returns to common unitholders, and we will continue to consider such expansion opportunities in the future. One of the reasons for this offering and one of the intended uses of net proceeds from this offering is to provide capital to facilitate our expansion into complementary new businesses.

In addition to exploring entering into new businesses, we intend to continue to explore ways to expand our existing businesses as we have successfully done throughout our firm's history, including by (1) adding new investment funds to our various asset management businesses (potentially including new structured debt and asset backed funds, a new fund of funds with different investment strategies, new proprietary hedge funds and industry- or geography-specialized types of private equity funds) and otherwise pursuing ways to expand our assets under management in all of our asset management businesses, and (2) continuing to attract to our firm individuals who can help us expand our asset management and financial advisory businesses into new investment or advisory areas and new geographic regions.

We expect that most of our expansion into new businesses will be effected in the same manner as all of our previous entries into new businesses by bringing into our firm experienced professionals and helping them build a new business for us. However, we may also consider pursuing selected strategic acquisitions of existing businesses that will either be complementary or additive to our existing businesses.

Investment Process and Risk Management

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

Corporate Private Equity Funds

Our corporate private equity investment professionals are responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting investments, as well as pursuing operational improvements. After an initial selection, evaluation and diligence process, the relevant team of investment professionals will present a proposed transaction to a weekly review committee comprised

of the senior managing directors of our corporate private equity operation, a number of whom participate in each weekly meeting. Review committee meetings are co-chaired by our President and Chief Operating Officer, Hamilton E. James, and Garrett M. Moran. After discussing the contemplated transaction with the deal team, the review committee will decide whether to give its preliminary approval to the deal team to continue the selection, evaluation, diligence and negotiation process and provides guidance on strategy, process and other pertinent considerations.

Once a proposed transaction has reached a more advanced stage, it undergoes a detailed interim review by the investment committee of our corporate private equity funds. At the conclusion of the process, an investment committee memo detailing key aspects of the transaction and an analysis of the company and the industry in question is prepared by the deal team for the investment committee's final review and approval. The investment committee of our corporate private equity funds is chaired by our Chairman and Chief Executive Officer, Stephen A. Schwarzman, and comprises the other senior managing directors of our corporate private equity operation. Hamilton E. James and Garrett M. Moran participate in each meeting, along with a rotating group of other senior managing directors who are designated to attend all investment committee meetings for a specified period of time. Both the review committee and the investment committee processes involve a consensus approach to decision-making among committee members. The investment committee is responsible for approving all investment decisions made on behalf of our corporate private equity funds and will typically conduct several lengthy meetings to consider a particular investment before finally approving that investment and its terms. Both at such meetings and in other discussions with the deal team, members of the investment committee will provide guidance to the deal team on strategy, process and other pertinent considerations.

The investment professionals of our corporate private equity funds are responsible for monitoring an investment once it is made and for making recommendations with respect to exiting an investment. In addition to members of a deal team and our portfolio management group responsible for monitoring and enhancing portfolio companies' operations, all professionals in the corporate private equity operation meet several times each year to review the performance of the funds' portfolio companies. The investment committee approves all disposition decisions made on behalf of the funds.

Real Estate Opportunity, Mezzanine and Senior Debt Funds

Each of our real estate opportunity, mezzanine and senior debt operations has an investment committee process similar to that described under " Corporate Private Equity Funds." The real estate investment committee, which includes Stephen A. Schwarzman, Hamilton E. James and the senior managing directors in the real estate operation, scrutinize potential transactions, provide guidance and instructions at the appropriate stage of each transaction and approve the making of each investment as well as each disposition. The investment committees for the mezzanine and senior debt operations, which comprise Stephen A. Schwarzman, Hamilton E. James, Garrett M. Moran, Kenneth C. Whitney and senior members of the respective operations, review potential transactions, provide input regarding the scope of due diligence and approve recommended investments and dispositions. These investment committees have delegated certain abilities to approve investments and dispositions to credit committees within each operation which consist of the senior members of these operations.

Funds of Hedge Funds

Before deciding to invest in a new hedge fund, our fund of hedge fund operation conducts extensive due diligence. A dedicated team of investment professionals conducts an on-site "front office" review of each potential hedge fund manager, including a due diligence review, reference check and background investigation, as well as an on-site "back-office" review comprising an operational/compliance review and a legal review. The team of investment professionals will present a proposed investment to the fund of hedge fund investment committee, which reviews key aspects of the proposed

investment and is comprised of our fund of hedge fund senior managing directors and other senior investment professionals. The fund of hedge fund investment committee is directly responsible for investment decisions and meets on at least a monthly basis. With respect to each of our funds of hedge funds, the investment committee monitors the investments of the fund on an ongoing basis in order to ensure compliance with the fund's investment guidelines. Recommendations by the investment committee to approve an investment in a hedge fund are sent to the executive committee, chaired by J. Tomilson Hill, which makes the ultimate decision whether to approve an investment. Our fund of hedge fund operation is assisted by the advice and guidance of its President's Council, which provides market insights and strategy recommendations. The President's Council is comprised of Stephen A. Schwarzman, Peter G. Peterson, Hamilton E. James, J. Tomilson Hill, other senior Blackstone investment personnel and external senior professionals who are experienced in the investment advisory business.

To ensure that both individual hedge fund managers and fund portfolios are positioned to meet formulated risk and return objectives, our fund of hedge fund operation employs comprehensive quantitative analysis to understand each underlying manager's individual risk profile, as well as the effect it has on an overall portfolio of the applicable fund of hedge funds. In addition, our fund of hedge fund operation actively monitors hedge funds on an ongoing basis. Our professionals regularly contact underlying managers to obtain information on investment strategy, key risk and return drivers, large positions and their hedges, market trends and their impact and organizational developments.

Proprietary Hedge Funds

The senior managing director who leads each of our proprietary hedge funds is responsible for all investment and risk management activities for that fund. In addition, these senior managing directors meet weekly with an oversight committee consisting of Stephen A. Schwarzman, Hamilton E. James and Garrett M. Moran to discuss investment and risk management activities and market conditions.

Maximizing Intellectual Knowledge

Because Messrs. Schwarzman, James and Moran actively participate in the oversight of the investment processes for most of our funds as noted above, they are able to ensure that relevant knowledge or contacts that one business has are made available to other businesses than can benefit from such knowledge or contacts (working at all times with our compliance group to insure that we maintain full compliance with the legal and contractual obligations to which we are subject).

Structure and Operation of Our Investment Funds

We conduct the sponsorship and management of our carry funds and other similar vehicles primarily through a partnership structure in which limited partnerships organized by us accept commitments and/or funds for investment from institutional investors and (to a limited extent) high net worth individuals. Hedge funds and other investment vehicles, such as many of our funds of hedge funds and our proprietary hedge funds, are generally organized as limited partnerships with respect to U.S. domiciled vehicles and limited liability (and other similar) companies with respect to non-U.S. domiciled vehicles.

Typically, an investment fund has an investment adviser, which is registered under the Advisers Act. Substantially all of the responsibility for the day-to-day operations of the investment funds is typically delegated to the investment funds' respective investment advisers. The investment funds themselves do not register as investment companies under the Advisers Act or the 1940 Act, in reliance on Section 3(c)(7) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof or Section 7(d) thereof. Section 3(c)(7) of the 1940 Act excepts from its registration requirements investment funds privately placed in the United States whose securities are owned

exclusively by persons who, at the time of acquisition of such securities, are "qualified purchasers." Section 3(c)(1) of the 1940 Act excepts from its registration requirements privately placed investment funds whose securities are beneficially owned by not more than 100 persons. In addition, under current interpretations of the SEC, Section 7(d) of the 1940 Act exempts from registration thereunder any non-U.S. investment fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers.

In addition to having an investment adviser, each investment fund that is a limited partnership, or partnership fund, is ultimately managed by its general partner, which makes all policy and investment decisions relating to the conduct of the investment fund's business. Furthermore, all decisions concerning the making, monitoring and disposing of investments are made solely by the general partner. The limited partners of the partnership funds take no part in the conduct or control of the business of the investment funds, have no right or authority to act for or bind the investment funds and have no influence over the voting or disposition of the securities or other assets held by the investment funds, although such limited partners may often remove the general partner or manager or cause an early liquidation by supermajority vote. These decisions are made by the investment fund's general partner in its sole discretion. In connection with this offering, we are amending the governing agreements of all of our investment funds (with the exception of a limited number of our funds of hedge funds) to provide that, subject to certain conditions, third-party investors in those funds will have the right, without cause, to vote to accelerate the liquidation date of the investment fund or withdrawal of their capital by a simple majority vote.

Incentive Arrangements / Fee Structure

The investment adviser of each of our carry funds generally receives an annual management fee that ranges from 1.0% to 2.0% of the investment fund's capital commitments during the investment period and at least 0.75% of invested capital after the investment period. The investment adviser of each of our proprietary hedge funds receives an annual management fee that ranges from 1.5% to 2.0% of the hedge fund's net asset value. The investment adviser of each of our funds of hedge funds is generally entitled to a management fee with respect to each fund it manages ranging from 0.75% to 1.5% of assets under management per annum. The investment adviser of each of our senior debt vehicles receives annual management fees typically equal to 0.50% to 1.25% of each fund's total assets, generally with additional management fees which are incentive based (that is, subject to meeting certain return criteria). The investment adviser of each of our closed-end mutual funds receives an annual management fee that ranges from 0.75% to 1.1% depending on the amount of assets in the applicable fund. The management fees we receive from our carry funds are payable on a regular basis (typically quarterly) in the contractually prescribed amounts noted above over the life of the fund and do not depend on the investment performance of the fund. The management fees received by our hedge funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual or quarterly withdrawal or redemption rights following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years) and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor's capital account grows and will proportionately decrease as the net asset value of each investor's capital account decreases. The assets under management measure we present in this prospectus as of March 1, 2007 includes approximately $4.4 billion of assets under management relating to our own and employees' investments in our funds as to which we charge either no or nominal management fees.

The general partner or an affiliate of each of our carry funds, our proprietary hedge funds and certain of our funds of hedge funds and senior debt vehicles also receives "carried interest" or an "incentive fee" from the investment fund. Carried interest or incentive fees entitle the general partner (or an affiliate) to a percentage of a fund's gains, effectively serving as a performance-based incentive.

The carried interest or incentive fees are typically structured as a net profits interest in the applicable fund. In the case of our carry funds, carried interest is calculated on a "realized gain" basis, and each general partner is generally entitled to a carried interest equal to 20% of the net realized income and gains (generally taking into account unrealized losses) generated by such fund. Net realized income or loss is not netted between or among funds. For most carry funds, the carried interest is subject to an annual preferred limited partner return ranging from 7.0% to 9.0%. If, as a result of diminished performance of later investments in a carry fund's life, the carry fund does not achieve investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives in excess of 20% of the fund's net profits over the life of the fund, we will be obligated to repay the amount by which the carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled. This obligation, which is known as a "clawback" obligation, operates with respect to a given carry fund's own net investment performance only. Performances of other funds are not netted for this purpose. In the case of our proprietary hedge funds, performance fees (or similar incentive allocations) are equal to 20% of the applicable fund's net capital appreciation per annum, subject to certain net loss carry-forward provisions (known as a "high water mark"). In the case of some of our funds of hedge funds, we receive incentive fees ranging from 5% to 10% of net appreciation per annum, subject to a high water mark and in some cases a preferred return. The incentive fees for our senior debt vehicles are typically subject to minimum return thresholds and are payable either as a percentage of assets under management or as a percentage of investment income.

The fee structure of funds that are limited liability (and other similar) companies, or "limited liability company funds," is somewhat different from that of partnership funds. However, in the case of both types of funds, the carried interest with respect to the investment funds is often the primary source of our revenues from the management of the investment funds and the chief incentive for producing strong performance. Like the general partners of the partnership funds, the investment advisers of the limited liability company funds also have carried interest in those funds. For limited liability company funds, the carried interest is sometimes structured as an incentive fee payable to the investment adviser and other times is structured as an incentive allocation payable to an affiliate of the investment adviser by a wholly-owned limited partnership subsidiary of the fund.

Our carry funds receive customary transaction fees upon consummation of many of their funds' acquisition transactions, receive monitoring fees from many of their portfolio companies following acquisition, and may from time to time receive disposition and other fees in connection with their activities. The transaction fees which they receive are generally calculated as a percentage (that can range up to 1%) of the total enterprise value of the acquired entity. Our carry funds are required to reduce their management fees charged to their limited partner investors by 50% to 100% of such transaction fees and certain other fees that they receive. We believe the stability of our fee revenue sets us apart from many financial services firms. A majority of our aggregate fee income in 2006 was derived from multi-year contractual arrangements.

Capital Invested In and Alongside Our Investment Funds

To further align our interests with those of investors in our investment funds, we have invested our own capital and that of our senior managing directors in the investment funds we sponsor and manage. A portion of the proceeds from this offering will be used to fund our general partner capital commitments to our investment funds.

Investors in many of our carry funds also receive the opportunity to make additional "co-investments" with the investment funds. Our senior managing directors and employees, as well as Blackstone itself, also make co-investments, which we refer to as "side-by-side investments," with all of our carry funds. Co-investments and side-by-side investments are investments in portfolio companies or other assets on the same terms and conditions as those acquired by the applicable fund. Co-investments refer to investments arranged by us that are made by our limited partner investors (and some other

investors in some instances) in a portfolio company or other assets alongside a carry fund. In certain cases, such co-investments may involve additional fees or carried interest. Side-by-side investments are similar to co-investments but are made pursuant to a binding election, subject to certain limitations, submitted in January of each year for the estimated activity during the ensuing 12 months under which the senior managing directors, employees and certain affiliates of Blackstone, as well as Blackstone itself, are permitted to make investments alongside a particular carry fund in all transactions of that fund for that year. After this offering, we expect that Blackstone will increase considerably the amount of its side-by-side investments in our carry funds.

Our intended uses of the proceeds from this offering include funding co-investments by us in our corporate private equity funds' acquisition transactions in situations in which there is available equity for investment in excess of the amounts that we think is appropriate for our fund to commit and which is not subscribed for through co-investments by our limited partners in that fund. As the manager of the largest private equity fund in the world, we (either alone or as a leading firm involved in consortium transactions) are frequently in a position to make determinations regarding the allocation of equity investment opportunities. Indeed, there was approximately $14 billion of equity capital that was invested by third parties (other than co-investments by our limited partners) in transactions consummated by our corporate private equity and real estate opportunity funds in 2006. With the additional capital we will have as a result of this offering, we intend to co-invest in corporate private equity and real estate transactions led by us in the manner described above.

The Historical Investment Performance of Our Investment Funds

The following tables present information relating to the historical performance of our carry funds, hedge funds and mutual funds, including certain legacy Blackstone funds that do not have a meaningful amount of unrealized investments, the general partners of which are not being contributed to Blackstone Holdings in the Reorganization. The data for these investment funds is presented from the date indicated through December 31, 2006 and has not been adjusted to reflect acquisitions or disposals of investments subsequent to that date.

When considering the data presented below, you should note that the historical results of our investment funds are not indicative of the future results that you should expect from such funds, from any future investment funds we may raise or from your investment in our common units. The historical and potential future returns of the investment funds we manage are not directly linked to returns on our common units. Therefore, you should not conclude that continued positive performance of the investment funds we manage will necessarily result in positive returns on an investment in our common units. However, poor performance of the investment funds that we manage would cause a decline in our revenue from such investment funds, and would therefore have a negative effect on our performance and in all likelihood the returns on an investment in our common units.

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

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

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

- our investment funds' returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including favorable borrowing conditions in the debt

markets, and there can be no assurance that our current or future investment funds will be able to avail themselves of comparable investment opportunities or market conditions; and

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

See "Risk Factors Risks Relating to Our Asset Management Businesses Valuation methodologies for certain assets in our funds can be subject to significant subjectivity and the values of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds" and " The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units". In addition, future returns will be affected by the applicable risks described elsewhere in this prospectus, including risks of the industries and businesses in which a particular fund invests.

Definitions

Internal Rates of Return. The internal rate of return, or "IRR," for an investment fund measures the aggregate returns generated by the fund's investments over a holding period. In all cases, rates of return were computed using what is known as a "dollar-weighted" rate of return, which takes into account the timing of cash flows and amounts invested at any given time, and realized and unrealized returns were determined using the methodologies described below with respect to our various funds.

Gross Annualized IRR. The gross annualized IRR of an investment fund represents the cumulative investment-related cash flows for all of the partners of the investment fund and our side-by-side investments before management fees and the general partner's allocation of profits but after all other partnership expenses (including interest incurred by the fund itself). Gross annualized IRRs are calculated before giving effect to the allocation of realized and unrealized returns on the fund's investments to the fund's general partner pursuant to carried interest, the payment of any applicable management fees to the fund and the incurrence of organizational expenses. These amounts measure the returns on the fund's investments as a whole without regard to whether all of the returns would, if distributed, be payable to the investment fund's limited partners.

Net Annualized IRR. The net annualized IRR of an investment fund represents the cumulative investment-related cash flows as used in the calculation of the gross annualized IRR applicable to all limited partners and net of management fees, organizational expenses, transaction costs, and other partnership expenses (including interest incurred by the fund itself) and the general partner's allocation of profits. To the extent that the fund exceeds all requirements detailed within the applicable partnership agreement, the unrealized value is adjusted such that 20% of the unrealized gain is allocated to the general partner, thereby reducing the balance attributable to the limited partners. These amounts measure returns based on amounts that, if distributed, would be paid to limited partners of the fund.

Gross Annualized Returns. The gross annualized return of an investment fund represents the gross compound annual rate of return based on proceeds and estimated valuations as of a specified date. Investments valued at original cost are included in the computation of the unrealized returns.

Net Annualized Returns. The net annualized return of an investment fund represents the net compound annual rate of return after management fees, organizational expenses, partnership expenses and the general partner's allocation of profits. Investments valued at original cost are included in the computation of the unrealized returns.

Combined Annualized IRR or Annualized Returns. The combined annualized IRR or annualized returns of an investment fund represent the cumulative investment-related cash flows for all underlying

investments in an operation since inception without regard to the investment fund to which such investments relate in accordance with the definitions set forth above.

Volatility. Volatility is a measure of uncertainty or risk related to the size of changes in a security's value.

Independent Valuation Firm

We intend to retain an independent valuation firm, to assist us in valuing our investments and those of our investment funds on an annual basis. While our management will make determinations as to investment values, the independent valuation firm will provide third-party valuation assistance in accordance with limited procedures that we will identify and request it to perform. These procedures will not involve an audit, review compilation or any other form of examination or attestation under generally accepted auditing standards. In accordance with U.S. GAAP, an investment for which a market quotation is readily available will be valued using a market price for the investment as of the end of the applicable reporting period and an investment for which a market quotation is not readily available will be valued at the investment's fair value as of the end of the applicable reporting period as determined in good faith. While there is no single standard for determining fair value in good faith, the methodologies described below will generally be followed when fair value pricing is applied. The historical return information we present below has not been prepared with the assistance of an independent valuation firm.

Historical Returns of our Carry Funds

The aggregate realized value of a carry fund's portfolio company investments is calculated based on the historical amount of the net cash and marketable securities actually distributed to fund investors from all of the fund's investments made from the date of the fund's formation through the valuation date. Such amounts do not give effect to the allocation of any realized returns to the fund's general partner pursuant to carried interest or the payment of any applicable management fees to the fund's investment adviser. Where the value of an investment was only partially realized, the actual cash and other consideration distributed to fund investors was classified as realized value and the balance of the value of the investment was classified as unrealized and valued using the methodology described below.

The aggregate unrealized value of a carry fund is calculated by adding the individual unrealized values of the fund's portfolio companies. Individual investment valuations were obtained using market prices where a market quotation was available for the investment or fair value pricing where a market quotation was not available for the investment. Fair value pricing represents an investment's fair value as determined by us in good faith. Market value represents a valuation of an investment derived from the last available closing sales price as of the valuation date. Market values derived from market quotations do not take into account various factors which may affect the value that may ultimately be realized in the future, such as the possible illiquidity associated with a large ownership position.

There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. We determine the fair values of investments for which market quotations were not readily available based on the enterprise values at which we believe the portfolio companies could be sold in orderly dispositions over a reasonable period of time between willing parties other than in a forced or liquidation sale. There can be no assurance that unrealized values will be realized for the amount shown.

Investment Record

Since its inception in 1987 through December 31, 2006, our corporate private equity operation has achieved an aggregate multiple of invested capital for realized and partially realized investments of 2.6x. Since its inception in 1991 through December 31, 2006, our real estate operation has achieved an aggregate multiple of invested capital for realized and partially realized investments of 2.4x. The following table summarizes the investment record for our carry funds. Information is presented for the last year, the last three years, the last five years, the last ten years and over the life of the investment funds, as applicable.

Fund (Inception Date)	Total Invested Capital(1)	Total Unrealized Value (BOY)(1)	Realized Value	Unrealized Value	Total Realized/ Unrealized Value	Combined Fund Level Annualized IRR(2)	Combined Annualized IRR Net of Fees(3)
			($ in millions)				
Corporate Private Equity Funds (1987):							
January 1, 2006 through December 31, 2006	$ 7,467	$ 11,069	$ 5,302	$ 16,567	$ 21,868	29.4%	24.1%
January 1, 2004 through December 31, 2006	11,951	6,906	12,911	16,567	29,477	44.1	35.0
January 1, 2002 through December 31, 2006	14,663	4,390	14,841	16,567	31,408	32.1	26.2
January 1, 1997 through December 31, 2006	18,459	1,152	17,529	16,567	34,095	26.4	21.3
Inception through December 31, 2006	19,774		19,327	16,567	35,894	30.8	22.8
Real Estate Opportunity Funds (1991):							
January 1, 2006 through December 31, 2006	$ 3,283	$ 2,845	$ 3,017	$ 6,476	$ 9,493	105.6%	84.4%
January 1, 2004 through December 31, 2006	5,499	1,723	6,960	6,476	13,436	85.7	66.2
January 1, 2002 through December 31, 2006	6,359	1,581	8,131	6,476	14,607	46.0	37.5
January 1, 1997 through December 31, 2006	8,582	501	11,029	6,476	17,505	35.6	28.0
Inception through December 31, 2006	9,200(4)		11,544(4)	6,476	18,020(4)	38.2(4)	29.2(4)
Mezzanine Funds (1999):							
January 1, 2006 through December 31, 2006	$ 246	$ 448	$ 136	$ 608	$ 745	9.7%	6.6%
January 1, 2004 through December 31, 2006	730	485	918	608	1,526	22.2	19.4
January 1, 2002 through December 31, 2006	1,005	310	1,102	608	1,710	17.6	12.9
Inception through December 31, 2006	1,322		1,152	608	1,760	16.0	9.3

(1) Includes side-by-side investments made by our affiliates.

(2) Represents the combined gross annualized IRR on total invested capital based on realized proceeds and estimated valuations as of December 31, 2006, before management fees, organizational expenses and the carried interest but after partnership expenses (including interest incurred by the fund itself).

(3) Represents the combined net annualized IRR for third-party investors after management fees, organizational expenses, partnership expenses (including interest incurred by the fund itself) and the general partner's allocation of profit.

(4) Includes $140.7 million invested by us and our first corporate private equity fund prior to the inception of our first real estate opportunity fund.

Historical Returns of our Other Funds

Fund of Hedge Funds. In general, we will value the assets of our funds of hedge funds at fair market value in a commercially reasonable manner. We may rely on the net asset valuations provided

to us by the underlying hedge funds in which our funds of hedge funds invest. Valuations provided by the underlying hedge funds may be subject to adjustment by us if we believe that the valuations furnished do not fairly reflect the fair market value of the underlying assets.

Senior Debt Vehicles. Our senior debt vehicles are cash flow structures and as such do not require mark-to-market valuations. Our senior debt vehicles have various covenants related to cash flow, collateral profile and collateral principal amount which dictate investment parameters and cash flow distributions of each fund. The payments of incentive fees on our senior debt vehicles are determined based upon cash flow distributions to each vehicle's investors; such incentive fees are typically not payable until the end of each vehicle's investment period.

Proprietary Hedge Funds. Securities that are listed on a recognized exchange or a computerized quotation system and that are freely transferable will generally be valued at their last sales price on the relevant exchange or computerized quotation system on the date of determination or, if no sales occurred on such day, generally at the "bid" price (and if sold short at the "asked" price) on the consolidated tape at the close of business on such day. All other assets of the hedge fund will be valued at fair value in the manner determined by us. The foregoing valuation methods may be changed by us if we determine in good faith that such change is advisable to better reflect market conditions or activities.

Closed-End Mutual Funds. Securities that are listed on a recognized exchange or a computerized quotation system and that are freely transferable are valued at their last sales price on the relevant exchange or computerized quotation system on the date of determination or, if no sales occurred on such day, generally at the mean between the "bid" and "asked" prices on the consolidated tape at the close of business on such day or "bid" price if only bid quotations are available. Securities for which sales prices and bid and asked quotations are not available on the date of determination may be valued at the most recently available prices or quotations under policies adopted by our closed-end mutual funds' boards of directors. Investments in short-term debt securities having a maturity of 60 days or less are valued at amortized cost which approximates market value. All other securities and assets are carried at fair value as determined in good faith by our closed-end mutual funds' boards of directors.

Investment Record

The following table summarizes the investment record for our funds of hedge funds, proprietary hedge funds and closed-end mutual funds. The investment record for our funds of hedge funds is presented generally by investment strategy and includes 16 broadly diversified funds, 22 strategy focused funds, 25 opportunistic funds and eight special purpose vehicles that we manage for clients

with custom tailored strategies. Information is presented for the last year, the last three years, the last five years, the last ten years and over the life of the investment funds, as applicable.

Fund (Inception Date)	Assets Under Management as of the End of the Period	Combined Fund Level Annualized Returns	Annualized Returns, Net of Fees	Volatility
	($ in millions)			
Funds of Hedge Funds(1):				
Broadly Diversified				
January 1, 2006 through December 31, 2006 (1 year)		12.7%	11.4%	3.3%
January 1, 2004 through December 31, 2006 (3 year)		8.3%	7.0%	2.8%
January 1, 2002 through December 31, 2006 (5 year)		7.9%	6.5%	2.7%
January 1, 1997 through December 31, 2006 (10 year)		11.4%	10.0%	3.8%
Inception through December 31, 2006	$ 6,913	12.4%	11.0%	4.8%
Strategy Focused				
January 1, 2006 through December 31, 2006 (1 year)		12.3%	10.3%	3.6%
January 1, 2004 through December 31, 2006 (3 year)		11.1%	9.4%	3.6%
January 1, 2002 through December 31, 2006 (5 year)		10.6%	8.9%	3.8%
January 1, 1997 through December 31, 2006 (10 year)		N/A	N/A	N/A
Inception through December 31, 2006	$ 4,744	10.8%	9.2%	4.0%
Opportunistic				
January 1, 2006 through December 31, 2006 (1 year)		12.2%	10.0%	5.2%
January 1, 2004 through December 31, 2006 (3 year)		11.0%	9.0%	4.5%
January 1, 2002 through December 31, 2006 (5 year)		9.2%	7.3%	3.8%
January 1, 1997 through December 31, 2006 (10 year)		13.5%	11.3%	6.1%
Inception through December 31, 2006	$ 6,322	14.6%	12.2%	6.0%
Client Customized Funds (SPVs)				
January 1, 2006 through December 31, 2006 (1 year)		13.2%	11.9%	3.7%
January 1, 2004 through December 31, 2006 (3 year)		8.8%	7.7%	3.1%
January 1, 2002 through December 31, 2006 (5 year)		N/A	N/A	N/A
January 1, 1997 through December 31, 2006 (10 year)		N/A	N/A	N/A
Inception through December 31, 2006	$ 3,398	9.3%	8.1%	2.9%
Proprietary Hedge Funds:				
Distressed Securities Hedge Fund July 1, 2005:				
January 1, 2006 through December 31, 2006	$ 1,037	13.3%	9.3%	
Inception through December 31, 2006		11.5%	7.9%	1.8%
Equity Hedge Fund (October 1, 2006):				
Inception through December 31, 2006	$ 647	11.6%(2)	8.9%(2)	6.7%

Fund (Inception Date)	Assets Under Management as of the End of the Period	Combined Fund Level Annualized Returns	Annualized Returns, Net of Fees	Volatility
Closed-End Mutual Funds:				
The India Fund (December 2005)(3):				
Inception through December 31, 2006	$ 1,913		43.9%	
The Asia Tigers Fund (December 2005)(3):				
Inception through December 31, 2006	$ 105		42.5%	

(1) Total assets by strategy groups presented above include inter-fund investments made by our funds of hedge funds.

(2) Reflects aggregate returns from October 1, 2006 (the date operations commenced) through December 31, 2006.

(3) A subsidiary of ours has been the investment manager of The India Fund and The Asia Tigers Fund since December 5, 2005. The current portfolio manager has managed The India Fund since August 1, 1997 and has managed The Asia Tigers Fund since July1, 1999. The net annualized returns, based on net asset value, have been calculated since December 5, 2005.

Our senior debt vehicles are closed end funds that are privately placed to an investor base traditionally interested in hold-to-maturity type securities. These vehicles are capitalized with (1) debt instruments rated investment-grade that pay holders a contractual margin above a floating rate of interest; and (2) tiers of subordinated securities that are either rated non-investment-grade or not rated at all. Typically, the subordinated securities that are rated non-investment grade pay holders a contractual margin above a floating rate of interest. The most subordinated security benefits from all residual income after satisfying the vehicle's debt service obligations, administrative expenses and

management fees. The most subordinated security typically represents approximately 7.0% to 15.0% of a vehicle's total capitalization. Return outcomes vary based on a number of factors. A principal determinant among these factors is the default rate experienced by a vehicle's assets over its investment period. As of December 31, 2006, our funds under management experienced an annualized default rate of 0.26%. As of December 31, 2006, the cumulative return, net of fees, since inception (November 22, 2002) to the holders of our vehicles' most subordinated securities was 14.3% and the gross cumulative return over that same period was 21.2% (before management fees, but after deducting interest expense and administrative expenses). When calculating these returns, (1) we take into consideration actual distributions by each vehicle to date; (2) we assume each vehicle's formation expenses are amortized over the contractual weighted average life of the vehicle; and (3) we exclude the three vehicles which closed after September 30, 2006 as such vehicles are still in their contractually agreed upon period of asset accumulation.

Competition

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

Asset Management. We face competition both in the pursuit of outside investors for our investment funds and in acquiring investments in attractive portfolio companies and making other investments. Depending on the investment, we expect to face competition primarily from other private equity funds, specialized investment funds, hedge fund sponsors, other financial institutions, corporate buyers and other parties. Many of these competitors in some of our businesses are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Several of these competitors have recently raised, or are expected to raise, significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Lastly, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors could well lead to a reduction in the size and duration of pricing inefficiencies that many of our investment funds seek to exploit.

Financial Advisory. Our competitors are other financial advisory and investment banking firms. Our primary competitors in our financial advisory business are large financial institutions, many of which have far greater financial and other resources and much broader client relationships than us and (unlike us) have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage and a wide range of investment banking services, which may enhance their competitive position. Our competitors also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services revenue in an effort to gain market share, which puts us at a competitive disadvantage and could result in pricing pressures that could materially adversely affect our revenue and profitability. In addition, Park Hill Group operates in a highly competitive environment and the barriers to entry into the fund placement business are low.

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

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

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our people. As of December 31, 2006, we employed approximately 770 people, including our 57 senior managing directors and approximately 335 other investment and advisory professionals. We strive to maintain a work environment that fosters professionalism, excellence, integrity and cooperation among our employees.

Our Senior Managing Directors

Set forth below are the names, ages, numbers of years with Blackstone and area of operation of each of our senior managing directors other than our directors and executive officers, Stephen A. Schwarzman, Peter G. Peterson, Hamilton E. James, J. Tomilson Hill, Michael A. Puglisi and Robert L. Friedman, who are each described in "Management Directors and Executive Officers". We use the title "senior managing director" to refer to our senior asset management and financial advisory professionals; this title does not imply that these individuals are directors or officers of the general partner of Blackstone Group Management L.L.C.

Name	Age	Years with Blackstone
Corporate Private Equity Funds		
Joseph Baratta	36	8
David Blitzer	37	15
Michael S. Chae	38	9
Chinh E. Chu	40	17
David I. Foley	39	11
Lawrence H. Guffey	38	15
Akhil Gupta	54	1
Benjamin J. Jenkins	36	7
Antony Leung	55	<1
Prakash Melwani	48	3
Garrett M. Moran	52	1
James A. Quella	57	2
Paul C. Schorr IV	39	1
Neil P. Simpkins	40	8
David Tolley	39	6
Real Estate Opportunity Funds		
Jonathan D. Gray (co-head)	37	14
Chad R. Pike (co-head)	35	11
Gary M. Sumers (chief operating officer)	54	12
Kenneth A. Caplan	33	9
Frank Cohen	34	10
William J. Stein	44	10

BAAM		
Bruce H. Amlicke (chief investment officer)	43	3
Brian F. Gavin	37	4
Halbert D. Lindquist	60	10
Stephen W. Sullens	39	5
Corporate Debt Funds		
Howard Gellis (head)	53	8
Salvatore Gentile	44	8
Dean T. Criares	44	5
Distressed Securities Hedge Fund		
John D. Dionne (head)	43	2
Equity Hedge Fund		
Manish Mittal (head)	34	<1
Closed-End Mutual Funds		
Punita Kumar-Sinha (head)	44	1
Mergers and Acquisitions Advisory Services		
John Studzinski (head)	51	<1
A. J. Agarwal	40	14
Martin Alderson Smith	49	15
Mary Anne Citrino	47	2
Michael Dugan	51	2
James Fields	51	1
Erik S. Katz	41	15
Jonathan Koplovitz	38	10
Thomas Middleton	50	3
Laurence Nath	45	1
Raffiq A. Nathoo	40	15
William S. Oglesby	47	2
Restructuring and Reorganization Advisory Services		
Arthur B. Newman (head)	63	15
Timothy R. Coleman	52	15
Paul Huffard	43	11
Nicholas P. Leone	41	11
Steven Zelin	43	9
Pamela D. Zilly	53	15
Limited Partner Relations and Fund Placement		
Kenneth C. Whitney	48	16
Administration		
Sylvia Moss	64	9

Regulatory and Compliance Matters

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

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

Blackstone Advisory Services L.P., a wholly-owned subsidiary of ours through which we conduct our financial advisory business, is registered as a broker-dealer with the SEC and is a member of the National Association of Securities Dealers, Inc. or "NASD," and is registered as a broker-dealer in 44 states, the District of Columbia and the Commonwealth of Puerto Rico. Park Hill Group LLC is registered as a broker-dealer with the SEC and is a member of the NASD and is registered as a broker-dealer in several states. Park Hill Group Real Estate Group LLC is also registered as a broker-dealer with the SEC and is a member of the NASD and is registered as a broker-dealer in several states. Our broker-dealer entities are subject to regulation and oversight by the SEC. In addition, the NASD, a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including our broker-dealer entities. State securities regulators also have regulatory or oversight authority over our broker-dealer entities.

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

The Blackstone Group International Ltd. is an authorized investment manager in the United Kingdom. The U.K. Financial Services and Markets Act 2000, or "FSMA," and rules promulgated thereunder govern all aspects of the U.K. investment business, including sales, research and trading practices, provision of investment advice, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. Pursuant to the FSMA, certain of our subsidiaries are subject to regulations promulgated and administered by the U.K. Financial Services Authority.

In addition, each of the closed-end mutual funds we manage is registered under the 1940 Act as a closed-end investment company. The closed-end mutual funds and the entities that serve as the funds' investment advisers are subject to the 1940 Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions.

The SEC and various self-regulatory organizations have in recent years aggressively increased their regulatory activities in respect of asset management firms.

Certain of our businesses are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory

organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities. However, additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of conduct, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Administrative Officer and Chief Legal Officer supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

Our compliance group also monitors the information barriers that we maintain between each of our different businesses. As noted elsewhere in this prospectus, we believe that our various businesses' access to the intellectual knowledge and contacts and relationships that reside throughout our firm benefits all of our businesses. However, in order to maximize that access without compromising our compliance with the legal and contractual obligations to which we are subject, our compliance group oversees and monitors the communications between or among our firm's different businesses to facilitate regulatory compliance.

Properties

Our principal executive offices are located in leased office space at 345 Park Avenue, New York, New York. We also lease the space for our offices in Atlanta, Boston, Chicago, Dallas, Los Angeles, San Francisco, London, Paris, Mumbai and Hong Kong. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our business.

Legal Proceedings

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our results of operations or financial condition. See "Risk Factors Risks Related to Our Businesses Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our business. The possibility of tax or other legislative measures being adopted in some countries could adversely affect us" and " We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result".

MANAGEMENT

Directors and Executive Officers

The following table sets forth the names, ages and positions of the directors and executive officers of our general partner, Blackstone Group Management L.L.C.

Name	Age	Position
Stephen A. Schwarzman	60	Co-Founder, Chairman and Chief Executive Officer and Director
Peter G. Peterson	80	Co-Founder, Senior Chairman and Director
Hamilton E. James	56	President, Chief Operating Officer and Director
J. Tomilson Hill	58	Vice Chairman and Director
Michael A. Puglisi	56	Chief Financial Officer
Robert L. Friedman	64	Chief Administrative Officer and Chief Legal Officer

Stephen A. Schwarzman is the Chairman and Chief Executive Officer of Blackstone and the Chairman of the Board of Directors of our general partner. Mr. Schwarzman is a founder of The Blackstone Group and has been involved in all phases of the firm's development since its founding in 1985. Mr. Schwarzman began his career at Lehman Brothers, where he was elected Managing Director in 1978. He was engaged principally in the firm's mergers and acquisitions business from 1977 to 1984, and served as Chairman of the firm's Mergers & Acquisitions Committee in 1983 and 1984. Mr. Schwarzman is Chairman of the Board of The John F. Kennedy Center for the Performing Arts. He is also a member of the Council on Foreign Relations and is on the boards of various organizations, including The New York Public Library, The Frick Collection, the New York City Ballet, the Film Society of Lincoln Center, the JPMorgan Chase National Advisory Board and The Partnership for New York City Board of Directors.

Peter G. Peterson is the Senior Chairman of Blackstone and a member of the Board of Directors of our general partner. Mr. Peterson is a founder of The Blackstone Group. Mr. Peterson is Chairman of the Council on Foreign Relations, founding Chairman of the Peter G. Peterson Institute for International Economics (Washington, D.C.) and founding President of The Concord Coalition. Mr. Peterson was the Co-Chair of The Conference Board Commission on Public Trust and Private Enterprises. He was also Chairman of the Federal Reserve Bank of New York from 2000 to 2004. Prior to founding Blackstone, Mr. Peterson was Chairman and Chief Executive Officer of Lehman Brothers (1973-1984). He was Chairman and Chief Executive Officer of Bell and Howell Company from 1963 to 1971. In 1971, President Richard Nixon named Mr. Peterson Assistant to the President for International Economic Affairs. He was named Secretary of Commerce by President Nixon in 1972. Mr. Peterson is a director of The India Fund, Inc. and The Asia Tigers Fund, Inc., and has served on a number of other corporate boards. Mr. Peterson is a Trustee of the Committee for Economic Development, the Japan Society and The Museum of Modern Art and a Director of the National Bureau of Economic Research, The Public Agenda Foundation and The Nixon Center.

Hamilton E. James is President, Chief Operating Officer of Blackstone and a member of the Board of Directors of our general partner. Prior to joining Blackstone in 2002, Mr. James was Chairman of Global Investment Banking and Private Equity at Credit Suisse First Boston and a member of its Executive Board since the acquisition of Donaldson, Lufkin & Jenrette, or "DLJ," by Credit Suisse First Boston in 2000. Prior to the acquisition of DLJ, Mr. James was the Chairman of DLJ's Banking Group, responsible for all the firm's investment banking and merchant banking activities and a member of its Board of Directors. Mr. James joined DLJ in 1975 as an Investment Banking associate. He became head of DLJ's global mergers and acquisitions group in 1982, founded DLJ Merchant Banking, Inc. in 1985, and was named Chairman of the Banking Group in 1995 with responsibility for all of the firm's investment banking, alternative asset management and emerging market sales and trading activities. Mr. James is a Director of Costco Wholesale Corporation and Swift River

Investments, Inc., and has served on a number of other corporate boards. Mr. James is Chairman Emeritus of the Board of Trustees of American Ballet Theatre, Trustee and member of The Executive Committee of the Second Stage Theatre, Vice Chairman of Coldwater Conservations Fund and Trustee of Woods Hole Oceanographic Institute.

J. Tomilson Hill is Vice Chairman of Blackstone and a member of the Board of Directors of our general partner. Mr. Hill is head of our fund of hedge funds operation, having previously served as co-head of our mergers and acquisitions advisory operation before assuming his current role in 2000. Before joining Blackstone in 1993, Mr. Hill began his career at First Boston, later becoming one of the co-founders of its Mergers & Acquisitions Department. After heading the Mergers & Acquisitions Department at Smith Barney, he joined Lehman Brothers as a partner in 1982, serving as Co-Head and subsequently Head of Investment Banking. Later, he served as Co-Chief Executive Officer of Lehman Brothers and Co-President and Co-Chief Operating Officer of Shearson Lehman Brothers Holdings Inc. Mr. Hill is a member of the Council on Foreign Relations and is a member of the Board of Directors of the Lincoln Center Theater. Mr. Hill serves as Chairman of the Board of Trustees of the Smithsonian's Hirshhorn Museum and Sculpture Garden. He serves as a director of OpenPeak Inc.

Michael A. Puglisi is Chief Financial Officer of Blackstone. Since joining Blackstone in 1994, Mr. Puglisi has worked on personnel, financial, tax, compliance and administrative matters. His current responsibilities include firm-wide financial and tax budgeting, analysis and reporting as well as compensation matters and the firm's treasury functions and credit facilities. Before joining Blackstone, Mr. Puglisi served for eleven years in a variety of financial officer roles for Fosterlane Holdings Corporation and its subsidiaries. Prior to Fosterlane, Mr. Puglisi was with Arthur Andersen & Co.

Robert L. Friedman is Chief Administrative Officer and Chief Legal Officer of Blackstone. On joining Blackstone in 1999, Mr. Friedman worked primarily in our corporate private equity operation and also participated in the work of our mergers and acquisitions advisory operation. He became chief administrative officer and chief legal officer in early 2003 and also continues to participate in the work of our corporate private equity and mergers and acquisitions advisory operations. Before joining Blackstone, Mr. Friedman had been a partner with Simpson Thacher & Bartlett LLP for 25 years, where he was a senior member of that law firm's mergers and acquisitions practice. At Simpson Thacher & Bartlett LLP, Mr. Friedman advised The Blackstone Group since we were founded in 1985. Mr. Friedman currently serves as a director of AXIS Capital Holdings Limited, Northwest Airlines, Inc. and TRW Automotive Holdings Corp., and has served on a number of other boards. He is Chairman of the Board of Advisers of the Institute for Law and Economics of the University of Pennsylvania, a member of the Board of Visitors of Columbia College and a Trustee of Chess-in-the-Schools and New Alternatives for Children, Inc.

There are no family relationships among any of the directors or executive officers of our general partner.

Composition of the Board of Directors after this Offering

Prior to the closing of this offering, we expect that three additional, independent directors will be appointed to the board of directors of our general partner, Blackstone Group Management L.L.C., an entity wholly-owned by our senior managing directors and controlled by our founders. Following these additions, we expect that the board of directors of our general partner will consist of seven directors.

The limited liability company agreement of Blackstone Group Management L.L.C. establishes a board of directors that will be responsible for the oversight of our business and operations. Our general partner's board of directors will be elected in accordance with its limited liability company agreement, which provides that our founders, Messrs. Schwarzman and Peterson (or, following the withdrawal, death or disability of one of them, the remaining founder), will be vested with the power to elect and remove the directors of our general partner. Actions by our founders in this regard must be taken with

their unanimous approval. Following the withdrawal, death or disability of both of our founders, the power to elect and remove the directors of our general partner will vest in the members of our general partner holding a majority in interest in our general partner.

Mr. Peterson has informed us that he intends to retire from our firm and relinquish his role as a founder by no later than December 31, 2008. When Mr. Peterson relinquishes his role as a founder, all of the powers and authorities of our founders will be vested in Mr. Schwarzman alone. Mr. Schwarzman has informed us that when he decides to relinquish his role as a founder, it is his current intention to recommend that Hamilton E. James be provided with the authority of the founders in his place.

Management Approach

Throughout our history as a privately-owned firm, we have had a management structure involving strong central control by our two founders, Messrs. Schwarzman and Peterson. Mr. Schwarzman has served as our firm's Chief Executive Officer since our founding in 1985 and he also became Chairman of Blackstone in 2005. From our firm's founding in 1985 through 2004, Mr. Peterson served as Chairman of Blackstone and he has served as Senior Chairman since 2005. As noted in " Composition of the Board of Directors after this Offering", Mr. Peterson intends to relinquish his role as a founder by no later than December 31, 2008. We believe that this management structure has been a meaningful reason why we have achieved significant growth and successful performance in all of our businesses.

Moreover, as a privately-owned firm, Blackstone has always been managed with a perspective of achieving successful growth over the long term. Both in entering and building our various businesses over the years and in determining the types of investments to be made by our investment funds, our management has consistently sought to focus on the best way to grow our businesses and investments over a period of many years and has paid little regard to their short-term impact on revenue, net income or cash flow.

As a public company, we intend to continue to employ our current management structure with strong central control by our founders and to maintain our focus on achieving successful growth over the long term. This desire to preserve our current management structure is one of the principal reasons why we have decided to organize The Blackstone Group L.P. as a limited partnership that is managed by our general partner and to avail ourselves of the limited partnership exception from certain of the New York Stock Exchange governance rules, which eliminates the requirements that we have a majority of independent directors on our board of directors and that we have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors. In addition, we will not be required to hold annual meetings of our common unitholders.

Committees of the Board of Directors

The board of directors of Blackstone Group Management L.L.C. has established an executive committee. We anticipate that prior to this offering, the board of directors of Blackstone Group Management L.L.C. will establish an audit committee and will adopt a charter for the audit committee that complies with current federal and New York Stock Exchange rules relating to corporate governance matters. Prior to this offering, the board of directors of Blackstone Group Management L.L.C. will establish a conflicts committee. The board of directors of our general partner may establish other committees from time to time.

Audit committee. The purpose of the audit committee will be to assist the board of directors of Blackstone Group Management L.L.C. in overseeing and monitoring (1) the quality and integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent registered public accounting firm's qualifications and independence and (4) the performance of our

independent registered public accounting firm. The members of the audit committee will meet the independence standards for service on an audit committee of a board of directors pursuant to federal and New York Stock Exchange rules relating to corporate governance matters.

Conflicts committee. The board of directors of Blackstone Group Management L.L.C. will establish a conflicts committee that will be charged with reviewing specific matters that our general partner's board of directors believes may involve conflicts of interest. The conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach by us of any duties we may owe to our common unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Certain Relationships and Related Person Transactions Statement of Policy Regarding Transactions with Related Persons", and may establish guidelines or rules to cover specific categories of transactions. The members of the conflicts committee will meet the independence standards for service on an audit committee of a board of directors pursuant to federal and New York Stock Exchange rules relating to corporate governance matters.

Executive committee. The executive committee of the board of directors of Blackstone Group Management L.L.C. currently consists of Messrs. Schwarzman, Peterson, James and Hill. The board of directors has delegated all of the power and authority of the full board of directors to the executive committee to act when the board of directors is not in session.

Compensation Committee Interlocks and Insider Participation

We do not have a compensation committee. Our founders, Messrs. Schwarzman and Peterson, have historically made all final determinations regarding executive officer compensation. The board of directors of our general partner has determined that maintaining as closely as possible our current compensation practices following this offering is desirable and intends that these practices will continue. Accordingly, the board of directors of our general partner does not intend to establish a compensation committee. For a description of certain transactions between us and Messrs. Schwarzman and Peterson, see "Certain Relationships and Related Person Transactions".

Executive Compensation

Compensation Discussion and Analysis

One of our fundamental philosophies as a privately-owned firm has been to align the interests of our senior managing directors and other key personnel with those of our investors. That alignment has principally been achieved by the investment of a significant amount of our own capital, and that of our senior managing directors and other key personnel, in many of the investment funds we manage, and by the ownership of our senior managing directors and other key personnel of the investment advisers and general partners of our investment funds, which are entitled to receive the carried interest or incentive fees payable in respect of our investment funds. In addition, our senior managing directors, including our executive officers, have historically owned interests in our various fee-generating businesses. Accordingly, our senior managing directors have not historically received salary or bonus, but have instead benefited from the increased value of their ownership interests in our businesses and from distributions in respect of those interests.

We believe that this philosophy of seeking to align the interests of our senior managing directors and other personnel with those of the investors in our funds has been a key contributor to the growth and successful performance of our firm, and we therefore intend that the senior managing directors, other professionals and selected other individuals who work in our carry fund and proprietary hedge fund operations will continue to own a portion of the carried interest or incentive fees earned in relation to these funds in order to better align their interests with our own and with those of the

investors in these funds. In addition, we believe the continued ownership by our senior managing directors of significant amounts of our equity through their direct and indirect interests in Blackstone Holdings will afford significant alignment with our common unitholders.

Following this offering, our Chairman and Chief Executive Officer, Mr. Schwarzman, will receive no compensation other than a $350,000 salary (and will own a significant portion of the carried interest earned from our carry funds). We believe that the ownership by Mr. Schwarzman of a portion of the carried interest earned from our carry funds, together with his ownership of a significant amount of our equity in the form of Blackstone Holdings partnership units, will align his interests with those of our common unitholders and investors in our carry funds. In addition, following this offering we intend to implement performance-based compensation for our other executive officers.

Summary Compensation Table

The following table sets forth certain summary information concerning compensation paid or accrued by us for services rendered in all capacities during the fiscal year ended December 31, 2006 for our Chief Executive Officer, our Chief Financial Officer and our three other highest paid executive officers during the fiscal year ended December 31, 2006. These individuals are referred to as the "named executive officers" in other parts of this prospectus. As discussed above under " Compensation Disclosure and Analysis", our named executive officers have not historically received salary or bonus, but have instead benefited from the increased value of their ownership interests in our businesses and from distributions in respect of those interests. Cash distributions to our named executive officers in respect of our fiscal and tax year ended December 31, 2006 were $ to Mr. Schwarzman, $ to Mr. Peterson, $ to Mr. James, $ to Mr. Hill and $ to Mr. Puglisi.

Name And Principal Position	Salary	Bonus	All Other Compensation(1)	Total
Stephen A. Schwarzman, Chairman and Chief Executive Officer			(2)	
Peter G. Peterson, Senior Chairman			(3)	
Hamilton E. James, President and Chief Operating Officer			$ (4)	
J. Tomilson Hill, Vice Chairman				
Michael A. Puglisi, Chief Financial Officer				

(1) Except as otherwise provided below, perquisites and other personal benefits to the named executive officers were less than $10,000 and therefore information regarding perquisites and other personal benefits has not been included.

(2) Mr. Schwarzman makes business and personal use of a car and driver and he and members of his family also make business and personal use of an airplane in which we have a fractional interest and in each case he reimburses us for the full cost of such personal usage. In addition, certain Blackstone personnel administer personal matters for Mr. Schwarzman and he bears the full incremental cost to us of such personnel.

(3) Mr. Peterson makes business and personal use of a car and driver and of an airplane in which we have a fractional interest and in each case he reimburses us for the full cost of such personal usage. In addition, certain Blackstone personnel administer personal matters for Mr. Peterson and he bears the full incremental cost to us of such personnel.

(4) Mr. James and members of his family make personal use of an airplane in which we have a fractional interest and he reimburses us for a portion of the cost of such usage. The amount reflected in the table reflects the unreimbursed portion of the cost of such usage.

Director Compensation

No additional remuneration will be paid to our employees for service as a director of our general partner.

We expect to establish customary compensation practices for outside directors of our general partner.

Non-Competition, Non-Solicitation and Confidentiality Agreements

We have entered or will be entering into a non-competition, non-solicitation and confidentiality agreement with each of our founders, our other senior managing directors, most of our other professional employees and specified senior administrative personnel to whom we refer collectively as "Contracting Employees." Following are descriptions of the material terms of each such non-competition, non-solicitation and confidentiality agreement. With the exception of the few differences noted in the description below, the terms of each non-competition, non-solicitation and confidentiality agreement are in relevant part similar.

Full-Time Commitment. Each Contracting Employee agrees to devote substantially all of his or her business time, skill, energies and attention to his or her responsibilities at Blackstone in a diligent manner.

Confidentiality. Each Contracting Employee is required, whether during or after his or her employment with us, to protect and only use "confidential information" in accordance with strict restrictions placed by us on its use and disclosure. (Every employee of ours is subject to similar strict confidentiality obligations imposed by our Code of Conduct applicable to all Blackstone personnel.)

Notice of Termination. Each Contracting Employee is required to give us prior written notice of his or her intention to leave our employ six months in the case of our founders and 90 days for our other senior managing directors and between 30 and 60 days in the case of all other Contracting Employees.

Garden Leave. Upon his or her voluntary departure from our firm, a Contracting Employee is required to take a prescribed period of garden leave. The period of garden leave is 90 days for our non-founding senior managing directors and between 30 and 60 days for all other Contracting Employees. During this period the Contracting Employee will continue to receive some of his or her Blackstone compensation and benefits, but is prohibited from commencing employment with a new employer until the garden leave period has expired. The period of garden leave for each Contracting Employee will run coterminously with the non-competition Restricted Period that applies to him or her as described below. Our founders will be subject to noncompetition covenants but not garden leave requirements.

Non-Competition. During the term of employment of each Contracting Employee, and during the Restricted Period (as such term is defined below) immediately thereafter, such individual will not, directly or indirectly:

- engage in any business activity in which we operate, including any competitive business;
- render any services to any competitive business; or
- acquire a financial interest in or become actively involved with any competitive business (other than as a passive investor holding minimal percentages of the stock of public companies).

"Competitive business" means any business that competes, during the term of employment through the date of termination, with our business, including any businesses that we are actively considering conducting at the time of the Contracting Employee's termination of employment, so long as such

individual knows or reasonably should have known about such plans, in any geographical or market area where we or our affiliates provide our products or services.

Non-Solicitation. During the term of employment of each Contracting Employee, and during the Restricted Period immediately thereafter, such individual will not, directly or indirectly, in any manner solicit any of our employees to leave their employment with us, or hire any such employee who was employed by us as of the date of such individual's termination or who left employment with us within one year prior to or after the date of such individual's termination. Additionally, each Contracting Employee may not solicit or encourage to cease to work with us any consultant or senior advisers that the individual knows or should know is under contract with us.

In addition, during the term of employment of each Contracting Employee, and during the Restricted Period immediately thereafter, such individual will not, directly or indirectly, in any manner solicit the business of any client or prospective client of ours with whom the individual, employees reporting to the individual, or anyone whom the individual had direct or indirect responsibility over had personal contact or dealings on our behalf during the three-year period immediately preceding such individual's termination. Contracting Employees who are employed in our asset management businesses are subject to a similar non-solicitation covenant with respect to investors and prospective investors in our investment funds.

Non-Interference and Non-Disparagement. During the term of employment of each Contracting Employee, and during the Restricted Period immediately thereafter, such individual may not interfere with business relationships between us and any of our clients, customers, suppliers or partners. Such individual is also prohibited from disparaging us in any way.

Restricted Period. For purposes of the foregoing covenants, the Restricted Period will be defined to be:

Covenant	Founders	Other Senior Managing Directors	Other Contracting Employees
Non-competition	The later of four years after the date of this offering or two years after termination of employment.	The later of two years after the date of this offering or one year (six months for senior managing directors who are eligible to retire, as defined below) after termination of employment.	The later of between six months and one year after the date of this offering or between 90 days and six months after termination of employment.
Non-solicitation of Blackstone employees	The later of four years after the date of this offering or two years after termination of employment.	The later of one year after the date of this offering or one year after termination of employment.	The later of one year after the date of this offering or between six months and one year after termination of employment.
Non-solicitation of Blackstone clients or investors	The later of four years after the date of this offering or two years after termination of employment.	The later of two years after the date of this offering or one year after termination of employment.	The later of one year after the date of this offering or between six months and one year after termination of employment.
Non-interference with business relationships	The later of four years after the date of this offering or two years after termination of employment.	The later of two years after the date of this offering or one year after termination of employment.	The later of one year after the date of this offering or between six months and one year after termination of employment.

Retirement. Blackstone personnel will be eligible to retire if they have satisfied any of the following tests: (1) one has reached the age of 65 and has at least five full years of service with our firm; or (2) one has reached the age of 50 and has at least five full years of service with our firm and the sum of his or her age plus years of service with our firm totals at least 65. Except for Peter G. Peterson, no Blackstone personnel will be eligible to retire under the standards specified in the preceding clauses prior to June 30, 2010.

Intellectual Property. Each Contracting Employee is subject to customary intellectual property covenants with respect to works created, invented, designed or developed by such individual that are relevant to or implicated by his or her employment with us.

Specific Performance. In the case of any breach of the confidentiality, non-competition, non-solicitation, non-interference, non-disparagement or intellectual property provisions by a Contracting Employee, the breaching individual agrees that we will be entitled to seek equitable relief in the form of specific performance, restraining orders, injunctions or other equitable remedies.

2007 Equity Incentive Plan

The board of directors of our general partner intends to adopt the 2007 The Blackstone Group L.P. Equity Incentive Plan, or the "2007 Equity Incentive Plan," before the effective date of this offering. The following description of the 2007 Equity Incentive Plan is not complete and is qualified by reference to the full text of the 2007 Equity Incentive Plan, which will be filed as an exhibit to the registration statement of which this prospectus forms a part. The 2007 Equity Incentive Plan will be a source of new equity-based awards permitting us to grant to our senior managing directors, other employees, directors of our general partner and consultants non-qualified options, unit appreciation rights, restricted common units, phantom restricted common units and other awards based on our common units and Blackstone Holdings partnership units, to which we collectively refer as our "units."

Administration. The board of directors of our general partner will administer the 2007 Equity Incentive Plan. However, the board of directors of our general partner may delegate such authority, including to a committee or subcommittee of the board of directors, and the board intends to effect such a delegation to a committee comprising Messrs. Schwarzman and Peterson. We refer to the board of directors of our general partner or the committee or subcommittee thereof to whom authority to administer the 2007 Equity Incentive Plan has been delegated, as the case may be, as the "Administrator." The Administrator will determine who will receive awards under the 2007 Equity Incentive Plan, as well as the form of the awards, the number of units underlying the awards and the terms and conditions of the awards consistent with the terms of the 2007 Equity Incentive Plan. The Administrator will have full authority to interpret and administer the 2007 Equity Incentive Plan, which determinations will be final and binding on all parties concerned.

Units Subject to the 2007 Equity Incentive Plan. The total number of our common units and Blackstone Holdings partnership units which have initially been covered by the 2007 Equity Incentive Plan is . Beginning in 2008 the aggregate number of common units and Blackstone Holdings partnership units covered by our 2007 Equity Incentive Plan will be increased on the first day of each fiscal year during its term by the excess of (a) 15% of the aggregate number of common units and Blackstone Holdings partnership units outstanding on the last day of the immediately preceding fiscal year (excluding Blackstone Holdings partnership units held by The Blackstone Group L.P. or its wholly-owned subsidiaries) over (b) the aggregate number of common units and Blackstone Holdings partnership units covered by our 2007 Equity Incentive Plan as of such date (unless the administrator of the 2007 Equity Incentive Plan should decide to increase the number of common units and Blackstone Holdings partnership units covered by the plan by a lesser amount). We will make available the number of units necessary to satisfy the maximum number of units that may be issued under the 2007 Equity Incentive Plan. The units underlying any award granted under the 2007 Equity Incentive

Plan that expire, terminate or are cancelled or satisfied for any reason without being settled in units will again become available for awards under the 2007 Equity Incentive Plan.

Options and Unit Appreciation Rights. The Administrator may award non-qualified options under the 2007 Equity Incentive Plan. Options granted under the 2007 Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but an option will generally not be exercisable for a period of more than ten years after it is granted. The exercise price per unit for any option awarded will not be less than the fair market value of a unit on the day the option is granted. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in units having a fair market value equal to the aggregate option exercise price; partly in cash and partly in units and satisfying such other requirements as may be imposed by the Administrator; or through the delivery of irrevocable instructions to a broker to sell units obtained upon the exercise of the option and to deliver promptly to us an amount out of the proceeds of the sale equal to the aggregate option exercise price for the common units being purchased.

The Administrator may grant unit appreciation rights independent of or in conjunction with an option. The exercise price of a unit appreciation right will not be less than the greater of (i) the fair market value of a unit on the date the unit appreciation right is granted and (ii) the minimum amount permitted by applicable laws, rules, by-laws or policies of regulatory authorities or stock exchanges; except that, in the case of a unit appreciation right granted in conjunction with an option, the exercise price will not be less than the exercise price of the related option. Each unit appreciation right granted independent of a unit option shall entitle a participant upon exercise to an amount equal to (i) the excess of (A) the fair market value on the exercise date of one unit over (B) the exercise price per unit, multiplied by (ii) the number of units covered by the unit appreciation right, and each unit appreciation right granted in conjunction with an option will entitle a participant to surrender to us the option and to receive such amount. Payment will be made in units and/or cash (any common unit valued at fair market value), as determined by the Administrator.

Other Equity-Based Awards. The Administrator, in its sole discretion, may grant or sell units and awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, our units. Any of these other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including without limitation the right to receive, or vest with respect to, one or more units (or the equivalent cash value of such units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may in its discretion determine whether other equity-based awards will be payable in cash, units or a combination of both cash and units.

Adjustments upon Certain Events. In the event of any change in the outstanding units by reason of any unit dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination, combination or transaction or exchange of units or other corporate exchange, or any distribution to holders of units other than regular cash dividends, or any transaction similar to the foregoing, the Administrator in its sole discretion and without liability to any person will make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of units or other securities issued or covered by our 2007 Equity Incentive Plan or pursuant to outstanding awards, (ii) the maximum number of units for which options or unit appreciation rights may be granted during a fiscal year to any participant, (iii) the option price or exercise price of any unit appreciation right and/or (iv) any other affected terms of such awards.

Change in Control. In the event of a change in control of us (as defined in the 2007 Equity Incentive Plan), the 2007 Equity Incentive Plan provides that (i) if determined by the Administrator in the applicable award agreement or otherwise, any outstanding awards then held by participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed

exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such change in control and (ii) the Administrator may, but shall not be obligated to (A) cancel awards for fair value, (B) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted under the 2007 Equity Incentive Plan as determined by the Administrator in its sole discretion, or (C) provide that, with respect to any awards that are options, for a period of at least 15 days prior to the change in control, such options will be exercisable as to all units subject thereto and that upon the occurrence of the change in control, such options will terminate.

Transferability. Unless otherwise determined by our Administrator, no award granted under the plan will be transferable or assignable by a participant in the plan, other than by will or by the laws of descent and distribution.

Amendment and Termination. The Administrator may amend or terminate the 2007 Equity Incentive Plan, but no amendment or termination shall be made without the consent of a participant, if such action would diminish any of the rights of the participant under any award theretofore granted to such participant under the 2007 Equity Incentive Plan; provided, however, that the Administrator may amend the 2007 Equity Incentive Plan and/or any outstanding awards in such manner as it deems necessary to permit the 2007 Equity Incentive Plan and/or any outstanding awards to satisfy applicable requirements of the Code or other applicable laws.

IPO Date Equity Awards

At the time of this offering, we intend to grant to our non-senior managing director employees an aggregate of restricted common units under our 2007 Equity Incentive Plan, of which will be granted to our non-senior managing director professionals, analysts and senior finance and administrative personnel, to whom we refer collectively as "Non-SMD Professionals," and will be granted to certain of our other non-senior managing director employees, to whom we refer collectively as "Non-SMD Employees." We will settle the restricted common units granted to our Non-SMD Professionals in The Blackstone Group L.P. common units and the restricted common units granted to our Non-SMD Employees in cash. Holders of restricted common units will not be entitled to any voting rights with respect to such restricted common units. We refer to these grants, collectively, as the "IPO Date Award".

Common Unit-Settled Awards. Subject to a Non-SMD Professional's continued employment with us, the restricted common units granted to the Non-SMD Professional as part of the IPO Date Award will vest, and the underlying The Blackstone Group L.P. common units will be delivered, in equal annual installments on each of the first, second, third, fourth and fifth anniversaries of this offering.

We will not make any distributions with respect to unvested restricted common units granted to our Non-SMD Professionals in connection with the IPO Date Award.

Upon the termination of a Non-SMD Professional's employment with us for any reason, (1) all unvested restricted common units granted to the Non-SMD Professional as part of the IPO Date Award and then held by the Non-SMD Professional will be immediately forfeited without any payment or consideration and (2) if he or she violates any of the restrictive covenants that are applicable to the Non-SMD Professional (see " Non-Competition, Non-Solicitation and Confidentiality Agreements"), all of the common units delivered to our Non-SMD Professionals in settlement of the IPO Date Award and then held by the Non-SMD Professional will also be immediately forfeited without any payment or consideration.

While employed by us and thereafter until the longest applicable Restricted Period to which the Non-SMD Professional is subject lapses (see " Non-Competition, Non-Solicitation and Confidentiality Agreements"), each of our Non-SMD Professionals will be required to continue to hold (and may not

transfer) at least 25% of the common units that are delivered to them in settlement of the IPO Date Award. No other transfer restrictions will apply.

Cash-Settled Awards. Subject to a Non-SMD Employee's continued employment with us, the restricted common units granted to the Non-SMD Employee as part of the IPO Date Award will vest in equal installments on each of the first, second and third anniversaries of this offering. On each such vesting date, we will deliver cash to our Non-SMD Employees in an amount equal to the number of restricted common units held by each such Non-SMD Employee that will vest on such date multiplied by the then fair market value of the common units on such date. We will not make any distributions with respect to unvested restricted common units held by any of our Non-SMD Employees. Upon the termination of a Non-SMD Employee's employment with us for any reason, all outstanding restricted common units granted to the Non-SMD Employee as part of the IPO Date Award and then held by the Non-SMD Employee will be immediately forfeited without any payment or consideration.

Minimum Retained Ownership Requirements and Transfer Restrictions for Existing Owners

All of our existing owners are subject to the following minimum retained ownership requirements and transfer restrictions in respect of all Blackstone Holdings partnership units received by them as part of the Reorganization (or The Blackstone Group L.P. common units received in exchange for such Blackstone Holdings partnership units). We refer to the Blackstone Holdings partnership units issued as part of the Reorganization and The Blackstone Group L.P. common units received in exchange for such Blackstone Holdings partnership units as "subject units."

See "Certain Relationships and Related Person Transactions Blackstone Holdings Partnership Agreements" for a description of vesting requirements applicable to the Blackstone Holdings partnership units received by our existing owners as part of the Reorganization.

Minimum Retained Ownership Requirements. While employed by us and thereafter until the longest applicable Restricted Period to which the existing owner is subject lapses, each of our existing owners will be required to continue to hold (and may not transfer) at least 25% of all vested subject units received by him or her (except as otherwise provided below). Subject units held by current and future personal planning vehicles beneficially owned by the families of our existing owners are deemed to be owned by these individuals for purposes of such minimum retained ownership requirements. Mr. Peterson and AIG will not be subject to these minimum retained ownership requirements.

Transfer Restrictions. The subject units received by our existing owners will be subject to the following transfer restrictions:

None of the subject units received by our Chairman and Chief Executive Officer, Mr. Schwarzman, will be transferable in the first year following this offering (except for a small portion that may be donated to charities at any time, which subject units will be free of transfer restrictions). The transfer restrictions on the subject units will lapse in equal 33$^{1}/_{3}$% installments on each anniversary date of this offering for three years. The requirement that one continue to hold a least 25% of vested units is subject to the qualification in Mr. Schwarzman's case that in no event will he be required to hold units having a market value greater than $1.5 billion.

A total of 50% of the subject units received by our Senior Chairman, Mr. Peterson, may be donated to charities at any time, which subject units will be free of transfer restrictions. Of the remaining subject units, none of the subject units received by Mr. Peterson will be transferable in the first year following this offering. The transfer restrictions on the remaining subject units will lapse in equal 33$^{1}/_{3}$% installments on each anniversary date of this offering for three years.

None of the subject units received by all of our other senior managing directors (except as otherwise noted below) will be transferable in the first year following this offering. The transfer

restrictions on the subject units will lapse in equal 33 1/3% installments on each anniversary date of this offering for three years.

None of the subject units received by AIG (except as otherwise noted below) will be transferable in the first year following this offering. The transfer restrictions on the subject units will lapse in equal 33 1/3% installments on each anniversary date of this offering for three years.

The foregoing transfer restrictions will apply to sales, pledges of subject units (unless the pledgee agrees to be subject to the same transfer restrictions), grants of options, rights or warrants to purchase subject units or swaps or other arrangements that transfer to another, in whole or in part, any of the economic consequences of ownership of the subject units, other than our purchase of vested Blackstone Holdings partnership units from our existing owners with the net proceeds from this offering. Transfers to personal planning vehicles beneficially owned by the families of our existing owners and charitable gifts are exempted from such transfer restrictions, provided that the transferee or donee agrees to be subject to the same transfer restrictions (except as specified above with respect to Stephen A. Schwarzman and Peter G. Peterson).

The transfer restrictions set forth above will continue to apply following the termination of employment of an existing owner employed by Blackstone other than our founders for any reason, except that the transfer restrictions set forth above will lapse upon death or permanent disability.

Charitable Contributions

Our senior managing directors intend to contribute an aggregate of $150 million of our equity (calculated based on the initial public offering price per common unit in this offering) to The Blackstone Foundation, a new charitable foundation that is being established to support charitable organizations in the communities in which we operate and worthy charitable organizations with which our employees are personally involved. Units transferred or sold for the purpose of satisfying these charitable contributions are exempted from the transfer restrictions enumerated in " Minimum Retained Ownership Requirements and Transfer Restrictions".

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The forms of the agreements described in this section are filed as exhibits to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference thereto.

Reorganization

Prior to this offering we will undertake a number of transactions in connection with the Reorganization described in "Organizational Structure Reorganization" whereby our existing owners will contribute to Blackstone Holdings each of the operating entities included in our historical combined financial statements, with the exception of the general partners of certain legacy Blackstone funds that do not have a meaningful amount of unrealized investments and a number of investment vehicles through which our existing owners and other third parties have made commitments to or investments in or alongside of Blackstone's investment funds, which entities will not be contributed to Blackstone Holdings and will continue to be owned by our existing owners. As part of the Reorganization, we intend to make one or more distributions to our existing owners, including our executive officers, representing all of the undistributed earnings generated by the Contributed Businesses prior to the date of the offering. In addition, as part of the Offering Transactions described in "Organizational Structure Offering Transactions", we intend to use a portion of the net proceeds from this offering to purchase vested Blackstone Holdings partnership units from our existing owners, including certain of our executive officers. See also "Principal Unitholders."

Tax Receivable Agreement

As described in "Organizational Structure Offering Transactions", we intend to use a portion of the net proceeds from this offering to purchase Blackstone Holdings partnership units from our existing owners. In addition, holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, may exchange their Blackstone Holdings partnership units for The Blackstone Group L.P. common units on a one-for-one basis. Blackstone Holdings intends to make an election under Section 754 of the Code effective for each taxable year in which an exchange of partnership units for common units occurs, which may result in an adjustment to the tax basis of the assets of Blackstone Holdings at the time of an exchange of partnership units. The initial sale and subsequent exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings that otherwise would not have been available. These increases in tax basis would increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that The Blackstone Group L.P.'s wholly-owned subsidiaries that are taxable as corporations for U.S. federal income tax purposes, which we refer to as the "corporate taxpayers," would otherwise be required to pay in the future.

The corporate taxpayers will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the corporate taxpayers actually realize (or are deemed to realize in the case of an early termination payment by the corporate taxpayers or a change of control, as discussed below) as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Blackstone Holdings. The corporate taxpayers expect to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. For purposes of the tax receivable agreement, 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 agreement. A limited partner of Blackstone Holdings may also elect to exchange his or her Blackstone Holdings partnership units in a tax-free transaction where the limited partner is making a charitable contribution. In such a case, the exchange will not result in an increase in the tax basis of the assets of Blackstone Holdings and no payments will be made under the tax receivable agreement. The term of the tax receivable agreement will commence upon consummation of this offering and will continue until all such tax benefits have been utilized or expired, unless the corporate taxpayers exercise their right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges — for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable or amortizable assets of Blackstone Holdings at the time of the transaction;

- the price of our common units at the time of the exchange — the increase in any tax deductions, as well as the tax basis increase in other assets, of Blackstone Holdings, is directly proportional to the price of our common units at the time of the exchange;

- the extent to which such exchanges are taxable — if an exchange is not taxable for any reason (for instance, if a limited partner exchanges units in order to make a charitable contribution), increased deductions will not be available; and

- the amount and timing of our income — the corporate taxpayers will be required to pay 85% of the tax savings as and when realized, if any. If a corporate taxpayer does not have taxable income, the corporate taxpayer is not required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of Blackstone Holdings, the payments that we may make under the tax receivable agreement will be substantial. Assuming no material changes in the relevant tax law and that we earn significant taxable income to realize the full tax benefit of the increased amortization of our assets, we expect that future payments under the tax receivable agreement in respect of the initial sale will aggregate $ million and range from approximately $ million to $ million per year over the next 15 years. Future payments under the tax receivable agreement in respect of subsequent exchanges would be in addition to these amounts and are expected to be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us.

In addition, the tax receivable agreement provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control, the corporate taxpayers' (or their successors') obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. Upon a subsequent actual exchange, any additional increase in tax deductions, tax basis and other benefits in excess of the amounts assumed at the change of control will also result in payments under the tax receivable agreement.

Decisions made by our existing owners in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes of control, may influence

the timing and amount of payments that are received by an exchanging or selling existing owner under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner's tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, the corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of the corporate taxpayers' cash tax savings.

Registration Rights Agreement

We will enter into a registration rights agreement with our existing owners pursuant to which we will grant them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our common units (and other securities convertible into or exchangeable or exercisable for our common units) held or acquired by them. Under the registration rights agreement, the registration rights holders have the right to request us to register the sale of their common units and may require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, the registration rights holders will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other registration rights holders or initiated by us.

Blackstone Holdings Partnership Agreements

As a result of the Reorganization and the Offering Transactions, The Blackstone Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, hold equity interests in Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. and Blackstone Holdings V L.P., which we refer to collectively as "Blackstone Holdings." Wholly-owned subsidiaries of The Blackstone Group L.P. will be the sole general partner of each of the Blackstone Holdings partnerships. Accordingly, The Blackstone Group L.P. will operate and control all of the business and affairs of Blackstone Holdings and, through Blackstone Holdings and its operating entity subsidiaries, conduct our business. Through its wholly-owned subsidiaries, The Blackstone Group L.P. will have unilateral control over all of the affairs and decision making of Blackstone Holdings. Furthermore, the wholly-owned subsidiaries of The Blackstone Group L.P. cannot be removed as the general partners of the Blackstone Holdings partnerships without their approval. Because our general partner, Blackstone Group Management L.L.C., will operate and control the business of The Blackstone Group L.P., the board of directors and officers of our general partner will accordingly be responsible for all operational and administrative decisions of Blackstone Holdings and the day-to-day management of Blackstone Holdings' business.

Pursuant to the partnership agreements of the Blackstone Holdings partnerships, the wholly-owned subsidiaries of The Blackstone Group L.P. which are the general partners of those partnerships have the right to determine when distributions will be made to the partners of Blackstone Holdings and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the partners of Blackstone Holdings pro rata in accordance with the percentages of their respective partnership interests, except that The Blackstone Group L.P.'s wholly-owned subsidiaries will be entitled to priority allocations of income through December 31, 2009 as described under "Cash Distribution Policy".

Each of the Blackstone Holdings partnerships will have an identical number of partnership units outstanding, and we use the terms "Blackstone Holdings partnership unit" or "partnership unit in/of Blackstone Holdings" to refer, collectively, to a partnership unit in each of the Blackstone Holdings partnerships. The holders of partnership units in Blackstone Holdings, including The Blackstone Group L.P.'s wholly-owned subsidiaries, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Blackstone Holdings. Net profits and net losses of Blackstone Holdings will generally be allocated to its partners (including The Blackstone Group L.P.'s wholly-owned subsidiaries) pro rata in accordance with the percentages of their respective partnership interests, except that The Blackstone Group L.P.'s wholly-owned subsidiaries will be entitled to priority allocations of income through December 31, 2009 as described under "Cash Distribution Policy". The partnership agreements of the Blackstone Holdings partnerships will provide for cash distributions, which we refer to as "tax distributions," to the partners of such partnerships if the wholly-owned subsidiaries of The Blackstone Group L.P. which are the general partners of the Blackstone Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income). Tax distributions will be made only to the extent all distributions from such partnerships for the relevant year were insufficient to cover such tax liabilities.

Our existing owners will receive Blackstone Holdings partnership units in the Reorganization in exchange for the contribution of their equity interests in our operating subsidiaries to Blackstone Holdings. Subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, these partnership units may be exchanged for The Blackstone Group L.P. common units as described under " Exchange Agreement" below.

The Blackstone Holdings partnership units received by our existing owners in the Reorganization have the following vesting provisions:

25% of the Blackstone Holdings partnership units received by our Chairman and Chief Executive Officer, Mr. Schwarzman, in the Reorganization in exchange for his interests in the Contributed Businesses (other than carried interest relating to investments made by our carry funds prior to the date of the contribution) will be fully vested as of the date of issuance, with the remaining 75% vesting, subject to Mr. Schwarzman's continued employment, in equal installments on each anniversary date of this offering for four years. 100% of the Blackstone Holdings partnership units received by Mr. Schwarzman in the Reorganization in exchange for his interests in carried interest relating to investments made by our carry funds prior to the date of the contribution will be fully vested as of the date of issuance;

100% of the Blackstone Holding partnership units received by our Senior Chairman, Mr. Peterson, in the Reorganization will be fully vested as of the date of issuance;

25% of the Blackstone Holdings partnership units received by all of our other existing owners (other than AIG) in the Reorganization in exchange for their interests in the Contributed Businesses (other than carried interest relating to investments made by our carry funds prior to the date of the contribution) will be fully vested as of the date of issuance, with the remaining 75% vesting, subject to the senior managing directors' or existing owner's continued employment, in equal installments on each anniversary date of this offering for eight years. 100% of the Blackstone Holdings partnership units received by all of these existing owners in the Reorganization in exchange for their interests in carried interest relating to investments

made by our carry funds prior to the date of the contribution will be fully vested as of the date of issuance;

100% of the Blackstone Holding partnership units received by AIG in the Reorganization will be fully vested as of the date of issuance;

An existing owner who is our employee will generally forfeit all unvested partnership units once he or she is no longer in our employ, except that in the case of Blackstone personnel who retire and are eligible to do so under the standards specified above under "Management Non-Competition, Non-Solicitation and Confidentiality Agreements", 50% of their unvested units will vest immediately upon retirement and their remaining units will be forfeited. Blackstone personnel who leave our firm to accept specified types of positions in government service for an extended period of time will continue to vest in units as if they had not left our firm during their period of government service. In addition, upon the death or permanent disability of an existing owner all of his or her unvested partnership units held at that time will vest immediately.

All vested and unvested Blackstone Holdings partnership units (and The Blackstone Group L.P. common units received in exchange for such Blackstone Holdings partnership units) held by an existing owner will be immediately forfeited in the event he or she materially breaches any of his or her restrictive covenants set forth in the non-competition, non-solicitation and confidentiality agreement outlined under " Non-Competition, Non-Solicitation and Confidentiality Agreements".

See "Management Minimum Retained Ownership Requirements and Transfer Restrictions" for a discussion of minimum retained ownership requirements and transfer restrictions applicable to the Blackstone Holdings partnership units. The generally applicable vesting and minimum retained ownership requirements and transfer restrictions are outlined above and in the section referenced in the preceding sentence. There may be some different arrangements for some individuals in isolated instances, none of which are expected to be material.

The partnership agreements of the Blackstone Holdings partnerships will also provide that substantially all of our expenses, including substantially all expenses solely incurred by or attributable to The Blackstone Group L.P. such as expenses incurred in connection with this offering but not including obligations incurred under the tax receivable agreement by The Blackstone Group L.P.'s wholly-owned subsidiaries, income tax expenses of The Blackstone Group L.P.'s wholly-owned subsidiaries and payments on indebtedness incurred by The Blackstone Group L.P.'s wholly-owned subsidiaries, will be borne by Blackstone Holdings.

Exchange Agreement

In connection with the Reorganization, we will enter into an exchange agreement with the holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries). Under the exchange agreement, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, each such holder of Blackstone Holdings partnership units (and certain transferees thereof) may at any time and from time to time exchange these partnership units for The Blackstone Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Blackstone Holdings must simultaneously exchange one partnership unit in each of the Blackstone Holdings partnerships. As a holder exchanges its Blackstone Holdings partnership units, our interest in the Blackstone Holdings partnerships will be correspondingly increased. The Blackstone Group L.P. common units received upon such an exchange would be subject to all restrictions applicable to the exchanged Blackstone Holdings partnership units, including minimum retained ownership requirements, vesting requirements and transfer restrictions. See

"Management Minimum Retained Ownership Requirements and Transfer Restrictions" and " Blackstone Holdings Partnership Agreements" above.

Firm Use of Our Founders' Private Aircraft

Mr. Schwarzman owns an airplane and Messrs. Schwarzman and Peterson jointly own a helicopter that we use for business purposes in the course of our operations. Messrs. Schwarzman and Peterson paid for the purchase of these aircraft themselves and bear all operating, personnel and maintenance costs associated with their operation. The hourly payments we made to Mr. Schwarzman and Mr. Peterson for such use were based on current market rates for chartering private aircraft. We paid $1,544,320, $1,037,925 and $1,032,170 to Mr. Schwarzman in 2006, 2005 and 2004, respectively, for the use of his airplane and we paid $158,500, $306,210 and $198,905 to Mr. Schwarzman and Mr. Peterson in 2006, 2005 and 2004, respectively, for the use of their jointly-owned helicopter.

Expense Reimbursements

As a privately-owned firm, we have initially incurred or made payments for certain personal expenses on behalf of Messrs. Schwarzman and Peterson, which expenses were reimbursed by the executives. The maximum amounts outstanding under these arrangements in 2006 were $906,972 for Mr. Schwarzman, $350,878 for Mr. Peterson and $120,731 for Mr. James. No such amounts remain outstanding and the firm will no longer incur or make similar payments in respect of personal expenses.

Side-By-Side and Other Investment Transactions

Our executive officers are permitted to invest their own capital in side-by-side investments with our carry funds. Side-by-side investments are investments in portfolio companies or other assets on the same terms and conditions as those acquired by the applicable fund, except that these side-by-side investments are not subject to management fees or carried interest. In addition, our executive officers are permitted to invest their own capital in our hedge funds, in most instances not subject to management fees or carried interest. These investment opportunities are available to all of our senior managing directors and to those of our employees whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. See "Business Structure and Operation of Our Investment Funds Capital Invested In and Alongside Our Investment Funds". None of our executive officers received net distributions from Blackstone-managed investment vehicles during the year ended December 31, 2006.

Statement of Policy Regarding Transactions with Related Persons

Prior to the completion of this offering, the board of directors of our general partner will adopt a statement of policy regarding transactions with related persons, which we refer to as our "related person policy." Our related person policy requires that a "related person" (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to the Chief Administrative Officer and Chief Legal Officer of our general partner any "related person transaction" (defined as any transaction that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The Chief Administrative Officer and Chief Legal Officer will then promptly communicate that information to the board of directors of our general partner. No related person transaction will be consummated or will continue without the approval or ratification of the board of directors of our general partner or any committee of the board of directors consisting exclusively of at least three disinterested directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest.

Indemnification of Directors and Officers

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our general partner; any departing general partner; any person who is or was an affiliate of a general partner or any departing general partner; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, the general partner or any departing general partner or any affiliate of us or our subsidiaries, the general partner or any departing general partner; any person who is or was serving at the request of a general partner or any departing general partner or any affiliate of a general partner or any departing general partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our general partner. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, the general partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable it to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

We will also indemnify any of our employees who personally becomes subject to a "clawback" obligation to one of our investment funds in respect of carried interest that we have received. See "Business Structure and Operation of Our Investment Funds Incentive Arrangements / Fee Structure".

Non-Competition, Non-Solicitation and Confidentiality Agreements

In connection with this offering, we will enter into a non-competition, non-solicitation and confidentiality agreement with each of our professionals and other senior employees, including each of our executive officers. See "Management Non-Competition, Non-Solicitation and Confidentiality Agreements" for a description of the material terms of each such agreement.

PRINCIPAL UNITHOLDERS

The following table sets forth information regarding the beneficial ownership of The Blackstone Group L.P. common units and Blackstone Holdings partnership units by (1) each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of The Blackstone Group L.P., (2) each of the directors and named executive officers of our general partner and (3) all directors and executive officers of our general partner as a group.

The number of common units and Blackstone Holdings partnership units outstanding and percentage of beneficial ownership before this offering set forth below is based on the number of our common units and Blackstone Holdings partnership units to be issued and outstanding immediately prior to the consummation of this offering after giving effect to the Reorganization. The number of common units and Blackstone Holdings partnership units and percentage of beneficial ownership after this offering set forth below is based on common units and Blackstone Holdings partnership units to be issued and outstanding immediately after this offering of common units.

Beneficial ownership is determined in accordance with the rules of the SEC. The address of each beneficial owner set forth below is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.

	Common Units Beneficially Owned				Blackstone Holdings Partnership Units Beneficially Owned								
					Prior to this Offering		After this Offering Assuming the Underwriters' Option Is Not Exercised		After this Offering Assuming the Underwriters' Option is Exercised in Full				
Name of Beneficial Owner	Number	% Prior to this Offering	% After this Offering Assuming the Underwriters Option Is Not Exercised	% After this Offering Assuming the Underwriters Option Is Exercised in Full	Number	%	Number	%	Number	%	Number of Special Voting Units Beneficially Owned	% of Voting Power of The Blackstone Group L.P. Limited Partners prior to this Offering	% of Voting Power of The Blackstone Group L.P. Limted Partners After this Offering Assuming the Underwriters' Option is Not Exercised	% of Voting Power of The Blackstone Group L.P. Limited Partners After this Offering Assuming the Underwriters's Option Is Exercised in Full
Stephen A. Schwarzman														
Peter G. Peterson														
Hamilton E. James														
J. Tomilson Hill														
Michael A. Puglisi														
Directors and executive officers as a group (6 persons)														

Subject to certain requirements and restrictions, the partnership units of Blackstone Holdings are exchangeable for common units of The Blackstone Group L.P. on a one-for-one basis. See "Certain Relationships and Related Person Transactions Exchange Agreement". Beneficial ownership of Blackstone Holdings partnership units reflected in this table has not been also reflected as beneficial ownership of the common units of The Blackstone Group L.P. for which such units may be exchanged.

On those few matters that may be submitted for a vote of the limited partners of The Blackstone Group L.P., the special voting units of The Blackstone Group L.P. issued to holders of partnership units in Blackstone Holdings provide the holder with a number of votes that is equal to the aggregate number of partnership units of Blackstone Holdings that they then hold and entitle such holder to participate in the vote on the same basis as our common unitholders. See "Material Provisions of The Blackstone Group L.P. Partnership Agreement Meetings; Voting".

We intend to use approximately $ billion of the net proceeds from this offering, or approximately $ billion if the underwriters exercise in full their option to purchase additional common units, to purchase vested Blackstone Holdings partnership units from our existing owners. See "Organizational Structure Offering Transactions". Of this amount, we expect that approximately $ will be paid to Mr. Peterson, approximately $ (or $ if the underwriters exercise in full their option to purchase additional common units) will be paid to Mr. James, approximately $ (or $ if the underwriters exercise in full their option to purchase additional common units) will be paid to Mr. Hill and approximately $ (or $ if the underwriters exercise in full their option to purchase additional common units) will be paid to Mr. Puglisi. We will not purchase any Blackstone Holdings partnership units from Mr. Schwarzman with proceeds from the firm commitment offering, but he has agreed to sell to us up to $ of his Blackstone Holdings partnership units, based on the initial public offering price per common unit in this offering, if the underwriters exercise their option to purchase additional common units. The beneficial ownership reflected in the foregoing table after this offering reflects this application of net proceeds from this offering.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our general partner and its affiliates (including its owners) on the one hand, and our partnership and our limited partners, on the other hand.

Whenever a potential conflict arises between our general partner or its affiliates, on the one hand, and us or any other partner, on the other hand, our general partner will resolve that conflict. Our partnership agreement contains provisions that reduce and eliminate our general partner's duties (including fiduciary duties) to the common unitholders. Our partnership agreement also restricts the remedies available to common unitholders for actions taken that without those limitations might constitute breaches of duty (including fiduciary duties).

Under our partnership agreement, our general partner will not be in breach of its obligations under the partnership agreement or its duties to us or our common unitholders if the resolution of the conflict is:

- approved by the conflicts committee, although our general partner is not obligated to seek such approval;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates, although our general partner is not obligated to seek such approval;
- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

Our general partner may, but is not required to, seek the approval of such resolution from the conflicts committee or our common unitholders. If our general partner does not seek approval from the conflicts committee or our common unitholders and its board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that in making its decision the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or us or any other person bound by the partnership agreement, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our general partner or the conflicts committee may consider any factors it determines in good faith to consider when resolving a conflict. Our partnership agreement provides that our general partner will be conclusively presumed to be acting in good faith if our general partner subjectively believes that the decision made or not made is in the best interests of the partnership.

Conflicts of interest could arise in the situations described below, among others.

Actions taken by our general partner may affect the amount of adjusted cash flow from operations to our common unitholders.

The amount of adjusted cash flow from operations that is available for distribution to our common unitholders is affected by decisions of our general partner regarding such matters as:

- amount and timing of cash expenditures, including those relating to compensation;
- amount and timing of investments and dispositions;

indebtedness;

tax matters;

reserves; and

issuance of additional partnership interests.

In addition, borrowings by us and our affiliates do not constitute a breach of any duty owed by our general partner to our common unitholders. The partnership agreement of The Blackstone Group L.P. provides that we and our subsidiaries may borrow funds from our general partner and its affiliates on terms that are fair and reasonable to us, provided however that such borrowings will be deemed to be fair and reasonable if (1) they are approved in accordance with the terms of the partnership agreement, (2) the terms are no less favorable to us than those generally being provided to or available from unrelated third parties or (3) the terms are fair and reasonable to us, taking into account the totality of the relationship between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to us).

We will reimburse our general partner and its affiliates for expenses.

We will reimburse our general partner and its affiliates for costs incurred in managing and operating us. For example, we do not elect, appoint or employ any directors, officers or other employees. All such persons are elected, appointed or employed by our general partner on our behalf. Our partnership agreement provides that our general partner will determine the expenses that are allocable to us.

Our general partner intends to limit its liability regarding our obligations.

Our general partner intends to limit its liability under contractual arrangements so that the other party has recourse only to our assets, and not against our general partner, its assets or its owners. Our partnership agreement provides that any action taken by our general partner to limit its liability or our liability is not a breach of our general partner's fiduciary duties, even if we could have obtained more favorable terms without the limitation on liability.

Common unitholders will have no right to enforce obligations of our general partner and its affiliates under agreements with us.

Any agreements between us on the one hand, and our general partner and its affiliates on the other, will not grant to the common unitholders, separate and apart from us, the right to enforce the obligations of our general partner and its affiliates in our favor.

Contracts between us, on the one hand, and our general partner and its affiliates, on the other, will not be the result of arm's-length negotiations.

Our partnership agreement allows our general partner to determine in its sole discretion any amounts to pay itself or its affiliates for any services rendered to us. Our general partner may also enter into additional contractual arrangements with any of its affiliates on our behalf. Neither the partnership agreement nor any of the other agreements, contracts and arrangements between us on the one hand, and our general partner and its affiliates on the other, are or will be the result of arm's-length negotiations.

Our general partner will determine the terms of any of these transactions entered into after this offering on terms that are fair and reasonable to us.

Our general partner and its affiliates will have no obligation to permit us to use any facilities or assets of our general partner and its affiliates, except as may be provided in contracts entered into

specifically dealing with that use. There will not be any obligation of our general partner and its affiliates to enter into any contracts of this kind.

Common units are subject to our general partner's limited call right.

Our general partner may exercise its right to call and purchase common units as provided in our partnership agreement or assign this right to one of its affiliates or to us. Our general partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a common unitholder may have his common units purchased from him at an undesirable time or price. See "Material Provisions of the Blackstone Holdings Partnership Agreements Limited Call Right".

We may not choose to retain separate counsel for ourselves or for the holders of common units.

The attorneys, independent accountants and others who have performed services for us regarding this offering have been retained by our general partner. Attorneys, independent accountants and others who will perform services for us are selected by our general partner or the conflicts committee, and may perform services for our general partner and its affiliates. We may retain separate counsel for ourselves or the holders of our common units in the event of a conflict of interest between our general partner and its affiliates on the one hand, and us or the holders of our common units on the other, depending on the nature of the conflict, but are not required to do so.

Our general partner's affiliates may compete with us.

The partnership agreement provides that our general partner will be restricted from engaging in any business activities other than those incidental to its ownership of interests in us. Except as provided in the non-competition, non-solicitation and confidentiality agreements to which our senior managing directors are subject, affiliates of the general partner, including its owners, are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us.

Certain of our subsidiaries have obligations to investors in our investment funds and clients of our advisory business that may conflict with your interests.

Our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds and certain of our subsidiaries engaged in our advisory business have contractual duties to their clients. As a result, we expect to regularly take actions with respect to the allocation of investments among our investment funds (including funds that have different fee structures), the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds, the advice we provide or otherwise that comply with these fiduciary and contractual obligations. In addition, our senior managing directors have made personal investments in a variety of our investment funds, which may result in conflicts of interest among investors in our funds or our common unitholders regarding investment decisions for these funds. Some of these actions might at the same time adversely affect our near-term results of operations or cash flow.

U.S. federal income tax considerations of our senior managing directors may conflict with your interests.

Because our senior managing directors hold their Blackstone Holdings partnership units directly or through entities that are not subject to corporate income taxation and The Blackstone Group L.P. holds Blackstone Holdings partnership units through wholly-owned subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior managing directors and The Blackstone Group L.P. relating to the selection and structuring of investments. Our limited partners will be deemed to expressly acknowledge that our general partner is under no obligation to consider the

separate interests of our limited partners (including without limitation the tax consequences to limited partners) in deciding whether to cause us to take (or decline to take) any actions.

Fiduciary Duties

Our general partner is accountable to us and our common unitholders as a fiduciary. Fiduciary duties owed to common unitholders by our general partner are prescribed by law and our partnership agreement. The Delaware Revised Uniform Limited Partnership Act, which we refer to in this prospectus as the Delaware Limited Partnership Act, provides that Delaware limited partnerships may in their partnership agreements expand, restrict or eliminate the duties (including fiduciary duties) otherwise owed by a general partner to limited partners and the partnership.

Our partnership agreement contains various provisions modifying, restricting and eliminating the duties (including fiduciary duties) that might otherwise be owed by our general partner. We have adopted these restrictions to allow our general partner or its affiliates to engage in transactions with us that would otherwise be prohibited by state-law fiduciary duty standards and to take into account the interests of other parties in addition to our interests when resolving conflicts of interest. Without these modifications, the general partner's ability to make decisions involving conflicts of interest would be restricted. These modifications are detrimental to the common unitholders because they restrict the remedies available to common unitholders for actions that without those limitations might constitute breaches of duty (including fiduciary duty), as described below, and permit our general partner to take into account the interests of third parties in addition to our interests when resolving conflicts of interest. The following is a summary of the material restrictions of the fiduciary duties owed by our general partner to the limited partners:

State law fiduciary duty standards	Fiduciary duties are generally considered to include an obligation to act in good faith and with due care and loyalty. In the absence of a provision in a partnership agreement providing otherwise, the duty of care would generally require a general partner to act for the partnership in the same manner as a prudent person would act on his own behalf. In the absence of a provision in a partnership agreement providing otherwise, the duty of loyalty would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction that is not in the best interests of the partnership where a conflict of interest is present.

Partnership agreement modified standards	Our partnership agreement contains provisions that waive or consent to conduct by our general partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its "sole discretion" or "discretion" or that it deems "necessary or appropriate" or "necessary or advisable," then our general partner will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any limited partners, and will not be subject to any different standards imposed by the partnership agreement, the Delaware Limited Partnership Act or under any other law, rule or regulation or in equity. In addition, when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligation to us or the common unitholders whatsoever. These standards reduce the obligations to which our general partner would otherwise be held. In addition to the other more specific provisions limiting the obligations of our general partner, our partnership agreement further provides that our general partner and its officers and directors will not be liable to us, our limited partners or assignees for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct.

	Special provisions regarding affiliated transactions. Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a vote of common unitholders and that are not approved by the conflicts committee of the board of directors of our general partner or by our common unitholders must be: • on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or • "fair and reasonable" to us, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to us). If our general partner does not seek approval from the conflicts committee or our common unitholders and the board of directors of our general partner determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the bullet points above, then it will be presumed that in making its decision the board of directors, acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership or any other person bound by the partnership agreement, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. These standards reduce the obligations to which our general partner would otherwise be held.
Rights and remedies of common unitholders	The Delaware Limited Partnership Act generally provides that a limited partner may institute legal action on behalf of the partnership to recover damages from a third-party where a general partner has refused to institute the action or where an effort to cause a general partner to do so is not likely to succeed. In addition, the statutory or case law of some jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited partners to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

By purchasing our common units, each common unitholder automatically agrees to be bound by the provisions in our partnership agreement, including the provisions discussed above. This is in accordance with the policy of the Delaware Limited Partnership Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a common unitholder to sign the partnership agreement does not render the partnership agreement unenforceable against that person.

We have agreed to indemnify our general partner and any of its affiliates and any member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of our partnership, our general partner or any of our affiliates and certain other specified persons, to the fullest extent permitted by law, against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by our general partner or these other persons. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Thus, our general partner could be indemnified for its negligent acts if it met the requirements set forth above. To the extent these provisions purport to include indemnification for liabilities arising under the Securities Act, in the opinion of the SEC such indemnification is contrary to public policy and therefore unenforceable. See "Material Provisions of The Blackstone Group L.P. Partnership Agreement Indemnification".

DESCRIPTION OF COMMON UNITS

Common Units

Our common units represent limited partner interests in us. The holders of our common units are entitled to participate in our distributions and exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of our common units in and to our distributions, see "Cash Distribution Policy". For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, see "Material Provisions of The Blackstone Group L.P. Partnership Agreement".

Unless our general partner determines otherwise, we will issue all our common units in uncertificated form.

Transfer of Common Units

By acceptance of the transfer of our common units in accordance with our partnership agreement, each transferee of our common units will be admitted as a common unitholder with respect to the common units transferred when such transfer and admission is reflected in our books and records. Additionally, each transferee of our common units:

represents that the transferee has the capacity, power and authority to enter into our partnership agreement;

will become bound by the terms of, and will be deemed to have agreed to be bound by, our partnership agreement;

gives the consents, approvals, acknowledgements and waivers set forth in our partnership agreement, such as the approval of all transactions and agreements that we are entering into in connection with our formation and this offering.

A transferee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records. Our general partner will cause any transfers to be recorded on our books and records no less frequently than quarterly.

Common units are securities and are transferable according to the laws governing transfers of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to become a substituted limited partner in our partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent, notwithstanding any notice to the contrary, may treat the record holder of the common unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations. A beneficial holder's rights are limited solely to those that it has against the record holder as a result of any agreement between the beneficial owner and the record holder.

Transfer Agent and Registrar

will serve as registrar and transfer agent for our common units. You may contact the registrar and transfer agent at the following address:

MATERIAL PROVISIONS OF THE BLACKSTONE GROUP L.P. PARTNERSHIP AGREEMENT

The following is a summary of the material provisions of the Amended and Restated Agreement of Limited Partnership of The Blackstone Group L.P. The Amended and Restated Agreement of Limited Partnership of The Blackstone Group L.P. as it will be in effect at the time of this offering, which is referred to in this prospectus as our partnership agreement, is included in this prospectus as Appendix A, and the following summary is qualified by reference thereto.

We summarize the following provisions of our partnership agreement elsewhere in this prospectus:

with regard to the transfer of common units, see "Description of Common Units Transfer of Common Units"; and

with regard to allocations of taxable income and taxable loss, see "Material U.S. Federal Tax Considerations".

General Partner

Our general partner, Blackstone Group Management L.L.C., will manage all of our operations and activities. Our general partner is authorized in general to perform all acts that it determines to be necessary or appropriate to carry out our purposes and to conduct our business. Blackstone Group Management L.L.C. is wholly-owned by our senior managing directors and controlled by our founders. See "Management Composition of the Board of Directors after this Offering". Our common unitholders have only limited voting rights on matters affecting our business and therefore have limited ability to influence management's decisions regarding our business.

Organization

We were formed on March 12, 2007 and have a perpetual existence.

Purpose

Under our partnership agreement we are permitted to engage, directly or indirectly, in any business activity that is approved by our general partner and that lawfully may be conducted by a limited partnership organized under Delaware law.

Power of Attorney

Each limited partner, and each person who acquires a limited partner interest in accordance with our partnership agreement, grants to our general partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance, dissolution or termination. The power of attorney also grants our general partner the authority to amend, and to make consents and waivers under, our partnership agreement and certificate of limited partnership, in each case in accordance with our partnership agreement.

Capital Contributions

Our common unitholders are not obligated to make additional capital contributions, except as described below under " Limited Liability".

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Limited Partnership Act and that he otherwise acts in conformity with the provisions of our partnership agreement, his liability under the Delaware Limited Partnership Act will

be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to us for his common units plus his share of any undistributed profits and assets. If it were determined however that the right, or exercise of the right, by the limited partners as a group:

to remove or replace our general partner,

to approve some amendments to our partnership agreement, or

to take other action under our partnership agreement,

constituted "participation in the control" of our business for the purposes of the Delaware Limited Partnership Act, then our limited partners could be held personally liable for our obligations under the laws of Delaware to the same extent as our general partner. This liability would extend to persons who transact business with us who reasonably believe that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Limited Partnership Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of our general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware Limited Partnership Act, a limited partnership may not make a distribution to a partner if after the distribution all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Limited Partnership Act provides that the fair value of property subject to liability for which recourse of creditors is limited will be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the non-recourse liability. The Delaware Limited Partnership Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act will be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Limited Partnership Act, a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except that such person is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Moreover, if it were determined that we were conducting business in any state without compliance with the applicable limited partnership statute, or that the right or exercise of the right by the limited partners as a group to remove or replace our general partner, to approve some amendments to our partnership agreement or to take other action under our partnership agreement constituted "participation in the control" of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as our general partner under the circumstances. We intend to operate in a manner that our general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Issuance of Additional Securities

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners.

In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have designations, preferences, rights, powers and duties that do not apply to the common units.

Distributions

Distributions will be made to the partners pro rata according to the percentages of their respective partnership interests. See "Cash Distribution Policy".

Amendment of the Partnership Agreement

General

Amendments to our partnership agreement may be proposed only by or with the consent of our general partner. To adopt a proposed amendment, other than the amendments that require limited partner approval discussed below, our general partner must seek approval of a majority of our outstanding units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. On any matter that may be submitted for a vote of our common unitholders, the limited partners of Blackstone Holdings (other than AIG) will hold special voting units in The Blackstone Group L.P. that provide them with a number of votes that is equal to the aggregate number of partnership units of Blackstone Holdings that they then hold and entitle them to participate in the vote on the same basis as our common unitholders. See " Meetings; Voting".

Prohibited Amendments

No amendment may be made that would:

(1) enlarge the obligations of any limited partner without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests may be approved by at least a majority of the type or class of partnership interests so affected, or

(2) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our general partner or any of its affiliates without the consent of our general partner, which may be given or withheld in its sole discretion.

The provision of our partnership agreement preventing the amendments having the effects described in clauses (1) or (2) above can be amended upon the approval of the holders of at least 90% of the outstanding voting units.

No Limited Partner Approval

Our general partner may generally make amendments to our partnership agreement or certificate of limited partnership without the approval of any limited partner to reflect:

(1) a change in the name of the partnership, the location of the partnership's principal place of business, the partnership's registered agent or its registered office,

(2) the admission, substitution, withdrawal or removal of partners in accordance with the partnership agreement,

(3) a change that our general partner determines is necessary or appropriate for the partnership to qualify or to continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or other jurisdiction or to ensure that the partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for U.S. federal income tax purposes,

(4) an amendment that our general partner determines to be necessary or appropriate to address certain changes in U.S. federal income tax regulations, legislation or interpretation,

(5) an amendment that is necessary, in the opinion of our counsel, to prevent the partnership or our general partner or its directors, officers, agents or trustees, from having a material risk of being in any manner being subjected to the provisions of the 1940 Act, the Advisers Act or "plan asset" regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, whether or not substantially similar to plan asset regulations currently applied or proposed by the U.S. Department of Labor,

(6) an amendment that our general partner determines in its sole discretion to be necessary or appropriate for the creation, authorization or issuance of any class or series of partnership securities or options, rights, warrants or appreciation rights relating to partnership securities,

(7) any amendment expressly permitted in our partnership agreement to be made by our general partner acting alone,

(8) an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other business combination agreement that has been approved under the terms of our partnership agreement,

(9) any amendment that in the sole discretion of our general partner is necessary or appropriate to reflect and account for the formation by the partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by our partnership agreement,

(10) a change in our fiscal year or taxable year and related changes,

(11) a merger with or conversion or conveyance to another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger, conversion or conveyance other than those it receives by way of the merger, conversion or conveyance,

(12) an amendment effected, necessitated or contemplated by an amendment to any partnership agreement of the Blackstone Holdings partnerships that requires unitholders of any Blackstone Holdings partnership to provide a statement, certification or other proof of evidence regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the Blackstone Holdings partnerships; or

(13) any other amendments substantially similar to any of the matters described in (1) through (12) above.

In addition, our general partner may make amendments to our partnership agreement without the approval of any limited partner if those amendments, in the discretion of our general partner:

(1) do not adversely affect our limited partners considered as a whole (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect,

(2) are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state or non-U.S. agency or judicial authority or contained in any federal or state or non-U.S. statute (including the Delaware Limited Partnership Act),

(3) are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading,

(4) are necessary or appropriate for any action taken by our general partner relating to splits or combinations of units under the provisions of our partnership agreement, or

(5) are required to effect the intent expressed in the registration statement of which this prospectus forms a part or the intent of the provisions of our partnership agreement or are otherwise contemplated by our partnership agreement.

Opinion of Counsel and Limited Partner Approval

Our general partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under " No Limited Partner Approval" should occur. No other amendments to our partnership agreement (other than an amendment pursuant to a merger, sale or other disposition of assets effected in accordance with the provisions described under " Merger, Sale or Other Disposition of Assets") will become effective without the approval of holders of at least 90% of the outstanding common units, unless we obtain an opinion of counsel to the effect that the amendment will not affect the limited liability under the Delaware Limited Partnership Act of any of our limited partners.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of at least a majority of the outstanding partnership interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

Merger, Sale or Other Disposition of Assets

Our partnership agreement generally prohibits our general partner, without the prior approval of the holders of a majority of the voting power of our outstanding voting units, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our behalf the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries. However, our general partner in its sole discretion may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets (including for the benefit of persons other than us or our subsidiaries) without that approval. Our general partner may also sell all or substantially all of our assets under any forced sale of any or all of our assets pursuant to the foreclosure or other realization upon those encumbrances without that approval.

If conditions specified in our partnership agreement are satisfied, our general partner may convert or merge us or any of our subsidiaries into, or convey some or all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity. The common unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or the Delaware Limited Partnership Act in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

Election to be Treated as a Corporation

If our general partner determines that it is no longer in our best interests to continue as a partnership for U.S. federal income tax purposes, our general partner may elect to treat us as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

Dissolution

We will dissolve upon:

(1) the election of our general partner to dissolve us, if approved by the holders of a majority of the voting power of our outstanding voting units,

(2) there being no limited partners, unless we are continued without dissolution in accordance with the Delaware Limited Partnership Act,

(3) the entry of a decree of judicial dissolution of us pursuant to the Delaware Limited Partnership Act, or

(4) the withdrawal or removal of our general partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer of general partner interests or withdrawal or removal of our general partner following approval and admission of a successor, in each case in accordance with our partnership agreement.

Upon a dissolution under clause (4), the holders of a majority of the voting power of our outstanding voting units may also elect, within specific time limitations, to continue our business without dissolution on the same terms and conditions described in the partnership agreement by appointing as a successor general partner an individual or entity approved by the holders of a majority of the voting power of the outstanding voting units, subject to our receipt of an opinion of counsel to the effect that:

(1) the action would not result in the loss of limited liability of any limited partner, and

(2) neither we nor the reconstituted limited partnership would be treated as an association taxable as a corporation or otherwise be taxable as an entity for U.S. federal income tax purposes upon the exercise of that right to continue.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our general partner that the liquidator deems necessary or appropriate in its judgment, liquidate our assets and apply the proceeds of the liquidation first, to discharge our liabilities as provided in the partnership agreement and by law and thereafter to the partners pro rata according to the percentages of their respective partnership interests as of a record date selected by the liquidator. The liquidator may defer liquidation of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that an immediate sale or distribution of all or some of our assets would be impractical or would cause undue loss to the partners.

Withdrawal or Removal of the General Partner

Except as described below, our general partner has agreed not to withdraw voluntarily as the general partner prior to June 30, 2017 without obtaining the approval of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates (including us), and furnishing an opinion of counsel regarding tax and limited liability matters. On or after June 30, 2017, our general partner may withdraw as general partner without first obtaining approval of any common unitholder by giving 90 days' advance notice, and that withdrawal will not constitute a violation of the partnership agreement. Notwithstanding the foregoing, our general partner may withdraw at any time without common unitholder approval upon 90 days' advance notice to the limited partners if at least 50% of the outstanding common units are beneficially owned or owned of record or controlled by one person and its affiliates other than our general partner and its affiliates.

Upon the withdrawal of our general partner under any circumstances, the holders of a majority of the voting power of our outstanding voting units may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within 180 days after that withdrawal, the holders of a majority of the voting power of our outstanding voting units agree in writing to continue our business and to appoint a successor general partner. See " Termination and Dissolution" above.

Our general partner may not be removed unless that removal is approved by the vote of the holders of at least 66²/₃% of the outstanding voting units and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of our general partner is also subject to the approval of a successor general partner by the vote of the holders of a majority of the voting power of our outstanding voting units. Upon completion of this offering, our senior managing directors and other existing owners who are our employees will have % of the voting power in any vote of our unitholders and will accordingly be able to prevent the removal of our general partner. See " Meetings; Voting" below.

In the event of removal of a general partner under circumstances where cause exists or withdrawal of a general partner where that withdrawal violates our partnership agreement, a successor general partner will have the option to purchase the general partner interest of the departing general partner for a cash payment equal to its fair market value. Under all other circumstances where a general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner for a cash payment equal to its fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached within 30 days of the general partner's departure, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. If the departing general partner and the successor general partner cannot agree upon an expert within 45 days of the general partner's departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partner interest will automatically convert into common units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we are required to reimburse the departing general partner for all amounts due the departing general partner, including without limitation all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

Transfer of General Partner Interests

Except for transfer by our general partner of all, but not less than all, of its general partner interests in us to another entity as part of the merger or consolidation of our general partner with or into another entity or the transfer by our general partner of all or substantially all of its assets to another entity, our general partner may not transfer all or any part of its general partner interest in us to another person prior to June 30, 2017 without the approval of the holders of at least a majority of the voting power of our outstanding voting units, excluding voting units held by our general partner and its affiliates. On or after June 30, 2017, our general partner may transfer all or any part of its general partner interest without first obtaining approval of any common unitholder. As a condition of this transfer, the transferee must assume the rights and duties of the general partner to whose interest that

transferee has succeeded, agree to be bound by the provisions of our partnership agreement and furnish an opinion of counsel regarding limited liability matters. At any time, the members of our general partner may sell or transfer all or part of their limited liability company interests in our general partner without the approval of the common unitholders.

Limited Call Right

If at any time less than 10% of the then issued and outstanding limited partner interests of any class (other than special voting units), including our public common units, are held by persons other than our general partner and its affiliates, our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining limited partner interests of the class held by unaffiliated persons as of a record date to be selected by our general partner, on at least ten but not more than 60 days notice. The purchase price in the event of this purchase is the greater of:

(1) the current market price as of the date three days before the date the notice is mailed, and

(2) the highest cash price paid by our general partner or any of its affiliates for any limited partner interests of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those limited partner interests.

As a result of our general partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at an undesirable time or price. The tax consequences to a common unitholder of the exercise of this call right are the same as a sale by that common unitholder of his common units in the market. See "Material U.S. Federal Tax Considerations United States Taxes Consequences to U.S. Holders of Common Units Sale or Exchange of Common Units".

Sinking Fund; Preemptive Rights

We have not established a sinking fund and we have not granted any preemptive rights with respect to our limited partner interests.

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of The Blackstone Group L.P. common units then outstanding, record holders of common units or of the special voting units to be issued to holders of Blackstone Holdings partnership units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters as to which holders of limited partner interests have the right to vote or to act.

Except as described below regarding a person or group owning 20% or more of The Blackstone Group L.P. common units then outstanding, each record holder of a common unit of The Blackstone Group L.P. is entitled to a number of votes equal to the number of common units held. In addition, we will issue special voting units to each holder of partnership units in Blackstone Holdings (other than AIG) that provide them with a number of votes that is equal to the aggregate number of partnership units of Blackstone Holdings that they then hold and entitle them to participate in the vote on the same basis as our common unitholders. We refer to our common units and our special voting units as "voting units." If the ratio at which Blackstone Holdings partnership units are exchangeable for our common units changes from one-for-one as described under "Certain Relationships and Related Person Transactions Exchange Agreement", the number of votes to which the holders of the special voting units are entitled will be adjusted accordingly. Additional limited partner interests having special voting rights could also be issued. See " Issuance of Additional Securities" above.

In the case of common units held by our general partner on behalf of non-citizen assignees, our general partner will distribute the votes on those common units in the same ratios as the votes of partners in respect of other limited partner interests are cast. Our general partner does not anticipate that any meeting of common unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the limited partners may be taken either at a meeting of the limited partners or without a meeting, without a vote and without prior notice if consents in writing describing the action so taken are signed limited partners owning not less than the minimum percentage of the voting power of the outstanding limited partner interests that would be necessary to authorize or take that action at a meeting. Meetings of the limited partners may be called by our general partner or by limited partners owning at least 50% or more of the voting power of the outstanding limited partner interests of the class for which a meeting is proposed. Common unitholders may vote either in person or by proxy at meetings. The holders of a majority of the voting power of the outstanding limited partner interests of the class for which a meeting has been called outstanding common units, represented in person or by proxy, will constitute a quorum unless any action by the limited partners requires approval by holders of a greater percentage of such limited partner interests, in which case the quorum will be the greater percentage.

However, if at any time any person or group (other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of any class of The Blackstone Group L.P. common units then outstanding, that person or group will lose voting rights on all of its common units and the common units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of common unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

Status as Limited Partner

By transfer of common units in accordance with our partnership agreement, each transferee of common units will be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our books and records. Except as described under " Limited Liability" above, in our partnership agreement or pursuant to Section 17-804 of the Delaware Limited Partnership Act (which relates to the liability of a limited partner who receives a distribution of assets upon the winding up of a limited partnership and who knew at the time of such distribution that it was in violation of this provision) or the partnership agreement, the common units will be fully paid and non-assessable.

Non-Citizen Assignees; Redemption

If we are or become subject to federal, state or local laws or regulations that in the determination of our general partner create a substantial risk of cancellation or forfeiture of any property in which the partnership has an interest because of the nationality, citizenship or other related status of any limited partner, we may redeem the common units held by that limited partner at their current market price. To avoid any cancellation or forfeiture, our general partner may require each limited partner to furnish information about his nationality, citizenship or related status. If a limited partner fails to furnish information about his nationality, citizenship or other related status within 30 days after a request for the information or our general partner determines, with the advice of counsel, after receipt of the information that the limited partner is not an eligible citizen, the limited partner may be treated as a non-citizen assignee. A non-citizen assignee does not have the right to direct the voting of his common units and may not receive distributions in kind upon our liquidation.

Indemnification

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts:

- our general partner;
- any departing general partner;
- any person who is or was an affiliate of a general partner or any departing general partner;
- any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, the general partner or any departing general partner or any affiliate of us or our subsidiaries, the general partner or any departing general partner;
- any person who is or was serving at the request of a general partner or any departing general partner or any affiliate of a general partner or any departing general partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or
- any person designated by our general partner.

We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, the general partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable it to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Books and Reports

Our general partner is required to keep appropriate books of the partnership's business at our principal offices or any other place designated by our general partner. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and fiscal reporting purposes, our year ends on December 31 each year.

We will make available to record holders of common units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent public accountants. Except for our fourth quarter, we will also make available summary financial information within 90 days after the close of each quarter. Under our partnership agreement, we will be deemed to have made such annual reports and quarterly financial information available to each record holder of common units if we have either (i) filed the report or information with the SEC via its Electronic Data Gathering, Analysis and Retrieval system and such report or information is publicly available on such system or (ii) made such report or information available on any publicly available website maintained by us.

As soon as reasonably practicable after the end of each fiscal year, we will furnish to each partner tax information (including Schedule K-1), which describes on a U.S. dollar basis such partner's share of our income, gain, loss and deduction for our preceding taxable year. It will most likely require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for The Blackstone Group L.P. Consequently, holders of common

units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. In addition, each partner will be required to report for all tax purposes consistently with the information provided by us. See "Material U.S. Federal Tax Considerations United States Taxes Administrative Matters Information Returns".

Right to Inspect Our Books and Records

Our partnership agreement provides that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable written demand and at his own expense, have furnished to him:

promptly after becoming available, a copy of our U.S. federal, state and local income tax returns; and

copies of our partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed.

Our general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our general partner believes is not in our best interests or which we are required by law or by agreements with third parties to keep confidential.

COMMON UNITS ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common units. We cannot predict the effect, if any, future sales of common units, or the availability for future sale of common units, will have on the market price of our common units prevailing from time to time. The sale of substantial amounts of our common units in the public market, or the perception that such sales could occur, could harm the prevailing market price of our common units.

Upon completion of this offering we will have a total of of our common units outstanding, or common units assuming the underwriters exercise in full their option to purchase additional common units. All of the common units will have been sold in this offering and will be freely tradable without restriction or further registration under the Securities Act by persons other than our "affiliates." Under the Securities Act, an "affiliate" of a company is a person that directly or indirectly controls, is controlled by or is under common control with that company.

In addition, subject to certain limitations and exceptions, pursuant to the terms of an exchange agreement we will enter into with our existing owners, holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries) may from time to time exchange partnership units in Blackstone Holdings for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Upon consummation of this offering, our existing owners will beneficially own partnership units in Blackstone Holdings, all of which will be exchangeable for our common units. The common units we issue upon such exchanges would be "restricted securities" as defined in Rule 144 unless we register such issuances. However, we will enter into a registration rights agreement with our existing owners that would require us to register under the Securities Act these common units. See " Registration Rights" and "Certain Relationships and Related Person Transactions Registration Rights Agreement".

Under the terms of the partnership agreements of the Blackstone Holdings partnerships, the Blackstone Holdings partnership units received by our existing owners in the Reorganization (or The Blackstone Group L.P. common units that may be received in exchange for such Blackstone Holdings partnership units) will be subject to vesting and minimum retained ownership requirements and transfer restrictions, as described in "Management Minimum Retained Ownership Requirements and Transfer Restrictions for Existing Owners" and "Certain Relationships and Related Person Transactions Blackstone Holdings Partnership Agreements".

In addition, at the time of this offering we intend to grant unvested restricted common units to our non-senior managing director employees under our 2007 Equity Incentive Plan that will settle in common units. These restricted common units will generally vest, and the underlying common units be delivered, in five equal annual installments commencing one year after the grant date. We intend to file one or more registration statements on Form S-8 under the Securities Act to register common units issued or covered by our 2007 Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, common units registered under such registration statements will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover common units.

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners. See "Material Provisions of the Puma Group L.P. Partnership Agreement Issuance of Additional Securities".

Registration Rights

We will enter into a registration rights agreement with our existing owners pursuant to which we will grant them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our common units (and other securities convertible into or exchangeable or exercisable for our common units) held or acquired by them. Securities registered under any such registration statement will be available for sale in the open market unless restrictions apply. See "Certain Relationships and Related Person Transactions Registration Rights Agreement".

Lock-Up Arrangements

We and all of the directors and officers of our general partner have agreed that without the prior written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. on behalf of the underwriters, we and they will not, during the period ending 120 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common units or any securities convertible into or exercisable or exchangeable for common units; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common units;

whether any such transaction described above is to be settled by delivery of common units or such other securities, in cash or otherwise. In addition, we have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. on behalf of the underwriters, we will not file any registration statement with the SEC relating to the offering of any common units or any securities convertible into or exercisable or exchangeable for common units (other than any registration statement on Form S-8 to register common units issued or covered by our 2007 Equity Incentive Plan). All of the directors and officers of our general partner have also agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. on behalf of the underwriters, they will not during the period ending 120 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any common units or any securities convertible into or exercisable or exchangeable for common units.

The 120-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 120-day restricted period we issue an earnings release or material news or a material event relating to Blackstone occurs; or

- prior to the expiration of the 120-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 120-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

These restrictions do not apply to:

(1) the sale of common units to the underwriters;

(2) the issuance by us of our common units upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;

(3) transactions by any person other than us relating to common units acquired in open market transactions after the completion of this offering;

199

(4) transfers by any person other than us of common units as a bona fide gift, or by will or intestacy;

(5) distributions other than by us of common units to limited partners or members;

(6) the transfer of common units or any security convertible into or exercisable or exchangeable for common units to a member or members of the common unitholder's immediate family or to a trust, the beneficiaries of which are exclusively the common unitholder or a member or members of his or her immediate family;

(7) the transfer of common units or any security convertible into or exercisable or exchangeable for common units to a corporation, partnership, limited liability company or other entity that is wholly-owned by the common unitholder and/or by members of the common unitholder's immediate family;

(8) the transfer of common units or any security convertible into or exercisable or exchangeable for common units to charitable organizations, family foundations or donor-advised funds at sponsoring organizations;

(9) the entry by a common unitholder into a trading plan established in accordance with Rule 10b5-1 under the Exchange Act, provided that sales under any such plan may not occur during the 120-day restricted period;

(10) the repurchase of common units or other securities by us;

(11) the issuance by us of common units or securities convertible into or exercisable or exchangeable for common units pursuant to our 2007 Equity Incentive Plan; and

(12) the issuance by us of up to common units or securities convertible into or exercisable or exchangeable for common units in connection with mergers or acquisitions, joint ventures, commercial relationships or other strategic transactions;

provided that in the case of transactions described in the fourth, fifth, sixth, seventh and eighth clauses above, each donee or other transferee agrees to be subject to the restrictions on transfer described above.

Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. do not have any current intention to release common units or other securities subject to the lock-up agreements. In addition, the partnership agreements of the Blackstone Holdings partnerships and related agreements will contractually restrict our existing owners' ability to transfer the Blackstone Holdings partnership units or the common units they hold. We have agreed that we will not waive, modify or amend such transfer restrictions during the period ending 120 days after the date of this prospectus.

We also have instituted an internal policy that prohibits all of our employees from selling short or trading in derivative securities relating to the common units.

Rule 144

In general, under Rule 144 a person (or persons whose common units are aggregated), including any person who may be deemed our affiliate, is entitled to sell within any three-month period a number of restricted securities that does not exceed the greater of 1% of the then outstanding common units and the average weekly trading volume during the four calendar weeks preceding each such sale, provided that at least one year has elapsed since such common units were acquired from us or any affiliate of ours and certain manner of sale, notice requirements and requirements as to availability of current public information about us are satisfied. Any person who is deemed to be our affiliate must comply with the provisions of Rule 144 (other than the one-year holding period requirement) in order to sell common units which are not restricted securities (such as common units acquired by affiliates either in this offering or through purchases in the open market following this offering). In addition, under Rule 144(k), a person who is not our affiliate, and who has not been our affiliate at any time during the 90 days preceding any sale, is entitled to sell common units without regard to the foregoing limitations, provided that at least two years have elapsed since the common units were acquired from us or any affiliate of ours.

200

MATERIAL U.S. FEDERAL TAX CONSIDERATIONS

United States Taxes

This summary discusses the material United States federal tax considerations related to the purchase, ownership and disposition of our common units as of the date hereof. This summary is based on provisions of the Internal Revenue Code, on the regulations promulgated thereunder and on published administrative rulings and judicial decisions, all of which are subject to change at any time, possibly with retroactive effect. This discussion is necessarily general and may not apply to all categories of investors, some of which, such as banks, thrifts, insurance companies, persons liable for the alternative minimum tax, dealers and other investors that do not own their common units as capital assets, may be subject to special rules. Tax-exempt organizations and mutual funds are discussed separately below. The actual tax consequences of the purchase and ownership of common units will vary depending on your circumstances.

For purposes of this discussion, a "U.S. Holder" is a beneficial holder of a common unit that is for U.S. federal income tax purposes (1) an individual citizen or resident of the United States; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust which either (A) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (B) has a valid election in effect under applicable Treasury regulations to be treated as a United States person. A "non-U.S. Holder" is a holder that is not a U.S. Holder.

If a partnership holds common units, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common units, you should consult your tax advisors. This discussion does not constitute tax advice and is not intended to be a substitute for tax planning.

Prospective holders of common units should consult their own tax advisors concerning the U.S. federal, state and local income tax and estate tax consequences in their particular situations of the purchase, ownership and disposition of a common unit, as well as any consequences under the laws of any other taxing jurisdiction.

Taxation of our Partnership and the Blackstone Holdings Partnerships

An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax iability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner's adjusted basis in its partnership interest.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership," unless an exception applies. An entity that would otherwise be classified as a partnership is a publicly traded partnership if (i) interests in the partnership are traded on an established securities market or (ii) interests in the partnership are readily tradable on a secondary market or the substantial equivalent thereof. We will be publicly traded. However, an exception to taxation as a corporation, referred to as the "Qualifying Income Exception," exists if at least 90% of such partnership's gross income for every taxable year consists of "qualifying income" and the partnership is not required to register under the 1940 Act. Qualifying income includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and any gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income.

We intend to manage our affairs so that we will meet the Qualifying Income Exception in each taxable year. We believe we will be treated as a partnership and not as a corporation for U.S. federal income tax purposes. Simpson Thacher & Bartlett LLP will provide an opinion to us based on factual statements and representations made by us, including statements and representations as to the manner in which we intend to manage our affairs and the composition of our income, that we will be treated as a partnership and not as an association or publicly traded partnership (within the meaning of Section 7704 of the Code) subject to tax as a corporation for U.S. federal income tax purposes. However, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this conclusion and a court may sustain such a challenge.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery, or if we are required to register under the 1940 Act, we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed the stock to the holders of common units in liquidation of their interests in us. This contribution and liquidation should generally be tax-free to holders so long as we do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for U.S. federal income tax purposes.

If we were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to holders of common units, and we would be subject to U.S. corporate income tax on our taxable income. Distributions made to holders of our common units would be treated as either taxable dividend income, which may be eligible for reduced rates of taxation, to the extent of our current or accumulated earnings and profits, or in the absence of earnings and profits, as a nontaxable return of capital, to the extent of the holder's tax basis in the common units, or as taxable capital gain, after the holder's basis is reduced to zero. In addition, in the case of non-U.S. Holders, income that we receive with respect to investments may be subject to a higher rate of U.S. withholding tax. Accordingly, treatment as a corporation could materially reduce a holder's after-tax return and thus could result in a substantial reduction of the value of the common units.

If at the end of any taxable year we fail to meet the Qualifying Income Exception, we may still qualify as a partnership if we are entitled to relief under the Code for an inadvertent termination of partnership status. This relief will be available if (i) the failure is cured within a reasonable time after discovery, (ii) the failure is determined by the IRS to be inadvertent, and (iii) we agree to make such adjustments (including adjustments with respect to our partners) or to pay such amounts as are required by the IRS. It is not possible to state whether we would be entitled to this relief in any or all circumstances. It also is not clear under the Code whether this relief is available for our first taxable year as a publicly traded partnership. If this relief provision is inapplicable to a particular set of circumstances involving us, we will not qualify as a partnership for federal income tax purposes. Even if this relief provision applies and we retain our partnership status, we or the holders of our common units (during the failure period) will be required to pay such amounts as are determined by the IRS.

The remainder of this section assumes that we and the Blackstone Holdings partnerships will be treated as partnerships for U.S. federal income tax purposes.

Blackstone Holdings I GP Inc.

Blackstone Holdings I GP Inc. is taxable as a corporation for U.S. federal income tax purposes and therefore, as the holder of Blackstone Holdings I GP Inc.'s common stock, we will not be taxed directly on earnings of entities we hold through Blackstone Holdings I GP Inc. Distributions of cash or other property that Blackstone Holdings I GP Inc. pays to us will constitute dividends for U.S. federal income tax purposes to the extent paid from its current or accumulated earnings and profits (as

determined under U.S. federal income tax principles). If the amount of a distribution by Blackstone Holdings I GP Inc. exceeds its current and accumulated earnings and profits, such excess will be treated as a tax-free return of capital to the extent of our tax basis in Blackstone Holdings I GP Inc.'s common stock, and thereafter will be treated as a capital gain.

As general partner of Blackstone Holdings I L.P., Blackstone Holdings I GP Inc. will incur U.S. federal income taxes on its proportionate share of any net taxable income of Blackstone Holdings I L.P. In accordance with the applicable partnership agreement, we will cause Blackstone Holdings I L.P. to distribute cash on a pro rata basis to holders of its units (that is, Blackstone Holdings I GP Inc. and our existing owners) in an amount at least equal to the maximum tax liabilities arising from their ownership of such units, if any.

Blackstone Holdings II GP Inc.

Blackstone Holdings II GP Inc. is taxable as a corporation for U.S. federal income tax purposes and therefore, as the holder of Blackstone Holdings II GP Inc.'s common stock, we will not be taxed directly on earnings of entities we hold through Blackstone Holdings II GP Inc. Distributions of cash or other property that Blackstone Holdings II GP Inc. pays to us will constitute dividends for U.S. federal income tax purposes to the extent paid from its current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If the amount of a distribution by Blackstone Holdings II GP Inc. exceeds its current and accumulated earnings and profits, such excess will be treated as a tax-free return of capital to the extent of our tax basis in Blackstone Holdings II GP Inc.'s common stock, and thereafter will be treated as a capital gain.

As general partner of Blackstone Holdings II L.P., Blackstone Holdings II GP Inc. will incur U.S. federal income taxes on its proportionate share of any net taxable income of Blackstone Holdings II L.P. In accordance with the applicable partnership agreement, we will cause Blackstone Holdings II L.P. to distribute cash on a pro rata basis to holders of its units (that is, Blackstone Holdings II GP Inc. and our existing owners) in an amount at least equal to the maximum tax liabilities arising from their ownership of such units, if any.

Blackstone Holdings III GP L.P.

Blackstone Holdings III GP L.P. is a wholly-owned limited partnership. Blackstone Holdings III GP L.P. will be treated as an entity disregarded as a separate entity from us. Accordingly, all the assets, liabilities and items of income, deduction and credit of Blackstone Holdings III GP L.P. will be treated as our assets, liabilities and items of income, deduction and credit.

We anticipate that Blackstone Holdings III GP L.P. will invest directly or indirectly in a variety of assets and otherwise engage in activities and derive income that is consistent with the qualifying income exception discussed above, such as investments in entities treated as domestic corporations for U.S. federal income tax purposes.

Blackstone Holdings IV GP L.P.

Blackstone Holdings IV GP L.P. is a wholly-owned limited partnership. Blackstone Holdings IV GP L.P. will be treated as an entity disregarded as a separate entity from us. Accordingly, all the assets, liabilities and items of income, deduction and credit of Blackstone Holdings IV GP L.P. will be treated as our assets, liabilities and items of income, deduction and credit.

We anticipate that Blackstone Holdings IV GP L.P. will invest directly or indirectly in a variety of assets and otherwise engage in activities and derive income that is consistent with the qualifying income exception discussed above, such as investments in entities treated as domestic corporations for U.S. federal income tax purposes.

Blackstone Holdings V GP L.P.

Blackstone Holdings V GP L.P. is a wholly-owned limited partnership organized in Alberta. Blackstone Holdings V GP L.P. is taxable as a foreign corporation for U.S. federal income tax purposes. Blackstone Holdings V GP L.P. is expected to be operated so as not to produce ECI. Its income will not be subject to U.S. federal income tax to the extent it has a foreign source and is not treated as ECI. Its assets, liabilities and items of income, deduction and credit will not be treated as our assets, liabilities and items of income, deduction and credit.

Personal Holding Companies

Blackstone Holdings I GP Inc. or Blackstone Holdings II GP Inc. could be subject to additional U.S. federal income tax on a portion of its income if it is determined to be a personal holding company, or PHC, for U.S. federal income tax purposes. A U.S. corporation generally will be classified as a PHC for U.S. federal income tax purposes in a given taxable year if (i) at any time during the last half of such taxable year, five or fewer individuals (without regard to their citizenship or residency and including as individuals for this purpose certain entities such as certain tax-exempt organizations and pension funds) own or are deemed to own (pursuant to certain constructive ownership rules) more than 50% of the stock of the corporation by value and (ii) at least 60% of the corporation's adjusted ordinary gross income, as determined for U.S. federal income tax purposes, for such taxable year consists of PHC income (which includes, among other things, dividends, interest, royalties, annuities and, under certain circumstances, rents). The PHC rules do not apply to non-U.S. corporations.

Due to applicable attribution rules, it is likely that five or fewer individuals or tax-exempt organizations will be treated as owning actually or constructively more than 50% of the value of units in Blackstone Holdings I GP Inc. Consequently, Blackstone Holdings I GP Inc. or Blackstone Holdings II GP Inc. could be or become a PHC, depending on whether it fails the PHC gross income test. If as a factual matter, the income of Blackstone Holdings I GP Inc. or Blackstone Holdings II GP Inc. fails the PHC gross income test, it will be a PHC. Certain aspects of the gross income test cannot be predicted with certainty. Thus, no assurance can be given that Blackstone Holdings I GP Inc. or Blackstone Holdings II GP Inc. will not become a PHC following this offering or in the future.

If Blackstone Holdings I GP Inc. or Blackstone Holdings II GP Inc. is or were to become a PHC in a given taxable year, it would be subject to an additional 15% PHC tax on its undistributed PHC income, which generally includes the company's taxable income, subject to certain adjustments. For taxable years beginning after December 31, 2010, the PHC tax rate on undistributed PHC income will be equal to the highest marginal rate on ordinary income applicable to individuals (currently 35%). If Blackstone Holdings I GP Inc. or Blackstone Holdings II GP Inc. were to become a PHC and had significant amounts of undistributed PHC income, the amount of PHC tax could be material; in that event, distribution of such income would generally cause the PHC tax not to apply.

Certain State, Local and Non-U.S. Tax Matters

We and our subsidiaries may be subject to state, local or non-U.S. taxation in various jurisdictions, including those in which we or they transact business, own property or reside. For example, we and our subsidiaries may be subject to New York City unincorporated business tax. We may be required to file tax returns in some or all of those jurisdictions. The state, local or non-U.S. tax treatment of us and our holders may not conform to the U.S. federal income tax treatment discussed herein. We will pay non-U.S. taxes, and dispositions of foreign property or operations involving, or investments in, foreign property may give rise to non-U.S. income or other tax liability in amounts that could be substantial. Any non-U.S. taxes incurred by us may not pass through to common unitholders as a credit against their U.S. federal income tax liability.

Consequences to U.S. Holders of Common Units

The following is a summary of the material U.S. federal income tax consequences that will apply to you if you are a U.S. Holder of common units.

With respect to U.S. Holders who are individuals, certain dividends paid by a corporation, including certain qualified foreign corporations, to us and that are allocable to such U.S. Holders prior to January 1, 2011 may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of specified income tax treaties with the United States. In addition, a foreign corporation is treated as a qualified corporation on shares that are readily tradable on an established securities market in the United States. Among other exceptions, a U.S. Holder who is an individual will not be eligible for reduced rates of taxation on any dividend if the payer is a PFIC (as defined below) in the taxable year in which such dividend is paid or in the preceding taxable year or on any income required to be reported by the U.S. Holder as a result of a QEF election (as defined below) that is attributable to a dividend received by an entity that is a PFIC and in which the fund holds a direct or indirect interest. Prospective investors should consult their own tax advisors regarding the application of the foregoing rules to their particular circumstances.

For U.S. federal income tax purposes, your allocable share of our items of income, gain, loss, deduction or credit, and our allocable share of those items of Blackstone Holdings, will be governed by the limited partnership agreements for our partnership and Blackstone Holdings if such allocations have "substantial economic effect" or are determined to be in accordance with your interest in our partnership. We believe that for U.S. federal income tax purposes, such allocations will be given effect as being in accordance with your interest in The Blackstone Group L.P., and our general partner intends to prepare tax returns based on such allocations. If the IRS successfully challenged the allocations made pursuant to the limited partnership agreements, the resulting allocations for U.S. federal income tax purposes might be less favorable than the allocations set forth in the limited partnership agreements.

We may derive taxable income from an investment that is not matched by a corresponding distribution of cash. This could occur, for example, if we used cash to make an investment or to reduce debt instead of distributing profits. In addition, special provisions of the Code may be applicable to certain of our investments, and may affect the timing of our income, requiring us to recognize taxable income before we receive cash attributable to such income. Accordingly, it is possible that the U.S. federal income tax liability of a holder with respect to its allocable share of our income for a particular taxable year could exceed the cash distribution to the holder for the year, thus giving rise to an out-of-pocket tax liability for the holder.

Basis

You will have an initial tax basis for your common unit equal to the amount you paid for the common unit plus your share of our liabilities, if any. That basis will be increased by your share of our income and by increases in your share of our liabilities, if any. That basis will be decreased, but not below zero, by distributions from us, by your share of our losses and by any decrease in your share of our liabilities.

Holders who purchase common units in separate transactions must combine the basis of those units and maintain a single adjusted tax basis for all those units. Upon a sale or other disposition of less than all of the common units, a portion of that tax basis must be allocated to the common units sold.

Limits on Deductions for Losses and Expenses

Your deduction of your share of our losses will be limited to your tax basis in your common units and, if you are an individual or a corporate holder that is subject to the "at risk" rules, to the amount for which you are considered to be "at risk" with respect to our activities, if that is less than your tax

basis. In general, you will be at risk to the extent of your tax basis in your common units, reduced by (1) the portion of that basis attributable to your share of our liabilities for which you will not be personally liable and (2) any amount of money you borrow to acquire or hold your common units, if the lender of those borrowed funds owns an interest in us, is related to you or can look only to the common units for repayment. Your at risk amount will generally increase by your allocable share of our income and gain and decrease by cash distributions to you and your allocable share of losses and deductions. You must recapture losses deducted in previous years to the extent that distributions cause your at risk amount to be less than zero at the end of any taxable year. Losses disallowed or recaptured as a result of these limitations will carry forward and will be allowable to the extent that your tax basis or at risk amount, whichever is the limiting factor, subsequently increases. Any excess loss above that gain previously suspended by the at risk or basis limitations may no longer be used. It is not entirely free from doubt whether you would be subject to additional loss limitations imposed by newly enacted Section 470 of the U.S. Internal Revenue Code. The IRS has not yet issued final guidance limiting the scope of this anti-abuse provision. You should therefore consult your own tax advisors about the possible effect of this provision.

We will not generate income or losses from "passive activities" for purposes of Section 469 of the Code. Accordingly, income allocated by us to a holder may not be offset by the Section 469 passive losses of such holder and losses allocated to a holder generally may not be used to offset Section 469 passive income of such holder. In addition, other provisions of the Code may limit or disallow any deduction for losses by a holder of our common units or deductions associated with certain assets of the partnership in certain cases, including potentially Section 470 of the Code. Holders should consult with their tax advisors regarding their limitations on the deductibility of losses under applicable sections of the Code.

Limitations on Deductibility of Organizational Expenses and Syndication Fees

In general, neither we nor any U.S. Holder may deduct organizational or syndication expenses. An election may be made by our partnership to amortize organizational expenses over a 15-year period. Syndication fees (which would include any sales or placement fees or commissions or underwriting discount payable to third parties) must be capitalized and cannot be amortized or otherwise deducted.

Limitations on Interest Deductions

Your share of our interest expense is likely to be treated as "investment interest" expense. If you are a non-corporate taxpayer, the deductibility of "investment interest" expense is generally limited to the amount of your "net investment income." Your share of our dividend and interest income will be treated as investment income, although "qualified dividend income" subject to reduced rates of tax in the hands of an individual will only be treated as investment income if you elect to treat such dividend as ordinary income not subject to reduced rates of tax. In addition, state and local tax laws may disallow deductions for your share of our interest expense.

The computation of your investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase a common unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment. For this purpose, any long-term capital gain or qualifying dividend income that is taxable at long-term capital gain rates is excluded from net investment income, unless the U.S. holder elects to pay tax on such gain or dividend income at ordinary income rates.

Deductibility of Partnership Investment Expenditures by Individual Partners and by Trusts and Estates

Subject to certain exceptions, all miscellaneous itemized deductions of an individual taxpayer, and certain of such deductions of an estate or trust, are deductible only to the extent that such deductions

exceed 2% of the taxpayer's adjusted gross income. Moreover, the otherwise allowable itemized deductions of individuals whose gross income exceeds an applicable threshold amount are subject to reduction by an amount equal to the lesser of (1) 3% of the excess of the individual's adjusted gross income over the threshold amount, or (2) 80% of the amount of the itemized deductions, such reductions to be reduced on a phased basis through 2009. The operating expenses of Blackstone Holdings, including the management fee and management fees paid with respect to private funds managed by Blackstone to the extent these private funds are treated as partnerships for U.S. federal income tax purposes, may be treated as miscellaneous itemized deductions subject to the foregoing rule. Alternatively, it is possible that we will be required to capitalize the management fees. Accordingly, if you are a non-corporate U.S. Holder, you should consult your tax advisors with respect to the application of these limitations.

Sale or Exchange of Common Units

You will recognize gain or loss on a sale of common units equal to the difference, if any, between the amount realized and your tax basis in the common units sold. Your amount realized will be measured by the sum of the cash or the fair market value of other property received plus your share of our liabilities, if any.

Gain or loss recognized by you on the sale or exchange of a common unit will generally be taxable as capital gain or loss and will be long-term capital gain or loss if the common unit was held for more than one year on the date of such sale or exchange. Assuming we have not made an election, referred to as a "QEF election," to treat our interest in a PFIC as a "qualified electing fund," or "QEF," gain attributable to such investment in a PFIC would be taxable as ordinary income and would be subject to an interest charge. See " Passive Foreign Investment Companies". In addition, certain gain attributable to "unrealized receivables" or "inventory items" would be characterized as ordinary income rather than capital gain. For example, if we hold debt acquired at a market discount, accrued market discount on such debt would be treated as "unrealized receivables." The deductibility of capital losses is subject to limitations.

Holders who purchase units at different times and intend to sell all or a portion of the units within a year of their most recent purchase are urged to consult their tax advisors regarding the application of certain "split holding period" rules to them and the treatment of any gain or loss as long-term or short-term capital gain or loss.

Foreign Tax Credit Limitations

You will generally be entitled to a foreign tax credit with respect to your allocable share of creditable foreign taxes paid on our income and gains. Complex rules may, depending on your particular circumstances, limit the availability or use of foreign tax credits. Gains from the sale of our investments may be treated as U.S. source gains. Consequently, you may not be able to use the foreign tax credit arising from any foreign taxes imposed on such gains unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. Certain losses that we incur may be treated as foreign source losses, which could reduce the amount of foreign tax credits otherwise available.

Section 754 Election

We and Blackstone Holdings currently intend to make the election permitted by Section 754 of the U.S. Internal Revenue Code. The election is irrevocable without the consent of the IRS. The election generally requires us to adjust the tax basis in our assets, or "inside basis," attributable to a transferee of common units under Section 743(b) of the Internal Revenue Code to reflect the purchase price of the common units paid by the transferee. However, this election does not apply to a person who purchases common units directly from us, including in this offering. For purposes of this discussion, a transferee's inside basis in our assets will be considered to have two components: (1) the transferee's

share of our tax basis in our assets, or "common basis," and (2) the Section 743(b) adjustment to that basis.

Generally, a Section 754 election would be advantageous to the transferee of common units if the purchase price of those common units is higher than the common units' share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, as a result of the election, the transferee of common units would have a higher tax basis than the common units' share of the aggregate tax basis of our assets immediately prior to the transfer for purposes of calculating, among other items, the transferee's share of any gain or loss on a sale of our assets. Conversely, a Section 754 election is disadvantageous to the transferee of common units if the purchase price of the transferee's common units is lower than those common units' share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the common units may be affected either favorably or adversely by the election.

Even if we were not to make the Section 754 election, if common units were transferred at a time when we had a "substantial built-in loss" inherent in our assets, we would be obligated to reduce the tax basis in the portion of such assets attributable to such common units.

The calculations under Section 754 of the Code are complex, and there is little legal authority concerning the mechanics of the calculations, particularly in the context of publicly traded partnerships. To help reduce the complexity of those calculations and the resulting administrative costs to us, we will apply certain conventions in determining and allocating basis adjustments. For example, we may apply a convention in which we deem the price paid by a holder of common units to be the lowest quoted trading price of the common units during the month in which the purchase occurred, irrespective of the actual price paid. Nevertheless, the use of such conventions may result in basis adjustments that do not exactly reflect a holder's purchase price for its common units, including less favorable basis adjustments to a holder who paid more than the lowest quoted trading price of the common units for the month in which the purchase occurred. It is possible that the IRS will successfully assert that the conventions we use do not satisfy the technical requirements of the Code or the Treasury Regulations and thus will require different basis adjustments to be made. If the IRS were to sustain such a position, a holder of common units may have adverse tax consequences. Moreover, the full benefits of a Section 754 election may not be realized with respect to any Blackstone entity in which we may invest that does not have in effect a Section 754 election. You should consult your tax advisor as to the effects of the Section 754 election.

Uniformity of Common Units

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

Foreign Currency Gain or Loss

Our functional currency will be the U.S. dollar, and our income or loss will be calculated in U.S. dollars. It is likely that we will recognize "foreign currency" gain or loss with respect to transactions involving non-U.S. dollar currencies. In general, foreign currency gain or loss is treated as ordinary income or loss. You should consult your tax advisor with respect to the tax treatment of foreign currency gain or loss.

Passive Foreign Investment Companies

You may be subject to special rules applicable to indirect investments in foreign corporations, including an investment in a PFIC.

A PFIC is defined as any foreign corporation with respect to which either (1) 75% or more of the gross income for a taxable year is "passive income" or (2) 50% or more of its assets in any taxable year (generally based on the quarterly average of the value of its assets) produce "passive income." There are no minimum stock ownership requirements for PFICs. Once a corporation qualifies as a PFIC it is, subject to certain exceptions, always treated as a PFIC, regardless of whether it satisfies either of the qualification tests in subsequent years. Any gain on disposition of stock of a PFIC, as well as income realized on certain "excess distributions" by the PFIC, is treated as though realized ratably over the shorter of your holding period of common units or our holding period for the PFIC. Such gain or income is taxable as ordinary income and, as discussed above, dividends paid by a PFIC to an individual will not be eligible for the reduced rates of taxation that are available for certain qualifying dividends. In addition, an interest charge would be imposed on you based on the tax deferred from prior years.

Although it may not always be possible, we expect to make a QEF election where possible with respect to each entity treated as a PFIC to treat such non-U.S. entity as a QEF in the first year we hold shares in such entity. A QEF election is effective for our taxable year for which the election is made and all subsequent taxable years and may not be revoked without the consent of the IRS. If we make a QEF election under the Internal Revenue Code with respect to our interest in a PFIC, in lieu of the foregoing treatment, we would be required to include in income each year a portion of the ordinary earnings and net capital gains of the QEF called "QEF Inclusions," even if not distributed to us. Thus, holders may be required to report taxable income as a result of QEF Inclusions without corresponding receipts of cash. However, a holder may elect to defer, until the occurrence of certain events, payment of the U.S. federal income tax attributable to QEF Inclusions for which no current distributions are received, but will be required to pay interest on the deferred tax computed by using the statutory rate of interest applicable to an extension of time for payment of tax. However, net losses (if any) of a non-U.S. entity owned through Blackstone Holdings III GP L.P. or Blackstone Holdings IV GP L.P. that is treated as a PFIC will not pass through to us or to holders and may not be carried back or forward in computing such PFIC's ordinary earnings and net capital gain in other taxable years. Consequently, holders may over time be taxed on amounts that as an economic matter exceed our net profits. Our tax basis in the shares of such non-U.S. entities, and a holder's basis in our common units, will be increased to reflect QEF Inclusions. No portion of the QEF Inclusion attributable to ordinary income will be eligible for reduced rates of taxation. Amounts included as QEF Inclusions with respect to direct and indirect investments generally will not be taxed again when actually distributed. You should consult your tax advisors as to the manner in which QEF Inclusions affect your allocable share of our income and your basis in your common units.

Alternatively, in the case of a PFIC that is a publicly-traded foreign portfolio company, an election may be made to "mark to market" the stock of such foreign portfolio company on an annual basis. Pursuant to such an election, you would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. You may treat as ordinary loss any excess of the adjusted basis of the stock over its fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the election in prior years.

We may make certain investments, including for instance investments in specialized investment funds or investments in funds of funds through non-U.S. corporate subsidiaries of Blackstone Holdings or through other non-U.S. corporations. Such an entity may be a PFIC for U.S. federal income tax purposes. In addition, certain of our investments could be in PFICs. Thus, we can make no assurance that some of our investments will not be treated as held through a PFIC or as interests in PFICs or

that such PFICs will be eligible for the "mark to market" election, or that as to any such PFICs we will be able to make QEF elections.

For purposes of determining whether we meet the Qualifying Income Exception, income we must include as a result of our interest in a QEF may constitute qualifying income only to the extent there is a distribution out of the earnings and profits of the taxable year attributable to the amounts so included.

If we do not make a QEF election with respect to a PFIC, Section 1291 of the Code will treat all gain on a disposition by us of shares of such entity, gain on the disposition of common units by a holder at a time when we own shares of such entity, as well as certain other defined "excess distributions," as if the gain or excess distribution were ordinary income earned ratably over the shorter of the period during which the holder held its common units or the period during which we held our shares in such entity. For gain and excess distributions allocated to prior years, (i) the tax rate will be the highest in effect for that taxable year and (ii) the tax will be payable generally without regard to offsets from deductions, losses and expenses. Holders will also be subject to an interest charge for any deferred tax. No portion of this ordinary income will be eligible for the favorable tax rate applicable to "qualified dividend income" for individual U.S. persons.

Controlled Foreign Corporations

A non-U.S. entity will be treated as a CFC if it is treated as a corporation for U.S. federal income tax purposes and if more than 50% of (i) the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or (ii) the total value of the stock of the non-U.S. entity is owned by U.S. Shareholders on any day during the taxable year of such non-U.S. entity. For purposes of this discussion, a "U.S. Shareholder" with respect to a non-U.S. entity means a U.S. person that owns 10% or more of the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote.

When making investment or other decisions, Blackstone Holdings III GP L.P. and Blackstone Holdings IV GP L.P. will consider whether an investment will be a CFC and the consequences related thereto. If we are a U.S. Shareholder in a non-U.S. entity that is treated as a CFC, each common unitholder generally may be required to include in income its allocable share of the CFC's "Subpart F" income reported by us. Subpart F income generally includes dividends, interest, net gain from the sale or disposition of securities, non-actively managed rents and certain other generally passive types of income. The aggregate Subpart F income inclusions in any taxable year relating to a particular CFC are limited to such entity's current earnings and profits. These inclusions are treated as ordinary income (whether or not such inclusions are attributable to net capital gains). Thus, an investor may be required to report as ordinary income its allocable share of the CFC's Subpart F income reported by us without corresponding receipts of cash and may not benefit from capital gain treatment with respect to the portion of our earnings (if any) attributable to net capital gains of the CFC.

The tax basis of our shares of such non-U.S. entity, and a holder's tax basis in our common units, will be increased to reflect any required Subpart F income inclusions. Such income will be treated as income from sources within the United States, for certain foreign tax credit purposes, to the extent derived by the CFC from U.S. sources. Such income will not be eligible for the reduced rate of tax applicable to "qualified dividend income" for individual U.S. persons. See " Consequences to U.S. Holders of Common Units". Amounts included as such income with respect to direct and indirect investments generally will not be taxable again when actually distributed.

Regardless of whether any CFC has Subpart F income, any gain allocated to a common unitholder from our disposition of stock in a CFC will be treated as ordinary income to the extent of the holder's allocable share of the current and/or accumulated earnings and profits of the CFC. In this regard, earnings would not include any amounts previously taxed pursuant to the CFC rules. However, net

losses (if any) of a non-U.S. entity owned by us that is treated as a CFC will not pass through to our holders.

If a non-U.S. entity held by us is classified as both a CFC and a PFIC during the time we are a U.S. Shareholder of such non-U.S. entity, a holder will be required to include amounts in income with respect to such non-U.S. entity pursuant to this subheading, and the consequences described under the subheading "Passive Foreign Investment Companies" above will not apply. If our ownership percentage in a non-U.S. entity changes such that we are not a U.S. Shareholder with respect to such non-U.S. entity, then common unitholders may be subject to the PFIC rules. The interaction of these rules is complex, and prospective holders are urged to consult their tax advisors in this regard.

For purposes of determining whether we meet the Qualifying Income Exception, income we must include as a result of our interest in a CFC may constitute qualifying income only to the extent there is a distribution out of the earnings and profits of the taxable year attributable to the amounts so included. It is expected that Blackstone Holdings V GP L.P. will be a CFC subject to the above rules.

Investment Structure

To manage our affairs so as to meet the "qualifying income" exception for the publicly traded partnership rules (discussed above) and comply with certain requirements in our Limited Partnership Agreement, we may need to structure certain investments through an entity classified as a corporation for U.S. federal income tax purposes. Such investment structures will be entered into as determined in the sole discretion of the general partner in order to create a tax structure that generally is efficient for our common unitholders. However, because our common unitholders will be located in numerous taxing jurisdictions, no assurances can be given that any such investment structure will be beneficial to all our common unitholders to the same extent, and may even impose additional tax burdens on some of our common unitholders. As discussed above, if the entity were a non-U.S. corporation it may be considered a PFIC. If the entity were a U.S. corporation, it would be subject to U.S. federal income tax on its operating income, including any gain recognized on its disposal of its investments. In addition, if the investment involves U.S. real estate, gain recognized on disposition would generally be subject to such tax, whether the corporation is a U.S. or a non-U.S. corporation.

Taxes in Other State, Local, and non-U.S. Jurisdictions

In addition to U.S. federal income tax consequences, you may be subject to potential U.S. state and local taxes because of an investment in us in the U.S. state or locality in which you are a resident for tax purposes or in which we have investments or activities. You may also be subject to tax return filing obligations and income, franchise or other taxes, including withholding taxes, in state, local or non-U.S. jurisdictions in which we invest, or in which entities in which we own interests conduct activities or derive income. Income or gains from investments held by us may be subject to withholding or other taxes in jurisdictions outside the United States, subject to the possibility of reduction under applicable income tax treaties. If you wish to claim the benefit of an applicable income tax treaty, you may be required to submit information to tax authorities in such jurisdictions. You should consult your own tax advisors regarding the U.S. state, local and non-U.S. tax consequences of an investment in us.

Transferor/Transferee Allocations

In general, our taxable income and losses will be determined and apportioned among investors using conventions we regard as consistent with applicable law. As a result, if you transfer your common units, you may be allocated income, gain, loss and deduction realized by us after the date of transfer.

Although Section 706 of the U.S. Internal Revenue Code generally provides guidelines for allocations of items of partnership income and deductions between transferors and transferees of partnership interests, it is not clear that our allocation method complies with its requirements. If our convention were not permitted, the IRS might contend that our taxable income or losses must be

reallocated among the investors. If such a contention were sustained, your respective tax liabilities would be adjusted to your possible detriment. Our general partner is authorized to revise our method of allocation between transferors and transferees (as well as among investors whose interests otherwise vary during a taxable period).

U.S. Federal Estate Taxes

If common units are included in the gross estate of a U.S. citizen or resident for U.S. federal estate tax purposes, then a U.S. federal estate tax might be payable in connection with the death of such person. Prospective individual U.S. Holders should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with respect to our common units.

U.S. Taxation of Tax-Exempt U.S. Holders of Common Units

A holder of common units that is a tax-exempt organization for U.S. federal income tax purposes and therefore generally exempt from U.S. federal income taxation, may nevertheless be subject to "unrelated business income tax" to the extent, if any, that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership that regularly engages in a trade or business which is unrelated to the exempt function of the tax-exempt partner must include in computing its UBTI its pro rata share (whether or not distributed) of such partnership's gross income derived from such unrelated trade or business. Moreover, a tax-exempt partner of a partnership could be treated as earning UBTI to the extent that such partnership derives income from "debt-financed property," or if the partnership interest itself is debt financed. Debt-financed property means property held to produce income with respect to which there is "acquisition indebtedness" (that is, indebtedness incurred in acquiring or holding property).

Because we are under no obligation to minimize UBTI, tax-exempt U.S. Holders of common units should consult their own tax advisors regarding all aspects of UBTI.

Investments by U.S. Mutual Funds

U.S. mutual funds that are treated as regulated investment companies, or "RICs," for U.S. federal income tax purposes are required, among other things, to meet an annual 90% gross income and a quarterly 50% asset value test under Section 851(b) of the U.S. Internal Revenue Code to maintain their favorable U.S. federal income tax status. The treatment of an investment by a RIC in common units for purposes of these tests will depend on whether we are treated as a "qualifying publicly traded partnership." If our partnership is so treated, then the common units themselves are the relevant assets for purposes of the 50% asset value test and the net income from the common units is the relevant gross income for purposes of the 90% gross income test. RICs may not invest greater than 25% of their assets in one or more qualifying publicly traded partnerships. All income derived from a qualifying publicly traded partnership is considered qualifying income for purposes of the RIC 90% gross income test above. However, if we are not treated as a qualifying publicly traded partnership for purposes of the RIC rules, then the relevant assets for the RIC asset test will be the RIC's allocable share of the underlying assets held by us and the relevant gross income for the RIC income test will be the RIC's allocable share of the underlying gross income earned by us. Whether we will qualify as a "qualifying publicly traded partnership" depends on the exact nature of our future investments, but it is likely that we will not be treated as a "qualifying publicly traded partnership." RICs should consult their own tax advisors about the U.S. tax consequences of an investment in common units.

Consequences to Non-U.S. Holders of Common Units

U.S. Income Tax Consequences

In light of our intended investment activities, we may be or may become engaged in a U.S. trade or business for U.S. federal income tax purposes, in which case some portion of our income would be treated as ECI with respect to non-U.S. Holders. If a non-U.S. Holder were treated as being engaged

in a U.S. trade or business in any year because of an investment in our common units in such year, such non-U.S. Holder generally would be (1) subject to withholding by us on any actual distributions, (2) required to file a U.S. federal income tax return for such year reporting its allocable share, if any, of income or loss effectively connected with such trade or business, including certain income from U.S. sources not related to The Blackstone Group L.P. and (3) required to pay U.S. federal income tax at regular U.S. federal income tax rates on any such income. Moreover, a corporate non-U.S. Holder might be subject to a U.S. branch profits tax on its allocable share of its ECI. Any amount so withheld would be creditable against such non-U.S. Holder's U.S. federal income tax liability, and such non-U.S. Holder could claim a refund to the extent that the amount withheld exceeded such non-U.S. Holder's U.S. federal income tax liability for the taxable year. Finally, if we were treated as being engaged in a U.S. trade or business, a portion of any gain recognized by a holder who is a non-U.S. Holder on the sale or exchange of its common units could be treated for U.S. federal income tax purposes as ECI, and hence such non-U.S. Holder could be subject to U.S. federal income tax on the sale or exchange.

Although each non-U.S. Holder is required to provide an IRS Form W-8, we may not be able to provide complete information related to the tax status of our investors to Blackstone Holdings for purposes of obtaining reduced rates of withholding on behalf of our investors. Accordingly, to the extent we receive dividends from a U.S. corporation through Blackstone Holdings and its investment vehicles, your allocable share of distributions of such dividend income will be subject to U.S. withholding tax at a rate of 30%, unless relevant tax status information is provided. Distributions to you may also be subject to withholding to the extent they are attributable to the sale of a U.S. real property interest or if the distribution is otherwise considered fixed or determinable annual or periodic income under the Internal Revenue Code, provided that an exemption from or a reduced rate of such withholding may apply if certain tax status information is provided. If such information is not provided and you would not be subject to U.S. tax based on your tax status or are eligible for a reduced rate of U.S. withholding, you may need to take additional steps to receive a credit or refund of any excess withholding tax paid on your account, which may include the filing of a non-resident U.S. income tax return with the IRS. Among other limitations, if you reside in a treaty jurisdiction which does not treat our partnership as a pass-through entity, you may not be eligible to receive a refund or credit of excess U.S. withholding taxes paid on your account. You should consult your tax advisors regarding the treatment of U.S. withholding taxes.

Special rules may apply in the case of a non-U.S. Holder that (1) has an office or fixed place of business in the U.S., (2) is present in the U.S. for 183 days or more in a taxable year or (3) is a former citizen of the U.S., a foreign insurance company that is treated as holding a partnership interests in us in connection with their U.S. business, a PFIC or a corporation that accumulates earnings to avoid U.S. federal income tax. You should consult your tax advisors regarding the application of these special rules.

U.S. Federal Estate Tax Consequences

The U.S. federal estate tax treatment of our common units with regards to the estate of a non-citizen who is not a resident of the United States is not entirely clear. If our common units are includable in the U.S. gross estate of such person, then a U.S. federal estate tax might be payable in connection with the death of such person. Prospective individual non-U.S. Holders who are non-citizens and not residents of the United States should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with regard to our units.

Administrative Matters

Taxable Year

We currently intend to use the calendar year as our taxable year for U.S. federal income tax purposes. Under certain circumstances which we currently believe are unlikely to apply, a taxable year other than the calendar year may be required for such purposes.

Tax Matters Partner

Our general partner will act as our "tax matters partner." As the tax matters partner, the general partner will have the authority, subject to certain restrictions, to act on our behalf in connection with any administrative or judicial review of our items of income, gain, loss, deduction or credit.

Information Returns

We have agreed to furnish to you, as soon as reasonably practicable after the close of each calendar year, tax information (including Schedule K-1), which describes on a U.S. dollar basis your share of our income, gain, loss and deduction for our preceding taxable year. It will most likely require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for the Partnership. Consequently, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. In addition, each partner will be required to report for all tax purposes consistently with the information provided by us for the taxable year.

In preparing this information, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine your share of income, gain, loss and deduction. The IRS may successfully contend that certain of these reporting conventions are impermissible, which could result in an adjustment to your income or loss.

We may be audited by the IRS. Adjustments resulting from an IRS audit may require you to adjust a prior year's tax liability and possibly may result in an audit of your own tax return. Any audit of your tax return could result in adjustments not related to our tax returns as well as those related to our tax returns.

Tax Shelter Regulations

If we were to engage in a "reportable transaction," we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS in accordance with recently issued regulations governing tax shelters and other potentially tax-motivated transactions. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a "listed transaction" or that it produces certain kinds of losses in excess of $2 million. An investment in us may be considered a "reportable transaction" if, for example, we recognize certain significant losses in the future. In certain circumstances, a common unitholder who disposes of an interest in a transaction resulting in the recognition by such holder of significant losses in excess of certain threshold amounts may be obligated to disclose its participation in such transaction. Our participation in a reportable transaction also could increase the likelihood that our U.S. federal income tax information return (and possibly your tax return) would be audited by the IRS. Certain of these rules are currently unclear and it is possible that they may be applicable in situations other than significant loss transactions.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to (i) significant accuracy-related penalties with a broad scope, (ii) for those persons otherwise entitled to deduct interest on federal tax deficiencies, nondeductibility of interest on any resulting tax liability, and (iii) in the case of a listed transaction, an extended statute of limitations.

Common unitholders should consult their tax advisors concerning any possible disclosure obligation under the regulations governing tax shelters with respect to the dispositions of their interests in us.

Constructive Termination

Subject to the electing large partnership rules described below, we will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period.

Our termination would result in the close of our taxable year for all holders of common units. In the case of a holder reporting on a taxable year other than a fiscal year ending on our year-end, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in the holder's taxable income for the year of termination. We would be required to make new tax elections after a termination, including a new tax election under Section 754 of the Code. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Elective Procedures for Large Partnerships

The U.S. Internal Revenue Code allows large partnerships to elect streamlined procedures for income tax reporting. This election would reduce the number of items that must be separately stated on the Schedules K-1 that are issued to the common unitholders, and such Schedules K-1 would have to be provided to common unitholders on or before the first March 15 following the close of each taxable year. In addition, this election would prevent us from suffering a "technical termination" (which would close our taxable year) if within a 12-month period there is a sale or exchange of 50 percent or more of our total interests. It is possible we might make such an election, if eligible. If we make such election, IRS audit adjustments will flow through to holders of the common units for the year in which the adjustments take effect, rather than the holders of common units in the year to which the adjustment relates. In addition, we, rather than the holders of the common units individually, generally will be liable for any interest and penalties that result from an audit adjustment.

Backup Withholding

For each calendar year, we will report to you and to the IRS the amount of distributions that we pay, and the amount of tax (if any) that we withhold on these distributions. Under the backup withholding rules, you may be subject to backup withholding tax (at the applicable rate, currently 28%) with respect to distributions paid unless: (1) you are a corporation or come within another exempt category and demonstrate this fact when required or (2) you provide a taxpayer identification number, certify as to no loss of exemption from backup withholding tax and otherwise comply with the applicable requirements of the backup withholding tax rules. If you are an exempt holder, you should indicate your exempt status on a properly completed IRS Form W-9. A non-U.S. Holder may qualify as an exempt recipient by submitting a properly completed IRS Form W-8BEN. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund.

If you do not timely provide us (or the clearing agent or other intermediary, as appropriate) with IRS Form W-8 or W-9, as applicable, or such form is not properly completed, we may become subject to U.S. backup withholding taxes in excess of what would have been imposed had we received certifications from all investors. Such excess U.S. backup withholding taxes may be treated by us as an expense that will be borne by all investors on a pro rata basis (since we may be unable to allocate any such excess withholding tax cost to the holders that failed to timely provide the proper U.S. tax certifications).

Nominee Reporting

Persons who hold an interest in our partnership as a nominee for another person are required to furnish to us:

a) the name, address and taxpayer identification number of the beneficial owner and the nominee;

b) whether the beneficial owner is (1) a person that is not a U.S. person, (2) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (3) a tax-exempt entity;

c) the amount and description of common units held, acquired or transferred for the beneficial owner; and

d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on common units they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the common units with the information furnished to us.

New Legislation or Administrative or Judicial Action

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. No assurance can be given as to whether, or in what form, any proposals affecting us or our common unitholders will be enacted. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. For example, changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the qualifying income exception for us to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, or could tax carried interest as ordinary income rather than as capital gains. We and our common unitholders could be adversely affected by any such change in, or any new, tax law, regulation or interpretation. Our organizational documents and agreements permit the board of directors to modify the amended and restated operating agreement from time to time, without the consent of the common unitholders, in order to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all of our common unitholders.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO BLACKSTONE AND ITS UNITHOLDERS ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE EFFECT OF EXISTING INCOME TAX LAWS, THE MEANING AND IMPACT OF WHICH IS UNCERTAIN AND OF PROPOSED CHANGES IN INCOME TAX LAWS WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH PROSPECTIVE HOLDER AND IN REVIEWING THIS PROSPECTUS THESE MATTERS SHOULD BE CONSIDERED. PROSPECTIVE UNITHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF ANY INVESTMENT IN THE COMMON UNITS.

UNDERWRITERS

Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. are acting as global coordinators and representatives of the underwriters and, together with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, Lehman Brothers Inc. and Deutsche Bank Securities Inc., are acting as joint book-running managers of this offering.

We and the underwriters named below have entered into an underwriting agreement covering the common units to be sold in this offering. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of common units listed next to its name in the following table:

Underwriters	Number of Common Units
Morgan Stanley & Co. Incorporated	
Citigroup Global Markets Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Credit Suisse Securities (USA) LLC	
Lehman Brothers Inc.	
Deutsche Bank Securities Inc.	
Total	

The underwriters are offering the common units subject to their acceptance of the common units from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the common units offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the common units offered by this prospectus if any such common units are taken. However, the underwriters are not required to take or pay for the common units covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the common units directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a unit under the public offering price. After the initial offering of the common units, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional common units at the public offering price listed on the cover page of this prospectus, less underwriting discounts. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the common units offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to specified conditions, to purchase approximately the same percentage of common units as the number listed next to the underwriter's name in the preceding table bears to the total number of common units listed next to the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be $, the total underwriters' discounts would be $ and the total proceeds to us would be $.

The underwriters have informed us that they do not expect sales to discretionary accounts to exceed five percent of the total number of common units offered.

We and all of the directors and officers of our general partner have agreed that without the prior written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. on behalf of the underwriters, we and they will not, during the period ending 120 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common units or any securities convertible into or exercisable or exchangeable for common units; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common units;

whether any such transaction described above is to be settled by delivery of common units or such other securities, in cash or otherwise. In addition, we have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. on behalf of the underwriters, we will not file any registration statement with the SEC relating to the offering of any common units or any securities convertible into or exercisable or exchangeable for common units (other than any registration statement on Form S-8 to register common units issued or reserved for issuance under our 2007 Equity Incentive Plan). All of the directors and officers of our general partner have also agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. on behalf of the underwriters, they will not during the period ending 120 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any common units or any securities convertible into or exercisable or exchangeable for common units.

The 120-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 120-day restricted period we issue an earnings release or material news or a material event relating to Blackstone occurs; or

- prior to the expiration of the 120-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 120-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. These restrictions do not apply to certain sales, issuances, distributions and transfers. See "Common Units Eligible for Future Sale Lock-Up Arrangements".

The following table shows the per common unit and total underwriting discounts payable by us. The amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional common units.

	Paid by Us	
	No Exercise	**Full Exercise**
Per common unit	$	$
Total	$	$

In addition, we estimate that the expenses of this offering payable by us, other than underwriting discounts, will be approximately $.

In order to facilitate the offering of the common units, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common units. The underwriters may sell more common units than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the

number of common units available for purchase by the underwriters under their over-allotment option. The underwriters can close out a covered short sale by exercising their over-allotment option or purchasing common units in the open market. In determining the source of common units to close out a covered short sale, the underwriters will consider, among other things, the open market price of common units compared to the price available under their over-allotment option. The underwriters may also sell common units in excess of their over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering. In addition, to stabilize the price of the common units, the underwriters may bid for and purchase common units in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common units in the offering, if the syndicate repurchases previously distributed common units to cover syndicate short positions or to stabilize the price of the common units. These activities may raise or maintain the market price of the common units above independent market levels or prevent or retard a decline in the market price of the common units. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We intend to apply to list the common units on the New York Stock Exchange under the symbol " ."

Affiliates of some of the underwriters own limited partnership interests in some of our investment funds. Affiliates of the underwriters have participated, or in the future may participate, in co-investments with our investment funds in portfolio companies of these investment funds. In addition, each of the underwriters or their respective affiliates have performed, and are likely to continue in the future to perform, various investment banking, financial advisory and lending services for us, our investment funds and our funds' portfolio companies, for which they have received and are likely to continue in the future to receive customary fees and such fees in the aggregate may be substantial.

We intend to use approximately $ million of the net proceeds from this offering to repay all outstanding borrowings under our revolving credit facility. Affiliates of Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC are participating lenders in our revolving credit facility and will indirectly receive $ million of the proceeds used to repay these borrowings.

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters. The representatives may agree to allocate a number of common units to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other website maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

Directed Sale Program

At our request, the underwriters have reserved for sale, at the initial public offering price, up to common units offered in this prospectus for our non-senior managing director, employees, limited partners in our investment funds and others having a significant business relationship with Blackstone. Persons who purchase such reserved common units will be required to

agree, during the period ending 120 days after purchasing such common units, not to sell, transfer, assign, pledge or hypothecate such common units. This lock-up period will be extended if during the last 17 days of the lock-up period we issue a release about earnings or material news or events relating to us occurs, or, prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, in which case the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the release or the occurrence of the material news or material event.

The number of common units available for sale to the general public will be reduced to the extent such persons purchase such reserved common units. Any reserved common units that are not so purchased will be offered by the underwriters to the general public on the same basis as the other common units offered in this prospectus.

Pricing of the Offering

Prior to this offering, there has been no public market for our common units. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be our future prospects and those of our industry in general, our sales, earnings and other financial operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and financial and operating information of companies engaged in activities similar to ours. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the common units will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. An investment vehicle composed of certain partners of Simpson Thacher & Bartlett LLP, members of their families, related parties and others own an interest representing less than 1% of the capital commitments of investment funds managed by Blackstone. Certain legal matters in connection with this offering will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York.

EXPERTS

The statement of financial condition of The Blackstone Group L.P. as of March 19, 2007, included in this prospectus has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, and has been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The statement of financial condition of Blackstone Group Management L.L.C. as of March 19, 2007, included in this prospectus has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, and has been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The combined financial statements of Blackstone Group as of December 31, 2005 and 2006, and for each of the three years in the period ended December 31, 2006, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the common units offered in this prospectus. This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the Securities and Exchange Commission. For further information about us and our common units, we refer you to the registration statement and to its exhibits and schedules. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and in each instance we refer you to the copy of such contract, agreement or document filed as an exhibit to the registration statement, with each such statement being qualified in all respects by reference to the document to which it refers. Anyone may inspect the registration statement and its exhibits and schedules without charge at the public reference facilities the Securities and Exchange Commission maintains at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the Securities and Exchange Commission upon the payment of certain fees prescribed by the Securities and Exchange Commission. You may obtain further information about the operation of the Securities and Exchange Commission's Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. You may also inspect these reports and other information without charge at a website maintained by the Securities and Exchange Commission. The address of this site is *http://www.sec.gov*.

Upon completion of this offering, we will become subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and will be required to file reports and other information with the Securities and Exchange Commission. You will be able to inspect and copy these reports and other information at the public reference facilities maintained by the Securities and Exchange Commission at the address noted above. You also will be able to obtain copies of this material from the Public Reference Room of the Securities and Exchange Commission as described above, or inspect them without charge at the Securities and Exchange Commission's website. We intend to make available to our common unitholders annual reports containing consolidated financial statements audited by an independent registered public accounting firm.

INDEX TO FINANCIAL STATEMENTS

* The combined financial statements reflect the historical results of operations and financial position of Blackstone Group for all periods presented. Accordingly, the historical financial statements do not reflect what the results of operations and financial position of Blackstone Group would have been had Blackstone Group been a stand-alone, public company for the periods presented. Please see Unaudited Pro Forma Financial Information.

Report of Independent Registered Public Accounting Firm

To the Partners of The Blackstone Group L.P.:

We have audited the accompanying statement of financial condition of The Blackstone Group L.P. (the "Partnership"), as of March 19, 2007. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of The Blackstone Group L.P. as of March 19, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
March 21, 2007

THE BLACKSTONE GROUP L.P.

Statement of Financial Condition

As of March 19, 2007

Assets	
Cash	$1
Partners' Capital	
Partners' Capital	$1

Notes to Statement of Financial Condition

1. ORGANIZATION

The Blackstone Group L.P. (the "Partnership") was formed as a Delaware limited partnership on March 12, 2007. Pursuant to a reorganization into a holding partnership structure, the Partnership will become a holding partnership and its sole assets are expected to be a controlling equity interest through wholly-owned subsidiary entities in Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. and Blackstone Holdings V L.P. (collectively, "Blackstone Holdings"). Through wholly-owned subsidiary entities, the Partnership will be the sole general partner of Blackstone Holdings and will operate and control all of the businesses and affairs of Blackstone Holdings and, through Blackstone Holdings and its subsidiaries, continue to conduct the business now conducted by these subsidiaries. Blackstone Group Management L.L.C. is the general partner of the Partnership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate Statements of Income, Changes in Partners' Capital and of Cash Flows have not been presented in the financial statement because there have been no activities of this entity.

3. PARTNERS' CAPITAL

Blackstone Group Limited Partner L.L.C., a wholly-owned subsidiary of Blackstone Group Management L.L.C., is the organizational limited partner of the Partnership, and contributed $1 to the Partnership on the date of formation.

Report of Independent Registered Public Accounting Firm

To the Members of Blackstone Group Management L.L.C.:

We have audited the accompanying statement of financial condition of Blackstone Group Management L.L.C. (the "Company") as of March 19, 2007. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Blackstone Group Management L.L.C. as of March 19, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
March 21, 2007

BLACKSTONE GROUP MANAGEMENT L.L.C.

Statement of Financial Condition

As of March 19, 2007

Assets	
Cash	$ 1
Members' Capital	
Members' Capital	$ 1

Notes to Statement of Financial Condition

1. ORGANIZATION

Blackstone Group Management L.L.C. (the "Company") was formed as a Delaware limited liability company on March 12, 2007. The Company has been established to be the general partner of The Blackstone Group L.P.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate Statements of Income, Changes in Members' Capital and of Cash Flows have not been presented in the financial statement because there have been no activities of this entity.

Report of Independent Registered Public Accounting Firm

To the Partners of Blackstone Group:

We have audited the accompanying combined statements of financial condition of Blackstone Group (the "Company"), as of December 31, 2006 and 2005, and the related combined statements of income, changes in partners' capital and of cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the combined financial position of Blackstone Group as of December 31, 2006 and 2005, and the combined results of their operations and their combined cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
March 21, 2007

BLACKSTONE GROUP

Combined Statements of Financial Condition

(Dollars in Thousands)

	December 31,	
	2006	**2005**
Assets		
Cash and Cash Equivalents	$ 129,443	$ 86,414
Cash Held at Consolidated Entities	810,725	363,657
Investments, at Fair Value	31,263,573	20,072,582
Accounts Receivable	656,165	168,841
Due from Brokers	398,196	
Investment Subscriptions Paid in Advance	280,917	214,437
Due from Affiliates	257,225	159,889
Other Assets	94,800	55,304
Total Assets	$ 33,891,044	$ 21,121,124
Liabilities and Partners' Capital		
Loans Payable	$ 975,981	$ 837,627
Amounts Due to Non-Controlling Interest Holders	647,418	1,043,914
Securities Sold, Not Yet Purchased	422,788	
Due to Affiliates	103,428	42,122
Accrued Compensation and Benefits	66,301	46,044
Accounts Payable, Accrued Expenses and Other Liabilities	157,355	113,064
Total Liabilities	2,373,271	2,082,771
Commitments and Contingencies		
Non-Controlling Interests in Consolidated Entities	28,794,894	17,213,408
Partners' Capital		
Partners' Capital	2,712,605	1,818,749
Accumulated Other Comprehensive Income	10,274	6,196
Total Partners' Capital	2,722,879	1,824,945
Total Liabilities and Partners' Capital	$ 33,891,044	$ 21,121,124

See notes to combined financial statements.

BLACKSTONE GROUP

Combined Statements of Income

(Dollars in Thousands)

	Year Ended December 31,		
	2006	**2005**	**2004**
Revenues			
Fund Management Fees	$ 852,283	$ 370,574	$ 390,645
Advisory Fees	256,914	120,137	108,356
Interest and Other	11,082	6,037	4,462
Total Revenues	1,120,279	496,748	503,463
Expenses			
Employee Compensation and Benefits	250,067	182,605	139,512
Interest	36,932	23,830	16,239
Occupancy and Related Charges	35,862	30,763	29,551
General, Administrative and Other	86,534	56,650	48,576
Fund Expenses	143,695	67,972	43,123
Total Expenses	553,090	361,820	277,001
Other Income			
Net Gains from Investment Activities	7,587,296	5,142,530	6,214,519
Income Before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	8,154,485	5,277,458	6,440,981
Non-Controlling Interests in Income of Consolidated Entities	5,856,345	3,934,535	4,901,547
Income Before Taxes	2,298,140	1,342,923	1,539,434
Income Taxes	31,934	12,260	16,120
Net Income	$ 2,266,206	$ 1,330,663	$ 1,523,314

See notes to combined financial statements.

BLACKSTONE GROUP

Combined Statements of Changes in Partners' Capital

(Dollars in Thousands)

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital
Balance at January 1, 2004	$ 1,087,942	$ (7,339)	$ 1,080,603
Comprehensive Income			
Net Income	1,523,314		1,523,314
Other Comprehensive Income			
Currency Translation Adjustment		1,026	1,026
Net Unrealized Gain on Cash Flow Hedges		6,731	6,731
Total Comprehensive Income			1,531,071
Capital Contributions	49,110		49,110
Capital Distributions	(724,353)		(724,353)
Balance at December 31, 2004	1,936,013	418	1,936,431
Comprehensive Income			
Net Income	1,330,663		1,330,663
Other Comprehensive Income			
Currency Translation Adjustment		(2,045)	(2,045)
Net Unrealized Gain on Cash Flow Hedges		7,823	7,823
Total Comprehensive Income			1,336,441
Capital Contributions	119,151		119,151
Capital Distributions	(1,567,078)		(1,567,078)
Balance at December 31, 2005	1,818,749	6,196	1,824,945
Comprehensive Income			
Net Income	2,266,206		2,266,206
Other Comprehensive Income			
Currency Translation Adjustment		4,098	4,098
Net Unrealized Loss on Cash Flow Hedges		(20)	(20)
Total Comprehensive Income			2,270,284
Capital Contributions	212,594		212,594
Capital Distributions	(1,584,944)		(1,584,944)
Balance at December 31, 2006	$ 2,712,605	$ 10,274	$ 2,722,879

See notes to combined financial statements.

BLACKSTONE GROUP

Combined Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,		
	2006	**2005**	**2004**
Cash Flows from Operating Activities			
Net Income	$ 2,266,206	$ 1,330,663	$ 1,523,314
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided By Operating Activities:			
Blackstone Funds Related			
Non-Controlling Interests in Income of Consolidated Entities	3,950,664	3,631,179	420,561
Net Realized Gains on Investments	(5,054,995)	(4,918,364)	(2,029,266)
Change in Unrealized Gains on Investments Allocable to Blackstone Group	(585,555)	113,934	321,910
Other Non-Cash Amounts Included in Net Income	(41,929)	(52,427)	(62,815)
Cash Flows Due to Changes in Operating Assets and Liabilities			
Increase in Cash Held At Consolidated Entities	(447,068)	(81,527)	(46,997)
Increase in Due from Brokers	(398,196)		
(Increase) Decrease in Accounts Receivable	(431,044)	150,215	(201,816)
(Increase) Decrease in Due from Affiliates	(76,700)	3,328	(73,381)
(Increase) Decrease in Other Assets	(21,252)	(9,143)	5,336
Increase in Accrued Compensation and Benefits	20,257	11,355	4,827
Increase (Decrease) in Accounts Payable, Accrued Expenses and Other Liabilities	38,470	(65,298)	78,026
Increase in Due to Affiliates	47,665	87	2,431
Increase (Decrease) in Amounts Due to Non-Controlling Interest Holders	113,188	(32,734)	33,022
(Increase) Decrease in Cash Relinquished With Consolidation of Partnerships and Joint Ventures		19,578	(7,090)
Blackstone Funds Related			
Investments Purchased	(14,638,659)	(5,791,376)	(5,788,480)
Cash Proceeds from Sale of Investments	10,862,334	8,399,788	5,873,100
Net Cash (Used in) Provided By Operating Activities	(4,396,614)	2,709,258	52,682
Cash Flows from Investing Activities			
Purchase of Furniture, Equipment and Leasehold Improvements	(24,190)	(7,353)	(18,282)
Net Cash Used in Investing Activities	(24,190)	(7,353)	(18,282)
Cash Flows from Financing Activities			
Distributions to Non-Controlling Interest Holders in Consolidated Entities	(6,653,590)	(6,257,445)	(4,256,548)
Contributions from Non-Controlling Interest Holders in Consolidated Entities	12,321,339	5,040,610	4,280,412
Contributions from Partners	212,594	119,151	49,110
Distributions to Partners	(1,551,957)	(1,327,169)	(720,114)
Proceeds from Loans Payable	7,634,786	2,623,231	3,123,458
Repayment of Loans Payable	(7,499,857)	(2,936,728)	(2,525,190)
Net Cash Provided By (Used in) Financing Activities	4,463,315	(2,738,350)	(48,872)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	518	(2,832)	1,594
Net Increase (Decrease) in Cash and Cash Equivalents	43,029	(39,277)	(12,878)
Cash and Cash Equivalents, Beginning of Period	86,414	125,691	138,569
Cash and Cash Equivalents, End of Period	$ 129,443	$ 86,414	$ 125,691

	Year Ended December 31,		
Supplemental Disclosures of Cash Flow Information			
Payments for Interest	$ 79,469	$ 30,761	$ 22,661
Payments for Income Taxes	$ 19,669	$ 18,726	$ 16,597
Supplemental Disclosure of Non-Cash Operating Activities			
Net Activities Related to Investment Transactions of Consolidated Blackstone Funds	$ 2,119,246	$ 1,752,904	$ 181,541
Supplemental Non-Cash Financing Activities			
Non-Cash Distributions to Non-Controlling Interest Holders	$ 138,967	$ 948,651	$ 28,800
Non-Cash Distributions to Partners	$ 32,987	$ 239,909	$ 4,239
Net Activities Related to Capital Transactions of Consolidated Blackstone Funds	$ 2,241,660	$ 589,511	$ 45,743

See notes to combined financial statements.

BLACKSTONE GROUP

Notes to Combined Financial Statements

(All Dollars Are in Thousands Except Where Otherwise Noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

Blackstone Group is a leading global alternative asset manager and provider of financial advisory services based in New York. Our alternative asset management businesses include the management of corporate private equity funds, real estate funds, funds of hedge funds, mezzanine funds, senior debt funds, proprietary hedge funds and closed-end mutual funds, collectively referred to as the "Blackstone Funds." We also provide various financial advisory services, including mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

Blackstone Group ("Blackstone" or the "Company") is comprised of all of the entities engaged in the above businesses under the common control of the two founders of Blackstone, Stephen A. Schwarzman and Peter G. Peterson, (the "Founders") and common ownership of the Founders, Blackstone's senior managing directors and selected other individuals engaged in some of our businesses and personal planning vehicles beneficially owned by the families of these individuals and a subsidiary of American International Group, Inc. ("AIG"), whom we refer to collectively as our "existing owners."

Certain of the Blackstone Funds are consolidated into operating entities of the Company pursuant to accounting principles generally accepted in the United States of America as described in Note 2. Consequently, the Company's combined financial statements reflect the assets, liabilities, revenues, expenses and cash flows of the consolidated Blackstone Funds on a gross basis. The majority economic ownership interests in these funds are reflected as non-controlling interests in consolidated entities in the combined financial statements. The consolidation of these Blackstone Funds has no net effect on the Company's Net Income or Partners' Capital.

The existing owners have a substantial investment in the Company, including required investments in the Company's operating entities, mandatory investments in Blackstone Funds, and other investments in the Blackstone Funds which the existing owners have made on a discretionary basis.

The combined financial statements reflect the existing owners' investments, together with allocated earnings thereon, in the Company's operating entities and their committed capital investments ("GP Interests") in the Blackstone Funds as Partners' Capital. Investments made by AIG pursuant to its mandated limited partner capital commitments to specific Blackstone Funds and by existing owners made into the Blackstone Funds on a discretionary basis are reflected as non-controlling interests in consolidated entities. See Note 10 for a further discussion of the existing owners' interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation The Company's policy is to combine, or consolidate, as appropriate, those entities in which it, through the existing owners, has control over significant operating, financial or investing decisions of the entity.

For Blackstone Funds that are determined to be variable interest entities ("VIE"), the Company consolidates those entities where the Company absorbs a majority of the expected losses or a majority of the expected residual returns, or both, of such entities pursuant to the requirements of Financial Accounting Standards Board ("FASB") Interpretation No. 46 *Consolidation of Variable Interest Entities*

("FIN 46") as revised. In addition, the Company consolidates those entities it controls through a majority voting interest or otherwise, including those Blackstone Funds in which the general partners are presumed to have control over them pursuant to FASB Emerging Issues Task Force ("EITF") Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). The provisions under both FIN 46 and EITF 04-5 have been applied retrospectively to prior periods. Intercompany transactions and balances have been eliminated.

For operating entities over which the Company exercises significant influence but which do not meet the requirements for consolidation, the Company uses the equity method of accounting whereby it records its share of the underlying income or losses of these entities.

In those cases where the Company's investment is less than 20%, 3% in the case of partnership interests, and significant influence does not exist, such investments are carried at fair value.

Use of Estimates The preparation of the combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues, expenses and other income during the reporting periods. Actual results could differ from those estimates and such differences could be material to the combined financial statements.

Fund Management Fees Fund management fees are comprised of fees charged directly to funds, fund investors and fund portfolio companies (including management, transaction and monitoring fees). Such fees are based upon the contractual terms of investment advisory and related agreements and are recognized as earned over the specified contract period. In certain management fee arrangements, the Company is entitled to receive performance fees when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees are accrued monthly or quarterly based on measuring account/fund performance to date versus the performance benchmark stated in the investment management agreement.

Advisory Fees Financial advisory fees consist of advisory retainer and transaction based fee arrangements related to mergers, acquisitions, restructurings, divestitures and fund placement services for alternative investment funds. Advisory retainer fees are recognized when services are rendered. Transaction fees are recognized when the services related to the underlying transactions are substantially completed in accordance with the terms of their engagement letters. Fund placement services revenue is recognized as earned upon the acceptance by a fund of capital or capital commitments.

Cash and Cash Equivalents The Company considers all highly liquid short term investments with original maturities of 90 days or less when purchased to be cash equivalents.

Cash Held at Consolidated Entities Cash Held at Consolidated Investment Entities consists of cash and cash equivalents held by the Blackstone Funds which, although not legally restricted, is not available to fund the general liquidity needs of the Company.

Investments, at Fair Value The Blackstone Funds are, for GAAP purposes, investment companies under the AICPA Audit and Accounting Guide *Investment Companies*. Thus, such funds reflect their

investments, including Securities Sold, Not Yet Purchased**,** on the Combined Statements of Financial Condition at their estimated fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of Other Income in the Combined Statements of Income. Fair value is the amount at which the investments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Additionally, these funds do not consolidate their majority-owned and controlled investments (the "Portfolio Companies"). The Company has retained the specialized accounting for the Blackstone Funds pursuant to EITF Issue No. 85-12 *Retention of Specialized Accounting for Investments in Consolidation.*

The fair value of the Company's Investments and Securities Sold, Not Yet Purchased are based on observable market prices when available. Such prices are based on the last sales price on the date of determination, or, if no sales occurred on such day, at the "bid" price at the close of business on such day and if sold short at the "asked" price at the close of business on such day. Futures and options contracts are valued based on closing market prices. Forward and swap contracts are valued based on market rates or prices obtained from recognized financial data service providers.

A significant number of the investments have been valued by the Company, in the absence of readily observable market prices, using the valuation methodologies described below. The determination of fair value may differ materially from the values that would have resulted if a ready market had existed. The Company estimates the fair value of investments for which market prices are not readily observable as follows.

Corporate private equity, real estate and mezzanine investments For investments for which readily observable market prices do not exist, such investments are carried at estimated fair value as determined by the Company. Fair value is determined after giving consideration to a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment.

Funds of hedge funds Blackstone Funds' direct investments in underlying hedge funds ("Investee Funds") are stated at fair value, which is based on the Blackstone Funds' net contribution to the Investee Funds and its allocated share of the undistributed profits and losses, including realized and unrealized gains and losses, based on the information provided by the Investee Funds' management, which may include the audited financial statements of the Investee Fund.

Certain Blackstone Funds sell securities that they do not own, and will therefore be obligated to purchase such securities at a future date. The value of an open short position is recorded as a liability, and the fund records unrealized appreciation or depreciation to the extent of the difference between the proceeds received and the value of the open short position. The applicable Blackstone Fund records a realized gain or loss when a short position is closed. By entering into short sales, the applicable Blackstone Fund bears the market risk of increases in value of the security sold short. The unrealized appreciation or depreciation as well as the realized gain or loss associated with short positions are included in the Combined Statements of Income as Net Gains from Investment Activities.

Securities transactions are recorded on a trade date basis.

Accounts Receivable Accounts Receivable consist primarily of redemptions from the underlying hedge funds in Blackstone's funds of hedge funds and receivables related to Advisory Fees.

Investment Subscriptions Paid in Advance Investment Subscriptions Paid in Advance by the Company represent cash paid prior to the effective date of an investment to facilitate the deployment of investment proceeds to affiliated and third party managers.

Furniture, Equipment and Leasehold Improvements Furniture, equipment and leasehold improvements consist primarily of leasehold improvements, furniture, fixtures and equipment, computer hardware and software and are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, generally 15 years, and three to seven years for other fixed assets. The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Non-Controlling Interests in Consolidated Entities Non-controlling interests related to the corporate private equity, real estate and mezzanine funds are subject to on-going realizations and distributions of proceeds therefrom during the life of a fund with a final distribution at the end of each respective fund's term, which could occur under certain circumstances in advance of or subsequent to that fund's scheduled termination date. Non-controlling interests related to funds of hedge funds and hedge funds are generally subject to annual, semi-annual or quarterly withdrawal or redemption by investors in such funds following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years). When redeemed amounts become legally payable to investors on a current basis, they are reclassified as a liability.

In many cases, the Company's GP Interests in the Blackstone Funds entitle the Company to an allocation of income (a "carried interest" or incentive fee/allocation) in the event that the fund achieves specified cumulative investment returns. The carried interest to the Company ranges from 15% to 20%. The incentive fees/allocations range from 5% to 20%. The Company records such allocations in the determination of the Non-Controlling Interests in Income of Consolidated Entities when the returns at the respective Blackstone Funds meet or exceed the cumulative investment returns to the limited partners established in the relevant agreements.

Amounts Due to Non-Controlling Interest Holders Amounts Due to Non-Controlling Interest Holders consist primarily of shareholder/investor redemptions and capital withdrawals payable by the Blackstone Funds.

Derivatives and Hedging Activities The Company enters into derivative financial instruments for investment purposes and to manage interest rate and foreign exchange risk arising from certain assets and liabilities. All derivatives are recognized as either assets or liabilities in the Combined Statements of Financial Condition and measured at fair value. Derivatives used in connection with investment activities are recorded at fair value and changes in value are recorded in income currently.

Cash Flow Hedges For qualifying cash flow hedges, the Company records the effective portion of changes in the fair value of derivatives designated as cash flow hedging instruments in Other Comprehensive Income, which is a component of Partners' Capital. Any ineffective portion of the cash

flow hedges are included in current period income. The Company's hedging activities are immaterial to the combined financial statements.

Foreign Currency Translation and Transactions Non-U.S. dollar denominated assets and liabilities are translated at year-end rates of exchange, and Combined Statements of Income accounts are translated at rates of exchange in effect throughout the year. Foreign currency gains and losses resulting from transactions outside of the functional currency of an entity, which are not significant, are included in Net Income.

Comprehensive Income Comprehensive Income consists of Net Income and Other Comprehensive Income. The Company's Other Comprehensive Income is comprised of unrealized gains and losses on cash flow hedges and foreign currency cumulative translation adjustments.

Income Taxes No federal income taxes have been provided for by the Company in the accompanying combined financial statements as each entity of the group is either a partnership, a S corporation or a limited liability company classified as a partnership that is not subject to federal income taxes. However, certain entities of the Company are subject to a four percent (4%) New York City unincorporated business tax on their trade and business income activities conducted in New York City. Additionally, some entities of the Company are located in foreign jurisdictions that impose income taxes.

The Company uses the asset and liability method of accounting for deferred income taxes pursuant to FASB Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes* ("SFAS 109"). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the combined financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Under SFAS 109, a valuation allowance is established when management believes it is more likely than not that a deferred tax asset will not be realized.

Recent Accounting Pronouncements In September 2006, the FASB issued SFAS No. 157*Fair Value Measurements,* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company intends to early adopt SFAS 157 as of January 1, 2007. The adoption of SFAS 157 is not expected to have a material impact on the Company's combined financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in earnings. Blackstone intends to early adopt SFAS 159 as of January 1, 2007. Upon adoption of SFAS 159, Blackstone currently intends to elect to apply the fair value option to selected investments in non-consolidated investment entities, which would otherwise be accounted for under the equity method of accounting. In the event the Company elects to account for such investments at fair value, the initial

application of the fair value option to such interests is not expected to have a material cumulative effect on Partners' Capital or Investments, at Fair Value.

The Company is currently planning a reorganization in contemplation of a future public offering. In connection with the reorganization, the Company intends to grant substantive kick-out, liquidating or other participating rights to the limited partners of its corporate private equity, real estate and selected other Blackstone Funds. The Company intends to apply SFAS 159 to all of its corporate private equity and real estate general partner interests in investment partnerships that are expected to be deconsolidated as part of the reorganization. As a consequence of electing the fair value option, Net Gains from Investment Activities would potentially increase by a material amount reflective of current market conditions at that time.

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment* ("SFAS 123(R)"), which requires all equity-based payments to employees to be recognized using a fair value based method. On January 1, 2006, the Company adopted SFAS 123(R) using the modified prospective method and therefore prior period amounts will not be restated. The adoption of SFAS 123(R) did not have a material impact on the Company's combined financial statements.

In September 2006, the FASB cleared the AICPA Statement of Position No. 07-1, *Clarification of the Scope of the Audit and Accounting Guide* Investment Companies *and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* ("SOP 07-1") for issuance. SOP 07-1 addresses whether the accounting principles of the AICPA Audit and Accounting Guide *Investment Companies* may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. SOP 07-1 applies to the later of (i) reporting periods beginning on or after December 15, 2007 or (ii) the first permitted early adoption date of the FASB's fair value option statement. The adoption of SOP 07-1 is not expected to have a material impact on the Company.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The tax benefit recognized is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 will not have a material impact on the Company's combined financial statements.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* ("SFAS 155"), which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, ("SFAS 133") and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. SFAS 155 provides, among other things, that (1) for embedded derivatives which would otherwise be required to be bifurcated from their host contracts and accounted for at fair value in accordance with SFAS 133, an entity may make an irrevocable election, on an instrument-by-instrument basis, to measure the hybrid financial instrument at fair value in its entirety, with changes in fair value recognized in earnings and (2) concentrations of credit risk in the form of subordination are not considered embedded derivatives. SFAS 155 is effective for all financial

instruments acquired, issued or subject to remeasurement after the beginning of an entity's first fiscal year that begins after September 15, 2006. Upon adoption, differences between the total carrying amount of the individual components of an existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument should be recognized as a cumulative effect adjustment to beginning retained earnings. Prior periods are not restated. The adoption of SFAS 155 is not expected to have a material impact on the Company's combined financial statements.

On September 13, 2006 the staff of the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 ("SAB 108"), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material impact on the Company's financial statements.

3. INVESTMENTS

Investments, at Fair Value

Investments, at Fair Value, consist primarily of financial instruments held by consolidated Blackstone Funds.

	Fair Value	
	December 31,	
	2006	2005
Investments of Consolidated Blackstone Funds	$ 31,066,974	$ 19,823,941
Equity Method Investments	133,335	155,770
Other Investments	63,264	92,871
	$ 31,263,573	$ 20,072,582

Investments of Consolidated Blackstone Funds

The following table presents the Company's investments held by the consolidated Blackstone Funds. These investments are presented as a percentage of Investments of Consolidated Blackstone Funds.

Geographic Region/Instrument Type/ Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Blackstone Funds	
	December 31,			
	2006	2005	2006	2005
United States and Canada				
Equity Securities, principally related to corporate private equity and real estate funds				
Real Estate, including Consumer Business	$ 7,346,221	$ 1,984,138	23.7%	10.0%
Technology, Media and Telecommunications	4,250,454	2,583,998	13.7%	13.0%
Manufacturing	3,119,359	2,402,947	10.0%	12.1%
Life Sciences	1,818,875	738,827	5.9%	3.8%
Financial Services	1,061,055	1,030,131	3.4%	5.2%
Energy	359,627	1,985,642	1.2%	10.0%
Other	667,285	445,857	2.1%	2.3%
Equity Securities Total (Cost: 2006 $11,896,979; 2005 $6,680,192)	18,622,876	11,171,540	60.0%	56.4%
Debt Instruments (Cost: 2006 $396,390; 2005 $418,438), principally related to mezzanine funds	385,140	389,887	1.2%	2.0%
Investment Funds, principally related to marketable alternative asset investments				
Equity	2,408,012	2,242,998	7.8%	11.4%
Diversified Investments	2,145,729	1,216,132	6.9%	6.1%
Credit Driven	870,350	1,036,107	2.8%	5.2%
Other	473,908	937,255	1.5%	4.7%
Investment Funds Total (Cost: 2006 $4,864,068; 2005 $4,290,127)	5,897,999	5,432,492	19.0%	27.4%
United States and Canada Total (Cost: 2006 $17,157,437; 2005 $11,388,757)	24,906,015	16,993,919	80.2%	85.8%
Europe				
Equity Securities, principally related to corporate private equity and real estate funds				
Technology, Media and Telecommunications	2,979,825	801,601	9.6%	4.0%
Real Estate, including Consumer Business	1,994,798	1,135,803	6.4%	5.7%
Other	871,003	733,081	2.8%	3.7%
Equity Securities Total (Cost: 2006 $4,750,959; 2005 $1,934,340)	5,845,626	2,670,485	18.8%	13.4%
Debt Instruments (Cost: 2006 $44,774; 2005 $28,764), principally related to mezzanine funds	46,086	60,978	0.1%	0.3%
Europe Total (Cost: 2006 $4,795,733; 2005 $1,963,104)	5,891,712	2,731,463	18.9%	13.7%
Asia, Africa and Other (Cost: 2006 $209,342; 2005 $67,343), principally related to corporate private equity	269,247	98,559	0.9%	0.5%
Total Investments of Consolidated Blackstone Funds (Cost: 2006 $22,162,512; 2005 $13,419,204)	$ 31,066,974	$ 19,823,941	100.0%	100.0%

At December 31, 2005, the fair market value of investments exceeding 5% of the Investments of Consolidated Blackstone Funds consisted of Celanese Corporation, $1,028,253, and Texas Genco LLC, $1,410,466. At December 31, 2006 there were no such individual investments.

Securities Sold, Not Yet Purchased. The following table presents the Company's Securities Sold, Not Yet Purchased held by the consolidated Blackstone Funds as of December 31, 2006, which are principally held by certain of Blackstone Group's hedge funds. These investments are presented as a percentage of Securities Sold, Not Yet Purchased. At December 31, 2005 there were no such investments.

	December 31, 2006	
Geographic Region/Instrument Type/Industry Description	**Fair Value**	**%**
United States Equity Instruments		
Manufacturing	$ 133,991	31.8%
Utilities	119,363	28.2%
Index Funds	51,313	12.1%
Chemicals	27,911	6.6%
United States Total (Proceeds: $330,605)	332,578	78.7%
Europe Equity Instruments		
Utilities	34,331	8.1%
Manufacturing	19,082	4.5%
Europe Total (Proceeds: $50,358)	53,413	12.6%
All other regions Equity Instruments Manufacturing (Proceeds: $33,336)	36,797	8.7%
Total (Proceeds: $414,299)	$ 422,788	100.0%

Realized and Net Change in Unrealized Gains from Blackstone Funds. Net Gains from Investment Activities on the Combined Statements of Income include net realized gains from realizations and sales of investments and the net change in unrealized gains resulting from changes in fair value of the consolidated Blackstone Funds' investments. The following table presents Blackstone Group's realized and net change in unrealized gains held through the consolidated Blackstone Funds:

	Year Ended December 31,		
	2006	**2005**	**2004**
Realized Gains	$ 5,054,995	$ 4,918,364	$ 2,029,266
Net Change in Unrealized Gains	2,491,236	189,422	4,159,076
	$ 7,546,231	$ 5,107,786	$ 6,188,342

Investments in Variable Interest Entities. The Company consolidates certain VIEs in addition to those consolidated entities under EITF 04-5, when it is determined that the Company is the primary beneficiary, either directly or indirectly, through a consolidated entity or affiliate. The assets of the consolidated VIEs are classified within Investments, at Fair Value. The liabilities of the consolidated VIEs are non recourse to the Company's general credit.

At December 31, 2006 and 2005, the Company was the primary beneficiary of VIEs whose gross assets were $2,182 million and $1,648 million, respectively, which is the carrying amount of such financial assets in the combined financial statements. The nature of these VIEs include investments in private equity, real estate and hedge fund assets.

The Company is also a significant variable interest holder in other VIEs which are not consolidated, as the Company is not the primary beneficiary. These VIEs include certain Blackstone Funds investing in entities issuing collateralized debt obligations and those that are funds of hedge funds. At December 31, 2006 and 2005, gross assets of these entities are approximately $4,193 million and $3,130 million, respectively. The Company's aggregate maximum exposure to loss is approximately $252 million and $179 million as of December 31, 2006 and 2005, respectively. The Company's involvement with these entities began on the dates that they were formed, which range from July 2002 to November 2005.

Equity Method Investments

The Company invests in corporate private equity funds, real estate funds, funds of hedge funds and hedge funds which are not required to be consolidated. The Company accounts for these investments under the equity method of accounting and the Company's share of operating income generated by these investments, which includes the unrealized gains or losses on a fair value basis, is recorded as a component of Net Gains from Investment Activities. Since these investments are not subject to income taxes, the Company has not recorded any provision for income taxes associated with these investments in the Combined Statements of Income.

	Equity Held		Equity in Net Income		
	December 31,		Year Ended December 31,		
	2006	2005	2006	2005	2004
Equity Method Investments	$ 133,335	$ 155,770	$ 31,760	$ 20,387	$ 17,101

Other Investments

Other Investments consist primarily of investment securities held by the Company for its own account. The following table presents Blackstone Group's realized and net change in unrealized gains in other investments:

	Year Ended December 31,		
	2006	2005	2004
Realized Gains	$ 6,791	$ 8,309	$ 1,373
Net Change in Unrealized Gains	2,514	6,048	7,703
	$ 9,305	$ 14,357	$ 9,076

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are recorded at fair value or at amounts that approximate fair value in the accompanying combined financial statements. Investments, at Fair Value and Securities Sold, Not Yet Purchased are recorded at fair value as described in Note 2. The carrying amounts of the Company's borrowings under its various agreements approximate fair value because such obligations bear interest at floating rates.

5. CREDIT RISK

Certain Blackstone Funds and the Investee Funds are subject to certain inherent credit risks arising from their transactions involving futures, options and securities sold under agreements to repurchase by exposure through its investments.

Various entities of the Company invest substantially all of their excess cash in an open-end money market fund and a money market demand account, which are included in Cash and Cash Equivalents. The money market fund invests primarily in government securities and other short-term, highly liquid instruments with a low risk of loss. The Company continually monitors the fund's performance in order to manage any risk associated with these investments.

Certain entities of the Company hold derivative instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. The Company minimizes its risk exposure by limiting the counterparties with which it enters into contracts to banks and investment banks who meet established credit and capital guidelines. The Company does not expect any counterparty to default on its obligation and therefore does not expect to incur any loss due to counterparty default.

6. DUE FROM BROKERS

Certain Blackstone Funds conduct business with brokers for their investment activities. The clearing and custody operations for these investment activities are performed pursuant to agreements with prime brokers. The Due from Brokers balance represents cash balances at the brokers and net receivables and payables for unsettled security transactions. The applicable Blackstone Funds are required to maintain collateral with the brokers either in cash or securities equal to a certain percentage of the fair value of Securities Sold, Not Yet Purchased.

The applicable Blackstone Funds are subject to credit risk to the extent any broker with which the funds conduct business is unable to deliver cash balances or securities, or clear security transactions on their behalf. The Company monitors the financial conditions of the brokers with which these funds conduct business and believes the likelihood of loss under the aforementioned circumstances is remote.

7. OTHER ASSETS

Other assets consist of the following:

	December 31,	
	2006	2005
Other Assets		
Furniture, Equipment and Leasehold Improvements, Net(a)	$ 43,679	$ 26,330
Deposits for Pending Investments	23,534	19,312
Prepaid Expenses	15,776	8,191
Deferred Tax Assets	6,028	86
Other Assets	5,783	1,385
	$ 94,800	$ 55,304

(a) Net of accumulated depreciation and amortization of $46,879 and $39,865 for the years ended December 31, 2006 and 2005, respectively. Depreciation and amortization expense totaled $7,315, $8,527 and $6,733 for the years ended December 31, 2006, 2005 and 2004, respectively. Purchases of furniture, equipment and leasehold improvements totaled $24,190, $7,353 and $18,282 for the years ended December 31, 2006, 2005 and 2004, respectively.

8. LOANS PAYABLE

The Company enters into credit agreements for its general operating and investment purposes and certain Blackstone Funds borrow to meet the financing needs of their operating and investing activities. Borrowing facilities have been established for the benefit of selected funds within those business units. When a Blackstone Fund borrows from the facility in which it participates, the proceeds from the borrowing are strictly limited for its intended use by the borrowing fund and not available for other Company purposes. The Company's credit facilities consist of the following:

	December 31,					
	2006			2005		
	Credit Available	Borrowings Outstanding	Weighted Average Interest Rate	Credit Available	Borrowings Outstanding	Weighted Average Interest Rate
Revolving Credit Facility(a)	$ 1,000,000	$ 340,000	6.13%	$ 750,000	$ 485,000	5.05%
On-lending and Bridge Facilities(b)	225,000	106,344	6.50%	40,000	20,457	5.50%
Corporate Debt Credit Facilities(c)	80,000	29,225	8.04%	80,000	6,000	5.83%
	1,305,000	475,569	6.33%	870,000	511,457	5.07%
Blackstone Funds Facilities (d)	2,109,000	500,412	6.13%	711,700	326,170	4.76%
	$ 3,414,000	$ 975,981	6.23%	$ 1,581,700	$ 837,627	4.95%

(a)

Represents short-term borrowings under a revolving credit facility with proceeds used to fund the operating and investing activities of entities of the Company. Borrowings bear interest at an adjusted LIBOR rate. Each drawdown has a rollover maturity of not longer than six months. Any

open borrowings at February 1, 2012, the end date of the facility, are payable at that time. There is a commitment fee of .25% or .3% per annum, as defined, on the unused portion of this facility.

(b)

Represents borrowings under a loan and security agreement as well as a bridge loan facility, each bearing interest at an adjusted rate below the lending bank's prime commercial rate. Borrowings are available for (1) the Company to provide partial financing to certain Blackstone employees to finance the purchase of their equity investments in certain Blackstone Funds and (2) to fund, on a temporary basis, Blackstone's general partner commitment and optional co-investment for all investments made by the Blackstone Funds. The advances to Blackstone employees are secured by investor notes, paid back over a four-year period, and the related underlying investment, as well as full recourse to the employees' salaries, bonuses, returns from other Company investments.

(c)

Represents short-term borrowings under credit facilities established to finance investments in debt securities. Borrowings are made at the time of each investment and are required to be repaid at the earlier of (1) the investment's disposition or (2) 120 days after the borrowing. Borrowings under the facilities bear interest at an adjusted LIBOR rate. Borrowings are secured by the investments acquired with the proceeds of such borrowings. In addition, such credit facilities are supported by letters of credit.

(d)

Represents borrowing facilities for the various Blackstone Funds used to meet liquidity and investing needs. Certain borrowings under these facilities are used for bridge financing and general liquidity purposes. Other borrowings are used to finance the purchase of investments with the borrowing remaining in place until the disposition or refinancing event. Such borrowings have varying maturities and are rolled over until the disposition or a refinancing event. Due to the fact that the timing of such events is unknown and may occur in the near term, these borrowings are considered short-term in nature. Borrowings bear interest at spreads to market rates. Borrowings are secured according to the terms of each facility and are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. Certain facilities have commitment fees. When a fund borrows, the proceeds are available only for use by that fund and are not available for the benefit of other funds. Collateral within each fund is also available only against the borrowings by that fund and not against the borrowings of other funds.

Scheduled principal payments for long-term borrowings at December 31, 2006 are as follows:

2007	$	15,002
2008		15,936
2009		15,232
2010		13,374
2011		5,280
Thereafter		
	$	64,824

9. INCOME TAXES

The Company has provided for New York City unincorporated business tax for certain entities based on a statutory rate of 4%. Certain entities that are part of the Company are subject to income tax of the foreign countries in which they conduct business. The Company's effective income tax rate was approximately 1.39%, 0.91% and 1.05% for the years ended December 31, 2006, 2005 and 2004, respectively.

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2006	2005	2004
Current			
Foreign Income Tax	$ 3,433	$ 2,132	$ 1,514
State and Local Income Tax	34,433	10,277	14,318
Subtotal	37,866	12,409	15,832
Deferred			
State and Local Income Tax	(5,932)	(149)	288
Subtotal	(5,932)	(149)	288
Total Income Taxes	$ 31,934	$ 12,260	$ 16,120

Income taxes are provided at the applicable statutory rates. The tax effects of the changes in the temporary differences in the areas listed below resulted in deferred tax assets and liabilities:

	December 31,	
	2006	2005
Deferred Tax Assets		
Fund Management Fees	$ 5,834	$
Depreciation and Amortization	139	12
Other	55	74
Total Deferred Tax Assets	$ 6,028	$ 86
Deferred Tax Liabilities		
Unrealized Gains from Investments	$ 235	$ 225
Total Deferred Tax Liabilities	$ 235	$ 225

The Company's Deferred Tax Assets and Deferred Tax Liabilities are included in the combined financial statements within Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities, respectively.

The following table reconciles the provision for income taxes to the U.S. federal statutory tax rate:

	2006	2005	2004
Statutory U.S. Federal Income Tax Rate	35.00%	35.00%	35.00%
Income Passed Through to Partners	(35.00)%	(35.00)%	(35.00)%
Foreign Income Taxes	0.15%	0.16%	0.11%
State and Local Income Taxes	1.24%	0.75%	0.94%
Effective Income Tax Rate	1.39%	0.91%	1.05%

10. RELATED PARTY TRANSACTIONS

Affiliate Receivables and Payables

Blackstone Group considers its existing owners, employees, the Blackstone Funds, and the Portfolio Companies to be affiliates. As of December 31, 2006 and 2005, Due from Affiliates and Due to Affiliates were comprised of the following:

	December 31,	
	2006	2005
Due from Affiliates		
Payments made on behalf of existing owners and Company employees for investments in Blackstone Funds	$ 189,373	$ 112,521
Payments made on behalf of non-consolidated entities	63,857	45,442
Advances made to existing owners	3,995	1,926
	$ 257,225	$ 159,889
Due to Affiliates		
Distributions received on behalf of non-consolidated entities	$ 54,911	$ 25,533
Distributions received on behalf of existing owners and Company employees	47,732	15,492
Payments made by non-consolidated entities	785	1,097
	$ 103,428	$ 42,122

Fund Management Fees

Substantially all Fund Management Fees are earned, directly or indirectly, from affiliates.

Existing Owners' Interests

AIG (through controlled entities), is a limited partner (the "AIG LP Investments") in certain Blackstone Funds in addition to its required participation in the GP Interests. These AIG LP Investments in Blackstone Funds are subject to fees on the same basis as other third party investors in the relevant Blackstone Fund. As of December 31, 2006 and 2005, AIG LP Investments in Blackstone Funds aggregated $943 million and $516 million, respectively, and AIG's share of the net Non-Controlling Interests in Income of Consolidated Entities on its AIG LP Investments aggregated

$232 million, $135 million and $168 million for the years ended December 31, 2006, 2005 and 2004, respectively.

In addition, the existing owners and the Company's employees invest on a discretionary basis in the Blackstone Funds both directly and through consolidated entities. Their investments may be subject to preferential management fee arrangements. As of December 31, 2006 and 2005, the existing owners' and employees' investments aggregated $2,063 million and $1,308 million, respectively, and the existing owners' and employees' share of the Non-Controlling Interests in Income of Consolidated Entities aggregated $399 million, $236 million and $256 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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 the Company's cost of borrowing and such interest totaled approximately $6,953, $2,336 and $1,369, respectively, for the years ended December 31, 2006, 2005 and 2004.

Contingent Repayment Guarantee

Company personnel who have received carried interest distributions have guaranteed payment on a several basis (subject to a cap), to the corporate private equity, real estate and mezzanine funds of any contingent repayment (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 the Company fails to fulfill its clawback obligation, if any.

Aircraft and Other Services

In the normal course of business, Blackstone personnel have made use of aircraft owned as personal assets of the Founders and a Senior Managing Director ("Personal Aircraft"). In addition, on occasion, the Founders, Senior Managing Directors and their families have made use of an aircraft in which the Company owns a fractional interest, as well as other assets of the Company. The Founders and the Senior Managing Director paid for their respective purchases of the aircraft themselves and bear all operating, personnel and maintenance costs associated with their operation. In addition, the Founders are charged for their and their families' personal use of the Company assets based on market rates and usage. Payment by the Company for the use of the Personal Aircraft and among the other existing owners and the Company for their and their families' personal use of the Company resources are principally, but not always, made at market rates. The transactions described herein are not material to the combined financial statements.

Other

In the ordinary course of business, Blackstone and the Blackstone Funds place certain of their insurance policies with entities controlled by AIG; all such arrangements are on a negotiated basis.

The Company provided advisory services to certain of its affiliates totaling $44,046, $8,733 and $875 for the years ended December 31, 2006, 2005 and 2004, respectively.

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

11. COMMITMENTS AND CONTINGENCIES

Guarantees The Company had approximately $175 million of letters of credit outstanding to satisfy various contractual requirements primarily related to Portfolio Companies at December 31, 2006.

Certain real estate funds guarantee payments to third parties in connection with the on-going business activities and/or acquisitions of their Portfolio Companies. At December 31, 2006, such guarantees amount to $2,482 million. Please see "Investment Commitments" below as respects additional guarantees.

Debt Covenants The Company's debt obligations contain various customary loan covenants. In management's opinion, these covenants do not materially restrict the Company's investment or financing strategy. The Company is in compliance with all of its loan covenants as of December 31, 2006.

Investment Commitments The Blackstone Funds had signed investment commitments with respect to investments representing commitments of $5,104 million as of December 31, 2006. Included in this is $4,594 million of signed investment commitments for Portfolio Company acquisitions in the process of closing. The Blackstone Funds have provided $1,568 million of guarantees related to signed investment commitments.

The general partners of the Blackstone Funds had unfunded GP commitments to such funds totaling $338 million as of December 31, 2006.

Certain of the Company's funds of hedge funds not consolidated in these combined financial statements, which act as asset allocation funds for the funds of hedge funds, have made investment commitments to unaffiliated hedge funds. The funds of hedge funds consolidated in these combined financial statements may, but are not required to, allocate assets to these allocation funds. The unfunded commitment as of December 31, 2006 is $89 million.

Litigation From time to time, the Company is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. After consultation with legal counsel, management believes the ultimate liability arising from such actions that existed as of December 31, 2006, if any, will not materially affect the Company's results of operations, financial position or cash flows.

Operating Leases The Company leases office space under non-cancelable lease and sublease agreements, which expire on various dates through 2024. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord. Rent expense for the years ended December 31, 2006, 2005 and 2004, was $23,905, $18,034 and $18,005, respectively. At December 31, 2006 and 2005, the Company maintained irrevocable standby letters of credit as security for the leases of $2,804 and $4,087, respectively. As of

December 31, 2006, the approximate aggregate minimum future payments, net of sublease income, required on the operating leases are as follows:

2007	$ 18,311
2008	17,660
2009	18,138
2010	21,114
2011	23,109
Thereafter	237,730
Total	$ 336,062

The Company has entered into various operating leases for the use of certain office equipment. For the years ended December 31, 2006, 2005 and 2004, rental expense for office equipment totaled $664, $820 and $803, respectively.

12. SEGMENT REPORTING

Blackstone Group conducts its alternative asset management and financial advisory businesses through four reportable segments:

Corporate Private Equity The Company's corporate private equity segment comprises its management of corporate private equity funds.

Real Estate The Company's real estate segment comprises its management of general real estate funds and internationally focused real estate funds.

Marketable Alternative Asset Management The Company's marketable alternative asset management segment whose consistent focus is current earnings is comprised of its management of funds of hedge funds, mezzanine funds, senior debt funds, proprietary hedge funds and closed-end mutual funds.

Financial Advisory The Company's financial advisory segment comprises its mergers and acquisitions advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds.

These business segments are differentiated by their various sources of income, with the Corporate Private Equity, Real Estate and Marketable Alternative Asset Management segments primarily earning their income from management fees and investment returns on assets under management, while the financial advisory segment primarily earns its income from fees related to investment banking services and advice and fund placement services.

Economic Net Income ("ENI") is a key performance measure used by management. ENI represents Net Income excluding the impact of income taxes as well as the impact of non-cash charges related to vesting of equity based compensation. However, the historical combined financial statements do not include non-cash charges related to vesting of equity based compensation. Therefore, ENI is equivalent to Income Before Taxes in our historical combined financial statements. ENI is used by management for our segments in making resource deployment and employee compensation decisions.

Management makes operating decisions and assesses the performance of each of the Company'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 combined financial statements. Consequently, all segment data excludes the assets, liabilities and operating results related to the Blackstone Funds.

The following table presents the financial data for the Company's four reportable segments as of and for the year ended December 31, 2006:

	December 31, 2006 and for the Year then Ended				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues:					
Fund Management Fees	$ 404,296	$ 263,130	$ 220,450	$	$ 887,876
Advisory Fees				256,914	256,914
Interest and Other	871	1,076	6,669	3,408	12,024
Total Fee Related Revenues	405,167	264,206	227,119	260,322	1,156,814
Expenses	117,724	96,426	128,797	66,448	409,395
Fee Related Earnings	287,443	167,780	98,322	193,874	747,419
Net Gains from Investment Activities	722,410	734,964	93,347		1,550,721
Economic Net Income	$ 1,009,853	$ 902,744	$ 191,669	$ 193,874	$ 2,298,140
Total Assets	$ 2,260,475	$ 1,309,788	$ 746,612	$ 157,214	$ 4,474,089

The following table reconciles the Total Reportable Segments to Blackstone Group Combined as of December 31, 2006 and for the year then ended:

	December 31, 2006 and for the Year then Ended			
	Total Reportable Segments	Consolidation Adjustments		Blackstone Group Combined
Fee Related Revenues	$ 1,156,814	$ (36,535)	(a)	$ 1,120,279
Expenses	$ 409,395	$ 143,695	(b)	$ 553,090
Net Gains from Investment Activities	$ 1,550,721	$ 6,036,575	(c)	$ 7,587,296
Total Assets	$ 4,474,089	$ 29,416,955	(d)	$ 33,891,044

(a) The Fee Related Revenues adjustment represents management fees earned from Blackstone Funds to arrive at Blackstone Group combined revenues which were eliminated in consolidation.

(b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone Group unconsolidated expenses to arrive at Blackstone Group combined expenses.

(c)

The Net Gains from Investment Activities adjustment results from the following:

Fund Management Fees Eliminated in Consolidation	$	36,535
Fund Expenses added in Consolidation		143,695
Non-Controlling Interests in Income of Consolidated Entities		5,856,345
Total Consolidation Adjustments	$	6,036,575

(d)

The Total Assets adjustment represents the addition of assets of the consolidated Blackstone Funds to the Blackstone Group unconsolidated assets to arrive at Blackstone Group combined assets.

The following table presents the financial data for the Company's four reportable segments as of and for the year ended December 31, 2005:

	December 31, 2005 and for the Year then Ended				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues:					
Fund Management Fees	$ 175,772	$ 100,073	$ 129,638	$	$ 405,483
Advisory Fees				120,137	120,137
Interest and Other	1,666	835	2,345	749	5,595
Total Fee Related Revenues	177,438	100,908	131,983	120,886	531,215
Expenses	78,247	68,428	92,809	54,364	293,848
Fee Related Earnings	99,191	32,480	39,174	66,522	237,367
Net Gains from Investment Activities	737,506	292,505	74,956	589	1,105,556
Economic Net Income	$ 836,697	$ 324,985	$ 114,130	$ 67,111	$ 1,342,923
Total Assets	$ 1,517,993	$ 355,104	$ 545,659	$ 104,510	$ 2,523,266

The following table reconciles the Total Reportable Segments to Blackstone Group Combined as of December 31, 2005 and for the year then ended:

	December 31, 2005 and for the Year then Ended		
	Total Reportable Segments	Consolidation Adjustments	Blackstone Group Combined
Fee Related Revenues	$ 531,215	$ (34,467)(a)	$ 496,748
Expenses	$ 293,848	$ 67,972 (b)	$ 361,820
Net Gains from Investment Activities	$ 1,105,556	$ 4,036,974 (c)	$ 5,142,530
Total Assets	$ 2,523,266	$ 18,597,858 (d)	$ 21,121,124

(a)

The Fee Related Revenues adjustment represents management fees earned from Blackstone Funds to arrive at Blackstone Group combined revenues which were eliminated in consolidation.

(b)

The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone Group unconsolidated expenses to arrive at Blackstone Group combined expenses.

(c)

The Net Gains from Investment Activities adjustment results from the following:

Fund Management Fees Eliminated in Consolidation	$ 34,467
Fund Expenses added in Consolidation	67,972
Non-Controlling Interests in Income of Consolidated Entities	3,934,535
Total Consolidation Adjustments	$ 4,036,974

(d)

The Total Assets adjustment represents the addition of assets of the consolidated Blackstone Funds to the Blackstone Group unconsolidated assets to arrive at Blackstone Group combined assets.

The following table presents the financial data for the Company's four reportable segments as of and for the year ended December 31, 2004:

	December 31, 2004 and for the Year then Ended				
	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total Reportable Segments
Segment Revenues:					
Fund Management Fees	$ 226,712	$ 86,113	$ 111,715	$	$ 424,540
Advisory Fees			179	108,178	108,357
Interest and Other	919	2,502	1,081	105	4,607
Total Fee Related Revenues	227,631	88,615	112,975	108,283	537,504
Expenses	70,561	51,797	71,485	40,035	233,878
Fee Related Earnings	157,070	36,818	41,490	68,248	303,626
Net Gains from Investment Activities	871,891	296,439	67,478		1,235,808
Economic Net Income	$ 1,028,961	$ 333,257	$ 108,968	$ 68,248	$ 1,539,434
Total Assets	$ 1,517,960	$ 511,393	$ 549,577	$ 95,346	$ 2,674,276

The following table reconciles the Total Reportable Segments to Blackstone Group Combined as of December 31, 2004 and for the year then ended:

	December 31, 2004 and for the Year then Ended					
	Total Reportable Segments		Consolidation Adjustments			Blackstone Group Combined
Fee Related Revenues	$ 537,504	$	(34,041)	(a)	$	503,463
Expenses	$ 233,878	$	43,123	(b)	$	277,001
Net Gains from Investment Activities	$ 1,235,808	$	4,978,711	(c)	$	6,214,519
Total Assets	$ 2,674,276	$	18,579,663	(d)	$	21,253,939

(a) The Fee Related Revenues adjustment represents management fees earned from Blackstone Funds to arrive at Blackstone Group combined revenues which were eliminated in consolidation.

(b) The Expenses adjustment represents the addition of expenses of the consolidated Blackstone Funds to the Blackstone Group unconsolidated expenses to arrive at Blackstone Group combined expenses.

(c) The Net Gains from Investment Activities adjustment results from the following:

Fund Management Fees Eliminated in Consolidation	$ 34,041
Fund Expenses added in Consolidation	43,123
Non-Controlling Interests in Income of Consolidated Entities	4,901,547
Total Consolidation Adjustments	$ 4,978,711

(d)

The Total Assets adjustment represents the addition of assets of the consolidated Blackstone Funds to the Blackstone Group unconsolidated assets to arrive at Blackstone Group combined assets.

13. EMPLOYEE BENEFIT PLANS

The Company provides a 401(k) plan (the "Plan") for eligible employees in the United States. For certain finance and administrative professionals who are participants in the Plan, the Company contributes 2% of such professional's pretax annual compensation up to a maximum of one thousand six hundred dollars. In addition, the Company will contribute 50% of the first 4% of pretax annual compensation contributed by such professional participants with a maximum matching contribution of one thousand six hundred dollars. For the years ended December 31, 2006, 2005 and 2004, the Company incurred expenses of $635, $532 and $484 in connection with such Plan.

The Company provides a defined contribution plan for eligible employees in the United Kingdom ("UK Plan"). All United Kingdom employees are eligible to contribute to the Plan after three months of qualifying service. The Company contributes a percentage of an employee's annual salary, subject to United Kingdom statutory restrictions, on a monthly basis for administrative employees of the Company based upon the age of the employee. For the years ended December 31, 2006, 2005 and 2004, the Company incurred expenses of $191, $116 and $113 in connection with the UK Plan.

14. REGULATED ENTITIES

The Company has certain entities that are registered broker-dealers which are subject to the minimum net capital requirements of the Securities and Exchange Commission ("SEC"). The Company has continuously operated in excess of these requirements. The total net capital of these entities was $28 million at December 31, 2006, which exceeded the amount required by $27 million. The Company also has an entity based in London which is subject to the capital requirements of the U.K. Financial Services Authority. This entity has continuously operated in excess of its regulatory capital requirements.

Certain other U.S. and non-U.S. entities are subject to various securities commodity pool and trader regulations. This includes a number of U.S. entities which are Registered Investment Advisors under the rules and authority of the SEC.

The regulatory capital requirements referred to above may restrict the Company's ability to withdraw capital from its entities. At December 31, 2006, approximately $28 million of net assets of consolidated entities may be restricted as to the payment of cash dividends and advances to the Company.

Appendix A

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
THE BLACKSTONE GROUP L.P.

TABLE OF CONTENTS

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
THE BLACKSTONE GROUP L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF THE BLACKSTONE GROUP L.P. dated as of , 2007, is entered into by and among Blackstone Group Management L.L.C., a Delaware limited liability company, as the General Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 *Definitions.*

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"*Acquisition*" means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person.

"*Affiliate*" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"*Agreement*" means this Amended and Restated Agreement of Limited Partnership of The Blackstone Group L.P., as it may be amended, supplemented or restated from time to time.

"*Associate*" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"*Beneficial Owner*" has the meaning assigned to such term in Rules 13d-3 and 13d-5 under the Securities Exchange Act (and "*Beneficially Own*" shall have a correlative meaning).

"*Blackstone Holdings I*" means Blackstone Holdings I L.P., a Delaware limited partnership, and any successors thereto.

"*Blackstone Holdings I General Partner*" means Blackstone Holdings I GP Inc., a Delaware corporation and the general partner of Blackstone Holdings I, and any successors thereto.

"*Blackstone Holdings II*" means Blackstone Holdings II L.P., a Delaware limited partnership, and any successors thereto.

"*Blackstone Holdings II General Partner*" means Blackstone Holdings II GP Inc., a Delaware corporation and the general partner of Blackstone Holdings II, and any successors thereto.

"*Blackstone Holdings III*" means Blackstone Holdings III L.P., an Alberta limited partnership, and any successors thereto.

"*Blackstone Holdings III General Partner*" means Blackstone Holdings III GP L.P., a Delaware limited partnership and the general partner of Blackstone Holdings III, and any successors thereto.

"*Blackstone Holdings IV*" means Blackstone Holdings IV L.P., an Alberta limited partnership, and any successors thereto.

"*Blackstone Holdings IV General Partner*" means Blackstone Holdings IV GP L.P., a Delaware limited partnership and the general partner of Blackstone Holdings IV, and any successors thereto.

"*Blackstone Holdings V*" means Blackstone Holdings V L.P., an Alberta limited partnership, and any successors thereto.

"*Blackstone Holdings V General Partner*" means Blackstone Holdings V GP L.P., an Alberta limited partnership and the general partner of Blackstone Holdings V, and any successors thereto.

"*Blackstone Holdings General Partners*" means, collectively, Blackstone Holdings I General Partner, Blackstone Holdings II General Partner, Blackstone Holdings III General Partner, Blackstone Holdings IV General Partner and Blackstone Holdings V General Partner.

"*Blackstone Holdings Group*" means, collectively, the Blackstone Holdings Partnerships and their respective Subsidiaries.

"*Blackstone Holdings Partnership Agreements*" means, collectively, the Amended and Restated Limited Partnership Agreement of Blackstone Holdings I, the Amended and Restated Limited Partnership Agreement of Blackstone Holdings II, the Amended and Restated Limited Partnership Agreement of Blackstone Holdings III, the Amended and Restated Limited Partnership Agreement of Blackstone Holdings IV and the Amended and Restated Limited Partnership Agreement of Blackstone Holdings V, as they may each be amended, supplemented or restated from time to time.

"*Blackstone Holdings Partnership Unit*" means, collectively, one partnership unit in each of Blackstone Holdings I, Blackstone Holdings II, Blackstone Holdings III, Blackstone Holdings IV and Blackstone Holdings V issued under their respective Blackstone Holdings Partnership Agreement.

"*Blackstone Holdings Partnerships*" means, collectively, Blackstone Holdings I, Blackstone Holdings II, Blackstone Holdings III, Blackstone Holdings IV and Blackstone Holdings V.

"*Blackstone Holdings Limited Partner*" means each Person that becomes a limited partner of the Blackstone Holdings Partnerships pursuant to the terms of the Blackstone Holdings Partnership Agreements.

"*Board of Directors*" means, with respect to the Board of Directors of the General Partner, its board of directors or managers, as applicable, if a corporation or limited liability company, or if a limited partnership, the board of directors or board of managers of its general partner.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close.

"*Capital Account*" has the meaning assigned to such term in Section 6.1.

"*Capital Contribution*" means any cash or cash equivalents that a Partner contributes to the Partnership pursuant to this Agreement.

"*Carrying Value*" means, with respect to any Partnership asset, the asset's adjusted basis for U.S. federal income tax purposes, except that the initial carrying value of assets contributed to the Partnership shall be their respective gross fair market values on the date of contribution as determined by the General Partner, and the Carrying Values of all Partnership assets shall be adjusted to equal their respective fair market values, in accordance with the rules set forth in United States Treasury Regulation Section 1.704-1(b)(2)(iv)(f), except as otherwise provided herein, as of: (a) the date of the

acquisition of any additional Partnership Interest by any new or existing Partner in exchange for more than a *de minimis* Capital Contribution; (b) the date of the distribution of more than a *de minimis* amount of Partnership assets to a Partner; (c) the date a Partnership Interest is relinquished to the Partnership; or (d) any other date specified in the United States Treasury Regulations; provided however that adjustments pursuant to clauses (a), (b) (c) and (d) above shall be made only if such adjustments are deemed necessary or appropriate by the General Partner to reflect the relative economic interests of the Partners. In the case of any asset that has a Carrying Value that differs from its adjusted tax basis, Carrying Value shall be adjusted by the amount of depreciation calculated for purposes of the definition of "Net Income (Loss)" rather than the amount of depreciation determined for U.S. federal income tax purposes, and depreciation shall be calculated by reference to Carrying Value rather than tax basis once Carrying Value differs from tax basis.

"*Cause*" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud or willful misconduct in its capacity as a general partner of the Partnership.

"*Certificate*" means a certificate issued in global form in accordance with the rules and regulations of the Depositary or in such other form as may be adopted by the General Partner, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"*Certificate of Limited Partnership*" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"*Citizenship Certification*" means a properly completed certificate in such form as may be specified by the General Partner by which a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"*Closing Date*" means the first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"*Closing Price*" has the meaning assigned to such term in Section 15.1(a).

"*Code*" means the United States Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of any successor law.

"*Combined Interest*" has the meaning assigned to such term in Section 11.3(a).

"*Commission*" means the U.S. Securities and Exchange Commission.

"*Common Unit*" means a Partnership Interest representing a fractional part of the Partnership Interests of all Limited Partners having the rights and obligations specified with respect to Common Units in this Agreement.

"*Conflicts Committee*" means a committee of the Board of Directors composed entirely of one or more directors or managers who meet the independence standards required to serve on an audit committee of a board of directors established by the Securities Exchange Act and the rules and regulations of the Commission thereunder and by the National Securities Exchange on which the Common Units are listed for trading.

"*Current Market Price*" has the meaning assigned to such term in Section 15.1(a).

"*Delaware Limited Partnership Act*" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. § 17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"*Departing General Partner*" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Sections 11.1 or 11.2.

"*Depositary*" means, with respect to any Units issued in global form, The Depository Trust Company and its successors and permitted assigns.

"*Eligible Citizen*" means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a Limited Partner the General Partner determines in its sole discretion does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

"*Event of Withdrawal*" has the meaning assigned to such term in Section 11.1(a).

"*Exchange Agreement*" means one or more exchange agreements providing for the exchange of Blackstone Holdings Partnership Units or other securities issued by members of the Blackstone Holdings Group for Common Units, as contemplated by the Registration Statement.

"*Fiscal Year*" has the meaning assigned to such term in Section 8.2.

"*General Partner*" means Blackstone Group Management L.L.C., a Delaware limited liability company and its successors and permitted assigns that are admitted to the Partnership as general partner of the Partnership, in its capacity as a general partner of the Partnership (except as the context otherwise requires).

"*General Partner Interest*" means the management and ownership interest of the General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it), which is evidenced by General Partner Units, and includes any and all benefits to which a General Partner is entitled as provided in this Agreement, together with all obligations of a General Partner to comply with the terms and provisions of this Agreement.

"*General Partner Unit*" means a fractional part of the General Partner Interest having the rights and obligations specified with respect to the General Partner Interest.

"*Group*" means a Person that with or through any of its Affiliates or Associates has any contract, arrangement, understanding or relationship for the purpose of acquiring, holding, voting, exercising investment power or disposing of any Partnership Securities with any other Person that Beneficially Owns, or whose Affiliates or Associates Beneficially Own, directly or indirectly, Partnership Interests.

"*Group Member*" means a member of the Partnership Group.

"*Indemnitee*" means (a) the General Partner, (b) any Departing General Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing General Partner, (d) any Person who is or was a member, partner, Tax Matters Partner (as defined in the Code), officer, director, employee, agent, fiduciary or trustee of any Group Member, the General Partner or any Departing General Partner or any Affiliate of any Group Member, the General Partner or any Departing General Partner, (e) any Person who is or was serving at the request of the General Partner or any Departing General Partner or any Affiliate of the General Partner or any Departing General Partner as an officer, director, employee, member, partner, Tax Matters Partner (as defined in the Code), agent, fiduciary or trustee of another Person; provided that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services and (f) any Person the General Partner in its sole discretion designates as an "Indemnitee" for purposes of this Agreement.

"*Initial Common Units*" means the Common Units sold in the Initial Offering.

"*Initial Limited Partner*" means each of the Organizational Limited Partner and the Underwriters or their designee(s), in each case upon being admitted to the Partnership in accordance with Section 10.1.

"*Initial Offering*" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"*Issue Price*" means the price at which a Unit is purchased from the Partnership, net of any sales commissions or underwriting discounts charged to the Partnership.

"*Limited Partner*" means, unless the context otherwise requires, each Initial Limited Partner, each additional Person that becomes a Limited Partner pursuant to the terms of this Agreement and any Departing General Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3, in each case, in such Person's capacity as a limited partner of the Partnership. For the avoidance of doubt, each holder of a Special Voting Unit shall be a Limited Partner. For purposes of the Delaware Limited Partnership Act, the Limited Partners shall constitute a single class or group of limited partners.

"*Limited Partner Interest*" means the ownership interest of a Limited Partner in the Partnership, which may be evidenced by Common Units, Special Voting Units or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner is entitled as provided in this Agreement, including voting rights, together with all obligations of such Limited Partner to comply with the terms and provisions of this Agreement.

"*Liquidation Date*" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to continue the business of the Partnership has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"*Liquidator*" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Limited Partnership Act.

"*Merger Agreement*" has the meaning assigned to such term in Section 14.1.

"*National Securities Exchange*" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act or any successor thereto and any other securities exchange (whether or not registered with the Commission under Section 6(a) of the Securities Exchange Act) that the General Partner in its sole discretion shall designate as a National Securities Exchange for purposes of this Agreement.

"*Net Income (Loss)*" for any Fiscal Period means the taxable income or loss of the Partnership for such period as determined in accordance with the accounting method used by the Partnership for U.S. federal income tax purposes with the following adjustments; (i) any income of the Partnership that is exempt from U.S. federal income taxation and not otherwise taken into account in computing Net Income (Loss) shall be added to such taxable income or loss; (ii) if the Carrying Value of any asset differs from its adjusted tax basis for U.S. federal income tax purposes, any depreciation, amortization or gain resulting from a disposition of such asset shall be calculated with reference to such Carrying Value; (iii) upon an adjustment to the Carrying Value of any asset, pursuant to the definition of Carrying Value, the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; and (iv) any expenditures of the Partnership not deductible in computing

taxable income or loss, not properly capitalizable and not otherwise taken into account in computing Net Income (Loss) pursuant to this definition shall be treated as deductible items.

"*Non-citizen Assignee*" means a Person whom the General Partner has determined in its sole discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Limited Partner, pursuant to Section 4.8.

"*Notice of Election to Purchase*" has the meaning assigned to such term in Section 15.1(b).

"*Opinion of Counsel*" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner.

"*Option Closing Date*" means the date or dates on which any Common Units are sold by the Partnership to the Underwriters upon exercise of the Over-Allotment Option.

"*Organizational Limited Partner*" means Blackstone Group Limited Partner L.L.C., a Delaware limited liability company and any successors thereto.

"*Outstanding*" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; provided however that if at any time any Person or Group (other than the General Partner or its Affiliates) Beneficially Owns 20% or more of any class of Outstanding Common Units, all Common Units owned by such Person or Group shall not be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement); provided further that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Outstanding Common Units of any class then Outstanding directly from the General Partner or its Affiliates, (ii) to any Person or Group who acquired 20% or more of any Outstanding Common Units of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partner shall have notified such Person or Group in writing that such limitation shall not apply or (iii) to any Person or Group who acquired 20% or more of any Common Units issued by the Partnership with the prior approval of the Board of Directors.

"*Over-Allotment Option*" means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

"*Partners*" means the General Partner and the Limited Partners.

"*Partnership*" means The Blackstone Group L.P., a Delaware limited partnership.

"*Partnership Group*" means the Partnership and its Subsidiaries treated as a single consolidated entity.

"*Partnership Interest*" means an interest in the Partnership, which shall include the General Partner Interests and Limited Partner Interests.

"*Partnership Security*" means any equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units, Special Voting Units and General Partner Units.

"*Percentage Interest*" means, as of any date of determination, (i) as to any holder of Common Units in its capacity as such, the product obtained by multiplying (a) 100% less the percentage applicable to the Units referred to in clause (iv) by (b) the quotient obtained by dividing (x) the number of Common Units held by such holder by (y) the total number of all Outstanding Common Units, (ii) as to any holder of General Partner Units in its capacity as such with respect to such General Partner Units, 0%, (iii) as to any holder of Special Voting Units in its capacity as such with respect to such Special Voting Units, 0%, and (iv) as to any holder of other Units in its capacity as such with respect to such Units, the percentage established for such Units by the General Partner as a part of the issuance of such Units.

"*Person*" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association (including any group, organization, co-tenanacy, plan, board, council or committee), government (including a country, state, county, or any other governmental or political subdivision, agency or instrumentality thereof) or other entity (or series thereof).

"*Pro Rata*" means (a) when modifying Units or any class thereof, apportioned equally among all designated Units, and (b) when modifying Partners or Record Holders, apportioned among all Partners or Record Holders, as the case may be, in accordance with their relative Percentage Interests.

"*Purchase Date*" means the date determined by the General Partner as the date for purchase of all Outstanding Units of a certain class (other than Units owned by the General Partner and its Affiliates) pursuant to Article XV.

"*Quarter*" means, unless the context requires otherwise, a fiscal quarter of the Partnership, or with respect to the first fiscal quarter of the Partnership after the Closing Date the portion of such fiscal quarter after the Closing Date.

"*Record Date*" means the date established by the General Partner in its sole discretion for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

"*Record Holder*" means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Interests, the Person in whose name any such other Partnership Interest is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day.

"*Redeemable Interests*" means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.9.

"*Registration Rights Agreement*" means one or more registration rights agreements among the Partnership and the limited partners of the Blackstone Holdings Partnerships providing for the registration of Common Units, as contemplated by the Registration Statement.

"*Registration Statement*" means the Registration Statement on Form S-1 (Registration No. 333-) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"*Securities Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, supplemented or restated from time to time and any successor to such statute.

"*Special Approval*" means either (a) approval by the sole member or by a majority of the members of the Conflicts Committee, as applicable or (b) approval by the vote of the Record Holders of a majority of the voting power of the Voting Units (excluding Voting Units owned by the General Partner and its Affiliates).

"*Special Voting Unit*" means a Partnership Interest having the rights and obligations specified with respect to Special Voting Units in this Agreement. For the avoidance of doubt, holders of Special Voting Units, in their capacity as such, shall not be entitled to receive distributions by the Partnership and shall not be allocated income, gain, loss, deduction or credit of the Partnership.

"*Subsidiary*" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person or (d) any other Person the financial information of which is consolidated by such Person for financial reporting purposes under U.S. GAAP.

"*Surviving Business Entity*" has the meaning assigned to such term in Section 14.2(b).

"*Tax Receivable Agreement*" means the Tax Receivable Agreement to be entered into substantially concurrently with the Initial Offering among Blackstone Holdings I General Partner, Blackstone Holdings II General Partner, Blackstone Holdings V General Partner and the limited partners of the Blackstone Holdings Partnerships.

"*Trading Day*" has the meaning assigned to such term in Section 15.1(a).

"*Transfer*" has the meaning assigned to such term in Section 4.4(a).

"*Transfer Agent*" means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the General Partner shall act in such capacity.

"*Underwriter*" means each Person named as an underwriter in the Underwriting Agreement who purchases Common Units pursuant thereto.

"*Underwriting Agreement*" means the Underwriting Agreement to be entered into in connection with the Initial Offering among the Partnership and the Underwriters, providing for the purchase of Common Units by such Underwriters.

"*Unit*" means a Partnership Interest that is designated as a "Unit" and shall include Common Units, Special Voting Units and General Partner Units.

"*Unitholders*" means the holders of Units.

"*U.S. GAAP*" means U.S. generally accepted accounting principles consistently applied.

"*Voting Unit*" means a Common Unit, a Special Voting Unit and any other Partnership Interest that is designated as a "Voting Unit" from time to time.

"*Withdrawal Opinion of Counsel*" has the meaning assigned to such term in Section 11.1(b).

SECTION 1.2. *Construction.*

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the terms "include," "includes," "including" or words of like import shall be deemed to be followed by the words "without limitation;" and the terms "hereof," "herein" or "hereunder refer to this Agreement as a whole and not to any particular provision of this Agreement. The table of contents and headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE II

ORGANIZATION

SECTION 2.1. *Formation.*

The Partnership has been previously formed as a limited partnership pursuant to the filing of the Certificate of Limited Partnership with the Secretary of State of the State of Delaware on March 12, 2007, pursuant to the provisions of the Delaware Limited Partnership Act. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Limited Partnership Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

SECTION 2.2. *Name.*

The name of the Partnership shall be "The Blackstone Group L.P." The Partnership's business may be conducted under any other name or names as determined by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "LP," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner may change the name of the Partnership at any time and from time to time by filing an amendment to the Certificate of Limited Partnership (and upon any such filing this Agreement shall be deemed automatically amended to change the name of the Partnership) and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

SECTION 2.3. *Registered Office; Registered Agent; Principal Office; Other Offices.*

Unless and until changed by the General Partner by filing an amendment to the Certificate of Limited Partnership (and upon any such filing this Agreement shall be deemed automatically amended

to change the registered office and the registered agent of the Partnership) the registered office of the Partnership in the State of Delaware is located at 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office is The Corporation Trust Company. The principal office of the Partnership is located at 345 Park Avenue, New York, New York, 10154 or such other place as the General Partner in its sole discretion may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner is 345 Park Avenue, New York, New York, 10154 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

SECTION 2.4. *Purpose and Business.*

The purpose and nature of the business to be conducted by the Partnership shall be to (a) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner in its sole discretion and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Limited Partnership Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; and (b) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member. To the fullest extent permitted by law, the General Partner shall have no duty or obligation to propose or approve, and may decline to propose or approve, the conduct by the Partnership of any business free of any duty (including any fiduciary duty) or obligation whatsoever to the Partnership or any Limited Partner or Record Holder and, in declining to so propose or approve, shall not be deemed to have breached this Agreement, any other agreement contemplated hereby, the Delaware Limited Partnership Act or any other provision of law, rule or regulation or equity.

SECTION 2.5. *Powers.*

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

SECTION 2.6. *Power of Attorney.*

(a) Each Limited Partner and Record Holder hereby constitutes and appoints the General Partner and, if a Liquidator (other than the General Partner) shall have been selected pursuant to Section 12.3, the Liquidator, severally (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized managers and officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator determines to be necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator determines to be necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates,

documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator determines to be necessary or appropriate to reflect the dissolution and termination of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, this Agreement (including, without limitation, issuance and cancellations of Special Voting Units pursuant to Section 5.5); (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger or consolidation or similar certificate) relating to a merger, consolidation, combination or conversion of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments that the General Partner or the Liquidator determines to be necessary or appropriate to (A) make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or (B) to effectuate the terms or intent of this Agreement; provided that when required by Section 13.3 or any other provision of this Agreement that establishes a certain percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of such percentage of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, shall not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Record Holder and the transfer of all or any portion of such Limited Partner's or Record Holder's Partnership Interest and shall extend to such Limited Partner's or Record Holder's heirs, successors, assigns and personal representatives. Each such Limited Partner or Record Holder hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Record Holder, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner and Record Holder shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator may request in order to effectuate this Agreement and the purposes of the Partnership.

SECTION 2.7. *Term.*

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Limited Partnership Act and shall continue until the dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Limited Partnership Act.

SECTION 2.8. *Title to Partnership Assets.*

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner in its sole discretion determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided further that prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

SECTION 2.9. *Certain Undertakings Relating to the Separateness of the Partnership.*

(a) *Separateness Generally*. The Partnership shall conduct its business and operations separate and apart from those of any other Person (other than the General Partner) in accordance with this Section 2.9.

(b) *Separate Records*. The Partnership shall maintain (i) its books and records, (ii) its accounts, and (iii) its financial statements separate from those of any other Person except its consolidated Subsidiaries.

(c) *No Effect*. Failure by the General Partner or the Partnership to comply with any of the obligations set forth above shall not affect the status of the Partnership as a separate legal entity, with its separate assets and separate liabilities.

ARTICLE III

RIGHTS OF LIMITED PARTNERS

SECTION 3.1. *Limitation of Liability.*

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Limited Partnership Act.

SECTION 3.2. *Management of Business.*

No Limited Partner, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Limited Partnership Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, manager, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, manager, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of

Section 17-303(a) of the Delaware Limited Partnership Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners under this Agreement.

SECTION 3.3. *Outside Activities of the Limited Partners.*

Any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner.

SECTION 3.4. *Rights of Limited Partners.*

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a Limited Partner in the Partnership, upon reasonable written demand stating the purpose of such demand and at such Limited Partner's own expense:

(i) promptly after its becoming available, to obtain a copy of the Partnership's U.S. federal, state and local income tax returns for each year; and

(ii) to obtain a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed.

(b) The General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole discretion, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or its business or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV

CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS; REDEMPTION OF PARTNERSHIP INTERESTS

SECTION 4.1. *Certificates.*

Notwithstanding anything otherwise to the contrary herein, unless the General Partner shall determine otherwise in respect of some or all of any or all classes of Partnership Interests, Partnership Interests shall not be evidenced by certificates. Certificates that may be issued shall be executed on behalf of the Partnership by the General Partner (and by any appropriate officer of the General Partner on behalf of the General Partner).

No Certificate evidencing Common Units shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided however that if the General Partner elects to issue Certificates evidencing Common Units in global form, the Certificates evidencing Common Units shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Certificates evidencing Common Units have been duly registered in accordance with the directions of the Partnership.

SECTION 4.2. *Mutilated, Destroyed, Lost or Stolen Certificates.*

(a) If any mutilated Certificate evidencing Common Units is surrendered to the Transfer Agent or any mutilated Certificate evidencing other Partnership Securities is surrendered to the General Partner, the appropriate officers of the General Partner on behalf of the General Partner on behalf of the

Partnership shall execute, and, if applicable, the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of the General Partner on behalf of the General Partner on behalf of the Partnership shall execute and deliver, and, if applicable, the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(i) makes proof by affidavit, in form and substance satisfactory to the General Partner, that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the General Partner has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the General Partner, delivers to the General Partner a bond, in form and substance satisfactory to the General Partner, with surety or sureties and with fixed or open penalty as the General Partner, in its sole discretion, may direct to indemnify the Partnership, the Partners, the General Partner and, if applicable, the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(iv) satisfies any other reasonable requirements imposed by the General Partner.

If a Record Holder fails to notify the General Partner within a reasonable period of time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Record Holder shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent, if applicable) reasonably connected therewith.

SECTION 4.3. *Record Holders.*

The Partnership shall be entitled to recognize the Record Holder as the owner with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person shall be the Record Holder of such Partnership Interest.

SECTION 4.4. *Transfer Generally.*

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction (i) by which the General Partner assigns its General Partner Units to another Person who becomes the General Partner, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange, or any other disposition by law or otherwise or (ii) by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another

Person, and includes a sale, assignment, gift, exchange or any other disposition by law or otherwise, including any transfer upon foreclosure of any pledge, encumbrance, hypothecation or mortgage.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any member of the General Partner of any or all of the issued and outstanding limited liability company or other interests in the General Partner.

SECTION 4.5. *Registration and Transfer of Limited Partner Interests.*

(a) The General Partner shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the General Partner on behalf of the General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.8, the Partnership shall not recognize any transfer of Limited Partner Interests evidenced by Certificates until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer. No charge shall be imposed by the General Partner for such transfer; provided that as a condition to the issuance of any new Certificate under this Section 4.5, the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Subject to (i) the foregoing provisions of this Section 4.5, (ii) Section 4.3, (iii) Section 4.7, (iv) with respect to any series of Limited Partner Interests, the provisions of any statement of designations or amendment to this Agreement establishing such series, (v) any contractual provisions binding on any Limited Partner and (vi) provisions of applicable law including the Securities Act, Limited Partnership Interests shall be freely transferable.

SECTION 4.6. *Transfer of the General Partner's General Partner Interest.*

(a) Subject to Section 4.6(c) below, prior to June 30, 2017, the General Partner shall not transfer all or any part of its General Partner Interest (represented by General Partner Units) to a Person unless such transfer (i) has been approved by the prior written consent or vote of Limited Partners holding of at least a majority of the voting power of the Outstanding Voting Units (excluding Voting Units held by the General Partner or its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner (other than an individual) or (B) another Person (other than an individual) in connection with the merger or consolidation of the General Partner with or into another Person (other than an individual) or the transfer by the General Partner of all, but not less than all, of its General Partner Interest to another Person (other than an individual).

(b) Subject to Section 4.6(c) below, on or after June 30, 2017, the General Partner may transfer all or any part of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and to be bound by the provisions of this Agreement and (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as the General Partner effective immediately prior to the transfer of such General Partner Interest, and the business of the Partnership shall continue without dissolution.

SECTION 4.7. *Restrictions on Transfers.*

(a) Except as provided in Section 4.7(c) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable U.S. federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for U.S. federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if it receives an Opinion of Counsel that such restrictions are necessary or advisable to avoid a significant risk of the Partnership becoming taxable as a corporation or otherwise becoming taxable as an entity for U.S. federal income tax purposes. The General Partner may impose such restrictions by amending this Agreement; provided however, that any amendment that would result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

SECTION 4.8. *Citizenship Certificates; Non-citizen Assignees.*

(a) If any Group Member is or becomes subject to any law or regulation that, in the determination of the General Partner in its sole discretion, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner, the General Partner may request any Limited Partner to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner shall be subject to redemption in accordance with the provisions of Section 4.9. The General Partner also may require in its sole discretion that the status of any such Limited Partner be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request that with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.9, such Non-citizen Assignee be admitted as a Limited Partner, and upon approval of the General Partner in its sole discretion, such Non-citizen Assignee shall be admitted as a Limited Partner and shall no longer constitute a Non-citizen Assignee and the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

SECTION 4.9 *Redemption of Partnership Interests of Non-citizen Assignees.*

(a) If at any time a Limited Partner fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.8(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner is not an Eligible Citizen, the General Partner, in its sole discretion, may cause the Partnership to, unless the Limited Partner establishes to the satisfaction of the General Partner that such Limited Partner is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Limited Partner Interest of such Limited Partner as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon the redemption of the Redeemable Interests (or, if later in the case of Redeemable Interests evidenced by Certificates, upon surrender of the Certificates evidencing such Redeemable Interests) and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid as determined by the General Partner in its sole discretion, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the rate of 8% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) The Limited Partner or his duly authorized representative shall be entitled to receive the payment for Redeemable Interests at the place of payment specified in the notice of redemption on the redemption date (or, if later in the case of Redeemable Interests evidenced by Certificates, upon surrender by or on behalf of the Limited Partner, at the place specified in the notice of redemption, of the Certificates, evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank).

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests.

(b) The provisions of this Section 4.9 shall also be applicable to Limited Partner Interests held by a Limited Partner as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.9 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

SECTION 5.1 *Organizational Issuances.*

Upon issuance by the Partnership of Common Units on the Closing Date of the Initial Offering, the Limited Partner Interests of the Partnership owned by the Organizational Limited Partner will be cancelled.

SECTION 5.2 *Contributions by the General Partner and its Affiliates.*

The General Partner shall not be obligated to make any Capital Contributions to the Partnership.

SECTION 5.3 *Contributions by the Underwriters.*

(a) On the Closing Date and pursuant to the Underwriting Agreement, the Underwriters shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by the Underwriters on the Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue the number of Common Units specified in the Underwriting Agreement to be purchased by the Underwriters to the Underwriters or their designee(s) in accordance with the Underwriting Agreement, and such Underwriters or their designee(s) shall be admitted to the Partnership as Limited Partners.

(b) Upon the exercise, if any, of the Over-Allotment Option, on the Option Closing Date and pursuant to the Underwriting Agreement, the Underwriters shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit multiplied by the number of Common

Units to be purchased by the Underwriters on the Option Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue to the Underwriters or their designee(s) the number of Common Units subject to the Over-Allotment Option that are to be purchased by them in accordance with the Underwriting Agreement.

(c) For the avoidance of doubt, upon the further transfer of Common Units to Persons acquiring the same from the Underwriters as contemplated by the Underwriting Agreement, such transferees will be admitted as Limited Partners with respect to the Limited Partner Interests so transferred subject to and in accordance with Section 10.2.

SECTION 5.4 *Interest and Withdrawal.*

No interest on Capital Contributions shall be paid by the Partnership. No Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon dissolution of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner shall have priority over any other Partner either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners agree within the meaning of Section 17-502(b) of the Delaware Limited Partnership Act.

SECTION 5.5 *Issuances and Cancellations of Special Voting Units.*

(a) The Partnership shall issue one (1) Special Voting Unit to each record holder of a Blackstone Holdings Partnership Unit (other than the Partnership and its Subsidiaries and American International Group, Inc.), whether or not such Blackstone Holdings Partnership Unit is vested. Upon the issuance to it of a Special Voting Unit, each holder thereof shall automatically and without further action be admitted to the Partnership as a limited partner of the Partnership. In the event that a holder of a Special Voting Unit shall cease to be the record holder of a Blackstone Holdings Partnership Unit, the Special Voting Unit held by such holder shall be automatically cancelled without any further action of any Person and such holder shall cease to be a Limited Partner with respect to the Special Voting Unit so cancelled.

SECTION 5.6 *Issuances of Additional Partnership Securities.*

(a) The Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as the General Partner shall determine in its sole discretion, all without the approval of any Limited Partners.

(b) Each additional Partnership Interest authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in its sole discretion, including (i) the right to share in Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may or shall be required to redeem the Partnership Security (including sinking fund provisions); (v) whether such Partnership Interest is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Interest will be issued, evidenced by certificates and assigned or transferred; (vii) the method for determining the Percentage Interest as to such Partnership Security; and (viii) the right, if any, of the holder of each such Partnership Interest to vote on Partnership matters, including matters relating to the relative designations, preferences, rights, powers and duties of such Partnership Interest.

(c) The General Partner is hereby authorized to take all actions that it determines to be necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, including the admission of additional Limited Partners in connection therewith and any related amendment of this Agreement, and (ii) all additional issuances of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities. The General Partner shall determine in its sole discretion the relative rights, powers and duties of the holders of the Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities being so issued. The General Partner is authorized to do all things that it determines to be necessary or appropriate in connection with any future issuance of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities, including compliance with any statute, rule, regulation or guideline of any governmental agency or any National Securities Exchange on which the Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities are listed for trading.

SECTION 5.7 *Preemptive Rights.*

Unless otherwise determined by the General Partner, in its sole discretion, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created.

SECTION 5.8 *Splits and Combinations.*

(a) Subject to Section 5.8(d), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis or stated as a number of Units are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures that it determines to be necessary or appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding or outstanding options, rights, warrants or appreciation rights relating to Partnership Securities, the Partnership shall require, as a condition to the delivery to a Record Holder of any such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not be required to issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of this Section 5.8(d), the General Partner in

its sole discretion may determine that each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

SECTION 5.9 *Fully Paid and Non-Assessable Nature of Limited Partner Interests.*

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Sections 17-607 or 17-804 of the Delaware Limited Partnership Act or this Agreement.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

SECTION 6.1 *Maintenance of Capital Accounts.*

There shall be established for each Partner on the books of the Partnership as of the date such Partner becomes a Partner a capital account (each being a "*Capital Account*"). Each Capital Contribution by any Partner, if any, shall be credited to the Capital Account of such Partner on the date such Capital Contribution is made to the Partnership. In addition, each Partner's Capital Account shall be (a) credited with (i) such Partner's allocable share of any Net Income of the Partnership, and (ii) the amount of any Partnership liabilities that are assumed by the Partner or secured by any Partnership property distributed to the Partner, (b) debited with (i) the amount of distributions (and deemed distributions) to such Partner of cash or the fair market value of other property so distributed, (ii) such Partner's allocable share of Net Loss of the Partnership and expenditures of the Partnership described or treated under Section 704(b) of the Code as described in Section 705(a)(2)(B) of the Code, and (iii) the amount of any liabilities of the Partner assumed by the Partnership or which are secured by any property contributed by the Partner to the Partnership and (c) otherwise maintained in accordance with the provisions of the Code and the United States Treasury Regulations promulgated thereunder. Any other item which is required to be reflected in a Partner's Capital Account under Section 704(b) of the Code and the United States Treasury Regulations promulgated thereunder or otherwise under this Agreement shall be so reflected. The General Partner shall make such adjustments to Capital Accounts as it determines in its sole discretion to be appropriate to ensure allocations are made in accordance with a partner's interest in the Partnership. Interest shall not be payable on Capital Account balances. Notwithstanding anything to the contrary contained in this Agreement, the General Partner shall maintain the Capital Accounts of the Partners in accordance with the principles and requirements set forth in Section 704(b) of the Code and the United States Treasury Regulations promulgated thereunder. The Capital Account of each holder of General Partner Units or Special Voting Units shall at all times be zero, except to the extent such holder also holds Partnership Interests other than General Partner Units or Special Voting Units.

SECTION 6.2 *Allocations.*

(a) Net Income (Loss) of the Partnership for each Fiscal Period shall be allocated among the Capital Accounts of the Partners in a manner that as closely as possible gives economic effect the manner in which distributions are made to the Partners pursuant to the provisions of Sections 6.3 and 12.4, giving due regard to the penultimate sentence of Sections 6.1 and 6.2(b) and other relevant provisions hereof.

(b) All items of income, gain, loss, deduction and credit of the Partnership shall be allocated among the Partners for U.S. federal, state and local income tax purposes consistent with the manner that the corresponding constituent items of Net Income (Loss) shall be allocated among the Partners pursuant to this Agreement, except as may otherwise be provided herein or by the Code. Notwithstanding the foregoing, the General Partner in its sole discretion shall make such allocations for tax purposes as may be needed to ensure that allocations are in accordance with the interests of the Partners in the Partnership, within the meaning of the Code and United States Treasury Regulations.

The General Partner shall determine all matters concerning allocations for tax purposes not expressly provided for herein in its sole discretion. For the proper administration of the Partnership and for the preservation of uniformity of Partnership Interests (or any portion or class or classes thereof), the General Partner may (i) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of United States Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of Partnership Interests (or any portion or class or classes thereof), and (ii) adopt and employ or modify such conventions and methods as the General Partner determines in its sole discretion to be appropriate for (A) the determination for tax purposes of items of income, gain, loss, deduction and credit and the allocation of such items among Partners and between transferors and transferees under this Agreement and pursuant to the Code and the United States Treasury Regulations promulgated thereunder, (B) the determination of the identities and tax classification of Partners, (C) the valuation of Partnership assets and the determination of tax basis, (D) the allocation of asset values and tax basis, (E) the adoption and maintenance of accounting methods and (F) taking into account differences between the Carrying Values of Partnership assets and such asset adjusted tax basis pursuant to Section 704(c) of the Code and the United States Treasury Regulations promulgated thereunder.

(c) Allocations that would otherwise be made to a Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method determined by the General Partner in its sole discretion.

SECTION 6.3. *Requirement and Characterization of Distributions; Distributions to Record Holders.*

(a) The General Partner, in its sole discretion, may authorize distributions by the Partnership to the Partners, which distributions shall be made Pro Rata in accordance with the Partners' respective Percentage Interests.

(b) The General Partner may treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of cash to such Partners.

(c) Notwithstanding Section 6.3(a), in the event of the dissolution of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

(e) Notwithstanding any provision to the contrary contained in this Agreement, the Partnership, and the General Partner on behalf of the Partnership, shall not be required to make a distribution to a Partner or a Record Holder if such distribution would violate the Delaware Limited Partnership Act or other applicable law.

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

SECTION 7.1. *Management.*

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it determines, in its sole discretion, to be necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including without limitation the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible or exchangeable into Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3 and Article XIV);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6(a), the lending of funds to other Persons; the repayment or guarantee of obligations of any Group Member and the making of capital contributions to any Group Member;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than their interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary," "treasurer" or any other titles the General Partner in its sole discretion may determine) and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of insurance for the benefit of the Partnership Group, the Partners and Indemnitees;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, limited liability companies, corporations or other relationships (including the acquisition of interests in, and the

contributions of property to, the Partnership's Subsidiaries from time to time) subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation, arbitration or mediation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.7);

(xiii) the purchase, sale or other acquisition or disposition of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities;

(xiv) the undertaking of any action in connection with the Partnership's participation in the management of the Partnership Group through its directors, officers or employees or the Partnership's direct or indirect ownership of the Group Members, including, without limitation, all things described in or contemplated by the Registration Statement and the agreements described in or filed as exhibits to the Registration Statement; and

(xv) cause to be registered for resale under the Securities Act and applicable state or non-U.S. securities laws, any securities of, or any securities convertible or exchangeable into securities of, the Partnership held by any Person, including the General Partner or any Affiliate of the General Partner.

(b) In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. The General Partner and the Partnership shall not have any liability to a Limited Partner for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions so long as the General Partner has acted pursuant to its authority under this Agreement.

(c) Notwithstanding any other provision of this Agreement, the Delaware Limited Partnership Act or any applicable law, rule or regulation, each of the Partners and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Underwriting Agreement, the Exchange Agreement, the Tax Receivable Agreement, the Registration Rights Agreement and the other agreements described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty existing at law, in equity or otherwise.

SECTION 7.2. *Certificate of Limited Partnership.*

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Limited Partnership Act and shall use all reasonable efforts to cause to be filed such other certificates or documents that the General Partner determines to be necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent the General Partner determines such action to be necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

In the event that the General Partner determines the Partnership should seek relief pursuant to Section 7704(e) of the Code to preserve the status of the Partnership as a partnership for U.S. federal (and applicable state) income tax purposes, the Partnership and each Partner shall agree to adjustments required by the tax authorities, and the Partnership shall pay such amounts as required by the tax authorities, to preserve the status of the Partnership as a partnership.

SECTION 7.3. *Restrictions on General Partner's Authority.*

Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership Group's assets, taken as a whole, in a single transaction or a series of related transactions without the approval of holders of a majority of the voting power of Outstanding Voting Units; provided however that this provision shall not preclude or limit the General Partner's ability, in its sole discretion, to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership Group (including for the benefit of Persons other than members of the Partnership Group, including Affiliates of the General Partner) and shall not apply to any forced sale of any or all of the assets of the Partnership Group pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a majority of the voting power of Outstanding Voting Units, the General Partner shall not, on behalf of the Partnership, except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership.

SECTION 7.4. *Reimbursement of the General Partner.*

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement, the General Partner shall not be compensated for its services as general partner or managing member of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine, in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership Group (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership Group or for the General Partner in the discharge of its duties to the Partnership Group), and (ii) all other expenses allocable to the Partnership Group or otherwise incurred by the General Partner in connection with operating the Partnership Group's business (including expenses allocated to the General Partner by its Affiliates). The General Partner in its sole discretion shall determine the expenses that are allocable to the Partnership Group. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) The General Partner may, in its sole discretion, without the approval of the Limited Partners (who shall have no right to vote in respect thereof), propose and adopt on behalf of the Partnership Group equity benefit plans, programs and practices (including plans, programs and practices involving the issuance of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities), or cause the Partnership to issue Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities in connection with, or pursuant to, any such equity benefit plan, program or practice or any equity benefit plan, program or practice maintained or sponsored by the General Partner or any of its Affiliates in respect of services performed directly or indirectly for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities that the General Partner or such Affiliates are obligated to provide pursuant to any equity benefit plans, programs or practices maintained or sponsored by them. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliates of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities purchased by the General Partner or such Affiliates from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any equity benefit plans, programs or practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest.

SECTION 7.5. *Outside Activities.*

(a) After the Closing Date, the General Partner, for so long as it is a General Partner of the Partnership (i) agrees that its sole business will be to act as a general partner or managing member of the Partnership and any other partnership or limited liability company of which the Partnership is, directly or indirectly, a partner or member and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership) and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner or managing member of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member.

(b) Except insofar as the General Partner is specifically restricted by Section 7.5(a), each Indemnitee shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty otherwise existing at law, in equity or otherwise to any Group Member or any Partner or Record Holder. None of any Group Member, any Limited Partner or any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any Indemnitee.

(c) Subject to the terms of Section 7.5(a) and Section 7.5(b), but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's or any other Indemnitee's duties or any other obligation of any type whatsoever of the General Partner or any other Indemnitee for the Indemnitee (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of any Group Member, (iii) the General Partner and the Indemnities shall have no obligation hereunder or as a result of any duty otherwise existing at law, in equity or otherwise to present business opportunities to any Group Member and (iv) the doctrine of "corporate opportunity" or other analogous doctrine shall not apply to any such Indemnitee.

(d) The General Partner and any of its Affiliates may acquire Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities and, except as otherwise expressly provided in this Agreement, shall be entitled to exercise all rights of a General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities.

SECTION 7.6. *Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.*

(a) The General Partner or any of its Affiliates may, but shall be under no obligation to, lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the General Partner may determine, in each case on terms that are fair and reasonable to the Partnership; provided however that the requirements of this Section 7.6(a) conclusively shall be deemed satisfied and not a breach of any duty hereunder or existing at law, in equity or otherwise as to any transaction (i) approved by Special Approval, (ii) the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) that is fair and reasonable to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Partnership).

(b) Any Group Member (including the Partnership) may lend or contribute to any other Group Member, and any Group Member may borrow from any other Group Member (including the Partnership), funds on terms and conditions determined by the General Partner. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided however that the requirements of this Section 7.6(c) conclusively shall be deemed satisfied and not a breach of any duty hereunder or existing at law, in equity or otherwise as to any transaction (i) approved by Special Approval, (ii) the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) that is fair and reasonable to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Partnership). The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) The General Partner or any of its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, pursuant to transactions that are fair and reasonable to the Partnership; provided however that the requirements of this Section 7.6(e) conclusively shall be deemed to be satisfied and not a breach of any duty hereunder or existing at law, in equity or otherwise as to (i) the transactions effected pursuant to Section 5.3 and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that is fair and reasonable to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Partnership). With respect to any contribution of assets to the

Partnership in exchange for Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities, the Conflicts Committee, in determining whether the appropriate number of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the Conflicts Committee deems relevant under the circumstances.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

SECTION 7.7. *Indemnification.*

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee whether arising from acts or omissions to act occurring before or after the date of this Agreement; provided that the Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 7.7, the Indemnitee acted in bad faith or engaged in fraud or willful misconduct. Notwithstanding the preceding sentence, except as otherwise provided in Section 7.7(j), the Partnership shall be required to indemnify a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the General Partner in its sole discretion.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in appearing at, participating in or defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to a final and non-appealable determination that the Indemnitee is not entitled to be indemnified upon receipt by the Partnership of an undertaking by or on behalf of the Indemnitee to repay such amount if it ultimately shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7. Notwithstanding the preceding sentence, except as otherwise provided in Section 7.7(j), the Partnership shall be required to indemnify a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the General Partner in its sole discretion.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Voting Units entitled to vote on such matter, as a matter of law, in equity or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates, the Indemnitees and such other Persons as the General Partner shall determine in its sole discretion, against any liability that may be asserted against, or expense that may be incurred by, such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, (i) the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and (iii) any action taken or omitted by an Indemnitee with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Partnership.

(f) Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification. In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees and their heirs, successors, assigns, executors and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or-in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(j) If a claim for indemnification (following the final disposition of the action, suit or proceeding for which indemnification is being sought) or advancement of expenses under this Section 7.7 is not paid in full within thirty (30) days after a written claim therefor by any Indemnitee has been received by the Partnership, such Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expenses of prosecuting such claim, including reasonable attorneys' fees. In any such action the Partnership shall have the burden of proving that such Indemnitee is not entitled to the requested indemnification or advancement of expenses under applicable law.

(k) This Section 7.7 shall not limit the right of the Partnership, to the extent and in the manner permitted by law, to indemnify and to advance expenses to, and purchase and maintain insurance on behalf of, Persons other than Indemnitees.

SECTION 7.8. *Liability of Indemnitees.*

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable to the Partnership, the Limited Partners or any other Persons who have acquired interests in the Partnership Securities, for any losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising as a result of any act or omission of an Indemnitee, or for any breach of contract (including breach of this Agreement) or any breach of duties (including breach of fiduciary duties) whether arising hereunder, at law, in equity or otherwise, unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnitee acted in bad faith or engaged in fraud or willful misconduct.

(b) The General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the Indemnitees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted, and provided such Person became an Indemnitee hereunder prior to such amendment, modification or repeal.

SECTION 7.9. *Resolution of Conflicts of Interest; Standards of Conduct and Modification of Duties.*

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, any Group Member or any Partner, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, or any agreement contemplated herein or therein, or of any duty hereunder or existing at law, in equity or otherwise, if the resolution or course of action in respect of such conflict of interest is (i) approved by Special Approval, (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair and reasonable to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Partnership). The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution, and the General Partner may also adopt a resolution or course of action that has not received Special Approval. Failure to seek Special Approval shall not be deemed to indicate that a conflict of interest exists or that Special Approval could not have been obtained. If Special Approval is not sought and the Board of Directors determines that the resolution or course of action taken with respect to a conflict of interest satisfies either of the standards set forth in clauses (ii) or (iii) above, then it shall be presumed that, in making its decision, the Board of Directors acted in good faith, and in any proceeding brought by or on behalf of any Limited Partner, the Partnership or any other Person bound by this Agreement challenging such approval, the Person bringing or prosecuting such proceeding shall have the burden of overcoming such presumption. Notwithstanding anything to the contrary in this Agreement or any duty otherwise existing at law or equity, and without limitation of Section 7.6, the existence of the conflicts of interest described in or contemplated by the Registration Statement are hereby approved, and all such conflicts of interest are waived, by all Partners and shall not constitute a breach of this Agreement.

(b) Notwithstanding any other provision of this Agreement or otherwise applicable provision of law or equity, whenever in this Agreement or any other agreement contemplated hereby or otherwise

the General Partner, in its capacity as the general partner of the Partnership, is permitted to or required to make a decision in its "sole discretion" or "discretion" or that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, then the General Partner, or such Affiliates causing it to do so, shall, to the fullest extent permitted by law, make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion"), and shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting the Partnership or the Partners, and shall not be subject to any other or different standards imposed by this Agreement, any other agreement contemplated hereby, under the Delaware Limited Partnership Act or under any other law, rule or regulation or in equity. Whenever in this Agreement or any other agreement contemplated hereby or otherwise the General Partner is permitted to or required to make a decision in its "good faith" then for purposes of this Agreement, the General Partner, or any of its Affiliates that cause it to make any such decision, shall be conclusively presumed to be acting in good faith if such Person or Persons subjectively believe(s) that the decision made or not made is in the best interests of the Partnership.

(c) Whenever the General Partner makes a determination or takes or declines to take any other action, or any of its Affiliates causes it to do so, in its individual capacity as opposed to in its capacity as a general partner of the Partnership, whether under this Agreement or any other agreement contemplated hereby or otherwise, then the General Partner, or such Affiliates causing it to do so, are entitled, to the fullest extent permitted by law, to make such determination or to take or decline to take such other action free of any duty (including any fiduciary duty) or obligation, whatsoever to the Partnership, any Limited Partner, any Record Holder or any other Person bound by this Agreement, and the General Partner, or such Affiliates causing it to do so, shall not, to the fullest extent permitted by law, be required to act pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Limited Partnership Act or any other law, rule or regulation or at equity.

(d) Notwithstanding anything to the contrary in this Agreement, the General Partner and its Affiliates shall have no duty or obligation, express or implied, to (i) sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business or (ii) permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use. Any determination by the General Partner or any of its Affiliates to enter into such contracts shall be in its sole discretion.

(e) Except as expressly set forth in this Agreement, to the fullest extent permitted by law, neither the General Partner nor any other Indemnitee shall have any duties or liabilities, including fiduciary duties, to the Partnership, any Limited Partner or any other Person bound by this Agreement, and the provisions of this Agreement, to the extent that they restrict or otherwise modify or eliminate the duties and liabilities, including fiduciary duties, of the General Partner or any other Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of the General Partner or such other Indemnitee.

(f) The Limited Partners, hereby authorize the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

(g) The Limited Partners expressly acknowledge that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners) in deciding whether to cause the Partnership to take (or decline to take) any actions, and that the General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions.

SECTION 7.10. *Other Matters Concerning the General Partner.*

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the advice or opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such advice or opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers or any duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the General Partner hereunder.

SECTION 7.11. *Purchase or Sale of Partnership Securities.*

The General Partner may cause the Partnership or any other Group Member to purchase or otherwise acquire Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities. The General Partner or any of its Affiliates may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities for their own account, subject to the provisions of Articles IV and X.

SECTION 7.12. *Reliance by Third Parties.*

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII

BOOKS, RECORDS, ACCOUNTING AND REPORTS

SECTION 8.1. *Records and Accounting.*

The General Partner shall keep or cause to be kept at the principal office of the Partnership or any other place designated by the General Partner in its sole discretion appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders of Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, magnetic tape, photographs, micrographics or any other information storage device; provided that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

SECTION 8.2. *Fiscal Year.*

The fiscal year of the Partnership (each, a "*Fiscal Year*") shall be a year ending December 31. The General Partner in its sole discretion may change the Fiscal Year of the Partnership at any time and from time to time in each case as may be required or permitted under the Code or applicable United States Treasury Regulations and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

SECTION 8.3. *Reports.*

(a) As soon as practicable, but in no event later than 120 days after the close of each Fiscal Year, the General Partner shall cause to be made available to each Record Holder of a Unit as of a date selected by the General Partner in its sole discretion, an annual report containing financial statements of the Partnership for such Fiscal Year, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner in its sole discretion.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each Fiscal Year, the General Partner shall cause to be made available to each Record Holder of a Unit, as of a date selected by the General Partner in its sole discretion, a report containing unaudited financial statements of the Partnership and such other information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

(c) The General Partner shall be deemed to have made a report available to each Record Holder as required by this Section 8.3 if it has either (i) filed such report with the Commission via its Electronic Data Gathering, Analysis and Retrieval system and such report is publicly available on such system or (ii) made such report available on any publicly available website maintained by the Partnership.

ARTICLE IX

TAX MATTERS

SECTION 9.1. *Tax Returns and Information.*

As soon as reasonably practicable after the end of each Fiscal Year, the Partnership shall send to each Partner a copy of United States Internal Revenue Service Schedule K-1, and any comparable statements required by applicable U.S. state or local income tax law, with respect to such Fiscal Year. The Partnership also shall provide the Partners with such other information as may be reasonably requested for purposes of allowing the Partners to prepare and file their own U.S. federal, state and local tax returns. Each Partner shall be required to report for all tax purposes consistently with such information provided by the Partnership. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for U.S. federal income tax purposes.

SECTION 9.2. *Tax Elections.*

The General Partner shall determine whether to make or refrain from making the election provided for in Section 754 of the Code, and any and all other elections permitted by the tax laws of the United States, the several states and other relevant jurisdictions, in its sole discretion.

SECTION 9.3. *Tax Controversies.*

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

SECTION 9.4. *Withholding.*

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that may be required to be necessary or appropriate to cause the Partnership or any other Group Member to comply with any withholding requirements established under the Code or any other U.S. federal, state, local or non-U.S. law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner (including, without limitation, by reason of Section 1446 of the Code), the General Partner may treat the amount withheld as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

SECTION 9.5. *Election to be Treated as a Corporation.*

Notwithstanding anything to the contrary contained herein, if the General Partner determines in its sole discretion that it is no longer in the best interests of the Partnership to continue as a partnership for U.S. federal income tax purposes, the General Partner may elect to treat the Partnership as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

ARTICLE X

ADMISSION OF PARTNERS

SECTION 10.1. *Admission of Initial Limited Partners.*

Upon the issuance by the Partnership of Common Units to the Underwriters or their designee(s) as described in Section 5.3 in connection with the Initial Offering, the General Partner shall admit such parties to the Partnership as Initial Limited Partners in respect of the Common Units issued to them.

SECTION 10.2. *Admission of Additional Limited Partners.*

(a) By acceptance of the transfer of any Limited Partner Interests in accordance with this Section 10.2 or the issuance of any Limited Partner Interests in accordance herewith (including in a merger, consolidation or other business combination pursuant to Article XIV), and except as provided in Section 4.8, each transferee or other recipient of a Limited Partner Interest (including any nominee holder or an agent or representative acquiring such Limited Partner Interests for the account of another Person) (i) shall be admitted to the Partnership as a Limited Partner with respect to the Limited Partner Interests so transferred or issued to such Person when any such transfer or issuance is reflected in the books and records of the Partnership, with or without execution of this Agreement, (ii) shall become bound by the terms of, and shall be deemed to have agreed to be bound by, this Agreement, (iii) shall become the Record Holder of the Limited Partner Interests so transferred or issued, (iv) represents that the transferee or other recipient has the capacity, power and authority to enter into this Agreement, (v) grants the powers of attorney set forth in this Agreement and (vi) makes the consents, acknowledgments and waivers contained in this Agreement. The transfer of any Limited Partner Interests and/or the admission of any new Limited Partner shall not constitute an amendment to this Agreement. A Person may become a Record Holder without the consent or approval of any of the Partners. A Person may not become a Limited Partner without acquiring a Limited Partner Interest. The rights and obligations of a Person who is a Non-citizen Assignee shall be determined in accordance with Section 4.8.

(b) The name and mailing address of each Limited Partner shall be listed on the books and records of the Partnership maintained for such purpose by the Partnership or the Transfer Agent. The General Partner shall update the books and records of the Partnership from time to time as necessary to reflect accurately the information therein (or shall cause the Transfer Agent to do so, as applicable). A Limited Partner Interest may be represented by a Certificate, as provided in Section 4.1.

(c) Any transfer of a Limited Partner Interest shall not entitle the transferee to share in the profits and losses, to receive distributions, to receive allocations of income, gain, loss, deduction or credit or any similar item or to any other rights to which the transferor was entitled until the transferee becomes a Limited Partner pursuant to Section 10.2(a).

SECTION 10.3. *Admission of Successor General Partner.*

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner Interest (represented by General Partner Units) pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Sections 11.1 or 11.2 or the transfer of such General Partner's General Partner Interest (represented by General Partner Units) pursuant to Section 4.6; provided however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor is hereby authorized to and shall, subject to the terms hereof, carry on the business of the Partnership without dissolution.

SECTION 10.4. *Amendment of Agreement and Certificate of Limited Partnership to Reflect the Admission of Partners.*

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary under the Delaware Limited Partnership Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI

WITHDRAWAL OR REMOVAL OF PARTNERS

SECTION 11.1. *Withdrawal of the General Partner.*

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "*Event of Withdrawal*"):

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its General Partner Interest pursuant to Section 4.6;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, New York City time, on June 30, 2017, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Limited Partners holding at least a majority of the voting power of the Outstanding Voting Units (excluding Voting Units held by the General Partner and its Affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("*Withdrawal Opinion of Counsel*") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or cause the Partnership or any Group Member to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for U.S. federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, New York City time, on June 30, 2017, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) Beneficially Own or own of record or control at least 50% of the Outstanding Common Units. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, to the extent applicable, of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the Limited Partners holding of a majority of the voting power of Outstanding Voting Units, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member, and is hereby authorized to, and shall, continue the business of the Partnership and, to the extent applicable, the other Group Members without dissolution. If, prior to the effective date of the General Partner's withdrawal pursuant to Section 11.1(a)(i), a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with and subject to Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

SECTION 11.2. *Removal of the General Partner.*

The General Partner may be removed if such removal is approved by the Unitholders holding at least 66$^{2}/_{3}$% of the voting power of the Outstanding Voting Units (including Voting Units held by the General Partner and its Affiliates). Any such action by such Unitholders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a majority of the voting power of Outstanding Voting Units (including Voting Units held by the General Partner and its Affiliates). Such removal shall be effective immediately following the admission of a successor General Partner pursuant to Section 10.3. The removal of the General Partner shall also automatically constitute the removal of the General Partner as general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member. If a Person is elected as a successor General Partner in accordance with the terms of this Section 11.2, such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member, and is hereby authorized to, and shall, continue the business of the Partnership and the other Group Members

without dissolution. The right of the Unitholders to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

SECTION 11.3. *Interest of Departing General Partner and Successor General Partner.*

(a) In the event of (i) the withdrawal of a General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) the removal of the General Partner by the Unitholders under circumstances where Cause does not exist, if a successor General Partner is elected in accordance with the terms of Sections 11.1 or 11.2, the Departing General Partner shall have the option exercisable prior to the effective date of the withdrawal or removal of such Departing General Partner to require its successor to purchase (x) its General Partner Interest (represented by General Partner Units) and (y) its general partner interest (or equivalent interest), if any, in the other Group Members ((x) and (y) collectively, the "*Combined Interest*") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its withdrawal or removal. If the General Partner is removed by the Unitholders under circumstances where Cause exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement, and if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2 (or if the business of the Partnership is continued pursuant to Section 12.2 and the successor General Partner is not the former General Partner), such successor shall have the option, exercisable prior to the effective date of the withdrawal or removal of such Departing General Partner, to purchase the Combined Interest of the Departing General Partner for such fair market value of such Combined Interest of the Departing General Partner. In either event, the Departing General Partner shall be entitled to receive all reimbursements due such Departing General Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the Departing General Partner or its Affiliates (excluding any Group Member) for the benefit of the Partnership or the other Group Members.

For purposes of this Section 11.3(a), the fair market value of a Departing General Partner's Combined Interest shall be determined by agreement between the Departing General Partner and its successor or, failing agreement within 30 days after the effective date of such Departing General Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing General Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing General Partner shall designate an independent investment banking firm or other independent expert, the Departing General Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest of the Departing General Partner. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Common Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing General Partner and other factors it may deem relevant.

(b) If the Combined Interest is not purchased in the manner set forth in Section 11.3(a), the Departing General Partner (or its transferee) shall become a Limited Partner and its Combined Interest shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor).

Any successor General Partner shall indemnify the Departing General Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing General Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the Combined Interest of the Departing General Partner to Common Units will be characterized as if the Departing General Partner (or its transferee) contributed its Combined Interest to the Partnership in exchange for the newly-issued Common Units.

SECTION 11.4. *Withdrawal of Limited Partners.*

No Limited Partner shall have any right to withdraw from the Partnership; provided however that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII

DISSOLUTION AND LIQUIDATION

SECTION 12.1. *Dissolution.*

The Partnership shall not be dissolved by the admission of additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Sections 10.3, 11.1, 11.2 or 12.2, the Partnership shall not be dissolved and such successor General Partner is hereby authorized to, and shall, continue the business of the Partnership. Subject to Section 12.2, the Partnership shall dissolve, and its affairs shall be wound up, upon:

(a) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and such successor is admitted to the Partnership pursuant to this Agreement;

(b) an election to dissolve the Partnership by the General Partner that is approved by the Unitholders holding a majority of the voting power of Outstanding Voting Units;

(c) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Limited Partnership Act; or

(d) at any time there are no Limited Partners, unless the Partnership is continued without dissolution in accordance with the Delaware Limited Partnership Act.

SECTION 12.2. *Continuation of the Business of the Partnership After Event of Withdrawal.*

Upon an Event of Withdrawal caused by (a) the withdrawal or removal of the General Partner as provided in Sections 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing General Partner pursuant to Sections 11.1 or 11.2, then within 90 days thereafter, or (b) an event constituting an Event of Withdrawal as defined in Sections 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the Unitholders holding a majority of the voting power of Outstanding Voting Units may elect to continue the business of the Partnership on the same terms and conditions set forth in this Agreement by appointing as the successor General Partner a Person approved by the Unitholders holding a majority of the voting power of Outstanding Voting Units. Unless such an election is made within the applicable time period as set forth above, the Partnership shall dissolve and conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the Partnership shall continue without dissolution unless earlier dissolved in accordance with this Article XII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and

(iii) the successor General Partner shall be admitted to the Partnership as General Partner, effective as of the Event of Withdrawal, by agreeing in writing to be bound by this Agreement;

provided that the right of the Unitholders holding a majority of the voting power of Outstanding Voting Units to approve a successor General Partner and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel (x) that the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership nor any Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for U.S. federal income tax purposes upon the exercise of such right to continue (to the extent not so treated or taxed).

SECTION 12.3. *Liquidator.*

Upon dissolution of the Partnership, unless the Partnership is continued pursuant to Section 12.2, the General Partner shall select in its sole discretion one or more Persons (which may be the General Partner) to act as Liquidator. If other than the General Partner, the Liquidator (1) shall be entitled to receive such compensation for its services as may be approved by Unitholders holding at least a majority of the voting power of the Outstanding Voting Units voting as a single class, (2) shall agree not to resign at any time without 15 days' prior notice and (3) may be removed at any time, with or without cause, by notice of removal approved by Unitholders holding at least a majority of the voting power of the Outstanding Voting Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the voting power of the Outstanding Voting Units voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3) necessary or appropriate to carry out the duties and functions of the Liquidator hereunder for and during the period of time required to complete the winding up and liquidation of the Partnership as provided for herein.

SECTION 12.4. *Liquidation.*

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Limited Partnership Act and the following:

(a) *Disposition of Assets*. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) *Discharge of Liabilities*. Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment.

(c) *Liquidation Distributions*. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with their respective Percentage Interests as of a Record Date selected by the Liquidator.

SECTION 12.5. *Cancellation of Certificate of Limited Partnership.*

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

SECTION 12.6. *Return of Contributions.*

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

SECTION 12.7. *Waiver of Partition.*

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

SECTION 12.8. *Capital Account Restoration.*

No Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership.

ARTICLE XIII

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

SECTION 13.1. *Amendments to be Adopted Solely by the General Partner.*

Each Partner agrees that the General Partner, without the approval of any Partner, any Unitholder or any other Person, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) the admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that the General Partner determines in its sole discretion to be necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or other jurisdiction or to ensure that the Group Members will not be treated as associations taxable as corporations or otherwise taxed as entities for U.S. federal income tax purposes;

(d) a change that the General Partner determines in its sole discretion to be necessary or appropriate to address changes in U.S. federal income tax regulations, legislation or interpretation;

(e) a change that the General Partner determines (i) does not adversely affect the Limited Partners considered as a whole (including any particular class of Partnership Interests as compared to other classes of Partnership Interests, treating the Common Units as a separate class for this pupose) in any material respect, (ii) to be necessary or appropriate to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any U.S. federal or state or non-U.S. agency or judicial authority or contained in any U.S. federal or state or non-U.S. statute (including the Delaware Limited Partnership Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed, (iii) to be necessary or appropriate in connection with action taken by the General Partner pursuant to Section 5.8 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(f) a change in the Fiscal Year or taxable year of the Partnership and any other changes that the General Partner determines to be necessary or appropriate as a result of a change in the Fiscal Year or taxable year of the Partnership including, if the General Partner shall so determine in its sole discretion, a change in the definition of "*Quarter*" and the dates on which distributions are to be made by the Partnership;

(g) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from having a material risk of being in any manner subjected to the provisions of the U.S. Investment Company Act of 1940, as amended, the U.S. Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(h) an amendment that the General Partner determines in its sole discretion to be necessary or appropriate in connection with the creation, authorization or issuance of any class or series of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities pursuant to Section 5.6;

(i) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(j) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(k) an amendment that the General Partner determines in its sole discretion to be necessary or appropriate to reflect and account for the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Sections 2.4 or 7.1(a);

(l) an amendment effected, necessitated or contemplated by an amendment to any Blackstone Holdings Partnership Agreement that requires unitholders of any Blackstone Holdings Partnership to provide a statement, certification or other proof of evidence to the Blackstone Holdings Partnerships regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the Blackstone Holdings Partnerships;

(m) a merger, conversion or conveyance pursuant to Section 14.3(d), including any amendment permitted pursuant to Section 14.5; or

(n) any other amendments substantially similar to the foregoing.

SECTION 13.2. *Amendment Procedures.*

Except as provided in Sections 5.6, 13.1, 13.3 and 14.5, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by the General Partner; provided however that, to the fullest extent permitted by law, the General Partner shall have no duty or obligation to propose any amendment to this Agreement and may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Partnership or any Limited Partner or other Person bound by this Agreement and, in declining to propose an amendment to the fullest extent permitted by law, shall not be required to act in good faith or pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Limited Partnership Act or any other law, rule or regulation or at equity. A proposed amendment shall be effective upon its approval by the General Partner and the Unitholders holding a majority of the voting power of the Outstanding Voting Units, unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of the voting power of Outstanding Voting Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of the voting power of Outstanding Voting Units or call a meeting of the Unitholders to consider and vote on such proposed amendment, in each case in accordance with the other provisions of this Article XIII. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

SECTION 13.3. *Amendment Requirements.*

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that requires the vote or consent of Unitholders holding, or holders of, a percentage of the voting power of Outstanding Voting Units (including Voting Units deemed owned by the General Partner and its Affiliates) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of Unitholders or holders of Outstanding Voting Units whose aggregate Outstanding Voting Units constitute not less than the voting or consent requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), or (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to the General Partner or any of its Affiliates without the General Partner's consent, which consent may be given or withheld in its sole discretion.

(c) Except as provided in Sections 13.1 and 14.3, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests (treating the Common Units as a separate class for this purpose) must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Section 14.3(b), no amendments shall become effective without the approval of Unitholders holding at least 90% of the voting power of the Outstanding Voting Units unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under the Delaware Limited Partnership Act.

(e) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the Unitholders holding of at least 90% of the voting power of the Outstanding Voting Units.

SECTION 13.4. *Special Meetings.*

All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 50% or more of the voting power of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. (For the avoidance of doubt, the Common Units and the Special Voting Units shall not constitute separate classes for this purpose.) Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing, agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner in its sole discretion on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Limited Partnership Act or the law of any other state in which the Partnership is qualified to do business.

SECTION 13.5. *Notice of a Meeting.*

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 16.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

SECTION 13.6. *Record Date.*

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such National Securities Exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals. If the General Partner does not set a Record Date, then (a) the Record Date for determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners shall be the close of business on the day immediately preceding the day on which notice is given, and (b) the Record Date for determining the Limited Partners entitled to give approvals without a meeting shall be the date the first written approval is deposited with the Partnership in care of the General Partner in accordance with Section 13.11.

SECTION 13.7. *Adjournment.*

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

SECTION 13.8. *Waiver of Notice; Approval of Meeting; Approval of Minutes.*

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except (i) when the Limited Partner attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business at such meeting because the meeting is not lawfully called or convened, and (ii) that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

SECTION 13.9. *Quorum.*

The Limited Partners holding of a majority of the voting power of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by Limited Partners holding a greater percentage of the voting power of such Limited Partner Interests, in which case the quorum shall be such greater percentage. (For the avoidance of doubt, the Common Units and the Special Voting Units shall not constitute separate classes for this purpose.) At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent a majority of the voting power of the Outstanding Limited Partner Interests entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under this Agreement, in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or different percentage of the voting power shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of the voting power of Outstanding Limited Partner Interests specified in this Agreement (including Outstanding Limited Partner Interests deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of Limited Partners holding at least a majority of the voting power of the Outstanding Limited Partner Interests entitled to vote at such meeting (including Outstanding Limited Partner Interests deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

SECTION 13.10. *Conduct of a Meeting.*

The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner

shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem necessary or advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals, proxies and votes in writing.

SECTION 13.11. *Action Without a Meeting.*

If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting, without a vote and without prior notice, if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the voting power of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests or a class thereof are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The General Partner may specify that any written ballot, if any, submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner in its sole discretion. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners, the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners. Nothing contained in this Section 13.11 shall be deemed to require the General Partner to solicit all Limited Partners in connection with a matter approved by the requisite percentage of the voting power of Limited Partners or other holders of Outstanding Voting Units acting by written consent without a meeting.

SECTION 13.12. *Voting and Other Rights.*

(a) Only those Record Holders of the Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "*Outstanding*") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests. Each Common Unit shall entitle the holder thereof to one vote for each Common Unit held of record by such holder as of the relevant Record Date.

(b) With respect to Limited Partner Interests that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the

foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the Beneficial Owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

SECTION 13.13. *Participation of Special Voting Units in All Actions Participated in by Common Units.*

(a) Notwithstanding any other provision of this Agreement, the Delaware Limited Partnership Act or any applicable law, rule or regulation, each of the Partners and each other Person who may acquire an interest in Partnership Securities hereby agrees that the holders of Special Voting Units (other than the Partnership and its Subsidiaries) shall be entitled to receive notice of, be included in any requisite quora for and participate in any and all approvals, votes or other actions of the Partners on an equivalent basis as, and treating such Persons for all purposes as if they are, Limited Partners holding Common Units (including, without limitation, the notices, quora, approvals, votes and other actions contemplated by Sections 4.6(a), 7.3, 7.7(c), 7.9(a), 11.1(b), 11.2, 12.1(b), 12.2, 12.3, 13.2, 13.3, 13.4, 13.5, 13.6, 13.8, 13.9, 13.10, 13.11, 13.12, 14.3 and 16.1 hereof), including any and all notices, quora, approvals, votes and other actions that may be taken pursuant to the requirements of the Delaware Limited Partnership Act or any other applicable law, rule or regulation. This Agreement shall be construed in all cases to give maximum effect to such agreement.

Each holder of a Special Voting Unit (other than the Partnership and its Subsidiaries) shall be entitled, as such, to a number of Limited Partner votes that is equal to the aggregate number of Blackstone Holdings Partnership Units held of record by such holder as of the relevant Record Date. The number of votes to which each holder of a Special Voting Unit shall be entitled shall be adjusted accordingly if (i) a Limited Partner holding Common Units, as such, shall become entitled to a number of votes other than one for each Common Unit held and/or (ii) under the terms of the Exchange Agreement the holders of Blackstone Holdings Partnership Units party thereto shall become entitled to exchange each such unit for a number of Common Units other than one. The holders of Special Voting Units shall vote together with the Limited Partners holding Common Units as a single class and, to the extent that the Limited Partners holding Common Units shall vote together with the holders of any other class of Partnership Interest, the holders of Special Voting Units shall also vote together with the holders of such other class of Partnership Interests on an equivalent basis as the Limited Partners holding Common Units.

(b) Notwithstanding anything to the contrary contained in this Agreement, and in addition to any other vote required by the Delaware Limited Partnership Act or this Agreement, the affirmative vote of the holders of at least a majority of the voting power of the Special Voting Units (excluding Special Voting Units held by the Partnership and its Subsidiaries) voting separately as a class shall be required to alter, amend or repeal this Section 13.13 or to adopt any provision inconsistent therewith.

ARTICLE XIV

MERGER

SECTION 14.1. *Authority.*

The Partnership may merge or consolidate or otherwise combine with or into one or more corporations, limited liability companies, statutory trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a partnership (whether general or limited (including a limited liability partnership or a limited liability limited partnership)), formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger, consolidation or other business combination ("*Merger Agreement*") in accordance with this Article XIV.

SECTION 14.2. *Procedure for Merger, Consolidation or Other Business Combination.*

Merger, consolidation or other business combination of the Partnership pursuant to this Article XIV requires the prior consent of the General Partner, provided however that, to the fullest extent permitted by law, the General Partner shall have no duty or obligation to consent to any merger, consolidation or other business combination of the Partnership and, to the fullest extent permitted by law, may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Partnership, any Limited Partner or any other Person bound by this Agreement and, in declining to consent to a merger, consolidation or other business combination, shall not be required to act pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Limited Partnership Act or any other law, rule or regulation or at equity. If the General Partner shall determine, in the exercise of its sole discretion, to consent to the merger, consolidation or other business combination, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge, consolidate or combine;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger, consolidation or other business combination (the "*Surviving Business Entity*");

(c) The terms and conditions of the proposed merger, consolidation or other business combination;

(d) The manner and basis of converting or exchanging the equity securities of each constituent business entity for, or into, cash, property or interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be converted or exchanged solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or interests, rights, securities or obligations of any general or limited partnership, corporation, trust, limited liability company, unincorporated business or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive upon conversion of, or in exchange for, their interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust, limited liability company, unincorporated business or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership, operating agreement or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger, consolidation or other business combination;

(f) The effective time of the merger, consolidation or other business combination which may be the date of the filing of the certificate of merger or consolidation or similar certificate pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided that if the effective time of such transaction is to be later than the date of the filing of such certificate, the effective time shall be fixed at a date or time certain at or prior to the time of the filing of such certificate and stated therein); and

(g) Such other provisions with respect to the proposed merger, consolidation or other business combination that the General Partner determines in its sole discretion to be necessary or appropriate.

SECTION 14.3. *Approval by Limited Partners of Merger, Consolidation or Other Business Combination.*

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement and the merger, consolidation or other business combination contemplated thereby be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement and the merger, consolidation or other business combination contemplated thereby shall be approved upon receiving the affirmative vote or consent of the holders of a majority of the voting power of Outstanding Voting Units.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger or consolidation or similar certificate pursuant to Section 14.4, the merger, consolidation or other business combination may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, without Limited Partner approval, to convert the Partnership or any Group Member into a new limited liability entity, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity, which shall be newly formed and shall have no assets, liabilities or operations at the time of such conversion, merger or conveyance other than those it receives from the Partnership or other Group Member; provided that (A) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner, (B) the sole purpose of such conversion, merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (C) the governing instruments of the new entity provide the Limited Partners and the General Partner with substantially the same rights and obligations as are herein contained.

SECTION 14.4. *Certificate of Merger or Consolidation.*

Upon the required approval by the General Partner and the Unitholders of a Merger Agreement and the merger, consolidation or business combination contemplated thereby, a certificate of merger or consolidation or similar certificate shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Limited Partnership Act.

SECTION 14.5. *Amendment of Partnership Agreement.*

Pursuant to Section 17-211(g) of the Delaware Limited Partnership Act, an agreement of merger, consolidation or other business combination approved in accordance with this Article XIV may (a) effect any amendment to this Agreement or (b) effect the adoption of a new partnership agreement for a limited partnership if it is the Surviving Business Entity. Any such amendment or adoption made pursuant to this Section 14.5 shall be effective at the effective time or date of the merger, consolidation or other business combination.

SECTION 14.6. *Effect of Merger.*

(a) At the effective time of the certificate of merger or consolidation or similar certificate:

(i) all of the rights, privileges and powers of each of the business entities that has merged, consolidated or otherwise combined, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger, consolidation or other business combination shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger, consolidation or other business combination;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger, consolidation or other business combination effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV

RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

SECTION 15.1. *Right to Acquire Limited Partner Interests.*

(a) Notwithstanding any other provision of this Agreement, if at any time less than 10% of the total Limited Partner Interests of any class then Outstanding (other than Special Voting Units) is held by Persons other than the General Partner and its Affiliates, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15.1(b) is mailed and (y) the highest price paid by the General Partner or any of its Affiliates for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "*Current Market Price*" as of any date of any class of Limited Partner Interests means the average of the daily Closing Prices per limited partner interest of such class for the 20 consecutive Trading Days immediately prior to such date; (ii) "*Closing Price*" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange, the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the primary reporting system then in use in relation to such Limited Partner Interest of such class, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General

Partner in its sole discretion, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined by the General Partner in its sole discretion; and (iii) "*Trading Day*" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "*Notice of Election to Purchase*") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and circulated in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such Limited Partner Interests (in the case of Limited Partner Interests evidenced by Certificates, upon surrender of Certificates representing such Limited Partner Interests) in exchange for payment at such office or offices of the Transfer Agent as the Transfer Agent may specify or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest (in the case of Limited Partner Interests evidenced by Certificates, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests) and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

ARTICLE XVI

GENERAL PROVISIONS

SECTION 16.1. *Addresses and Notices.*

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner at the address described below.

Any notice, payment or report to be given or made to a Partner hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise.

Notwithstanding the foregoing, if (i) a Partner shall consent to receiving notices, demands, requests, reports or proxy materials via electronic mail or by the Internet or (ii) the rules of the Commission shall permit any report or proxy materials to be delivered electronically or made available via the Internet, any such notice, demand, request, report or proxy materials shall be deemed given or made when delivered or made available via such mode of delivery.

An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report given or made in accordance with the provisions of this Section 16.1 is returned marked to indicate that such notice, payment or report was unable to be delivered, such notice, payment or report and, in the case of notices, payments or reports returned by the United States Postal Service (or other physical mail delivery mail service outside the United States of America), any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) or other delivery if they are available for the Partner at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner or other Person if believed by it to be genuine.

SECTION 16.2. *Further Action.*

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 16.3. *Binding Effect.*

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns. The Indemnitees and their heirs, executors, administrators and successors shall be entitled to receive the benefits of this Agreement.

SECTION 16.4. *Integration.*

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 16.5. *Creditors.*

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 16.6. *Waiver.*

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

SECTION 16.7. *Counterparts.*

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Limited Partner Interest pursuant to Section 10.2(a), without execution hereof.

SECTION 16.8. *Applicable Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 16.9. *Invalidity of Provisions.*

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

SECTION 16.10. *Consent of Partners.*

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

SECTION 16.11. *Facsimile Signatures.*

The use of facsimile signatures affixed in the name and on behalf of the transfer agent and registrar of the Partnership on certificates representing Common Units is expressly permitted by this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above:

GENERAL PARTNER:

BLACKSTONE GROUP MANAGEMENT L.L.C.

By: _____

Name:
Title:

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited Partners of the Partnership, pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the General Partner or without execution hereof pursuant to Section 10.2(a).

BLACKSTONE GROUP MANAGEMENT L.L.C.

By: _____

Name:
Title:

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the expenses payable by the Registrant in connection with the issuance and distribution of the common units being registered hereby. All of such expenses are estimates, other than the filing and listing fees payable to the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and the New York Stock Exchange.

Filing Fee Securities and Exchange Commission	$ 122,800
Fee National Association of Securities Dealers	75,500
Listing Fee New York Stock Exchange	250,000
Fees and Expenses of Counsel	*
Printing Expenses	*
Fees and Expenses of Accountants	*
Blue Sky Fees and Expenses	*
Transfer Agent Fees and Expenses	*
Miscellaneous Expenses	*
Total	*

*
To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The section of the prospectus entitled "Material Provisions of The Blackstone Group L.P. Partnership Agreement Indemnification" discloses that we will generally indemnify our general partner, officers, directors and affiliates of the general partner and certain other specified persons to the fullest extent permitted by the law against all losses, claims, damages or similar events and is incorporated herein by this reference. Subject to any terms, conditions or restrictions set forth in the partnership agreement, Section 17-108 of the Delaware Revised Uniform Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other persons from and against all claims and demands whatsoever.

We currently maintain liability insurance for our directors and officers. In connection with this offering, we will obtain additional liability insurance for our directors and officers. Such insurance would be available to our directors and officers in accordance with its terms.

Reference is made to the form of underwriting agreement to be filed as Exhibit 1.1 hereto for provisions providing that the underwriters are obligated under certain circumstances to indemnify our directors, officers and controlling persons against certain liabilities under the Securities Act of 1933, as amended.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Not applicable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Index

1.1	Underwriting Agreement*
3.1	Certificate of Limited Partnership of The Blackstone Group L.P.
3.2	Form of Amended and Restated Agreement of Limited Partnership of The Blackstone Group L.P. (included as Appendix A to the prospectus)
5.1	Opinion of Simpson Thacher & Bartlett LLP regarding validity of the common units registered*
8.1	Opinion of Simpson Thacher & Bartlett LLP regarding certain tax matters*
10.1	Form of Limited Partnership Agreement of Blackstone Holdings I L.P.*
10.2	Form of Limited Partnership Agreement of Blackstone Holdings II L.P.*
10.3	Form of Limited Partnership Agreement of Blackstone Holdings III L.P.*
10.4	Form of Limited Partnership Agreement of Blackstone Holdings IV L.P.*
10.5	Form of Limited Partnership Agreement of Blackstone Holdings V L.P.*
10.6	Form of Tax Receivable Agreement*
10.7	Form of Exchange Agreement*
10.8	Form of Registration Rights Agreement*
10.9	Form of 2007 Equity Incentive Plan*
21.1	Subsidiaries of The Blackstone Group L.P.*
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Simpson Thacher & Bartlett LLP (included as part of Exhibit 5.1)*
24.1	Power of Attorney (included on signature pages to this Registration Statement)

* To be filed by amendment.

ITEM 17. UNDERTAKINGS

(1) The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is,

therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(3)

The undersigned Registrant hereby undertakes that:

(A)

For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(B)

For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 22nd day of March, 2007.

THE BLACKSTONE GROUP L.P.
By: Blackstone Group Management L.L.C., its general partner

By: /s/ STEPHEN A. SCHWARZMAN

Name: Stephen A. Schwarzman
Title: Chairman and Chief Executive Officer

POWER OF ATTORNEY

Know all men by these presents, that the undersigned directors and officers of the general partner of Registrant, which is filing a Registration Statement on Form S-1 with the Securities and Exchange Commission, Washington, D.C. 20549 under the provisions of the Securities Act of 1933 hereby constitute and appoint Stephen A. Schwarzman, Hamilton E. James, Michael A. Puglisi and Robert L. Friedman, and each of them, the individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the person and in his or her name, place and stead, in any and all capacities, to sign such registration statement and any or all amendments, including post-effective amendments to the registration statement, including a prospectus or an amended prospectus therein and any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act, and all other documents in connection therewith to be filed with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact as agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on the 22nd day of March, 2007.

Signature	Title
/s/ STEPHEN A. SCHWARZMAN Stephen A. Schwarzman	Chairman and Chief Executive Officer and Director (principal executive officer)
/s/ PETER G. PETERSON Peter G. Peterson	Director
/s/ HAMILTON E. JAMES Hamilton E. James	Director

/s/ J. TOMILSON HILL J. Tomilson Hill	Director
/s/ MICHAEL A. PUGLISI Michael A. Puglisi	Chief Financial Officer
/s/ DENNIS WALSH Dennis Walsh	Principal Accounting Officer

QuickLinks